

Notes to the financial statements

4. Unusual items – restructurings and impairments

The unusual expense consists of the following:

Fletcher Building Group – June 2009							
	Restructuring & Redundancy NZ\$M	Goodwill Impairment NZ\$M	Fixed Asset Impairment NZ\$M	Write-off of Stock NZ\$M	Write-off of Investment NZ\$M	Write-off of tax losses NZ\$M	Total NZ\$M
Note	1	2	3	4	5	6	
Building Products	16						16
Distribution	6		33				39
Infrastructure	4						4
Laminates & Panels	77	61	133	47	8		326
Steel	7						7
Corporate	7						7
Total unusual items – EBIT	117	61	166	47	8		399
Tax benefit on unusual items above	(37)		(48)	(14)			(99)
Write-off of tax losses in Formica						60	60
Total unusual cost – net earnings	80	61	118	33	8	60	360

¹ During the year ended 30 June 2009 the group implemented plans to rationalise business operations and reduce operating costs. The labour force employed by the group fell by 2,500, to 16,500, and redundancy costs have been incurred across all the divisions.

Actions undertaken also include the closure of Plyco doors for \$5 million, 3 branch closures in the steel rollforming and coated business for \$1 million and rationalisation of distribution centres for Stramit in Melbourne costing \$6 million.

Furthermore the group has undertaken a number of capacity reduction initiatives. The Laminex particleboard plant at Kumeu, Auckland, and the medium density fibreboard plant at Welshpool, Perth, were closed with redundancies and restructuring costs incurred of \$42 million. This cost is separate from the write-down of the fixed assets as described in note (3) below.

Corporate incurred a cost of \$7 million in regard to a project integrating Formica and Laminex which included a review of the companies' manufacturing operations, product profitability and customer cost-to-serve and identified opportunities to streamline the product portfolio and reduce distribution costs. See notes (3) and (4) below.

² During the year ended 30 June 2009 the group wrote-off all the goodwill recognised in Formica Europe of \$29 million, Formica North America of \$27 million and \$5 million of the goodwill recognised on acquisition of The O'Brien Group Limited. This is the result of the annual impairment review undertaken by the group. The review indicated that the value of the assets has been adversely impacted due to the deterioration in current market conditions and a more cautious outlook of the companies sustainable mid-cycle earnings.

³ During the year ended 30 June 2009 the group wrote-off \$33 million from the value of Distribution's IT assets, arising from the decision to suspend the implementation of a new retail management information system. Should the project recommence and be successfully implemented the group will assess the value created and may reverse some of the amount written-off.

The group has written-off \$17 million of fixed assets in regard to the closure of the Laminex particleboard plant at Kumeu and the medium density fibreboard plant at Welshpool during the year.

As part of the project reviewing Formica and Laminex's manufacturing operations, the group decided during the year ended 30 June 2009 to downsize the operations at Formica's plant at Bilbao, Spain. Accordingly \$24 million has been written-off fixed assets.

During the year ended 30 June 2009 the group decided to write-off \$92 million of fixed assets for Formica Europe. This is the result of the annual impairment review undertaken by the group. The review indicated that the value of the assets has been adversely impacted due to the deterioration in current market conditions and a more cautious outlook of the companies' sustainable mid-cycle earnings.

⁴ As part of the project simplifying Formica and Laminex's product range, the group decided during the year ended 30 June 2009 to write-off \$47 million of stock held by Formica. This arose from the review of Formica's manufacturing operations, product profitability and customer cost-to-serve and aligned their stock with the revised product suite and service model.

⁵ During the year ended 30 June 2009 the group wrote-off \$8 million of the investment in Dongwha Pattina NZ Limited held by Laminex. This is the result of the annual impairment review undertaken by the group. The review indicated that the value of the asset has been adversely impacted due to the deterioration in current market conditions and a more cautious outlook of the company's sustainable mid-cycle earnings.

⁶ During the year ended 30 June 2009 the group wrote-off \$60 million of tax losses recognised in Formica. See note 25.

5. Discontinued operations

There were no discontinued operations in either the current or the comparative year.

