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Fletcher Building Finance Limited

# Half Year Review 2009

Report for the six month period  
ended 31 December 2008

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## Half year review

Directors are pleased to present the unaudited results for the six months ended 31 December 2008. Net profit after tax was \$1.3 million and the net assets of the company were \$77.9 million.

Fletcher Building Finance Limited is a wholly owned subsidiary of Fletcher Building Limited and was established to support Fletcher Building's financing requirements.

A key part of this financing has been through the issue of capital notes in December 2002 and November 2008. 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. The new issue of capital notes had raised \$87 million at 31 December 2008 and a total of \$131 million when the issue closed on 5 February 2009.

Fletcher Building Finance continues to operate in compliance with the terms of the Trust Deed under which the capital notes were issued. A supplemental Trust Deed was entered into on 21 November 2008 as part of the issue of new capital notes.

The company, under provisions available in the New Zealand Companies Act and the NZX Listing Rules, does not automatically send noteholders printed copies of its Annual Report and Half Year Review. Instead, in September each year, all noteholders receive a copy of the Fletcher Building Annual Review – a report that provides a succinct summary of the operational and financial activities for the year. Noteholders are given the opportunity each year to ask for printed copies of either or both of the Annual Report and the Half Year Review.

The Reserve Bank of New Zealand has recently promulgated rules concerning non-bank deposit takers. The company is in discussion with the Reserve Bank regarding the applicability of the rules to Fletcher Building Finance.

# Half Year Review 2009

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## Half year review

Further information on Fletcher Building and its operations is available on the Fletcher Building website, at [www.fletcherbuilding.com](http://www.fletcherbuilding.com).

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 \$172 million for the six months ended 31 December 2008, 27 percent down on the previous corresponding period.

The outlook for Fletcher Building for full year net earnings after tax, excluding unusual items, is expected to be within the analysts' current consensus range of \$289 million to \$336 million. This assumes that there is no significant further deterioration in trading conditions from those experienced in the year-to-date.

Fletcher Building remains in a sound financial position with a financial gearing of 41.3 percent and cashflow from operations of \$208 million in the six months period ending 31 December 2008.

**Roderick Deane** Chairman of Directors

## Financial statements

### Earnings statement

for the six months ended 31 December 2008 (unaudited)

	Six months Dec 2008 \$000	Year June 2008 \$000	Six months Dec 2007 \$000
Investment income	<b>9,449</b>	56,378	45,915
Operating expenses		(202)	(170)
Operating earnings	<b>9,449</b>	56,176	45,745
Funding costs	<b>(7,596)</b>	(43,462)	(37,687)
Earnings before taxation	<b>1,853</b>	12,714	8,058
Taxation expense	<b>(556)</b>	(8,683)	(1,583)
<b>Net earnings</b>	<b>1,297</b>	4,031	6,475

## Financial statements

### Statement of movements in equity

for the six months ended 31 December 2008 (unaudited)

	Six months Dec 2008 \$000	Year June 2008 \$000	Six months Dec 2007 \$000
Total equity at the beginning of the period	<b>76,620</b>	103,818	103,818
Net earnings for the period	<b>1,297</b>	4,031	6,475
Movement in currency translation reserve	<b>(2)</b>	(29)	(34)
<b>Total recognised revenue and expenses for the period</b>	<b>1,295</b>	4,002	6,441
Dividend paid to Fletcher Building Limited		(31,200)	
<b>Total equity at the end of the period</b>	<b>77,915</b>	76,620	110,259

## Financial statements

### Balance sheet

as at 31 December 2008 (unaudited)

	Dec 2008 \$000	June 2008 \$000	Dec 2007 \$000
<b>Assets</b>			
Current assets:			
Cash and bank	194	1	1
Debtors		249	
Provision for current taxation	41,218	41,775	5,422
Total current assets	41,412	42,025	5,423
Non-current assets:			
Amounts owing by related companies	275,536	177,833	258,605
Total non-current assets	275,536	177,833	258,605
<b>Total assets</b>	<b>316,948</b>	219,858	264,028

## Financial statements

### Balance sheet continued

as at 31 December 2008 (unaudited)

	Dec 2008 \$000	June 2008 \$000	Dec 2007 \$000
<b>Liabilities</b>			
Current liabilities:			
Accrued interest	4,409	3,722	3,829
Trade creditors	2,077		
Capital notes			112,670
Amounts owing to related companies			390
Total current liabilities	6,486	3,722	116,889
Non-current liabilities:			
Capital notes	232,547	139,516	36,880
Total non-current liabilities	232,547	139,516	36,880
<b>Total liabilities</b>	<b>239,033</b>	<b>143,238</b>	<b>153,769</b>
<b>Equity</b>			
Reported capital	205,000	205,000	205,000
Reserves	(127,085)	(128,380)	(94,741)
<b>Total equity</b>	<b>77,915</b>	<b>76,620</b>	<b>110,259</b>
<b>Total liabilities and equity</b>	<b>316,948</b>	<b>219,858</b>	<b>264,028</b>

## Financial statements

### Statement of cashflows

for the six months ended 31 December 2008 (unaudited)

	Six months Dec 2008 \$000	Year June 2008 \$000	Six months Dec 2007 \$000
Investment income received	9,449	56,378	45,915
Payments to suppliers, employees and other		(267)	(170)
Financial instruments		(37,697)	(35,635)
Interest paid	(6,991)	(45,552)	(39,261)
Taxes paid		(15,678)	(13,305)
<b>Net cash from operating activities</b>	<b>2,458</b>	(42,816)	(42,456)
Advance from/(to) related companies	(97,703)	380,269	335,866
Issue/(purchase) of capital notes	95,438	(7,780)	
Net debt drawdowns/(settlements)		(298,473)	(293,410)
Dividend paid to Fletcher Building Limited		(31,200)	
<b>Net cash from financing activities</b>	<b>(2,265)</b>	42,816	42,456
Net movement in cash held	193		
Add opening cash and liquid deposits	1	1	1
<b>Closing cash and liquid deposits</b>	<b>194</b>	1	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.

In prior years, the company borrowed funds under banking facilities available to the Fletcher Building group and advanced those funds to other members of the Fletcher Building group. In the year ended 30 June 2008, following the acquisition of Formica Corporation, the external bank funding was restructured and the company repaid all that debt using funds from the settlement of corresponding intra-group advances. This restructuring has resulted in a significant change to the assets and liabilities of the company.

## 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 company has not yet applied these in preparing these interim financial statements although the application of these standards, amendments and interpretations would require further disclosures, but they are not expected to have a material impact on the company’s results.

There have been no other changes in accounting policy in the six months ended 31 December 2008, however certain comparatives have been restated to conform with the current period’s presentation.

## Notes to the financial statements

### 3. Tax expense

	<i>Six months Dec 2008 \$000</i>	<i>Year June 2008 \$000</i>	<i>Six months Dec 2007 \$000</i>
Earnings before taxation	<b>1,853</b>	12,714	8,058
Taxation at 30/(33) cents per dollar	<b>(556)</b>	(4,196)	(2,659)
Adjusted for:			
Tax rate adjustment		25	24
Tax in respect of prior periods		653	512
Foreign dividend withholding tax payable		(15,338)	(9,646)
Non-assessable income		10,173	10,186
Taxation expense	<b>(556)</b>	(8,683)	(1,583)

## Notes to the financial statements

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

	Six months Dec 2008 \$000	Year June 2008 \$000	Six months Dec 2007 \$000
Cash was received from net earnings	<b>1,297</b>	4,031	6,475
Adjustment for items not involving cash:			
Taxation	<b>556</b>	(6,996)	(11,722)
Prepayments	<b>249</b>	(2,090)	413
Trade creditors and accrual	<b>356</b>	(64)	(1,987)
Cash was paid on financial instruments		(37,697)	(35,635)
Net cash from operating activities	<b>2,458</b>	(42,816)	(42,456)

## Notes to the financial statements

### 5. Segmental information

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

	<i>New Zealand \$000 Dec 2008</i>	<i>Australia \$000 Dec 2008</i>	<i>Total \$000 Dec 2008</i>
<i>Geographical segments</i>			
Investment income	<b>9,449</b>		<b>9,449</b>
Earnings before taxation	<b>1,851</b>	<b>2</b>	<b>1,853</b>
Total liabilities	<b>239,033</b>		<b>239,033</b>
Total assets	<b>316,918</b>	<b>30</b>	<b>316,948</b>
	<i>June 2008</i>	<i>June 2008</i>	<i>June 2008</i>
Investment income	24,238	32,140	56,378
Earnings before taxation	11,912	802	12,714
Total liabilities	143,238		143,238
Total assets	219,828	30	219,858
	<i>Dec 2007</i>	<i>Dec 2007</i>	<i>Dec 2007</i>
Investment income	14,225	31,690	45,915
Earnings before taxation	7,237	821	8,058
Total liabilities	153,769		153,769
Total assets	263,055	973	264,028

# Notes to the financial statements

## 6. Contingencies and commitments

There were no contingent liabilities or capital commitments as at 31 December 2008 (June 2008 nil; December 2007 nil).

## 7. Capital notes

The company has raised \$87 million through a new offer of capital notes with terms of 5 and 7 years and issued a further \$8 million of capital notes through treasury stock, increasing the capital notes issued by \$95 million.

## Noteholder information

### Enquiries

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

#### Computershare Investor Services Limited

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

### Other investor enquiries

#### Fletcher Building Finance Limited

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

### Interest payment dates

Interest on capital notes is paid semi-annually, on 15 March and 15 September (for notes with interest reset dates in 2010 and 2013) and on 15 May and 15 November (for notes with interest reset dates in 2014 and 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 Finance capital notes are quoted on the NZX under codes FBF020, FBF030, FBF040, FBF050 and FBF060 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.