

nuplex®

nuplex®

Despite the deteriorating global economy, Nuplex remained profitable and generated strong cash flow for the six months to 31 December 2008

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Rob Aitken
Chairman



John Hirst
Managing Director

In the period since the Annual General Meeting, the global economic environment has continued to deteriorate with a virtual collapse of the world banking system and a significant decline in consumer sentiment across all major economies. Despite this very challenging environment the Directors of Nuplex Industries Limited have advised that for the six months to 31 December 2008 the Company remained profitable and generated a strong cash flow.

Monthly profits and cash flow at the time of writing are both positive and in line with the Company's expectations and guidance.

After-tax profit for the period under review was \$6.0 million (pcp: \$24.6 million). This result was after significant one-off costs totalling \$5.6 million of which \$2.9 million related to acquisition due diligence and \$2.7 million to site remediation at Seven Hills. Before these one-off costs, operating profit after tax was down 53% from last year at \$11.6 million (\$24.6 million).

EBITDA was \$43.4 million (\$60.6 million) while operating cashflow of \$44.3 million was comparable with the prior year.

The strong positive operating cash flow of \$44.3 million (\$44.1 million), despite the downturn in earnings, was due to a reduction in working capital of \$27.7 million (increase \$4.3 million) and tight control of discretionary spending.

Capital expenditure at \$12.5 million was well below last year (\$21.4 million), due to completion of expansion projects in Europe and a pause in expanding capacities as existing capacity is satisfying current demand.

Given the current economic environment, the 2009 interim dividend has been suspended in order to strengthen the Company's balance sheet and repay debt. The Board considered the impact of the decision on shareholders and, on balance, believed this decision to be in the best long term interests of the Company.

This has been the most difficult period in the Company's history, with a drop in global demand at a rate and to an extent never seen before. Against this backdrop, the result, although disappointing, demonstrates that Nuplex remains a sound and profitable Company, even in such adverse times.

Operations have been restructured in line with current trading however the benefits of this will not be fully realised until future periods. As global confidence returns, as it will inevitably do, a leaner and focused Nuplex as a consequence of this restructuring will be well positioned to profit from increased demand.

The Company operates in two business segments, Resins and Specialties, and both traded profitably. The Specialties segment grew their share of total EBITDA to 25% demonstrating the value of holding diverse, but strategically linked business operations.

The Resins business provides key raw material inputs for the coating, composites, construction, adhesive, textile, printing ink and paper industries from manufacturing units in 10 countries around the world. Sales revenue increased as a consequence of higher pricing and currency movements in spite of reduced demand in most regions however EBITDA reduced by 34% as volume sales fell, particularly in higher margin business.

The Specialties business supplies the chemical, plastic, construction, coatings and life sciences markets in Australasia with a range of functional products, the majority of which are provided by major international producers. Sales revenue grew by 7% while EBITDA dropped 4% as demand fell in traditional markets and sales were largely replaced in new market sectors.

Raw materials continued their upwards movement before responding to lower crude oil prices and dropping demand towards the end of the period. Slower consumption of inventories and the need to work through some longer term fixed price contracts will delay the benefit of this into the second half of the financial year. In general, all businesses achieved pass through of the effect of higher raw material costs.

Markets

While all regional markets suffered some degree of contraction over the period, the speed of market reversal from growth to significant decline was particularly evident in Europe and South East Asia. The drop in demand in both markets was further exaggerated by the need to reduce inventory built up through the entire supply chain based on recent growth history. In contrast, demand softened across other regions but was relatively less material.

Year-on-year performance in Asia was steady with domestic demand holding up well but products destined for goods to be sold ultimately to the European and US markets showed slippage. China continued to exhibit resilience.

The Americas improved substantially, benefiting from the earlier closure of the Brazil operation as well as reduced operational costs as products manufactured externally were brought in-house.

The loss of critical mass in New Zealand manufacturing became very evident with a major reduction in contribution, with reduced demand across all segments and some pressure on margins. Australian results were soft on the back of some poor performing sectors being those markets predominantly exposed to discretionary spending, such as marine and swimming pools. Demand held up well in the majority of other target markets.

European performance was particularly poor with reduced volumes from higher margin products. The automotive business, a significant segment, was particularly hard hit.

Markets are now showing greater stability each month giving comfort that the bottom of the trough has been reached or is in sight.

Businesses

The greatest impact on sales to date has been from products that are used in the production of consumer goods. While these are not the major applications for Nuplex products, many specialty coating resins find application in automotive OEM, consumer electronics and similar markets which have proven, at least in the short term, to be more fickle than the historical market segments of the Company in this business climate.

In certain regions, Nuplex manufactures coating resins on behalf of a number of customers. In some instances this is as a substitute for that company not having invested in resin manufacturing capability. In others, it is due to a lack of capacity on their part. In the latter case, the downturn in demand has had the effect of freeing capacity resulting in a tendency to draw manufacture back in-house with a consequential loss of sales for Nuplex.

New powder coating resin manufacturing facilities in the UK operated well during the period with high production rates and a 100% quality record from commissioning. In addition, the sophisticated water based resin production unit in the Netherlands performed to expectations enabling increased production of these more environmentally acceptable products.

As Europe moves into a more rigorous era of environmental regulation for paints and coatings from 2010, newly developed and now market proven products continue to give confidence that the Company is well placed to meet future demands from this sector

Completion of capital works in the US enabled production of G-Cure resins to be brought in-house with subsequent cost savings. Demand in specialty segments was encouraging and the business was successful in managing its cost base to a lower level.

VAT changes in China removed the advantage that South East Asia had enjoyed short term as an export base for Europe and the US and may well have underpinned continued good demand from the China market which continues to value high quality, reliable manufacture. The substantial reduction in manufacture of furniture and consumer electronics in the Asian region has particularly impacted the coatings market.

In Australasia the market retreated as the economy slowed and imported paint, in particular, took share in the Australian decorative paint segment. New Zealand shows the impact of long term recessionary conditions and the lack of protection of its industry base with a continuing gradual decline in sales while in Australia, demand was steady relative to the prior year.

The Composites business, already in decline at the start of the period showed further softening before finally settling at a substantially reduced demand level across Australia and New Zealand. In spite of the impact on demand from falling sales of products related especially to the leisure sector, demand for capital goods is strong and set to grow as the focus on increased infrastructure spending generates opportunities for the Company.

Capacity for composite resins in South East Asia has been increased by investment in the Indonesian operation, providing the means to service this fast growing regional market. Much of the work at Wacol (Australia) has been completed as the plant there is expanded in capacity to absorb volumes of product previously manufactured externally under contract. Unit operational costs will fall as a consequence.

Demand for functional and process aids for the paper making sector remain steady.

Specialty Products continued to make progress, penetrating new market segments and servicing new agencies. In general, these offset reduced demand from some historically strong segments and this business continues to grow in importance within Nuplex's portfolio.

Masterbatch operations followed the fortunes of the general packaging industry which is generally weaker. The effect of slightly lower demand was diluted somewhat by tight cost management.

Construction Products enjoyed good demand for functional and resilient flooring. Sales into the lightweight plaster cladding sector showed no recovery while this business unit in Australia was exited late in the period.

Capital Management

Gearing (debt to debt + equity) fell slightly to 52.3% from 53.2% in the prior corresponding period. In spite of this the Company found itself at period end not in full compliance with its banking requirements.

The rapid downturn in European performance and reversal of the NZD against major trading currencies post the date of the Annual General Meeting is the primary cause of this failure to comply. Under Nuplex's multi-currency cash advance facility agreements with banks, the Company is required to comply at all times with a senior debt to EBITDA cover ratio (SDCR) of no more than 3.00 times. At 31 December 2008, the Group was not in compliance with this covenant while being in compliance with other covenants.

Nuplex is required under accounting standards to report its EBITDA based on average exchange rates for the prior calendar year, while senior debt is measured at the rate at period end. At that point in time, the NZD was lower than the average during the year, increasing the ratio, while over the period, the Company actually paid down debt in local currencies. However, due to the weak NZD at period end, senior debt measured in NZD increased.

Nuplex commenced discussions with its banks as soon as this situation became obvious, seeking an amendment to the covenant ratio to enable the Company to comply. As you will have seen from

recent announcements, the Company has secured a waiver from compliance with the SDCR ratio until 30 April 2009 and has renegotiated higher covenants to 29 September 2009.

On 20 March 2009, Nuplex announced it is considering raising \$132.8 million of new capital by undertaking a pro-rata renounceable rights issue of new shares to existing Nuplex shareholders. The rights issue will be fully underwritten by First NZ Capital Securities Limited. Details of the rights offer have been announced and are being sent to you under separate cover.

In the meantime, the Company is preserving cash by eliminating discretionary spending, limiting capital expenditure to meet essential stay-in-business costs and complete current projects. It has also been reviewing the potential for disposal of unutilised and underperforming assets. The properties at Avondale (Auckland) and Seven Hills (Sydney) which had previously been advised as unutilised assets remain subject to remediation and buyer demand.

The Company expects to release further working capital as a natural consequence of falling sales volumes and prices as well as success in inventory reduction programmes.

Outlook

There are signs that markets are steadying – albeit at demand levels significantly lower than in the prior year. This more stable business environment allows proper resource planning, enabling the organisation to match its size to future needs.

Nuplex like other manufacturing businesses will take time to fully adjust its cost structure and resource requirements to future demand. Short term changes have been made that have provided an immediate impact. However, before more permanent changes are made it is necessary to have visibility on demand to avoid costly mistakes and create a poor culture and attitude in the Company's workplaces. Retention of key company and industry specific skills is paramount to underpin an ability to take advantage of future business opportunities.

Through the second half of the current financial year, overall sales volume is anticipated to be slightly lower as markets bottom out and complete the destocking process. However, there will be some benefit from a lower cost base following the restructuring of regional operations in line with current demand. In addition, benefits will come from:

- Elimination of one-off costs in the first half which impacted earnings at both EBITDA and net profit level.
- Market share gains and new agencies.
- Lower raw material costs.
- Reduced operational costs in Australia as outsourced manufacturing has been brought in-house, with new capacity commissioned at Wacol, Queensland.

Taking all of this in to account, current guidance is for the second half result to be much in line with the first half. Cash generation remains management's principal focus, with ongoing programmes to drive operational costs lower, release working capital, improve debt collection, and maintain capital expenditure at minimum levels consistent with proper maintenance of operating plant.

The Company enjoys strong relationships with the leading global and regional companies in target market segments and continues to invest in technology and innovation as the drivers for a successful future. The market is expected to continue its solid support for the Company's existing product range as well as new technologies that reduce environmental impact and create lower cost solutions.

Nuplex has proven its ability to remain profitable through a time that is unlikely to be repeated. As its cost base adjusts to current demand, and markets stabilise and then recover, Directors believe that the Group is well placed to improve performance in the years ahead.



Rob Aitken
Chairman



John Hirst
Managing Director

Interim Financial Statements

for the half-year ended 31 December 2008

The Directors are pleased to present the Unaudited Financial Statements of the Nuplex Group for the half-year ended 31 December 2008.



Rob Aitken
Chairman

26 February 2009



Bryan Kensington
Director

26 February 2009

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Auditors' Report



To the shareholders of Nuplex Industries Limited

We have reviewed the attached consolidated interim financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The consolidated interim financial statements provide information about the past financial performance of Nuplex Industries Limited and its financial position as at 31 December 2008.

Directors' responsibilities

The Directors of Nuplex Industries Limited are responsible for the preparation of the consolidated interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2008 and the results of its operations and cash flows for the 6 month period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the consolidated interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the Group in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Emphasis of matter

In forming our unqualified opinion, we have considered the adequacy of the disclosures made in the consolidated interim financial statements concerning the failure to comply with the Senior Debt Cover ratio covenant and the ability of the Group to amend its existing banking facilities to ensure its ongoing operations. While currently the outcome is uncertain, the Directors believe the matters will be resolved appropriately.

The validity of the going concern assumption on which the consolidated interim financial statements have been prepared is dependent on the successful resolution of this matter. Should the Group be unable to successfully conclude a variation to the banking facility agreements to remedy the failure to comply with the Senior Debt Cover Ratio covenant this may result in the banks requiring repayment of the existing facilities prior to their current expiry dates. This would require the Group to identify alternative sources of funds to replace the existing facilities and should this not be achieved within an acceptable timeframe adjustments may be required to the carrying values of assets and liabilities reflected in these interim financial statements. Further details of the circumstances relating to this matter are described in note 8.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached consolidated interim financial statements do not give a true and fair view of the financial position of Nuplex Industries Limited as at 31 December 2008, the results of its operations and cash flows for the 6 month period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 26 February 2009 and our opinion is expressed as at that date.

A stylized, handwritten-style signature of the letters 'KPMG'.

Auckland

Consolidated Income Statements

for the six months ended 31 December 2008 (Unaudited)

<i>(NZD in thousands)</i>	Notes	6 months to Dec 2008 Total	6 months to Dec 2007 Total
Sales revenue		795,114	748,308
Cost of sales		(643,130)	(590,601)
Gross profit		151,984	157,707
Other operating income		691	771
Distribution expenses		(38,596)	(35,711)
Marketing expenses		(49,931)	(43,430)
Administration expenses		(30,178)	(26,463)
Other operating expenses		(9,118)	(1,881)
Operating profit before financing costs		24,852	50,993
Financial income		1,210	963
Financial expenses		(13,589)	(13,731)
Net financing costs		(12,379)	(12,768)
Share of profits of associates		165	594
Profit before tax		12,638	38,819
Income tax expense		(5,660)	(13,286)
Profit for the period		6,978	25,533
Attributable to:			
Equity holders of the parent		5,959	24,619
Minority interests		1,019	914
		6,978	25,533
Basic earnings per share	6	\$0.073	\$0.307
Diluted earnings per share	6	\$0.073	\$0.307

Statements of Changes in Equity

for the six months ended 31 December 2008 (Unaudited)

<i>(NZD in thousands)</i>	<i>Attributable to equity holders of the parent</i>			<i>Total</i>	<i>Minority Interest</i>	<i>Total Equity</i>
	<i>Share capital</i>	<i>Translation reserve</i>	<i>Retained earnings</i>			
Balance at 1 July 2008	183,562	23,973	149,049	356,584	8,477	365,061
Changes in equity for the six months ended 31 December 2008						
Exchange translation difference	-	31,657	-	31,657	2,150	33,807
Changes in fair value of cash-flow hedges	-	-	(4,614)	(4,614)	-	(4,614)
Net income recognised directly in equity	-	31,657	(4,614)	27,043	2,150	29,193
Profit for the period	-	-	5,959	5,959	1,019	6,978
Total recognised income and expense for the period	-	31,657	1,345	33,002	3,169	36,171
Dividend Reinvestment Plan	4,755	-	-	4,755	-	4,755
Dividends paid	-	-	(18,795)	(18,795)	(318)	(19,113)
Balance as at 31 December 2008	188,317	55,630	131,599	375,546	11,328	386,874

for the six months ended 31 December 2007 (Unaudited)

<i>(NZD in thousands)</i>	<i>Attributable to equity holders of the parent</i>			<i>Total</i>	<i>Minority Interest</i>	<i>Total Equity</i>
	<i>Share capital</i>	<i>Translation reserve</i>	<i>Retained earnings</i>			
Balance at 1 July 2007	171,425	(12,771)	132,156	290,810	7,945	298,755
Changes in equity for the six months ended 31 December 2007						
Exchange translation difference	-	11,615	-	11,615	(19)	11,596
Changes in fair value of cash-flow hedges	-	-	1,284	1,284	-	1,284
Net income recognised directly in equity	-	11,615	1,284	12,899	(19)	12,880
Profit for the period	-	-	24,619	24,619	914	25,533
Total recognised income and expense for the period	-	11,615	25,903	37,518	895	38,413
Dividend reinvestment plan	6,086	-	-	6,086	-	6,086
Senior manager incentive scheme	1,754	-	-	1,754	-	1,754
Dividends paid	-	-	(16,380)	(16,380)	(1,109)	(17,489)
Balance as at 31 December 2007	179,265	(1,156)	141,679	319,788	7,731	327,519

Consolidated Balance Sheets

as at 31 December 2008 (Unaudited)

<i>(NZD in thousands)</i>	<i>Note</i>	<i>as at 31 Dec 2008</i>	<i>as at 30 June 2008</i>	<i>as at 31 Dec 2007</i>
Equity attributable to members of the parent company		375,546	356,584	319,788
Minority interests		11,328	8,477	7,731
Total Equity		386,874	365,061	327,519
Property, plant and equipment		337,394	311,682	288,419
Intangible assets		165,836	150,174	142,044
Investments in associates		3,203	3,819	2,058
Receivables		1,170	1,167	1,074
Deferred tax asset		7,638	6,533	5,288
Non-current Assets		515,241	473,375	438,883
Inventories		237,685	234,573	217,888
Trade and other receivables		284,634	334,354	275,169
Income tax receivable		8,889	6,304	3,728
Cash and cash equivalents		68,898	50,843	41,219
Current Assets		600,106	626,074	538,004
Total Assets		1,115,347	1,099,449	976,887
Borrowings		52,647	403,118	371,697
Employee benefits		29,340	29,348	25,404
Provisions		413	384	5,505
Deferred tax liability		21,841	21,217	22,452
Non-current Liabilities		104,241	454,067	425,058
Borrowings	8	371,456	385	338
Trade and other payables		225,737	245,118	193,612
Employee benefits		14,767	17,671	16,064
Provisions		7,942	12,248	11,933
Income tax payable		4,330	4,899	2,363
Current Liabilities		624,232	280,321	224,310
Total Liabilities		728,473	734,388	649,368
Total Net Assets		386,874	365,061	327,519

Consolidated Cash Flow Statements

for the six months ended 31 December 2008 (Unaudited)

<i>(NZD in thousands)</i>	<i>Notes</i>	<i>6 months to Dec 2008</i>	<i>6 months to Dec 2007</i>
Receipts from customers		862,320	763,406
Interest received		1,163	902
Payments to suppliers and employees		(798,208)	(698,607)
Interest paid		(14,241)	(13,051)
Dividends received		710	1,348
Income taxes paid		(7,478)	(9,940)
Net cash from operating activities	3	44,266	44,058
Disposal of fixed assets		51	27
Acquisition of fixed assets		(12,498)	(21,387)
Purchases of businesses, net of cash acquired	4	(4,000)	(14,314)
Disposal of businesses, net of cash disposed of		1,044	-
Net cash from investing activities		(15,403)	(35,674)
Proceeds from borrowings		12,600	49,650
Repayment of borrowings		(15,175)	(32,274)
Dividends paid to shareholders		(13,996)	(10,294)
Dividends paid to minority interests		(318)	(1,108)
Net cash from financing activities		(16,889)	5,974
Increase in cash		11,974	14,358
Cash at 1 July		50,843	26,462
Exchange rate adjustment		6,081	399
Cash at 31 December		68,898	41,219
Comprising:			
Cash balances		65,949	41,219
Cash on call deposit		2,949	-

Notes to the Consolidated Financial Statements

for the six months ended 31 December 2008 (unaudited)

1. Statement of significant accounting policies

Nuplex Industries Limited is a Company domiciled in New Zealand. The consolidated interim financial statements of the Company comprise the Company and its subsidiaries (the 'Group') and the Group's interest in associated entities. The Group is a profit orientated entity.

The financial statements are expressed in New Zealand dollars which is the Company's functional currency. References in these financial statements to "\$" or "NZD" are to New Zealand dollars. All financial information has been rounded to the nearest thousand, unless otherwise stated. These condensed financial statements are unaudited.

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand International Financial Reporting Standard NZ IFRS 34 Interim Financial Reporting. The interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2008.

(b) Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2008. The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective. The Group has not yet applied these in preparing these financial statements although the application of these standards, amendments and interpretations would require further disclosures but is not expected to have a material impact on the Group's results.

2. Segment analyses

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Business segments

The consolidated entity comprises the following main business segments:

Resins	Global manufacture of synthetic resins for regional markets. Distribution of complementary functional materials.
Specialties	Manufacture and distribution of a range of functional materials for regional markets. Manufacture of resin-based flooring and building products. Distribution of related agency products and resilient flooring in New Zealand. Manufacture of light-weight plasters in Australasia.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Notes to the Consolidated Financial Statements
(continued)

2. Segment analyses (continued)

Business segments

<i>(NZD in thousands)</i>	6 months to Dec 2008			6 months to Dec 2007		
	Resins	Specialties	Total Group	Resins	Specialties	Total Group
Sales to outside customers	617,423	177,691	795,114	581,364	166,944	748,308
Inter-segment sales	1,317	3,248		1,238	2,818	
Segment sales	618,740	180,939		582,602	169,762	
EBITDA	32,780	10,665	43,445	49,407	11,200	60,607
Depreciation and amortisation	(10,740)	(883)	(11,623)	(8,942)	(672)	(9,614)
Segment result	22,040	9,782	31,822	40,465	10,528	50,993
Net financing costs			(12,379)			(12,768)
Share of profits of associates			165			594
Minority interest			(1,019)			(914)
Tax on operating profits			(6,981)			(13,286)
Operating profit after tax			11,608			24,619
Unusual items			(5,649)			-
Net profit attributable to equity holders of the parent			5,959			24,619
Assets	850,155	178,597	1,028,752	747,683	177,895	925,578
Unallocated assets			86,595			51,309
			1,115,347			976,887
Liabilities	228,507	49,692	278,199	208,433	44,085	252,518
Unallocated liabilities			450,274			396,850
			728,473			649,368
Other segment information						
Equity accounted investments included in segment assets	1,413	1,790	3,203	458	1,600	2,058

Geographic segments

	Sales by Destination			Assets
	6 months to 31 Dec 2008	6 months to 31 Dec 2007	as at 31 Dec 2008	as at 31 Dec 2007
New Zealand	87,205	85,746	124,539	120,050
Australia	298,004	300,991	415,717	391,932
Asia	134,453	118,937	160,394	123,856
Europe	191,355	172,225	330,073	275,783
Americas	84,097	70,409	84,624	65,266
Total Group	795,114	748,308	1,115,347	976,887
Unusual losses after tax for the current year comprise:				
Acquisitions that did not proceed		2,856		
Remediation provisions		2,793		
Total unusual (gains)/losses after tax		5,649		

3. Reconciliation of the Net Surplus with the Net Cash Flows from Operating Activities:

<i>(NZD in thousands)</i>	<i>6 months to Dec 2008</i>	<i>6 months to Dec 2007</i>
Profit for the period	6,978	25,533
Non-cash items:		
Depreciation	9,891	8,307
Tax	5,660	13,286
Amortisation	1,732	1,307
Non-current provisions	(2,910)	891
Doubtful debts provisions	2,918	(214)
Stock obsolescence provisions	(214)	(464)
Equity earnings of associate	(165)	(594)
	16,912	22,519
Classified as investing/financing:		
Loss/(profit) on sale of fixed assets	127	(362)
Discount on long-term receivable	-	680
Foreign exchange (gain)/loss on loan balances	(699)	(61)
	(572)	257
(Increase)/Decrease in working capital:		
Receivables	66,388	11,624
Inventories	7,275	(926)
Creditors and current provisions	(45,947)	(6,357)
	27,716	4,341
Income tax paid	(7,478)	(9,940)
Dividend received from associate	710	1,348
Cash Flow from Operating Activities	44,266	44,058

Reconciliation of balance sheet working capital movements to operating cash-flow

<i>(NZD in thousands)</i>	<i>Receivables</i>	<i>Inventories</i>	<i>Creditors and current provisions</i>	<i>Total Working Capital</i>
Balance as at 1 July 2008	334,354	234,573	(275,037)	293,890
Balance as at 31 December 2008	284,634	237,685	(248,446)	273,873
Balance Sheet Movement	49,720	(3,112)	(26,591)	20,017
Retranslation of foreign currency balances	27,883	10,173	(23,356)	14,700
Business divestment cash-flows	(1,044)	-	-	(1,044)
Business investment cash-flows	-	-	4,000	4,000
Decrease in provision for doubtful debts	(2,918)	-	-	(2,918)
Decrease in provision for obsolete stock	-	214	-	214
Movement in Hedges	(7,253)	-	-	(7,253)
Working capital cash-flow from operating activities	66,388	7,275	(45,947)	27,716

4. Acquisition of subsidiaries and business assets

<i>(NZD in thousands)</i>	<i>6 months to Dec 2008</i>	<i>12 months to Jun 2008</i>	<i>6 months to Dec 2007</i>
The assets and liabilities acquired are as follows:			
Intellectual property	-	2,605	-
Inventories	-	1,860	1,879
Net identifiable assets and liabilities	-	4,465	1,879
Acquisition costs	-	89	6
Cash consideration paid in cash, net of cash acquired	-	14,070	14,308
Deferred consideration	-	1,383	1,367
Goodwill arising on acquisition	-	11,077	13,802

During the six months to December 2008 the Group paid a further NZD4m related to the acquisition of PML Holdings Limited in November 2005. The amount was conditional on the acquired entity achieving earnings and growth targets to June 2008, all of which were met. This amount had already been fully provided for at 30 June 2008.

Acquisitions in the year to 30 June 2008

Nuplex Industries Limited subsidiary Nuplex Resins LLC acquired the G-Cure product line from Cognis on 14 November 2007. Nuplex paid cash of USD9.9m for the business including inventory.

Nuplex Industries Limited subsidiary Nuplex Industries (Aust) Pty Limited acquired the business of Industrial Food Service Trading Pty Limited in August 2007. Nuplex paid cash of AUD0.4m for the business.

Acquisitions in the year to 30 June 2007

Nuplex Industries Limited subsidiary Nuplex Industries (Aust) Pty Ltd (Nuplex) acquired all the Composites business assets of Huntsman Chemical Company Australia Pty Ltd (HCCA) in January 2007 following approval from the Australian Competition and Consumer Commission. Nuplex paid AUD21.1 million in cash for the assets including inventory. An additional amount is payable that is conditional upon achieving certain earnings targets over the next three years. During the six months to June 2008 a first instalment of AUD1,193,000 was paid in this respect.

5. Dividend

The Board of Nuplex Industries Limited has resolved not to pay an Interim Dividend.

6. Earnings per share

The calculation of basic earnings per share is based on:	6 months to Dec 2008	6 months to Dec 2007
Net surplus attributable to ordinary shareholders	5,959	24,619
Weighted average number of ordinary shares ('000):		
Ordinary shares on issue at 1 July	81,719	79,903
DRP shares issued 15 October 2007	-	367
DRP shares issued 15 October 2008	340	-
Senior Manager Incentive scheme issues 29 November 2007	-	42
	82,059	80,312
Shares on issue at 31 December	82,521	81,011

7. Contingent liabilities and other contingent commitments

There have been no significant changes in contingent liabilities in the six months to 31 December 2008.

8. Events subsequent to balance date

Group borrowings under revolving multi currency cash advance facility

Under the facility agreement dated 16 November 2005, the Group is required to ensure at all times that the ratio of finance debt to EBITDA (Senior Debt Cover Ratio) shall not exceed 3.00. At the 31 December 2008 testing date this ratio was 3.46 representing a failure to comply and as a consequence all bank debt has been classified as a current liability in the Balance Sheet.

The carrying amount of loans under this facility at 31 December 2008 is NZD371m.

The Company has been in discussions with the banks since 19 December 2008 in order to obtain an amendment to the covenant ratio. The facility agreement requires that all banks must agree to conditions for an amendment.

All banks have indicated a willingness to either amend the Senior Debt Cover Ratio or give a waiver from the failure to comply.

However at the date of signing these Financial Statements, conditions for an amendment or waiver had not been agreed to by all parties.

The Company is reviewing the Group's funding arrangements and the Board is considering the merits of issuing ordinary equity.

Directors have concluded that the going concern principle is appropriate for the preparation of these Financial Statements based on the expectation that the banks and the Company will be able to agree satisfactory conditions for a waiver or amendment to the Senior Debt Cover Ratio.

Directory

Executive Management

John Hirst

Managing Director

Graeme Storey

*Chief Financial Officer /
Company Secretary*

Tony Cooke

*Group General Manager
Operations*

Charles Northcote

*Group General Manager
Specialty Products*

Sam Bastounas

*Group General Manager
Functional Materials*

Rob Harmsen

*Group General Manager
Nuplex Resins*

General Management

Stuart Barry

*Communication
and Business Systems*

Judy Gulikers

Finance

Paul Kieffer

Nuplex Resins Europe

Mike Law

Nuplex Resins Australia

Mike Kelly

Nuplex Resins Americas

Richard Allan

Resins New Zealand

Ercilia Barahona

Paper Resins

Paul Schott

Composite Resins

Bob Skarvan

Purchasing

David Evans

Construction Products

Mark McLean

PML Group

William Weaver

Technology

Directors

Robert Aitken

Chairman

John Hirst

Managing Director

Bryan Kensington

Michael Wynter

David Jackson

Barbara Gibson

Auditors

KPMG

Solicitors

DLA Phillips Fox

Insurance Brokers

Marsh Limited

Share Registrars

Computershare Registry Services Limited
Private Bag 92119
Auckland

Bankers

Westpac Banking Corporation
Commonwealth Bank of Australia
Hong Kong Shanghai Banking Corporation
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nuplex®

The image features the word "nuplex" in a bold, lowercase, sans-serif font. The letters are rendered in a 3D style with a metallic, reflective finish. The logo is positioned in the lower half of the frame and is reflected on a glossy, white surface below it. The background is a plain, light gray gradient.