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Operator: Please stand by. We're about to begin. Good day everyone and welcome to the Metro Performance Glass 2018 interim results briefing call. I will now hand the call over to Peter Griffiths to begin. Please go ahead.

Peter Griffiths: Thank you. Good morning everyone and welcome. I'm Peter Griffiths, Metroglass Chair and today in conjunction with our CFO, John Fraser-MacKenzie, we will provide you with an overview of the company's results for the first six months of the financial year. We will then turn to Q&A at the end of the call. We also have Metroglass' new CEO, Simon Mander on the call. Good morning, Simon. Given that this is only day six for him he's not leading the call. Do you want to say a couple of opening lines though, Simon?

Simon Mander: Yeah. Thanks, Peter. Sorry, I was just using the line there. It's been a very interesting first week at Metro and I'm very excited about the company. What I've seen around the business in the first week on the ground is really positive and I'm looking forward to leading the next investor call early in the next year.

Peter Griffiths: Thanks, Simon. So during the first six months of this financial year our company has been focused on its refreshed strategy which is designed to improve execution and ultimately deliver financial performance from the investments we've made in production capacity and also to leverage our strong position in the market.

Now, while we've made progress across all parts of the business our first half year results illustrate the challenges in delivery has been different in New Zealand than Australia. We're going to focus on four topics today; firstly, New Zealand, which has been our top priority for this half year and which has delivered pleasing improvements in customer experience, operating performance and business culture.

Secondly, Australia, which has been impacted in the half year by a range of challenges flowing on from the capital program that we undertook at the beginning of the year. Thirdly, our competitive landscape and the potential for future changes, and finally, an update on capital management and the expected outcome for the remainder of the 2019 financial year.

I would actually like to start on slide six of our pack, the company's competitive landscape. Last week was challenging for Metroglass and the share price reaction to the announcement of APL was very significant. The tone of the comments that have been made have been surprising and somewhat disappointing in our view. While it's not our intention to speak at any length on behalf of APL, to speculate on its strategy or timing or ability to execute, I'm sure that's where a number of the questions will be directed.

We have a mutually beneficial relationship with APL that has existed for many years and that has enabled their business to grow significantly over time. We should make it clear that APL is in fact not our customer. We hold longstanding relationships directly with the majority of New Zealand's window fabricators and we will strive to retain these over time. John will cover off in a bit more detail the structure of the industry later on in the call.

Currently construction activity in New Zealand is at something in the order of over 30% above historical long run averages and everyone would acknowledge that the current processes have struggled to meet the rapidly growing demands over the recent years.

In an attempt to maintain high quality and service standards it has been a natural response for existing competitors, including ourselves, to make investments in capacity and these continued to do so - these have continued over time and we would say that is a trend that is observed in many industries, particularly in the construction industry. We would note that investing significantly in capital at this point of the cycle is a significant bet.

We remain committed to providing continuing excellent service to the customers that we have today and to win against the competitors that we have today. We're focused on our own strategy, which is our improved performance of our own business, and in the near term we can see considerable opportunity in doing that.

It will also put us in a solid position to meet any future competitor. Metroglass has been in the business for over 30 years. It has had significant challenges and met them and today we proudly stand as the market leader and we aim to continue to do that.

Now, turning back to slide two, you will see a summary of the key events over the half year. The group delivered revenue of just over $140 million, roughly in line with the prior comparable period. However, earnings were negatively impacted by the poor results in Australia.

New Zealand's revenue in EBIT are in line with last year with growth in the North Island largely offsetting declines in the south. However, Australia's EBIT was impacted by a range of operational challenges and the Tasmanian start-up. We now have a new senior leadership team in place there and they are focused on stabilising performance in the second half of the year. Our group net debt increased during the period following the Australian poor results.

We're really pleased to have Simon on board now. He's an experienced and inclusive people leader and he brings a strong track record in manufacturing and building material sectors.

If we move to slides three and four, slide three covers the activities under the four strategic initiatives we have, and I don't intend to go into those in any particular detail and we can take questions on any of them if you have them.

As I mentioned, we've made a number of changes in personnel. We have a new director, Rhys Jones. We have recruited a number of senior leaders, including Simon. Steve Hamer is now acting CEO in Australia and we have four new regional managers across the Metro group. We're also reorganising our activities in Canterbury to reflect the softer market conditions there. We have made a number of other management changes and operating structure changes to the Australian business.

We expect to make significant growth in all our objectives over the next 12 to 14 months. At the heart of our strategy is our dedication to excellent customer service. This covers many important factors including quality, delivery, accuracy, our product range, technical support, distribution capacity and is aimed at building and maintaining strong relationships.

By way of an example, New Zealand's delivery in full on time performance for our customers is the highest it has been in this half for the last two years, and that is demonstrated there on the top left of slide four. Additionally, we are continuing to foster best practice production culture and to deliver a sustained and consistent improvement in manufacturing performance.

We have a strong asset base across New Zealand and Australia and we see our most meaningful near term gain coming from supporting, training and engaging our people as well as seeking the continual incremental improvements in our processes.

To date we have made significant investment in our people by recruiting new managers across the group and increasing the leadership and supervision within our plants. We have improved our sales systems and we have aligned our wage rates within an increasingly competitive labour market.

We can't hide the fact that the Australian business AGG has been challenging and while the market is supported and the recent capital investment program is showing promise of lifting production capability, it is taking longer than originally planned to reset our AGG operations largely due to people and cultural issues. This has had an impact this year on the financial performance and it has highlighted further capability gaps there that we're working to address.

However, in spite of these challenges we believe the longer term opportunities in Australia are solid. The market, while competitive, is significantly larger than New Zealand and we continue to see regulatory moves that support the uptake of double glazing, which is at the core of our product offer.

If you look at slide five you can see the elevated levels of residential and non-residential construction activities still continue in New Zealand and residential activity in south and east Australia provides us with a generally supportive environment. The one real exception to this is the slow down in the Canterbury area. This has broadly been the case for some time now and the strong fundamentals underly our optimism across both businesses, but the supply side constraints are limiting growth. In Australia we note the softening of the leading indicators in the Australian residential construction activity set, with multi residential approvals being affected most particularly.

AGG is primarily involved with new detached houses and with alterations and additions. These segments have been less affected by the - have been less impacted today, however, we do expect them to soften in the next 12 to 24 months. Contrary to this, however, we continue to see the penetration of double glazing as it's supported by the regulatory changes in our market.

I will now hand over to John to discuss the interim results in more detail.

John Fraser-Mackenzie: Thanks Peter. Looking at Slide 7. We popped this next slide in to clarify questions on the customer relationships for glass and aluminium, but I thought I would return to that later and give that as I put my piece. So I'd like to start with Slide 8 with an update of our operations in New Zealand.

In May when we released the results we spoke about our focus on four things and they were getting back to basics in our operations, putting the customer at the centre of everything we do, building our people capability and taking ownership throughout the organisation. So we are pleased with our progress to date and specifically, as Peter has mentioned, our service levels have been the best we have experienced in more than two years. So we have strengthened the leadership in our plants and we focused on process disciplines. We have also been pleased with a continued drop in people turnover, with our October month having the lowest level of voluntary leavers in over 30 months. We've developed a clear understanding of our customer needs and have reprioritised our internal [administration] as a result.

Financially this has begun to show improvements with our revenue growing by 1%, just after a drop off in Canterbury and a generally softer South Island. Our growth profit margins have improved with our contribution module increasing by 6% and EBITDA by over 4%.

Onto Slide 9 and Australia. We are disappointed with the performance of Australian Glass Group, but we're not worrying about the potential that this business has. Following the capital program AGG is trailing New Zealand on our back to basics program. With a refreshed leadership team in place, we're in the process of building a best practice production culture and we are confident we will deliver benefits from restoring our reliability and service levels. Profitability has been impacted by a drop in revenue and the diseconomies of scale associated with the Tasmanian start up which we have anticipated.

After a slow start [unclear] market have improved and we recovered our share position. In New South Wales, the results of the capital program, we have been able to reduce our [unclear] 20% and have rebuilt the local team leaving the business well positioned to grow. As we go through these changes we are determined to make sure that the model is sustainable and reliably delivers service to our customers. So we anticipate the delivery will take some time.

Turning to Slide 10. Our Group revenue for the half is up by 1% on the prior year to $140.5 million. In New Zealand markets the most notable revenue impact for the lower activity in our commercial glazing division in Canterbury, which resulted in a $3.8 million revenue decline. Although the impacts of this on the commercial glazing revenue is offset to some extent by strong growth in the North Island.

Retrofit Revenue grew slower than anticipated but off to a strong second half in FY18 and a slow start to lead generation in this half, although our conversion rates from leads and quotes continued to improve. In Australia revenue declined in New South Wales following the delay to the capital program which we only completed in March and that reduced our reliability coming into the year. Revenue in the Tasmania market is also [unclear] in the half with solid growths across both states have recently recovered.

I'd like to move onto the waterfall on Slide 12. New Zealand EBIT results are shown in the grey shading on the left of the chart and the impacts on the Australian business are in the green on the right. The New Zealand EBIT result is included a half year improvement on underlying gross profit margin and that's from improved product mix and savings in material costs following improved inventory management. Offsetting this improvement we did face increased costs relating to labour and distribution costs, which were largely fuel and also depreciation following the FY18 capital program.

As noted earlier, the Canterbury commercial glazing revenue almost halved compared to the prior comparative period and that resulted in a $1.5 million EBIT impact, which we reported as sufficiently significant for us in the waterfall. In line with a more muted outlook for the Canterbury business our Christchurch operations have been restructured to deliver improved levels of profitability.

So in New Zealand's contribution module, as I said before, overheads increased by 6% and EBITDA increased by 4% compared to the prior comparable period. Overheads also increased on account of increased professional services and that's related to technical compliance and hire recruitment costs, as well as some staff costs that related to prior periods.

Turning to the Australian performance which is the green coded area. The diseconomies of scale resulting from starting our greenfields operations in Tasmania and the loss of some [shares] at the beginning of the period had a combined negative impact of $1.7 million on the results for the half. Reduced revenue in New South Wales also impacted profit of $1.7 million and high levels of depreciation, electricity prices, an impact of approximately $1 million.

Turning to the balance sheet which is on Slide 13. Metro had a strong operating cashflow of almost [$15] million, but that was offset by negative cashflow in AGG as a result of the low profitability, some increased working capital and final payments for last year's capital program. Disappointedly that results in our net debt increasing slightly but we expect this to turn around as we reset the Australian business and we anticipate an improved cash contribution from AGG.

With that I would like just to go back and cover the industry structures Slide 7 just to make sure everyone is clear on that. So firstly to explain the activity of the prime dial which is the box on the top left of the slide. That excludes aluminium to standard lengths of different window and door [suites]. When they receive an order they will either - they will powder coat or anodise the kind of bare aluminium and send the number of lengths to the fabricator. The window fabricator will cut it and make the window frame or a door frame. The fabricators will order glass from their supplier and the majority of the windows will be glazed within the fabricator's factory. The glass supplier will also glaze large panels on sites, on the actual building site on behalf of the fabricator.

In New Zealand fabricators will generally source all of their aluminium from one buy holder and they will use those [suites] exclusively and the primary buy holder will market the brand and [unclear] will run promotions programs through [unclear] builders and they'll also help with the supply and servicing of fabrication equipment. The fabricators have already been pre-choosing their glass supplier and they will continue to choose both in quality, reliability and service, product range and the supplier's ability to support the site glazing and also the product range available.

So what we have seen is that fabricators have increasingly split supply to a greater or lesser extent, so this gives them some negotiating leverage and also contingency in the rent for the supplier and any issues which could be on account of a breakdown or occasional peaks in demand. But obviously there are exceptions to the fabricators putting supply and examples of that would be where fabricators are geographically isolated in the region of [involved service] on multiple slides. So the majority of the fabricators don't have contacts with primary buy holders or less really with glass companies, but it's done on a common handshake and that's generally how the industry kind of runs.

I think it is worth noting that APL are not the first [unclear] holder to enter glass. So Aluminium Systems Limited are the owner of Fairview Windows and Doors. They set up glass [unclear] almost 10 years ago, they have processing capability in Auckland and in Christchurch and we as most [third] glass share with their own fabricators was less than 50% of the Fairview fabricator network. The majority of Fairview fabricators glass was supplied by independent suppliers in orders including Metro.

I think the other point that is also worth noting the model is different in Australia with a virtually integrated process buying glass who also actually fabricates the windows. And the last part of the market to independent fabricators [unclear] glass or aluminium from multiple suppliers. So the Australian model is slightly different and I think from our perspective it's conceivable that there will be further disruption of existing aluminium markets over the current year and also the glass model as we've seen at the old announcement.

And, if you have a [bit of] questions on that later but with that I will hand back to Peter.

Peter Griffiths: Thanks John. If we could, turning to Slide 14. You will see that the Board has made the decision to suspend dividend payments as the Group looks to prudently reduce its leverage. In making this decision the Board has reviewed our current leverage position, the dividend policy against our operating performance, our long term strategy and the uncertainties that the future competitive landscape has. The Board believes that it is in the best interests of the Group to do this until our net debt position is reduced to approximately 1.5 times. Now this will take some time to do and we will provide further updates as we move forward.

We should also note that the Company recently refinanced it's debt facilities for a further three years. We retained significant headroom and we did this quite easily, however, there are a number of uncertainties and opportunities ahead and the Board wants to prepare the Group to be able to take advantage of these.

Finally, turning to our outlook for the reminder of the year. This is on Slide 15. The financial performance of New Zealand was on target and is slightly ahead of the same period last year. However, as indicated at our previous meetings, Australia hasn't kept pace with our expectation. So consequently we expect the FY19 Group debit to be circa $28 million. We also expect our capital expenditure for the year to be approximately $8 million, while down on our previous years and that we will be able to reduce debt by approximately $7 million in this financial year.

Now this level of debt repayment doesn't reflect the full impacts of the dividend suspension, largely due to the fact we had to pay final dividend for last year out of this financial year, but it's moving us in the right direction we feel.

Now, with that I would like to thank you all for listening and I will hand over to the moderator to lead us through some Q&As.

Operator: Thank you. If you would like to ask a question please let us know by pressing star one on your telephone keypad. If you are joining us today using a speakerphone please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is the star key followed by the digit one if you have a question or a comment. We will move to your first question coming from [Aire Jacker]. Please go ahead.

Peter Griffiths: Good morning.

Aire Jacker: (Analyst) Good morning. Yes, just a couple of easy ones to start with and then I'll just come to Australia and the dividend. Just in terms of debit in Australia for the second half. Are you expecting a similar debit loss there in the second half or what are your expectations?

Peter Griffiths: John, could you speak to that one?

John Fraser-Mackenzie: Yes. So we are expecting a slight recovery in the second half, so we are not expecting that will be the same level as we have had in the first half.

Aire Jacker: (Analyst) Sure. Is that largely on some of the additional costs cycling through, or are you also expecting some recovery in revenue momentum?

John Fraser-Mackenzie: On both of those, so obviously particularly Tasmania having come from, through start-up, but the revenue - the run rate there has picked up. Also, within New South Wales we've seen a recent pick-up in revenue. So, we're anticipating both - some of the impact of the restructuring we've done in New South Wales will benefit the second half. That's - we've been working on that through the first half, so there should be some slight cost advantage during the second half for New South Wales.

Aire Jacker: (Analyst) Sure. Now, retrofit, obviously a little bit soft in the first half, and you made some reference to the leads and that. I guess given the trajectory that that business has been travelling at, versus what was achieved in the first half, can you just comment on how that's - or two things. One, whether you're seeing any structural issues that are impacting that business, and have driven that weaker performance; and secondly, just how you're travelling at the moment, in this second half.

John Fraser-Mackenzie: So, it is lower than we would have anticipated, and there is more competition. So, we have seen in Canterbury in particular there's been more competition entering the market, as normal fabrication work slows down. So, there is an element of increased competition, but it's more regional than national.

The half started slowly. It has picked up, but we are having to re-evaluate how we're accessing the market from a marketing perspective, and redesigning some programs on that. That's in progress at present, and we will be tracking the results of that.

Aire Jacker: (Analyst) Sure. Just coming to the debt reduction and the approach on the dividend, and I guess I have a couple of specific questions just firstly, just around the $7 million debt reduction this year. Are you signalling that working capital investment is going to increase by full year, or is there anything abnormal in the cash tax timing?

John Fraser-Mackenzie: No, there isn't. Obviously [Andy], our capital is skewed towards the second half, as is always the case, because the majority of work that we do does take place over Christmas. We've only had like just over two - just over $2 million of capital, so there's another $6 million to come in the second half. There's no significant change in working capital. New Zealand will remain pretty static. In Australia we anticipate inventory dropping and receivables going up marginally, but no significant change in working capital.

Aire Jacker: (Analyst) Sure. Then, I guess - I think there was reference to APL upfront, and the call and their decision. I guess one of the points that was made was the decision for them to invest and at the amount they are at this time in the cycle, I guess a question the market is asking post that announcement, is at this point in the cycle, just how you've come to this decision to save a gradual reduction in debt through dividend suspension, which - and there's certainly a case for that. Versus, I guess, addressing more quickly the concerns that appear to be out there through actually getting the balance sheet reset in a way that can give you more confidence, and investors more confidence today, through raising equity, given the uncertainty ahead.

Can you just comment a little bit on why you're so comfortable favouring that gradual debt reduction approach?

Unidentified Company Representative: Perhaps I could have a crack at that one. Look, I wouldn't - don't mistake calm for inactivity. The Board and management, we've got an active and ongoing conversation around all the options that we have. In the near term, competitor changes, there were some that are more of - of more interest to us than a new entrant that is some way off, and I'm referring to the coming sale of Viridian. We want to be clear on the ownership of that business, because that will generate potential changes in the landscape more immediately than an APL. So, we are aware of the concern. We're taking it into our conversation, and we are looking at all our options.

Aire Jacker: (Analyst) Sure. Just one follow-up before I come to my last question, just what are you seeing on Viridian that you can share, that might be giving you some encouragement there in terms of nearer-term changes in the landscape?

Unidentified Company Representative: Well, we're not inside the sale process much, because of our New Zealand position and the commission issues that would generate. We do understand an announcement is imminent, and depending on just how that plays out we will see that we may have some other options that are not available to us at the moment. We really do have to wait until we see what comes from that, Aire.

Aire Jacker: (Analyst) Sure, okay. Then just a final question, Australia - and this is just, I guess, one of those harder challenges that no doubt you're thinking about in the business as well, you've retained a line that you see long-term opportunity in that market, it's fragmented, you've got a small share, et cetera. You've got some experience in turning these businesses around, but I guess you've got a lot of things happening across the Group. Clearly that's become more elevated more recently. That business is probably consuming both time and cashflow. What are you - is there only one option in that business which is the one that you outline, that you're staying the course and that you're going to continue to invest that effort and money, and seeing that round? Or do you have - are you open to whether, in the context of the Groups' position and that, that there are other things you should be looking at in terms of options for that business also?

Unidentified Company Representative: Yes, we very much realise there are - there's more than one path in Australia, more than one option there. We are open to all of those. However, putting the business in good shape, getting it running well, and - serves us no matter which option we take.

Tasmania's now hitting its targets, and is performing as we expected. It's taken a few months longer, but it's actually achieving what we expected. New South Wales was a - essentially a brownfields operation. We re-laid, emptied a factory and put a new double-glazing unit in it. It's taken then some time to come to terms with the new processing, but we're seeing encouraging signs there as well. All these things leave us with a better asset in Australia than we had previously, and that puts us in a good position to look at all options going forward.

Aire Jacker: (Analyst) Thank you.

Unidentified Company Representative: Thanks Aire.

Operator: Again there, press the star key followed by the digit one if you have a question or comment. We'll hear next from Aaron Ibbotson from UBS.

Aaron Ibbotson: (UBS, Analyst) Yes, hi there, good morning gentlemen. Three question from me, if I may. So my first question relates to your CapEx intentions in the out years, if I put in FY20, FY21, what should we expect in CapEx? It's been moving around quite a bit, and obviously the announcement from APL indicating that we might approaching full or over-capacity in New Zealand. So, I was just curious to hear your thoughts on that.

Related, I was wondering if you already now have some plans, executable plans, for what you may or may not execute should there be a bit of over-capacity because of the APL announcement?

I might as well continue with my second question, and apologies if I missed this, the line was a bit blurred. But, could you give a little bit more detail on APL's position in this last market today? What I am specifically after is - I appreciate that APL is not a direct customer - but what proportion of the window market totally, and what proportion of your window sales relate to glass that eventually ends up in APL frames? Thank you.

Peter Griffiths: Perhaps we could deal with the first question - the second question first. John, do you want to just run through the metrics on APL?

John Fraser-Mackenzie: Yes, so we estimate - and it's obviously hard to get specific data, but we estimate APL provides in the region of 40% to 45% of the aluminium to the window fabricator market. They would be about half of our share - or not they, their customers would be half of our share in the market, of that market. So, call it circa-$50 million of our residential fabricated sales are to APL fabricators nationally. That's a national number.

Aaron Ibbotson: (UBS, Analyst) Okay, thank you.

Peter Griffiths: Sorry, the first question had two parts to it. One was our forward-look on CapEx, and there was a second part which I didn't - executable plans, I think?

Aaron Ibbotson: (UBS, Analyst) Yes, just whether you are considering - yes, whether you are considering reducing capacity anywhere in New Zealand, yourself? Are you shutting something down?

Peter Griffiths: No. Look, to that second part, we have no announceable plans to reduce capacity - our current capacity anywhere in New Zealand. We currently serve that market from four processing sites across New Zealand, and we have no announceable intentions to change that at the moment.

In terms of CapEx, we have reduced CapEx to less than half of what we spent last year, and the current rates of approximately $8 million, give or take, give or take a bit, I think you should expect that to be a natural and more typical capital rate going forward. Clearly, we're going to be - and the capital's very, very precious to us, and we're going to be quite careful about what we spend that money on, given the forward landscape. If you wanted a working number, I would look towards the $8 million to $10 million range.

Aaron Ibbotson: (UBS, Analyst) Yes, thank you. My final question, just from a slightly different angle that similar to what Aire just asked around capital structure. So, my - your chairperson must have reacted quite aggressively to the APL news, and to today's news.

So, from my perspective, I wondered if you have got any indication whatsoever from your debt holders, or indeed your shareholders, that they have a preference for you repairing the balance sheet quick, or if their preference is for a slow and steady improvement?

Potentially related to that, considering the recent experiences in New Zealand, building materials market. Would you be willing to share something around the covenant structure of your debt? Thank you.

Peter Griffiths: John, do you want to narrate a little about the debt refinancing process and covenants?

John Fraser-Mackenzie: Yes. So I'll come and talk about where I guess the most relevant covenants would be EBITDA to net debt, so a trailing EBITDA to net debt. So as at this half it's 2.3 times. Beyond that we do have excess headroom in our facilities, so that's where we will see that 2.3 times dropping down. So the covenant is at three times, and we'll obviously see that 2.3 multiple dropping down in the absence of a dividend.

Aaron Ibbotson: (UBS, Analyst) So the covenants could impact…

[Over speaking]

Peter Griffiths: Sorry, go ahead.

Aaron Ibbotson: (UBS, Analyst) Yes, sorry. So the covenant is three times, and that's a one-shot covenant, it's not a rolling average or anything? So if your EBITDA drops by another 20% you're in breach of your covenant. Is that correct?

John Fraser-Mackenzie]: Yes, so we take a measured price every six months, so every time we report results we'd take a measure on trailing EBITDA to net debt at the end of that period, so that's how the covenant works.

Aaron Ibbotson: (UBS, Analyst) Okay, thank you.

Peter Griffiths: I think just to add to that, we've had no, shall we say, urgent or strident, or pressing conversations from our debtholders at all. Clearly, we're in contact and conversation with large shareholders, and again, I think the encouragement there has been to reduce debt, and we are listening and acting on that. So again, we actually feel the company is in a solid position, we can put it in an increasingly solid position by doing exactly what we're doing, maintaining and growing sales, getting our production processes solid and well-run, and then that will lead to an improved balance sheet.

So we do have measured time to this, and we're not into an urgent restructure situation at the moment.

Aaron Ibbotson: (UBS, Analyst) Okay, thank you.

Peter Griffiths: Thank you.

Operator: As a reminder, that it's the star key followed by the digit one. We'll hear next from Stephen Hudson, from Macquarie Securities.

Peter Griffiths: Go ahead, Stephen.

Stephen Hudson: (Macquarie Securities, Analyst) Hi Peter, hi John. Just a couple from me. I just wondered if you can give us what your total labour cost inflation was for the half? Secondly, I just wondered if you had tested your - I've got about three questions, three or four - if you've tested your intangible balance for impairment in the half, or if you expect that to happen at the full year?

Thirdly, I just wondered about the state of your fleet, and whether or not you need it or expect it to be able to cover any fleet CapEx within the $8 million to $10 million that you talked about? Then just lastly, I wondered if you could talk about Fairview and Glass Relator, any CapEx plans that you're aware of in the glass processing market?

Peter Griffiths: Okay, thanks for those, Stephen. John, I'm not sure, do you have the labour inflation?

John Fraser-Mackenzie: Yes, or that might be over three strategic things, so I'll talk to New Zealand on that actually. So just over 3% would be what we've had on labour cost inflation, and I think part of that was we've embarked on a conscious reset for particular areas of the business where we found we were under the market. In Australia, they haven't had any change in their labour rates this year, so they're on a delayed timetable for that, so that'll be minimal impact on the year.

I'll carry on on the intangibles. So yes, we have tested the intangibles this year - sorry, of the half, and I guess it does cover the comment, particularly on AGG, where we're disappointed, but we do see a good future for the business, and we have seen some signs of them beginning to pick up. Obviously, that's something we'll need to return to at the full year.

On the state of our fleet, so I guess a chunk of this year is New Zealand's Capex's on fleet, we are relatively little on - or we have nothing significant on any other bits of machinery, so the chunk of this year's CapEx is on fleet, so yes, it's not an issue for us, but it's something we've got to keep on investing in.

To your fourth question, we do understand Glass Relator are investing in both Auckland and Christchurch. Not sure of their specific details, I think their Auckland investment is more significant than their Christchurch one, but we don't think it's as significant an investment as APL, and that we do understand they may be looking to move from their existing building where they are, into a new building. But we don't have very specific detail on it.

Stephen Hudson: (Macquarie Securities, Analyst) That's useful, John. Can you give us a feel, as you did for APL, what your sales exposure is to Glass [Relator], or sorry, to Fairview…

[Over speaking]

John Fraser-Mackenzie: Glass [Relator] would be in the region of $10 million to $15 million probably, somewhere in the region of $10 million to $15 million.

Stephen Hudson: (Macquarie Securities, Analyst) Okay, thank you.

Operator: At this time there are no additional callers in the queue. I'd like to turn the conference back over to your host.

Peter Griffiths: Okay, thank you. Thanks for those questions, and thank you for your attendance today. No doubt we will have follow-up conversations with a number of you after this meeting. So I'll declare the meeting closed. Thank you, everyone.

Operator: That does conclude today's teleconference. We thank you all for your participation. You may now disconnect.

End of Transcript