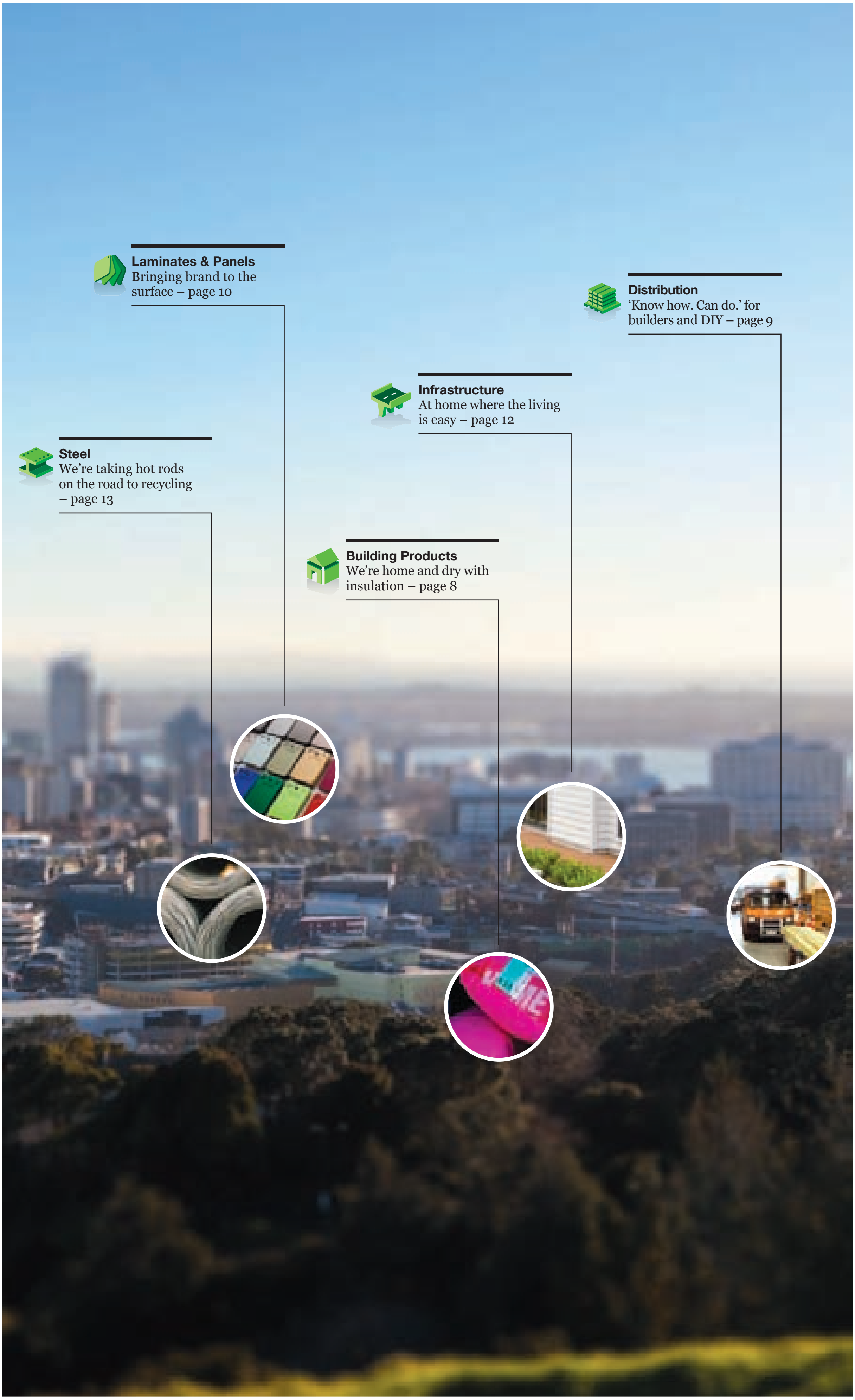
Fletcher Building Annual Report 2009 – The year in full

WIDER PERSPECTIVES

FletcherBuilding



Big picture, small detail

At Fletcher Building we have a wider perspective.

We have a 100-year view of the built environments we have helped create across Australasia and around the world. That informs our development of products, materials and services for a new century.

We have experienced the impacts of changing economic cycles and we manage these by drawing on the strengths of market-leading positions and our diverse geographical and industry base.

This year we focused on maximising our cashflow and restructuring the business. Economic recovery is inevitable, and when it comes, we expect to be strongly positioned.

You can obtain an electronic copy of the Annual Report by going to the following website address:
fletcherbuilding.com/reports/09
This report is dated 8 September 2009 and is signed on behalf of the board of Fletcher Building Limited:

Roderick Deane
Chairman of Directors

Jonathan Ling
Managing Director

Annual shareholders' meeting

The Fletcher Building 2009 annual shareholders' meeting is to be held at 10.30 am on Wednesday 11 November 2009 at the Glenroy Auditorium, Dunedin Centre, Dunedin, New Zealand. The notice of meeting, voting form and RSVP card will be mailed to shareholders closer to that time.

Highlights

100yrs

In 2009 we're celebrating 100 years since James Fletcher built his first house in New Zealand, founding a tradition of imagination, hard work and entrepreneurship that helped shape a nation.

$314m

Net earnings after tax before unusual items, on stable revenues of $7,103 million. Unusual items of $360 million were incurred, giving rise to a net loss of $46 million. Operating earnings (earnings before interest and tax) before unusual items were $558 million compared with $768 million in the previous year.

23%

Cashflow from operations was up 23 percent to $533 million compared with $434 million in 2008.

15%

Total Recordable Injury Frequency Rate per million hours (TRIFR) this year was 23.41 compared with 27.76 in 2008, a reduction of 15 percent. Lost Time Injury Frequency Rate (LTIFR) was 5.31, compared with 5.74 in 2008.

A challenging year

Roderick Deane
Chairman

View the Chairman's review online:
fletcherbuilding.com/09/chairman

Read further:
Financial review
Pages 28-29

This has been a very challenging year for the company as it has faced declining construction markets around the world and the after-effects of the global financial crisis.

Operating performance

For the year ended 30 June 2009, the group recorded net earnings after tax, before unusual items, of $314 million. This compares with $467 million in the previous year. Operating earnings (earnings before interest and tax) before unusual items were $558 million compared with $768 million in the previous year.

Cashflow from operations was up strongly at $533 million compared with $434 million in 2008. This is a robust performance given the economic climate during the year.

The result reflects a strong performance from the Steel division, which benefited from high prices and strong demand in the first half of the year, although steel prices and volumes eased in the second half. All other divisions recorded lower operating earnings than the prior year due to the slowdown in building activity across most markets.

Infrastructure experienced strong growth in construction activity during the year, more than offsetting weaker demand for cement and concrete products in New Zealand. Businesses exposed to the New Zealand residential markets saw weaker sales, particularly Distribution and the plasterboard and panels businesses. Laminates sales were steady with a stronger performance in Asia offsetting weak European markets. Business performance in Australia was mixed, and there was a marked slowdown in activity in the second half due to weakness in the Queensland and Western Australian markets.

Details of the performance of each of the businesses are contained in the divisional reviews on the following pages.

Excluding unusuals the result represents a 10.8 percent return on average equity, and an 11.9 percent return on average funds employed. This is lower than the previous year and is due to the cyclical low point in the cycle for building materials. Total shareholder return – the movement in share price plus pre-tax dividends – was 14.1 percent for the year. This is a pleasing turn-around from the prior year and reflects the efforts of the group to manage effectively the business through challenging economic conditions.

Unusual items

As announced in April 2009, unusual items of $360 million were incurred for the year, giving rise to a net loss of $46 million. Unusual items comprised charges for restructuring and manufacturing capacity reduction initiatives, and the impairment of certain assets. The latter are non-cash in nature and represented three percent of the group's total assets at 30 June 2009.

While the net loss is disappointing, a number of the unusual items relate to actions which will benefit the company over time. In particular, the restructuring and capacity reduction initiatives will ensure that the business is well placed to benefit from a recovery in markets, with efficient appropriately scaled manufacturing operations, and lower unit costs.

Much of this work has already been completed or is well in train. All divisions undertook business rationalisations in response to reductions in demand. Manufacturing capacity is being reduced at Laminex and Formica where there is an imbalance with assessed future demand. Projects underway are designed to lift product profitability and reduce customer distribution and service costs, while at the same time maintaining service quality.

Dividend

A final dividend of 14.0 cents per share brings the total dividends for the year to 38.0 cents per share, compared with 48.5 cents per share in the previous year. The reduced dividend has enabled cash to be retained in the business which the board feels is appropriate in the context of current market conditions. Future dividend levels will be determined with reference to earnings performance and trading conditions.

The final dividend will be paid on 15 October 2009. It is partly credited for New Zealand tax purposes, having been imputed at a 30 percent tax rate to the extent of 7 cents per share. The final dividend is not franked for Australian tax purposes. Further details are available in the Investor Information section of the annual report.

Capital raising

The company successfully raised $526 million in new equity in April and May through an institutional share placement, a Share Purchase Plan and a Top-Up Offer. The high level of participation in the capital raising by existing shareholders was especially pleasing. The new equity raised has strengthened considerably the company's balance sheet.

People

This year has been especially challenging for our people as they have worked in an environment of lower volumes and at times significant cost pressures. The restructuring activities that have been undertaken have been necessary and the board is cognisant of the impact these have had across the business. It is thus particularly appropriate to acknowledge formally the substantial contribution made by all our people during the year in meeting the demands of such a difficult trading environment.

It is appropriate to acknowledge our appreciation of the fact that management voluntarily decided to forgo any remuneration increases for the normal remuneration review

Ralph Waters
It is intended that Ralph Waters will assume the position of Chairman on 1 April 2010.

which occurs after the year's accounts are finalised. Moreover, given the decline in earnings, a substantial majority of the senior management team will not receive any short-term incentive payments with respect to the 2009 year.

The company is fortunate to have an experienced senior leadership group. This depth of internal company and industry knowledge, together with the strong external experience of more recent senior appointees presents the company with a rich leadership resource pool for succession purposes.

Board changes

Planned succession arrangements saw Paul Baines and Geoffrey McGrath retire from the board in June 2009.

Two new directors, Gene Tilbrook and Alan Jackson, have been appointed to the board with effect from 1 September 2009. The two new directors have considerable business experience and will be valuable additions to the board.

I have also indicated that I will retire from the board on 31 March 2010. It is the current expectation of the board that I will be succeeded as Chairman by current non-executive director, and former chief executive, Ralph Waters.

The board records its warmest appreciation to Paul Baines and Geoffrey McGrath for their major contributions to the governance and oversight of Fletcher Building. They are both gifted non-executive directors and the company benefited greatly from their participation in our board leadership.

The changes in board composition are in line with the changes signalled at the annual shareholders' meeting last year, and are in accordance with the company's governance guidelines. The board has determined that both Mr Tilbrook and Dr Jackson are independent directors.

It is noted that directors will not receive any increase in directors fees this year given the decline in earnings last year.

Outlook for 2010

The outlook for the 2010 financial year is subdued, and most markets are expected to record continuing low levels of activity relative to recent years. This will be particularly noticeable in the first half, where comparisons with the prior year will reflect the more favourable conditions that were seen for Formica in Europe, in Steel, and across the Australian businesses in 2009, all of which have deteriorated markedly since the first half of 2009.

In New Zealand, the Government's commitments to accelerate spending on infrastructure should continue to provide opportunities for the construction, concrete and long steel operations. However, this will only partly ameliorate the effects of lower private sector commercial construction activity and continued subdued demand in the residential market. Furthermore, a lag is anticipated until the Government's proposed acceleration of infrastructure work gains traction.

Similarly the insulation business in Australia and New Zealand will continue to benefit from the household insulation incentives introduced recently as part of broader economic stimulus measures.

In Australia, while infrastructure spending is expected to benefit the concrete products business, this will only offset in part the lower demand for rolled steel products from the commercial sector. The outlook for residential building is uncertain, but lower levels of activity are anticipated in Queensland and Western Australia.

Volumes in the North American market are expected to continue at low levels, particularly in non-residential, while all segments in Europe are likely to see volumes at significantly lower levels than in 2009. Parts of Asia are expected to show reasonable growth, but this is likely to be patchy and there is a risk that growth rates will slow relative to last year.

The past year has been a difficult one but we are satisfied with the progress we have made. While our results were impacted significantly by the slow-down in building activity around the world, we have ended the year in fundamentally good shape, having both the financial strength and the appropriately sized manufacturing capacity we need to meet demand over the medium term.

Centenary

It is unusually pleasing to be able to record that 2009 marks the 100 year anniversary of the company's foundation. Over those many years the company has seen periods of great growth and depressions; it has contributed significantly to the building of New Zealand; and it has outlasted many other companies. The professionalism, enthusiasm and creativity of our staff has been the key to our success; building and maintaining this culture within the company has been the remarkable achievement of successive management teams; and we acknowledge their leadership and contributions over many years. We thank our customers for their confidence in us and our suppliers and the community more generally for their great support for us. We look forward with confidence to our second hundred years.

Fundamentally sound

Jonathan Ling
Chief Executive

View the Chief Executive's results presentation online:
fletcherbuilding.com/09/chiefexecutive

In a difficult year, the focus of the group has been on maximising cashflow and restructuring the cost base. While operating earnings before unusual items fell from $768 million in 2008 to $558 million, cashflow from operations was 23 percent higher than for 2008 at $533 million.

The Steel division increased operating earnings before unusual items by 52 percent to $154 million for the full year, due to a strong first half driven by high demand, steel supply shortages and robust price increases. The downturn at the end of October saw the market change quickly with weaker demand, excess supply throughout the distribution chain, significant inventory overhang and falling prices, mitigated in part by positive currency impacts. A highlight for the year was the generation of $182 million of operating cashflow of which a reduction in working capital contributed $22 million.

Sales in the Building Products division increased four percent to $771 million, but operating earnings excluding unusual items were down 28 percent to $106 million. This was due to deteriorating residential housing markets, and higher input costs, particularly in relation to imported products as the New Zealand and Australian currencies weakened.

Distribution had sales fall by 18 percent for the year due to the decline in residential building activity in New Zealand. Operating earnings excluding unusual items were 59 percent lower at $30 million with margins affected by competition and lower turnover. The New Zealand building materials market was significantly impacted by the decline in residential building consents which were 39 percent lower than the prior year.

In the Infrastructure division, sales for the year were up 11 percent due to significantly increased construction activity offset by lower concrete sales. Operating earnings excluding unusual items declined by $105 million to $203 million with the most significant component being the decline in earnings from property related activities to $18 million. Last year these activities, comprising the residential business, quarry end use, and surplus asset sales, earned $80 million. Operating earnings from the New Zealand concrete business were 28 percent lower. In Australia, the pipeline and quarry businesses performed very well, recording combined operating earnings of $64 million compared with $59 million for the previous year.

Operating earnings excluding unusual items for Laminates & Panels were $74 million, compared with $141 million in the previous year on three percent lower sales of $2,076 million.

Laminex's operating earnings before unusual items were $56 million compared with $125 million in the prior year. Market conditions in Australasia were tough with a number of factors negatively impacting earnings. Volumes were down on the prior year in both Australia and particularly New Zealand due to the slowdown in both economies, although market shares were maintained. Significant cost increases were also incurred.

Formica's operating earnings before unusual items for the year were $18 million, up 11 percent on the prior year. Sales in domestic currencies in which Formica operates were down by 14 percent. Sales performance reflected the weak US economy and the rapid and significant deterioration in demand in Europe.

Formica Asia recorded another year of solid growth in revenues and earnings. While volumes were lower in some regions, with Taiwan, Hong Kong and parts of mainland China showing reductions in demand, demand in Thailand and the Asean countries remained firm.

Resolution of key manufacturing issues which severely impacted performance at the company's Ohio based manufacturing facility in the prior year resulted in a substantial improvement in performance in North America. This was achieved against a backdrop of a further weakening housing market and a rapid slowing of non-residential activity across the United States. Activity in this latter sector, where Formica has strong exposure, recorded falls of over 15 percent on the prior year while residential activity was down by over 30 percent on the prior year.

Restructuring costs

All divisions undertook business rationalisations in response to reductions in demand. The total labour force across the group fell by approximately 2,500 to 16,500 through the year. Rationalisations include the closure of the door manufacturing business in New Zealand; an 18 percent reduction in employee numbers in the concrete businesses; a 15 percent reduction in employees at both Laminex and Formica; three branch closures in the steel rollforming and coated steel businesses; and the opening of a manufacturing and distribution centre in Melbourne for Stramit with the consolidation of three sites into one. A company-wide freeze on salaries and directors' fees was implemented for 2010.

Capacity reduction initiatives

Following a review of manufacturing capacity and assessed likely future demand, the closure of the Laminex particleboard plant at Kumeu in Auckland and the medium density fibreboard (MDF) plant at Welshpool in Western Australia were announced.

An extensive review of Formica's European operations determined that there was a need to reduce total capacity in that region given significantly reduced demand levels. The decision was taken to downsize the operations at the plant in Bilbao, Spain. In addition, an assessment of Formica's product profitability and customer cost-to-serve in all regions identified opportunities to streamline the product portfolio and reduce distribution costs, resulting in inventory reductions to align with the revised product suite and service model.

The reduction in manufacturing capacity will help to ensure that the business is well placed to benefit from a recovery in markets, with efficient manufacturing operations scaled appropriately from a capacity perspective, and lower unit costs.

Adjustments to asset carrying values

The annual appraisal of balance sheet carrying values identified certain tangible and intangible assets, which have been permanently impaired to a total of $194 million. Most of this potential impairment charge arises in the Laminates & Panels division, including a reduction in the book value of goodwill associated with the acquisition of Formica and the write-down of certain fixed assets within Formica Europe. A charge was also taken for the write-down of assets in the Distribution division, arising from the decision to suspend the implementation of a new retail management information system.

The adjustments to the carrying values are non-cash in nature and represent three percent of the group's total assets as at 30 June 2009.

Tax benefit recognition

At the time of the Formica acquisition in 2007, the value of tax losses available to the business in the United States and certain other jurisdictions was recognised. Due to the market outlook for Formica's operations, the realisation of the benefit of those tax losses is likely to be significantly delayed. In accordance with NZ Generally Accepted Accounting Practice, the company has written-off NZ$60 million of the carrying value of those tax benefits. Notwithstanding the write-down (which is entirely of a non-cash nature), the benefit of these tax losses is expected to be realised in future years as taxable earnings are generated.

Financial position

The balance sheet was strengthened during the year with the issuance of $131 million of capital notes to provide a longer debt maturity profile, and $526 million of new equity, the proceeds from which were used to reduce debt levels.

The group had over $1 billion of unutilised debt facilities as at 30 June 2009. 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.

With strong operating cashflow, gearing at 31.1 percent, and interest coverage at 4.0 times, the group remains in a sound financial position.

Cashflow

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 high pressure laminate (HPL) press in Formica Finland; and the purchase of additional sand and quarry reserves in Australia by Rocla Quarries.

People

At 30 June 2009, the group employed some 16,500 people in workplaces across New Zealand, Australia, the Americas, Asia, Europe and the Pacific Islands. Fletcher Building is the second largest commercial employer in New Zealand and a significant employer in many communities further afield.

Regrettably, about 2,500 people left the business in the year due to the restructuring of our operations. Decisions that affect our people's lives are not taken lightly, and where redundancy has been necessary, we have sought to comply with our values, communicate fully and treat our people fairly and with integrity and respect. Every effort has been made to place them in alternative employment.

The group has maintained a structured approach to people management, with the key areas of focus being: talent identification; attraction and recruitment; leadership and management development; performance assessment; succession planning; diversity management; and benefits and reward. With increasingly international operations, the implementation of people development programmes has been decentralised on a regional basis, but with policies and practices consistent across the group.

In the senior management team, John Beveridge was appointed Chief Executive of the Distribution division in August, replacing David Edwards who has returned to Australia.

Health and safety

The company has a vision, policy and standards that explicitly state expectations for health and safety, and drive continual improvement towards leading industry practice. The vision of Zero Harm is based on the principle that all accidents are preventable. Business units are required to prepare annual health and safety plans reflecting the Zero Harm vision and addressing the hazards inherent in their operations. Assessments of safety performance are included in all business unit operational reviews and the resulting experience and solutions are shared among the business units whenever appropriate.

The approach to health and safety is multi-faceted and this has been effective in reducing the injury rate across the group. Most business units have shown consistent improvement. This year, the group introduced Total Recordable Injury Frequency Rate per million hours (TRIFR) as its primary performance indicator for safety. It has defined "Recordable Injuries" as both lost time and medical treatment Injuries. The group's TRIFR this year was 23.41 compared with 27.76 in 2008. Its Lost Time Injury Frequency Rate (LTIFR) was 5.31, compared with 5.74 in 2008.

Environmental sustainability and climate change

Addressing climate change is one of the biggest challenges facing our generation. At Fletcher Building, sustainability means maintaining the long-term viability of its businesses by minimising their impacts on the natural environment. Our sustainability objectives are also furthered when our products and services lead to better environmental efficiency in our customers' buildings and infrastructure, when we eliminate or minimise waste from our products, services and workplaces, and when we find and implement economic energy-efficient solutions.

The company has a range of strategies to enhance its sustainability profile, including the use of recycled materials as raw materials and fuels, the use of renewable energy – particularly biomass - and the introduction of new technologies to provide energy to industrial processes. Greater energy efficiency through improvements in plant and equipment is also being achieved.

During the year the Climate Change and Environmental Sustainability Council was established to assist the executive committee and the board to fulfil their responsibilities in relation to management of these issues. The Council is focused on providing direction and co-ordination to the group's continuing efforts to reduce its environmental footprint and to improve effectiveness and communications on these issues. A major focus is to reduce operating costs by improving energy and resource efficiencies.

The group has also set a target to reduce its CO_2 emissions in 2012 to five percent below its 2008 level on a normalised basis. This builds on reductions achieved in earlier years. In particular, the upgraded cement manufacturing plant at Portland is achieving its designed efficiency and capacity improvements. Emissions trading schemes are being developed in both New Zealand and Australia, and it is anticipated that the achievement of this target will offset any additional costs that will be imposed when the schemes are established.

Fletcher Building also participates in the Australian Energy Efficiency Opportunities programme. This requires all companies using more than 0.5 petajoules of energy to work through a programme of energy efficiency audits for major energy using sites in Australia. It is also preparing to participate in the National Greenhouse and Energy Reporting programme.

Fletcher Building participated in the Carbon Disclosure Project for the fourth time this year. This requires a complete inventory of all our 2008 CO_2 emissions and a report describing how the company manages the risks and opportunities from future climate change. All NZX50 and ASX100 companies are asked to participate.

Strategy

Whilst Fletcher Building operates in cyclical markets it has followed a strategy to improve the reliability of its earnings; maintain and improve its internal capabilities; and take up any acquisition opportunities where these meet its investment criteria.

The downturn in construction markets around the world has meant that growth in earnings has not been achievable in the 2009 year, and lower levels of construction activity may be ongoing in many of its key markets for some time. Consequently the immediate focus is to ensure that all parts of the group are able to operate profitably during this period of subdued economic activity, and manufacturing capability is optimised in the context of significantly lower activity levels. In this regard a number of work streams are underway in the Laminates & Panels division examining product profitability, customer cost-to-serve, procurement and logistic costs. Significant progress is expected to be achieved in 2010 as these businesses implement a range of measures to lift operational efficiency and lower the cost base.

In this environment, capital expenditure will be reduced in the 2010 year. However, the group will continue to look for opportunities to invest in areas of organic growth and where appropriate acquisition opportunities are identified. Acquisitions will need to be able to be comfortably accommodated within capital and financial parameters, and expectations of future returns must realistically reflect current and likely future trading conditions. Australasia continues to be the principal area of focus for further expansion.

Building Products

Building Products provides building product solutions, from foundation to roof. The division's core plasterboard, insulation and metal roof tile business streams have leading market positions and respected brands.

Building Products' businesses include:

- Winstone Wallboards, the sole New Zealand manufacturer of plasterboard, and DVS, a leading New Zealand provider of domestic ventilation systems.
- Fletcher Insulation, in Australia, and Tasman Insulation, in New Zealand, which lead the Australasian market in glasswool insulation, and own four of the six glasswool manufacturing plants in the region.
- Forman Group, the leader in commercial and industrial insulation and commercial ceiling and wall systems in New Zealand, and Tasman Access Floors, a leading provider of access flooring systems in Australia.
- AHI Roofing, with manufacturing plants in New Zealand, Malaysia and Hungary, and Decra Roofing Systems in the USA, make Fletcher Building the leading global supplier of stone chip coated metal roof tiles.

Complementary businesses in the division include Tasman Sinkware in Australia which manufactures high-end sinkware, and Fletcher Aluminium which designs and manufactures aluminium window and door systems.

Performance overview

Building Products sales increased four percent to $771 million, but operating earnings, excluding unusual items, were down 28 percent to $106 million. Deteriorating residential housing markets, and higher input costs, particularly in relation to imported material as the New Zealand and Australian currencies weakened, were the key factors affecting earnings.

Operating earnings for the plasterboard business were down 36 percent, reflecting a weak New Zealand residential construction market and increased input costs. Good pricing discipline, an improved sales mix in the core plasterboard product, and strong overhead cost control partly alleviated market impacts.

Operating earnings for the insulation business were up one percent. This was due to several factors, including strong contributions from the Australian-based Baron Insulation business which was acquired at the beginning of the year, and from the access flooring systems operation. Economic stimulus packages from the Australian and New Zealand governments included incentives for home insulation, and this increased demand for insulation products in the final months of the year. The New Zealand commercial insulation and ceiling and wall systems business performed well with robust demand until the latter part of the year.

Operating earnings for the metal roof tile business were down 38 percent. The impact of high steel costs, weak sales volumes in New Zealand, and a challenging competitive environment in Japan were partially offset by robust pricing, a strong sales performance in Africa, and a favourable exchange rate. A new manufacturing plant in Hungary was commissioned late in the year and is operating to expectations. The 2007 oven fire at the United States plant disrupted operations until full commissioning of the new plant in October 2008. Insurance proceeds were received following settlement of the claim.

Weak residential markets also affected the earnings of the division's other businesses. Aluminium business earnings were lower by 38 percent due to reduced demand in the New Zealand residential market. The sinkware business experienced a 36 percent decline in earnings due to lower demand in its domestic and export markets.

During the year, the division restructured to operate more effectively in the current economic climate. Initiatives included the closure of door manufacturing and other plant, shift reductions, sales and marketing rationalisations and branch downsizing. In the insulation business, key restructuring actions included closure of the Auckland-based Duroid foils and wraps plant, two paper and foil laminating lines at the Homebush manufacturing plant in Sydney, and the Braeside sales office in Victoria. Employee numbers for the division reduced by 270 positions during the year, albeit the insulation business subsequently employed additional people to cope with increased demand on both sides of the Tasman arising from the government stimulus packages.

Looking ahead

Significant cost rationalisation during the year means each of the division's businesses are well positioned to capitalise on upturns in key markets. The insulation business is already seeing benefits from Australian and New Zealand government incentives, while both the plasterboard and insulation businesses will benefit from increasing interest in energy efficiency solutions and sustainability.

Warming up our homes

The Australian and New Zealand governments have both announced substantial incentive packages to encourage homeowners and landlords to improve home insulation. It is estimated that up to 2.9 million houses in Australia, and up to 900,000 in New Zealand, require additional insulation. Fletcher Building's Pink Batts are premium insulation brands in both countries and are likely to be the product of choice for many homeowners and landlords who take advantage of the subsidies. Pink Batts are made from up to 80 percent recycled glass and save hundreds of times more energy than is used to produce them.

More online:
fletcherbuilding.com/divisions/building-products

Chris Ellis
Chief Executive, Building Products

For Chris' bio visit:
fletcherbuilding.com/09/executiveteam

Distribution

Fletcher Building's distribution business, PlaceMakers, is the premier supplier of building materials to New Zealand's commercial and residential construction markets.

PlaceMakers leads the market in its core trade segments and provides an important distribution channel for Fletcher Building products. There are 63 stores, most of which are operated in partnership with local owners. Frame and truss manufacturing is a key feature of the division's offering.

PlaceMakers works closely with joint venture operators and key suppliers to deliver value to customers through trade credible products, and great service through the quality of its employees and its customer relationships. These are key points of difference underpinning PlaceMakers' competitive success.

Performance overview

PlaceMakers sales fell by 18 percent for the year due to the decline in residential building activity in New Zealand. Operating earnings, excluding unusual items, were 59 percent lower at $30 million with margins affected by competition and lower turnover.

A decline of 39 percent in New Zealand residential building consents from the 2008 year had a significant impact on PlaceMakers' performance. With the shrinking residential market some competitors moved into the trade segment, and increased competition led to lower prices and margins. PlaceMakers maintained market share in both the trade and serious DIY segments.

Significant operational improvements in frame and truss manufacturing were achieved through closing some smaller plants in the Canterbury region, and centralising production at a new plant in Christchurch. A similar consolidation in other centres will be implemented over the next year.

The ratio of working capital to sales improved during the year, with strong inventory management achieving reduced stock levels despite increased shelf capacity in new stores.

A new trade store was opened in New Plymouth and a number of store refits were completed, including Kumeu and Antigua Street in Christchurch.

PlaceMakers has re-confirmed over the past year that joint venture ownership remains the preferred operating model. Succession planning remains a key priority and PlaceMakers has actively re-invested in the appointment, retention, development and performance of joint venture operators. This will ensure that PlaceMakers always has a robust pipeline of qualified people available to become partners. The preferred succession mix is a predominance of internally developed high potential people, supplemented with approved external candidates to match the anticipated leadership bench strength and succession needs of the business.

Health and safety initiatives during the year included establishing a 'near miss' reporting target and incentive scheme, an increase in the standard of internal audits, and a compulsory training programme, Home Safe Everyday, for managers and supervisors. A seven percent reduction in total reportable injuries was achieved.

Looking ahead

Improved trade customer service to grow market share will be driven off PlaceMakers' strong base of trade relationship skills, product and industry knowledge, and supported by improved delivery performance and logistics improvements. PlaceMakers will also focus on growing share of the serious DIY customer segment by focusing on trade credible products with competitive pricing and authentic 'Know how. Can do.'

PlaceMakers will continue raising store standards. Refits of three more sites will soon be completed.

More online:
fletcherbuilding.com/divisions/distribution

John Beveridge
Chief Executive, Distribution

For John's bio visit:
fletcherbuilding.com/09/executiveteam

Laminates & Panels

The Laminates & Panels division comprises the Laminex Group and Formica Group which manufacture, market and distribute a range of decorative and durable laminates and panels. These businesses have strong international brand profiles and leading market positions. Operating earnings for Laminates & Panels, excluding unusual items, were $74 million, compared with $141 million in the previous year, on three percent lower sales of $2,076 million.

Laminex

The Laminex Group is the leading Australasian manufacturer, marketer and distributor of decorative surface laminates, component products, particleboard and medium density fibreboard (MDF).

Performance overview

Laminex's operating earnings before unusual items were $56 million. This compares with $125 million in 2008. Volumes were down in Australia, and particularly in New Zealand, due to the slowdown in both economies, although market shares were maintained. Significant increases in the cost of resins, and weaker Australian and New Zealand currencies, reduced earnings. Prices were increased, and in the final quarter of the year resin costs reduced and the Australian and New Zealand currencies strengthened against the US dollar.

Reduced demand and over-capacity in the industry lead to the announcement of the closure of two of Laminex's manufacturing facilities in June 2009. These were the MDF plant in Welshpool in Western Australia, and the particleboard facility at Kumeu in Auckland. These restructurings, which position Laminex to optimise its operations by rationalising its manufacturing footprint, reduce costs and better align capacity with domestic demand, were achieved without impacting the supply or distribution of product to domestic customers. Laminex is now well placed to maintain and grow market share in an upturn.

In addition to price increases and plant closures, a number of cost saving initiatives were delivered during the year, to help offset the impact of the global slowdown. Staff numbers decreased by around 15 percent.

Approximately one third of the high pressure laminate (HPL) supplied by The Laminex Group to its Australasian markets is now being sourced from Formica in China. This was a key synergy identified in the acquisition of Formica.

Fifteen new product initiatives were launched during the year to stimulate demand and keep Laminex in a market-leading position. These launches include the Formica rejuvenation, Laminex colour update, the launch of three centimetre solid-surface products, and veneers.

Laminex also achieved re-certification from Good Environmental Choice Australia for low pressure laminates, Raw MDF and E Zero particleboard plus certification for veneers from the Forest Stewardship Council.

Laminex has embarked upon a programme of initiatives across Australia and New Zealand to improve product margins and reduce costs. Areas of focus include:

- product and customer optimisation, to differentiate the customer service offering, rationalise the product range, and lift sales force effectiveness;
- distribution optimisation, to ensure that channels to market are aligned with the desired service model and are cost effective;
- procurement efficiencies, to reduce product and support costs;
- manufacturing excellence, with an emphasis on improving efficiencies in the manufacturing process and in inventory control.

Looking ahead

The Laminex Group will continue to focus on product innovation, achieving synergies with Formica, and business efficiencies that position the business to respond to an upturn in its key markets.

Case study

Exacting standards for timber veneer

Products used in the construction of the prestigious Melbourne Convention Centre had to meet the highest standards of sustainability to qualify for the Green Building Council of Australia's premier six-star rating. The Laminex Group developed a timber veneer panel specifically for the project that met both the Forest Stewardship Council's (FSC) environmental standards and the high design standards set by the project architects. Laminex's semi-gloss Spotted Gum Veneer panels were described by the project's design leader as having "a sumptuous high-quality appearance." Laminex FSC Timber Veneers are part of the Greenfirst range that has subsequently been created to meet increased demand for green building products.

More online:
fletcherbuilding.com/divisions/laminates

David Worley
Chief Executive,
Laminates & Panels
– Laminex

For David's bio visit:
fletcherbuilding.com/09/executiveteam

Laminates & Panels

Formica

Formica Group manufactures and distributes high pressure decorative surface laminates in North America, Europe and Asia. Its main markets are the USA, Canada, Mexico, the UK, Spain, France, the Nordic regions, the Benelux countries, Taiwan, China and Thailand.

A significant proportion of sales is for commercial purposes, including retail and office fit outs, schools, hospitals and other developments, but Formica laminate is also widely used in new housing and renovations. The Formica brand is recognised and respected globally. In the countries in which it has manufacturing facilities it either leads the market or holds the second largest market share.

Performance overview

Formica Group operating earnings before unusual items for the year were $18 million, up 11 percent on the prior year. This was despite the significant impact of the global recession on the Group's operations in Europe and North America. Sales in the domestic currencies in which Formica operates were down by 14 percent due to a weak US economy and a rapid and significant deterioration in demand in Europe. The weakening of the NZ dollar, however, resulted in overall sales being flat year on year.

Formica Asia recorded another year of solid growth in revenues and earnings. Volumes were lower in Taiwan, Hong Kong and parts of mainland China, but demand remained firm in Thailand and the other Asean countries.

Performance in North America improved substantially in spite of further weakening of the housing market across the United States, and a rapid slowing of non-residential activity. The extent of the fall in non-residential activity, a sector in which Formica has strong exposure, was over 15 percent on the prior year and over 30 percent in residential. Key to Formica's performance was resolution of the manufacturing issues that had severely impacted performance in the prior year at Formica's manufacturing facility in Ohio.

In Europe, demand for HPL fell by 24 percent over the prior year. Spain and the United Kingdom, which are the two biggest markets for Formica in Europe, recorded the largest reduction in demand, although demand also fell significantly in Scandinavia.

Although the extent of market contraction and fall in demand for HPL was severe in both Europe and North America, prices generally remained firm. Cost pressure on raw material inputs eased throughout the year, with resin prices falling from the previous year. Other key input prices were generally in line with inflation in each of the major markets.

Throughout the year the company worked to reduce costs across the business. This included minimising cash usage by reducing working capital (in particular inventories), increasing focus on debtors, and, as some customers with large accounts were under financial pressure, more rigour with provision of credit.

Formica has reduced its reliance on new products for this year. The company is concentrating on enhancing the service capabilities associated with its core products with the specific aim of maintaining and developing market share. An initiative with a number of key customers, in which the company undertook to significantly reduce product delivery lead times, is an example of how service capability is being enhanced. Reduced lead times meant customers could minimise their own inventory holdings. The success of this initiative has seen it extended to a broader range of customers and a greater array of products.

The company reviewed its key activities in detail across all regions. The aim was to identify opportunities for improvement. The review included a full analysis of the profitability of every product group and customer. Full reviews of the company's product offering, and its global manufacturing footprint, were also undertaken. As a result of these reviews a number of opportunities have been identified to streamline the product portfolio and improve both customer service and distribution.

These activities meant the company recorded an unusual cost of $243 million. The cost included writing-off goodwill, some fixed assets, and provisions for redundancies resulting from the rationalisation of manufacturing facilities in Europe. In addition a number of inventories have been written-down as part of the company plans to rationalise the product offering.

Looking ahead

A number of business transformation projects have been set up in each of Formica's three regions. A cross section of key people has been tasked with improving company performance through rationalising and simplifying the existing business model in order to reduce cost, and improve both service levels and working capital utilisation.

Case study

Formica brings brand to the surface

Kentucky Fried Chicken (KFC) is mainland China's fastest growing restaurant chain, with nearly 2,600 restaurants in more than 550 cities. In 2008, KFC opened 450 new restaurants, and remodelled 260 existing facilities. The Formica China Sales and Marketing group worked closely with KFC's design agencies and in-house teams to deliver exciting and durable interiors, with branded signage and decoration incorporated into HPL and solid surfaces. Formica-branded products now surpass local and international competitors in volume of surfacing materials specified for KFC's restaurants across China.

Read more case studies online:
fletcherbuilding.com/media/case-studies

Mark Adamson
Chief Executive,
Laminates & Panels
– Formica

For Mark's bio visit:
fletcherbuilding.com/09/executiveteam

Infrastructure

The Infrastructure division delivers the products and services that create the built environments in which communities live, work and play – and the infrastructure that links them.

Infrastructure businesses include:
- Golden Bay Cement which supplies cement to New Zealand and the South Pacific
- Firth, New Zealand's leading national concrete company, and Concrete Industries in Fiji
- Humes Pipeline Systems in New Zealand and Rocla Pipeline Products in Australia which supply infrastructure markets
- Winstone Aggregates which manufactures and distributes aggregates and sand in New Zealand, and Rocla Quarry Products which supplies sands to Australia's building and construction industries
- Fletcher Construction, the pre-eminent general contractor in New Zealand and the South Pacific
- Fletcher Residential, New Zealand's leading specialist residential home building group.

Performance overview

Sales for the year were up 11 percent. Lower concrete sales were offset by a significant increase in construction activity. Operating earnings, excluding unusual items, declined by $105 million to $203 million.

The New Zealand and Australian concrete businesses earnings declined by $47 million to $142 million. Sales volumes of most products in New Zealand were significantly below last year as were concrete pipe sales volumes in Australia. Significant attention has been given to reducing costs in the face of substantial declines in volumes. Construction earnings increased from $39 million to $43 million with activity remaining strong for this business. The property and residential operations declined by $62 million to $18 million.

Operating earnings from the cement business were $23 million lower, primarily due to reduced sales volumes and substantially higher energy costs. In New Zealand, volumes were 14 percent lower. Export sales contributed to overhead recoveries but margins were low. While prices were four percent higher than the previous year, this was not sufficient to cover increased production and distribution costs.

Aggregates sales volumes were 17 percent lower. The business made significant progress in lowering its costs as the market deteriorated, but competitive pressure on prices and lower margins contributed a decline in overall earnings of 37 percent.

Readymix and masonry operating earnings were 46 percent lower. Sales volumes of concrete were 12 percent below last year. Masonry volumes were 21 percent lower than the previous year despite the acquisition of the Stevenson masonry business in March 2009. The significant decline in residential and commercial construction activity was partly mitigated by strong demand from infrastructure projects. Competitive pressures and the impact of lower volumes could not be fully mitigated by substantial cost reductions achieved during the year.

The concrete pipe market softened significantly in the second half of the year and precast concrete product sales did not continue the growth path seen in the first half, resulting in overall earnings being 32 percent below last year. Concrete pipe and precast product volumes declined by 13 percent in the year. Margins were lower due to mix, competitive pricing and slightly higher input costs.

In Australia, the pipeline and quarry businesses performed well with combined operating earnings of $64 million, compared with $59 million in 2008. The pipeline products business experienced a substantial weakening in pipe sales in the second half of the year, but benefited from strong demand for non-pipe products to achieve a record result. The quarry business recorded improved results in all states and benefited from the acquisition of a second quarry in Victoria.

Construction's operating earnings were $43 million compared to $39 million in the previous year. Major contracts awarded included the Auckland Medical School ($150 million) and the University of Waikato Student Centre ($24 million). South Pacific operations performed well, particularly in Papua New Guinea. The record backlog of the previous year declined by $200 million to $1.1 billion at June 2009 as multi-year projects were progressively delivered and fewer major contracts were secured in the financial year. In early July 2009, however, Fletcher Construction, as part of a consortium, was named as the preferred contractor for the Victoria Park Tunnel contract in Auckland increasing the backlog to $1.4 billion.

Earnings from Fletcher Residential declined by $7 million to $11 million due to a drop in margins. Demand in Auckland improved in the latter part of the year from very sluggish levels and further housing starts are being accelerated. Property sales earned $7 million compared to $62 million last year. Earnings from property sales are not expected to be significant in 2010.

Looking ahead

During the year the division focused on reducing costs in the face of declining volumes. The construction materials businesses in particular reduced staffing levels by 18 percent. Further cost savings and business improvement initiatives will be implemented in this year.

High-returning organic growth opportunities will continue to be explored.

Case study

At Stonefields, the living is easy

In 1909, James Fletcher and his partner Albert Morris built a timber weatherboard villa with a corrugated iron roof, at Broad Bay in Dunedin. Typical of New Zealand houses of the time, the villa was uninsulated and relied on open fires and a coal range for heating. One hundred years on, Fletcher is building houses, terraces and apartments at Stonefields in Auckland, a master planned community. From foundation to roof, Fletcher products are integrated with proven green building technologies and design to deliver living environments that are energy efficient and comfortable year round.

More online:
fletcherbuilding.com/divisions/infrastructure

Mark Binns
Chief Executive, Infrastructure

For Mark's bio visit:
fletcherbuilding.com/09/executiveteam

Steel

The Steel division has a diversified portfolio of steel businesses across three broad business lines, primarily in Australia and New Zealand. Each of the division's businesses has a leading market position and widely recognised brands.

- The rollforming and coatings business is composed of Stramit, Dimond and Pacific Coil Coaters (PCC).
- Long steel businesses consist of Pacific Steel, Pacific Wire, Fletcher Pacific Steel (Fiji) and our 50 percent interest in Sims Pacific Metals.
- Distribution and services businesses include the EasySteel steel merchandising business, the CSP hot-dip galvanising business, the Cyclone fencing business and Fletcher Reinforcing.

Performance overview

Operating earnings for the year, excluding unusual items, were up 52 percent on the prior year to $154 million.

Consistent with other steel businesses, 2009 was a year of two very different halves. The first half was characterised by very strong demand, steel shortages and robust pricing. With the industry downturn at the end of October the situation became one of very weak demand, excess supply and significant inventory overhang, and very weak pricing. Managing in this highly volatile environment has been extremely challenging.

A highlight for the year was the generation of $182 million of operating cashflow of which a reduction in working capital contributed $22 million. This result was driven by proactive inventory management and rapid reductions in the cost base as volumes fell. Pacific Steel, in particular, had maintained tight inventory levels that benefited the business when prices began to decline.

Sales for the year rose by three percent to $1,321 million. Sales in the second half of the year were 30 percent lower than the first half of the year as a result of much lower volumes and pricing. A reduction in demand in the commercial and residential markets however was offset by strong demand from infrastructure spending in New Zealand and Australia.

Earnings in the long steel products businesses, which include earnings from the division's 50 percent investment in Sims Pacific Metals, increased 215 percent over the prior year, driven by a strong first half year.

Fletcher Reinforcing had a strong year. Volumes increased by eight percent on the prior year due to the large number of infrastructure projects in New Zealand. These projects included the New Lynn Rail Trench in which learnings from the Otago Reinforcing acquisition (which was completed in 2008) were successfully applied. An on-site processing facility was created from which product could be supplied, cut, bent, and placed – a first for Fletcher Reinforcing on such a large scale. The project was delivered on time and on budget in a safe environment.

Reduced demand from the residential and light commercial markets resulted in a decline in volume for the rollforming and coated steel businesses in Australia and New Zealand. Both businesses responded quickly to the change in the market by restructuring to match lower demand volumes, requiring staff to be reduced by 13 percent, and closing three unprofitable branches.

During the year Stramit moved into its new purpose-built manufacturing and distribution centre at Knoxfield in the outskirts of Melbourne. The new site replaces three different manufacturing sites and is expected to achieve significant synergies and production efficiencies. The consolidation was completed in May without incident.

Stramit Buildings which was formed in 2008 upon the acquisition of Fair Dinkum Homes and Sheds, Garage World and Shed Boss continued to perform strongly during the year. This business exceeded financial expectations during the year and continues to further diversify and enhance Stramit's business model by providing a dedicated distribution channel.

Looking ahead

Investment in infrastructure spending in key markets will continue to support demand for steel products. The restructuring carried out by division businesses during the year has created a strong competitive base for the future. The Steel division is well positioned to benefit from the eventual rebound in housing and light commercial work.

More online:
fletcherbuilding.com/divisions/steel

Paul Zuckerman
Chief Executive, Steel

For Paul's bio visit:
fletcherbuilding.com/09/executiveteam

Environment and Society

Fletcher Building is committed to sustainable business practices that help us deliver outstanding building products, construction materials, and services that enhance built environments.

People

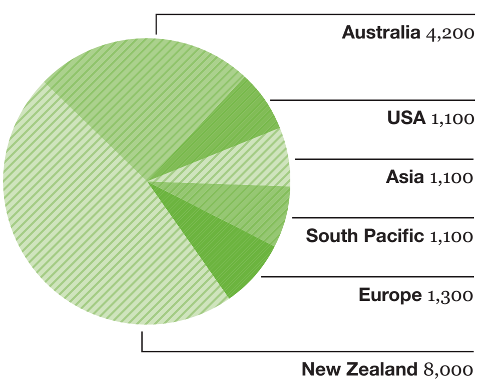
An engaged workforce aligned in a high performance culture, is the foundation for the achievement of Fletcher Building's business strategy. That is why people are at the core of our sustainability thinking.

The group is developing a distinctive employment brand founded on people policies and practices that enhance our ability to attract and retain excellent employees. Our values shape a workplace culture that encourages and supports our people to use their creativity, commitment and energy as individuals, and within teams, to achieve performance excellence.

The group's structured approach to people management focuses on talent identification, attraction and recruitment; leadership and management development; performance assessment; succession planning; diversity management; and benefits and rewards. The implementation of people development programmes is managed regionally, within a group framework of policies and practices.

At 30 June 2009, Fletcher Building employed approximately 16,500 people in workplaces across New Zealand, Australia, the Americas, Asia, Europe and the Pacific Islands. Fletcher Building is the second largest commercial employer in New Zealand and a significant employer in many communities further afield.

As the operations restructured to meet the challenges of the economic climate, about 2,500 people left the business. Where redundancy was necessary, every effort was made to communicate fully with each person, treat them with integrity and respect, and place them in alternative employment.



Health and safety

Fletcher Building aims to have safe, healthy workplaces. The health and safety vision, Zero Harm is based on the principle that all accidents are preventable. Participation of senior management in programmes, and the investment of significant resources in safety education and training, reinforces the company's strong commitment to health and safety.

The group's Health and Safety Council, chaired by Chief Executive Jonathan Ling, sets strategies, standards and priorities across the group and helps ensure health and safety experience and solutions are shared among the business units. The Council is supported by regional forums in New Zealand, Australia, and the Northern Hemisphere. Business units are required to prepare annual health and safety plans, and safety performance assessments are included in business unit operational reviews.

Awareness is maintained through the Fletcher Building Annual Safety Awards, which were held for the second year to recognise health and safety achievements across the group. A group health and safety conference, Pulse08, brought together over 150 senior managers from all divisions to share their experiences and learnings.

This multi-faceted approach has helped reduce injury rates across the group, with most business units showing consistent improvement. Total Recordable Injury Frequency Rate per million hours (TRIFR) is Fletcher Building's primary performance indicator for safety. "Recordable Injuries" are defined as both lost time and medical treatment injuries. The group's TRIFR this year was 23.41 compared with 27.76 in 2008. Lost Time Injury Frequency Rate (LTIFR) was 5.31, compared with 5.74 in 2008.

Tragically an employee lost his life on a concrete manufacturing site in Nelson, New Zealand. The group was charged with failing to take all practicable steps to prevent this accident, and a guilty plea was entered as the company accepted that the safety management systems in place at the site failed to detect and prevent an unsafe practice.

Talent identification, attraction and recruitment

Lower economic activity saw a corresponding drop in recruitment numbers in the last year. However, competition for high-calibre candidates in all segments remained strong and the group continued to take an active approach to recruitment and retention of key talent. The in-house recruitment team, and key service providers internationally, assisted us to fill 230 vacancies during the year. The in-house team also facilitated the redeployment and outplacement of redundant employees, delivering cost savings of over $2 million.

More online:
fletcherbuilding.com/environment

Leadership and management development

Fletcher Building has developed a group of experienced senior leaders. Forty seven percent of the company's executives and general managers have at least 15 years' service with the company, while a further 16 percent have at least 10 years' service. This depth of internal company and industry knowledge, combined with the experience of external senior appointees, has created a rich leadership succession pool.

A comprehensive programme of leadership and management assessment education and development is in place for the 300 most senior executives in the group. The programme includes a standard assessment and development process, a mix of challenging work assignments under experienced mentors, in-house development programmes, and external education programmes at leading academic institutions in New Zealand, Australia, the United States and the United Kingdom.

A wide range of education, training and development opportunities is offered throughout the group.

Leadership Foundations – New Zealand
Leadership Foundations is the company's flagship management development programme in New Zealand. Designed for middle managers and functional specialists requiring cross-functional management training, this 11-month programme is delivered in partnership with the University of Auckland Business School. Entry is limited to 24 executives per year, nominated by business units. Graduates are awarded the Post-graduate Diploma in Business from the University of Auckland.

Targeted executive education – US, UK, Australia
To address individual development objectives, the group sponsors selected senior executives on executive programmes at the world's leading universities. Since 2001, 34 senior managers have undertaken such programmes.

Inspiring Minds
Inspiring Minds is an executive guest speaker programme that provides fresh perspectives, and encourages debate. The programme is available to general managers and their direct reports, and to alumni of the group's senior leadership development programmes. Workshops are held throughout the year, and guests from other major New Zealand companies are invited to attend and contribute to discussions.

The Transformational Leadership programme
This trans-Tasman programme has been tailored for the group and is offered to General Managers' direct reports who have large employee teams, and who demonstrate potential for advancement. It is designed to foster creativity, innovation and the ability to manage and measure continuous improvement. The programme is comprised of 11 attendance days in Sydney and Auckland, 14 days on a key business project, and assessments. Twenty executives attended the programme last year.

Learning to Lead
Learning to Lead teaches core leadership skills to new leaders and first-line supervisors. The two Learning to Lead programmes comprise ten one-day classroom modules, with additional assessments and workplace projects. Both programmes are accredited by the New Zealand Qualifications Authority. Fifty new leaders attended the programme in the latest year.

The Meikle Files Super-Black Programme
This trans-Tasman programme rapidly increases individual and business performance and leadership capability through the application of core drivers of high performance to specific business projects. Delivered by Andrew Meikle of Sydney-based consultancy The Meikle Files, the programme is targeted at selected business unit leaders and their key senior managers. Ten executives participated in this programme last year.

Outward Bound Navigator and Catalyst Programmes
These residential Outward Bound corporate programmes, offered to employees with leadership or managerial responsibility, foster leadership through increased self-knowledge. Thirty employees attended the New Zealand Navigator programme year, and ten employees attended the Australian Catalyst programme.

Short courses
In New Zealand and Australia, the company offers a portfolio of two-day courses on topics of general interest to business units. Designed for junior and mid-level line managers, these programmes are delivered in partnership principally with the University of Auckland Business School. Topics in the latest year included Project Management, Strategic Pricing, LEAN Manufacturing, and Finance for non-Financial Managers. More than 1380 managers attended short courses during the latest year.

The Manager's Toolkit
Designed to increase the group's people management capability, ensure a consistent approach throughout the group and support business unit managers in the development of managers reporting to them, the Manager's Toolkit comprises a series of 30 half-day workshops. These are clustered under four learning categories: Managing Yourself, Managing Others, Managing the Business and Managing Risk. Participants are able to select and combine individual topics from these clusters to address their individual development needs. Six hundred and thirty four

Hot rods on the road to recycling

Pacific Steel is on the road with recycling, turning hot rods into wire rods. Sims Pacific Metals, a 50/50 joint venture between Fletcher Building and Simsmetal Industries, collects waste metals at centres throughout New Zealand. This includes an estimated 90,000 car bodies annually, as well as the metals from sources ranging from dumped refrigerators and washing machines to decommissioned railway stock and ships. Sims delivers approximately 300,000 tonnes of scrap steel to Pacific Steel each year. This is then processed into 100 percent recycled steel which is manufactured into high-quality reinforcing bar, wire-rods and other wire products. It's the largest recycling operation by weight in New Zealand.

More online:
fletcherbuilding.com/environment/health-and-safety

Peter Merry
Executive General Manager, HR

For Peter's bio visit:
fletcherbuilding.com/09/executiveteam

employees attended Managers Toolkit workshops in the last year.

These programmes are augmented in New Zealand and Australia by the Fletcher Building Employee Educational Fund, which in the latest year provided grants amounting to almost $5 million.

Reward and recognition

Annual remuneration reviews are framed by a general policy of benchmarking total remuneration to the third quartile, with due regard to individual and business performance, market conditions and reward practice in each country of operation. After considering the current economic climate, market conditions and the need to maintain a competitive and sustainable cost base, the company has advised all salaried employees – including senior executives – that there will be no increases to salary arising from the 2009 review in any of the company's operations, world-wide. This policy will also be followed as closely as possible for waged employees, with due regard to contractual obligations associated with collective agreements.

Labour relations

Some 32 percent of Fletcher Building employees belong to labour unions and there are more than 130 collective agreements in place across the group.

The company has a sound labour relations record and relationships based on partnership and mutual respect with labour unions in its businesses.

Employee share ownership

Fletcher Building promotes employee share ownership. As detailed in the corporate governance section of this report, selected senior managers are required to acquire and hold shares in the company as a condition of employment, while a broader group is eligible to participate in a long-term cash-based incentive requiring investment in shares of the company.

Communicating with our people

Fletcher Building communicates with employees through webcast briefings, video-conferences, web chats, meetings, e-mail bulletins, feedback sessions, business unit newsletters and the FBInfo intranet site. The group also publishes FBNews, a quarterly on-line bulletin that covers items of common interest and business unit news.

Formal employee surveys are also conducted regularly. Our most recent leadership survey polled managers and supervisors about working for Fletcher Building and recorded significantly higher perceptions of success, pride and engagement than benchmark comparable companies.

FairCall, our global free-call employee communication line, enables employees anonymously to report any matters of concern to management, via a neutral third party.

Equal opportunity and diversity

The company is committed to developing a work environment that promotes business strength through diversity and equal opportunity.

The current workforce is rich in age and ethnicity: more than 30 percent of our employees are aged over 50, and though English is the language of our business at group level, we communicate with our people in seven languages. Women comprise only 19 percent of our global workforce, however, reflecting the historical gender imbalance typical of our sector. This is a challenge and an opportunity in the face of the reduction and ageing of the manufacturing workforce in developed countries.

Work-life balance

The company and its businesses have various initiatives in place to assist employees to balance their home and work lives. These include a confidential personal support service for employees who may experience personal or work-related problems. This is offered at no charge, through specialised providers. New Zealand employees who suffer personal hardship through unexpected misfortune, can apply for financial assistance from independent Fletcher Building Welfare Fund.

Environmental sustainability

Fletcher Building is committed to maintaining the long-term viability of each business unit through minimising impacts on the natural environment. This is done through ensuring products and services are designed and applied for better environmental efficiency, minimising waste from products, services and workplaces, and implementing energy-efficient solutions to address climate change.

The group's strategies include the use of recycled materials as raw materials and fuels, the use of renewable energy – particularly biomass – and the introduction of new technologies to provide energy to our industrial processes. The group is also achieving greater energy efficiency through plant and equipment improvements.

An executive-led Climate Change and Environmental Sustainability Council has been established to assist the executive committee and the board to fulfil their responsibilities in relation to these issues. It provides direction and co-ordination to support the group's continuing efforts to reduce its environmental footprint.

The group aims to reduce operating costs by improving energy and resource efficiencies. A target has been set to reduce CO_2 emissions in 2012 to five percent below 2008 levels on a normalised basis. This builds on reductions achieved in earlier years through initiatives such as the upgrading of the cement manufacturing plant at Portland. As emissions trading schemes are developed in New Zealand and Australia, it is anticipated that the achievement of this target will offset any additional costs that will be imposed when the schemes are established.

Fletcher Building participated in the Carbon Disclosure Project for the fourth time this year. This requires a complete inventory of all our 2008 CO_2 emissions and a report describing how the company manages the risks and opportunities from future climate change. All NZX50 and ASX100 companies are asked to participate. Our data has been independently verified.

The group's CO_2 inventory is updated every six months, and provisional figures for this financial year show total CO_2 emissions of 1,384,307 tonnes. This includes the CO_2 emitted during the generation of electricity used by Fletcher Building. New Zealand's emissions totalled 801,333 tonnes, while Australia emitted 376,182 tonnes. Of those business units with a high CO_2 output, the largest single emitter was the Golden Bay Cement plant with 585,632 tonnes. The 11 major manufacturing plants for panels and laminates in New Zealand and Australia emitted a total of 223,612 tonnes and manufacturing plants for Fletcher and Tasman Insulation emitted a total of 96,084 tonnes. Pacific Steel and Wire plants emitted 76,052 tonnes.

Fletcher Building is participating in a number of organisations that are leading sustainability practices and policies, including an industry joint venture to develop a single residential rating tool in New Zealand. It has also contributed to a number of important 'green' buildings across Australia and New Zealand.

Across the group, businesses continue identifying further opportunities to re-use waste from operations. Winstone Wallboards, for example, is working with the New Zealand Ministry for the Environment to develop a commercially viable product stewardship scheme for plasterboard construction waste. After successful composting trials with two commercial construction projects, Winstone has rolled out a process for diverting commercial construction plasterboard waste to composting throughout New Zealand.

At Formica's plant in Ohio, a new programme allows more types of paper to be recycled. Formica has partnered with a local business to collect waste paper to be blended into a fibre pulp product that can be used to make cardboard. By monitoring and blending the source material, the recycling company is able to use almost all the paper waste generated at the plant, reducing waste to landfill by approximately 100 cubic metres per day.

More online:
fletcherbuilding.com/
environment/
health-and-safety

Board of Directors

From left to right:
Roderick Deane
Hugh Fletcher
Alan Jackson
John Judge
Jonathan Ling
Sir Dryden Spring
Gene Tilbrook
Kerrin Vautier
Ralph Waters

Roderick Sheldon Deane

PhD, LLD (Hon), BCom (Hons)
FACA, FCIS, FNZIM
Independent Chairman of Directors,
Chairman of the Nominations Committee
First appointed 24 January 2001

Dr Deane, 68, has had a broadly based career in business, the executive branch of government, and central banking. He is currently Chairman of Fletcher Building, Fletcher Building Finance, the New Zealand Seed Fund, and the IHC Foundation. Dr Deane is a director of Woolworths and a member of the Advisory Board of Pacific Road Corporate Finance, both of which are headquartered in Australia. He is Patron of New Zealand's largest voluntary welfare organisation, IHC Inc. He is a Distinguished Fellow of the NZ Association of Economists and the Centre for Independent Studies in Australia.

Hugh Alasdair Fletcher

MCom (Hons), MBA (Stanford), BSc
Independent Non-Executive Director
Member of the Audit and Nominations Committees
First appointed 23 March 2001

Mr Fletcher, 61, has had extensive management experience and now holds a number of directorships and advisory positions. He is a director of Rubicon, Fletcher Building Finance, the Reserve Bank of New Zealand, Vector and Insurance Australia Group, a member of the New Zealand advisory board of L.E.K. Consulting and a councillor of The University of Auckland.

Alan Trevor Jackson

BEng (Hons), PhD (Auckland) MBA
(IMD Management Institute)
Independent Non-Executive Director
Member of the Remuneration and Nominations Committees
First appointed 1 September 2009

Alan Jackson, 56, is currently Chairman Australasia, Senior Vice President and Director of The Boston Consulting Group. He has been an international management consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Dr Jackson has worked across a range of industries including resources, diversified industrials, building products and construction sectors. He will be retiring from The Boston Consulting Group later this year. Dr Jackson is a Fellow of the Institution of Professional Engineers. He is also a Trustee of The Icehouse Auckland.

John Frederick Judge

BCom, FCA, MPP, FINSTD
Independent Non-Executive Director
Chairman of the Audit Committee and member of the Nominations Committee
First appointed 9 June 2008

Mr Judge, 55, has considerable experience in Australasian business and brings further financial and analytical knowledge to the board. His highly successful career includes various roles within Ernst & Young culminating in the position of Chief Executive of Ernst & Young New Zealand. He is a director of ANZ National Bank and Chairman of the Accident Compensation Corporation, the Auckland Art Gallery Foundation and the Museum of New Zealand Te Papa Tongarewa and a member of both the Auckland and Otago University Business Schools' advisory boards.

Jonathan Peter Ling

BEng, MBA
Managing Director
First appointed 1 September 2006

Mr Ling, 55, is the chief executive officer and managing director of the company. He has extensive management experience in competitive manufacturing business through his senior management roles in the Laminates & Panels division from 2003 to 2006, and before that in Pacifica, Visy and Nylex.

Mr Ling is also a director of Fletcher Building Finance. He is a member of the Government appointed Capital Markets Development Taskforce.

Sir Dryden Spring

DSc (Hon)
Independent Non-Executive Director
Chairman of the Remuneration Committee and Member of the Nominations Committee
First appointed 23 March 2001

Sir Dryden, 69, has a long-standing record of leadership, in a range of industries. He is chairman of ANZ National Bank and a director of Port of Tauranga, Sky City Entertainment Group, Northport and Fletcher Building Finance. He is a member of the New Zealand Business and Parliament Trust and a Distinguished Fellow of the Institute of Directors, a member emeritus of the International Policy Council on Agriculture, Food and Trade and is on the advisory board of Visy Industries.

Gene Thomas Tilbrook

BSc, MBA (University of Western Australia)
Independent Non-Executive Director
Member of the Audit and Nominations Committees
First appointed 1 September 2009

Gene Tilbrook, 58, was Finance Director at Wesfarmers Limited until his retirement in May 2009. He led Wesfarmers' business development group, becoming Executive Director, Business Development in 2002 and Finance Director in 2005. From 2001 to 2005, Mr Tilbrook was a director of Bunnings Property Management Limited, the responsible entity for the ASX-listed Bunnings Warehouse Property Trust. Mr Tilbrook is a director of Transpacific Industries Group and the Australian broadband company, NBN, and a Councillor of Curtin University of Technology and the Australian Institute of Company Directors (WA).

Kerrin Margaret Vautier

CMG, BA, FINSTD, LEANZF
Independent Non-Executive Director
Member of the Audit and Nominations Committees
First appointed 23 March 2001

Mrs Vautier, 64, is a research economist specialising in competition law and economics. She has served on a number of Government agencies, including as a member of the New Zealand Commerce Commission, and has been a director of several New Zealand listed companies. Currently, she is a director of Fletcher Building Finance and advisor to the Partnership Board of Deloitte. She also chairs the Musica Sacra Trust.

Mrs Vautier is a lay member of the High Court under the Commerce Act, and a senior part-time lecturer in the Commercial Law department at the University of Auckland.

Ralph Graham Waters

CPEng, FIE Aust, MBus
Independent Non-Executive Director
Member of the Remuneration and Nomination Committees
First appointed 10 July 2001

Mr Waters, 60, has extensive management experience in the Australasian building products industry including as managing director of Email, a major Australian industrial company, and until 31 August 2006 as the chief executive officer and managing director of Fletcher Building. He is also a director of Fisher & Paykel Appliances Holdings, Fonterra Co-operative Group, Westpac New Zealand and Fletcher Building Finance.

For Director bios visit:
fletcherbuilding.com/09/boardofdirectors

Martin Farrell
Company Secretary and General Counsel

For Martin's bio visit:
fletcherbuilding.com/09/executiveteam

Corporate governance

Fletcher Building is a New Zealand-based building materials manufacturer whose securities are listed on the New Zealand and Australian stock exchanges.

These exchanges require formal adoption of approved corporate governance practices by listed company boards of directors. Accordingly, the board of Fletcher Building confirms that it is committed to the highest standards of behaviour and accountability, and has adopted policies and procedures that reflect this commitment.

The company has adopted the principles recognised by the ASX Corporate Governance Council as an appropriate way to organise its corporate governance policies and reporting. In establishing its corporate governance procedures, the company reviews the practices and trends in corporate governance in other jurisdictions, and has incorporated these where appropriate.

The company believes that the practices it has adopted ensure that it meets the requirements of NZX's Corporate Governance Best Practice Code and the Securities Commission's Corporate Governance in New Zealand Principles.

Fletcher Building's corporate governance practices, including matters reserved for the board and those delegated to senior executives, are fully detailed on its website and shareholders seeking an in-depth review are encouraged to access information from this source.

1. Ensuring solid foundations for management and oversight

The company's procedures are designed to:

- Enable the board to provide strategic guidance for the company and effective oversight of management.
- Clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to both the company and its shareholders.
- Ensure a balance of authority so that no single individual has unfettered powers.

The board has an obligation to protect and enhance the value of the company's assets, and to act in its interests. It exercises this obligation through the approval of appropriate corporate strategies and processes, with particular regard to portfolio composition and return expectations. These include approval of transactions relating to acquisitions, divestments and capital expenditures above delegated authority limits, financial and dividend policy and the review of performance against strategic objectives.

As part of its review of the strategic direction of the company, a strategy session is held with senior management each year. Senior management are expected to address strategic issues in the business as part of their monthly review. Where appropriate special strategic reviews are held of business groups or units, where material change is evident or contemplated.

The company achieves board and management accountability through written terms of reference for the chairman, directors and management, and a formal delegation of authority to the chief executive. The effect of this framework is that whilst the board has statutory responsibility for the activities of the company, this is exercised through delegation to the chief executive, who is charged with the day-to-day leadership and management of the company. As part of its annual review of its governance processes, the board reviews the delegations to the chief executive each year.

The terms of reference for directors and the chairman, the charters for board committees and the delegation to the chief executive officer all provide for reviews of the performance of directors and senior management. The nominations committee assesses the composition and effectiveness of the board and its committees annually. The chair of the nominations committee undertakes one-on-one reviews annually with all directors on the effectiveness of the board. During the most recent financial year, the performance of directors was reviewed in accordance with the agreed process.

The board evaluates annually the performance of the chief executive and the chief executive's direct reports. The evaluation is based on criteria that include the performance of the business and the accomplishment of long-term strategic objectives, and other non-quantitative objectives established at the beginning of each year. During the most recent financial year, performance evaluations of senior executives were conducted in accordance with this process.

In addition to these annual performance reviews, significant policy issues and capital expenditure or divestment decisions of management are required to undergo a formal peer group review process, including approval by the company's executive committee or the board where necessary.

The governance procedures require the board to be comprised of a majority of independent directors and for there to be a separation of the role of chairman from that of the chief executive. These policies also provide that a director who has been employed in an executive capacity in the last three years cannot be considered an independent director. R G Waters will therefore be considered an independent director from 1 September 2009. With J P Ling being an executive director, eight of the nine directors are independent directors.

2. Structuring the board to add value

The directors believe that for the board to be effective it needs to facilitate the efficient discharge of the duties imposed by law on the directors and add value to the company. To achieve this, the board is organised in such a way that it:

- Obtains a proper understanding of, and competence to deal with, the current and emerging issues of the business.
- Can effectively review and challenge the performance of management and exercise independent judgement.
- Can assist in the identification of director candidates for shareholder vote.

Board composition

While the constitution provides that the appropriate size for the board is between three and nine members, the board has determined that nine is an appropriate number at this time to ensure appropriate rotation arrangements. At least one-third of all directors stand for election every year although this is often increased due to requirements of the stock exchanges. The directors who retire in each year are those who have been longest in office since their last election or, if there are more than one of equal term, those determined by agreement. Subject to continued shareholder support, the standard term for a non-executive director is six years from the date that he or she initially stands for election. At the end of this term the director will offer his or her resignation. The board may, if it considers it appropriate, offer a further term of up to three years.

The board has constituted a nominations committee, chaired by the chairman of the company and composed of all the non-executive directors. This committee assists in the identification of appropriate directors and, through the committee chair, reviews the performance of existing directors.

Committees

Committees established by the board review and analyse policies and strategies, usually developed by management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full board. Committees do not take action or make decisions on behalf of the board unless specifically mandated by prior board authority to do so. A committee or an individual director may engage separate independent counsel at the expense of the company in appropriate circumstances, with the approval of the chairman.

The current committees of the board are audit, remuneration and nominations. These meet when necessary and consist entirely of non-executive directors. From time to time, the board may create ad hoc committees to examine specific issues on its behalf.

Board process

Although directors are elected by the shareholders to bring special expertise or perspectives to board deliberations, decisions of the board are made as a group, after taking each perspective into account and the best interests of the company.

The directors receive comprehensive information on the company's operations before each meeting and have unrestricted access to any other information or records. To assist in ensuring information is timely, focused and concise, board papers are prepared and distributed electronically. Where directors cannot participate in a meeting they forward their views to another director in advance of the meeting. Senior management are also available at each meeting to address queries, and to assist in developing the board's understanding of the issues facing the company and the performance of its businesses.

Director participation remains very high, with only four apologies for absences from the ten regular meetings during the year. In addition to these meetings were three site visits and a strategic session with senior management. The audit committee met on eight occasions, the nominations committee once and the remuneration committee met five times during the year. Due diligence committee meetings were also convened to review offer documentation with respect to the company's capital notes offer and revisions to employee share schemes. Outside the scheduled board meetings were five special meetings.

3. Promoting ethical and responsible decision-making

The company has written procedures to:

- Clarify the standards of ethical behaviour required of company directors and key executives, and ensure observance of those standards through a code of conduct and the terms of reference for directors and management.
- Prescribe the circumstances where directors and employees can trade in company securities.

The company has a written code of values and a code of conduct with which all employees are required to comply.

The company has a written policy on illegal and unethical conduct. It reinforces this policy with promotional programmes to employees and provides a FairCall confidential telephone hotline to enable reporting of inappropriate behaviour. The FairCall line is operated by an independent party, and the outcome of all matters raised is reported to the audit committee.

New Zealand legislation and the company's securities trading code of conduct prevent short-term trading and dealing in the company's securities whilst directors and senior executives are in possession of non-public material and relevant information.

More online:
fletcherbuilding.com/governance

3. Promoting ethical and responsible decision-making – continued

The company reinforces these measures by requiring that any of the 80 persons comprising executives and directors, who are currently designated as having the opportunity to access price sensitive information, can transact in its securities only with the prior approval of the company secretary.

The company recognises that it has a number of legal and other obligations to non shareholder stakeholders such as employees, clients, customers and the community as a whole. Its commitment to these obligations is captured in the code of values, and in various policies and procedures for ethical conduct, the responsibilities of employees, conflicts of interest, and relationships with suppliers and customers. These are incorporated into the employment terms of all employees.

4. Safeguarding the integrity in financial reporting

While the ultimate responsibility to ensure the integrity of the company's financial reporting rests with the board, the company has in place a structure of review and authorisation designed to ensure truthful and factual presentation of its financial position. This includes:

- An appropriately resourced audit committee operating under a written charter.
- Review and consideration by the audit committee of the accounts and the preliminary releases of results to the market.
- A process to ensure the independence and competence of the company's external auditors.
- Establishment of an internal audit function in the corporate office, with reporting responsibility to the audit committee.
- Responsibility for appointment of the auditors residing with the audit committee.

5. Making timely and balanced disclosure

The company has in place procedures designed to ensure compliance with the NZX and ASX Listing Rules such that:

- All investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance.
- Company announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the company secretary. Significant market announcements, including the preliminary announcement of the half year and full year results, the accounts for those periods and any advice of a change in earnings forecast require prior approval by either the audit committee or the board.

6. Respecting the rights of shareholders

The company seeks to ensure that its shareholders understand its activities by:

- Communicating effectively with them.
- Giving them ready access to balanced and clear information about the company and corporate proposals.
- Making it easy for them to participate in general meetings.

To assist with this, a company website is maintained with relevant information, including copies of presentations, reports and media releases. The corporate governance procedures are also included on the website. To further assist shareholders the company prepares and distributes its accounts in electronic format to shareholders who have so requested. This annual report is also available in electronic format. The company has continued to provide to all shareholders an annual review which is a summary of the group's operations and financial performance for the year.

7. Recognising and managing risk

The company has a formalised system for identifying, overseeing, managing and controlling risk. The processes involved require the maintenance of a risk register that identifies key risks facing the business and the status of initiatives employed to reduce them. The risk register is reviewed regularly, including as part of the internal audit reviews.

During the most recent financial year, management has reported to the board on the effectiveness of the company's management of its material business risks. As part of that report, appropriate assurances were received from management that the system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

8. Remunerating fairly and responsibly

The company seeks to ensure that its remuneration policies attract and maintain talented and motivated directors and employees as a way of enhancing the performance of the company.

Non-executive directors' remuneration
The fees paid to non-executive directors for services in their capacity as directors during the year ended 30 June 2009 are detailed in the table opposite.

The remuneration policy for non-executive directors does not include participation in either a share or share option plan. Non-executive directors or their associates are nevertheless required to hold at least 20,000 shares in the company.

The company's policy is to align directors' remuneration with that for comparably sized Australian companies. Directors' fees are normally reviewed biennially by the nominations committee unless it is apparent that a significant market movement has occurred.

As part of its biennial review of remuneration in mid 2008, the company commissioned an independent report on directors' remuneration in Australia, which recommended increases in the base director's fee and committee fees. The recommendations were implemented for the year ended 30 June 2009 with the base director's fee becoming $121,000, with committee fees of $23,000, $17,500 and $8,500 per annum for participation on the audit, remuneration and nominations committees respectively. The maximum aggregate fees payable in any year was set at $1,500,000 at the 2006 annual shareholders meeting. The directors have agreed that there will be no change to the level of directors' fees for the 2010 year.

Committee chairs receive a 50 percent premium to the committee fee. The board chairman's fee is determined as three times the base fee paid to directors inclusive of any fees paid to the chairman for participation on board committees. In acknowledgement of the additional time commitment required of any Australian based director, a travelling allowance of $12,000 per annum is also payable. Where an ad hoc committee is convened, such as for due diligence, additional remuneration may be payable at $1,200 per half day.

The company believes that this provides an appropriate remuneration structure which recognises the increased global focus of the company's activities and the increased corporate governance obligations imposed on directors.

Executive director's remuneration

J P Ling was appointed chief executive on 1 September 2006. His annual remuneration comprises base remuneration of $1,260,000 per annum, a short-term incentive, if specified annual performance targets are satisfied, of up to 100 percent of his base remuneration and participation in the company's long-term incentive scheme. His remuneration for the year ended 30 June 2009 was NZ$1,245,000. As the terms of the short-term incentive scheme requires the company profitability targets to be met, even if the individual performance goals are met, no short-term incentive payment arises this year.

As required by the NZSX and ASX Listing Rules, shareholder approval of the two components of Mr Ling's long-term incentives was received at the annual shareholders' meetings on 14 November 2006 and on 12 November 2008. His long-term incentives, consist of the grant of 1,000,000 options which was approved by shareholders on 14 November 2006 in accordance with ASX Listing Rule 10.14. In addition, Mr Ling is entitled to shares in the company previously granted pursuant to the Executive Performance Share Scheme and the Executive Long-Term Share Scheme. On 12 November 2008, 88,599 shares in the company were issued to Mr Ling pursuant to the Executive Long-Term Share Scheme.

Payment to directors

	Base fees	Committee fees	Other fees	Total
R S Deane	363,000			363,000
P E A Baines[1]	121,000	38,560		159,560
H A Fletcher	121,000	31,500		152,500
J F Judge	121,000	35,940		156,940
G J McGrath	121,000	26,000	12,000	159,000
Sir Dryden Spring	121,000	35,000		156,000
K M Vautier	121,000	31,500		152,500
R G Waters	121,000	26,000	12,000	159,000
Total	1,210,000	224,500	24,000	1,458,500

[1] As advised in the Fletcher Challenge Building Information Memorandum dated 30 January 2001, Fletcher Building Limited assumed responsibility for the payment of directors' retirement allowances which had accrued prior to Separation in respect of three directors of Fletcher Challenge Limited who became directors of Fletcher Building. Fletcher Building received payment for those allowances from Fletcher Challenge. In addition to the above fees, Mr Baines, who retired on 30 June 2009, was paid the sum of $45,312 being the retirement allowance in respect of his directorship of Fletcher Challenge.

8. Remunerating fairly and responsibly – continued

The grant of 500,000 options was made with effect from 1 September 2006, being the date of Mr Ling's appointment and a further 500,000 options were granted on 8 September 2009. Each option was granted for no cash consideration, at an exercise price for the initial grant of $9.24, being the volume weighted price of Fletcher Building shares sold on the NZX in the ten business days immediately preceding the announcement of his appointment on 10 May 2006. The exercise price for the second grant is $7.78, being the volume weighted price of Fletcher Building shares sold on the NZX in the ten business days immediately preceding 8 September 2009. The exercise prices are increased annually, with effect from the date of grant, by the company's cost of capital, less any dividends actually paid. There is a restrictive period of three years from the date of grant during which the options may not be exercised. Subject to the company's rules on the trading of securities, options may be exercised at any time between the third and sixth anniversary of the date of grant.

The directors are satisfied that they have received independent advice that Mr Ling's terms of employment provide an appropriate remuneration package for the role of chief executive officer.

As executive director, Mr Ling did not receive any further remuneration in his capacity as a director of Fletcher Building Finance Limited or other subsidiaries.

Directors' and officers' indemnification and insurance

The company has arranged a programme of directors' and officers' liability insurance covering directors, executives and employees in managerial positions acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed whilst acting for the company.

Actions not covered include dishonest, fraudulent or malicious acts or omissions; wilful breach of a statute, regulation or a duty to the company; improper use of information to the detriment of the company; and breach of professional duty. The insurance cover is supplemented by indemnification by the company, but this does not cover liability for criminal acts.

Senior management remuneration

The company's remuneration strategy aims to attract, retain and motivate high calibre employees at all levels of the organisation, and so drive performance and sustained growth in shareholder value. Underpinning this strategy is a philosophy that total remuneration should be provided that is competitive in the markets in which the company operates – particularly for delivering superior performance that contributes to improved business results.

Total remuneration for executives comprises fixed pay, including the value of any benefits, and a short-term variable incentive in the form of an annual performance related bonus that forms a significant portion of the total package.

All executive performance bonuses require achievement of a mixture of company financial and personal targets.

The company's remuneration committee is kept fully appraised of relevant market information and best practice, obtaining advice from external advisors when necessary. Remuneration levels are reviewed annually for market competitiveness.

Fixed remuneration

It is the company's policy to pay fixed remuneration comparable to the median and total compensation comparable to the upper quartile for equivalent roles in the country or region in which the incumbent is located. For the purposes of determining total remuneration within the senior executive group, it is assumed that senior executives will on average achieve 75 percent of their potential short-term incentives over time, such percentages to be reassessed periodically in the light of the actual earnings achieved over the business cycle. It is considered appropriate that 50 percent of long-term variable incentives be achieved over a normal business cycle.

Short-term incentive remuneration

Short-term incentive remuneration is available to recognise the contribution of senior executives to company and individual performance objectives. Short-term incentive remuneration targets are expressed as a percentage of fixed remuneration which is up to 100 percent of the fixed remuneration for the chief executive and the direct reports to the chief executive, and up to 40 percent for all other senior executives.

Participation in the plan is by annual invitation, at which time the target incentive is established. This involves each participant being notified of a financial target and several challenging, measurable personal objectives for the financial year. A variable incentive payment against either target is paid only once the minimum hurdle of the financial target is achieved. That is, even if a participant achieves 100 percent of personal objectives, no variable incentive payment is payable until the minimum financial target is achieved.

The financial measures include the operating earnings target for the applicable division or business unit and the corporate Economic Value Added (EVA) target. Corporate executives are measured on a mix of EVA and personal objectives.

The target for commencement and determination of variable incentive payments is an assessed measure for each business unit or operating division, and is based on the approved budget. In most years the starting point for any variable compensation payments is at 90 percent of target, with 50 percent of the financial component earned at 100 percent of target, and 100 percent of the financial component earned at 105 percent of target.

Individual variable compensation payments are offered entirely at the discretion of the board.

Long-term incentives

The company has implemented long-term cash-based performance incentive schemes, targeted at around 300 executives most able to influence financial results. Where performance targets are met, a cash bonus is payable with the after-tax amount invested in the company's shares. Participation in any year is by invitation, renewable annually and at the complete discretion of the company.

Where permitted by securities legislation in the relevant jurisdiction, participants purchase shares in the company at the offer price with an interest-free loan. The offer price is established at market value at the time of offer, which will normally be each 30 September. The shares are held by a trustee on behalf of participants until the end of a three year restrictive period which may be extended for one further year for up to 50 percent of the entitlement. Provided certain performance criteria are met and participants remain employed with the company throughout the restrictive period, legal title in the shares will be transferred to them at the end of the restrictive period.

The schemes are either share-ownership based for New Zealand and Australian executives or are designed to deliver the same economic value as the share scheme and is for a small number of executives in other jurisdictions where offering a share scheme is not optimum.

The share-ownership scheme, the Executive Long-Term Share Scheme (ELSS), which was offered to a small number of executives in 2008, and which will be offered to all eligible executives this year, is described in detail below. This scheme replaces the Executive Performance Share Scheme (EPSS) and is designed to deliver the same economic value as that scheme.

There are some legacy schemes, based on the EPSS, which were offered from 2004 to 2008 and which will terminate over the next three years. Details of those are described in the Corporate Governance section on the company's website at **fletcherbuilding.com**.

Executive Long-Term Share Scheme

The ELSS is a cash-based long-term scheme as to the extent any performance target is met the company will pay a cash bonus to facilitate the acquisition of a number of shares in the company.

Under the ELSS, vesting of up to 50 percent of the shares allocated to a participant will be dependent on achieving the Total Shareholder Return (TSR) target and vesting of up to the other 50 percent of the shares will be dependent on achieving the Earnings Per Share (EPS) target. The primary reasons for dual performance measures are:

- As the TSR performance requirement is determined by relative performance against a peer group of Australasian companies it focuses on management rather than general market changes;
- EPS is seen as strongly linked to shareholder wealth, as a consistent growth in earnings should lead to dividend growth;
- Cumulative compound EPS recognises the importance of underlying earnings even in cyclical industries to generate value for investors;
- EPS provides a relevant internal performance measure, operating independently of capital markets;
- TSR and EPS were the most widely used combination of performance measures based on external benchmarking data.

The main terms of the ELSS, are as follows:

(a) The ELSS enables participants to purchase shares in the company at market value with the assistance of an interest free loan. Vesting of the shares in the participants is subject to their continued employment and the achievement of the performance objectives.

Vesting of 50 percent of the shares in the participants requires achievement of certain levels of TSR relative to a comparator group of New Zealand and Australian companies over a minimum 3 year restrictive period, or as may be extended by the one year retesting period.

Vesting of the remaining 50 percent of the shares in the participants requires achievement of certain EPS targets over a 3 year restrictive period. Each year the board will, in its discretion, set an EPS target for the group. EPS is measured by the Fletcher Building group's net earnings attributable to shareholders for financial reporting purposes, divided by the weighted average number of shares on issue. The one year retesting period will not apply to the EPS tranche of shares.

(b) If at the end of the minimum 3 year restrictive period the TSR performance target has not been met in full, the restrictive period will be extended (either automatically or at the election of the participant, depending on the target level achieved) for a further one year period. If a retesting period applies, it will apply in relation to all the participant's shares in the TSR tranche. During this one year retesting period, the company will assess (mid-way through the period and at the end of the retesting period) whether the TSR performance objective has been achieved. If the TSR performance declines during the retesting period, the participant's entitlements (if any) will be determined on this lower TSR performance result.

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fletcherbuilding.com/09/governance

8. Remunerating fairly and responsibly – continued

(c) The value of a participant's entitlement and the number of shares to be acquired is determined annually on 1 October.

(d) At the expiry of the minimum three year restrictive period, and, if applicable, on the testing dates during the retesting period, transfer of legal title to some or all shares in the TSR tranche may occur. The extent to which shares are transferred is determined by a sliding scale, with 50 percent of shares vesting if the 51st percentile of the TSR performance of the comparator group is met and 100 percent of shares vesting if the 75th percentile of the TSR performance is met.

(e) At the expiry of the three year restrictive period, transfer of legal title to some or all shares in the EPS tranche (i.e. 50 percent of shares allocated to a participant) may occur. Each year the board will, in its discretion, set the vesting scale for the EPS tranche offered that year (including the minimum and maximum vesting thresholds) having regard to current circumstances.

(f) To the extent that either the EPS or TSR performance objectives are met and any conditions on the transfer of shares are satisfied (including continued employment), legal title to the relevant number of Fletcher Building shares will be transferred to the participant and a bonus paid to the participant such that the after-tax amount of that bonus will equal, or exceed, the outstanding balance of the loan in respect of the shares transferred, taking into account any dividends which have been paid by the company during the restrictive period including any retesting period.

(g) The restrictive period may terminate early in certain defined circumstances. These include a participant ceasing employment with the Fletcher Building group for a qualifying reason (for example, due to redundancy or sickness), a takeover offer being made for the company or if the company is a party to a Court approved reorganisation, merger or reconstruction. If such an event occurs, a determination will be made of the extent to which the TSR and EPS performance objectives have been met at the relevant date and the extent to which legal title to the shares will pass to the participant. The bonus entitlements noted in (f) still apply to the shares transferring.

(h) To the extent that the EPS or TSR performance objectives are not met at the end of the applicable restrictive period, or if a participant ceases to be employed by the Fletcher Building group other than for a qualifying reason, some or all of the shares will be forfeited to the trustee without compensation unless the trustee in its discretion determines otherwise.

(i) During the restrictive period (including any retesting period) the shares are held by a trustee and may not be sold or used as security for another loan. Participants can direct the trustee how to vote on the shares. Participants are also entitled to the benefits of any dividends, capital returns or other distributions declared by Fletcher Building and to the benefit of any rights issues, bonus issues or other entitlements offered to shareholders. After any adjustment for additional taxation on any such distributions and entitlements, the after-tax value will be withheld by the trustee and applied in part repayment of the loan provided to acquire shares.

In circumstances where shares cannot be acquired under the applicable securities legislation, equivalent economic entitlements are conveyed by way of cash bonus entitlements.

On 30 September 2009 the three year restrictive period in respect of the third issue under the EPSS ends. Present indications are that the TSR of the company for the period will be just over the 74th percentile of the comparator group of companies and accordingly participating executives will be entitled to take up full ownership of around 333,000 Fletcher Building shares.

Superannuation

Participation in defined benefit and defined contribution retirement savings plans is made available to executives as required by remuneration practices in relevant jurisdictions. For those participating, an amount to recognise the value of the employer contributions required is included in the remuneration information in the Regulatory Disclosures section of this report.

Holding the company's securities

A standard term in the senior executive employment contract is a requirement that, over time, senior executives must acquire and maintain a holding in the company's ordinary shares until such time as the sum so invested, or the market value of their shareholding, exceeds 50 percent of their fixed remuneration. In meeting this obligation executives are required, from the date of receipt of the first payment under the senior executive short-term variable incentive plan, to apply at least half of the after tax proceeds so earned in acquiring shares.

The company believes this shareholding strengthens the alignment of senior executives with the interests of shareholders and puts their own remuneration at risk to long-term company performance. Apart from the long-term cash-based performance incentive schemes outlined above where an agreed percentage of any cash received is to be invested in purchasing shares, executives are left to their own discretion to organise acquiring the shares within the normal insider trading rules, and no allowance is made for the restriction on trading those shares. Directors may, in any year at their discretion, ease the share investment percentage required in terms of this policy in respect of any incentive payment arising in that year.

Shares issued to executives under the long-term incentive scheme, but still subject to the restrictive period, do not count towards the required minimum shareholding obligation.

The company does, however, allow New Zealand-based executives to meet their requirement to hold the company's shares by having an economic exposure to the shares through a defined contribution investment account in the Fletcher Building Retirement Plan, the value of which is calculated by reference to the Fletcher Building share price.

Disclosure policy

The New Zealand Companies Act 1993 requires the disclosure of all remuneration payable over $100,000 per annum in $10,000 bands. As the company must comply with this obligation, it has chosen not to also make detailed disclosure of the remuneration of the five highest paid executives as is considered best practice under the ASX Corporate Governance Guidelines.

Compliance with ASX corporate governance guidelines

The company meets all the best practice requirements of the ASX Corporate Governance Council other than making detailed disclosure of the five highest executives' remuneration. As is noted above, the company makes the remuneration disclosures required of a New Zealand company under the Companies Act 1993.

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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.

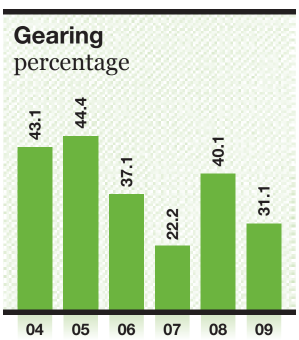
Unusual items

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.

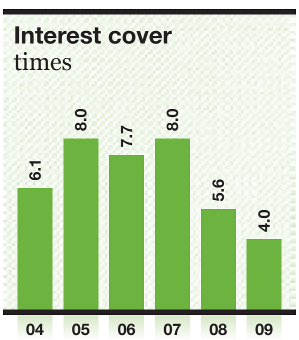
Proforma earnings

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

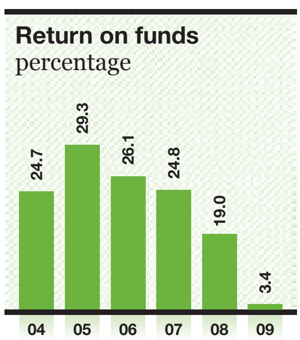
	Fletcher Building Group	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Operating earnings before unusuals	558	768
Funding costs	(140)	(136)
Taxation expense on ordinary activities	(96)	(150)
Earnings attributable to minority interests	(8)	(15)
Net earnings before unusual items	**314**	**467**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



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

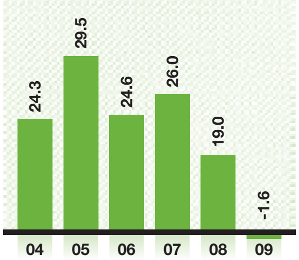
The company operates a number of defined benefit retirement plans for its employees. The largest of these is the New Zealand plan, which has 1,240 members and pensioners and investments of $256 million at 31 March 2009. The investment in all plans totalled $622 million at 30 June 2009.

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.

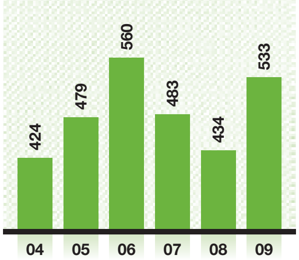
Download the financial statements:
fletcherbuilding.com/09/downloads

Return on equity
percentage

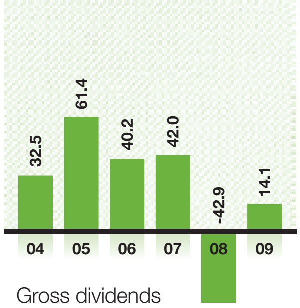


Net earnings/
Average shareholders' funds

Operating cashflow
$million



Total shareholder return
percentage



Gross dividends
plus share price appreciation/
Opening share price

Bill Roest
Chief Financial Officer

For Bill's bio visit:
fletcherbuilding.com/09/executiveteam

Earnings statement

For the year ended 30 June 2009

	NOTES	Fletcher Building Group		Fletcher Building Limited	
		Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Sales		7,103	7,091		
Cost of goods sold		(5,442)	(5,309)		
Gross margin		1,661	1,782		
Selling and marketing expenses		(668)	(660)		
Administration expenses		(469)	(457)		
Share of profits of associates	21	24	43		
Other investment income		2			
Intercompany investment income	33			300	276
Other gains/(losses)	3	8	61		
Unusual items – restructurings and impairments	4	(399)			
Amortisation of intangibles	20		(1)		
Operating earnings (EBIT)	3	**159**	**768**	**300**	**276**
Funding costs	6	(140)	(136)	(74)	(54)
Earnings before taxation		19	632	226	222
Taxation expense	7	(57)	(150)	22	15
Earnings/(loss) after taxation		**(38)**	**482**	**248**	**237**
Earnings attributable to minority interests		(8)	(15)		
Net earnings/(loss) attributable to the shareholders		**(46)**	**467**	**248**	**237**
Net earnings per share (cents)	9				
Basic		(8.7)	93.2		
Basic (excluding unusuals)		59.7	93.2		
Diluted		(8.7)	87.4		
Weighted average number of shares outstanding (millions of shares)	9				
Basic		526	501		
Diluted		526	555		
Dividends declared per share (cents)		38.0	48.5		

The accompanying notes form part of and are to be read in conjunction with these financial statements.

On behalf of the Board, 12 August 2009

Roderick Deane
Chairman of Directors

Jonathan Ling
Managing Director

Statement of movements in equity

For the year ended 30 June 2009

	NOTES	Fletcher Building Group Year ended June 2009 NZ$M	Fletcher Building Group Year ended June 2008 NZ$M	Fletcher Building Limited Year ended June 2009 NZ$M	Fletcher Building Limited Year ended June 2008 NZ$M
Total equity					
At the beginning of the year		2,756	2,296	1,319	1,258
Movement in the cashflow hedge reserve	13	(25)	19	(25)	19
Movement in currency translation reserve	13	28	174		
Income and expenses recognised directly in equity		3	193	(25)	19
Net earnings/(loss) – parent interest	13	(46)	467	248	237
Net earnings – minority interest	14	8	15		
Net earnings/(loss)		(38)	482	248	237
Total recognised income and expenses for the year		**(35)**	**675**	**223**	**256**
Movement in minority equity	14	(17)	(19)		
Movement in reported capital	11	535	40	535	40
Dividends	10	(245)	(235)	(245)	(235)
Less movement in shares held under the treasury stock method	11	(4)	(1)		
Total equity		**2,990**	**2,756**	**1,832**	**1,319**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Balance sheet

As at 30 June 2009

	NOTES	Fletcher Building Group June 2009 NZ$M	Fletcher Building Group June 2008 NZ$M	Fletcher Building Limited June 2009 NZ$M	Fletcher Building Limited June 2008 NZ$M
Assets					
Current assets:					
Cash and liquid deposits	15	99	111	39	29
Current tax asset	25			22	14
Debtors	16	1,106	1,255	74	61
Stocks	17	1,052	1,183		
Total current assets		2,257	2,549	135	104
Non current assets:					
Fixed assets	18	2,014	2,129		
Goodwill	19	846	854		
Intangibles	20	421	402		
Investments in associates	21	195	214		
Investments – other	21	74	27	3,419	3,423
Deferred taxation asset	25	111	60		
Advances to subsidiaries	33			577	520
Total non current assets		3,661	3,686	3,996	3,943
Total assets		**5,918**	**6,235**	**4,131**	**4,047**
Liabilities					
Current liabilities:					
Short-term loans		22	28	6	5
Provisions	22	79	55	2	2
Creditors and accruals	23	1,013	1,039	66	24
Current tax liability	25	27	40		
Contracts	24	91	115		
Capital notes	26	75	93		93
Term debt	27	6	66	(7)	(7)
Advances from subsidiaries	33			2,026	2,368
Total current liabilities		1,313	1,436	2,093	2,485
Non current liabilities:					
Provisions	22	20	22		
Creditors and accruals	23	66	69		
Retirement plan liability	35	56	61		
Deferred taxation liability	25	127	121		5
Capital notes	26	367	260	167	122
Term debt	27	979	1,510	39	116
Total non current liabilities		1,615	2,043	206	243
Total liabilities		**2,928**	**3,479**	**2,299**	**2,728**
Equity					
Reported capital	11	1,895	1,364	1,908	1,373
Revenue reserves	12, 13	902	1,193	(64)	(67)
Other reserves	12, 13	161	158	(12)	13
Shareholders' funds		2,958	2,715	1,832	1,319
Minority equity	14	32	41		
Total equity		**2,990**	**2,756**	**1,832**	**1,319**
Total liabilities and equity		**5,918**	**6,235**	**4,131**	**4,047**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of cashflows

For the year ended 30 June 2009

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Cashflow from operating activities:				
Receipts from customers	7,281	7,061		
Dividends received	38	37	300	264
Interest received	4	3	2	14
Total received	7,323	7,101	302	278
Payments to suppliers, employees and other	6,531	6,437	3	(28)
Interest paid	148	124	74	59
Income tax paid	111	106		
Total applied	6,790	6,667	77	31
Net cash from operating activities	**533**	**434**	**225**	**247**
Cashflow from investing activities:				
Sale of fixed assets	52	57		
Sale of investments		8		
Total received	52	65		
Purchase of fixed assets	288	333		
Purchase of investments	1	16		
Purchase of subsidiaries	3	1,040		
(Cash)/net debt in subsidiaries acquired		(1)		
Total applied	292	1,388		
Net cash from investing activities	**(240)**	**(1,323)**		
Cashflow from financing activities:				
Net debt (settlements)/drawdowns	(668)	879	(76)	112
Issue of shares	516		516	
Issue of capital notes	184	8	45	15
Total received	32	887	485	127
Repurchase of capital notes	93		93	
Advances to subsidiaries			381	428
Distribution to minority shareholders	20	27		
Dividends	226	195	226	195
Total applied	339	222	700	623
Net cash from financing activities	**(307)**	**665**	**(215)**	**(496)**
Net movement in cash held	(14)	(224)	10	(249)
Add opening cash and liquid deposits	111	332	29	278
Effect of exchange rate changes on net cash	2	3		
Closing cash and liquid deposits	**99**	**111**	**39**	**29**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Statement of cashflows

For the year ended 30 June 2009

Analysis of subsidiaries acquired

	Fletcher Building Group	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Fixed assets	3	375
Goodwill on acquisition		411
Less contingent consideration		(3)
Intangibles		136
Investments		52
Net tax liability		(70)
Current assets		385
Non current assets		2
Minority interests		(1)
Cash in subsidiaries		24
Debt in subsidiaries		(23)
Pension liabilities		(71)
Non current liabilities		(10)
Current liabilities		(167)
Cash paid to date for subsidiaries acquired	**3**	**1,040**

During the 2009 year the Group acquired minor subsidiaries to the value of $3 million.

Companies acquired during the 2008 year were Formica Corporation on 2 July 2007, Fair Dinkum Homes and Sheds on 3 August 2007, Cameron Quarries on 5 October 2007, DVS on 1 February 2008, and Morinda Australia (trading as Garage World and Shed Boss) on 1 May 2008.

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2009

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Cash was received from:				
Net earnings	(46)	467	248	237
Earnings attributable to minority interests	8	15		
	(38)	482	248	237
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	129	166		
Unusual items included in earnings	336			
Taxation	(54)	44	(22)	(15)
Non cash adjustments	411	210	(22)	(15)
Cashflow from operations [1]	373	692	226	222
Less (gain) / loss on disposal of affiliates and fixed assets	2	(59)		
Cashflow from operations before net working capital movements	375	633	226	222
Net working capital movements	158	(199)	(1)	25
Net cash from operating activities [2]	**533**	**434**	**225**	**247**
Net working capital movements:				
Debtors	203	(7)	(13)	34
Stocks	101	(159)		
Contracts	(24)	(23)		
Creditors	(122)	(10)	12	(9)
	158	**(199)**	**(1)**	**25**

[1] Includes loss on disposal of affiliates and fixed assets.
[2] As per the statement of cashflows.

The accompanying notes form part of and are to be read in conjunction with these financial statements.

Accounting policies

Basis of presentation

The financial statements presented are those of Fletcher Building Limited (the company) and its subsidiaries (the group). Fletcher Building Limited is a company domiciled in New Zealand, 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 registered office of the company is 810 Great South Road, Penrose, Auckland. Fletcher Building Limited is a profit oriented entity.

The financial statements comprise the earnings statement, statement of movements in equity, balance sheet, statement of cashflows, and significant accounting policies, as well as the notes to these financial statements.

Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that financial assets and liabilities as described below are stated at their fair value. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

The accounting policies have been applied consistently by all group entities, except as disclosed in note 1, changes in accounting policies.

Segmental reporting

Segmental information is presented in respect of the group's industry and geographical segments. The use of industry segments as the primary format is based on the group's management and internal reporting structure, which recognises groups of assets and operations with similar risks and returns. Inter-segment pricing is determined on an arm's length basis.

Estimates

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. For further information on areas of estimation and judgement, refer to the notes to the financial statements, in particular notes 19 and 25.

Basis of consolidation

The consolidated financial statements comprise the company and its subsidiaries and the group's interest in associates, partnerships and joint ventures. Inter-company transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries
Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation, from the date control commences until the date control ceases.

Associates
The equity method has been used for associate entities in which the group has a significant but not controlling interest.

Goodwill on acquisition
Fair values are assigned to the identifiable assets and liabilities of subsidiaries and associates of the group at the date they are acquired. Goodwill arises to the extent of the excess of the cost of the acquisition over the fair value of the assets and liabilities.

Goodwill is stated at cost, less any impairment losses. Goodwill is allocated to cash generating units and is not amortised, but is tested annually for impairment. Goodwill in respect of associates is included in the carrying amount of associates. Negative goodwill, or a discount on acquisition is recognised directly in earnings on acquisition.

Joint ventures and partnerships
Where the ownership interest in the joint venture is in the net residue of the business and does not give rise to an economic or controlling interest in excess of 50 percent, the share of the net assets and liabilities and earnings of the investment is included on an equity basis. If the interest does give rise to a controlling interest in excess of 50 percent, the investment is consolidated.

Joint ventures in which the ownership interest is directly in the assets and liabilities, rather than the net residue, are included on a proportional basis with assets, liabilities, revenues and expenses based on the group's proportional interest.

Valuation of assets

Land, buildings, plant and machinery, fixtures and equipment
The cost of purchasing land, buildings, plant and machinery, fixtures and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and the condition necessary for their intended service, including subsequent expenditure.

The costs of self constructed assets include, where appropriate, the costs of all materials used in construction, direct labour on the project, site preparation and installation costs, costs of obtaining resource consents, financing costs that are directly attributable to the project, variable and fixed overheads and unrecovered operating costs incurred during planned commissioning. Costs cease to be capitalised as soon as the asset is ready for productive use. All feasibility costs are expensed as incurred.

Leases in which the group assumes substantially all the risks and rewards of ownership are classified as finance leases and are measured at the lower of their fair value or the present value of the minimum lease payments at the inception of the lease.

Land, buildings, plant and machinery, leased assets and fixtures and equipment are stated at cost, less accumulated depreciation.

Investments
Investments are valued at historical cost. Impairments in the value of investments are written-off to earnings as they arise.

Stocks
Trading stock, raw materials and work in progress are valued at the lower of cost or net realisable value, determined principally on the first-in, first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels.

Debtors
Debtors are valued at estimated net realisable value. The valuation is net of a specific provision maintained for doubtful debts. All known losses are written-off to earnings in the period in which it becomes apparent that the debts are not collectable. Trade debtors normally have 30 to 90 day terms.

Construction work in progress
Construction work in progress is stated at cost plus profit recognised to date, less progress billings and any provision for foreseeable losses. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the group's contract activities based on normal operating capacity.

Cash
Cash and liquid deposits comprise cash and demand deposits with banks or other financial institutions and highly liquid investments that are readily convertible to cash.

Impairment
Impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined to be the greater of the fair value, less disposal costs or the sum of expected future discounted net cashflows arising from the ownership of the asset. Future net cashflows take into account the remaining useful life and the expected period of continued ownership, including any intended disposals, and any costs or proceeds expected to eventuate at the end of the remaining useful life or the end of the expected period of continued ownership.

For the purposes of considering whether there has been an impairment, assets are grouped at the lowest level for which there are identifiable cashflows that are largely independent of the cashflows of other groups of assets. When the book value of a group of assets exceeds the recoverable amount an impairment loss arises and is recognised in earnings immediately.

Goodwill and brands with an indefinite life are tested for impairment in June of each year. Other assets are tested for impairment when an indication of impairment exists.

Brands
Brands for which all relevant factors indicate that there is no limit to the foreseeable net cashflows, are considered to have an indefinite useful life and are held at cost and are not amortised, but are subject to an annual impairment test.

Retirement plans
The group's net asset in respect of its retirement plans is calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The value of the asset recognised cannot exceed in aggregate the total value of any unrecognised losses, the present value of any future refunds from the plans or reductions in future contributions to the plans.

Foreign currency

Translation of the financial statements of foreign operations
The assets and liabilities of the group's overseas operations are translated into New Zealand currency at the rates of exchange ruling at balance date. The revenue and expenditure of these entities are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising on the translation of these entities are recognised directly in the currency translation reserve.

Exchange differences
Monetary assets and liabilities in foreign currencies at balance date which are not covered by forward exchange contracts are translated at the rates of exchange ruling at balance date. Monetary assets and liabilities in foreign currencies at balance date which are covered by forward exchange contracts are effectively translated at the exchange rates specified in those contracts.

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined.

Net investments in foreign operations
Exchange differences arising from the translation

Accounting policies

of the net investment in foreign operations, and of related hedges, are taken to the currency translation reserve and are released to earnings upon disposal.

Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise term debt, capital notes, trade and other payables, cash and cash equivalents, and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate swaps, currency swaps, options, forward rate agreements and commodity price swaps are utilised to reduce exposure to market risks.

Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All the group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed trading transactions.

The fair values of derivative financial instruments, as disclosed in the financial instrument note, are determined by applying quoted market prices.

The group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability which the instrument hedges no longer exists, in which case early termination occurs.

Derivative financial instruments are initially recorded at fair value and are then revalued to fair value at each balance sheet date. The gain or loss on revaluation is recorded either in earnings or equity depending on whether the instruments qualify for hedge accounting and the nature of the item being hedged. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed. This relationship must be documented from inception.

Fair value hedges
Where a derivative financial instrument is designated as a hedge of a recognised asset or liability, or of a firm commitment, any gain or loss is recognised directly in earnings together with any changes in the fair value of the hedged risk.

Cashflow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cashflows of assets or liabilities, or of a highly probable forecasted transaction, the effective part of any gain or loss is recognised directly in the cashflow hedge reserve within equity and the ineffective part is recognised immediately in earnings. The effective portion is transferred to earnings when the underlying cashflows affect earnings.

Net investment hedges
Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for on the same basis as cashflow hedges through the currency translation reserve within equity.

Derivatives that do not qualify for hedge accounting
Where a derivative financial instrument does not qualify for hedge accounting, or where hedge accounting has not been elected, any gain or loss is recognised directly in earnings.

Valuation of liabilities

Taxation
The provision for current tax is the estimated amount due for payment during the next 12 months by the group. The provision for deferred taxation has been calculated using the balance sheet liability method. Deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities and their taxable value.

Deferred tax assets are not recognised on temporary differences and tax losses unless recovery is considered probable.

The deferred tax liability on brands has been recognised separately from other deferred tax items, as the brands have an indefinite life and the deferred tax liability will not crystallise, except in the event of a disposal or write-down in the value of the brands.

Finance leases
Finance leases are capitalised to reflect the term borrowing incurred and the cost of the asset acquired. Such obligations are classified within term debt. The finance cost portion of lease payments is written-off to earnings. The leased asset is depreciated on a straight line basis over the estimated useful life of the asset with regard to residual values.

Borrowings
Interest bearing borrowings are initially recognised at fair value, less any transaction costs which are amortised over the period of the loans.

Creditors
Trade creditors and other liabilities are stated at cost or estimated liability where accrued.

Annual leave
Annual leave is recognised on an accrual basis.

Provisions
A provision is recognised when the group has a current obligation and it is probable that economic benefits will be required to settle it.

Intercompany guarantees
Where the company enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Equity

Share capital
Ordinary shares are classified as shareholders funds. Costs directly attributable to the issue of new shares or options are shown in shareholders funds as a reduction from the proceeds.

Dividends are recognised as a liability in the period in which they are declared.

Where a member of the group purchases the company's share capital the consideration paid is deducted from equity under the treasury stock method as if the shares are cancelled, until they are reissued or otherwise disposed of.

Income determination

Sales recognition
Sales are recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer. Earnings on residential contracts are recognised on settlement.

Construction contracts
Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. Earnings are not recognised until the outcome can be reliably estimated. The company uses its professional judgement to assess both the physical completion and the forecast financial result of the contract. Provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.

Investment revenue
Dividends and distributions are taken to earnings when received, or accrued where declared prior to balance date.

Funding costs
Net funding costs comprise interest expense, interest income, amortisation of prepaid expenses and gains/losses on certain financial instruments that are recognised in earnings.

Depreciation
Depreciation of fixed assets is calculated on the straight line method. Expected useful lives, which are regularly reviewed on a weighted average basis are:

Buildings	30 years
Plant and machinery	13 years
Fixtures and equipment	5 years
Leased assets capitalised	10 years

Leasing commitments
Expenditure arising from operating leasing commitments is written-off to earnings in the period in which it is incurred.

Retirement plan expense
Obligations for contributions to defined contribution plans are recognised in earnings as incurred. The actuarial cost of providing benefits under defined benefit plans is expensed as it accrues over the service life of the employees, after taking account of the income expected to be earned by the assets owned by the plans.

All actuarial gains or losses are amortised to earnings over the remaining average service life of plan members employed by the group.

Long service leave
Long service leave is recognised in earnings on an actuarial basis.

Research and development
Expenditure on research activities is recognised in earnings as incurred.

Employee share purchase scheme
The employee share purchase scheme allows group employees to acquire shares in the company at a discount to the market price, funded by an interest free loan from the group. The fair value of the discount is measured at the grant date and this is expensed to earnings immediately.

Dividends are paid in cash to the employees who repay the loan from their earnings. The shares are held in trust for the employees by the trustee, Fletcher Building Share Schemes Limited, until they vest after a three year restricted period. The group recognises the receivable owing from the employees in other receivables.

Executive share schemes
The company has implemented long-term cash-based performance incentive schemes targeted at the company's executives most able to influence the results of the company with an agreed percentage of any cash received to be invested in purchasing the company's shares.

The executive performance share scheme introduced in 2004 allows group executives to acquire shares in the company at market price, funded by an interest free loan from the group.

Accounting policies

Income determination – continued

The executives are entitled to vote on the shares and to receive cash dividends, the proceeds of which are used to repay the loan. The shares are held in trust for the executives by the Trustee, Fletcher Building Share Schemes Limited. Payment of any benefit under the executive performance share scheme is dependent upon the group's total shareholder return exceeding the 51st percentile of the total shareholder return of a comparative group of companies.

In 2008, the executive long-term share scheme was introduced for a small number of senior executives. Payment of half of any benefit is dependent upon total shareholder return and payment of the other half of any benefit is dependent upon the group achieving an earnings per share target.

At the end of the restricted period the group will pay a bonus to the executives to the extent that performance targets have been met, the after tax amount of which will be sufficient for the executives to repay the balance of the loan for the shares which vest.

If the performance obligations are not met or are only partially met, the trustee will acquire the beneficial interest in some or all of the shares. The loan provided in respect of those shares which do not transfer to the executives (the forfeited shares) will be novated to the trustee and will be fully repaid by the transfer of the forfeited shares.

The group will recognise an expense in earnings over the restricted period to provide for the maximum bonus payable.

The group is accounting for the share schemes under the treasury stock method. The receivable owing from the executives, representing the shares held in the group, is deducted from the group's paid up capital. If the performance targets based on total shareholder return are not met and the shares do not vest, the after tax amount of the bonus provision will be transferred to equity and will not be released to earnings. If the performance targets based on earnings per share are not met and the shares do not vest, the after-tax amount of the bonus provision will be released to earnings. The shares will continue to be deducted from equity until they are disposed of by the trustee. To the extent that the performance targets are met and the shares vest, the bonus will be paid enabling repayment of the loan, and to the extent of this loan repayment, paid up capital will increase.

1. Changes in accounting policies

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective. The group has not applied these in preparing these financial statements and while the application of these standards, amendments and interpretations would require further disclosures, 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 year ended 30 June 2009, however certain comparatives were restated to conform with the current year's presentation.

2. Acquisitions

During the 2009 year the Group acquired minor subsidiaries to the value of $3 million.

Companies acquired during the 2008 year were Formica Corporation group on 2 July 2007, Fair Dinkum Homes and Sheds on 3 August 2007, Cameron Quarries on 5 October 2007, DVS on 1 February 2008, and Morinda Australia (trading as Garage World and Shed Boss) on 1 May 2008. All acquisitions were for 100 percent of the companies.

A formal fair value exercise was undertaken for these acquisitions, which resulted in the fair value of the assets and liabilities described in the statement of cashflows. Goodwill on acquisition represents the value in the companies attributable to their expected profitability and the significant cost synergies to be achieved.

3. Operating earnings

	Fletcher Building Group		**Fletcher Building Limited**	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Operating earnings includes:				
Net periodic pension cost	16	5		
Employee related short-term costs[1]	1,192	1,110		
Other long-term employee related benefits	38	30		
Research and development	2	4		
Bad debts written-off	15	7		
Foreign exchange in trading accounts	(1)	(4)		
Donations and sponsorships	2	2		
Maintenance and repairs	175	164		
Operating lease expense	135	119		
Other gains/(losses)[2]	8	61		
Auditors' fees and expenses payable for:				
Statutory audit – KPMG and other firms	4	3		
Other services – KPMG and other firms[3]	1	2		

[1] Remuneration for the executive committee included in the above is disclosed in note 33.

[2] Other gains/(losses) include the following:

	2009	2008
Profit from the sale of Stresscrete operations and land		16
Sale of land, including quarry end use	12	46
Settlement of insurance claims		6
Net redundancies and restructuring costs		(8)
Other gains/(losses)	(4)	1
	8	61

[3] Fees paid to the auditors during the year for other services are mainly with respect to the half year review, other assurance services and tax compliance work.

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.

6. Funding costs

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Interest payable on:				
Term debt	97	102	3	13
Short-term loans and bank overdrafts	1	2	1	2
Capital notes	36	27	16	15
Interest paid to subsidiary companies			54	24
Income from short-term deposits	(3)	(3)	(2)	(2)
	131	128	72	52
Plus bank fees, registry and issue expenses	9	8	2	2
	140	**136**	**74**	**54**

7. Taxation expense

Earnings before taxation:				
New Zealand	198	419	226	222
Overseas	(179)	213		
	19	632	226	222
Taxation at 30 (2008: 33) cents per dollar	6	209	68	73
Adjusted for:				
Benefit of lower tax rate in overseas jurisdictions	2	(10)		
Non assessable income	(6)	(27)	(90)	(88)
Non deductible expenses	28	3		
Write-off of tax losses	60			
Benefit of tax losses not recognised	(3)			
Tax in respect of prior years	1	4		
Impact of tax rate change		(8)		
Other permanent differences	(31)	(21)		
	57	**150**	**(22)**	**(15)**
Tax on operating profits pre unusual items	96	150	(22)	(15)
Tax benefit of unusual items	(99)			
Write-off of tax losses	60			
	57	**150**	**(22)**	**(15)**
Current taxation:				
New Zealand	61	91	(22)	(15)
Overseas	(67)	66		
Total current taxation expense	(6)	157	(22)	(15)
Deferred taxation:				
New Zealand	1	(2)		
Overseas	62	(5)		
Total deferred taxation expense	63	(7)		
	57	**150**	**(22)**	**(15)**

Notes to the financial statements

8. Shareholder tax credits

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Imputation credit account				
Imputation credits at the beginning of the year	28	107	(55)	(27)
Taxation paid	14	9		
Imputation credits received	2		98	60
Imputation credits attached to dividends paid	(66)	(88)	(66)	(88)
	(22)	**28**	**(23)**	**(55)**

Fletcher Building Limited has until 31 March 2010 to fund any deficiency in its imputation credit account.

	Fletcher Building Group		Fletcher Building Limited	
Franking credit account				
Franking credits at the beginning of the year	19	28		3
Taxation paid	28	32		
Franking credits received	2	3	42	41
Franking credits attached to capital notes interest paid				
Franking credits attached to dividends paid	(42)	(44)	(42)	(44)
	7	**19**		
Dividend withholding payment credit account				
Dividend withholding payment credits at the beginning of the year		(15)		(15)
Taxation paid		15		
Dividend withholding payment credits received				15
Dividend withholding payment credits attached to dividends paid				
Branch equivalent tax account				
Branch equivalent tax account at 1 April 2008	39	26		
Benefit received from dividend withholding payment tax paid		15		
Utilisation of branch equivalent tax account to offset tax liabilities for the 2008 income year	(7)	(2)		
Branch equivalent tax account at 31 March 2009	**32**	**39**		

9. Net earnings per share

The diluted net earnings per share calculation uses the weighted average number of shares as determined for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the company's shares and are therefore considered dilutive securities for diluted net earnings per share. Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest. For the year ending 30 June 2009, all capital notes were anti-dilutive.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M	Year ended June 2009 NZ$M	Year ended June 2008 NZ$M
Numerator				
Net earnings	(46)	467		
Numerator for basic earnings per share	(46)	467		
Dilutive capital notes distribution		18		
Numerator for diluted net earnings per share	**(46)**	**485**		
Denominator (millions of shares)				
Denominator for basic net earnings per share	526	501		
Conversion of dilutive capital notes		54		
Denominator for diluted net earnings per share	**526**	**555**		

10. Dividends

Dividends paid to shareholders	245	235	245	235
	245	**235**	**245**	**235**

On 12 August 2009 the directors declared a dividend of 14 cents per share, payable on 15 October 2009.

11. Capital

Reported capital at the beginning of the year	1,373	1,333	1,373	1,333
Issue of shares	546	40	546	40
Cost of share issue	(11)		(11)	
Reported capital at the end of the year including treasury stock	1,908	1,373	1,908	1,373
Treasury stock	(13)	(9)		
	1,895	**1,364**	**1,908**	**1,373**

All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up. The shares have no par value. Costs directly attributable to the issue of new shares are shown as a deduction from the proceeds. Shares held by the trustee of the Fletcher Building executive performance share scheme are deducted from the group's capital until the shares vest, are reissued or otherwise disposed of. When such shares do vest, are reissued or otherwise disposed of, any consideration received is included in the group's equity.

Number of ordinary shares:				
Number of shares on issue at the beginning of the year	503,361,742	499,284,848	503,361,742	499,284,848
Issue of shares	98,417,199		98,417,199	
Shares issued under the dividend reinvestment plan	2,687,087	4,076,894	2,687,087	4,076,894
Total number of shares on issue	**604,466,028**	**503,361,742**	**604,466,028**	**503,361,742**
Less accounted for as treasury stock	(1,543,586)	(1,022,692)		
	602,922,442	**502,339,050**	**604,466,028**	**503,361,742**

Notes to the financial statements

11. Capital – continued

Share options:

On 1 September 2006, the company issued 500,000 share options under the executive option scheme. The exercise price of the share options is $9.24 and is increased annually by the company's cost of capital, less actual dividends paid. As at 30 June 2009 the exercise price is $9.7319. The restrictive period is until 1 September 2009 and the final exercise date is 1 September 2012. The options carry no dividend or voting rights. The company has calculated the fair value of granting these options and is expensing the cost of $615,000 over three years to an option premium reserve.

12. Reserve balances

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Reserves comprise:				
Retained earnings	902	1,193	(64)	(67)
Cashflow hedge reserve	(12)	13	(12)	13
Currency translation reserve	173	145		
	1,063	**1,351**	**(76)**	**(54)**

13. Reserve movements

Retained earnings				
Retained earnings at the beginning of the year	1,193	961	(67)	(69)
Net earnings for the year – parent interest	(46)	467	248	237
Dividends paid during the year	(245)	(235)	(245)	(235)
	902	**1,193**	**(64)**	**(67)**
Cashflow hedge reserve				
Cashflow hedge reserve at the beginning of the year	13	(6)	13	(6)
Arising in the year	(25)	19	(25)	19
	(12)	**13**	**(12)**	**13**
Currency translation reserve				
Currency translation reserve at the beginning of the year	145	(29)		
Arising in the year	28	174		
	173	**145**		

14. Minority equity

Share capital	26	31		
Reserves	6	10		
	32	**41**		

15. Cash and liquid deposits

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Cash and bank balances	63	84	9	6
Short-term deposits	36	27	30	23
	99	**111**	**39**	**29**

The group operates in a number of foreign jurisdictions which have onerous regulatory requirements that are required to be met before a subsidiary may transfer funds to its parent in the form of cash dividends or to repay loans and advances.

16. Debtors

Trade debtors	808	967		
Contract debtors	74	93		
Contract retentions	36	13		
Less provision for doubtful debts	(33)	(29)		
Trade and contract debtors	885	1,044		
Other receivables	221	211	74	61
	1,106	**1,255**	**74**	**61**
Current	673	744		
0 – 30 days over standard terms	163	233		
31 – 60 days over standard terms	28	45		
61+ days over standard terms	54	51		
Provision	(33)	(29)		
Trade and contract debtors	**885**	**1,044**		

17. Stocks

Raw materials	327	297		
Work in progress	110	148		
Finished goods	551	680		
Consumable stores and spare parts	64	58		
	1,052	**1,183**		
Stock held at cost	1,030	1,172		
Stock held at net realisable value	22	11		
	1,052	**1,183**		

The group also has conditional commitments for the purchase of land to be used for residential construction totalling $76 million (June 2008 $136 million). Delivery of this land is expected to take place over the period to 2011.

During the year $47 million of stock was written-down as part of 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. See note 4.

Notes to the financial statements

18. Fixed assets

	Fletcher Building Group						
	Land NZ$M	Buildings NZ$M	Plant & Machinery NZ$M	Fixtures & Equipment NZ$M	Resource Extraction NZ$M	Leased Assets NZ$M	Total NZ$M
Gross value at 1 July 2008	265	409	1,777	364	94	5	2,914
Additions	4	18	231	28	12		293
Disposals	(9)	(27)	(41)	(25)	(3)	(3)	(108)
Impairments in the income statement – reported in unusual items note 4		(3)	(140)	(33)			(176)
Currency translation	1	5	13	1	(1)		19
Gross value at 30 June 2009	**261**	**402**	**1,840**	**335**	**102**	**2**	**2,942**
Accumulated depreciation at 1 July 2008		(60)	(496)	(214)	(11)	(4)	(785)
Disposals		4	25	20	3	2	54
Impairments in the income statement – reported in unusual items note 4		2	8				10
Depreciation expense		(19)	(149)	(38)	(5)		(211)
Currency translation		1	3				4
Accumulated depreciation at 30 June 2009		**(72)**	**(609)**	**(232)**	**(13)**	**(2)**	**(928)**
Net book value at 30 June 2009	**261**	**330**	**1,231**	**103**	**89**		**2,014**
Gross value at 1 July 2007	177	274	1,315	321	52	13	2,152
Acquisitions during the year	55	88	212	10	10		375
Additions	21	36	205	51	29		342
Disposals	(9)	(14)	(56)	(31)	(3)	(8)	(121)
Currency translation	21	25	101	13	6		166
Gross value at 30 June 2008	**265**	**409**	**1,777**	**364**	**94**	**5**	**2,914**
Accumulated depreciation at 1 July 2007		(45)	(376)	(197)	(8)	(11)	(637)
Disposals		4	45	27	3	7	86
Depreciation expense		(17)	(136)	(38)	(6)		(197)
Currency translation		(2)	(29)	(6)			(37)
Accumulated depreciation at 30 June 2008		**(60)**	**(496)**	**(214)**	**(11)**	**(4)**	**(785)**
Net book value at 30 June 2008	**265**	**349**	**1,281**	**150**	**83**	**1**	**2,129**

18. Fixed assets – continued

As at 30 June 2009, fixed assets includes $110 million of assets under construction (June 2008 $157 million).

During the year ended 30 June 2009 the group wrote-off $33 million in Distribution of 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. See note 4.

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.

19. Goodwill

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Goodwill acquired at cost	804	800		
Accumulated foreign currency translation movement taken to reserves	103	54		
Accumulated impairment	(61)			
Goodwill at the end of the year	**846**	**854**		
Goodwill at the beginning of the year	854	393		
Acquired during the year		416		
Acquisition restatement during the year	4	(6)		
Impaired during the year – reported in unusual items note 4	(61)			
Foreign currency translation movement taken to reserves	49	51		
	846	**854**		
Formica Asia	302	258		
Formica North America		22		
Formica Europe		23		
The Laminex Group	179	186		
Stramit Corporation	115	112		
Fletcher Insulation Australia	93	95		
Forman Insulation	46	46		
Tasman Insulation New Zealand	43	43		
Tasman Sinkware	42	43		
Other subsidiaries	26	26		
Goodwill by major subsidiaries	**846**	**854**		

Notes to the financial statements

19. Goodwill – continued

Impairment of goodwill

Goodwill has been tested for impairment in June 2009. Each business unit which carries goodwill has prepared a discounted cashflow on a value-in-use basis. They have used their past experience of revenue growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future. These cashflow projections are based on the group's three year strategic plan approved by the directors, which has been extended for a further two years. Cashflows beyond the five year period have been extrapolated using estimated terminal growth rates which do not exceed the long-term average growth rate for the industries in which the business units operate. The growth rates used range from 1.5 percent to 4.0 percent, with the majority of the business units using 2 percent. The cashflows are discounted using a nominal rate of 10 percent after tax, with the exception of Formica which has used 9 percent. This adjustment to the standard rate of 10 percent reflects the risk profile for the countries in which Formica operates.

The group operates in cyclical markets and currently faces deteriorating market conditions that make it difficult to predict future profitability. Residential markets have declined in New Zealand, Australia, the USA, Spain and the UK, however there are good growth prospects in Asia. There is also divergence in those markets between the prospects for infrastructure and commercial activities. Due to the deterioration in current market conditions and a more cautious outlook of the companies sustainable mid-cycle earnings, 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, as the review indicated that the value of the assets has been adversely impacted.

The forecasts for purposes of valuation are most sensitive to changes in projected operating earnings and cashflows in the terminal year. Based on the sensitivity analysis performed, it is estimated that if there were an adverse change in the terminal year operating earnings of the Formica group by US$1 million (US$0.7 million net of tax), the recoverable value would decline by US$8 million.

The group has identified certain business units which face particular challenges, including the Formica group. The exercise confirmed that there is headroom over the carrying value and based on the analysis performed there are no impairment issues necessitating a further write-down of goodwill. New management have been appointed to achieve an appropriate improvement in their operating earnings. If this improvement does not eventuate there may be a need for a future impairment.

20. Intangibles

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Brands	420	401		
Intangible assets	1	1		
	421	**402**		
Brands				
Brands at the beginning of the year	401	235		
Acquired during the year		136		
Foreign currency translation movement taken to reserves	19	30		
	420	**401**		
The Laminex Group	151	154		
Formica Corporation	151	129		
Stramit Corporation	50	50		
Other subsidiaries	68	68		
Brands by major subsidiaries	**420**	**401**		

20. Intangibles – continued

Brands are considered to have an indefinite useful life as there are no factors which indicate that there is a limit on their capacity to generate foreseeable cashflows. Factors considered before arriving at this conclusion are whether the businesses which own the brands are going concerns, whether there is any evidence of obsolescence due to changes in either technology or regulatory conditions, whether the businesses are trading profitably and whether there are any other market-based indications. Brands have been tested for impairment in June 2009 on a value-in-use basis. This exercise confirmed that there are no impairment issues necessitating a write-down.

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Intangible assets				
Intangible assets acquired at cost	16	16		
Accumulated amortisation	(15)	(15)		
Intangible assets at the end of the year	**1**	**1**		
Intangible assets at the beginning of the year	1	1		
Arising during the year		1		
Charged to earnings		(1)		
	1	**1**		

21. Investments

Investment in associates	195	214		
Investment in other companies	1	1		
Retirement plan surplus – see note 35	73	26		
Investment in subsidiary companies[1]			3,419	3,423
	269	**241**	**3,419**	**3,423**

[1] The principal subsidiaries included within investment in subsidiary companies are disclosed in note 34, principal operations.

Carrying amount of associates:				
Carrying amount at the beginning of the year	214	123		
Acquisition of associates		64		
Loans to associates	1			
Equity accounted earnings of associates	24	43		
Impairment of associate	(8)	(1)		
Foreign currency translation movement taken to reserves	1	21		
Dividends from associates	(37)	(36)		
Investment in associates	**195**	**214**		
Less loans to associates at the end of the year	(15)	(14)		
Investment in associates, excluding loans	**180**	**200**		

Notes to the financial statements

21. Investments – continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Investment by associate:				
Homapal Plattenwerk GmbH & Co. KG.	65	64		
Wespine Industries Pty Limited	53	54		
Dynea Industries WA Pty Limited	21	23		
Sims Pacific Metals Limited	14	22		
Dongwha Pattina NZ Limited		10		
Mt Marrow Blue Metal Quarries Pty Limited	10	10		
Mittagong Sands Pty Limited	6	5		
Other	26	26		
	195	**214**		
Balance sheet information for associates – 100%				
Assets	332	371		
Liabilities	174	181		
Equity	158	190		
Equity – Fletcher Building share	71	84		
Goodwill acquired at cost	109	116		
Investment in associates, excluding loans	**180**	**200**		
Equity accounted earnings comprise:				
Sales – 100%	582	596		
Earnings before taxation – 100%	48	92		
Earnings before taxation – Fletcher Building share	28	48		
Taxation expense	(4)	(5)		
Earnings after taxation – Fletcher Building share	**24**	**43**		

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. See note 4.

22. Provisions

June 2009	Fletcher Building Group					
	Restructuring NZ$M	Construction Claims NZ$M	Property NZ$M	Warranty & Environmental NZ$M	Other NZ$M	Total NZ$M
Carrying amount at the beginning of the year	23	10	3	29	12	77
Currency translation				1	1	2
Charged to earnings	51	1		2	6	60
Settled or utilised	(30)	(3)	(1)	(1)	(1)	(36)
Released to earnings	(1)	(2)		(1)		(4)
	43	**6**	**2**	**30**	**18**	**99**
June 2008						
Carrying amount at the beginning of the year	10	7	4	22	21	64
Currency translation	1			1	1	3
Acquired during the year	2			10	3	15
Charged to earnings	14	5		2		21
Settled or utilised	(3)	(1)	(1)		(4)	(9)
Released to earnings	(1)	(1)		(6)	(9)	(17)
	23	**10**	**3**	**29**	**12**	**77**

June 2009	Fletcher Building Limited					
Carrying amount at the beginning of the year					2	2
					2	**2**
June 2008						
Carrying amount at the beginning of the year					2	2
					2	**2**

During the year the group provided for $51 million in respect of restructuring obligations at certain businesses, primarily in the Laminates & Panels division, which are expected to be utilised over the next two years. Construction claims relate to disputes on jobs and provisions in regard to the wind-down of overseas operations and are expected to be utilised over the next two years. Property provisions relate to onerous lease obligations and are expected to be utilised over two years. Warranty and environmental provisions relate to products sold and services provided and are expected to be utilised over the next three years. Other provisions relate to miscellaneous matters with no individual amounts being significant.

Notes to the financial statements

22. Provisions – continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Current portion	79	55	2	2
Non current portion	20	22		
Carrying amount at the end of the year	**99**	**77**	**2**	**2**

23. Creditors and accruals

Trade creditors	613	707		
Contract retentions	27	26		
Accrued interest	21	29	4	5
Other liabilities	218	148	62	19
Employee entitlements	180	181		
Workers compensation schemes	20	17		
	1,079	**1,108**	**66**	**24**
Current portion	1,013	1,039	66	24
Non current portion	66	69		
Carrying amount at the end of the year	**1,079**	**1,108**	**66**	**24**

The non current portion of creditors and accruals relates to long service employee entitlement obligations.

24. Contracts

Gross construction work in progress plus margin to date	2,027	1,675		
Progress billings	(2,118)	(1,790)		
Work in progress/(money received in advance)	**(91)**	**(115)**		
Construction contracts with net work in progress	5	3		
Construction contracts with net money received in advance of cost and margin	(96)	(118)		
Carrying amount at the end of the year	**(91)**	**(115)**		

Included in sales is $973 million of contract revenue (June 2008 $803 million).

25. Taxation

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Deferred taxation asset	111	60		(5)
Deferred taxation liability – on brands	(127)	(121)		
Net deferred taxation asset/(liability)	(16)	(61)		(5)
Current taxation asset/(liability)	(27)	(40)	22	14
Net taxation asset/(liability)	**(43)**	**(101)**	**22**	**9**
Provision for current taxation:				
Opening provision for current taxation	(40)	19	14	17
Currency translation	(3)	(3)		
Taxation in the earnings statement	6	(157)	22	15
Transfer from deferred taxation	(106)	6		
Intercompany payment			(14)	(18)
Acquisition during the year		(25)		
Minority share of taxation expense	3	8		
Taxation in reserves	2	6		
Net taxation payments	111	106		
	(27)	**(40)**	**22**	**14**

Notes to the financial statements

25. Taxation – continued

Provision for deferred taxation:

June 2009	**Fletcher Building Group**						
	Provisions NZ$M	Debtors NZ$M	Fixed Assets NZ$M	Brands NZ$M	Tax Losses NZ$M	Other NZ$M	Total NZ$M
Opening provision for deferred taxation	91	8	(74)	(121)	47	(12)	(61)
Currency translation	3		2	(6)			(1)
Taxation in the earnings statement					(60)	(3)	(63)
Transfer to current taxation	31		15		30	30	106
Taxation in reserves						3	3
	125	**8**	**(57)**	**(127)**	**17**	**18**	**(16)**

June 2008							
Opening provision for deferred taxation	82	5	(17)	(71)		4	3
Currency translation	4	1	(2)	(9)			(6)
Taxation in the earnings statement						7	7
Transfer to current taxation	(22)		1	2	39	(26)	(6)
Acquisition during the year	27	2	(56)	(43)	8	11	(51)
Taxation in reserves						(8)	(8)
	91	**8**	**(74)**	**(121)**	**47**	**(12)**	**(61)**

There are no significant deferred tax liabilities in respect of the undistributed profits of subsidiaries and associates.

The group has recognised tax losses available in Australia, United Kingdom, Spain, Finland and other jurisdictions on the basis that the respective companies will have future assessable income. Where necessary, the companies financial affairs have been restructured during the year to assist in generating future assessable income. Further tax planning opportunities are available and will be utilised to ensure that the tax losses will be realised. The tax losses have been recognised on the basis of the forecasted operating earnings set out in the companies strategic plans approved by the directors and the discounted cashflows prepared for the purposes of impairment testing. The group will review this situation annually and will consider further opportunities to assist the companies should it be necessary. If the forecasted operating earnings are not achieved the asset may have to be written-off.

During the year ended 30 June 2009 the group wrote-off $60 million of tax losses recognised in Formica USA and Formica Europe. This was due to the companies concerned having a history of incurring tax losses which continued in the current year. Although the companies are forecasting that they will earn taxable profits when the current economic conditions improve, as required by NZ IFRS, the company has written-off these tax losses as their realisation is likely to be significantly delayed. Notwithstanding this write-down, the benefit of these tax losses is expected to be realised in future years as taxable earnings are generated.

Formica has not recognised tax losses in the United States, France, Spain and Sweden of $138 million ($414 million of gross tax losses). This comprises $60 million of tax losses written-off during the year and $78 million of losses not recognised at acquisition.

25. Taxation – continued

June 2009	Fletcher Building Limited						
	Provisions NZ$M	Debtors NZ$M	Fixed Assets NZ$M	Brands NZ$M	Tax Losses NZ$M	Other NZ$M	Total NZ$M
Opening provision for deferred taxation	1					(6)	(5)
Taxation in reserves						5	5
	1					**(1)**	
June 2008							
Opening provision for deferred taxation	1					3	4
Taxation in reserves						(9)	(9)
	1					**(6)**	**(5)**

26. Capital notes

			Fletcher Building Group		Fletcher Building Limited	
			June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Capital notes	**Coupon**	**Election date**				
Series 2009	7.80%	15 March 2009		93		93
Series 2010	8.85%	15 March 2010	37	37		
Series 2010	9.00%	15 March 2010	38	30		
Series 2011	7.55%	15 March 2011	69	69	69	69
Series 2012	7.50%	15 March 2012	59	53	59	53
Series 2013	8.90%	15 March 2013	75	75		
Series 2014	9.00%	15 May 2014	112			
Series 2015	8.50%	15 March 2015	39		39	
Series 2016	9.00%	15 May 2016	19			
Prepaid expenses			(6)	(4)		
			442	**353**	**167**	**215**
Capital notes due for election within 12 months			75	93		93
Capital notes due for election after 12 months			373	264	167	122
Prepaid expenses			(6)	(4)		
			442	**353**	**167**	**215**

Capital notes are long-term fixed rate unsecured subordinated notes. On each election date, the coupon rate and term to the next election date of that series of the capital notes is reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any accrued but unpaid interest into shares, at approximately 98 percent of the current market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.

Under the terms of the capital notes, non-payment of interest is not an act of default although unpaid interest is accrued and is interest bearing at the same rate as the principal of the capital notes. Fletcher Building Limited has covenanted not to pay dividends to its shareholders while interest that is due and payable on capital notes has not been paid.

The capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building Limited.

Notes to the financial statements

26. Capital notes – continued

If the principal amount of the capital notes held at 30 June 2009 were to be converted to shares, 65 million shares (June 2008 57 million shares) would be issued at the share price as at 30 June 2009, of $6.58 (June 2008 $6.35).

As at 30 June 2009 the group held $83 million (30 June 2008 $43 million) of capital notes as treasury stock.

27. Term debt

Loans subject to the negative pledge

The group borrows funds based on covenants and a negative pledge and guarantee arrangement. The principal borrowing covenants relate to gearing and interest cover, and at 30 June 2009 the group was in compliance with all its covenants. The negative pledge ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances.

Loans not subject to the negative pledge

Loans not having the benefit of the negative pledge are secured against the subsidiaries' own balance sheet or against specific assets.

Unused committed lines of credit

At 30 June 2009 the group had $2,149 million of committed bank facilities of which $1,142 million was undrawn (June 2008 $1,988 million; $378 million).

	Fletcher Building Group		**Fletcher Building Limited**	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Loans subject to the negative pledge			(7)	(7)
Loans not subject to the negative pledge	6	66		
Current term debt	6	66	(7)	(7)
Loans subject to the negative pledge	922	1,482	39	116
Loans not subject to the negative pledge	57	28		
Non current term debt	979	1,510	39	116
	985	**1,576**	**32**	**109**

For further information about the terms of these loans, please refer note 28.

Credit rating

The company does not hold a credit rating from an accredited rating agency.

28. Financial instruments

Financial risk management overview

Exposures to credit, liquidity, currency, interest rate, and commodity price risks arise in the normal course of the group's business. The principles under which these risks are managed are set out in policy documents approved by the board. The policy documents identify the risks and set out the group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the group's businesses. Risk management is carried out by a central treasury, which ensures compliance with the risk management policies and procedures set by the board.

The group enters into derivative financial instruments to assist in the management of the identified financial risks. The group does not enter into derivative financial instruments for trading or speculative purposes. All derivative transactions entered into are to hedge underlying physical positions arising from normal business activities.

Risks and mitigation

(a) Credit risk

To the extent the group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty and arises principally from receivables from customers, derivative financial instruments and the investment of cash.

(i) Trade receivables

Management has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the group reviews the customers' financial statements, trade references, bankers' references and/or credit reporting agencies to assess credit worthiness. These limits are reviewed on a regular basis. Due to the group's industry and geographical spread at balance date there were no significant concentrations of credit risks in respect of trade receivables.

28. Financial instruments – continued

(i) Trade receivables – continued

Most goods are sold subject to retention of title clauses, so that in the event of non-payment the group may have a secured claim. The group does not require collateral in respect of trade receivables.

(ii) Derivative financial instruments and the investment of cash

The group enters into derivative financial instruments and invests cash with various counterparties in accordance with established limits as to credit rating and dollar value and does not require collateral or other security. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of the financial instruments and no loss is expected.

(b) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial commitments as they fall due. The group manages its liquidity risk by maintaining a target level of undrawn committed facilities and a spread of the maturity dates of the group's debt facilities. The group reviews its liquidity requirements on an ongoing basis.

(c) Foreign currency risk

(i) Currency translation risk

Currency translation risk arises from net investments in foreign operations. It is the group's policy to hedge this foreign currency translation risk by borrowing in the currency of the asset in proportion to the group's debt to equity ratio. This reduces the variability in the debt to equity ratio due to currency translation. Where the underlying debt in any currency does not equate to the required proportion of total debt, foreign exchange forwards, swaps and cross currency interest rate swaps are entered into for up to seven years. Net investment and fair value hedge accounting is applied to these instruments.

In addition the group has entered into foreign exchange derivatives to hedge the taxation exposure arising from the translation of certain assets for up to eight years. Cashflow hedge accounting is applied to these instruments.

(ii) Currency transaction risk

Currency transaction risk arises from committed or highly probable trade and capital expenditure transactions that are denominated in currencies other than the operation's functional currency. The objective in managing this risk is to reduce the variability from changes in currency exchange rates on the operation's income and cashflow to acceptable parameters. It is group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed trade transactions. In addition the group hedges some highly probable forecast transactions for up to three years. When exposures are incurred by operations in currencies other than their functional currency, currency forwards, swaps and options are entered into to eliminate the exposure. The majority of these transactions have maturities of less than one year. Cashflow hedge accounting is applied to forecast transactions. The main currencies hedged are the Australian dollar, the United States dollar, the Japanese yen, the Euro and the British pound.

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will change due to changes in market interest rates and arises primarily from the group's interest bearing borrowings. It is group policy to manage the fixed interest rate component of its debt and capital notes obligations within the range of 40 to 70 percent. The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency interest rate swaps, interest rate swaps, forward rate agreements and options are entered into to manage this position. Currently cross currency interest rate swaps and interest rate swaps have been entered into in Australian dollars, United States dollars, Euros, British pounds and New Zealand dollars which mature over the next ten years in relation to the maturity of the related loans.

Hedge accounting is applied on these instruments for floating-to-fixed instruments as cashflow hedges or for fixed-to-floating as fair value hedges.

(e) Commodity price risk

Commodity price risk arises from committed or highly probable trade and capital expenditure transactions that are linked to traded commodities. Where possible the group manages its commodity price risks through negotiated supply contracts and, for certain commodities, by using commodity price swaps and options. The group manages its commodity price risk depending on the underlying exposures, economic conditions and access to active derivatives markets. Currently the group's guideline is to hedge up to 100 percent of the New Zealand business units' electricity requirements for up to five years. Cashflow hedge accounting is applied to commodity derivative contracts.

Quantitative analysis

(a) Credit risk

The group has not renegotiated the terms of any financial assets which would otherwise be past due or impaired. The carrying amount of non-derivative financial assets represents the maximum credit exposure. Please refer to note 16 for debtor ageing analysis.

(b) Liquidity risk

The following maturity analysis table sets out the remaining contractual undiscounted cashflows, including estimated interest payments for non-derivative liabilities and derivative financial instruments. Other loans include financial leases, discounted receivables, overdrafts and working capital facilities.

Notes to the financial statements

28. Financial instruments – continued

(b) Liquidity risk – continued

June 2009	**Fletcher Building Group**					
	Carrying Value NZ$M	Contractual Cashflow NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	448	578	111	98	305	64
Term debt – bank and other loans	190	231	3	30	198	
Term debt – US private placements	808	1,183	44	47	147	945
Short-term loans	22	23	23			
Creditors and accruals	957	957	891	66		
Non-derivative financial liabilities	**2,425**	**2,972**	**1,072**	**241**	**650**	**1,009**
Interest rate swaps – net settled derivatives	(28)	(35)	1	(4)	(19)	(13)
Cross currency interest rate swaps – gross settled derivatives						
To pay	70	77	3	3	71	
To receive	(71)	(80)	(2)	(2)	(76)	
Forward exchange contracts – gross settled derivatives						
To pay	8	979	929	4		46
To receive	(15)	(986)	(937)	(4)		(45)
Derivative financial instruments	**(36)**	**(45)**	**(6)**	**(3)**	**(24)**	**(12)**
June 2008						
Capital notes	357	435	122	87	226	
Term debt – bank and other loans	846	1,075	148	84	843	
Term debt – US private placements	737	1,374	54	52	154	1,114
Short-term loans	28	30	30			
Creditors and accruals	1,108	1,108	1,039	69		
Non-derivative financial liabilities	**3,076**	**4,022**	**1,393**	**292**	**1,223**	**1,114**
Interest rate swaps – net settled derivatives	(36)	(48)	(12)	(8)	(17)	(11)
Cross currency interest rate swaps – gross settled derivatives						
To pay	62	139	63	3	31	42
To receive	(62)	(140)	(64)	(3)	(31)	(42)
Forward exchange contracts – gross settled derivatives						
To pay	6	577	573	4		
To receive	(13)	(584)	(580)	(4)		
Derivative financial instruments	**(43)**	**(56)**	**(20)**	**(8)**	**(17)**	**(11)**

28. Financial instruments – continued

(b) Liquidity risk – continued

June 2009	Fletcher Building Limited					
	Carrying Value NZ$M	Contractual Cashflow NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	167	207	13	80	72	42
Term debt – bank and other loans	45	57	1	2	54	
Short-term loans	6	7	7			
Creditors and accruals	5	5	5			
Non-derivative financial liabilities	**223**	**276**	**26**	**82**	**126**	**42**
Interest rate swaps – net settled derivatives	(28)	(35)	1	(4)	(19)	(13)
Cross currency interest rate swaps – gross settled derivatives						
To pay	70	77	3	3	71	
To receive	(71)	(80)	(2)	(2)	(76)	
Forward exchange contracts – gross settled derivatives						
To pay	12	1,194	1,094	9		91
To receive	(21)	(1,203)	(1,103)	(9)		(91)
Derivative financial instruments	**(38)**	**(47)**	**(7)**	**(3)**	**(24)**	**(13)**

June 2008						
	Carrying Value NZ$M	Contractual Cashflows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	215	251	109	9	133	
Term debt – bank and other loans	116	147	10	9	128	
Short-term loans	5	6	6			
Creditors and accruals	24	24	24			
Non-derivative financial liabilities	**360**	**428**	**149**	**18**	**261**	
Interest rate swaps – net settled derivatives	(36)	(48)	(12)	(8)	(17)	(11)
Cross currency interest rate swaps – gross settled derivatives						
To pay	62	139	63	3	31	42
To receive	(62)	(140)	(64)	(3)	(31)	(42)
Forward exchange contracts – gross settled derivatives						
To pay	11	880	871	9		
To receive	(19)	(889)	(880)	(9)		
Derivative financial instruments	**(44)**	**(58)**	**(22)**	**(8)**	**(17)**	**(11)**

Notes to the financial statements

28. Financial instruments – continued

(b) Liquidity risk – continued

The maturity profile of undrawn facilities is outlined below:

June 2009	Fletcher Building Group				
	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M	Total NZ$M
Undrawn facilities	25	611	506		1,142
June 2008					
Undrawn facilities	163	18	197		378

(c) Foreign currency risk

The group's exposure to foreign currency risk on financial instruments is summarised as follows:

June 2009	Fletcher Building Group						
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	448						448
Term debt – bank and other loans	101	5	84				190
Term debt – US private placements	144	500	164				808
Term debt – forward exchange contracts	(372)	(115)	465	15			(7)
Term debt – cross currency interest rate swaps	(21)	(48)		43	20		(6)
Short-term loans	4	2		3	13		22
Cash and liquid deposits	(77)	(15)	(6)	(1)			(99)
Net balance sheet exposure	**227**	**329**	**707**	**60**	**33**		**1,356**
Trade debtors	(321)	(9)	(314)	(59)	(30)	(75)	(808)
Trade creditors	364	23	160	28	10	28	613
Forward exchange contracts	38	(16)	(14)	(5)		(1)	2
Net trade exposure	**81**	**(2)**	**(168)**	**(36)**	**(20)**	**(48)**	**(193)**

Trade related forward exchange contracts and options are used to hedge a business unit's forecast sales, forecast purchases, trade debtors, trade creditors and capital expenditure back to its functional currency. Accordingly in the above table the net trade exposures do not net to zero. Other currencies may include Japanese yen, Swiss francs, Danish kroner, Hong Kong dollars, Hungarian florins, Swedish kroner, Singaporean dollars and Canadian dollars.

28. Financial instruments – continued

(c) Foreign currency risk – continued

June 2008			Fletcher Building Group				
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	357						357
Term debt – bank and other loans	171	44	631				846
Term debt – US private placements	144	427	166				737
Term debt – forward exchange contracts	37	(71)	(85)	73	39		(7)
Short-term loans	9	19					28
Cash and liquid deposits	(78)	(14)	(19)				(111)
Net balance sheet exposure	**640**	**405**	**693**	**73**	**39**		**1,850**
Trade debtors	(387)	(25)	(363)	(75)	(37)	(80)	(967)
Trade creditors	377	35	195	39	19	42	707
Forward exchange contracts	90	(106)	26	(35)		26	1
Net trade exposure	**80**	**(96)**	**(142)**	**(71)**	**(18)**	**(12)**	**(259)**

June 2009			Fletcher Building Limited				
Capital notes	167						167
Term debt – bank and other loans	45						45
Term debt – forward exchange contracts	(373)	(161)	510	15			(9)
Term debt – cross currency interest rate swaps	(21)	(48)		43	20		(6)
Short-term loans	6						6
Cash and liquid deposits	(39)						(39)
Net balance sheet exposure	**(215)**	**(209)**	**510**	**58**	**20**		**164**
Forward exchange contracts	83	(25)	(55)	(1)		(3)	(1)
Net trade exposure	**83**	**(25)**	**(55)**	**(1)**		**(3)**	**(1)**

June 2008							
Capital notes	215						215
Term debt – bank and other loans	116						116
Term debt – forward exchange contracts	37	(71)	(85)	73	39		(7)
Short-term loans	5						5
Cash and liquid deposits	(29)						(29)
Net balance sheet exposure	**344**	**(71)**	**(85)**	**73**	**39**		**300**
Forward exchange contracts	47	(5)	(21)	(14)		(8)	(1)
Net trade exposure	**47**	**(5)**	**(21)**	**(14)**		**(8)**	**(1)**

Notes to the financial statements

28. Financial instruments – continued

(d) Interest rate risk

The following tables set out the interest rate repricing profile and weighted average interest rate of interest bearing financial assets and liabilities.

June 2009	Fletcher Building Group						
NZ$M	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed Over 5 Years NZ$M	Total NZ$M
Capital notes	8.9		75	68	246	59	448
Term debt – bank and other loans	4.2	190					190
Term debt – US private placements	5.3	308				500	808
Term debt – forward exchange contracts							
To receive	3.0	(680)					(680)
To pay	3.7	671					671
Term debt – cross currency interest rate swaps							
To receive	3.4	(47)			(21)		(68)
To pay	6.0				64		64
Short-term debt	2.4	22					22
Cash and liquid deposits	1.4	(99)					(99)
Interest rate swaps							
To receive	4.8	(702)	(92)		(150)	(267)	(1,211)
To pay	5.1	509	62		277	363	1,211
Total		**172**	**45**	**68**	**416**	**655**	**1,356**

June 2008							
Capital notes	8.5		93	67	197		357
Term debt – bank and other loans	8.2	844	1	1			846
Term debt – US private placements	7.4	310				427	737
Term debt – forward exchange contracts							
To receive	6.9	(253)					(253)
To pay	7.4	246					246
Term debt – cross currency interest rate swaps							
To receive	5.3	(103)				(21)	(124)
To pay	5.3	62				62	124
Short-term debt	7.8	28					28
Cash and liquid deposits	2.1	(111)					(111)
Interest rate swaps							
To receive	7.4	(514)	(13)	(93)		(228)	(848)
To pay	5.8	334	101	63		350	848
Total		**843**	**182**	**38**	**197**	**590**	**1,850**

28. Financial instruments – continued

(d) Interest rate risk – continued

Fletcher Building Limited

June 2009 NZ$M	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed Over 5 Years NZ$M	Total NZ$M
Capital notes	8.2			69	59	39	167
Term debt – bank and other loans	3.4	45					45
Term debt – forward exchange contracts							
To receive	3.0	(680)					(680)
To pay	3.7	671					671
Term debt – cross currency interest rate swaps							
To receive	3.4	(47)			(21)		(68)
To pay	6.0				64		64
Short-term debt	2.7	6					6
Cash and liquid deposits	2.6	(39)					(39)
Interest rate swaps							
To receive	4.8	(702)	(92)		(150)	(267)	(1,211)
To pay	5.1	509	62		277	363	1,211
Total		**(237)**	**(30)**	**69**	**229**	**135**	**166**

June 2008							
Capital notes	7.9		93		122		215
Term debt – bank and other loans	9.0	116					116
Term debt – forward exchange contracts							
To receive	6.9	(253)					(253)
To pay	7.4	246					246
Term debt – cross currency interest rate swaps							
To receive	5.3	(103)				(21)	(124)
To pay	5.3	62				62	124
Short-term debt	10.9	5					5
Cash and liquid deposits	6.2	(29)					(29)
Interest rate swaps							
To receive	7.4	(514)	(13)	(93)		(228)	(848)
To pay	5.8	334	101	63		350	848
Total		**(136)**	**181**	**(30)**	**122**	**163**	**300**

Notes to the financial statements

28. Financial instruments – continued

(e) Commodity price risk

One of the group's commodity price risks is the New Zealand electricity spot price. Electricity is required for the group's production processes and due to price volatility it is the group's policy to hedge forecast usage for up to five years and up to 100 percent of forecasted volumes. At balance date, the notional value of fixed electricity exposure was as follows:

June 2009	Fletcher Building Group and Limited					
	Average Hedge Price NZ$/MWh	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M	Total NZ$M
Electricity contract for differences	83	19	32	23		74
June 2008						
Electricity contract for differences	82	35	34	37		106

(f) Sensitivity analysis

The numbers in the sensitivity analysis for foreign currency risk, interest rate risk and commodity price risk have not been adjusted for tax and are based only on the group's financial instruments held at balance date and assumes that all other variables remain constant, except for the chosen change in risk variable.

(i) Foreign currency risk

It is estimated a 10 percent weakening of the New Zealand dollar against the major foreign currencies the group is exposed to through financial instruments would result in a decrease to equity of approximately $88 million (June 2008 $98 million) and increase the group's profit by less than $1 million (June 2008 $1 million). If the translation of the net assets of the foreign operations were included this would result in an increase to equity of approximately $185 million (June 2008 $187 million).

(ii) Interest rate risk

It is estimated a 1 percent increase in interest rates would have increased the group's interest costs by approximately $2 million on the group's debt portfolio exposed to floating rates at balance date (June 2008 $8.4 million).

(iii) Commodity price risk

It is estimated a 10 percent increase in the New Zealand electricity spot price at balance date would have increased the group's profit by $1 million as the group had fixed 107 percent of its electricity usage (June 2008 $1 million loss, fixed 93 percent).

28. Financial instruments – continued

(g) Fair values

The estimated fair values measurements for financial assets and liabilities as compared to their carrying values in the balance sheet, are as follows:

			Fletcher Building Group			
			June 2009		June 2008	
NZ$M	Classification	Fair Value Measurement	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital notes	Amortised cost	Level 2	448	446	357	344
Term debt – bank and other loans	Amortised cost	Level 2	190	190	846	846
Term debt – US private placements	Amortised cost	Level 2	808	776	737	736
Short-term loans	Amortised cost	Level 2	22	22	28	28
Creditors and accruals	Amortised cost	Level 2	957	957	1,108	1,108
Trade and other receivables	Loans and receivables	Level 2	(1,059)	(1,059)	(1,255)	(1,255)
Cash and liquid deposits	Loans and receivables	Level 2	(99)	(99)	(111)	(111)
Forward exchange contracts	Fair value through P&L	Level 2			1	1
Forward exchange contracts – cashflow hedge	Fair value through P&L	Level 2	1	1	(1)	(1)
Forward exchange contracts – net investment hedge	Fair value through P&L	Level 2	(7)	(7)	(7)	(7)
Forward exchange contracts – fair value hedge	Fair value through P&L	Level 2	(1)	(1)		
Cross currency interest rate swaps – net investment hedge	Fair value through P&L	Level 2	(1)	(1)		
Interest rate swaps – fair value hedge	Fair value through P&L	Level 2	(26)	(26)	(11)	(11)
Interest rate swaps – cashflow hedge	Fair value through P&L	Level 2	(2)	(2)	(25)	(25)
Electricity price swaps – cashflow hedge	Fair value through P&L	Level 2	14	14	7	7
			1,245	**1,211**	**1,674**	**1,660**

Notes to the financial statements

28. Financial instruments – continued

(g) Fair values – continued

			Fletcher Building Limited			
			June 2009		June 2008	
NZ$M	Classification	Fair Value Measurement	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital notes	Amortised cost	Level 2	167	164	215	207
Term debt – bank and other loans	Amortised cost	Level 2	45	45	116	116
Short-term debt	Amortised cost	Level 2	6	6	5	5
Creditors and accruals	Amortised cost	Level 2	5	5	24	24
Trade and other receivables	Loans and receivables	Level 2	(27)	(27)	(61)	(61)
Cash and liquid deposits	Loans and receivables	Level 2	(39)	(39)	(29)	(29)
Forward exchange contracts	Fair value through P&L	Level 2				
Forward exchange contracts – cashflow hedge	Fair value through P&L	Level 2	1	1	(1)	(1)
Forward exchange contracts – net investment hedge	Fair value through P&L	Level 2	(9)	(9)	(7)	(7)
Forward exchange contracts – fair value hedge	Fair value through P&L	Level 2	(1)	(1)		
Cross currency interest rate swaps – net investment hedge	Fair value through P&L	Level 2	(1)	(1)		
Interest rate swaps – fair value hedge	Fair value through P&L	Level 2	(26)	(26)	(11)	(11)
Interest rate swaps – cashflow hedge	Fair value through P&L	Level 2	(2)	(2)	(25)	(25)
Electricity price swaps	Fair value through P&L	Level 2	12	12	7	7
			131	**128**	**233**	**225**

In the fair value tables, interest accruals and fees are not included within carrying values. Fair value measurement are disclosed by the source of inputs, using the following three-level hierarchy:

(Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

The fair value of base metal price swaps is based on the quoted market prices of those instruments.

(Level 2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The approximate fair value of trade and other receivables and payables and cash and liquid deposits is the carrying value given their short-term duration. The fair value of loans and interest rate derivatives is based on the net present value of the future principal and interest cashflows, discounted at the government stock or swap interest rate curves plus an applicable margin. The fair value of foreign currency derivatives is measured using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturities of the contracts. The fair value of electricity price swaps is measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching maturities of the contracts.

(Level 3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(h) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group monitors capital on the basis of debt to debt plus equity and aims to maintain this ratio between 40 percent to 50 percent in the long-term.

29. Capital expenditure commitments of plant and investments

	Fletcher Building Group	
	June 2009 NZ$M	June 2008 NZ$M
Approved by the directors but uncommitted at year end	7	36
Committed at year end	56	164
	63	**200**

30. Lease commitments

The expected future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year are at year end:

Within one year	119	111
Within two years	102	90
Within three years	77	64
Within four years	61	47
Within five years	48	34
After five years	161	122
	568	**468**

31. Contingent liabilities

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as are considered remote. Contingent liabilities arise in respect of the following categories:

Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	219	226
Letters of credit	11	7

32. Self insurance

The company monitors its capacity to retain otherwise insurable losses. The directors believe that the group's risk management programmes are adequate to protect its assets and earnings against losses incurred within the self insurance level of NZ$10 million included in its major property and liability insurance policies, up to an annual aggregate of NZ$20 million for the property policy and NZ$15 million for the liability policy.

Based on past experience, the company does not anticipate that future losses within these levels would have a significant impact on the group's financial position or performance.

In certain circumstances, where required by law or where management considers it appropriate, insurance may be arranged for exposures within the self insurance levels.

In general terms, subject to the self insurance levels, the group-wide insurance policies are with insurers having a Standard & Poor's A grade rating (or equivalent) or better.

Notes to the financial statements

32. Self insurance – continued

	June 2009 $M	June 2008 $M
The following risks are insured at 1 July 2009 in respect of each event up to a maximum of:		
Public and product liability	US$100	US$100
Loss or damage to group property including business interruption	NZ$800	NZ$700
Marine public liability	NZ$50	NZ$50
Public liability resulting from construction activities	NZ$50	NZ$50
Construction professional indemnity	NZ$50	
Contract works – separate cover is arranged for each contract and the insured value will generally exceed the contract value	NZ$20	NZ$20

The group has made provision for reported and estimated unreported losses incurred at balance date.

33. Related party transactions

	Fletcher Building Group		**Fletcher Building Limited**	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Fletcher Building Group				
Trading activities with related parties:				
Purchase of scrap metal from Sims Pacific Metals Limited	123	136		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited, and is included within creditors	4	18		
Purchase of raw materials from Wespine Industries Pty Limited and Dyno Industries WA Pty Limited	46	54		
Amounts owing relating to the purchase of raw materials from Wespine Industries Pty Limited and Dyno Industries WA Pty Limited, and is included within creditors	1	2		
Purchase of materials from Dongwha Pattina NZ Limited	16	13		
Amounts owing relating to the purchase of materials from Dongwha Pattina NZ Limited, and is included within creditors	1	1		
Purchase of materials from Homapal Plattenwerk GmbH & Co.	16	20		
Amounts owing relating to the purchase of materials from Homapal Plattenwerk GmbH & Co., and is included within creditors	2	1		
Key management personnel compensation				
Directors fees	2	2		
Executive committee remuneration paid, payable or provided for:				
Short-term employee benefits	7	10		
Post employment benefits				
Other long-term benefits				
Termination benefits		1		
Share based payments	3	1		

33. Related party transactions – continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2009 NZ$M	June 2008 NZ$M	June 2009 NZ$M	June 2008 NZ$M
Fletcher Building Limited				
Interest income received from subsidiary companies				12
Dividend income received from subsidiary companies			300	264
Reimbursement of foreign exchange loss from Fletcher Building Holdings Limited				37
Payment of foreign exchange gain to Fletcher Building Holdings Limited			17	
Term receivable owing from subsidiary companies [1]			577	520
Liability owing to subsidiary companies [2]			589	1,116
Liability owing to subsidiary companies [3]			363	178
Liability owing to subsidiary company [4]			1,074	1,074

[1] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 10.2 percent.

[2] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 7.5 percent.

[3] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 9.75 percent.

[4] The unsecured advance represents long-term funding even though it is for no fixed term and is non interest bearing.

Fletcher Building Limited is the holding company of the Fletcher Building group. Fletcher Building Limited has a relationship with each of its subsidiaries, associates and joint ventures. A full list of all the subsidiaries of the group is included in the regulatory disclosures section of this annual report.

Fletcher Building Retirement Plan

As at 30 June 2009, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $944,580 of shares and $18,500,000 of capital notes in Fletcher Building Limited, (June 2008 $5,462,028 shares; $18,500,000 capital notes) in respect of economic interests that members of the retirement plan have in Fletcher Building shares and capital notes.

Notes to the financial statements

34. Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2009, are outlined below:

	Country of Domicile	% Holding	Principal Activity
Principal subsidiaries			
Fletcher Building Holdings Limited	NZ	100	Holding company
Fletcher Building Products Limited	NZ	100	Building products
Fletcher Concrete and Infrastructure Limited	NZ	100	Concrete products
Fletcher Distribution Limited	NZ	100	Merchandising
Fletcher Steel Limited	NZ	100	Steel production
Fletcher Residential Limited	NZ	100	Housing
The Fletcher Construction Company Limited	NZ	100	Construction
Winstone Wallboards Limited	NZ	100	Gypsum plasterboard
Fletcher Property Limited	NZ	100	Property management
PlaceMakers subsidiaries	NZ	50.1	Retail
Fletcher Building Finance Limited	NZ	100	Investment
Tasman Insulation New Zealand Limited	NZ	100	Insulation
AHI Roofing Limited	NZ	100	Roofing
Forman Group Limited	NZ	100	Insulation
Cemac (Hong Kong) Limited	Hong Kong	100	Wall partitions & ceiling systems
Fletcher Construction Company (Fiji) Limited	Fiji	100	Construction
Fletcher Building (Fiji) Limited	Fiji	100	Concrete products
Laminex Group Limited	Australia	100	Building products
Fletcher Building (Australia) Pty Limited	Australia	100	Holding company
Tasman Insulation Pty Limited	Australia	100	Insulation
Tasman Sinkware Pty Limited	Australia	100	Sinks
Tasman Access Floors Pty Limited	Australia	100	Flooring
Rocla Pty Limited	Australia	100	Concrete products
Stramit Corporation Pty Limited	Australia	100	Steel production
Insulation Solutions Pty Limited	Australia	100	Insulation
Fletcher Construction (Solomon Islands) Limited	Solomon Is.	100	Construction
Fletcher Morobe Construction Pty Limited	PNG	100	Construction
Fletcher Building Netherlands B.V.	Netherlands	100	Finance
Tasman Investments (Netherlands Antilles) N.V.	Neth. Antilles	100	Finance
Decra Roofing Systems Inc.	United States	100	Roofing
Formica Corporation	United States	100	Building products
Formica Canada Inc.	Canada	100	Building products
Formica Limited	United Kingdom	100	Building products
Formica S.A.	Spain	100	Building products
Shanghai Formica Decorative Material Co. Ltd	China	100	Building products
Formica IKI Oy	Finland	100	Building products
Formica Skandinavien AB	Sweden	100	Building products
Formica (Thailand) Co., Ltd	Thailand	100	Building products
Associates			
Wespine Industries Pty Limited	Australia	50	Saw miller
Dynea Industries WA Pty Limited	Australia	50	Building products
Mt Marrow Blue Metal Quarries Pty Limited	Australia	50	Quarrying
Mittagong Sands Pty Limited	Australia	50	Quarrying
Sims Pacific Metals Limited	NZ	50	Metal recycling
Dongwha Pattina NZ Limited	NZ	20	Building products
Homapal Plattenwerk GmbH & Co. KG.	Germany	50	Building products

35. Retirement plans

Fletcher Building Limited is the principal sponsoring company of a plan that provides retirement and other benefits to employees of the group in New Zealand. Participation in this plan has been closed for a number of years, although defined contribution savings plans have been made available. Various defined benefit and defined contribution plans exist in Australia following the acquisition of the Amatek, Tasman Building Products, and the Laminex groups which companies contribute to on behalf of their employees. All of these plans' obligations are wholly-funded. Various defined benefit plans and medical plans exist in other countries as a result of the acquisition of the Formica group, which companies contribute to on behalf of their employees. All of these plans have a deficit in their funded status and the companies are making additional contributions, as recommended by the trustees of the plans, to improve the funded status.

The calculation of the defined benefit obligations are based on years of service and the employees' compensation during their years of employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. These obligations are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of smoothing the volatility in the returns earned by the plans through amortising gains and losses over the life of the plans. At 30 June 2009, $88 million of net losses (June 2008 $8 million of net losses) will be amortised in future years.

Fletcher Building Limited has an obligation to ensure that the funding ratio of the New Zealand plan's assets is at least 115 percent of the plan's actuarial liability. This is based upon any two consecutive annual actuarial valuations as calculated by the plan's actuary. This calculation is done on the plan's funding basis which differs from the calculation under NZ IAS 19. At 31 March 2009 the value of the assets was 115.1 percent of the actuarial liability and the funded surplus was $33 million (31 March 2008 111.1 percent, $26 million). In compliance with NZ IAS 19, the group recalculates the pension obligation using the after tax return on government stock, which at 30 June 2009 was 4.2 percent (30 June 2008 4.6 percent). This is different from the pension plan's own accounts which uses the expected after tax return on the plan's assets of 5.5 percent. By using a lower discount rate, this results in a higher obligation; therefore the funded surplus of the New Zealand plan calculated under NZ IAS 19 is only $15 million (30 June 2008 $14 million).

During the year the company contributed $4 million in respect of its Australian defined benefit plans and $24 million in respect of its Australian defined contribution plans. It contributed $17 million in respect of its Formica defined benefit and medical plans and $3 million to its New Zealand plan on behalf of its employees as part of their salary sacrifice arrangements. It also contributed $47 million in respect of its New Zealand plan to top the fund up to the required ratio of 115 percent.

	June 2009 NZ$M	June 2008 NZ$M
Net periodic pension cost		
Service cost earned during the year	(16)	(17)
Interest cost on projected benefit obligation	(41)	(41)
Actual return on assets	(86)	(10)
Effect of settlements and curtailments	(4)	1
Net amortisation of:		
Amortisation of net (gain)/loss		4
Experience adjustments on plans assets – the difference between the expected and actual return	131	58
Net periodic pension (cost)/benefit recognised in operating earnings	**(16)**	**(5)**

Notes to the financial statements

35. Retirement plans – continued

	June 2009 NZ$M	June 2008 NZ$M
Recognised funded surplus/(obligation)		
Assets of plans at fair value	622	707
Total projected benefit obligation	(693)	(750)
Funded surplus/(obligation)	(71)	(43)
Projected unrecognised funded (surplus)/obligation consists of:		
Allowance for tax		
Net (gain)/loss [1]	88	8
Projected unrecognised funded (surplus)/obligation	88	8
Recognised funded surplus/(obligation)	**17**	**(35)**

[1] The unrecognised net (gain)/loss is being amortised over ten years.

	June 2009 NZ$M	June 2008 NZ$M
Retirement plan liability – recognised within non current liabilities	(56)	(61)
Retirement plan surplus – recognised within note 21, Investments	73	26
Recognised funded surplus/(obligation)	**17**	**(35)**
Movement in recognised funded surplus/(obligation)		
Recognised funded surplus at the beginning of the year	(35)	17
Exchange rate adjustment	(3)	(1)
Acquisitions		(72)
Net periodic pension cost	(16)	(5)
Employer contributions	71	26
Recognised funded surplus/(obligation) at the end of the year	**17**	**(35)**
New Zealand plan	64	16
Australian plans	9	10
Other overseas plans	(56)	(61)
Recognised funded surplus/(obligation)	**17**	**(35)**
Assets of the plans		
Assets of plans at fair value as at the beginning of the year	707	479
Actual return on assets	(86)	(10)
Total contributions	75	31
Benefit payments	(50)	(66)
Settlements and curtailments	(31)	(11)
Acquisitions		260
Exchange rate adjustment	7	24
	622	**707**
Assets of the plans consist of:		
Australasian equities	71	196
International equities	210	175
Property	22	27
Bonds	164	147
Cash and short-term deposits	126	147
Other assets	29	15
	622	**707**

35. Retirement plans – continued

	June 2009 NZ$M	June 2008 NZ$M
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	(750)	(424)
Service cost	(16)	(17)
Interest cost	(41)	(41)
Member contributions	(4)	(5)
Actuarial gain / (loss) arising on experience adjustments – the difference between the expected and actual outcomes	33	(1)
Actuarial gain / (loss) arising on movements in the discount rate	14	17
Benefit payments	50	66
Settlements and curtailments	30	10
Acquisitions		(332)
Exchange rate adjustment	(9)	(23)
	(693)	**(750)**

Assumptions used

The following table provides the weighted average assumptions used to develop the net periodic pension cost and the actuarial present value of projected benefit obligations for the group's plans:

	2009 %	2008 %
Assumed discount rate on benefit obligations	5.38	5.50
Expected annual rate of return on plan assets	6.30	6.47
Annual rate of increase in future compensation levels	3.47	3.74

Expected returns on plan assets have been determined by the independent actuaries as the weighted average of the expected return after tax and investments fees for each asset class by the target allocation of assets to each class.

The group expects to contribute $22 million to its Australian and other overseas defined benefit plans during the year to 30 June 2010.

	June 2009 NZ$M	June 2008 NZ$M	June 2007 NZ$M	June 2006 NZ$M	June 2005 NZ$M
Trend data					
Projected benefit obligation	(693)	(750)	(424)	(509)	(460)
Assets of the plans	622	707	479	533	461
Funded surplus/(obligation)	(71)	(43)	55	24	1
Experience adjustments on plan obligations	33	(1)	(10)	(3)	2
Experience adjustments on plan assets	(131)	(58)	21	30	9

Notes to the financial statements

36. Share based payments

Employee share purchase scheme

Since 2002 the group has implemented three employee share purchase schemes, all complying with either section DF7 of the Income Tax Act 1994 or section DC11 of the Income Tax Act 2004, whereby the group lends employees a maximum of $2,340 to purchase shares in the company. Each full time or part time employee is eligible to subscribe for a number of shares at an issue price determined at the time of announcement, which represents a discount to the market price. These shares vest in the employees after a three year restricted period. The employees can participate in more than one scheme at a time, but to a maximum value of $2,340. In 2004 and 2005 the shares were purchased on market and sold to the employees at the discounted price. Offers of shares to employees in Australia are made on similar terms as those for New Zealand based employees. The consideration for the shares was funded by an interest free loan to each employee, which was repaid over a three year restricted period.

At 30 June 2009 all shares have either been vested or forfeited. The total receivable owing from the employees is $nil (June 2008 $1 million).

The details of the share schemes are:

	2005 Scheme
Date of announcement	10 October 2005
Grant date	1 December 2005
Number of shares granted	695,525
Consideration per share at grant date	$7.54
Total consideration paid / issue amount	$5,242,517
Discount to market price at time of announcement	19%
Grant price to employees per share	$6.24
Total grant value	$4,340,076
Discount to employees per share	$1.30
Maximum number of shares per employee	375
Vesting date	30 November 2008
Number of shares:	
Number of shares originally granted	695,525
Less forfeited over life of scheme	(97,725)
Less vested over life of scheme	(597,800)
Number of shares held at 30 June 2009	
Number of shares:	
Balance brought forward 1 July 2008	503,425
Less forfeited in year	(11,075)
Less vested in year	(492,350)
Balance carried forward 30 June 2009	

	June 2009 NZ$	June 2008 NZ$
Total discount expensed in year for all schemes		

36. Share based payments – continued

Executive share schemes

The group has implemented long-term cash based incentive schemes targeted at the executives most able to influence the results of the group with an agreed percentage of any cash received to be invested in purchasing the company's shares. For schemes implemented between 2004 and 2007, payment of any benefit is dependent upon the group's total shareholder return exceeding the 51st percentile of the total shareholder return of a comparative group of companies over a three year restricted period. In 2008, a variation was implemented whereby the three year restricted period may be extended by up to one further year if total shareholder return does not exceed the 51st percentile.

In 2008, a scheme was implemented for a small number of senior executives where payment of half of any benefit is dependent upon total shareholder return, including the one-year extension of the restricted period, and payment of the other half of any benefit is dependent upon the group achieving an earnings per share target over the three year restricted period. No one-year extension is made for any benefit which is dependent upon the earnings per share performance target.

The group purchased shares on market which were sold to the executives and funded by an interest free loan to each executive. The shares allocated to executives are held by the trustee company with executives entitled to vote on the shares and receive dividends, the proceeds of which are used to repay the interest free loan.

At the end of the restricted period the group will pay a bonus to the executives to the extent the performance targets have been met, sufficient for the executives to repay the balance of the interest free loan on those shares which vest. The shares upon which performance targets have been met will then fully vest to the executives. The loan owing on shares upon which performance targets have not been met (the forfeited shares) will be novated from the executives to the trustee and will be fully repaid by the transfer of the forfeited shares. The receivable from the executives, which is secured only against the shares held in the company, has been accounted for under the treasury stock method and deducted from paid up capital.

The following are details in regards to the share schemes:

	2008 Scheme	2007 Scheme	2006 Scheme	2005 Scheme
Grant date	1 October 2008	1 October 2007	1 October 2006	1 October 2005
Number of shares granted	964,128	341,401	438,410	400,128
Market price per share at grant date	$6.94	$12.69	$8.36	$7.80
Total consideration paid	$6,691,048	$4,332,379	$3,665,108	$3,120,998
Vesting date	30 September 2011	30 September 2010	30 September 2009	30 September 2008
Maximum bonus payable – expensed over three years	$13,845,976	$8,518,744	$6,285,603	$5,384,220
Number of shares:				
Number of shares originally granted	964,128	341,401	438,410	400,128
Less forfeited over life of scheme	(41,813)	(52,597)	(76,214)	(191,689)
Less vested over life of scheme	(5,675)		(24,054)	(208,439)
Number of shares held at 30 June 2009	**916,640**	**288,804**	**338,142**	
Number of shares:				
Balance brought forward 1 July 2008		332,487	390,202	300,003
Number of shares granted in year	964,128			
Less forfeited in year	(41,813)	(43,683)	(33,556)	(121,209)
Less vested in year	(5,675)		(18,504)	(178,794)
Number of shares held at 30 June 2009	**916,640**	**288,804**	**338,142**	

	June 2009 NZ$	June 2008 NZ$
Total amount expensed in year for executive performance share schemes	8,779,376	6,280,067
Liability recognised at year end for bonus payable	14,731,441	7,924,881

Notes to the financial statements

37. Segmental information

Industry segments	Year ended 30 June 2009						
	Building Products NZ$M	Steel NZ$M	Distribution NZ$M	Infrastructure NZ$M	Laminates & Panels NZ$M	Other NZ$M	Total Group NZ$M
Sales – gross	873	1,407	893	2,161	2,137	6	7,477
Sales – inter-segment	(102)	(86)	(10)	(109)	(61)	(6)	(374)
Sales – external	771	1,321	883	2,052	2,076		7,103
Operating earnings (EBIT)	90	147	(9)	199	(252)	(16)	159
Unusual items included in operating earnings	(16)	(7)	(39)	(4)	(326)	(7)	(399)
Equity earnings included in operating earnings		6		5	13		24
Total assets	790	771	251	1,500	2,421	185	5,918
Investment in associates	1	14		32	148		195
Total liabilities	143	188	135	420	522	1,520	2,928
Capital expenditure including acquisitions	56	26	21	100	88	1	292
Depreciation expense	25	22	10	70	83	1	211

Industry segments	Year ended 30 June 2008						
	Building Products NZ$M	Steel NZ$M	Distribution NZ$M	Infrastructure NZ$M	Laminates & Panels NZ$M	Other NZ$M	Total Group NZ$M
Sales – gross	858	1,333	1,102	1,950	2,206	6	7,455
Sales – inter-segment	(119)	(54)	(19)	(93)	(74)	(5)	(364)
Sales – external	739	1,279	1,083	1,857	2,132	1	7,091
Operating earnings (EBIT)	148	101	73	308	141	(3)	768
Unusual items included in operating earnings							
Equity earnings included in operating earnings		21		5	17		43
Total assets	786	866	306	1,504	2,641	132	6,235
Investment in associates	1	22		33	158		214
Total liabilities	149	236	155	451	528	1,960	3,479
Capital expenditure including acquisitions	40	66	37	158	1,086	1	1,388
Depreciation expense	22	24	9	67	73	2	197

37. Segmental information – continued

Geographic segments	Year ended 30 June 2009						
	New Zealand NZ$M	Australia NZ$M	Nth America NZ$M	Asia NZ$M	Europe NZ$M	Other NZ$M	Group NZ$M
Sales – external	3,584	2,200	489	274	442	114	7,103
Operating earnings (EBIT)	249	123	(45)	20	(197)	9	159
Unusual items included in operating earnings	(93)	(63)	(38)	(10)	(195)		(399)
Equity earnings included in operating earnings	6	9			9		24
Total assets	2,270	2,202	462	518	413	53	5,918
Investment in associates	29	97			66	3	195
Total liabilities	1,246	1,313	130	49	146	44	2,928
Capital expenditure including acquisitions	122	74	30	13	50	3	292
Depreciation expense	96	69	17	9	17	3	211

Geographic segments	Year ended 30 June 2008						
	New Zealand NZ$M	Australia NZ$M	Nth America NZ$M	Asia NZ$M	Europe NZ$M	Other NZ$M	Group NZ$M
Sales – external	3,651	2,165	474	227	481	93	7,091
Operating earnings (EBIT)	494	239	(36)	24	39	8	768
Unusual items included in operating earnings							
Equity earnings included in operating earnings	22	11			9	1	43
Total assets	2,425	2,292	478	406	576	58	6,235
Investment in associates	47	100			63	4	214
Total liabilities	1,278	1,805	141	70	153	32	3,479
Capital expenditure including acquisitions	215	209	260	378	324	2	1,388
Depreciation expense	97	64	13	7	14	2	197

Audit report

More online:
fletcherbuilding.com/09/audit

To the shareholders of
Fletcher Building Limited:

We have audited the financial statements on pages 30 to 79. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 36 to 40.

Directors' responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2009 and the results of their operations and cashflows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to taxation and other assurance services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 30 to 79:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 June 2009 and the results of their operations and cashflows for the year ended on that date.

Our audit was completed on 12 August 2009 and our unqualified opinion is expressed as at that date.

KPMG

KPMG Auckland, New Zealand

Trend statement

	June 2009 NZ$M	June 2008 NZ$M	June 2007 NZ$M	June 2006 NZ$M	June 2005 NZ$M	June 2004 NZ$M	June 2003 NZ$M	June 2002 NZ$M	June 2001 NZ$M
Notes		7			6	5	4	2	1, 2, 3
Financial performance									
Operating sales/revenue	7,103	7,091	5,926	5,520	4,636	3,958	3,221	2,966	2,273
Operating earnings (EBIT)	159	768	703	675	612	460	331	210	(87)
Net earnings	(46)	467	484	379	347	240	168	93	(288)
Cashflow from operations	533	434	483	560	479	424	276	187	251
Earnings per share – basic (cents per share)	(8.7)	93.2	101.9	81.3	77.6	55.7	43.4	27.0	(83.7)
Dividends for the period (cents per share)	38.0	48.5	45.0	40.0	32.0	25.0	19.0	14.0	12.0
Balance sheet									
Current assets	2,257	2,549	2,074	1,699	1,484	1,171	1,021	794	851
Non current assets	3,661	3,686	2,359	2,400	2,173	1,611	1,427	842	985
Total assets	**5,918**	**6,235**	**4,433**	**4,099**	**3,657**	**2,782**	**2,448**	**1,636**	**1,836**
Current liabilities	1,313	1,436	1,187	1,207	1,239	818	776	669	681
Non current liabilities	1,615	2,043	950	1,092	991	918	812	376	615
Total liabilities	**2,928**	**3,479**	**2,137**	**2,299**	**2,230**	**1,736**	**1,588**	**1,045**	**1,296**
Capital	1,895	1,364	1,325	970	929	754	628	455	449
Reserves	1,063	1,351	926	786	455	252	195	109	89
Minority equity	32	41	45	44	43	40	37	27	2
Total equity	2,990	2,756	2,296	1,800	1,427	1,046	860	591	540
Total liabilities and equity	**5,918**	**6,235**	**4,433**	**4,099**	**3,657**	**2,782**	**2,448**	**1,636**	**1,836**
Other financial data									
Return on average funds (%)[8]	3.4	19.0	24.8	26.1	29.3	24.7	24.4	23.1	(8.6)
Return on average equity (%)[9]	(1.6)	19.0	26.0	24.6	29.5	24.3	23.0	16.9	(43.8)
Net debt/net debt plus equity (%)	31.1	40.1	22.2	37.1	44.4	43.1	49.9	40.2	49.2
Net tangible assets per share ($)	2.80	2.90	3.25	2.47	2.11	1.68	1.54	1.60	1.52
Market capitalisation (NZ$M)	3,967	3,197	6,166	4,296	3,207	1,987	1,490	953	817
Total shareholders return (%)	14	(43)	42	40	61	33	43	24	6

[1] On 23 March 2001 Fletcher Challenge Limited – Building Operations, a targeted share of Fletcher Challenge Limited became a stand alone publicly listed company, Fletcher Building Limited. The proforma accounts consolidate the results of both entities for the year.

[2] In the year ended 30 June 2001 the results of the Distribution division were included on an equity accounted basis. In the 2002 year the results were for 15 months on a consolidated basis.

[3] For the year ended 30 June 2001, capital notes were treated as a component of equity. Interest on the capital notes of $16 million after tax was previously recorded as a distribution from equity, rather than in funding costs. This has been restated.

[4] The Laminex group was acquired on 13 November 2002.

[5] The Tasman Building Products group was acquired on 30 September 2003. The balance sheet at June 2004 has been restated under NZ IFRS.

[6] The Amatek Holdings group was acquired on 1 March 2005. The results for June 2005 have been restated under NZ IFRS.

[7] The Formica Corporation group was acquired on 2 July 2007.

[8] EBIT/Average funds.

[9] Net earnings/Average shareholders' funds.

Regulatory disclosures

Directors' relevant interests in equity securities at 30 June 2009

	Ordinary shares		Capital notes	
	Directly held	Held by Associated Persons	Directly held	Held by Associated Persons
P E A Baines	25,038			
R S Deane		58,898		
H A Fletcher		1,040,026		40,000
J F Judge		22,479		
J P Ling[1]	709,944			
G J McGrath		40,000		
D T Spring	39,344	10,716		
K M Vautier	54,210	21,977	29,000	75,500
R G Waters		983,993		
	828,536	2,178,089	29,000	115,500

[1] Includes 500,000 options

Securities dealings by directors

During the year, directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in securities as follows:

Director	Number of securities acquired	Number of securities disposed	Consideration $	Date
H A Fletcher	59,044		N/A	23/07/08
J F Judge	12,600		$88,071	19/08/08
H A Fletcher	36,272		$141,869	20/08/08
H A Fletcher		59,044	N/A	20/08/08
H A Fletcher	286		$1,969	16/10/08
J P Ling	434		$2,987	16/10/08
K M Vautier	2,331		$16,045	16/10/08
J P Ling	22,836		$160,800	17/10/08
J P Ling[2]	88,599		$614,877	12/11/08
J P Ling[3]		4,620	$36,036	12/11/08
K M Vautier	50,000		$50,000	11/12/08
R G Waters		200,000	$1,165,638	3/04/09
P E A Baines[4]	1,707		$9,132	12/05/09
R S Deane[4]	6,387		$34,170	12/05/09
H A Fletcher[4]	142,375		$761,706	12/05/09
J P Ling	1,214		$7,319	12/05/09
D T Spring[4]	1,362		$7,287	12/05/09

Securities dealings by directors – continued

Director	Number of securities acquired	Number of securities disposed	Consideration $	Date
R G Waters[4]	139,343		$745,485	12/05/09
P E A Baines[5]	1,216		$6,506	21/05/09
R S Deane[5]	1,216		$6,506	21/05/09
H A Fletcher[5]	4,864		$26,022	21/05/09
J F Judge[5]	1,216		$6,506	21/05/09
D T Spring[5]	3,648		$19,517	21/05/09
K M Vautier[5]	3,648		$19,517	21/05/09
R G Waters[5]	1,226		$6,559	21/05/09

[2] Relevant interest acquired through the Executive Long-Term Share Scheme with vesting subject to performance obligations.
[3] Shares forfeited under the Executive Performance Share Scheme due to performance obligations only being partly met.
[4] Shares acquired under the company's Top-Up Offer.
[5] Shares acquired under the company's Share Purchase Plan.

Directors' interests register

Directors' certificates to cover entries in the interests register in respect of remuneration, dealing in the company's securities, insurance and other interests have been disclosed as required by the Companies Act 1993.

In accordance with section 140(2) of the Companies Act 1993, directors have advised changes in their interests during the year ended 30 June 2009 of:

H A Fletcher	Resigned from Advisory Board of No 8 Ventures	5/07/08
H A Fletcher	Appointed as a director of IAG Finance (New Zealand) Limited	31/08/08
P E A Baines	Resigned as a director of Gough Gough and Hamer Limited	29/09/08
J F Judge	Appointed as a director of ANZ National Bank Limited	23/12/08
J F Judge	Appointed as chairman of Accident Compensation Corporation	9/03/09

Regulatory disclosures

Stock exchange listings

The company's shares are listed on the New Zealand (NZX) and Australian (ASX) stock exchanges.

20 largest shareholders as at 31 July 2009

Name	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	259,687,641	42.96
RBC Dexia Investor Services Australia Nominees Pty Limited	49,093,295	8.12
National Nominees Limited	36,578,010	6.05
JP Morgan Nominees Australia Limited	32,749,567	5.42
HSBC Custody Nominees (Australia) Limited	22,466,081	3.72
Cogent Nominees Pty Limited	15,388,236	2.55
Citicorp Nominees Pty Limited	15,063,165	2.49
Custodial Services Limited	6,184,668	1.02
UBS Nominees Pty Limited	5,991,871	0.99
Investment Custodial Services Limited	4,311,458	0.71
FNZ Custodians Limited	3,830,663	0.63
Masfen Securities Limited	3,640,070	0.60
AMP Life Limited	3,166,483	0.52
Queensland Investment Corporation	2,164,884	0.36
Fletcher Building Educational Fund Limited	2,069,462	0.34
Fletcher Building Share Schemes Limited	1,827,868	0.30
Forsyth Barr Custodians Limited	1,588,067	0.26
NZ Guardian Trust Company Limited	1,475,943	0.24
Private Nominees Limited	1,306,691	0.22
Leveraged Equities Finance Limited	1,056,176	0.17

New Zealand Central Securities Depository Limited provides a custodial depository service that allows electronic trading of securities to its members and does not have a beneficial interest in these shares. Its major holders of Fletcher Building shares are:

Name	Number of Shares	% of Shares
National Nominees New Zealand Limited	101,419,803	16.78
HSBC Nominees (New Zealand) Limited	60,571,201	10.02
New Zealand Superannuation Fund Nominees Limited	15,797,279	2.61
Citibank Nominees (New Zealand) Limited	15,471,951	2.56
Accident Compensation Corporation	13,015,834	2.15
ANZ Nominees Limited	10,208,709	1.69
TEA Custodians Limited	8,482,244	1.40
Premier Nominees Limited	8,130,494	1.35
NZGT Nominees Limited	5,945,084	0.98
AMP Investments Strategic Equity Growth Fund	3,767,869	0.62

Regulatory disclosures

Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 July 2009, the substantial security holders in the company and their relevant interests are noted below. The total number of issued voting securities of Fletcher Building Limited as at that date was 604,466,028.

Substantial Security Holders	Number of voting securities	Date of notice
Perennial Value Management	34,327,434	9/07/07
The Capital Group Companies, Inc.	36,750,610	29/01/09
AMP Limited	30,353,872	16/04/09
Perpetual Trustees Australia	71,613,745	6/07/09

Distribution of shareholders and holdings as at 31 July 2009

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 to 999	12,440	34.72	5,325,220	0.88
1,000 to 4,999	17,715	49.46	39,227,230	6.49
5,000 to 9,999	3,432	9.58	23,026,318	3.81
10,000 to 49,999	2,009	5.61	35,233,941	5.83
50,000 to 99,999	103	0.29	6,897,114	1.14
100,000 to 499,999	78	0.22	14,523,251	2.40
500,000 and over	43	0.12	480,232,954	79.45
Total	35,820	100.00	604,466,028	100.00

Geographic distribution	Number of Shareholders	%	Number of Shares	%
New Zealand	31,004	86.56	406,141,023	67.19
Australia	4,101	11.45	196,229,988	32.46
United States of America	119	0.33	234,020	0.04
Rest of the World	596	1.66	1,860,997	0.31
Total	35,820	100.00	604,466,028	100.00

All shares issued are fully paid and have full voting rights. The number of shareholders holding less than the marketable parcel of A$500 under the listing rules of the ASX is 132.

Regulatory disclosures

The other equity securities on issue are 531 million of capital notes, which can convert to ordinary shares of the company on the basis of 98 percent of the then current value of the shares. There were 10,334 holders of the capital notes at 31 July 2009. These equity securities are quoted on the NZX but are unquoted on the ASX.

Distribution of capital noteholders and holdings as at 31 July 2009

Fletcher Building Limited

Size of Holding	Number of Noteholders	%	Number of Capital Notes	%
1 to 4,999	1,604	29.82	4,674,666	1.87
5,000 to 9,999	1,227	22.80	8,314,166	3.33
10,000 to 49,999	2,068	38.43	41,193,917	16.48
50,000 to 99,999	318	5.91	18,841,500	7.54
100,000 to 499,999	139	2.58	22,491,500	9.00
500,000 and over	25	0.46	154,484,251	61.78
Total	5,381	100.00	250,000,000	100.00

Fletcher Building Finance Limited

Size of Holding	Number of Noteholders	%	Number of Capital Notes	%
1 to 4,999	1	0.02	4,000	0.00
5,000 to 9,999	730	14.74	4,051,000	1.44
10,000 to 49,999	3,187	64.34	62,522,500	22.22
50,000 to 99,999	624	12.60	34,908,000	12.41
100,000 to 499,999	363	7.33	55,267,000	19.65
500,000 and over	48	0.97	124,567,500	44.28
Total	4,953	100.00	281,320,000	100.00

Limitations on the acquisition of the company's securities

The terms of the company's admission to the ASX and ongoing listing require the following disclosures.
(1) The company is incorporated in New Zealand. As such it is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (such as substantial holdings and takeovers). Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law:

(a) Securities in the company are in general freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(b) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20 percent of the voting rights in the company or the increase of an existing holding of 20 percent or more of the voting rights in the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 percent or more of the shares in the company.

(c) The New Zealand Overseas Investment Act and Overseas Investment Regulations regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares or an interest in shares in the company that amount to more than 25 percent of the shares issued by the company or, if the overseas person already holds 25 percent or more, the acquisition increases that holding.

(d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

(2) On 31 March 2009, ASX granted the company an ongoing waiver from ASX Listing Rule 7.1 which regulates the circumstances where companies listed on ASX are required to seek shareholder approval for the issue of securities. One of the conditions of the waiver is that the company remains subject to, and complies with, the listing rules of NZX with respect to the issue of new securities.

In accordance with the requirements of the ASX waiver, the company certifies that during the 12 months to 30 June 2009 it has been subject to, and has complied with, the requirements of the NZX with respect to the issue of new securities and that it continues to comply with those requirements.

Regulatory disclosures

Employee remuneration

Section 211 (1) (g) of the New Zealand Companies Act 1993 requires disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of $100,000 per year, paid by the company or any of its subsidiaries worldwide to any employees who are not directors of the company. To give more appropriate information on total employees' remuneration, where there is a contractual commitment to provide incentive remuneration in respect of the year ended 30 June 2009, the amount accrued as at 30 June 2009 has also been included in the total remuneration disclosed below.

	Number of employees		
NZ$	International Business Activities	New Zealand Business Activities	Total
100,000 – 110,000	308	256	564
110,000 – 120,000	260	169	429
120,000 – 130,000	165	146	311
130,000 – 140,000	162	93	255
140,000 – 150,000	128	55	183
150,000 – 160,000	100	75	175
160,000 – 170,000	70	39	109
170,000 – 180,000	70	29	99
180,000 – 190,000	37	19	56
190,000 – 200,000	30	15	45
200,000 – 210,000	34	16	50
210,000 – 220,000	20	15	35
220,000 – 230,000	19	7	26
230,000 – 240,000	11	13	24
240,000 – 250,000	15	5	20
250,000 – 260,000	8	8	16
260,000 – 270,000	15	11	26
270,000 – 280,000	10	2	12
280,000 – 290,000	12	2	14
290,000 – 300,000	10	5	15
300,000 – 310,000	9	5	14
310,000 – 320,000	9	3	12
320,000 – 330,000	5	3	8
330,000 – 340,000	4	4	8
340,000 – 350,000	8		8
350,000 – 360,000	1	1	2
360,000 – 370,000	6		6
370,000 – 380,000	4		4
380,000 – 390,000	3	1	4
390,000 – 400,000	4	1	5
400,000 – 410,000	3		3
410,000 – 420,000	2	2	4
430,000 – 440,000		1	1
440,000 – 450,000	2		2
450,000 – 460,000	1		1
470,000 – 480,000	2	1	3
480,000 – 490,000	1	2	3
490,000 – 500,000	4	2	6
500,000 – 510,000	1	1	2

Regulatory disclosures

Employee remuneration – continued

	Number of employees		
NZ$	International Business Activities	New Zealand Business Activities	Total
560,000 – 570,000		1	1
580,000 – 590,000	1		1
590,000 – 600,000	2		2
610,000 – 620,000	1		1
620,000 – 630,000	1		1
740,000 – 750,000	2		2
770,000 – 780,000		1	1
780,000 – 790,000	1		1
790,000 – 800,000	1		1
880,000 – 890,000	1		1
890,000 – 900,000		1	1
1,010,000 – 1,020,000		1	1
1,030,000 – 1,040,000	1		1
1,470,000 – 1,480,000	1		1
1,530,000 – 1,540,000	1		1
	1,566	1,011	2,577

Subsidiary company directors

Section 211(2) of the New Zealand Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors and particulars of entries in the interests registers made during the year ended 30 June 2009.

Apart from some overseas subsidiaries which have independent directors or are required to have a specific number of local residents as directors, no wholly-owned subsidiary has directors who are not full-time employees of the group. The company had 246 subsidiaries worldwide at 30 June 2009.

No employee of Fletcher Building Limited appointed as a director of Fletcher Building Limited or its subsidiaries receives, or retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed previously under Employee remuneration. Except where shown below, no other director of any subsidiary company within the group receives director's fees or other benefits as a director.

The following persons respectively held office as directors of subsidiary companies at the end of the year, or in the case of those persons with the letter (R) after their name ceased to hold office during the year. Alternate directors are indicated by the letter (A) after their name.

Companies placed in liquidation during the year are indicated by the letter (L) after their name.

AHI Roofing (Malaysia) SDN BHD
Z Bin Mat Desa (MYR 6,000), P Binti Mohamad (MYR 6,000), W Roest, P Stichbury, C Ellis, B Rowley (R)

AHI Roofing (Middle East) Limited
W Roest, C Ellis

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
C Ellis, A O'Brien, P Stichbury, M Adamson, A Van De Werken (R)

AHI Roofing Limited
W Roest, C Ellis

AHI Roofing Proisvodnja In Distribucija Stresnih Sistemov D.O.O.
C Ellis, P Stichbury, A Van De Werken (R)

AHI Roofing Pty Limited
D Le Quesne, C Ellis

Aickin Timber Limited
W Roest, D Edwards

Alan Milne Building Supplies Limited
D Edwards, R de Raat (A)

Amatek Holdings Limited
M Farrell, D Le Quesne, W Roest, V Gulia

Amatek Industries Pty Limited
D Le Quesne, W Roest, V Gulia

Amatek Investments Limited
M Farrell, D Le Quesne, W Roest, V Gulia

Amtel Pty Limited
T Richards, P Zuckerman

Anson Building Supplies Limited
A Anson, D Edwards, R de Raat (A)

Regulatory disclosures

Aramis Investments Limited
W Roest, M Farrell

Auckland Frame and Truss Supplies Limited
O Lyttleton, J Sullivan (R), D King, M Fegan, D Deavoll, D Edwards

Australian Fibre Glass Pty Limited
D Le Quesne, V Gulia

Bandelle Pty Limited
D Le Quesne, V Gulia

Baron Insulation Pty Ltd
C Ellis, D Isaacs, D Haslett (R)

Boden Building Supplies Limited
P Boden, D Edwards, R de Raat (A)

Bowen Building Supplies Limited
D Edwards, R de Raat (A)

Builders Hardware Company Limited
P Dolheguy, D Edwards, R de Raat (A), R Callon (A)

Building Choices Limited
D Close, D Edwards, R de Raat (A)

Burford Building Choices Limited
A Burford, D Edwards, R de Raat (A)

Building Products Superannuation Fund Pty Limited
C Chick, S Hart, W Roest, L Box, J McCabe (A)

Calder Building Supplies Limited
D Edwards, R de Raat (A), P Calder (R)

Calvert Building Supplies Limited
M Calvert, D Edwards, R de Raat (A)

Campbell Building Supplies Limited
D Edwards, R de Raat, A Campbell (R)

Caravan Components Pty Limited
D Le Quesne, V Gulia

Cemac (Hong Kong) Limited
C Wing Shum, D Thomas

Cemac (Macau) Limited
C Wing Shum

Christchurch Frame & Truss Limited
D Edwards, D Close

Cleaver Building Supplies Limited
M Cleaver, D Edwards, R de Raat (A)

Collier Building Supplies Limited
D Edwards, R de Raat (A), C Collier (R)

Consort Laminates Limited
M Adamson, P Alderson, P Hall

Creeks Metal Industries Pty Limited
D Le Quesne, V Gulia

Cullen Building Supplies Limited
R Cullen, D Edwards, R de Raat (A)

Cullity Timber Holdings Pty Limited
W Roest, D Worley, L Box (A)

Dale King Building Supplies Limited
D Edwards, D King, R de Raat (A)

Davis & Casey Building Supplies Limited
T Davis, D Edwards, R de Raat (A)

Deavoll Building Supplies Limited
D Edwards, D Deavoll, R de Raat (A)

Decorative Surfaces Holding AB
M Adamson, H Lindegard, M Nordgren, B Vernerson (R)

Decra Roofing Systems, Inc.
W Hudson, C Ellis

Delcon Holdings (No. 1) Limited
P Zuckerman, W Roest

Delcon Holdings (No. 2) Limited
P Zuckerman, W Roest

Delcon Holdings (No. 3) Limited
C Ellis, W Roest, A Cadman, J Cash (R)

Delcon Holdings (No. 8) Limited
W Roest, C Ellis

Delcon Holdings (No. 10) Limited
M Farrell, W Roest

Delcon Holdings (No. 11) Limited
M Farrell, W Roest

Delcon Holdings (No. 14) Limited
M Farrell, W Roest

DVS Limited
C Ellis, W Roest

EFA Technologies Pty Limited
M Binns, G West

Engineered Timber Solutions Ltd
D Edwards

Evans Building Supplies Limited
M Evans, D Edwards, R de Raat (A)

FBHS (Aust) Pty Limited
T Richards

FDL No. 23 Limited
D Edwards

FDL No. 24 Limited
D Edwards

FDL No. 25 Limited
D Edwards

Fegan Building Supplies Limited
D Edwards, R de Raat (A), M Fegan (R)

Fletcher Building (Australia) Finance Pty Limited
V Gulia, D Le Quesne

Fletcher Building (Australia) Pty Limited
M Farrell, V Gulia, D Le Quesne, W Roest

Fletcher Building (Fiji) Limited
M Binns, P Thumath, A Kumar

Regulatory disclosures

Fletcher Building Finance Limited
J Judge, Dr R Deane, H Fletcher, J Ling, Sir D Spring, K Vautier, R Waters, G McGrath (R), P Baines (R)

Fletcher Building Holdings Limited
W Roest, M Farrell

Fletcher Building Holdings USA Inc.
W Hudson, C Ellis

Fletcher Building Netherlands Antilles B.V.
M Farrell, E Rakers, W Roest, S Coeriel (US$3,919), T Mol (R)

Fletcher Building Netherlands B.V.
M Farrell, W Roest, P Ruoff, A Van De Werken (EUR 2,500)

Fletcher Building Nominees Limited
J McDonald, G Niccol, G Key, M Farrell, W Roest, P Merry

Fletcher Building Products Limited
C Ellis, W Roest

Fletcher Building Share Schemes Limited
P Merry, G Niccol, J McDonald

Fletcher Challenge Building Bolivia S.A.
M Binns, K Cowie, H Ritchie

Fletcher Challenge Building UK Limited
J Ollard, D Wood

Fletcher Challenge Finance Investments Limited
W Roest, M Farrell

Fletcher Challenge Forest Industries Limited
M August, J Ollard, D Wood

Fletcher Challenge Industries S.A.
M Binns, K Cowie, H Ritchie

Fletcher Challenge Investments Overseas Limited
W Roest, M Farrell

Fletcher Challenge Materiais De Construcao Limitada
D Kenderdine

Fletcher Challenge Overseas Holdings Limited
W Roest, M Farrell

Fletcher Composite Research Limited
W Roest, P Zuckerman

Fletcher Concrete (Fiji) Limited
M Binns, P Thumath, A Kumar

Fletcher Concrete & Infrastructure Limited
M Binns, W Roest

Fletcher Construction (Malaysia) SDN BHD (L)
I Liew (R), T Chan (R)

Fletcher Construction (Nouvelle Caledonie) Limited
A Brown

Fletcher Construction (Singapore) PTE Limited
G Johnston, C Munkowits, K Beng Lee (NZ$2,234)

Fletcher Construction (Solomon Islands) Limited
A Brown, L Gray

Fletcher Construction Australia Pty Limited
M Binns, C Munkowits, C Wickham, K Davey

Fletcher Construction Company (Fiji) Limited
A Brown, L Gray, G Crum

Fletcher Construction Pty Limited
M Binns, C Munkowits, C Wickham, V Gulia

Fletcher Distribution Limited
W Roest, D Edwards

Fletcher Insulation Pty Limited
C Ellis, D Isaacs, D Haslett (R)

Fletcher Insulation (Vic) Pty Limited
C Ellis, D Isaacs, D Haslett (R)

Fletcher Morobe Construction Pty Limited
A Brown, L Gray, L Mathias, K Fletcher

Fletcher Pacific Steel (Fiji) Limited
D Hargovind (FJ$3,431), W Roest, J Beveridge, P Zuckerman

Fletcher Property Developments UK Limited
M August, J Ollard, D Wood

Fletcher Property Investments UK Limited
M August, J Ollard, D Wood

Fletcher Property Limited
M Binns, W Roest

Fletcher Residential Limited
M Binns, W Roest

Fletcher Steel Limited
W Roest, P Zuckerman

Fletcher Wood Panels (Australia) Pty Limited
W Roest, D Worley, L Box (A)

FM Holdings Inc.
W Roest, D Worley, M Adamson

FMB Comércio Importacão e Exportacão de Laminados Decorativos Ltda
G Pikielny

Fo Shan Cemac Building Material Company Limited
J Shum, D Thomas

Forman Building Systems Limited
C Ellis, W Roest

Forman Building Systems Pty Limited
C Ellis, D Isaacs, D Haslett (R)

Forman Commercial Interiors Limited
C Ellis, W Roest

Forman Group Limited
C Ellis, W Roest

Forman Insulation Limited
C Ellis, W Roest

Forman Manufacturing Limited
C Ellis, W Roest

Formica (Asia) Ltd
S Kuo, D Wang

Formica (Malaysia) Sdn. Bhd.
S Kuo

Regulatory disclosures

Formica (N.Z.) Limited
D Worley, W Roest

Formica (Nederland) B.V. (formerly Formica Enterprises B.V.)
M Adamson, J Ruurd de Pater, Fortis Intertrust B.V. (R)

Formica (Thailand) Co., Ltd
W Kunanantakul, S Kuo, D Wang, C Wang

Formica Canada Inc.
C Sarrazin, M Adamson, L Box

Formica Corporation
W Roest, D Worley, M Adamson

Formica Danmark A/S
U Hector, H Lindegard, J Whisker, B Vernerson (R), M Breindal (R)

Formica de Mexico SA DE CV
J Oritz, M Adamson, L Box

Formica Finance Limited
M Adamson, P Alderson, P Hall, W Roest

Formica Global LLC
M Adamson, L Box, R Bollman, M Vernon, D Clark Jr (R)

Formica Holdco UK Limited
M Adamson, P Alderson, P Hall

Formica Holding Corp.
W Roest, D Worley, M Adamson

Formica Holding GmbH
M Adamson

Formica Holdings Limited
M Adamson, P Alderson, P Hall

Formica II Corporation
W Roest, D Worley, M Adamson, J Whisker

Formica Iki Oy
M Adamson, P Alderson, H Lindegard, J Kerbs (R)

Formica International LLC
M Adamson, L Box, R Bollman, M Vernon, D Clark Jr (R)

Formica Korea Corporation
S Kuo, T Ren

Formica Limited
M Adamson, P Alderson, P Hall, R Pollington, W Roest, J Whisker, D Worley

Formica LLC
D Worley

Formica Luxembourg Holding S.ar.L.
L Denys, W Roest, P Valasuo, D Worley, M Weijermans, M Adamson

Formica Middle East B.V.
M Adamson

Formica Norge A/S
S Berge, H Lindegard, J Whisker, I Kolverud (R), B Vernerson (R)

Formica PSM Limited
M Adamson, P Alderson, P Hall

Formica S.A. (France)
M Adamson, P Hall, R Lambert

Formica S.A. (Spain)
M Adamson, A Amorebieta, P Hall

Formica (Schweiz) AG
M Adamson, A Caruso

Formica Singapore Pte. Ltd
S Kuo, S Neo

Formica Skandinavien AB
M Adamson, H Lindegard, J Whisker, B Vernerson (R)

Formica SP.zo.O.
M Adamson

Formica Taiwan Corporation
S Kuo, S Limboonyaprasert, T Ren

Formica Vertriebs GmbH
M Adamson, J Schuster

Geoff Brown Building Supplies Limited
G Brown, D Edwards, R de Raat (A)

Graeme Joy Building Supplies Limited
G Joy, D Edwards, R de Raat (A)

Gravure et Polissage de Surfaces Metalliques
M Adamson, P Hall, R Lambert

Gray Building Supplies Limited
D Edwards, R de Raat (A), C Gray (A)

Hedges Building Supplies Limited
R Hedges, D Edwards, R de Raat (A)

Homapal Plattenwerk GmbH & Co KG
F Homann, M Adamson

Home&Dry Limited
M Farrell, W Roest

Hooper Building Supplies Limited
D Edwards, R de Raat (A)

Insulation Solutions Holdings Pty Limited
D Le Quesne, V Gulia

John Cockburn Building Supplies Limited
J Cockburn, D Edwards, R de Raat (A)

Ken Jones Building Supplies Limited
K Jones, D Edwards, R de Raat (A)

Kenna Building Supplies Limited
L Kenna, D Edwards, R de Raat (A)

Kevin Jarvis Building Supplies Limited
K Jarvis, D Edwards, R de Raat (A)

KH Consolidated Industries (Canberra) Pty Limited
D Le Quesne, P Zuckerman

Kimura Building Supplies Limited
J Kimura, D Edwards, R de Raat (A)

Laminates Acquisition Co.
M Adamson, W Roest, D Worley

Regulatory disclosures

Laminates Holdings Pty Limited
W Roest, D Worley

Laminex (Australia) Pty Ltd
D Worley, W Roest, L Box (A)

Laminex Finance Pty Limited
V Gulia, D Le Quesne

Laminex Group (N.Z.) Limited
D Worley, W Roest

Laminex Group Pty Limited
D Worley, W Roest, L Box (A)

Laminex Inc.
W Roest, D Worley

Laminex Overseas Holdings Pty Limited
D Le Quesne, D Worley, V Gulia

Laminex US Holdings Pty Limited
D Le Quesne, V Gulia

Langford-Lee Building Supplies Limited
M Langford-Lee, D Edwards, R de Raat (A)

Laracy Building Supplies Limited
D Edwards, R de Raat (A)

McDonald Building Supplies Limited
I McDonald, D Edwards, R de Raat (A)

McGill Building Supplies Limited
J McGill, D Edwards, R de Raat (A)

McLaughlan Building Supplies Limited
D Edwards, R de Raat (A)

Meleccio Enterprises Limited
M Binns, W Roest

Mike Mattin Building Supplies Limited
D Edwards, R de Raat (A)

Minnell Building Supplies Limited
D Minnell, D Edwards, R de Raat (A)

Morinda Australia Pty Limited
T Richards

Mount Timber & Hardware Limited
W Roest, D Edwards

NCB (2006) Limited
G Florence, A Lanigan, R Scott, D Edwards

New Zealand Ceiling & Drywall Supplies Limited
D Jones, R de Raat (R)

Nick Letica Building Supplies Limited
N Letica, D Edwards, R de Raat (A)

Nock Building Supplies Limited
M Nock, D Edwards, R de Raat (A)

Pacific Trade & Export Limited
M Binns, W Roest

Perstorp Warerite Limited
M Adamson, P Alderson, P Hall

Peter Flint Building Supplies Limited
D Edwards, R de Raat (A)

PlaceMakers Limited
W Roest, D Edwards

Plaster Warehouse (Wellington) Limited
S Borrell

Powerscape Limited
D Jones, D Thomas

Raoul Holdings Limited
M Binns, W Roest

Read Building Supplies Limited
D Edwards, R de Raat (A), A Read (R)

Rocla Australia Pty Limited
M Binns, D Le Quesne, G West

Rocla Concrete Pipes Pty Limited
M Binns, D Le Quesne

Rocla Drilling Pty Limited
M Binns, D Le Quesne, G West

Rocla Group Superannuation Fund Pty Limited
J Gardiner, W Roest, L Box

Rocla Industries Pty Limited
D Le Quesne, V Gulia

Rocla Masonry Pty Limited
M Binns, D Le Quesne, G West

Rocla Materials Pty Limited
M Binns, G West

Rocla NSW Pty Limited
M Binns, D Le Quesne

Rocla Pty Limited
M Binns, G West, S Baker

Rocla SA Pty Limited
M Binns, D Le Quesne, G West

Rocla Vic Pty Limited
D Le Quesne, V Gulia

Rolleston Building Supplies Limited
R Rolleston, D Edwards, R de Raat (A)

Seabar Holdings (No 16) Limited
M Binns, W Roest

Servicios Formica de Mexico SA DE CV
J Oritz, M Adamson, L Box

Servicios Y Administraciones Apoquindo Limitada
C Eyzaguirre

Shanghai Formica Decorative Material Co., Ltd
J Hug, S Kuo, T Ren, C Wang

Shed Boss NZ Limited
M Farrell, W Roest

Sisalation Pty Limited
C Ellis, D Isaacs, D Haslett (R)

Regulatory disclosures

South Auckland Prenail and Truss Company Limited
D Edwards

Southbound Building Supplies Limited
A Rance, D Edwards, R de Raat (A)

Steven Marshall Building Supplies Limited
S Marshall, D Edwards, R de Raat (A)

Stichbury Building Supplies Limited
D Edwards, R de Raat (A), O Lyttelton

Stickland Building Supplies Limited
L Stickland, D Edwards, R de Raat (A)

Stramit (Preston) Pty Limited
D Le Quesne, P Zuckerman

Stramit Corporation Pty Limited
T Richards, P Zuckerman

Stramit Industries (SEA) Pte Limited
W Roest, P Dessent, D Kiew

Stramit Pty Limited
D Le Quesne, P Zuckerman

Sullivan & Armstrong Building Supplies Limited
J Sullivan, D Edwards, R de Raat (A)

Surface Materials Iki Oy
M Adamson, P Alderson, J Kerbs

Tasman Access Floors Pty Limited
D Le Quesne, C Ellis

Tasman Australia Pty Limited
D Le Quesne, V Gulia

Tasman Building Products Pty Limited
D Le Quesne, V Gulia

Tasman Insulation New Zealand Limited
W Roest, C Ellis

Tasman Investments (Netherlands Antilles) N.V.
E Rakers, M Farrell, S Coeriel, W Roest, T Mol (R)

Tasman Sinkware North America, Inc.
C Ellis

Tasman Sinkware Pty Limited
C Ellis, J Bayer, B Walters (R)

TBP Group Pty Limited
D Le Quesne, V Gulia

Ted Harper Building Supplies Limited
E Harper, D Edwards, R de Raat (A)

Tenedora Formica Mexico, S.A. de C.V.
J Oritz, M Adamson, L Box

Terrace Insurances (PCC) Limited
M Eades (£2,500), J Crowder, M Farrell, W Roest,
P Wakefield (R), J McDonald (R)

Terry Mellsop Building Supplies Limited
T Mellsop, D Edwards, R de Raat (A)

The Diller Corporation
W Roest, D Worley

The Fletcher Construction Company Cook Islands Limited
A Brown, L Gray

The Fletcher Construction Company Limited
M Binns, W Roest

The Fletcher Organisation (Vanuatu) Limited
A Brown, L Gray, Diract Limited, Lotim Limited

The Fletcher Trust and Investment Company Limited
M Binns, W Roest

The O'Brien Group Limited
W Roest, D Worley

Thomas Street Pty Limited
D Le Quesne, M Binns

Trade Mart Limited
W Roest, D Edwards

Tradematess Limited
W Roest, D Edwards

Trevor Cockburn Building Supplies Limited
T Cockburn, D Edwards, R de Raat (A)

Unidur GmbH
M Adamson, J Schuster

Van Der Vossen Building Supplies Limited
D Edwards, R de Raat (A)

Varoy Building Supplies Limited
D Edwards, R de Raat (A)

Ward Building Supplies Limited
R Ward, D Edwards, R de Raat (A)

Waterman Building Supplies Limited
D Edwards, R de Raat (A), M Waterman (R)

Wellington Frame & Truss Limited
D Edwards

Wesfi Limited
D Le Quesne, W Roest, L Box (A), D Worley

Wesfi Manufacturing Pty Limited
W Roest, D Worley, L Box (A)

Winstone Wallboards Limited
W Roest, C Ellis

Investor information

Annual shareholders' meeting

The annual shareholders' meeting of Fletcher Building Limited will be held in The Dunedin Centre, Dunedin, New Zealand, at 10.30 am on Wednesday 11 November 2009.

Dividend Reinvestment Plan

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan, under which they have the opportunity to reinvest their dividends in additional shares. To participate, please contact the share registry.

Online trading and financial information

Details on Fletcher Building, its governance policies, and its operations for the year ended 30 June 2009 can be viewed at the Fletcher Building website, **fletcherbuilding.com**.

This website contains all news releases to the NZX and other financial presentations made by the company.

Shareholder communications

The company is not required to send printed copies of the annual report and half year review to security holders. Instead, Fletcher Building sends an annual review which is a summary of the company's operational and financial activities for the year, although security holders can view the reports on the company's website. In addition, they have a right to receive a copy of these reports on request.

Direct crediting of interest and dividends

To minimise the risk of fraud and misplacement of interest and dividend cheques shareholders and noteholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account. This can be done by simply giving the share registry written notice.

Share registries

Details of the company's share registries are given in the Directory on page 95 of this report.

Shareholders with enquiries about share transactions, changes of address or dividend payments should contact the share registry in the country in which their shares are registered.

Final dividend information

The company has declared a final dividend for the year of 14 cents per share payable on 15 October 2009. This is in addition to the interim dividend of 24 cents per share paid in April 2009. Partial New Zealand tax credits are attached to the final dividend. No Australian franking credits are attached.

2009 Final dividend summary table[1]

NZ cents per share	NZ Residents	Australian Residents	Other Non Residents
Dividend declared	14.0000	14.0000	14.0000
NZ tax credits [2]	3.0000		
NZ Supplementary dividend [3]		1.2353	1.2353
Australian franking tax credits [4]		0.0000	
Gross dividend for NZ tax purposes	**17.0000**	**15.2353**	**15.2353**
NZ tax (33%) [5]	(5.6100)		
NZ non-resident withholding tax (15%) [6]		(2.2853)	(2.2853)
Net cash received after NZ tax	**11.3900**	**12.9500**	**12.9500**
Australian tax (15%) [7]		(2.2853)	
Reduced by credit for NZ non-resident withholding tax		2.2853	
Net cash dividend to shareholders	**11.3900**	**12.9500**	**12.9500**

[1] This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent tax advice.

[2] These tax credits are not received in cash but are relevant in determining the gross dividend received for NZ tax purposes. They are comprised wholly of imputation credits and do not include any dividend withholding payment credits. The dividend has imputation credits attached at the rate of 3.0 cents per share.

[3] The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax on that part of the dividend which is fully imputed.

[4] There are no Australian franking credits attached to this dividend. Refer to the governance section in this annual report for the company's franking tax crediting policy.

[5] For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33 percent from that part of the gross dividend which has not been credited with imputation credits and at 3 percent from that part of the gross dividend which has been credited with imputation credits at 30 percent. Accordingly, for those shareholders, a deduction of 2.61 cents per share will be made on the date of payment from the dividend declared of 14.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33 percent will need to file a tax return to obtain a refund of the RWT.

[6] NZ non-resident withholding tax at the rate of 15 percent on the gross dividend for NZ tax purposes.

[7] This summary uses the 15 percent income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

Directory

Executive committee

Jonathan Ling
Chief Executive Officer and
Managing Director
BEng (Melbourne); MBA (RMIT)

Mark Adamson
Chief Executive,
Laminates & Panels - Formica
BA (UK)

John Beveridge
Chief Executive,
Distribution
BA (Economics)

Mark Binns
Chief Executive, Infrastructure
LLB (Auckland)

Chris Ellis
Chief Executive,
Building Products
BEng Civil (Christchurch); MSci (Stanford)

Martin Farrell
Company Secretary and General Counsel
BCom (Otago); LLB (Otago); CA (NZ)

Peter Merry
Executive General Manager
Human Resources
BBus Sci (Cape Town); MBA (Cape Town)

Bill Roest
Chief Financial Officer
FCCA (UK); ACA (NZ)

David Worley
Chief Executive,
Laminates & Panels - Laminex
BCom (Auckland); MBA (Auckland)

Paul Zuckerman
Chief Executive,
Steel
BSci Chem (New York);
MBus Admin (Ohio)

Registered offices

New Zealand
Fletcher Building Limited
Private Bag 92114
Victoria Street West
Auckland 1142
New Zealand

Fletcher House
810 Great South Road
Penrose, Auckland 1061
New Zealand
T. +64 9 525 9000

Australia
Fletcher Building Australia
Locked Bag 7013, Chatswood
DC 2067, NSW 2067, Australia

Level 11, Tower B, Zenith Centre
821 Pacific Highway
Chatswood, NSW 2067, Australia
T. +61 2 8986 0900
ARBN 096 046 936

Shareholder enquiries

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar in the country in which their shares are registered.

Registries:

New Zealand
Computershare Investor Services Limited
Private Bag 92119
Victoria Street West
Auckland 1142
New Zealand

Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
New Zealand
T. +64 9 488 8777
F. +64 9 488 v8787
E. enquiry@computershare.co.nz

Australia
Computershare Investor Services
Pty Limited
GPO Box 242
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia
T. 1800 501 366 (within Australia)
T. +61 3 9415 4083 (outside Australia)
F. +61 3 9473 2009

Trustee for capital noteholders

Perpetual Trust Limited
PO Box 3376
Shortland Street
Auckland 1140
New Zealand

Level 12, AMP Centre
29 Customs Street West
Auckland 1010
New Zealand
T. +64 9 366 3290

Other investor enquiries

Fletcher Building Limited
Private Bag 92114
Victoria Street West
Auckland 1142, New Zealand
T. +64 9 525 9000
F. +64 9 525 9032
E. moreinfo@fb.co.nz
W. **fletcherbuilding.com**

Download the full 2009 Annual Report online:
fletcherbuilding.com/09/downloads

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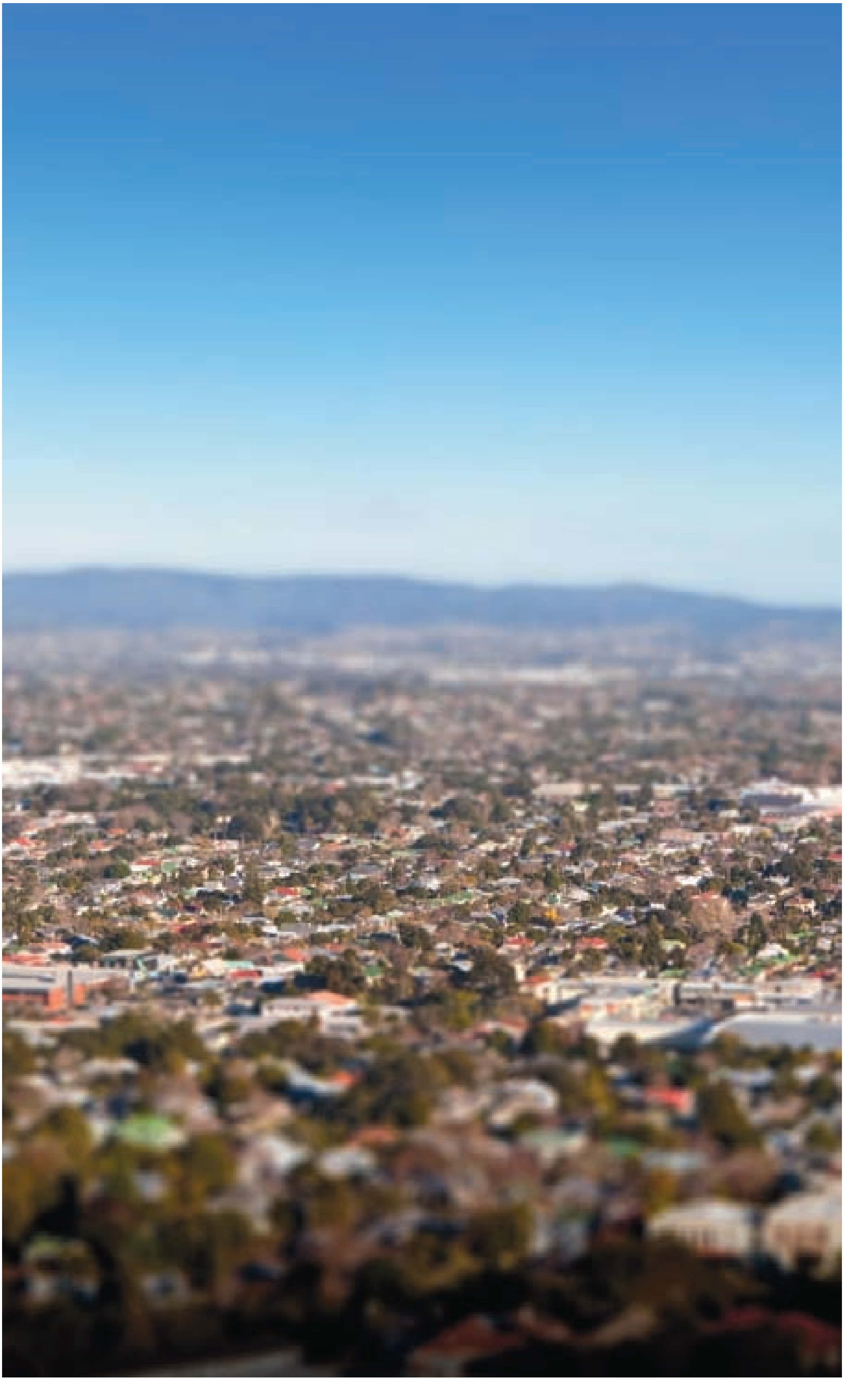
From neighbourhoods to nations

James Fletcher

This year we're celebrating 100 years of achievement, remembering all of the great Fletcher values that have stood the test of time.

Sir James Fletcher
by William Dargie, 1968

More online:
fletchersince1909.com

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