

1. **Operating surplus** before taxation and minority interests is arrived at after crediting /(charging) the following items:

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating revenue				
Sales	390,230	322,951	-	-
Rental	47	56	-	-
Life Insurance operations - premium income	-	3,757	-	-
- reinsurance income	-	4,392	-	-
- investment income	-	156	-	-
Other income				
Dividends - Associates	-	-	861	877
- Other	41	-	-	1,963
Interest	173	416	6,763	5,080
Foreign exchange gains	548	307	-	-
Net surplus on sale of assets	1,478	1,387	771	379
Revaluation of investments	34	1,555	17,668	18,511
Impairment of investments	-	(661)	-	(661)
Share of surpluses of associates (Note 10)	1,309	926	-	-
Operating expenses				
Depreciation				
- freehold buildings	(65)	(66)	(30)	(31)
- leasehold buildings	(98)	(13)	-	-
- plant and equipment	(5,241)	(4,073)	-	-
- furniture, office equipment and fittings	(2,898)	(3,057)	(7)	(5)
- motor vehicles	(1,148)	(1,106)	(8)	(8)
Total depreciation expense	(9,450)	(8,315)	(45)	(44)
Amortisation of intangible assets				
- goodwill	(2,104)	(1,077)	(190)	(191)
- trademarks	(260)	(261)	-	-
- intellectual property	(35)	-	-	-
Fees paid to principal auditor				
- audit	(265)	(232)	(41)	(39)
- tax audit and compliance	(127)	(160)	(124)	(156)
- acquisition completion audits	(42)	-	(47)	-
- other assurance	-	(92)	-	-
Bad debts	(252)	(373)	-	-
Increase in doubtful debts provision	(141)	(67)	-	-
Directors' fees - Parent	(185)	(180)	(185)	(180)
- Subsidiaries	(10)	-	-	-
Donations	(34)	(36)	(10)	(31)
Interest	(5,979)	(2,851)	(5,306)	(2,479)
Leasing and rental charges	(33,720)	(28,466)	(80)	(69)
Rent abatement	-	(1,031)	-	(1,031)
Foreign exchange losses	(420)	(482)	-	-
Loss on sale of subsidiary	-	(230)	-	(489)

2. Taxation

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Taxation at 33% of operating surplus	8,891	8,356	6,276	6,699
Adjusted for the tax effect of :				
Non assessable Income - Capital Profits	(184)	(390)	(62)	(92)
- Other	(202)	(192)	(4,724)	(5,367)
Non deductible expenses	928	885	232	293
Imputation credits on dividends received	(490)	(292)	(1,600)	(501)
Movement in imputation credit accounts	(985)	1,263	(985)	(1,173)
Club Life losses	(978)	-	(978)	-
Future tax benefit recognised	(1,662)	(5,623)	-	-
Taxation per Statement of Financial Performance	5,318	4,007	(1,841)	(141)

Comprising:

Estimated current year tax	8,671	8,367	(12)	1,032
Movement in future income tax benefit	(3,353)	(4,360)	(1,829)	(1,173)
	5,318	4,007	(1,841)	(141)

Imputation Credit Memorandum Account

Balance at beginning of year	(1,419)	833	(3,118)	833
Dividends	(8,585)	(7,692)	(6,156)	(7,251)
Taxation	10,348	5,440	5,600	3,300
Balance at end of the year	344	(1,419)	(3,674)	(3,118)

The benefit of the tax prepaid is recoverable against tax on future income.

3. Share Capital

Issued	Number of Shares		Group & Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Opening ordinary shares	49,197,086	49,197,086	16,287	16,287
Shares repurchased during the year as treasury stock	(190)	-	(1)	-
Total ordinary shares	49,196,896	49,197,086	16,286	16,287

Treasury Stock

Shares held as treasury stock as at balance date total 1,114,406 shares (2004: 1,114,216 shares).

Share Rights

All ordinary shares rank equally with one vote attached to each fully paid ordinary share with the exception of shares held as treasury stock as all their rights and obligations are suspended.

4. Retained Earnings and Dividends

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Retained Earnings				
Balance at beginning of year	81,827	76,638	81,827	76,638
Net Surplus attributable to Shareholders of Parent Company	20,858	20,440	20,858	20,440
Dividends	(18,695)	(15,251)	(18,695)	(15,251)
Balance at end of year	83,990	81,827	83,990	81,827
Comprising				
Group Companies	81,824	80,110	81,824	80,110
Associated Companies	2,166	1,717	2,166	1,717
	83,990	81,827	83,990	81,827
Dividends				
Final dividend - prior year	(9,348)	(7,380)	(9,348)	(7,380)
Interim dividend - current year	(9,347)	(7,871)	(9,347)	(7,871)
	(18,695)	(15,251)	(18,695)	(15,251)
Supplementary dividends to foreign investors	(80)	(116)	(80)	(116)
Foreign investor tax credits	80	116	80	116
Total dividends	(18,695)	(15,251)	(18,695)	(15,251)

The dividends were fully imputed.

5. Term Liabilities

	Rates %	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Borrowings					
Repayable					
Between 1 and 2 years - Secured	7.25%	83,000	34,000	83,000	34,000
		83,000	34,000	83,000	34,000

The interest rate on borrowings is floating

Provision for rent abatement

Balance at beginning of year	2,885	2,500	2,885	2,500
Plus transfer from revenue	-	1,031	-	1,031
Less payments	(641)	(646)	(641)	(646)
Balance at end of year	2,244	2,885	2,244	2,885
Total Term Liabilities	85,244	36,885	85,244	36,885

The rental payable by Kirkcaldie & Stains has been underwritten to the extent of the difference between rental payable under the terms of the lease and the higher of market rental or 5% of turnover on the basis that the underwritten payment by Hellaby Holdings will not be higher than the previous year. The provision is expected to be utilised by December 2008.

6. Current Liabilities

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current portion of term liabilities	-	163	-	-
Borrowings	10,099	7,515	440	-
Bank overdraft	64	3,823	-	683
Trade creditors and accruals	39,112	31,634	162	150
Employee entitlements	4,835	4,176	550	800
Provision for taxation	-	3,647	3,674	3,118
Amounts due to associate companies	602	301	602	301
Total Current Liabilities	54,712	51,259	5,428	5,052
Secured	10,163	11,501	-	683
Unsecured	44,549	39,758	5,428	4,369
Total Current Liabilities	54,712	51,259	5,428	5,052

Security for secured current and term liabilities is provided in the form of :

- Charge over specific assets
- Mortgage on properties
- Floating debenture over assets.

The weighed average effective interest rates on bank borrowings was 6.0% (2004: 5.3%).

7. Property, Plant and Equipment

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Cost				
Land - Freehold	521	521	114	114
Buildings - Freehold	2,547	2,547	815	815
Buildings - Leasehold	1,375	741	-	-
	4,443	3,809	929	929
Plant and Equipment	31,113	26,276	-	-
Furniture, Office Equipment and Fittings	46,713	42,228	137	151
Motor Vehicles	7,622	7,257	40	40
Total cost	89,891	79,570	1,106	1,120
Accumulated Depreciation				
Buildings - Freehold	1,090	1,025	66	36
Buildings - Leasehold	710	583	-	-
Plant and Equipment	15,399	14,289	-	-
Furniture, Office Equipment and Fittings	28,108	25,086	114	130
Motor Vehicles	4,184	3,845	18	11
Total accumulated depreciation	49,491	44,828	198	177
Net Book Value				
Land - Freehold	521	521	114	114
Buildings - Freehold	1,457	1,522	749	779
Buildings - Leasehold	665	158	-	-
Plant and Equipment	15,714	11,987	-	-
Furniture, Office Equipment and Fittings	18,605	17,142	23	21
Motor Vehicles	3,438	3,412	22	29
Total Net Book Value of Property, Plant and Equipment	40,400	34,742	908	943

The directors consider the fair value of land and buildings to be not materially different from the carrying value shown above.

8. Intangible Assets

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Goodwill				
Balance at beginning of year:				
Acquired at cost	17,445	14,891	3,466	3,466
Accumulated amortisation	(3,412)	(2,335)	(2,236)	(2,045)
Book Value of Goodwill at beginning of year	14,033	12,556	1,230	1,421
Acquired during the year (Note 10)	27,194	2,554	-	-
Amortisation	(2,104)	(1,077)	(190)	(191)
Balance at end of year:				
Acquired at cost	44,639	17,445	3,466	3,466
Accumulated amortisation	(5,516)	(3,412)	(2,426)	(2,236)
Book Value of Goodwill at end of year	39,123	14,033	1,040	1,230
Trademarks				
Balance at beginning of year:				
Acquired at cost	1,322	1,322	-	-
Accumulated amortisation	(539)	(278)	-	-
Book Value of Trademarks at beginning of year	783	1,044	-	-
Acquired during the year (Note 10)	-	-	-	-
Amortisation	(260)	(261)	-	-
Balance at end of year:				
Acquired at cost	1,322	1,322	-	-
Accumulated amortisation	(799)	(539)	-	-
Book Value of Trademarks at end of year	523	783	-	-
Intellectual Property				
Acquired during the year (Note 10)	245	-	-	-
Amortisation	(35)	-	-	-
Balance at end of year:				
Acquired at cost	245	-	-	-
Accumulated amortisation	(35)	-	-	-
Book Value of Intellectual Property at end of year	210	-	-	-
Total Intangible Assets	39,856	14,816	1,040	1,230

9. Future Tax Benefit

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Non-refundable prepaid tax	5,608	5,308	7,998	5,308
Present value based on forecast utilisation over the ensuing three years				
Balance at beginning of year	5,308	1,217	5,308	1,217
Club Life losses	978	-	978	-
Movement in Group imputation credit account	985	-	985	-
Paid and recognised during the year	(1,663)	4,091	727	4,091
Balance at end of year	5,608	5,308	7,998	5,308
Timing Differences				
Balance at beginning of year	3,134	1,602	277	77
Movement during the year	1,391	1,532	(134)	200
Balance at end of year	4,525	3,134	143	277
Total Future Tax Benefit	10,133	8,442	8,141	5,585
Comprising				
Current	-	3,628	-	3,118
Non-current	10,133	4,814	8,141	2,467
Total Future Tax Benefit	10,133	8,442	8,141	5,585

The Group has accounted for all future tax benefits relating to timing differences at 30 June 2005 in the Statement of Financial Position (2004 - timing differences of \$1.66 million not recognised).

10. Investments

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Investment in Associated Companies	8,387	9,902	8,387	9,902
Investment in Subsidiaries	-	-	97,565	90,368
Unquoted Investments	4	50	-	-
Loans and Advances	-	120	-	120
Total Investments	8,391	10,072	105,952	100,390

Principal Subsidiary Companies

Name of Subsidiary	Principal Activities	Interest held by Group	
		2005	2004
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
BBQ Factory Limited	Barbeque and spa pool distributor	100%	-
Brake & Transmission NZ Limited	Automotive parts distributor	100%	100%
Diesel Distributors Limited	Diesel engine components distributor	100%	100%
Diesel Distributors Australia Pty Limited	Diesel engine components distributor	100%	100%
Eldex Packaging Limited	Packaging manufacturer and distributor	100%	-
Eurolift NZ Limited	Forklift sales and rentals	100%	100%
Levana Textiles Limited	Textile manufacturer	100%	100%
Oakleys Plumbing Supplies Limited	Plumbing supplies	75%	75%
R Hannah & Co Limited	Specialty shoe retailer	85%	85%
Rodd & Gunn Limited	Apparel retailer	82.5%	85%
Teamwork Inteletrac Limited	Mobile data dispatch systems	55%	-
TRS Agri-Tire Limited	Tire importer and distributor	100%	100%

The subsidiary companies above have a balance date of 30 June and, with the exception of Diesel Distributors Australia Limited, which is incorporated in Australia, are incorporated in New Zealand.

10. Investments (continued)

Associated Companies

Name of Associate	Principal Activities	Interest held by Group		Group Carrying amount	
		2005	2004	2005	2004
Bert Teubel Limited	Metal products manufacturer	-	49%	-	714
Bombay Petfoods Limited	Petfood supplier	49%	49%	957	833
Energy Intellect Limited	Metering/communications	25%	25%	2,083	588
New Zealand Wool Services International Limited	Wool scouring and exporting	20%	20%	5,347	5,956

The associated companies have a balance date of 30 June and are incorporated in New Zealand.

Carrying Value of Associates

	Group		Parent	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Balance at beginning of year	9,902	8,091	9,902	8,091
Acquisitions during year	-	207	-	207
Disposals during year	(1,900)	-	(1,900)	-
Revaluation	(63)	1,555	(63)	1,555
Share of total recognised revenue and expenses	1,309	926	1,309	926
Dividends	(861)	(877)	(861)	(877)
Balance at end of year	8,387	9,902	8,387	9,902

Other Interests in Associates

Share of capital commitments not provided for	-	-	-	-
Share of contingent liabilities	-	-	-	-

Share of Retained Surpluses of Associated Companies

	Group		Parent	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Share of surpluses of associated companies before tax	1,572	1,593	-	-
Less taxation	(263)	(667)	-	-
	1,309	926	-	-
Less dividends	(861)	(877)	-	-
Share of retained surpluses of associated companies	448	49	-	-

Loans and Advances

Interest on loans and advances is at a weighted average interest rate of 8.5% (2004 - 8%) per annum.

Acquisition and Disposition of Subsidiaries

Subsidiaries acquired/disposed by Hellaby Holdings during the past two years are listed as follows:

Date	Subsidiary	Transaction
31 January 2005	Elldex Packaging Limited	acquired 100%
1 May 2005	Teamwork Inteletrac Limited	acquired 55%
31 August 2004	BBQ Factory Limited	acquired 100%
30 June 2004	Taylor's Manufacturing Limited	disposed 50% interest
9 January 2004	Club Life Holdings Limited	disposed 63% interest
1 May 2003	TRS Agri-Tire Limited	acquired 100% interest

10. Investments (continued)

The aggregate movement in assets and liabilities resulting from these transactions are as follows:

	Acquisition 2005 \$'000	Disposition 2005 \$'000	Acquisition 2004 \$'000	Disposition 2004 \$'000
Consideration				
Cash on settlement, including costs	36,580	-	2,859	11,640
Receivable	-	-	-	843
Loss on disposal	-	-	-	230
	36,580	-	2,859	12,713

Assets and Liabilities Acquired/Disposed

Cash and Deposits	307	-	-	2,710
Property, plant and equipment	1,906	-	48	1,905
Investments	-	-	-	4,140
Receivables	6,491	-	-	3,421
Inventories	10,812	-	771	452
Intangible assets	27,439	-	2,094	-
Excess of net market value over net assets of life insurance subsidiaries	-	-	-	7,178
Payables	(9,346)	-	(54)	(2,299)
Borrowings	(784)	-	-	(29)
Minority Interest	(245)	-	-	(4,765)
	36,580	-	2,859	12,713

On 31 August 2004 the Company purchased the shares of BBQ Factory Limited. On 1 November 2004 the Company acquired a 40% shareholding in Teamwork Inteletrac Limited, increasing to 55% on 31 May 2005. On 31 January 2005 the Company purchased the shares of Elldex Packaging Limited. The tax paid operating surplus contributed by the acquisitions to the Group's Statement of Financial Performance was \$0.9 million.

On 9 January 2004 the Company sold its 63% shareholding in Club Life Holdings Limited and its 50% shareholding in Taylors Manufacturing Limited on 30 June 2004. On 4 August 2003 Brake & Transmission acquired the trade and assets of Bindons Auto Electric Limited for consideration of \$2.9 million. The tax paid operating surplus contributed to the Group's Statement of Financial Performance for the period 4 August 2003 to 30 June 2003 was \$95,000

Operating revenue from discontinued activities

	Group		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
	-	12,440	-	-

11. Current Assets

	Group		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Inventories - Raw materials	3,031	2,213	-	-
- Work in progress	2,011	1,477	-	-
- Finished goods	89,139	75,044	-	-
Total inventory	94,181	78,734	-	-
Cash and deposits	5,601	4,308	1,165	4
Loans and advances	346	245	330	245
Current portion of future income tax benefit (Note 9)	-	3,628	-	3,118
Amount due from subsidiaries	-	-	73,307	30,810
Amount due from associates	1	-	1	-
Trade debtors and prepayments	45,492	38,513	104	844
Total Current Assets	145,621	125,428	74,907	35,021

12. Reconciliation of Operating Surplus with Cash Flows

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Operating Surplus before Taxation	26,941	25,322	19,017	20,299
Non Cash Items:				
Depreciation	9,450	8,315	45	44
Amortisation of intangible assets	2,399	1,338	190	191
Unrealised foreign exchange losses	128	257	-	-
Share of retained surpluses of associated companies	(448)	(49)	-	-
Other:				
Taxation	(10,635)	(5,672)	(5,659)	(3,532)
Classified as Investing:				
Net gain on sale of assets	(1,478)	(1,387)	(771)	(379)
Loss on sale of subsidiary	-	230	-	489
Revaluation of investments	(34)	(1,555)	(17,668)	(17,850)
Movement in Working Capital:				
Trade creditors	(1,473)	1,193	26	(365)
Inventory	(4,635)	(6,071)	-	-
Receivables	(6,979)	(4,307)	267	177
Intercompany accounts	-	-	4,853	(727)
Net Cash from Operating Activities	13,236	17,614	300	(1,653)

13. Capital Commitments

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Commitments at the end of the year not provided for in the financial statements	1,240	609	-	-

14. Operating Lease Commitments

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Gross commitments under non-cancellable operating leases for the Group and Parent are due:				
Within 1 year	35,919	29,501	70	513
Between 1 and 2 years	28,549	23,797	70	476
Between 2 and 5 years	47,506	33,895	2	66
Over 5 years	10,431	8,452	-	-
	122,405	95,645	142	1,055

The commitments partly relate to head and subtenancy agreements for rental accommodation and will be partially offset by receivables from subtenants.

15. Contingent Liabilities

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:				
Guarantees in respect of performance of contracts	35,517	33,439	-	-
Guarantees in respect of subsidiary company borrowings	-	-	1,091	5,734
Letters of Credit	9,316	4,157	-	-
	44,833	37,596	1,091	5,734

16. Related Party Transactions

Intra-Group Transactions

During the current and previous financial years the Parent company advanced and repaid loans to other entities in the Group.

Amounts due to and from subsidiaries as at balance date are shown in Notes 6 and 11.

Brake & Transmission (BNT)

Automotive franchise holder, Midas New Zealand, was acquired on 1 June 2003 by parties associated with Hellaby directors, H Green, W Carter and D Houldsworth, and BNT Chief Executive G Horne. Company products of \$970,000 were sold by BNT to Midas franchisees during the year (2004 - \$941,406) on normal trade terms.

BNT leases premises at Omega Street, North Harbour, Auckland owned by G Horne's family trust. Lease payments of \$466,804 were made for the 12 months (2004 - \$347,580 for 9 months).

17. Segment Information

	Revenue \$000	Surplus/(Deficit) \$000	Assets \$000
2005			
Automotive	90,973	12,666	50,565
Industrial	127,386	10,001	81,680
Retail	141,647	10,477	69,343
Other	30,239	2,530	24,630
Corporate Office and Investment	32	(3,692)	18,183
	390,277	31,982	244,401
Interest		(5,806)	
Income tax		(5,318)	
Operating Surplus before Tax		20,858	

	Revenue \$000	Surplus/(Deficit) \$000	Assets \$000
2004			
Automotive	86,676	11,366	46,767
Industrial	114,500	9,125	78,166
Retail	99,314	8,834	34,376
Other	30,804	393	12,883
Corporate Office and Investment	18	(2,836)	17,680
	331,312	26,882	189,872
Interest		(2,435)	
Income tax		(4,007)	
Operating Surplus before Tax		20,440	

Geographic Segments	Revenue	Surplus/(Deficit)	Assets
2005	\$000	\$000	\$000
New Zealand	387,233	20,777	241,456
Australia	3,044	49	2,738
United States	-	32	207
	390,277	20,858	244,401
	Revenue	Surplus/(Deficit)	Assets
2004	\$000	\$000	\$000
New Zealand	330,617	20,747	188,513
Australia	695	(319)	1,184
United States	-	12	175
	331,312	20,440	189,872

18. Financial Instrument Disclosure

Credit Risk

Financial Instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable, forward exchange contracts and currency options. The domestic credit risk is managed through the use of bank guarantees or internal credit limits for customers. Maximum exposures to credit risk as at balance date are:

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Bank Balances	5,601	4,308	1,165	4
Accounts Receivable	45,493	38,513	105	844
Loans and Advances	346	365	330	365
Concentration of Credit Risk				
Credit Risk is spread across a number of countries in the form of bank deposits and receivables				
New Zealand	89.9%	87.5%		
Australia	7.8%	6.4%		
United States	1.6%	2.7%		
Other Countries	0.7%	3.4%		
	100.0%	100.0%		

Currency Risk

Currency risk is the risk of loss to the Group arising from changes in exchange rates. Foreign currency exposures and risks arise as the Group invests offshore; the investments being denominated in foreign currencies.

Foreign Exchange Contracts

At balance date the Group had entered into foreign exchange contracts maturing during 2005 through to 2006 to sell the equivalent of NZ \$59.8 million (2004: NZ \$33.3 million) and to buy the equivalent of NZ \$7.3 million (2004: \$1.8 million).

Currency Options

A subsidiary company uses currency options to hedge foreign currency exposures. At balance date the subsidiary company had entered into currency option contracts maturing during 2005 through to 2006 to sell the equivalent of NZ\$0.8 million (2004 - nil).

Interest Rate Risk

The Group has long and short term debt facilities, the interest rates for which are shown in Notes 5 and 6.

Credit Facilities

The Group has credit facilities of NZ \$118.8 million (2004: \$78.8 million). Outstanding borrowings at 30 June 2005 were NZ \$93.2 million (2004: \$43.9 million).

Fair Values

There are no material differences between the fair value and carrying value of assets and liabilities.

19 Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS")

In December 2002 the New Zealand Accounting Standards Review Board announced that International Financial Reporting Standards ("IFRS") will apply to all New Zealand entities for periods commencing on or after 1 January 2007. Entities will also have the option of voluntarily early adopting the new standards for periods beginning on or after 1 January 2005.

Since this date New Zealand equivalents to International Reporting Standards ("NZ IFRS") have been issued. In complying with these, New Zealand entities will be in compliance with IFRS.

It is the intention of the Company to adopt NZ IFRS effective from 1 July 2005 with the first NZ IFRS compliant financial statements being published for the half year ending 31 December 2005 and the full year ending 30 June 2006.

The Company has formed a working group which incorporates all subsidiaries and external advisors and which to date has identified the following key differences:

NZ IAS 39 Financial Instruments: Recognition and Measurement

Under NZ IAS 39, the fair value of derivatives entered into by the Group must be recognised on the Statement of Financial Position. Changes in the fair value of these derivatives must be recorded through the Statement of Financial Performance unless hedging documentation and effectiveness requirements are met in which case changes in fair value are able to be recorded through equity. Under the current accounting policies the fair value of derivatives is disclosed but not recognised in the financial statements.

NZ IFRS 3: Business Combinations

Under NZ IFRS 3, goodwill will cease to be amortised and will be subject to an annual impairment review. The amortisation for the year ended 30 June 2005 amounted to \$2.1 million.

NZ IAS 38: Accounting for Intangibles

Under NZ IAS 38, the Group is required to identify any other intangible assets as distinguished from goodwill that were acquired in relation to acquisitions made during the NZ IFRS conversion period. Subject to meeting the recognition and measurement criteria, any assets identified, for example a brand, will result in separate recognition of these assets and a reduction to goodwill.

NZ IAS 12 Income Taxes

This standard requires recognition of deferred tax using the comprehensive basis applied to temporary differences together with a different test associated with recognition of losses. This will result in the Group recognising deferred tax balances not currently recognised under the current accounting policies, in particular deferred tax in relation to the fair value of derivatives and the carrying value of intangible assets other than goodwill.

To date the Company has not been able to reliably estimate the impacts of these differences on the financial statements.

The purpose of this disclosure is to highlight the key impacts the Company expects as a result of transitioning to NZ IFRS from current accounting policies of the company based on the standards and interpretations as they are today. It is possible that future developments to NZ IFRS will change the nature of the adjustments required by the time the Group reports its first financial statements prepared under NZ IFRS.

20. Subsequent Events

The Company has declared a final dividend of 20 cents, fully imputed, payable 7 October 2005 (2004: 19 cents).

On 1 July 2005 the Company acquired 80% of the shares in Discount Shoe Warehouse Limited, trading as No.1 Shoe Warehouse for consideration of \$22 million.

On 1 July 2005 the Company increased its shareholding in R Hannah & Co Limited from 85% to 94.2%.