FletcherBuilding

INTERNATIONAL FINANCIAL REPORTING STANDARDS

MARCH 2006

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The group has disclosed the impact of adopting New Zealand standards which comply with International Financial Reporting Standards (NZ IFRS) in the 2004 and 2005 annual reports. As required by NZ IFRS 1 this information is also required to be disclosed in the first set of financial statements which comply with NZ IFRS and for the group this is for the six months ended 31 December 2005.

This information has been disclosed in the December 2005 interim report in a summary form and the readers of the report are referred to the 2005 annual report and this website for a full explanation of the adjustments.

The revised accounting policies of the group under NZ IFRS and a full explanation of the adjustments to earnings, equity and the balance sheet as described are as follows. There has been no impact on the statement of cashflows.

This information will also be included in the 2006 annual report.

Go directly to a section of the document by clicking on a number below.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006

Basis of presentation

The financial statements presented are those of Fletcher Building Limited (the company) and its subsidiaries (the group). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The registered office of the company is 810 Great South Road, Penrose, Auckland.

The financial statements comprise the earnings statement, statement of movements in equity, balance sheet, statement of cashflows, and significant accounting policies, as well as the notes to these financial statements.

Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that financial assets and liabilities as described below are stated at their fair value. These financial statements have been prepared in accordance with New Zealand standards that comply with International Financial Reporting Standards (NZ IFRS). The financial statements for the year ended 30 June 2006 are the first annual financial statements prepared under New Zealand Equivalent to International Financial Reporting Standard 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1).

The group's financial statements were previously prepared under New Zealand generally accepted accounting practice (NZ GAAP). Reconciliations and descriptions of the effects of the transition from NZ GAAP to NZ IFRS including the impact on the group's earnings, equity and balance sheet are provided in the notes to the financial statements, as attached.

The policies set out as follows have been consistently applied to the comparative year and the 30 June 2004 opening balance sheet, except those relating to the classification and measurement of financial instruments. The group has used the exemptions available under NZ IFRS 1 to only apply NZ IAS 32 and NZ IAS 39 "Financial Instruments" from 1 July 2005 and comparative balances have not been restated for these, and instead follow the treatment under previous NZ GAAP.

The accounting policies have been applied consistently by all group entities, except as disclosed in note 1, on changes in accounting policies.

Estimates

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

Basis of consolidation

The consolidated financial statements comprise the company and its subsidiaries and the group's interest in associates, partnerships and joint ventures. Inter-company transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries

Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation, from the date control commences until the date control ceases.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Associates

The equity method has been used for associate entities in which the group has a significant but not controlling interest.

Goodwill on acquisition

Fair values are assigned to the identifiable assets and liabilities of subsidiaries and associates of the group at the date they are acquired. Goodwill arises to the extent of the excess of the cost of the acquisition over the fair value of the assets and liabilities.

Goodwill is stated at cost, less any impairment losses. Goodwill is allocated to cash generating units and is no longer amortised, but is tested annually for impairment. Goodwill in respect of associates is included in the carrying amount of associates. Negative goodwill, or a discount on acquisition is recognised directly in earnings on acquisition.

Joint ventures and partnerships

Where the ownership interest in the joint venture is in the net residue of the business and does not give rise to an economic or controlling interest in excess of 50 percent, the share of the net assets and liabilities and earnings of the investment is included on an equity basis. If the interest does give rise to a controlling interest in excess of 50 percent, the investment is consolidated.

Joint ventures in which the ownership interest is directly in the assets and liabilities, rather than the net residue, are included on a proportional basis with assets, liabilities, revenues and expenses based on the group's proportional interest.

Valuation of assets

Land, buildings, plant and machinery, fixtures and equipment

The cost of purchasing land, buildings, plant and machinery, fixtures 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 the condition necessary for their intended service, including subsequent expenditure.

The costs of self constructed assets include, where appropriate, the costs of all materials used in construction, direct labour on the project, site preparation and installation costs, costs of obtaining resource consents, financing costs that are directly attributable to the project, variable and fixed overheads and unrecovered operating costs incurred during planned commissioning. Costs cease to be capitalised as soon as the asset is ready for productive use. All feasibility costs are expensed as incurred.

Leases in which the group assumes substantially all the risks and rewards of ownership are classified as finance leases and are measured at the lower of their fair value or the present value of the minimum lease payments at the inception of the lease.

Certain items of land, buildings, and plant and machinery that had been revalued to fair value prior to 30 June 2004 are, upon adoption of NZ IFRS, measured on the basis of deemed historic cost. Fixtures and equipment, and leased assets are measured at cost.

Land, buildings, plant and machinery, leased assets and fixtures and equipment are stated at cost, less accumulated depreciation.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Investments

Investments are valued at historical cost. Impairments in the value of investments are written off to earnings as they arise.

Stocks

Trading stock, raw materials and work in progress are valued at the lower of cost or net realisable value, determined principally on the first-in, first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels.

Debtors

Debtors are valued at estimated net realisable value. The valuation is net of a specific provision maintained for doubtful debts. All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable.

Cash

Cash and liquid deposits comprise cash and demand deposits with banks or other financial institutions and highly liquid investments that are readily convertible to cash.

Impairment

Impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined to be the greater of the fair value, less disposal costs or the sum of expected future discounted net cashflows arising from the ownership of the asset. Future net cashflows take into account the remaining useful life and the expected period of continued ownership, including any intended disposals, and any costs or proceeds expected to eventuate at the end of the remaining useful life or the end of the expected period of continued ownership.

For the purposes of considering whether there has been an impairment, assets are grouped at the lowest level for which there are identifiable cashflows that are largely independent of the cashflows of other groups of assets. When an impairment loss arises the impairment is measured as the amount by which the book value exceeds the recoverable amount and is recognised in earnings immediately.

Goodwill and brands with an indefinite life are tested for impairment in June of each year and as at June 2005 no indication of impairment existed. Other assets are tested for impairment when an indication of impairment exists.

Brands

Brands for which all relevant factors indicate that there is no limit to the foreseeable net cashflows, are considered to have an indefinite useful life and are held at cost and are not amortised, but are subject to an annual impairment test.

Retirement plans

The group's net asset in respect of its retirement plans is calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The recognised asset is limited to the total value of any unrecognised losses and the present value of any future refunds from the plans or reductions in future contributions to the plans.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Foreign currency

Translation of the financial statements of foreign operations

The assets and liabilities of the group's overseas operations are translated into New Zealand currency at the rates of exchange ruling at balance date. The revenue and expenditure of these entities are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising on the translation of these entities are recognised directly in the currency translation reserve.

Exchange differences

Monetary assets and liabilities in foreign currencies at balance date which are not covered by forward exchange contracts, are translated at the rates of exchange ruling at balance date. Monetary assets and liabilities in foreign currencies at balance date which are covered by forward exchange contracts, are effectively translated at the exchange rates specified in those contracts.

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined.

Net investments in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the currency translation reserve and are released to earnings upon disposal. All differences which arose prior to 30 June 2004 have, upon adoption of NZ IFRS, been transferred to retained earnings.

Valuation of liabilities

Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate swaps, currency swaps, options, forward rate agreements and commodity price swaps are utilised to reduce exposure to market risks.

Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All the group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed sales and purchases. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed.

Derivative financial instruments are reported in the financial statements on a basis consistent with the underlying hedged item. The fair value of derivative financial instruments, as disclosed in the financial instrument note, is estimated based on quoted market prices.

The group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability which the instrument hedges no longer exists, in which case early termination occurs.

Derivative financial instruments are initially recorded at cost and are then revalued to fair value at each balance sheet date. The gain or loss on revaluation is recorded either in earnings or equity depending on whether the instruments qualify for hedge accounting and the nature of the item being hedged. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Fair value hedges

Where a derivative financial instrument is designated as a hedge of a recognised asset or liability, or a firm commitment, any gain or loss is recognized directly in earnings together with any changes in the fair value of the hedged item.

Cashflow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cashflows of assets or liabilities, or of a highly probable forecasted transaction, the effective part of any gain or loss is recognised directly in equity and the ineffective part of any gain or loss is recognised immediately in earnings. The effective portion is transferred to earnings when the underlying cashflows affect earnings.

Net investment hedges

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for similarly to cashflow hedges.

Derivatives that do not qualify for hedge accounting

Where a derivatives financial instrument does not qualify for hedge accounting, or where hedge accounting has not been elected, any gain or loss is recognised directly in earnings.

Taxation

The provision for current tax is the estimated amount due for payment during the next 12 months by the group. The provision for deferred taxation has been calculated using the balance sheet liability method. Deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities and their taxable value.

Deferred tax assets are not recognised unless recovery is considered probable.

The deferred tax liability on brands has been recognised separately from other deferred tax items, as the brands have an indefinite life and the deferred tax liability will not crystallise, except in the event of a writedown in the value of the brands.

Finance leases

Finance leases are capitalised to reflect the term borrowing incurred and the cost of the asset acquired. Such obligations are classified within term debt. The finance cost portion of lease payments is written off to earnings. The leased asset is depreciated on a straight line basis over the estimated useful life of the asset with regard to residual values.

Borrowings

Interest bearing borrowings are initially recognised at fair value, less any transaction costs, which are amortised over the period of the loans.

Provisions

A provision is recognised when the group has a current obligation and it is probable that economic benefits will be required to settle this.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Income determination

Sales recognition

Sales are recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer. Earnings on residential contracts are recognised on settlement.

Construction contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. Earnings are not recognised until provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.

Investment revenue

Dividends and distributions are taken to earnings when received, or accrued where declared prior to balance date.

Funding costs

Net funding costs comprise interest expense, interest income, amortisation of prepaid expenses and gains/losses on certain financial instruments that are recognised in earnings.

Depreciation

Depreciation of fixed assets is calculated on the straight line method. Expected useful lives, which are regularly reviewed on a weighted average basis are:

Buildings	30 years
Plant and machinery	13 years
Fixtures and equipment	5 years
Leased assets capitalised	10 years

Leasing commitments

Expenditure arising from operating leasing commitments is written off to earnings in the period in which it is incurred.

Retirement plan expense

Obligations for contributions to defined contribution plans are recognised in earnings as incurred. The actuarial cost of providing benefits for defined benefit plans is expensed as it accrues over the service life of the employees, after taking account of the income earned by the income generating assets owned by the plan.

All actuarial losses at 30 June 2004, being the date of transition to NZ IFRS, were written off to retained earnings. Any actuarial gains or losses since 30 June 2004 are amortised to earnings over the remaining average service life of plan members employed by the group.

Long service leave

Long service leave is recognised in earnings on an actuarial basis.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2006

Research and development

Expenditure on research activities is recognised in earnings as incurred.

Employee share purchase scheme

The employee share purchase scheme allows group employees to acquire shares in the company at a discount to the market price, funded by an interest free loan from the group. The fair value of the discount is measured at the grant date and this is expensed to earnings immediately.

Dividends are paid in cash to the employees who repay the loan from their weekly earnings. The shares are held in trust for the employees by the Trustee, Fletcher Building Share Schemes Limited until they vest after a three year restricted period. The group recognises the receivable owing from the employees in other receivables.

Executive performance share scheme

The executive performance share scheme allows group executives to acquire shares in the company at market price, funded by an interest free loan from the group. The executives are entitled to vote on the shares and to receive dividends, the proceeds of which are used to repay the loan. The shares are held in trust for the executives by the Trustee, Fletcher Building Share Schemes Limited.

At the end of the three year restricted period the group will pay a bonus to the executives to the extent that performance targets have been met, the after tax amount of which will be sufficient for the executives to repay the balance of the loan for the shares which vest. The group will recognise an expense in earnings over the three year restricted period to provide for the maximum bonus payable.

The group is accounting for the executive performance share scheme under the treasury stock method. The receivable owing from the executives, representing the shares held in the group will be deducted from the group's paid up capital. If the performance targets are not met and the shares do not vest, the after tax amount of the bonus provision will be transferred to equity and will not be released to earnings. The shares will continue to be deducted from equity until they are disposed of by the Trustee. If the performance targets are met and the shares vest, the bonus will be paid enabling repayment of the loan and paid up capital will increase back to its full amount.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand standards which comply with International Financial Reporting Standards (NZ IFRS) will apply to New Zealand entities for periods commencing 1 January 2007. Entities also have the option of early adoption from 1 January 2005, in line with Australian and European requirements.

The group's financial statements will comply with NZ IFRS for the year commencing 1 July 2005. The first interim financial statements prepared under NZ IFRS are for the six months ended 31 December 2005 and the first annual financial statements will be for the year ended 30 June 2006.

In preparing the 31 December 2005 interim financial statements using NZ IFRS, the group has restated the comparative financial statements, except for financial instruments. As permitted by NZ IFRS 1, the group has adopted IAS 32 and IAS 39 "Financial Instruments" prospectively from 1 July 2005, and comparative balances have not been restated. Most adjustments required on transition to NZ IFRS were made retrospectively against opening retained earnings at 30 June 2004, however transitional adjustments relating to those standards where comparatives are not required, were made at 1 July 2005.

The impact of adjustments on the financial statements is set out as follows:

1 Remeasurement of business combinations

1a The group will apply NZ IFRS to all business combinations that have occurred since 1 July 2002 and will re-perform the fair value exercise, including the acquisition of the Laminex group in November 2002, the Tasman Building Products group in September 2003 and the Amatek group in March 2005. A deferred tax liability of $62 million at June 2005 (December 2004 $50 million; June 2004 $51 million) in respect of brands will be recognised, increasing goodwill.

1b Goodwill of $24 million amortised to June 2005 (December 2004 $19 million; June 2004 $13 million) will be reversed, with the $13 million at June 2004 to retained earnings. $11 million and $6 million amortised in the year to June 2005 and the six months ended December 2004 respectively will be reversed to the earnings statement. The total amount of goodwill reversed comprises $18 million amortisation of goodwill and $6 million of goodwill amortised on investments in associates under the equity method of accounting at June 2005 (December 2004 $14 million, $5 million; June 2004 $9 million, $4 million).

1c The re-performance of the fair value exercise has resulted in additional goodwill of $2 million being recognised at June 2005 as a result of the reduction of the pension asset recognised on the Amatek acquisition.

1d Redundancy costs of $3 million ($2 million net of tax) charged to goodwill by the Amatek group, will under NZ IFRS, be written off to earnings for the year and goodwill will reduce accordingly.

2 Goodwill

Goodwill relating to the acquisition of the Laminex group, the Tasman Building Products group and the Amatek group was previously amortised over 20 years. NZ IFRS does not permit this to be amortised, but subjects this to an annual impairment test. This has increased earnings by $11 million in the year ended June 2005 (six months ended December 2004 $6 million), including goodwill amortised on investments in associates.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

3 Defined benefit scheme obligations

3a The group previously accounted for its retirement plans under NZ GAAP in accordance with Statement of Financial Accounting Standard (FAS) 87, Employers Accounting for Pensions. The unamortised losses of $57 million recognised at June 2004 and an increase in the pension obligation of $7 million as at June 2004 which must be recognised under NZ IFRS, results in $64 million being written off the investment value against retained earnings upon first time adoption of NZ IFRS.

3b Under NZ GAAP the unamortised loss would be amortised over ten years and the change in policy has increased earnings by $8 million in the year ended June 2005 (six months ended December 2004 $5 million). The ongoing accounting for these plans under NZ IFRS is broadly similar to that currently required under FAS 87.

3c The net pension asset recognised upon the acquisition of the Amatek group has decreased by $2 million under NZ IFRS compared to the asset recognised under FAS 87. This has increased the goodwill recognised in the acquisition.

4 Taxation

NZ IFRS requires the use of the balance sheet approach rather than the profit and loss account approach required under NZ GAAP. This will require the recognition for the first time of the following deferred tax assets or liabilities.

4a A deferred tax liability of $7 million on asset revaluations above historic cost at June 2005 (December 2004 $7 million; June 2004 $7 million).

4b A deferred tax liability on the value of brands of $62 million at June 2005 (December 2004 $50 million; June 2004 $51 million).

4c A deferred tax benefit will be recognised on long service obligations of $5 million at June 2005 (December 2004 $5 million; June 2004 $5 million).

4d A deferred tax liability will be recognised on the value of the retirement plans of $4 million at June 2005 (December 2004 $3 million; June 2004 $3 million).

4e A deferred tax liability will be recognised on the fair value of financial instruments of $1 million at 1 July 2005.

5 Financial instruments

Accounting for financial instruments under NZ IFRS involves some major changes from NZ GAAP. NZ IFRS is very prescriptive on when a financial derivative can be considered an effective hedge of an underlying position or future cashflow. All derivative contracts will be carried at fair value on the group's balance sheet. If a derivative financial transaction does not qualify for hedge accounting or where hedge accounting has not been elected, the fair value movement will be taken to earnings. If a derivative financial transaction does qualify for hedge accounting as a cashflow hedge or net investment hedge, the fair value movement will be taken to a reserve within equity. If a derivative financial transaction does qualify for hedge accounting as a fair value hedge, the fair value movement on the derivative and the underlying item being hedged will be taken to earnings. As all of the financial derivative instruments entered into are to protect the group's current position and are not speculative in nature, the majority of instruments will qualify for hedge accounting. Upon first time adoption of NZ IFRS a fair value gain of $4 million ($3 million net of tax) will be recognised against retained earnings at 1 July 2005. In addition NZ IFRS requires prepaid expenses of $3 million to be netted off against the liability, rather than being shown as a separate asset, as currently treated under NZ GAAP.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

6 **Long service leave**

Long service leave is currently recognised when vests, whereas under NZ IFRS this is recognised on an actuarial basis.

7 **Deemed historic cost adjustment to fixed assets**

The carrying value of certain previously revalued items of land, buildings, and plant and machinery will be deemed as the historic cost upon first time adoption of NZ IFRS and accordingly will not be revalued going forward. Accordingly the balance of the asset revaluation reserve of $46 million at June 2004 will be transferred to retained earnings from the revaluation reserves. There will be no impact to equity, asset values or earnings from this change in policy.

8 **Foreign currency translation reserve**

The balance of the foreign currency translation reserve of $(38) million at June 2004 will be transferred to retained earnings from the foreign currency translation reserve upon first time adoption of NZ IFRS. There will be no impact on earnings or equity from this change.

9 **Treasury Stock**

In June 2005 an employee trust established by the company purchased 425,802 Fletcher Building shares for $2,803,117 under the Executive Performance Share Scheme, details of which were provided in the 2005 annual report. The shares are held by the trustee although the beneficial interest is held by the executives to whom they have been allocated. The group has now decided that these shares should be accounted for under the treasury stock method of accounting, whereby the shares are charged against capital of the group and are not held as a separate asset. Accordingly a charge of $3 million representing the shares purchased in June 2005 has been made to reduce equity.

EARNINGS STATEMENT

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	Reported Using NZ GAAP NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustment Goodwill NZ$M	Adjustment Retirement Plans NZ$M	Adjustment Redundancy Costs NZ$M	Adjustments Total NZ$M	Reported Using NZ IFRS NZ$M
				1b, 2	3b	1d		
Operating revenue		4,663	(4,663)					
Operating expenses		(4,067)	4,067					
Sales			4,636					4,636
Cost of goods sold			(3,304)					(3,304)
Gross margin			1,332					1,332
Selling and marketing expenses			(391)					(391)
Administration expenses	1d, 3b		(362)		8	(3)	5	(357)
Share of profits of associates	1b, 2		25	2			2	27
Other gains/(losses)			2					2
Amortisation of goodwill and intangibles	1b, 2		(10)	9			9	(1)
Operating earnings (EBIT)		596		11	8	(3)	16	612
Funding costs		(77)						(77)
Earnings before taxation		519		11	8	(3)	16	(535)
Taxation expense		(167)				1	1	(166)
Earnings after taxation		352		11	8	(2)	17	369
Minority interest		(22)						(22)
Net earnings		330		11	8	(2)	17	347
Net earnings per share (cents)								
Basic		73.8						77.6
Diluted		69.8						73.2
Weighted average number of shares outstanding (millions of shares)								
Basic		447						447
Diluted		504						504
Dividends declared per share (cents)		32.0						32.0

* The earnings statement has been reclassified in order to comply with the functional disclosures required under NZ IFRS. There has been no change in net earnings from this reclassification.

EARNINGS STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2004

	NOTES	Reported Using NZ GAAP NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustment Goodwill NZ$M 1b, 2	Adjustment Retirement Plans NZ$M 3b	Adjustments Total NZ$M	Reported Using NZ IFRS NZ$M
Operating revenue		2,171	(2,171)				
Operating expenses		(1,883)	1,883				
Sales			2,159				2,159
Cost of goods sold			(1,541)				(1,541)
Gross margin			618				618
Selling and marketing expenses			(176)				(176)
Administration expenses	3b		(163)		5	5	(158)
Share of profits of associates	1b, 2		13	1		1	14
Other gains/(losses)			1				1
Amortisation of goodwill and intangibles	1b, 2		(5)	5		5	
Operating earnings (EBIT)		288		6	5	11	299
Funding costs		(33)					(33)
Earnings before taxation		255		6	5	11	266
Taxation expense		(82)					(82)
Earnings after taxation		173		6	5	11	184
Minority interest		(12)					(12)
Net earnings		161		6	5	11	172
Net earnings per share (cents)							
Basic		36.7					39.2
Diluted		36.5					36.7
Weighted average number of shares outstanding (millions of shares)							
Basic		439					439
Diluted		501					501
Dividends declared per share (cents)		15.0					15.0

* The earnings statement has been reclassified in order to comply with the functional disclosures required under NZ IFRS. There has been no change in net earnings from this reclassification.

BALANCE SHEET

AS AT JUNE 2005 AND 1 JULY 2005

	NOTES	Reported Using NZ GAAP June 2005 NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Adjustment Redundancy Costs NZ$M	Adjustment Treasury Stock NZ$M	Reclassify Balances Within Statement* NZMNZM	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS June 2005 NZ$M	Adjustment Financial Instruments 1 July 2005 NZ$M	Reported Using NZ IFRS 1 July 2005 NZ$M
			1a, 4b	1b	7	8	1c, 3	4c, 6	4a	5	4d	1d	9				4e, 5	
Assets																		
Current assets:																		
Cash and liquid deposits		52														52		52
Stocks		616														616		616
Debtors	5, 9	823								(3)			(3)		(6)	817	4	821
Total current assets		1,491								(3)			(3)		(6)	1,485	4	1,489
Non-current assets:																		
Fixed assets		1,392														1,392		1,392
Goodwill	1	228	62	18			2				1	(2)			81	309		309
Intangibles		205														205		205
Investments in associates	1b			6										97	103	103		103
Investments	3	171					(58)							(97)	(155)	16		16
Provision for deferred taxation	4a, 4c, 4d, 4e	154						5	(7)		(4)				(6)	148	(1)	147
Total non-current assets		2,150	62	24			(56)	5	(7)		(3)	(2)			23	2,173	(1)	2,172
Total assets		3,641	62	24			(56)	5	(7)	(3)	(3)	(2)	(3)		17	3,658	3	3,661

* The balance sheet has been reclassified in order to comply with the functional disclosures required under NZ IFRS.

BALANCE SHEET (CONTINUED)

AS AT JUNE 2005 AND 1 JULY 2005

	NOTES	Reported Using NZ GAAP June 2005 NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Adjustment Redundancy Costs NZ$M	Adjustment Treasury Stock NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS June 2005 NZ$M	Adjustment Financial Instruments 1 July 2005 NZ$M	Reported Using NZ IFRS 1 July 2005 NZ$M
			1a, 4b	1b	7	8	1c, 3	4c, 6	4a	5	4d	1d	9				4e, 5	
Liabilities																		
Current liabilities:																		
Short-term loans		6														6		6
Accruals and provisions		193												(16)	(16)	177		177
Creditors		674												(14)	(14)	660		660
Contracts		93														93		93
Provision for current taxation		1														1		1
Capital notes		33														33		33
Term debt		292														292		292
Total current liabilities		1,292												(30)	(30)	1,262		1,262
Non-current liabilities:																		
Accruals and provisions	4c, 6							16						30	46	46		46
Provision for deferred taxation	1a, 4b		62												62	62		62
Capital notes	5	317								(3)					(3)	314		314
Term debt		547														547		547
Total non-current liabilities		864	62					16		(3)				30	105	969		969
Total liabilities		2,156	62					16		(3)					75	2,231		2,231
Equity																		
Reported capital	9	932											(3)		(3)	929		929
Retained earnings	1-4, 6-8	514		24	46	(38)	(56)	(11)	(7)		(3)	(2)			(47)	467		467
Other reserves	5, 7, 8	(4)			(46)	38									(8)	(12)	3	(9)
Shareholders' funds		1,442		24			(56)	(11)	(7)		(3)	(2)	(3)		(58)	1,384	3	1,387
Minority equity		43														43		43
Total equity		1,485		24			(56)	(11)	(7)		(3)	(2)	(3)		(58)	1,427	3	1,430
Total liabilities and equity		3,641	62	24			(56)	5	(7)	(3)	(3)	(2)	(3)		17	3,658	3	3,661

* The balance sheet has been reclassified in order to comply with the functional disclosures required under NZ IFRS.

BALANCE SHEET

AS AT DECEMBER 2004

	NOTES	Reported Using NZ GAAP NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS NZ$M
		1a, 4b	1b	7	8	3	4c, 6	4a	5	4d				
Assets														
Current assets:														
Cash and liquid deposits		91												91
Stocks		534												534
Debtors	5	648								(3)			(3)	645
Total current assets		1,273								(3)			(3)	1,270
Non-current assets:														
Fixed assets		1,048												1,048
Goodwill	1a, 1b	170	50	14									64	234
Intangibles		164												164
Investments in associates	1b			5								92	97	97
Investments	3	163					(59)					(92)	(151)	12
Provision for deferred taxation	4a, 4c, 4d	83						5	(7)		(3)		(5)	78
Total non-current assets		1,628	50	19			(59)	5	(7)		(3)		5	1,633
Total assets		2,901	50	19			(59)	5	(7)	(3)	(3)		2	2,903

* The balance sheet has been reclassified in order to comply with the functional disclosures required under NZ IFRS.

BALANCE SHEET (CONTINUED)

AS AT DECEMBER 2004

	Notes	Reported Using NZ GAAP NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS NZ$M
NOTES			1a, 4b	1b	7	8	3	4c, 6	4a	5	4d			
Liabilities														
Current liabilities:														
Short-term loans		12												12
Accruals and provisions		131										(6)	(6)	125
Creditors		538										(8)	(8)	530
Contracts		87												87
Provision for current taxation		54												54
Capital notes		68												68
Term debt		39												39
Total current liabilities		929										(14)	(14)	915
Non-current liabilities:														
Accruals and provisions	4c, 6							16				14	30	30
Provision for deferred taxation	1a, 4b		50										50	50
Capital notes	5	332								(3)			(3)	329
Term debt		414												414
Total non-current liabilities		746	50					16		(3)		14	77	823
Total liabilities		1,675	50					16		(3)			63	1,738
Equity														
Reported capital		780												780
Retained earnings	1-4, 6-8	415		19	46	(38)	(59)	(11)	(7)		(3)		(53)	362
Other reserves	7, 8	(8)			(46)	38							(8)	(16)
Shareholders' funds		1,187		19			(59)	(11)	(7)		(3)		(61)	1,126
Minority equity		39												39
Total equity		1,226		19			(59)	(11)	(7)		(3)		(61)	1,165
Total liabilities and equity		2,901	50	19			(59)	5	(7)	(3)	(3)		2	2,903

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BALANCE SHEET

AS AT JUNE 2004

	NOTES	Reported Using NZ GAAP NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS NZ$M
			1a, 4b	1b	7	8	3a	4c, 6	4a	5	4d			
Assets														
Current assets:														
Cash and liquid deposits		77												77
Stocks		464												464
Debtors	5	633								(3)			(3)	630
Total current assets		1,174								(3)			(3)	1,171
Non-current assets:														
Fixed assets		1,023												1,023
Goodwill	1a, 1b	176	51	9									60	236
Intangibles		166												166
Investments in associates	1b			4								84	88	88
Investments	3a	159					(64)					(84)	(148)	11
Provision for deferred taxation	4a, 4c, 4d	92						5	(7)		(3)		(5)	87
Total non-current assets		1,616	51	13			(64)	5	(7)		(3)		(5)	1,611
Total assets		2,790	51	13			(64)	5	(7)	(3)	(3)		(8)	2,782

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BALANCE SHEET (CONTINUED)

AS AT JUNE 2004

	NOTES	Reported Using NZ GAAP NZ$M	Adjustment DTL On Brands NZ$M	Adjustment Goodwill Amortisation NZ$M	Adjustment Transfer ARR NZ$M	Adjustment Transfer FCTR NZ$M	Adjustment Retirement Plan NZ$M	Adjustment Long Service Leave NZ$M	Adjustment DTL Fixed Assets NZ$M	Adjustment Prepaid Expenses NZ$M	Adjustment DTL On Retirement Plan NZ$M	Reclassify Balances Within Statement* NZ$M	Adjustments To Comply With NZ IFRS NZ$M	Reported Using NZ IFRS NZ$M
			1a, 4b	1b	7	8	3a	4c, 6	4a	5	4d			
Liabilities														
Current liabilities:														
Short-term loans		8												8
Accruals and provisions		143												143
Creditors		523										(17)	(17)	506
Contracts		75												75
Provision for current taxation		6												6
Capital notes		68												68
Term debt		33												33
Total current liabilities		856										(17)	(17)	839
Non-current liabilities:														
Accruals and provisions	4c, 6							16				17	33	33
Provision for deferred taxation	1a, 4b		51										51	51
Capital notes	5	332								(3)			(3)	329
Term debt		484												484
Total non-current liabilities		816	51					16		(3)		17	81	897
Total liabilities		1,672	51					16		(3)			64	1,736
Equity														
Reported capital		754												754
Retained earnings	1-4, 6-8	315		13	46	(38)	(64)	(11)	(7)		(3)		(64)	251
Other reserves	7, 8	9			(46)	38							(8)	1
Shareholders' funds		1,078		13			(64)	(11)	(7)		(3)		(72)	1,006
Minority equity		40												40
Total equity		1,118		13			(64)	(11)	(7)		(3)		(72)	1,046
Total liabilities and equity		2,790	51	13			(64)	5	(7)	(3)	(3)		(8)	2,782

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