

# Financial review

The financial statements have been prepared in accordance with New Zealand standards that comply with International Financial Reporting Standards (NZ IFRS).

## Results

The results for the year are set out in the highlights section at the beginning of this report and commentary is provided at the group level in the reviews by the chairman and chief executive.

Segmental results and operating information are set out in the divisional reviews on pages 8 to 13.

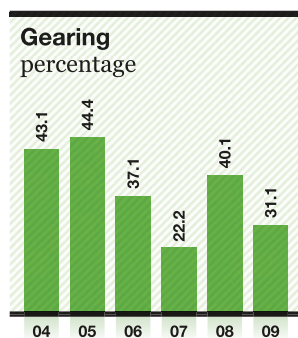
## Unusual items

As indicated at the time of the equity raising in April 2009, unusual items of \$360 million after tax were incurred during the year. The amounts are in line with the estimates provided to the market in April. The unusual items are explained in note 4 and consist of unusual operating expenses of \$399 million, a tax benefit on these of \$99 million and the write-off of tax losses of \$60 million.

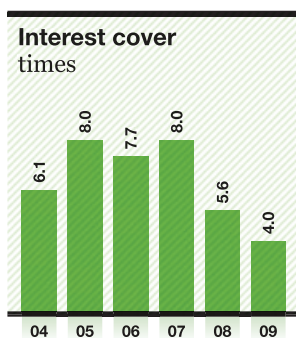
## Proforma earnings

The net earnings for the year, before unusual items, are as follows:

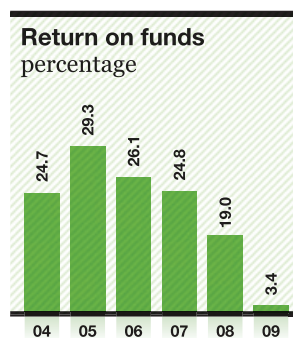
Fletcher Building Group		
	Year ended June 2009 NZ\$M	Year ended June 2008 NZ\$M
Operating earnings before unusuals	558	768
Funding costs	(140)	(136)
Taxation expense on ordinary activities	(96)	(150)
Earnings attributable to minority interests	(8)	(15)
<b>Net earnings before unusual items</b>	<b>314</b>	<b>467</b>
Net unusual items	(360)	
<b>Net earnings/(loss)</b>	<b>(46)</b>	<b>467</b>



Net debt/Net debt plus equity



EBIT/Interest expense



EBIT/Average funds



## Cashflow and capital expenditure

Cashflow from operations was \$533 million compared with \$434 million in the prior year. The strong improvement in cashflow was largely attributable to a focus on working capital management, with \$203 million in cash generated from reduced debtors and \$101 million from lower inventory levels. Cashflow also benefited from the sale of the head office building in Auckland for \$36 million.

Capital expenditure for the year was \$289 million compared with \$349 million in the prior year. This level of expenditure reflected the carry-over of \$168 million of projects from the prior year, with \$121 million of new capital expenditure approved during the year. Significant projects included construction of the new metal roofing plant in Hungary; the new port cement facility in Auckland; installation of the redeployed HPL press in Formica Finland; and the purchase of additional sand and quarry reserves in Australia by Rocla Quarries.

A total of \$246 million was distributed to shareholders and minority interests.

The company's guidelines on future dividend declarations require consideration of available cash after allowing for growth requirements and a prudent gearing level.

## Capital management and funding

Balance sheet gearing (net debt to net debt plus equity) at 31.1 percent decreased from 40.1 percent at 30 June 2008, reflecting the equity raising of \$526 in April 2009. Approximately 87 percent of all borrowings have fixed interest rates with an average duration of 5.2 years and at a rate of 7.20 percent. Inclusive of the floating rate borrowings, the average rate of debt is currently 7.42 percent.

The company remains in a strong financial position and is comfortably within all its relevant debt covenants.

Interest cover (EBIT to total interest paid) was 4.0 times, compared to 5.6 times at 30 June 2008.

Net debt decreased by \$496 million to \$1,350 million at 30 June 2009, again largely due to the capital raising. The company had undrawn committed bank funding available of \$1,142 million at June 2009 compared to \$378 million in the prior year.

Two series of capital notes totalling \$131 million were issued during the year with \$83 million of notes remaining as treasury stock.

Debt requiring refinancing within the next 12 months is around \$110 million, including \$75 million of capital notes subject to interest rate and term reset, and \$25 million of expiring undrawn facilities.

## Risk management

The company has an integrated programme to manage risk associated with movements in interest rates, commodity prices and exchange rates.

This aims to ensure a base level of profitability and reduces volatility of earnings. Further details are provided in note 28 of the financial statements.

## Retirement plans

The company operates a number of defined benefit retirement plans for its employees.

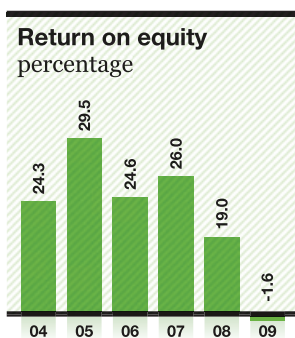
The largest of these is the New Zealand plan, which has 1,240 members and pensioners and investments of \$256 million at 31 March 2009. The investment in all plans totalled \$622 million at 30 June 2009.

The plans are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of smoothing volatility in returns by amortising the difference between expected and actual returns over the remaining life of the members. At balance date, \$88 million of net losses were to be accounted for in future periods.

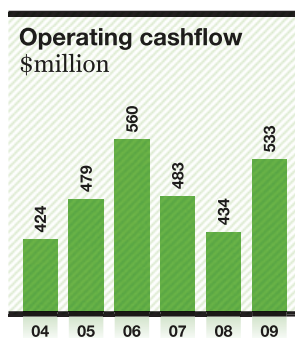
During the year, the company contributed \$71 million towards funding these plans. The group expects to contribute \$22 million to its overseas defined benefit plans during the year to June 2010.



**Download the financial statements:**  
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Net earnings/  
Average shareholders' funds



Gross dividends  
plus share price appreciation/  
Opening share price



**Bill Roest**  
Chief Financial Officer



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