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# Fletcher Building Industries Limited

*Half Year Review for the six months ended 31 December 2010*

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# From the Chairman

## Financial results

Directors are pleased to present the unaudited results for the six months ended 31 December 2010. Net profit after tax was \$0.6 million and the net assets of the company were \$87.4 million.

Fletcher Building Industries Limited (previously Fletcher Building Finance Limited) has supported Fletcher Building's financing requirements through the issue of capital notes in December 2002 and November 2008. These capital notes have been issued on terms that provide that they are guaranteed on an unsecured, subordinated basis, ranking *pari passu* with the capital notes issued by Fletcher Building Limited.

Fletcher Building Industries has since 27 August 2010 ceased to be a lender to the Fletcher Building Group, and instead has invested the proceeds from its capital note issuances in the purchase of a 20 percent shareholding in Fletcher Building Holdings Limited, which owns most of the Fletcher Building New Zealand subsidiaries. At that time Fletcher Building Holdings had a valuation of \$3.42 billion, with total assets of approximately \$4 billion and shareholder funds of \$2.8 billion. The half year accounts to 31 December 2010 of Fletcher Building Industries reflect the equity accounting of this investment for the first time.

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

## Consolidation of Fletcher Building Limited's Capital Notes

The Fletcher Building Group currently operates two capital notes programmes, under two separate listed companies — Fletcher Building with \$250 million capital notes and Fletcher Building Industries with \$281 million capital notes. Each of these programmes is governed by its own trust deed.

As a result of amendments late last year to the Reserve Bank of New Zealand Act 1989, it was necessary for Fletcher Building to undertake the before mentioned restructuring of Fletcher Building Industries. Fletcher Building also agreed with the Reserve Bank to undertake the second stage of the restructuring some time this year, being the consolidation by the transfer of Fletcher Building's obligations as issuer of capital notes to Fletcher Building Industries. This will rationalise the two programmes under Fletcher Building Industries as the sole issuer, thereby simplifying the Group's publicly listed debt securities, resulting in greater clarity in the market, and administrative and other cost savings.

Fletcher Building capital noteholders will shortly receive the Notice of Meeting as part of the approval process. Fletcher Building Industries noteholders do not vote on the consolidation.



**Ralph Waters**  
Chairman



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## Fletcher Building group performance

As the financial performance of Fletcher Building Industries is ultimately contingent on that of Fletcher Building, it is relevant to note that Fletcher Building has reported net earnings of \$166 million for the six months ended 31 December 2010, 8 percent higher on the previous corresponding period.

Fletcher Building remains in a sound financial position with a financial gearing of 28.4 percent and cashflow from operations of \$202 million in the six months ended 31 December 2010.



**Ralph Waters**  
Chairman of Directors

# Financial statements

## Earnings statement

For the six months ended 31 December 2010 (unaudited)

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Investment income		34,114	17,759
Foreign exchange		3,008	
Share of profits of associates	11,605		
Operating earnings	11,605	37,122	17,759
Funding costs	(15,680)	(24,964)	(13,276)
Earnings/(loss) before taxation	(4,075)	12,158	4,483
Taxation benefit/(expense)	4,704	(2,745)	(1,345)
<b>Net earnings</b>	<b>629</b>	<b>9,413</b>	<b>3,138</b>

## Statement of comprehensive income

For the six months ended 31 December 2010 (unaudited)

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Net earnings for the period	629	9,413	3,138
Share of associates other comprehensive income	826		
Movement in currency translation reserve		(3,008)	
<b>Total comprehensive income for the period</b>	<b>1,455</b>	<b>6,405</b>	<b>3,138</b>



## Statement of movements in equity

For the six months ended 31 December 2010 (unaudited)

	Fletcher Building Industries Group		
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Total equity at the beginning of the period	85,895	79,490	79,490
Total comprehensive income for the period	1,455	6,405	3,138
<b>Total equity at the end of the period</b>	<b>87,350</b>	<b>85,895</b>	<b>82,628</b>

## Statement of cashflows

For the six months ended 31 December 2010 (unaudited)

	Fletcher Building Industries Group		
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Investment income received		34,114	17,759
Prepayments	532	1,303	710
Interest paid	(15,685)	(26,666)	(13,428)
<b>Net cash from operating activities</b>	<b>(15,153)</b>	<b>8,751</b>	<b>5,041</b>
Advance from/(to) related companies	699,153	38,539	1,823
Purchase of investments	(684,000)		
Issue/(purchase) of capital notes		(47,290)	(6,864)
<b>Net cash from financing activities</b>	<b>15,153</b>	<b>(8,751)</b>	<b>(5,041)</b>
Net movement in cash held			
Add opening cash and liquid deposits			
<b>Closing cash and liquid deposits</b>			

## Balance sheet

As at 31 December 2010 (unaudited)

Fletcher Building Industries Group			
	Dec 2010 \$000	June 2010 \$000	Dec 2009 \$000
<b>Assets</b>			
Current assets:			
Debtors and prepayments	3,056	3,588	
Provision for current taxation	1,959		
<b>Total current assets</b>	<b>5,015</b>	<b>3,588</b>	
Non current assets:			
Amounts owing by related companies		322,856	360,802
Investment in associates	696,431		
<b>Total non current assets</b>	<b>696,431</b>	<b>322,856</b>	<b>360,802</b>
<b>Total assets</b>	<b>701,446</b>	<b>326,444</b>	<b>360,802</b>

## Balance sheet – continued

As at 31 December 2010 (unaudited)

Fletcher Building Industries Group			
	Dec 2010 \$000	June 2010 \$000	Dec 2009 \$000
<b>Liabilities</b>			
Current liabilities:			
Accrued interest	3,770	3,775	5,325
Provision for current taxation		2,745	2,574
Amounts owing to related companies	376,297		
Capital notes			70,136
<b>Total current liabilities:</b>	<b>380,067</b>	<b>6,520</b>	<b>78,035</b>
Non current liabilities			
Capital notes	234,029	234,029	200,139
<b>Total non current liabilities</b>	<b>234,029</b>	<b>234,029</b>	<b>200,139</b>
<b>Total liabilities</b>	<b>614,096</b>	<b>240,549</b>	<b>278,174</b>
<b>Equity</b>			
Reported capital	205,000	205,000	205,000
Reserves	(117,650)	(119,105)	(122,372)
<b>Total equity</b>	<b>87,350</b>	<b>85,895</b>	<b>82,628</b>
<b>Total liabilities and equity</b>	<b>701,446</b>	<b>326,444</b>	<b>360,802</b>



# Notes to the financial statements

## 1. Basis of presentation

The interim financial statements presented are those of Fletcher Building Industries Limited, formerly Fletcher Building Finance 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 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 group's results.

There have been no other changes in accounting policy in the six months ended 31 December 2010, however certain comparatives have been restated to conform with the current period's presentation.

## 3. Taxation benefit/(expense)

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Earnings/(loss) before taxation	(4,075)	12,158	4,483
Taxation at 30 cents per dollar	1,223	(3,647)	(1,345)
Adjusted for:			
Non assessable income	3,481	902	
	4,704	(2,745)	(1,345)

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

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
Cash was received from net earnings	629	9,413	3,138
Adjustment for items not involving cash:			
Taxation	(4,704)	2,745	1,345
Prepayments	532	1,304	710
Trade creditors and accruals	(5)	(1,703)	(152)
Share of profits from associates	(11,605)		
Foreign exchange		(3,008)	
<b>Net cash from operating activities</b>	<b>(15,153)</b>	<b>8,751</b>	<b>5,041</b>

#### 5. Contingencies and commitments

There were no contingent liabilities or capital commitments as at 31 December 2010 (June 2010 nil; December 2009 nil).

#### 6. Change in nature of operations and acquisitions

From 27 August 2010 Fletcher Building Industries Limited ceased to on-lend to companies within the Fletcher Building Group. Instead, the company became a holding company, purchased 20 percent of the shares in Fletcher Building Holdings Limited for \$684 million and is accounting for this investment using the equity method. Fletcher Building Holdings Limited is a corporate holding company and currently holds most of the shares in Fletcher Building's New Zealand subsidiaries.





## 7. Investment in associate

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
<b>Carrying amount of associate</b>			
Carrying amount at the beginning of the period			
Acquired during the period	684,000		
Equity accounted earnings of associate	11,605		
Share of associates other comprehensive income	826		
<b>Investment in associate</b>	<b>696,431</b>		
<b>Associate information:</b>			
<b>Balance sheet information for associates – 100%</b>			
Assets	4,618,935		
Liabilities	(1,775,993)		
Minority interest	(2,351)		
<b>Equity</b>	<b>2,840,591</b>		
Equity – Fletcher Building Industries Limited share – 20%	568,118		
Goodwill acquired at cost	128,313		
<b>Investment in associates</b>	<b>696,431</b>		

## 7. Investment in associate – continued

Fletcher Building Industries Group			
	Six months Dec 2010 \$000	Year ended June 2010 \$000	Six months Dec 2009 \$000
<b>Equity accounted earnings comprise</b>			
Sales	1,609,680		
Earnings before interest and tax	132,659		
Interest income/(expense)	(17,725)		
Foreign exchange gain/(loss)	(38,389)		
Earnings/(loss) before tax	76,545		
Tax (expense)/benefit	(18,521)		
Net earnings	58,024		
<b>Net earnings – Fletcher Building Industries Limited share – 20%</b>	<b>11,605</b>		

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# Noteholder information

## Enquiries

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

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## Reporting

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.

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



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# Notes

