

Half Year Review

Fletcher Building Finance Limited

Report for the six month period
ended 31 December 2006



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Half year review

Directors are pleased to present the unaudited results for the six months ended 31 December 2006. Net profit after tax was \$737,436 and the net assets of the company were \$30,893,068.

Fletcher Building Finance Limited is a wholly owned subsidiary of Fletcher Building Limited and was established to provide a valuable role in supporting Fletcher Building's financing requirements, particularly for its Australian acquisitions.

A key part of this financing has been through the issue of capital notes in December 2002. As these capital notes have been issued on terms that provide that they are guaranteed on an unsecured, subordinated basis, ranking pari passu with other capital notes issued by Fletcher Building Limited, the results and the financial position of Fletcher Building Finance needs to be considered in conjunction with those of the Fletcher Building group.

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

Noteholders are provided with a copy of the Fletcher Building half year review and are encouraged to gain a more complete picture of the nature of their financial investment by understanding the performance of Fletcher Building Limited.

If you require further information on Fletcher Building and its operations you can do so by viewing this on the Fletcher Building website, at www.fletcherbuilding.com, which contains all news releases, statements to the New Zealand Exchange and financial presentations made by Fletcher Building.

As the financial performance of Fletcher Building Finance is ultimately contingent on that of Fletcher Building, it is relevant to note that Fletcher Building has reported net earnings of \$193 million for the six months ended 31 December 2006, 2 percent ahead of the previous corresponding period. Furthermore, at the Fletcher Building shareholders' meeting in November, directors advised that the 2007 year would be another satisfactory result and that they were comfortable with the consensus of analysts forecast of net earnings to be around \$388 million. Fletcher Building remains in a sound financial position with a financial gearing of 37.1 percent, and cashflow from operations of \$227 million in the six months period ending 31 December 2006.

Roderick Deane Chairman

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Earnings statement

for the six months ended 31 December 2006 (unaudited)

	Six Months Dec 2006 \$000	Year June 2006 \$000	Six Months Dec 2005 \$000
Investment income	49,449	106,664	53,156
Operating expenses	(241)	(495)	(240)
Operating earnings	49,208	106,169	52,916
Funding costs	(49,771)	(97,528)	(47,958)
Earnings before taxation	(563)	8,641	4,958
Taxation expense	1,300	(4,937)	(1,528)
Net earnings	737	3,704	3,430

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Statement of movements in equity

for the six months ended 31 December 2006 (unaudited)

	Six Months Dec 2006 \$000	Year June 2006 \$000	Six Months Dec 2005 \$000
Total equity at the beginning of the period	31,318	29,565	29,565
Net earnings for the period	737	3,704	3,430
Movement in currency translation reserve	(1,162)	1,049	(69)
Total recognised revenue and expenses for the period	(425)	4,753	3,361
Increase in share capital		70,000	4,958
Dividend paid to Fletcher Building Limited		(73,000)	(1,528)
Total equity at the end of the period	30,893	31,318	32,926

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Balance sheet

as at 31 December 2006 (unaudited)

	Dec 2006 \$000	June 2006 \$000	Dec 2005 \$000
Assets			
Current assets:			
Cash and bank	1	2	1
Debtors	58,443	1	8,348
Provision for current taxation	41,991	97,197	
Total current assets	100,435	97,200	8,349
Non-current assets:			
Amounts owing by related companies	1,399,479	1,490,174	1,455,773
Total non-current assets	1,399,479	1,490,174	1,455,773
Total assets	1,499,914	1,587,374	1,464,122
Liabilities			
Current liabilities:			
Accrued interest	5,748	5,765	5,471
Trade creditors	30	95	38
Provision for current taxation			1,959
Amounts owing by related companies	1,027,526	1,088,057	
Total current liabilities	1,033,304	1,093,917	7,468
Non-current liabilities:			
Capital notes	149,011	148,874	147,898
Term debt	286,706	313,265	275,003
Amounts owing to related companies			1,000,827
Total non-current liabilities	435,717	462,139	1,423,728
Total liabilities	1,469,021	1,556,056	1,431,196
Equity			
Reported capital	150,000	150,000	80,000
Reserves	(119,107)	(118,682)	(47,074)
Total equity	30,893	31,318	32,926
Total liabilities and equity	1,499,914	1,587,374	1,464,122

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Statement of cashflows

for the six months ended 31 December 2006 (unaudited)

	Six Months Dec 2006 \$000	Year June 2006 \$000	Six Months Dec 2005 \$000
Investment income received	49,449	108,104	53,156
Payments to suppliers, employees & other	(284)	(75,479)	(240)
Interest paid	(49,497)	(98,868)	(48,038)
Taxes paid	(2,249)	(34,023)	
Net cash from operating activities	(2,581)	(100,266)	4,878
Advance from/(to) related companies	2,580	103,267	(4,878)
Issue of shares		70,000	
Dividend paid to Fletcher Building Limited		(73,000)	
Net cash from financing activities	2,580	100,267	(4,878)
Net movement in cash held	(1)	1	
Add opening cash and liquid deposits	2	1	1
Closing cash and liquid deposits	1	2	1

Notes to the financial statements

1 Basis of presentation

The interim financial statements presented are those of Fletcher Building Finance Limited (the "company"). 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 company is also registered in Australia as an overseas company under the Australian Corporations Act 2001. The interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

2 Changes in accounting policies

There have been no changes in accounting policy, however certain comparatives have been restated to comply with the current period's presentation.

3 Reconciliation of net earnings to net cash from operating activities

	Six Months Dec 2006 \$000	Year June 2006 \$000	Six Months Dec 2005 \$000
Cash was received from net earnings	737	3,704	3,430
Adjustment for items not involving cash:			
Taxation	(3,549)	(29,086)	1,528
Prepayments	138	1,440	464
Trade creditors and accruals	93	(1,342)	(544)
Cash was received on financial instruments		(74,982)	
Net cash from operating activities	(2,581)	(100,266)	4,878

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4 Segmental information

The company is a finance company and operates in New Zealand and Australia.

Geographical segments	New Zealand \$000	Australia \$000	Total \$000
	Dec 2006	Dec 2006	Dec 2006
Investment income	3,674	45,775	49,449
Earnings before taxation	(3,024)	2,461	(563)
Total assets	174,904	1,325,010	1,499,914
	June 2006	June 2006	June 2006
Investment income	16,032	90,632	106,664
Earnings before taxation	2,662	5,979	8,641
Total assets	176,172	1,411,202	1,587,374
	Dec 2005	Dec 2005	Dec 2005
Investment income	8,338	44,818	53,156
Earnings before taxation	1,582	3,376	4,958
Total assets	180,130	1,283,992	1,464,122

5 Contingencies and commitments

There were no contingent liabilities or capital commitments as at 31 December 2006 (June 2006 nil; December 2005 nil).

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Noteholder information

Enquiries

Noteholders with enquiries about transactions or changes of address should contact:

Computershare Investor Services Limited

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Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
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Email: enquiry@computershare.co.nz

Other investor enquiries

Fletcher Building Finance Limited

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Fax: +64 9 525 9032
Email: moreinfo@fb.co.nz
Website: www.fletcherbuilding.com

Interest payment dates

Interest on capital notes is paid semi-annually, on 15 March and 15 September. 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 Finance capital notes are quoted on the New Zealand Exchange under codes FBF010 and FBF020 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 \$5,000. Subject to this minimum holding, transfers must be in multiples of \$1,000.