



# **FLETCHER BUILDING INDUSTRIES LIMITED HALF YEAR REVIEW**

For the six months ended 31 December 2011

# From the Chairman.

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**Ralph Waters**  
*Chairman of Directors*

## Half year review

Directors are pleased to present the unaudited results for the six months ended 31 December 2011. The company made a net profit/(loss) after tax of \$(10.5) million (compared with a net profit/(loss) of \$0.6 million for the previous corresponding period). The net assets of the company were \$77.4 million (2010: \$87.4 million).

As the company owns 20 percent of the shares in Fletcher Building Holdings Limited, which in turn owns most of the shares in Fletcher Building's New Zealand subsidiaries, it equity accounts its investment in that company. The equity earnings profit has decreased slightly from the prior period reflecting the difficult trading conditions the New Zealand businesses faced in the six months to 31 December 2011.

In addition, higher interest costs incurred by the company following the consolidation of the Fletcher Building capital notes contributed to the loss in the half-year.

Fletcher Building Industries continues to operate in compliance with the terms of the Trust Deed under which the capital notes were issued.



**Ralph Waters**  
Chairman of Directors

## Fletcher Building group performance

Fletcher Building Limited guarantees all of the capital notes issued by Fletcher Building Industries on an unsecured subordinated basis. The financial performance of the company should be considered in conjunction with the financial statements of the Fletcher Building group. It is relevant to note that the Fletcher Building group has reported net earnings of \$144 million for the six months ended 31 December 2011, 13 percent down on the previous corresponding period.

The Fletcher Building group remains in a sound financial position with a financial gearing of 35 percent and cash flow from operations of \$129 million in the six months period ending 31 December 2011.

In February, the company announced new terms for its March 2012 capital notes. The interest rate applicable for the notes is 7.15 percent per annum and the new election date is 15 March 2018. The company advised that it would exercise its right to purchase for cash any capital notes held by noteholders who, instead of accepting the new terms, elected to convert their March 2012 capital notes into Fletcher Building Limited shares. Around \$20.5 million of notes were purchased for cash and were funded by the drawdown of loans made by a related company.

# Financial statements.

## Earnings statement (unaudited)

For the six months ended 31 December 2011

Fletcher Building Industries Group			
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Share of profits of associate	8,846	29,685	11,605
Operating earnings	8,846	29,685	11,605
Funding costs	(26,883)	(40,766)	(15,680)
Earnings/(loss) before taxation	(18,037)	(11,081)	(4,075)
Taxation benefit	7,527	12,230	4,704
<b>Net earnings/(loss)</b>	<b>(10,510)</b>	<b>1,149</b>	<b>629</b>

## Statement of comprehensive income (unaudited)

For the six months ended 31 December 2011

Fletcher Building Industries Group			
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Net earnings/(loss) for the period	(10,510)	1,149	629
Share of associate's other comprehensive income	699	196	826
<b>Total comprehensive income for the period</b>	<b>(9,811)</b>	<b>1,345</b>	<b>1,455</b>

## Statement of movements in equity (unaudited)

For the six months ended 31 December 2011

Fletcher Building Industries Group			
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Total equity at the beginning of the period	87,240	85,895	85,895
Total comprehensive income for the period	(9,811)	1,345	1,455
<b>Total equity at the end of the period</b>	<b>77,429</b>	<b>87,240</b>	<b>87,350</b>

## Balance sheet (unaudited)

As at 31 December 2011

	Fletcher Building Industries Group		
	Dec 2011 \$000	June 2011 \$000	Dec 2010 \$000
<b>Assets</b>			
Current assets:			
Debtors and prepayments	1,011	2,201	3,056
Provision for current taxation	19,757	12,230	1,959
Total current assets	20,768	14,431	5,015
Non current assets:			
Investment in associate	723,426	713,881	696,431
Total non current assets	723,426	713,881	696,431
<b>Total assets</b>	<b>744,194</b>	<b>728,312</b>	<b>701,446</b>
<b>Liabilities</b>			
Current liabilities:			
Accrued interest	10,043	10,077	3,770
Amounts owing to related companies	125,402	99,675	376,297
Capital notes	88,580	88,580	
Total current liabilities	224,025	198,332	380,067
Non current liabilities:			
Capital notes	442,740	442,740	234,029
Total non current liabilities	442,740	442,740	234,029
<b>Total liabilities</b>	<b>666,765</b>	<b>641,072</b>	<b>614,096</b>
<b>Equity</b>			
Reported capital	205,000	205,000	205,000
Reserves	(127,571)	(117,760)	(117,650)
<b>Total equity</b>	<b>77,429</b>	<b>87,240</b>	<b>87,350</b>
<b>Total liabilities and equity</b>	<b>744,194</b>	<b>728,312</b>	<b>701,446</b>

## Statement of cashflows (unaudited)

For the six months ended 31 December 2011

Fletcher Building Industries Group			
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Prepayments	1,190	1,387	532
Interest paid	(26,917)	(34,463)	(15,685)
<b>Net cash from operating activities</b>	<b>(25,727)</b>	<b>(33,076)</b>	<b>(15,153)</b>
Purchase of investments		(684,000)	(684,000)
<b>Net cash from investing activities</b>		<b>(684,000)</b>	<b>(684,000)</b>
Advance from/(to) related companies	25,727	419,786	699,153
Issue/(purchase) of capital notes		297,290	
<b>Net cash from financing activities</b>	<b>25,727</b>	<b>717,076</b>	<b>699,153</b>
Net movement in cash held			
Add opening cash and liquid deposits			
<b>Closing cash and liquid deposits</b>			

On behalf of the Board, 22 February 2012



**Ralph Waters**  
Chairman of Directors



**Jonathan Ling**  
Managing Director

# Notes to the financial statements.

## 1. Basis of presentation.

The interim financial statements presented are those of Fletcher Building Industries Limited and its associate (the “group”).

The company is domiciled in New Zealand and 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 interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

## 2. Changes in accounting policies.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not yet applied these in preparing the interim financial statements. Although the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the group’s results.

There have been no other changes in accounting policy in the six months ended 31 December 2011, however certain comparatives have been restated to conform with the current period’s presentation.

## 3. Tax benefit.

	Fletcher Building Industries Group		
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Earnings/(loss) before taxation	(18,037)	(11,081)	(4,075)
Taxation at 28 (prior year 30) cents per dollar	5,050	3,324	1,223
Adjusted for:			
Non assessable income	2,477	8,906	3,481
	7,527	12,230	4,704

#### 4. Reconciliation of net earnings to net cash from operating activities.

Fletcher Building Industries Group			
	Six Months Dec 2011 \$000	Year June 2011 \$000	Six Months Dec 2010 \$000
Cash was received from net earnings	(10,510)	1,149	629
Adjustment for items not involving cash:			
Taxation	(7,527)	(12,230)	(4,704)
Prepayments	1,190	1,387	532
Trade creditors and accruals	(34)	6,303	(5)
Share of profits from associate	(8,846)	(29,685)	(11,605)
Net cash from operating activities	(25,727)	(33,076)	(15,153)

#### 5. Contingencies and Commitments.

There were no contingent liabilities or capital commitments as at 31 December 2011 (June 2011 nil; December 2010 nil).



## 6. Investment in associate.

<b>Fletcher Building Industries Group</b>			
	<b>Six Months Dec 2011 \$000</b>	<b>Year June 2011 \$000</b>	<b>Six Months Dec 2010 \$000</b>
<b>Carrying amount of associate:</b>			
Carrying amount at the beginning of the period	713,881		
Acquired during the period		684,000	684,000
Equity accounted earnings of associate	8,846	29,685	11,605
Share of associate's other comprehensive income	699	196	826
Investment in associate	723,426	713,881	696,431
<b>Associate information:</b>			
<b>Balance sheet information for associate – 100%</b>			
Assets	5,198,340	5,210,152	4,618,935
Liabilities	(2,222,353)	(2,280,058)	(1,775,993)
Minority interest	(410)	(2,246)	(2,351)
Equity	2,975,577	2,927,848	2,840,591
Equity – Fletcher Building Industries Limited share – 20%	595,114	585,569	568,119
Goodwill acquired at cost	128,312	128,312	128,312
Investment in associate	723,426	713,881	696,431
<b>Equity accounted earnings comprise:</b>			
Sales	1,627,147	3,330,931	1,609,680
Earnings before interest and tax	81,285	230,126	132,659
Interest income/(expense)	(10,028)	(31,701)	(17,725)
Foreign exchange gain/(loss)	(18,977)	(23,167)	(38,389)
Earnings before tax	52,280	175,258	76,545
Tax (expense)/benefit	(8,048)	(26,831)	(18,521)
Net earnings	44,232	148,427	58,024
Net earnings – Fletcher Building Industries Limited share – 20%	8,846	29,685	11,605

# Noteholder information.

## Enquiries

Changes of address, payment instructions and investment portfolios can be viewed online at [computershare.co.nz/investorcentre](http://computershare.co.nz/investorcentre). Investor number and FIN are required to access this service.

Enquiries can also be addressed to the share registrar:

### **Computershare Investor Services Limited**

Private Bag 92 119  
Auckland 1142  
New Zealand  
Level 2, 159 Hurstmere Road  
Takapuna, Auckland 0622  
New Zealand  
T. +64 9 488 8777  
F. +64 9 488 8787  
E. [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

## Other investor enquiries

### **Fletcher Building Industries Limited**

Private Bag 92 114  
Auckland 1142  
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T. +64 9 525 9000  
F. +64 9 525 9032  
E. [moreinfo@fb.co.nz](mailto:moreinfo@fb.co.nz)  
W. [fletcherbuilding.com](http://fletcherbuilding.com)

## Interest payment dates

Interest on capital notes is paid semi-annually, on 15 March and 15 September in respect of the notes with the election dates of 15 March 2013, 15 March 2015, 15 March 2017 and 15 March 2018, and on 15 May and 15 November in respect of the notes with the election dates of 15 May 2014 and 15 May 2016. The company recommends that all noteholders have their interest payments direct credited to a bank account to ensure security and promptness of receipt. If you do not already have your payments direct credited, please contact Computershare Investor Services to register your bank account details.

## Quotation and transfers

The Fletcher Building Industries capital notes are quoted on the NZX and may be bought and sold through sharebrokers. No transfer will be registered if it would result in the transferor or the transferee holding capital notes with an aggregate principal amount of less than \$2,000. Subject to this minimum holding, transfers must be in multiples of \$500.



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**Fletcher Building  
Industries Limited**

[fletcherbuilding.com](http://fletcherbuilding.com)

