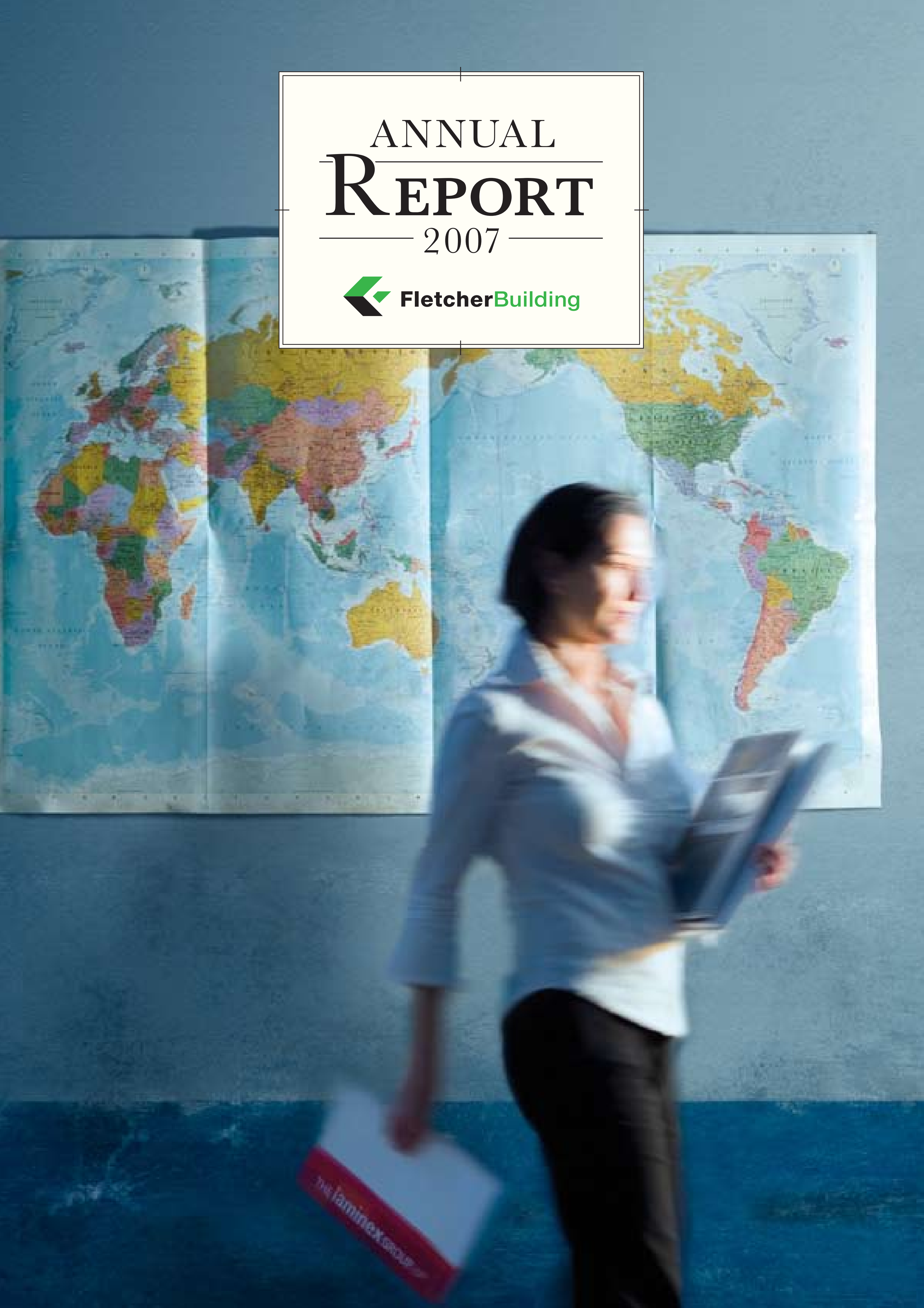
ANNUAL REPORT 2007

FletcherBuilding



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You can obtain an electronic copy of this annual report by going to the following website address: **http://www.fletcherbuilding.co.nz/corporate/resultsreports.aspx**

Annual shareholders' meeting

The notice of meeting, voting form and RSVP card for the Fletcher Building 2007 annual shareholders' meeting to be held at 10.00 am on Tuesday 13 November 2007 at the Rangitoto Ballroom, Langham Hotel, Auckland, New Zealand, will be mailed to shareholders closer to that time.

This report is dated 31 August 2007 and is signed on behalf of the board of Fletcher Building Limited by:

Roderick Deane *Chairman* **Jonathan Ling** *Chief Executive Officer*

An international company based in New Zealand, with operations in Infrastructure, Distribution, Building Products, Steel and Laminates & Panels

Significant operations in New Zealand, Australia, the South Pacific, Asia, North America and Europe

Highlights

Another successful year, with record earnings and the acquisition of Formica Corporation providing new growth opportunities

- Net earnings of $484 million and eleventh consecutive dividend increase
- Improved safety performance – lost time injuries declined by 32 percent on last year
- Leadership development programme strengthened further
- $225 million invested to aquire and enhance the performance of existing businesses
- Chief executive succession completed and new senior management team in place
- Further improvements from environmental sustainability initiatives and reduced carbon dioxide emissions
- Acquisition of Formica Corporation adds further geographical diversity to earnings

Chairman's review

Results

The company is able once again to report record earnings and increased dividends. Our net earnings after tax for the year to 30 June 2007 were $484 million, up 28 percent on the previous year.

This significant increase in net earnings is principally the result of a one-off tax benefit of $70 million, plus the tax benefit from other unusual items such as plant insurance recoveries. Even without these taxation benefits, the result would still have been an improvement on the prior year, notwithstanding the relatively soft markets for a number of the group's businesses.

Sales were $5.9 billion, 7 percent higher than the previous year. All divisions recorded increased sales notwithstanding slower markets, particularly in New South Wales and Victoria. While New Zealand's residential market remained flat, good sales growth was achieved by the Infrastructure and Distribution divisions.

The result represents a 26 percent return on average equity and 24.8 percent on average funds employed. Earnings per share were 101.9 cents, up from 81.3 in the previous year. Total shareholder return (TSR – the increase in share price plus pre-tax dividends) was 42 percent. This follows TSR of 40 percent, 61 percent and 33 percent in the three previous years. As an aside, Boston Consulting Group reported that Fletcher Building had the highest TSR among the largest New Zealand publicly listed companies over the five years to 31 December 2006, with a compound rate of 38 percent.

Dividend

Directors approved the eleventh consecutive dividend increase when declaring a final dividend of 23 cents per share. The interim dividend was 22 cents per share, and the total dividend for the year of 45 cents per share is up 12.5 percent from 40 cents in the previous year. The final dividend will be paid on 11 October 2007. It is fully credited for New Zealand and Australian tax purposes. Non-New Zealand shareholders also benefit from the supplementary dividends attached to the imputation credits. Further details are available in the Investor Information section of this report.

Succession

Jonathan Ling took up the role of Chief Executive Officer in September 2006. He has lost no time in putting his stamp on the organisation, renewing the management agenda and, in the final part of the year, delivering a major strategic acquisition that opens up a new frontier of growth.

Jonathan's promotion created the opportunity for significant change in the senior management team, increasing breadth and diversity and providing new opportunities for the development of leaders across the business. The group has five divisions, four of which are now headed by new divisional chief executives. The acquisition of Formica Corporation from the start of the 2008 financial year will bring new talent and diversity based on its extensive international operations.

Sir James Fletcher

New Zealand lost an outstanding citizen and business leader with the death of Sir James Fletcher on 30 August 2007. Sir James was Managing Director of Fletcher Holdings from 1942 until 1979, leading the company through a long period of expansion and developing new industries that provided employment for thousands of people. He was instrumental in the success of many businesses that today form part of Fletcher Building. He remained actively involved in business as a director of Fletcher Challenge until 1990, and then with the charitable works of the Fletcher Trust for another decade.

Sir James was an imaginative leader with a willingness to take calculated risks in the interests of growth. He commanded the respect of his colleagues and gave it in equal measure. Many people who knew or worked with him are still involved with Fletcher Building and will be especially sad at his passing.

The selection and establishment of a new chief executive is perhaps the most important task faced by a board of directors. Accordingly, I am very pleased that the transition has been accomplished without a missed beat in terms of capturing strategic opportunities, performance and profitability, and with a positive reception from shareholders and the investment markets.

Corporate governance

The company has maintained its well proven corporate governance practices which combine active participation by a largely independent board through ten regular, and a number of special, meetings through the year. These are supplemented by regular site visits.

No significant changes to our governance practices have arisen during the year. A summary of these practices is provided in the Corporate Governance section of this report, and for fuller review the governance policies are reported on the company's website.

Acquisition of Formica Corporation

The Formica Corporation acquisition was announced on 23 May 2007 and completed on 2 July 2007, with the result that the newly acquired business will make a full contribution to performance in the 2008 year. Formica Corporation is the world's leading manufacturer of high-pressure laminates, with a globally-recognised brand and a track record of earnings improvement. It is highly complementary to our Laminex operations, which manufacture similar products in Australia and New Zealand.

This is a major step in the growth and geographic diversification of Fletcher Building, following three large acquisitions completed successfully in Australia in the past six years. It extends the operating horizons of the group in North America, Asia and Europe, and provides a further rebalancing of the geographical sourcing of our revenues, which is an important consideration for earnings reliability and sustainability.

While the acquisition of a global business is exciting in its own right, your board is conscious that it brings a mix of opportunities and challenges. Among the former are the opportunities for further growth and the replication of value-creating strategies and learning on a broader operational front. Among the latter are the challenges of providing good governance across a range of geographies and legal jurisdictions, working with different cultures and management styles, embedding a strong culture of performance and workplace safety, and forging common bonds across what will be a highly diverse organisation.

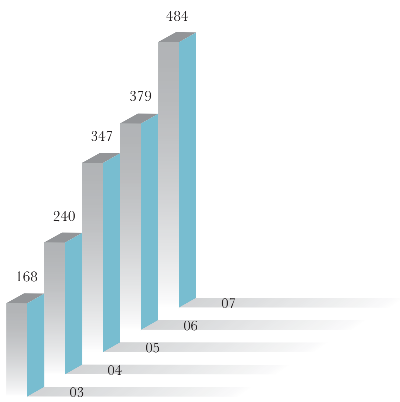
People

Fletcher Building has grown substantially since its listing in 2001, and now has just over 20,000 employees spread over 30 countries. Each one has a contribution to make, and we greatly respect the fact that the company's success is built on the efforts of its people. I record the board's appreciation and thanks to all.

Chairman's review

A key issue in enabling people to perform and grow is leadership. We are fortunate to have strong teams at every level, but the requirement for improvement is never-ending and leadership makes the difference between success and failure.

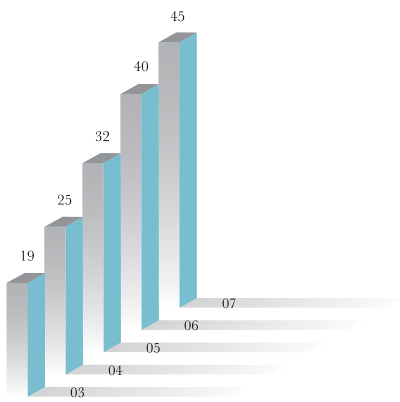
The other key focus in respect of our people is the provision of safe working environments. Our safety performance has improved significantly, as reflected in a marked reduction in the lost time injury rate. Nevertheless, we can continue to improve and we are continuing to increase the level of focus and resources devoted to this issue.



Net earnings
NZ$ Millions

Shareholder reports

Your board has taken the opportunity of recent legislative and NZX Listing Rule changes to improve communication and reduce costs by providing shareholders with an annual review, being a succinct summary of the operational and financial activities for the most recent financial year. We hope you find it informative and easy to read. You can view this annual report on the company's website, and if you still wish to receive a printed copy of the annual report you need to advise the company by completing the form sent with the annual review.



Dividends
Cents per share

Outlook

In New Zealand, new housing consents are forecast to decline over the current year. Offsetting this decline, there remains a backlog of work to be completed, unsatisfied demand for alterations and additions, and ongoing commercial construction activity. Infrastructure activity is expected to continue at similar levels to those experienced in the latest year.

In Australia, housing is in a cyclical decline with New South Wales at very depressed levels, offset in part by strength in Queensland and Western Australia. A gradual recovery is expected in residential construction, while growth in non-residential building is expected to be flat. Infrastructure markets are expected to vary in strength from state to state, with engineering construction continuing to grow strongly.

The residential and other construction markets served by Formica Corporation in Europe and Asia are anticipated to remain strong although some weakness in North America is expected. In aggregate, Formica Corporation is expected to have a positive impact on earnings per share in the current year, assisted by synergies achieved in the integration with the Laminex business.

Whilst it is too early to predict results for the year, the board believes the group will report another satisfactory result for the year to 30 June 2008.

Roderick Deane *Chairman of Directors*

Chief executive's review

Group results

Operating earnings (that is, earnings before interest and tax) were $703 million, including $5 million of unusual gains, compared to $675 million in the 2006 year. This 4 percent increase reflected the benefits of acquisitions, ongoing productivity improvements and the unusual gains, offset by the more difficult market environment.

This increase in operating earnings, in a softer trading environment, provided further validation of the group's strategy to build earnings reliability. The balance of exposures between different geographical regions and market sectors has served us well. All our divisions have performed well in the market conditions applying to them. At the same time we have been successful in further implementing our strategic objective to increase the earnings diversity of the company and provide a wider range of growth options, manifested through the acquisition of Formica Corporation.

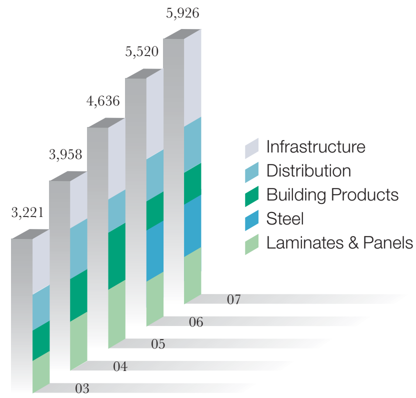
The $5 million unusual gain includes the $14 million net benefit of the insurance claims for damage to the Taupo medium density fibreboard plant and the Pacific Steel plant, as advised in May 2007. Offsetting this gain were the write-down of the investment in the Penrose hardboard mill, as the costs of meeting environmental compliance rendered the plant non-viable, and the write-down of the value of Australasian high pressure laminate assets following the Formica Corporation acquisition.

Divisional results reflected the mixed operating environment, with earnings increases in Infrastructure, Distribution and Laminates & Panels more than offsetting decreases in Building Products and Steel.

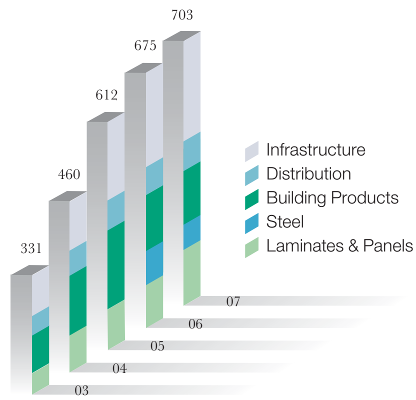
Infrastructure lifted operating earnings from $255 million to $271 million, with all key businesses improving earnings, despite a small fall in cement volumes and very weak market conditions in New South Wales. Distribution's operating earnings increased from $75 million to $80 million despite a very significant increase in retail competition. Laminates & Panels increased from $116 million to $131 million, with margin pressure in the Australian business offset by expense control, and improved earnings in New Zealand despite the closure of the Taupo medium density fibreboard plant following the fire.

Building Products' operating earnings declined slightly to $141 million with key factors being flat conditions in residential new-build segments in New Zealand and lower activity on the east coast of Australia. Steel's operating earnings declined $13 million to $80 million, with an unprecedented increase in raw material costs. Both divisions were affected by the high level of the New Zealand dollar, limiting export earnings and the scope for domestic price increases.

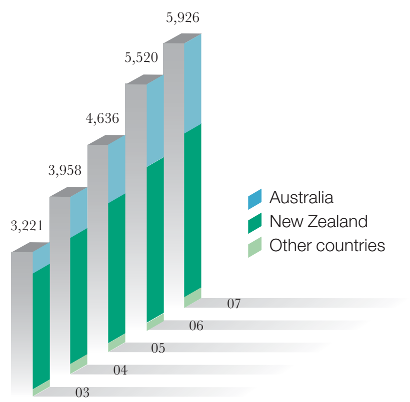
The group is in a sound financial position, with excellent operating cashflow and gearing within the policy guideline. Gearing was 22.2 percent at balance



Sales by division
NZ$ Millions



Operating earnings by division
NZ$ Millions



Sales by geography
NZ$ Millions

date and 41.1 percent after settlement of the purchase of Formica Corporation, supplemented by a $321 million equity raising. Interest cover improved from 9.3 to 9.8 times over the course of the year and is expected to reduce to around 7.0 times after the acquisition of Formica Corporation.

New management team

There has been significant change in the senior management team, creating opportunities for divisional chief executives to broaden their experience and for other executives to move up to divisional roles.

My former role as Chief Executive, Laminates & Panels was filled by David Worley, who had previously headed the Distribution division. David Edwards, formerly a senior executive in Laminates & Panels, was appointed to the

Left to right:

Back:
Chris Ellis,
Bill Roest,
Mark Binns,
Peter Merry

Middle:
Paul Zuckerman,
David Edwards,
Frank Riddick

Front:
Martin Farrell,
Jonathan Ling,
David Worley

Distribution role. The resignation of the Chief Executive, Building Products resulted in the appointment of Chris Ellis, formerly General Manager of Winstone Aggregates, to that position.

The Steel division created through the split from Building Products is headed by Paul Zuckerman, who was recruited from BlueScope Steel, where he was responsible for operations in China. The Infrastructure division and the newly-acquired Formica Corporation continue to be headed by Mark Binns and Frank Riddick, in roles they have performed with distinction for six and five years respectively. The senior management team is rounded out by Martin Farrell, Peter Merry and Bill Roest in the senior functional roles they have each performed for several years.

The team includes a strong mix of management and functional talent with a blend of long-standing and recently-introduced experience. The Formica Corporation acquisition and the recruitment of Paul Zuckerman have also increased the breadth of experience of the team. We have strong experience in every operating arena, a mix of nationalities, and a number of executives who have carried out leadership roles in more than one geographical market. This is a strong basis for continued learning, improvement and development.

Formica Corporation's *North American corporate office. This is also the location of the main North American HPL plant.*

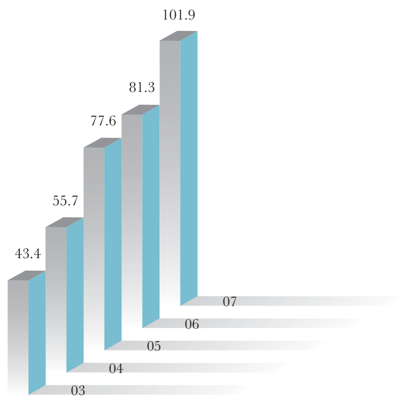
Acquisition of Formica Corporation

The Formica Corporation acquisition is a major advance in the group's development, increasing our international profile and serving our strategic objectives at a number of levels. It increases the size of Fletcher Building, adding approximately $1 billion of sales, or about 17 percent on the existing base. With this acquisition, Fletcher Building has become the largest listed building materials company based in Australia and New Zealand.

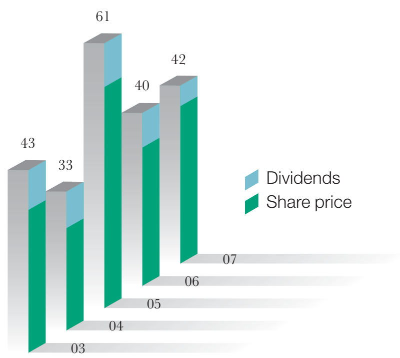
Formica Corporation is a recognised leader in innovation in high pressure laminate products, through continuous development of new colours, designs, textures, materials and concepts. Like Laminex, it offers a wide variety of visual effects, retaining the high performance and durability characteristic of laminate products.

Formica Corporation meets all the criteria Fletcher Building employs to assess potential acquisitions – being complementary to existing operations, holding

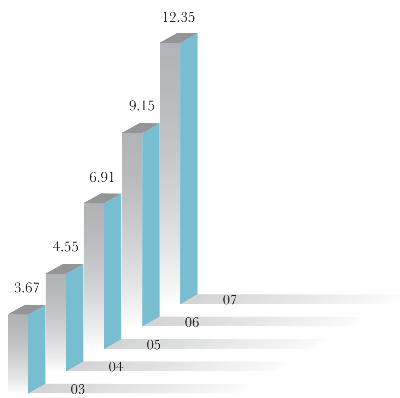
Chief executive's review



Earnings per share
Cents



Annual total shareholder return
Percentage



Share price
As at 30 June NZ$

leading market positions and recognised brands, operating within a favourable industry structure, having strong management in place and creating a positive financial impact on the group.

We expect the Formica Corporation acquisition to have an immediate positive financial impact, increasing normalised earnings per share from the current year. Perhaps most importantly, Formica Corporation presents further opportunity for growth and development based on the juxtaposition with our existing laminates and panels business – for example:

- It is a logical extension to our existing business, with the opportunity to establish a truly global laminates platform. Formica Corporation's high quality Asian manufacturing facilities will enable us to achieve global lowest cost competitiveness in Australasia, and its distribution network provides a strong platform to distribute Laminex products into Asian growth markets.
- The complementary nature of Formica Corporation's product offering and manufacturing capabilities will enable significant synergies to be achieved, expected to be approximately $13 million in the current financial year and $24 million in 2009.
- Formica Corporation has a series of earnings enhancement projects in North America, including the consolidation of manufacturing sites for high pressure laminates and other supply chain optimising initiatives scheduled to be completed by June 2008.
- While markets for high pressure laminates are generally mature, growth opportunities exist in Formica Corporation's Asian and Eastern European businesses, where increased demand is expected.

Formica Corporation's strong track record of success in change projects, along with Fletcher Building's experience, underpins our confidence that the expected earnings improvement will be achieved. We are delighted that the key members of Formica Corporation's management team have committed to stay with the company under Fletcher Building's ownership and contribute to the next phase in Formica Corporation's development.

Strategic agenda

The company continues to focus on earnings reliability as an important factor in generating good shareholder returns. Key factors include the balance of exposures to different market sectors and geographical regions. In respect of the former, it is close to the desired balance of an even split in revenue between the residential, commercial and infrastructure sectors. In respect of the latter, it has achieved a significant gain through the Formica Corporation acquisition. It has also completed a number of smaller acquisitions to enhance existing market positions or introduce new products. While the company has increased its exposure to the laminates markets this is not seen as signalling a change in the strategy of product and geographic diversification.

With continuing strong cashflows and financial ratios, the company is well positioned to make further acquisitions to enhance its overall position. It will do so where strategically compelling opportunities are available and these meet its established acquisition criteria.

Growth will also continue to be sought from internal sources. In the latest year the company invested $225 million of its $346 million of capital expenditure on small "bolt-on" acquisitions and internal growth projects. It will continue to invest in the current year, with key projects including the final stage of the particleboard capacity upgrade in Western Australia; increased MDF capacity at Gympie; a metal roof tile plant in Eastern Europe and ongoing upgrades to the steel mill. Support for programmes to promote innovation as a generator of earnings growth will also be provided.

People

The group has steadily increased the level of resources and focus devoted to leadership development. Our key objectives in this regard are to build individual leadership capability, drive high team and individual performance and foster the visibility and development of key management talent.

Some courses are offered in conjunction with major universities, and two are accredited and thus lead to formal academic qualifications. The group has particularly strong relationships with the University of Auckland Business School and the Melbourne University Mt Eliza Centre for Executive Education. Since 2001, 33 senior managers have attended programmes in the United States, the United Kingdom and Australia. We are currently sourcing similar programmes with an Asia-Pacific focus. Further information on leadership development is included under People in the Sustainability section in this report.

The company's leadership development and executive education programmes are also supported by the Fletcher Building Employee Educational Fund which supplemented expenditure by the company. Funding of $5.1 million was approved by the Fund in the 2007 year.

The company has provided early support for the introduction of the New Zealand government's KiwiSaver retirement saving scheme, committing to provide a voluntary employer contribution to employee accounts from the date of the scheme's introduction. This voluntary contribution will reduce as the introduction of compulsory employer contributions is implemented over the ensuing years.

Top and middle: Since the ***The Manager's Toolkit*** *was launched in February 2006, 396 people managers have participated. The programme is a series of 30 workshops that cover Managing Yourself, Managing Others, Managing the Business and Managing Risk.*

Bottom: A ***Fletcher Aluminium*** *cross-functional team meeting to discuss process improvements.*

Chief executive's review

Courtney Gould lifts sheet steel in preparation for wrapping and strapping at the Auckland, New Zealand, coil division of ***Fletcher Easysteel.***

Health and safety

Our highest priority is to provide safe working environments across all our operations. Our safety performance has improved at a group level, evidenced by a 32 percent decline in the lost time injury rate in the latest year, from 9.67 to 6.53 per one million hours worked. While we have made progress in this regard, we are seeking continued improvement.

Business units are required to prepare annual health and safety plans and assessments of safety performance and programmes are included in all business unit operational reviews. Managers are fully accountable for ensuring that hazards are identified and properly addressed, and the board receives regular reports on all aspects of safety performance.

All employees are required to keep themselves safe and help their colleagues to do the same. We accept our responsibility to ensure this is understood and that full compliance is achieved. Education and training programmes are in place throughout the group for this purpose.

A more comprehensive review of safety performance and initiatives is available in the Sustainability section of this report.

Environmental sustainability and climate change

Fletcher Building continues its active engagement and leadership in sustainability issues. This drive to be environmentally sustainable has a number of dimensions, including our ongoing programmes to reduce carbon dioxide emissions, the development of building designs, products and services that enhance both our competitiveness and environmental performance, and our compliance with regulatory requirements.

In the last year a number of initiatives were completed that have reduced carbon dioxide emissions and improved energy efficiency. These include the new power transformer at Pacific Steel, the new drier at Laminex's Dardanup particleboard plant, the new furnace at the Victorian insulation factory and the upgrade of Golden Bay Cement mill.

In the coming year, new projects that will improve energy efficiency include the new furnace shell at Pacific Steel, the new furnace at Tasman Insulation in Auckland and the new heat plant at Laminex's Gympie MDF mill.

Our manufacturing operations also contribute to reduced environmental effects and greenhouse gas emissions through the use of materials that would otherwise be sent to landfill. Our use of recycled materials makes Fletcher Building the largest recycler in New Zealand. Examples include:

- Golden Bay Cement uses flyash as a supplementary cementitious raw material.
- Pacific Steel uses more than 200,000 tonnes of scrap steel in the electric arc furnace. The electric arc furnace process used to produce steel from scrap is significantly less energy and carbon dioxide intensive than the integrated process required when using iron ore as raw material.
- The Laminex Group uses 250,000 green tonnes of biomass waste in the manufacture of its panels. This biomass waste would otherwise generate carbon dioxide/methane emissions from landfills. The Laminex Group is the only composite wood panel manufacturer in New Zealand to develop the manufacturing processes required to use such volumes of biomass wood waste.
- Recycled glass makes up 80 percent of the raw material required to manufacture glasswool insulation.
- Winstone Aggregates has initiated a project to use 50,000 tonnes per annum of steel mill production waste in producing road materials.

Our manufacturing operations also produce and use significant quantities of renewable energy. Golden Bay Cement and Laminex's board plants, for example, use waste wood to generate energy.

Fletcher Building is also participating in a number of organisations that are contributing leadership to sustainability practices and policies, such as the Green Building Councils in Australia and New Zealand.

Environmental issues, and in particular those relating to climate change, will retain a very high level of management focus as we go forward. A more comprehensive review of the company's environmental programmes is included in the Environmental Sustainability and Climate Change section of this report.

Summary

The 2007 year has been an important one for Fletcher Building – a year of management change and significant repositioning. It is the beginning of the next phase in increasing the geographic diversity of the company and providing a wider range of growth options. But, just as pleasing, it has been another year of good operating performance and record earnings.

Jonathan Ling *Chief Executive Officer and Managing Director*

Pacific Steel *is New Zealand's principal recycler of scrap steel, which it uses to manufacture wire rod and reinforcing bar at its plant in Otahuhu, New Zealand.*

Finished Pink Batts come off the production line at ***Fletcher Insulation's*** *plant in Dandenong, Victoria, Australia.*

Divisional reviews

Gas ducting being lifted into place as part of the Gas Train Modification project at the ***Golden Bay Cement*** *plant near Whangarei, New Zealand.*

Sales	$1,944 million
Operating earnings	$271 million
Funds	$767 million
Employees	6,120
Key Brands	Winstone Aggregates Fletcher Construction Fletcher Homes Rocla Golden Bay Cement Firth Humes

Infrastructure

The Infrastructure division is a vertically integrated business consisting of a construction materials business which supplies aggregates, cement, ready-mix concrete and a range of manufactured products in New Zealand. The division is a major supplier of concrete pipeline products and aggregate sands throughout Australia. It is the largest construction contractor and residential builder in New Zealand.

Performance

Sales and earnings grew for the sixth year in succession despite lower cement volumes and very weak market conditions in New South Wales. The key operations all reported higher earnings than in the previous year.

Sales for the year were up 7 percent to $1.9 billion. Operating earnings grew by 6 percent to $271 million. The division's return on funds employed was 35 percent, compared to 33 percent for the previous year.

Most of the division's earnings are derived from the New Zealand market, where overall demand was slightly weaker than in the 2006 year. Concrete operations reported 9 percent growth in operating earnings, with higher margins recorded for most products. Sales volumes for aggregates, concrete, concrete pipes and masonry were slightly higher than for the previous year, but cement volumes were down by 45,000 tonnes. Operating earnings from the Residential business grew by 36 percent, and those from Construction were also higher.

As in previous years, a key focus for management was to improve margins. The division continued to benefit from a range of pricing initiatives, cost reduction programmes, product rationalisations, investments and divestments aimed at enhancing operational performance. Divestments included the Hinuera quarry operations, some surplus property and, since balance date, the Stresscrete operations. The improvement in New Zealand concrete earnings was primarily a consequence of these initiatives rather than market growth.

Operating earnings from the Golden Bay Cement business improved despite the full commissioning of the final capacity upgrade in the first half. In the second half, manufacturing performance exceeded expectations and the financial results of the business were strong. Sales volumes were lower than for the previous year, but prices were higher and overhead costs were reduced.

Winstone Aggregates recorded an increase in earnings on similar trading volumes. Operational performance continued to benefit from capital investment, reduced production costs and price increases. Overall margins were higher.

Firth's earnings were slightly ahead of those for the previous year. Concrete sales volumes were higher due to investment in new sites. The contribution per cubic metre of concrete was lower, with prices in the Auckland and Waikato areas under pressure. Large raw material and distribution cost increases could not be fully recovered. Firth's masonry volumes were similar to those for the previous year, but margins were higher, due primarily to cost savings resulting from capital investment.

The pipe market remained strong, and Humes' operating earnings improved despite some margin deterioration. While market conditions remain firm, margins are expected to be constrained by competition.

The Rocla pipeline and quarry businesses performed well, recording a 21 percent return on funds employed compared with 18 percent for the 2006 year. The quarry products business recorded lower earnings from New South Wales but had very strong results in all other states. The pipeline products business recorded increased sales volumes for all major product groups, and earnings were ahead of expectations.

Fletcher Construction had a strong year, with operating earnings improving by 6 percent. All operations performed to expectations, with the construction backlog being $775 million at year end. Major contracts won during the year were the BNZ Centreport ($66 million), Tauranga Harbour Link ($130 million), Hobson Bay sewer tunnel ($50 million) and Lower Hutt motorway ($35 million). This backlog, strong prospects and continued firm market conditions, suggest that workload will remain healthy in the commercial building and engineering operations.

Fletcher Residential had an exceptional year, with strong demand recorded in Auckland and increasing interest in the Queenstown development, Jacks Point. Prices and margins increased, as did earnings despite a reduction in the number of houses completed.

Earnings from the Fijian and Peruvian businesses were $3 million compared with $8 million last year. Difficult trading conditions in Fiji are likely to continue in the next financial year.

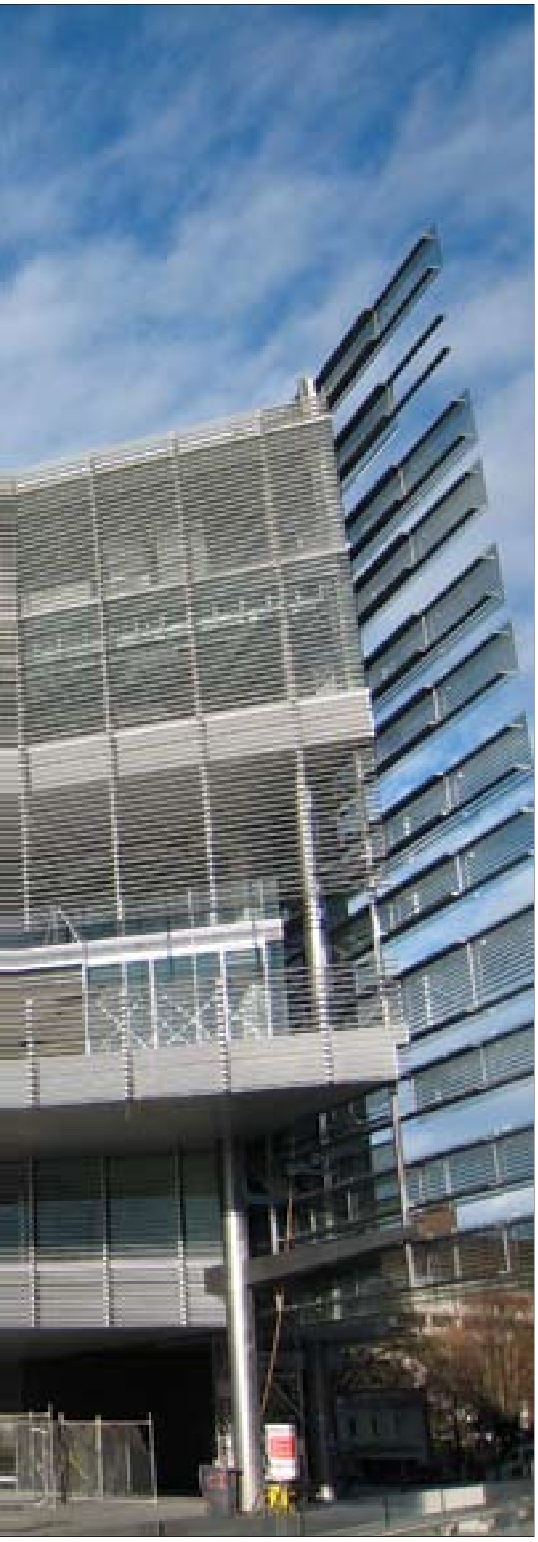
Fletcher Concrete and Infrastructure was found guilty during the year of charges under the Health and Safety in Employment Act, arising from a fatal accident in 2005 at the Stresscrete Papakura concrete products plant.

The company accepted responsibility for the accident, which claimed the life of Mr Esera Visesio. A fine of $225,000 was imposed.

This tragic accident, which occurred despite the active presence of a range of safety programmes and systems, is deeply regretted. The company apologised to Mr Visesio's family and participated in a restorative justice process over the two years following the accident. Financial reparations were agreed as part of this process.

*Work in progress for **Fletcher Construction** on the University of Auckland Business School, an 11-level campus for teaching and research activities.*

Divisional reviews



Business improvement

The primary focus of the capital investment programme is high-returning organic growth opportunities. This has contributed significantly to the substantial earnings growth achieved in recent years, and will assist the businesses within the division to achieve superior operational performance and returns in the future. Infrastructure invested $110 million in the 2007 year, compared with $128 million in 2006.

The final project in the Golden Bay Cement upgrade was commissioned during the year. The upgrade programme, which commenced in 2002, involved an investment of $106 million and increased production capacity to 930,000 tonnes per year. The upgrade delivered substantial savings from improved fuel efficiency, reduced use of imported clinker and increased cement milling capacity in the second half of the financial year. Further benefits of approximately $10 million per year are anticipated.

Further investment was made to enhance Winstone Aggregates' and Rocla Quarry Products' positions in their key markets. Winstone Aggregates undertook a number of major initiatives within the Auckland region – continuing development of the Hunua quarry, commencing re-development of the Whangaripo quarry, doubling extraction capability and gaining resource consent to increase sand volumes from the Kaipara Harbour, and replacing processing plant at Three Kings quarry. In the Waikato region, the development of the Whitehall quarry was progressed, and in Wellington the Petone sand processing plant and barge were replaced. Rocla Quarry Products obtained consent for the extension of the Calga quarry north of Sydney, and neighbouring land was acquired for future expansion.

Firth enhanced its competitive position in a number of markets through targeted investment in new plant, equipment and concrete trucks. Investment in a new chip plant and upgrade of its Auckland masonry plant were undertaken during the year. Rocla Pipeline Products invested in upgrading and expanding its railway sleeper operation after winning a major contract.

Construction upgraded major plant, with particular emphasis in areas where it could achieve good productivity gains and further enhance its competitive advantage. In addition, it acquired a small piling business which is complementary to the existing foundation engineering operations of the company.

The division has made further progress with its strategy of divesting low returning and surplus assets, generating $28 million of cash during the year.

Distribution

The Distribution division predominately operates under the PlaceMakers brand with outlets throughout New Zealand selling building materials and related products to trade and DIY customers. It also provides a distribution channel for a number of other Fletcher Building companies.

Performance

Sales grew by 11 percent over those for the previous year to $1,064 million. Charge sales rose by 12 percent, while cash sales were up 9 percent despite a very significant increase in retail competition with the opening of a number of large format stores.

Sales growth was supported by the store development programme, but the development costs affected operating expenses. Internal sales management programmes continued to improve revenues, as did acquisition growth. Operating earnings at $80 million were 7 percent higher for the year – a creditable performance in a slowing new housing market.

Capital expenditure for the year was close to $18 million, allocated primarily to the new store upgrade programme. Expenditure on information systems continued to enable the replacement of some ageing hardware, but the development of new technologies to improve business processes for customers continues as a priority. A new store computer system was approved during the financial year with implementation in branches starting later this year.

There has been a concerted focus on improving returns from frame and truss manufacturing through ongoing measurement and benchmarking of costs, productivity and volumes. A regional investment strategy for these plants has been established, based on creating best practice models with a major focus on health and safety processes.

Business improvement

New stores were opened in Takanini, Wanaka, Richmond, Whitianga and Palmerston North, replacing outdated facilities. Additionally, six stores were expanded and upgraded and a new distribution facility was added to expand the growing Cook Street, Auckland business.

The acquisition programme continued during the year. Selective acquisitions consistent with strategic intent and financial objectives were concluded. Small depot locations were acquired in Mangawhai and Stratford, while an attractive purchase was made in Cromwell. Maddren Timber, a well established operation in West Auckland, was also acquired.

***PlaceMakers Te Rapa**, one of six stores upgraded during the year.*

Sales	$1,064 million
Operating earnings	$80 million
Funds	$163 million
Employees	2,751
Key brands	PlaceMakers

*Inside the **PlaceMakers Kerikeri** store.*

Divisional reviews

*Molten glass pours from the new environmentally friendly Intech furnace at **Fletcher Insulation's** Dandenong plant.*

Sales	$697 million
Operating earnings	$141 million
Funds	$565 million
Employees	1,880
Key brands	GIB Pink Batts Insulco Gerard Decra Fisher

***Oliveri's** latest sink range, Nu-Petite, combines clean, square styling with generous capacity and a refined drainer design.*

Building Products

The division has a range of New Zealand and Australian businesses involved in the manufacture and distribution of plasterboard, glasswool insulation, roof tiles, sinkware and ceiling, wall and flooring systems.

Performance

The division recorded a slight decrease in operating earnings before unusual items, of 1 percent to $141 million. This was a satisfactory performance given the range of economic factors that affected trading during the year – flat conditions in the residential new-build segments in New Zealand, the ongoing decline in activity in the key east coast metropolitan markets in Australia, and the strong New Zealand dollar experienced for most of the year, which affected export earnings and limited the ability to achieve price rises in domestic markets.

The plasterboard business performed well with the historically high New Zealand dollar supporting significant import pressures. Earnings were also maintained from the previous year, on sales volumes 4 percent higher.

In Australia, Fletcher Insulation's earnings fell 29 percent due to very soft residential markets in New South Wales and Victoria, price pressure from imports and one-off impacts from the merger of our two insulation businesses. Stronger market conditions in Queensland, Western Australia and Tasmania were offset by high transport costs from manufacturing plants in New South Wales and Victoria. A significant programme of restructuring was completed during the year to focus the business on its glasswool operations and included closure of the polyester manufacturing facility in Sydney and replacement of the glass wool furnace in Melbourne. Performance improved in the June quarter.

In New Zealand, insulation earnings fell 13 percent due to increased costs in glasswool manufacture that were not recoverable due to import pressure.

The metal roof tile businesses performed particularly well despite the strong New Zealand dollar affecting margins on exports from the AHI Roofing plant in Auckland. Manufacturing plants in New Zealand and Malaysia achieved record production and sales volumes up by 13 percent overall. Earnings rose 23 percent. The metal roof tile businesses continue to advance a "global niche" strategy, with the growth in European sales at such a level that a decision has been made to build a manufacturing plant in eastern Europe.

Among the "single business" assets, Tasman Sinkware performed very well, with strong domestic sales of the market-leading Oliveri range offsetting reduced demand in the United States. Tasman Access Floors had its best year since it was acquired in 2003 and the Forman group, acquired in December 2006, made a significant contribution to the division's results in the subsequent seven months.

Business improvement

Many of the division's businesses are well placed to benefit from the rapidly growing focus on energy efficiency in new and existing homes, and in commercial developments. The division continues to support the work being done by the Beacon Pathway research consortium, carrying out research initiatives on energy efficiency. In particular, the insulation businesses will benefit from new regulations announced in New Zealand and increasingly being implemented in Australian building requirements.

The division's exposure to the New Zealand residential housing cycle has long been recognised. Diversification measures during the year include the acquisition of the Forman group in New Zealand, with its focus on the commercial and industrial markets. Further growth was facilitated in sales of metal roof tiles in Europe, and the establishment of an in-market manufacturing facility will further diversify geographical earnings.

Significant capital projects were completed during the year, to a total value of $36 million, of which $13 million is growth capital. These included replacement of the gas-fired melter at the Dandenong glasswool plant with the division's proprietary Intec electric arc furnace, which was successfully commissioned in February 2007. Winstone Wallboards completed and commissioned a bulk gypsum storage facility at its Christchurch plasterboard plant, and Tasman Sinkware completed a robotic press in-feed project at its Adelaide sinkware plant. Fletcher Aluminium advanced a number of information technology projects which will provide industry-leading support to its franchisee network.

In the current year, plans are well advanced for replacement of the Auckland glasswool plant melter with an Intec furnace, and a new plasterboard finished goods bulk warehouse and despatch centre in Christchurch to strengthen the "house lot" ordering and "delivery to site" services.

Steel

The Steel division comprises three businesses – long steel products, which converts scrap metal into reinforcing rod and bar; a rollforming business; and steel merchandising.

Performance

Operating earnings before unusual items were below expectations despite a strong first half, with a decrease of 14 percent to $80 million. The long steel

Winstone Wallboards *has developed a broad range of literature for specifiers, tradespeople and homeowners. All of these are available online.*

Divisional reviews

The rod line at ***Pacific Steel*** *in Auckland, New Zealand which produces reinforcing steel and wire rod for the construction and rural markets.*

Sales	$1,161 million
Operating earnings	$80 million
Funds	$496 million
Employees	3,305
Key brands	Pacific Steel Pacific Wire CSP Cyclone Fletcher Reinforcing Fletcher Easysteel Pacific Coilcoaters Dimond Stramit

A panelised formwork solution provided by ***Stramit*** *for the Freshwater Place project, a major commercial high-rise development in Melbourne's central business district.*

business experienced an unprecedented increase in scrap raw material input costs. The high New Zealand dollar limited the division's ability to achieve corresponding domestic price increases, and also its scope for export earnings.

The rollforming business enjoyed a successful year in a more competitive trading environment in both Australia and New Zealand. Operating earnings were at the previous year's level. Stramit was successful in acquiring the business of Eziform Sheetmetals, effective 1 May 2007, adding expertise and capability in the commercial sheetmetal segment of the south east Queensland market. The benefit to 2007 year's result was not significant. Subsequent to balance date, the acquisition of the Fair Dinkum Homes and Sheds business has been announced. This represents a significant investment for the rollforming business as Fair Dinkum Homes and Sheds is the major supplier of pre-engineered buildings in the Australian market, and also with a presence in New Zealand, UK and South Africa.

Fletcher Easysteel, the steel merchandising business, performed above expectations, with significant growth in its processed steel segments.

Unusual write-offs totalling $9 million arose during the year. Of this, $4 million related to the failure at the Pacific Steel plant in October 2006 and the balance to costs associated with exiting two technical ventures that were not meeting the strategic objectives of the division and a charge related to restructuring costs for the wire processing businesses. The drought in Australia, the high New Zealand dollar and poor returns in the sheep and beef sector put pressure on the rural markets which consume many of the division's wire products.

Business improvement

New management was introduced into the long steel business in the second half of the year, with the objective of achieving sizeable improvements in all operating and financial measures over the short term.

The steel plant installed a new transformer with increased capability in February 2007. This was on order at the time of the transformer failure in October 2006, as the risk to the business of such a failure had been recognised. The new transformer is part of a series of projects that will increase the capacity of the plant by 20 percent, to enable production of 300,000 tonnes of steel billet per year.

In total, the division completed capital projects amounting to $36 million. Aside from the transformer, these included improved capability in the rollforming business, a new facility in Christchurch for Dimond and one in Rockhampton for Stramit.

***Dimond's** new facility in Christchurch, completed during the year.*

Laminates & Panels

Sales	$1,058 million
Operating earnings	$131 million
Funds	$814 million
Employees	2,566
Key brands	Laminex Formica Melteca O'Brien Laminates Greenfirst Wespine

The division comprises the Laminex Group which is Australasia's leading manufacturer, marketer and distributor of high- and low-pressure decorative surface laminates. It also manufactures and sells particleboard and medium density fibreboard.

The recently acquired Formica Corporation will become part of this division.

Performance

The division performed strongly again, increasing sales to $1,058 million and operating earnings to $131 million. Funds usage decreased, primarily as a consequence of the loss of the Taupo medium density fibreboard (MDF) plant by fire in September 2006.

Trading conditions varied across the region, with Australia performing particularly well. In total, the Australian business achieved sales growth, but with some pressure on margins. Expense control contributed to a lift in operating earnings.

While sales from New Zealand were well down on the previous year as a consequence of the Taupo fire, earnings increased with the aid of initiatives in the sales and distribution business, improved export earnings, and the inclusion of the full year of earnings from the O'Brien bench top fabrication business purchased in April 2006.

The division continues to have a strong export presence in South East Asia, China, Korea and Japan, but export volumes of MDF declined by 30 percent due to the loss of the Taupo facility. As a result of the fire, a favourable outcome was achieved with insurers and a cash settlement was taken and is reported as an unusual item for financial reporting purposes. It was regrettable that approximately 80 employees were directly affected by the closure of the facility. Excluding the Taupo plant, production of MDF, particleboard and low pressure melamine were all up from the previous year.

Divisional reviews

*Top: The **Laminex** medium density fibreboard facility at Gympie, Australia, is being upgraded with a new heat energy plant to be completed during the 2008 year.*

*Bottom: A rotary cooler at the **Laminex** particleboard plant in Kumeu, New Zealand, cools jumbo boards from 100 to 45˚C after they leave the pressing process.*

*The **Laminates & Panels** design centre in Parnell, New Zealand was already a supplier of Formica products.*

The Wespine joint venture, the major pine sawmiller in Western Australia, faced a difficult year with earnings down largely as a result of the supply of lower quality logs from the current harvest of state owned plantations.

Business improvement

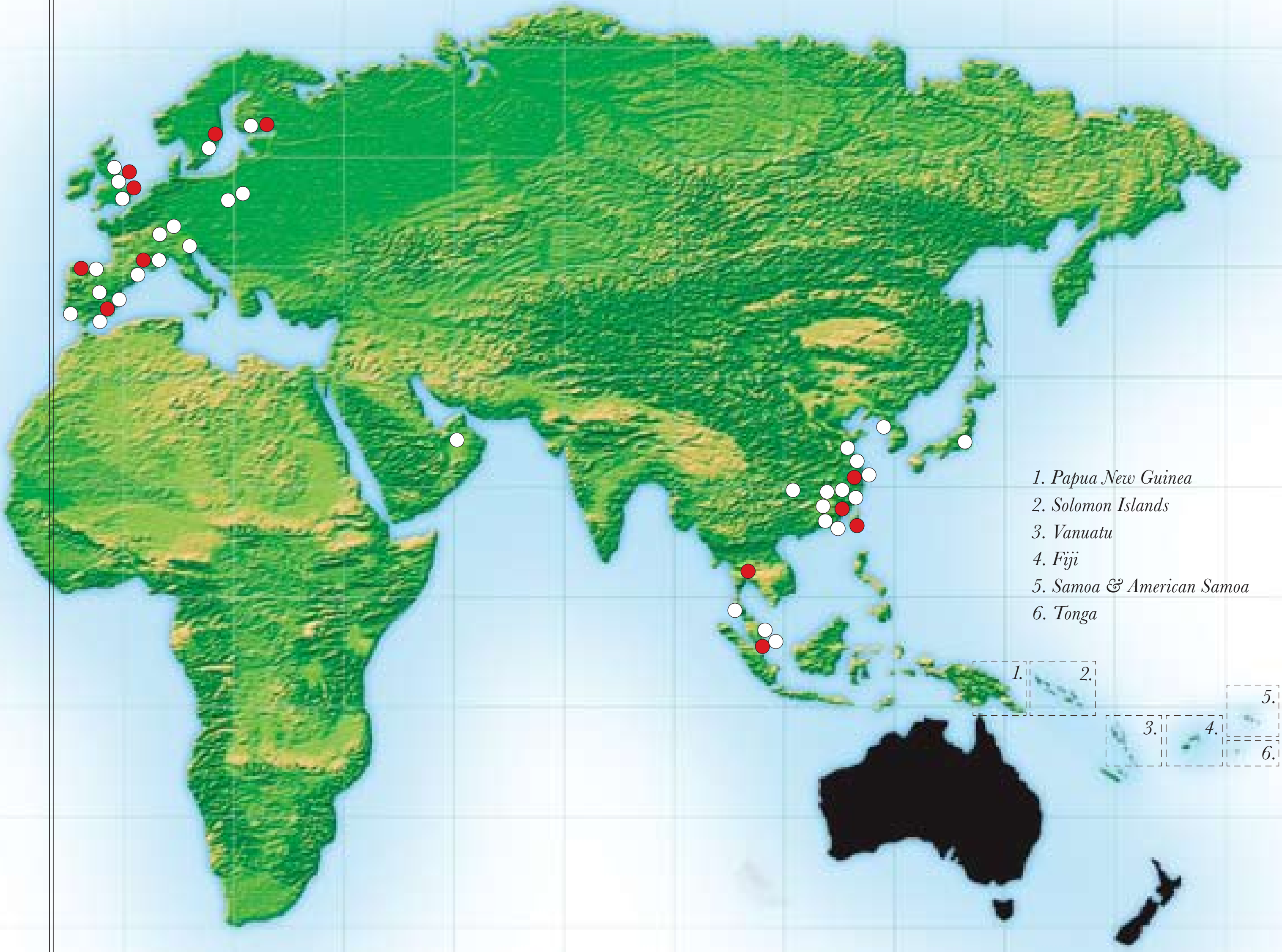
Particleboard manufacturing was enhanced through the successful commissioning of two key capital projects. The Kumeu plant commissioned its upgrade in June 2006, increasing production by 17 percent for the year. The Dardanup plant completed its drier upgrade in December 2006 and is already providing operating and environmental benefits.

A major upgrade was started at the Gympie medium density fibreboard site, involving the construction of a new heat energy plant. The project will cost $16 million and is expected to be complete in March 2008.

Construction started on a metropolitan distribution centre in Perth and a new branch in Bunbury to take advantage of the rapid growth in the southwest region of Western Australia. Both projects will be complete in 2008 at a cost of $4 million.

The division continues to focus on achieving operational efficiencies, with the immediate priorities being the successful rationalisation of its high pressure laminating facilities post the Formica Corporation acquisition and increasing MDF capacity at Gympie.

The division launched a number of new products, including a range of reconstituted timber veneers developed from plantation timbers. The launch of a new Vizage vertical surface range will provide a new offer in wet area applications. The ongoing commitment to the Greenfirst range of products has seen the division strengthen its close working relationship with the Australian Ecolabelling Association.



Global locations

With the acquisition of Formica Corporation, effective 2 July 2007, Fletcher Building now operates from 560 locations around the world, of which 192 are manufacturing sites.

New Zealand

The Forman group joined Fletcher Building in December 2006. It manufactures, distributes and instals thermal and acoustic insulation, ceiling and wall systems and other products to the commercial construction market. Annual revenues are $70 million and it has 270 employees throughout New Zealand.

*Specialist metal ceilings installed by **Forman Commercial Interiors** at the Britomart transport project, in Auckland, New Zealand.*

New Zealand

There are more than 320 places of business representing every division of the group:

- *138 manufacturing or quarry sites*
- *186 sales, technical, distribution, retail or general support offices*

Operations are located throughout the country, but mainly in the cities and towns of the North Island. The Auckland region has 42 Fletcher Building manufacturing or quarry sites and 51 other locations. The group's corporate office is in Penrose, Auckland.

UNITED STATES

Cincinnati, Ohio, is headquarters of Formica Corporation. Fletcher Building's recent acquisition is the culmination of three years discussion and evaluation. Formica Corporation's financial performance, product portfolio and employee base are continuing to be revitalised in recent years and the business outlook is solid.

*Lobby of **Formica Corporation's** downtown corporate office, Cincinnati, USA. The wall is clad with Formica veneer cathedral cherry.*

AUSTRALIA

The Laminex group continued to expand its manufacturing and distribution facilities. The Dardanup plant completed its drier upgrade in December 2006 and is already realising operating and environmental benefits. A major upgrade began at the Gympie medium density fibreboard site, involving construction of a new heat energy plant. Construction started on a metropolitan distribution centre in Perth, and a new branch in Bunbury to take advantage of rapid growth in the southwest region of Western Australia.

*The new woodchip drier at the **Laminex** site in Dardanup, Australia, commissioned in December 2006.*

Australia

There are more than 140 locations, representing all divisions except Distribution.

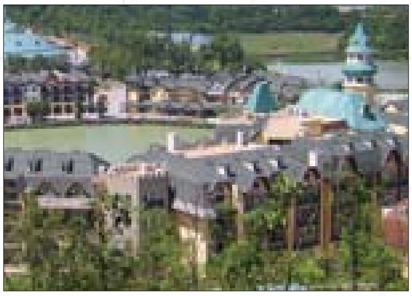
– 66 manufacturing or quarry sites

– 80 sales, technical, distribution, retail or general support offices

Operations are located in all six states and two territories, with the greatest concentration in the eastern states of Queensland, New South Wales and Victoria. The Laminex group is the largest operation, with five manufacturing locations and 46 sales, distribution and other centres.

ASIA

AHI Roofing is making inroads into growing Central Asian markets from its regional base in Hong Kong. One customer is developing a major residential and commercial complex near Shenzhen, China.



*A major complex emerges with the help of **AHI Roofing** in Shenzhen city, near Hong Kong.*

Another is building condominiums in the Mongolian capital Ulaanbaatar, where energy resources and a strategically important location are fuelling growth.

Formica Corporation

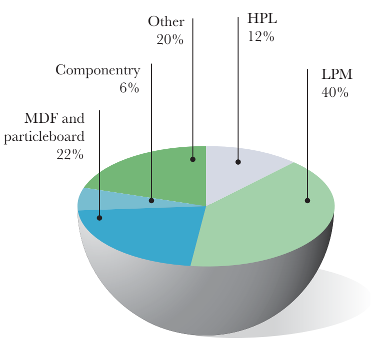
Formica Corporation is a global manufacturer and distributor of decorative surfacing products, headquartered in Cincinnati USA and with businesses in Asia, Europe and North America. It has 12 manufacturing and 33 distribution facilities spread throughout its regions of operation.

Formica Corporation's principal product is high pressure laminates, but it also manufactures and distributes solid surface, compact laminate and engineered stone products. It is a leading global brand with strong market positions in its key countries of operation. It is a recognised leader in product innovation, with strong development capability and a track record of successfully introducing new products.

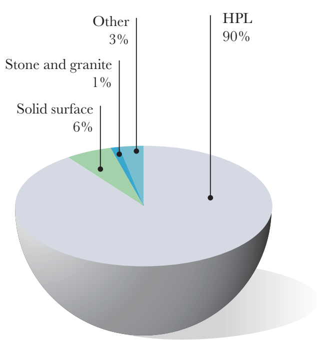
Fletcher Building acquired Formica Corporation for US$700 million (approximately NZ$960 million), with additional payments of up to US$50 million contingent on performance milestones. The base price represented a multiple of 7.2 times anticipated earnings for the 2008 year including synergies – well within accepted parameters. In its most recent year, to 31 December 2006, Formica Corporation had revenues of US$737 million and earnings before interest, taxation, depreciation and amortisation (EBITDA) of US$75 million on a normalised basis. Fletcher Building expects the comparable figure for the year ended 30 June 2008 to be approximately US$94 million before synergies.

Formica's complementary business

	FBU's laminates business	*Acquired Formica businesses*		
	Australasia	**Asia**	**Europe**	**North America**
HPL	◆	◆	◆	◆
Compact	◆	◆	◆	◆
LPM	◆		◆	◆
Solid surface	◆	◆	◆	◆
Stone & granite	◆	◆		◆
Flooring	◆	◆	◆	



Existing laminates business
– Australasia

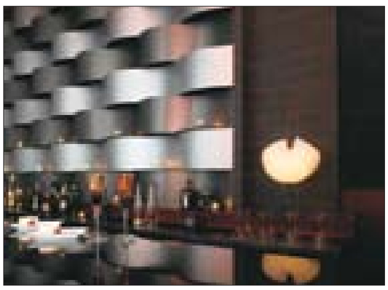


Existing laminates business
– Asia, Europe, North America

Façade cladding with Formica exterior grade compact structural laminate on L'enforcall restaurant in Valencia, Spain.

Formica® Solid Surfacing products are an acrylic/polyester resin system that uses natural and man-made materials to produce a decorative and durable finish.

Wall panelling and partitions surfaced with Formica brand laminate at Madrid airport (terminal 4), Spain. Architects: Sir Richard Rogers & Lamela Studio.



Formica DecoMetal® comes in solid metal and metal laminates which can be applied to contemporary interior environments.

Formica Corporation by region

Europe

Key Facts

- European key financials
  - 2006 sales = US$288m
  - 2006 EBITDA = US$29m[1]
- Total 2006 high pressure laminates volume = 35 million square metres
- Formica is the market leader in its key regions
  - Number 1 market share in UK, Spain and Scandinavia
- Regional markets with some recent consolidation
  - Limited pan-European competition or import threat
  - Recent consolidation in France and UK
- Western Europe – a mature market but with growth opportunities in Russia and Poland
- Total 2006 compact volumes = 1.4 million square metres
- 12 distribution centres across Europe

Asia

Key Facts

- Key financials
  - 2006 sales = US$102m
  - 2006 EBITDA = US$20m[1]
- Total 2006 high pressure laminates volume = 14 million square metres
- Regional markets
  - Number 1 market share in Thailand, Taiwan, Hong Kong and China
- The Chinese market – a largely untapped growth opportunity
  - China and Thailand have been the focus of Formica's recent capital investment resulting in strong volume growth – China plant is new
  - Highly profitable region for Formica
  - Modern low cost Asian base provides export opportunity
- Formica demand driven by commercial market
  - Competitive advantage via design capability and product quality
  - Demand driven by domestic Asian consumption
- Strategically important segment providing significant potential synergies with existing Fletcher Building operations in Australasia

Formica Corporation's *factory in Shanghai.*

North America

Key Facts

- North American key financials
  - 2006 sales = US$347m
  - 2006 EBITDA = US$40m[1]
- Total 2006 high pressure laminates volume = 38 million square metres
- Consolidated high pressure laminates market, Formica number 2 and gaining share
  - Top 3 players hold more than 90% share
  - Number 3 and Number 4 players merged in 2006, creating further growth opportunity for Formica
- US market demand primarily driven by commerical construction
  - About 70% commercial, 30% residential
  - About 70% of residential demand is kitchen and bathroom
- Demand is relatively stable and well diversified across a range of segments
  - Store fixtures, wall panels, furniture, kitchen and bathroom
- Fletcher Building has secured a supply arrangement with South American high pressure laminates business which the vendor has retained

In addition to extensive contemporary palettes, Formica® brand laminate has developed a range of classic patterns.

[1] *Normalised December year end earnings before interest, tax and depreciation and prior to corporate costs.*

Sustainability

People

Fletcher Building employed more than 16,300 people in the 2007 year, and that number grew to about 20,200 on 2 July 2007 with the completion of the Formica Corporation purchase. Our people are in diverse workplaces and social settings – in New Zealand, Australia, the Americas, Asia, Europe and the Pacific Islands. Fletcher Building is the second largest commercial employer in New Zealand.

The company believes that business performance is driven by creativity, commitment and energy – at the individual and team levels. It strives to create a culture where these attributes are fostered, performance is recognised and rewarded, opportunity is created and people are treated fairly and responsibly.

Work practices are governed by company values, which capture commitment to sustainable business practice and are embodied in the principles, policies and attitudes that regulate its operations and support its culture.

All Fletcher Building managers are required to promote and model the company's values and all its people are required to conduct themselves accordingly.

Safety

The group's business is such that many workplaces contain hazards in the form of machinery, materials, the movement of heavy loads and other physical operations. There is an absolute requirement that these hazards are managed safely. As noted in the chief executive's review, a framework of management accountability and board oversight is in place to achieve this.

The institutional approach has been effective in reducing the injury rate across the group, with most business units showing consistent improvement. Nevertheless safety in individual workplaces and the safety of each individual are ultimately reliant on working habits and behaviour. The group thus invests significant resources in safety education and training.

The diversity of businesses within the group means each business unit must develop its own health and safety systems, addressing the hazards inherent in its operations. The group ensures that experiences and solutions are shared among business units whenever appropriate. Recent examples of this approach include a programme to improve the safety of overhead cranes and a group-wide focus on mobile plant.

As lost time injury rates are only one indicator of safety performance, the use of total injury rates and positive performance indicators have been introduced as key measures. There is a greater focus on visible safety management with the participation of executive and general managers in safety observations.

Fletcher Building continues to participate in the Accident Compensation Corporation Partnership Programme in New Zealand. Three of the group's sites were externally audited in February 2007, and the group retained its primary-level membership of the programme after the audit. The Australian manufacturing sites are subject to differing injury management requirements, dependent on the regulatory regimes of individual states and on different schemes. Self-insurance is usually the preferred option, and the company is currently reviewing its provisions on a state-by-state basis.

Fletcher Concrete and Infrastructure was found guilty during the year of charges under the Health and Safety in Employment Act, arising from a fatal accident in 2005 at the Stresscrete Papakura concrete products plant.

The company accepted responsibility for the accident, which claimed the life of production worker Esera Visesio, on the basis of its own investigation. This found that it had not taken all practicable steps to prevent such an accident. Accordingly, a guilty plea was entered to a charge under Section 50 of the Act. The company pleaded not guilty to charges under Section 49 that it knowingly did not take all practicable steps, but was found to be guilty due to the knowledge of a safety risk held by the operations manager. A fine of $225,000 was imposed following the court's findings.

This tragic accident occurred despite the active presence of a range of safety programmes and systems. Stresscrete had a safety management system in place meeting the requirements of the ACC Partnership Programme Audit Standard. In 2003 and 2004, it had initiated company-wide programmes to increase safety awareness and safe work behaviours. The Papakura site had an annual health and safety plan. It had a Health and Safety Committee and a hazard register, and recorded and investigated incidents. It had several training programmes including regular training for crane operators, and it had trained its health and safety representatives. The crane involved in the accident had received its regular maintenance service and its annual independent re-certification in November 2004.

The Infrastructure division had a slight increase in its lost time injury frequency rate (LTIFR), to 14.2 per million hours, due to higher rates in the construction business. Construction lost-time injury hours tend to be higher than those for permanent manufacturing sites as there is less opportunity for early return to work with alternative duties. Steel also recorded a slight increase, although Pacific Coilcoaters, Pacific Wire, Fletcher Pacific Steel (Fiji) and Cyclone all passed one year without lost time injuries. Several Steel businesses formalised a drug, alcohol and rehabilitation policy, including pre-employment drug testing, just-cause testing and rehabilitation programmes.

Three divisions improved their LTIFRs. In Distribution, PlaceMakers achieved a reduction of 28 percent based on training programmes and the unique *Use Your Noodle* communication programme. Laminates & Panels reduced its LTIFR by 35 percent to 5.14, and Building Products by 19 percent to 7.31.

Leadership and management development

Fletcher Building has a senior leadership group of broad experience and competence. This group has been renewed and extended along with the accession of a new chief executive and the acquisition of Formica Corporation.

At the business unit level, almost one-third of general managers have more than 20 years service with the group, while a further one-third have more than 10 years service. In turn, over 40 percent of general managers' direct reports have more than 10 years service.

Although committed to appointing the best candidate to each job, it is Fletcher Building's policy to promote from within wherever possible. At 30 June 2007, the senior executive ranks comprised 55 roles. Ten appointments were made within this group during the year, of whom one was recruited externally. A leadership talent management process is in place, and the group's recruitment function plays a key role in sourcing candidates of appropriate calibre and organisational 'fit.'

The company believes that people, particularly at the start of their careers, will increasingly desire to work for employers that commit to their long-term development. It therefore provides a range of opportunities to encourage employees to learn continuously, pursue their personal goals and develop professionally.

The leadership development programme is co-ordinated centrally, but in close co-operation with business units to target opportunities and benefits effectively. It is delivered in conjunction with a range of academic institutions and specialist providers to ensure that design, content and delivery are world-class. The company believes that this includes some of the best leadership and training experiences available.

Leadership foundations – New Zealand

This is the company's flagship management development programme in New Zealand, delivered in partnership with the University of Auckland Business School. It is designed for middle managers and functional specialists requiring cross-functional management training.

It comprises 10 academic classroom modules delivered over 11 months, plus a substantial team-based business project judged by the company's executive committee. Participation is limited to 24 executives per year, nominated by business units. Graduates achieve a Post-graduate Diploma in Business from the University of Auckland.

Sustainability

Management development programme – Australia
This is a customised management development programme delivered by former faculty of the Australian Graduate School of Management. It comprises two week-long residential modules, plus a major team-based business project judged by a general management panel. Eighteen executives attended the programme in the latest year.

Targeted leadership and management education – US, UK, Australia
The group also allows enrolment of senior executives in academic programmes at the world's leading universities to meet specific, targeted development objectives. Thirty-three senior managers have undertaken such programmes since 2001, attending universities and schools including Columbia University Business School; the Wharton School of the University of Pennsylvania; the University of Michigan; the University of London; the Australian Graduate School of Management, and the Mt. Eliza Centre for Executive Education at the Business School of Melbourne University. Eleven of these enrolments occurred in the 2007 year.

Inspiring minds
Inspiring Minds is an executive guest speaker programme targeted to general managers and their direct reports, and to alumni of the group's senior leadership development programmes. Its format is a two-hour breakfast workshop held bi-monthly according to the availability of speakers of the required calibre. External perspectives are gained through the participation of speakers from other major companies.

Chief Executive Officer Jonathan Ling spoke in the Inspiring Minds series in October 2006. External speakers in the latest year included Michael Useem, Professor of Management and Director of the Centre of Leadership and Change at the Wharton School in the United States; and Dr Goran Carstedt, leader of the Society for Organisational Learning and formerly head of IKEA Retail Europe and President of Volvo North America.

The transformational leadership programme
This programme is targeted at General Managers' direct reports who have large employee teams and demonstrate potential for advancement.

It is a practical, customised programme offering feedback on personal leadership style, with teaching tools and techniques for developing and leading high-performance teams. It is designed to foster creativity, innovation and the ability to manage and measure continuous improvement.

The format comprises 11 attendance days in Sydney and Auckland and a further 14 days on a key business project and assessments. Twenty executives attended the programme in the latest year.

Learning to lead

This is a management development programme for new and emerging leaders and first-line supervisors. It comprises two separate but related programmes, each comprising 10 one-day classroom modules plus assessments and on-the-job projects.

Both programmes are accredited by the New Zealand Qualifications Authority. Forty-eight managers or supervisors attended the programme in the latest year.

The Meikle files black programme

This is a thought-provoking and personally challenging programme designed to rapidly increase individual performance and leadership capability. It is delivered by Andrew Meikle of The Meikle Files, a highly-regarded consultancy based in Sydney. The programme is targeted at business unit leaders and key influencers at senior management levels.

The programme is delivered in three two-day and three half-day workshops, plus assignments over 10 months. Twenty executives attended the first New Zealand programme during the year.

Outward bound navigator

This is the Outward Bound corporate programme, which prepares people for the challenge of leadership. It is an eight-day residential programme targeted at employees with leadership of management responsibility, and at emerging leaders. Sixty employees attended the programme during the 2007 year.

Short course programme

This is a portfolio of 15 two-day courses delivered mainly in partnership with the University of Auckland Business School. The programme is targeted at functional specialists and line managers at middle and junior levels. Topics in the latest year included Strategic Pricing, Project Management, Performance Management, Customer Relationship Management, LEAN Manufacturing and Finance for Non-financial Managers. More than 1,400 managers attended short courses during the latest year.

The Manager's Toolkit

This is a new learning initiative, introduced last year to equip managers at all levels with methodologies and tools for managing people. It is a series of 30 half-day workshops clustered under four learning categories – Managing Yourself, Managing Others, Managing the Business and Managing Risk. Participants choose which they attend to match their individual development needs.

The Manager's Toolkit is 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. Almost 400 employees have attended Manager's Toolkit workshops since its launch in February 2006.

Sustainability

KiwiSaver

The KiwiSaver retirement savings scheme was introduced by the New Zealand government from 1 July 2007 – i.e. immediately after year's end. KiwiSaver provides a mechanism for saving via wage and salary deductions, supplemented by employer and government contributions.

Fletcher Building has supported the establishment of KiwiSaver as a welcome development in New Zealand's retirement savings system. It has played its part in two ways:

- Through a comprehensive information programme over the months leading up to the scheme, to ensure that all New Zealand employees had access to information and a simple mechanism for joining KiwiSaver.
- Through a voluntary contribution to every Fletcher Building employee who participates in KiwiSaver and meets the company's eligibility rules. The voluntary contribution can be up to $1,350 for the period from 1 July 2007 to 31 March 2008, and will then reduce with the introduction of compulsory employer contributions.

Equal opportunity and diversity

The group is committed to developing a work environment that values differences and promotes business strength through diversity and equal opportunity. It seeks to enable all employees to contribute their talent to the full, and aspires to advance more leaders who are women and/or members of minorities.

A workplace that welcomes and supports all employees is central to the company's values. As our business becomes increasingly international and our workforce more culturally diverse, our challenge in coming years will be to create value from workforce differences.

Age and ethnicity are well represented in the Fletcher Building workforce. The proportion of women employees remains low – an imbalance characteristic of the manufacturing and construction sectors.

Currently 29 percent of the company's total workforce is aged over 50 and 58 percent over 40 years. Women comprise 16 percent of the company's workforce. Although English is the language of our business, the company communicates with its employees in five languages.

Fletcher Building is a proud member of the New Zealand Equal Opportunity Trust.

Work life balance

The company works proactively to assist employees to balance their home and work lives. Where roles and business requirements permit, flexible working arrangements are in place.

The Fletcher Building Health and Fitness Centre offers a range of affordable health management programmes and services to permanent employees based near the company's Penrose site.

The company's employee discount facility grants Australian and New Zealand employees access to negotiated bulk discounts on a range of products and services, including fitness and child care, where possible. Health insurance is available to all employees at preferred rates.

The Fletcher Building Employee Welfare Fund provides financial assistance to New Zealand employees suffering personal hardship through misfortune. This trust, like the Fletcher Building Employee Educational Fund, is wholly independent of the company.

Labour relations

Fletcher Building enjoys a history of positive dealings with the many labour unions represented within its business. The company strives for constructive working relationships with the union movement, based on partnership and mutual respect.

In New Zealand 23 percent of employees belong to labour unions. In Australia union membership is 34 percent. There are more than 120 negotiated workplace agreements in place across the group.

A stake in the company

Fletcher Building continues to encourage and support employee share ownership. More than 25 percent of the eligible Australian and New Zealand workforce own shares in the company through the employee share ownership scheme.

Certain senior managers are required to acquire and hold shares in the company as a condition of employment. A broader group is eligible to participate in a long-term incentive in the form of a performance share scheme. Details can be found in the Corporate Governance section of this report.

Communication

Fletcher Building strives to communicate with its people – to obtain their views, promote a sense of community, provide information, and create opportunities for dialogue on issues related to the business or to employees' working lives.

Communication channels include leadership briefings, meetings, feedback sessions, business unit newsletters and the FBInfo intranet site. Freestanding information kiosks providing factory staff with dedicated access to FBInfo are currently in trial. The group publishes *FBNews*, a quarterly on-line bulletin that covers items of common interest and business unit news. A print edition for employee notice boards is also available.

Sustainability

Formal employee surveys are conducted regularly. The annual leadership survey polls managers and supervisors about working for Fletcher Building. It continues to record significantly higher perceptions of success, pride and engagement than comparable companies whose results are benchmarked.

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

Environmental sustainability and climate change

Fletcher Building is working towards environmental sustainability through compliance with regulatory requirements, activities to minimise our impact beyond the level of compliance (through recycling, for example), and the development of sustainable products, services and processes.

Considerable progress has been made towards full compliance on our more than 400 sites in New Zealand and Australia. The most significant focus on smaller sites, and particularly concrete manufacturing sites, has been to ensure that stormwater is not contaminated by process wastewater. Larger manufacturing sites are faced with more demanding standards relating to discharges into the air and water.

As noted in the chief executive's review, the group undertakes extensive recycling activities in the normal course of business. Investigations are continuing into further opportunities to re-use waste generated both from its operations and downstream demolition and construction activities. For example, Winstone Aggregates is working with Pacific Steel to recycle steel slag.

Fletcher Construction is building the Kumutoto building on the Wellington waterfront, which will be one of the first projects to be assessed under the recently released New Zealand Green Building Council's Greenstar rating scheme. Fletcher Construction anticipates that its experience with sustainable office buildings will be used extensively as the demand for sustainable commercial buildings increases. It has implemented leading waste recycling and minimisation practices on this project, and is using this experience to develop similar initiatives at other projects.

The group seeks to be proactive in its approach to the risks and opportunities associated with carbon dioxide emissions and climate change. It has again this year participated in the Carbon Disclosure Project. This required a complete inventory of all carbon dioxide (CO_2) emissions and a report describing how the group manages the risks and opportunities from future climate change. The report has also been subject to independent verification. All NZX50 and

ASX100 companies are asked to participate. Fletcher Building was one of only a small number of NZX50 companies which took part in the latest year.

The inventory of 2006 calendar year carbon dioxide emissions showed:

- Total emissions of 1,250,446 tonnes of CO_2. This includes the CO_2 emitted during the generation of electricity used by Fletcher Building.
- Total emissions in New Zealand of 817,954 tonnes.
- Total emissions in Australia of 432,491 tonnes.
- The largest single emitter was the Golden Bay Cement plant with 520,583 tonnes.
- The Pacific Steel and Wire plants emitted 103,797 tonnes.
- The 11 major manufacturing plants for panels and laminates in New Zealand and Australia emitted a total of 362,652 tonnes.

A range of emission reduction initiatives is being explored or implemented by business units. Recent examples include:

- The upgraded Golden Bay Cement plant at Portland, achieving significant energy savings and a major reduction in particulate emissions.
- A new biomass-fired wood drier at the Dardanup particleboard plant designed for improved energy efficiency, increased biomass energy in place of natural gas, and improved air emissions.
- A new biomass furnace at the Gympie MDF plant designed for improved energy efficiency and secure energy supply.
- A major upgrade in wood preparation processes at the Kumeu MDF plant to improve productivity and reduce emissions.
- A new glass furnace at the Fletcher Insulation glass wool plant at Dandenong designed for improved energy efficiency.

Energy efficiency is a key focus. Our New Zealand cement, steel, wire, panels and laminates plants were all independently benchmarked against world's best practice in 2004-05 and were close to this benchmark. Apart from the major electricity generators, the group is the largest renewable energy producer in New Zealand.

The emerging scientific consensus on the risk of climate change is accompanied by the evolution of regulatory approaches to minimise CO_2 emissions, including those from industrial activities. We are committed to further CO_2 reductions irrespective of legislative requirements. In many areas we have already achieved reductions mandated for the near term. We are also exploring the potential benefits from economic instruments such as carbon trading schemes where these emerge.

Sustainability

Fletcher Building has registered in the Australian Energy Efficiency Opportunities programme and is preparing a programme of energy efficiency audits for the major energy-using sites in Australia, to submit prior to the deadline of 31 December 2007.

Fletcher Building business units have a range of products and building solutions that will improve the energy efficiency and comfort of buildings including:

- Translucent roof sheeting that allows over 60 percent visible light transmission.
- A steel and concrete floor system that enables suspended floors.
- Designs for greater use of concrete in houses, improving heat retention and comfort.
- Building solutions involving concrete, plasterboard and fibreglass insulation that improve heat retention and other performance attributes.
- Development of low (formaldehyde) emission composite wood panels to provide improved indoor air quality.

Fletcher Building is also participating in a number of organisations and projects that are contributing leadership to sustainability practices and policies. These include:

- Beacon Pathway – a research consortium formed to deliver knowledge and new products that will reduce the environmental impacts and energy use of houses whilst providing improved comfort and lower costs.
- The Green Building Councils in Australia and New Zealand.
- A Business New Zealand report on the design of an emissions trading scheme for New Zealand.
- The Motu Research Group Climate Change Policy Dialogue.

Environmental issues will retain a very high level of management focus.

Board of directors

Roderick Sheldon Deane

PhD, LLD (Hon), BCom (Hons), FACA, FCIS, FNZIM, Independent Chairman of Directors, Chairman of the Nominations Committee

Dr Deane, 66, 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 organization, IHC Inc. He is a Distinguished Fellow of the NZ Association of Economists and the Centre for Independent Studies in Australia.

Jonathan Peter Ling

B Eng, MBA, Managing Director

Mr Ling, 53, 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.

Paul Edward Alex Baines

BCA, FCA, MPP, FInstD, Independent Non-Executive Director, Chairman of the Audit Committee, Member of the Nominations Committee

Mr Baines, 57, has an extensive background in financial and strategic management and has wide experience as a director in both the public and private sectors. He is chairman of Barnardos New Zealand and is a director of Gough Gough and Hamer, Fletcher Building Finance, the Reserve Bank of New Zealand, the New Zealand School of Music, and is a board member of the New Zealand Institute of Economic Research. He has recently been appointed as a director of The Todd Corporation.

Hugh Alasdair Fletcher

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

Mr Fletcher, 59, has had extensive management experience and now holds a number of directorships and advisory positions. He is chairman of the Advisory Board for No 8 Ventures and IAG New Zealand. He is a director of Rubicon, Fletcher Building Finance and the Reserve Bank of New Zealand and also a member of the Business Advisory Council of the United Nations Office for Project Services and Chancellor of The University of Auckland. He has recently been appointed as a director of Vector.

Geoffrey James McGrath

*MIIE, Independent Non-Executive Director,
Member of the Remuneration and Nominations Committees*

Mr McGrath, 65, has had extensive management experience in the Australian building products industry, including 10 years as the managing director of GWA International, a manufacturer and marketer of consumer and building products. Mr McGrath retired as managing director of that company in 2003. He is a director of GWA International and Fletcher Building Finance, and chairman of the Australian listed company Campbell Brothers.

Sir Dryden Spring

DSc (Hon), Independent Non-Executive Director, Chairman of the Remuneration Committee, Member of the Nominations Committee

Sir Dryden, 67, has a long-standing record of leadership, in a range of industries. He is chairman of the 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 and a member emeritus of the International Policy Council on Agriculture, Food and Trade.

Kerrin Margaret Vautier

*CMG, BA, FInstD, Independent Non-Executive Director,
Member of the Audit and Nominations Committees*

Mrs Vautier, 62, is a research economist specialising in competition law and economics. She is chair of the Advisory Board of the New Zealand Asia Institute, a director of News & Media (NZ) and Fletcher Building Finance, and adviser 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, a senior part-time lecturer in the Commercial Law department at the University of Auckland, and a former member of the New Zealand Commerce Commission.

Ralph Graham Waters

CP Eng, FIE Aust, M Bus, Non-Independent, Non-Executive Director

Mr Waters, 58, 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.

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.

The company has adopted 10 principles recognised by the Australian Stock Exchange Corporate Governance Council in its report of 31 March 2003 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 New Zealand Exchange's Corporate Governance Best Practice Code and the Securities Commission's Corporate Governance in New Zealand Principles.

Fletcher Building's corporate governance practices 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, an off-site 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 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.

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 a non-independent director until at least 1 September 2009. With J P Ling being an executive director, the board is 75 percent comprised of independent directors.

2. Structuring the board to add value

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 eight is an appropriate number at this time. 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 three-year term.

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.

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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 in 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 is 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 all directors being present at each of the ten scheduled meetings. In addition to these meetings were seven site visits and a strategic retreat session with senior management. Each of the audit and remuneration committees of the board met on two occasions and the nominations committee of the board met on one occasion during the year. Outside these scheduled meetings were two special purpose board committee 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 supplements this with various code of conduct practices that are incorporated into all employees' terms of employment. Further details are provided later in this section.

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. 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.

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.

The audit committee met formally on two occasions, at which all committee members were present.

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

Corporate governance

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 this year also provided a new annual review, which is a summarised version of the annual report for those shareholders seeking a more approachable document.

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. A formal risk review is held with the board each year.

8. Encouraging enhanced performance

Directors and key executives need to be equipped with the appropriate knowledge and information to discharge their responsibilities effectively and be assured that individual and collective performance is regularly and fairly reviewed.

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.

The board evaluates annually the performance of the chief executive officer and his 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.

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.

9. 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 2007 were:

	Base Fees NZ$	*Committee Fees NZ$*	*Other Fees NZ$*	*Total NZ$*
R S Deane	285,000	–		285,000
P E A Baines	95,000	33,500		128,500
H A Fletcher	95,000	24,500		119,500
G J McGrath	95,000	21,500	11,000	127,500
Sir D Spring	95,000	29,000		124,000
K M Vautier	95,000	24,500		119,500
R G Waters (from 1/9/2006)	79,167	18,333	9,167	106,667
Total	**839,167**	**151,333**	**20,167**	**1,010,667**

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. The last review was in 2006 although the increase in directors' remuneration was spread over the 2007 and 2008 years and the increase in the maximum fees payable in any year was increased to $1,500,000 at the 2006 annual shareholders meeting. As notified in the notice of meeting the base directors' fee for the 2007 year was $95,000.

In acknowledgement of the varying workloads of the board committees, the additional remuneration payable was $18,000 for membership of the audit committee, $15,000 for the remuneration committee and $6,500 for

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the nominations committee. 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. In acknowledgement of the additional time commitment required of any Australian based director, a travelling allowance of $11,000 per annum is also payable. Where an ad hoc committee is convened, such as for due diligence, additional remuneration is payable at $1,000 per half day.

As part of its biennial review of remuneration in mid 2006, the company commissioned an independent report on director's remuneration in Australia, which recommended the base director's fee increase to $110,000 with increments to committee fees as well. Directors believed that an increase to this level should be staged over two years, notwithstanding the company's policy would have provided for this increase in the prior year. It is intended that for the year ended 30 June 2008 the base director's fee increase to $110,000, with committee fees being $21,000, $16,000 and $7,500 per annum for participation on the audit, remuneration and nominations committees respectively.

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

Executive directors' remuneration

R G Waters was the chief executive until his retirement on 31 August 2006. He retains his directorship in the company. His remuneration for the period from 1 July 2006 to 31 August 2006 was NZ$200,000. A part of this remuneration has been taken by way of an employer contribution to a retirement benefit with the Fletcher Building Retirement Plan.

J P Ling was appointed chief executive from 1 September 2006. His annual remuneration comprises base remuneration of $900,000 and a short-term incentive, if specified annual performance targets are satisfied, of up to 75 percent of his base remuneration. His remuneration for the period from 1 September 2006 to 30 June 2007 was NZ$1,404,750. Included in this sum are short-term incentive payments totalling NZ$654,750 for achieving company profitability targets and individual performance goals.

The value of his long-term incentives, being the grant of 500,000 options, and entitlement to shares in the company pursuant to the Executive Performance Share Scheme, are, in aggregate, intended to have a potential value of a further 50 percent of his base remuneration. Directors are satisfied that they have received independent advice that this constitutes an appropriate remuneration package for the role of chief executive officer.

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' meeting on 14 November 2006.

The grant of 500,000 options was made with effect from 1 September 2006, being the date of Mr Ling's appointment. 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 New Zealand Exchange in the ten business days immediately preceding the announcement of his appointment on 10 May 2006. The exercise price is 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.

As executive directors neither Mr Waters nor Mr Ling have received any further remuneration in their 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

Remuneration philosophy

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 all employees should be appropriately and competitively rewarded – 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.

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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 similar New Zealand companies. For the purposes of benchmarking total compensation for the senior executive group, it is assumed that senior executives will on average achieve 75 percent of their potential variable earnings 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 variable incentives be achieved over a normal business cycle.

Variable compensation
Variable compensation is available to recognise the contribution of senior executives to company and individual performance objectives. This is determinable as a percentage of fixed compensation. The short-term variable compensation is up to 100 percent of the fixed remuneration for the chief executive, up to 60 percent for the direct reports to the chief executive and up to 40 percent for all other senior executives depending on the size of their role.

Participation in the annual variable incentive 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. Because an unduly formulaic approach to variable compensation calculations can lead to anomalies, the chief executive officer has the discretion to make recommendations for approval on an individual basis for "one-off" incentive payments to reflect outstanding performance.

Long-term incentives

The company offers a long-term incentive scheme, targeted at around 200 executives most able to influence financial results. Participation in any year is by invitation, renewable annually and at the complete discretion of the company.

Participants are able to 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. 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.

To the extent the performance criteria are met at the end of the restrictive period the company will pay participants a bonus, the after-tax amount of which will be equal to the offer price of each share for each share vesting on the participant, such that it will be sufficient to repay the outstanding balance of the interest-free loan.

Annual entitlement is of an amount equal to half the maximum entitlements under the participant's applicable short-term variable incentive plan. The number of shares issued to the participant is determined by dividing the after tax value of the annual entitlement amount, after applying the highest individual tax rate, by the offer price of the shares. Dividends on these shares accrue to the benefit of the participant only to the extent that the two performance criteria are met. These criteria are Total Shareholder Return (TSR) and continuity of employment over the restrictive period. The TSR performance requirement is determined by benchmarking, by way of a percentile ranking approach, against the TSR performance of a group of no fewer than ten independently determined Australasian comparator stocks. For participants meeting the restrictive period, the bonus is paid to enable repayment of the loan made to acquire the shares dependent on the TSR percentile achieved.

A TSR percentile of less than 51 percent means no shares are earned.
A 51 percent TSR gives an entitlement to 50 percent of the shares.
Full entitlement to the shares arises at a 75 or greater TSR percentile,
with linear pro-ration on performance between the 51 and 75 percentiles.

If the performance criteria are not met, or if the participant ceases to be employed by the group throughout the restrictive period, the participant's beneficial interest in some or all of the shares must be transferred back to the trustee of the scheme. In this situation, the loan provided in respect of those shares which do not vest is novated by the participant to the trustee and will be fully repaid by the value

Corporate governance

of the forfeited shares. This will have the effect that a participant will not be required to reimburse the trustee for any loss in the value of the forfeited shares since the acquisition of the beneficial interest. Conversely, if the forfeited shares have increased in value, a participant is not be entitled to the gain. The company has the right to discontinue the scheme at any time.

On 30 September 2007 the three year restrictive period in respect of the first issue under this share scheme ends. Present indications are that the total shareholder return of the company for the period will be in the top quartile of the comparator group of companies and accordingly participating executives will be entitled to take up full ownership of around 350,000 Fletcher Building shares.

Superannuation

The Fletcher Building Retirement Plan provides defined benefit and defined contribution savings entitlements. As the defined benefit entitlement has been closed to new members since 1990, only a few of the long serving members participate on this basis. 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.

Participation on a defined contribution basis for senior executives has been available since 2003, with executives having the ability to take a portion of their total remuneration by way of an employer contribution to the Retirement Plan. The amount contributed on their behalf is after deduction, and payment, of the required superannuation contribution withholding tax. Executives can elect to have the return on their investment determined by reference to the investment return of the Retirement Plan, or by reference to the performance of the company's shares.

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, the market value of which exceeds 50 percent of their fixed remuneration. In meeting this obligation executives are required to apply at least half of the after tax earnings from the senior executive variable incentive plan 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. There is, however, no equity remuneration scheme pursuant to which this obligation is met other than the shares that may be acquired at the end of the three year restrictive period for the long term incentive scheme. 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.

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

The company does, however, allow 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.

10. Recognising the legitimate interests of stakeholders

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.

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.

FINANCIAL REVIEW 2007

FletcherBuilding

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 13 to 21.

Cashflow and capital expenditure

At $624 million, cashflow from operating activities before working capital requirements reflected the continued strong performance of the businesses within the group. Re-investment in the businesses through the capital expenditure programme was $346 million, consisting of stay in business expenditure of $121 million, growth and productivity projects of $131 million and acquisitions of $94 million. Depreciation for the year was $155 million. Divestments were $95 million, primarily consisting of the Taupo medium density fibreboard plant insurance recovery.

A further $141 million was utilised through increased working capital to support sales growth, and $195 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.

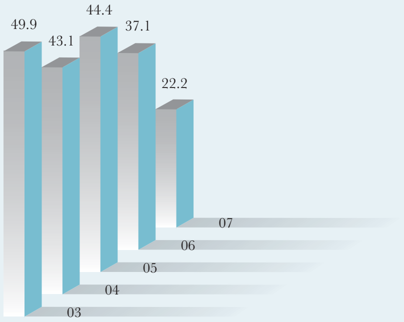
Capital management and funding

With excellent operating cashflow and balance sheet gearing (net debt to net debt plus equity) at 22.2 percent, the company is in a strong financial position and is comfortably within all its relevant debt covenants.

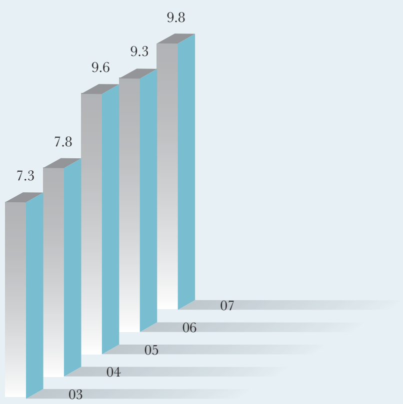
This was aided by the equity raising of $321 million undertaken in conjunction with the acquisition of Formica Corporation. Settlement of this acquisition was made on 2 July 2007, and at that time the gearing ratio of 41.3 percent was still within the company's target range of 40 to 50 percent. This positions the company well for the strong re-investment programme proposed, and to take advantage of any further acquisition opportunities, in the forthcoming year.

Interest cover (EBITDA to total interest paid) was 9.8 times, compared to 9.3 times at 30 June 2006.

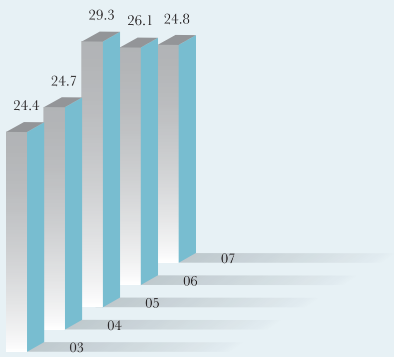
Net debt reduced by $407 million to $654 million at 30 June 2007 and the company had undrawn committed bank funding available of $618 million.



Gearing
Percentage



Interest cover
Times



Return on average funds
Percentage

Financial Review

After the acquisition of Formica Corporation on 2 July 2007 the company had undrawn committed bank funding available of $686 million.

During the year three series of capital notes for $88 million were subject to an interest rate re-set. In total, a net $38 million of notes were re-issued at a lower interest rate and $50 million of notes are being held as treasury stock.

During the forthcoming year the company proposes to replace the bridging finance used to buy Formica Corporation with a United States debt issue with extended terms, with the aim of improving the company's debt maturity profile and increasing the range of funding sources.

Risk management

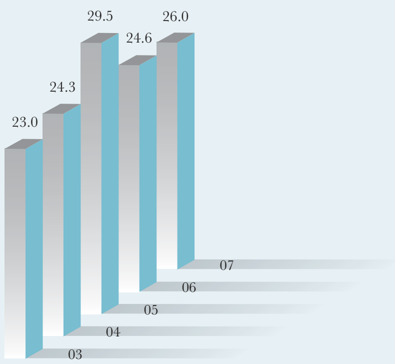
The company has an integrated programme to manage risk associated with movements in interest rates, commodity prices and exchange rates. This aims to ensure a base level of profitability and reduces volatility of earnings. Further details are provided in note 27 of the financial statements.

Retirement plans

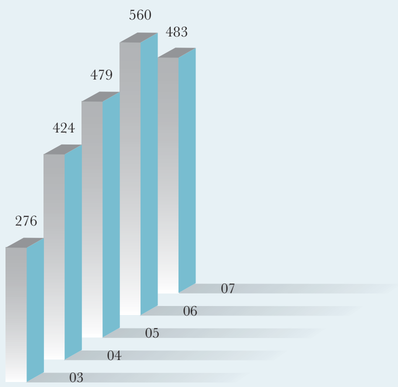
The company operates a number of defined benefit retirement plans for its employees. The largest of these is the New Zealand plan, which has 1,413 members and pensioners and investments of $309 million at 31 March 2007. The investment in all plans totalled $479 million at 30 June 2007.

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, $38 million of net gains were to be accounted for in future periods. Amortisation of this amount through earnings in future periods is dependant upon future actuarial movements and is subject to an asset cap. The net asset recognised is capped at the present value of any future refunds from the plans or reductions in future contributions to the plans. At 30 June 2007 the group recognised a net asset of $17 million, which is below the capped amount.

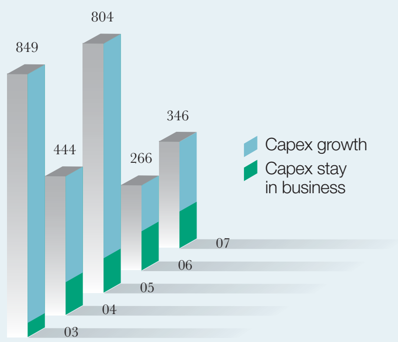
The New Zealand plan is currently funded in excess of 119 percent of the projected benefit obligation, and the Australian plans are funded to their vested benefit level.



Return on average equity
Percentage



Operating cashflow
NZ$ Millions



Capital investment
NZ$ Millions

Earnings Statement ~ *For the year ended 30 June 2007*

	Notes	Fletcher Building Group		Fletcher Building Limited	
		Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*
Sales		**5,926**	5,520		
Cost of goods sold		**(4,446)**	(4,099)		
Gross margin		**1,480**	1,421		
Selling and marketing expenses		**(428)**	(403)		
Administration expenses		**(396)**	(372)		
Share of profits of associates	*20*	**28**	29		
Other investment income	*32*			252	257
Other gains/(losses)		**15**	1		
Unusual items	*3*	**5**			
Amortisation of intangibles	*19*	**(1)**	(1)		
Operating earnings (EBIT)	*3*	**703**	675	252	257
Funding costs	*5*	**(87)**	(88)	(99)	(98)
Earnings before taxation		**616**	587	153	159
Taxation expense	*6*	**(113)**	(189)	18	19
Earnings after taxation		**503**	398	171	178
Earnings attributable to minority interests		**(19)**	(19)		
Net earnings attributable to the shareholders		**484**	379	171	178
Net earnings per share (cents)	*8*				
Basic		**101.9**	81.3		
Basic (excluding unusuals)		**84.0**	81.3		
Diluted		**99.8**	78.6		
Weighted average number of shares outstanding (millions of shares)	*8*				
Basic		**475**	466		
Diluted		**505**	509		
Dividends declared per share (cents)		**45.0**	40.0		

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

Statement of Movements in Equity ~ *For the year ended 30 June 2007*

		Fletcher Building Group		Fletcher Building Limited	
	Notes	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*
Total equity					
At the beginning of the year		**1,800**	1,427	941	883
Movement in the cashflow hedge reserve	12	**(9)**	3	(9)	3
Movement in currency translation reserve	12	**(133)**	116		
Income and expenses recognised directly in equity		**(142)**	119	(9)	3
Net earnings – parent interest	12	**484**	379	171	178
Net earnings – minority interest	13	**19**	19		
Net earnings		**503**	398	171	178
Total recognised income and expenses for the year		**361**	517	162	181
Movement in minority equity	13	**(18)**	(18)		
Movement in reported capital	10	**357**	44	357	44
Dividends	9	**(202)**	(167)	(202)	(167)
Less movement in shares held under the treasury stock method	10	**(2)**	(3)		
Total equity		**2,296**	1,800	1,258	941

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

Balance Sheet ~ *As at 30 June 2007*

	Notes	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Assets					
Current assets:					
Cash and liquid deposits	14	**332**	49	278	1
Current tax asset	24	**19**	34	17	19
Debtors	15	**978**	913	92	22
Stocks	16	**745**	703		
Total current assets		**2,074**	1,699	387	42
Non-current assets:					
Fixed assets	17	**1,515**	1,569		
Goodwill	18	**393**	347		
Intangibles	19	**236**	250		
Investments in associates	20	**123**	113		
Investments – other	20	**18**	16	2,923	2,868
Deferred taxation asset	24	**74**	105	4	
Advances to subsidiaries	32			469	424
Total non-current assets		**2,359**	2,400	3,396	3,292
Total assets		**4,433**	4,099	3,783	3,334
Liabilities					
Current liabilities:					
Short-term loans		**4**	21	3	21
Provisions	21	**54**	59	2	2
Creditors and accruals	22	**818**	876	62	71
Contracts	23	**137**	103		
Capital notes	25	**113**	88		88
Term debt	26	**61**	60	(4)	
Advances from subsidiaries	32			2,262	2,038
Total current liabilities		**1,187**	1,207	2,325	2,220
Non-current liabilities:					
Provisions	21	**10**	12		
Creditors and accruals	22	**61**	63		
Deferred taxation liability	24	**71**	76		1
Capital notes	25	**236**	311	200	162
Term debt	26	**572**	630		10
Total non-current liabilities		**950**	1,092	200	173
Total liabilities		**2,137**	2,299	2,525	2,393
Equity					
Reported capital	10	**1,325**	970	1,333	976
Revenue reserves	11, 12	**961**	679	(69)	(38)
Other reserves	11, 12	**(35)**	107	(6)	3
Shareholders' funds		**2,251**	1,756	1,258	941
Minority equity	13	**45**	44		
Total equity		**2,296**	1,800	1,258	941
Total liabilities and equity		**4,433**	4,099	3,783	3,334

The accompanying notes form part of and are to be read in conjunction with these financial statements.
On behalf of the Board, 8 August 2007

Roderick Deane *Chairman of Directors* **Jonathan Ling** *Managing Director*

Statement of Cashflows ~ *For the year ended 30 June 2007*

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*
Cashflow from operating activities				
Receipts from customers	**5,862**	5,498		65
Dividends received	**12**	28	207	216
Interest received	**3**	3	48	42
Total received	**5,877**	5,529	255	323
Payments to suppliers, employees and other	**5,200**	4,771	92	
Interest paid	**91**	88	104	104
Income tax paid	**103**	110		
Total applied	**5,394**	4,969	196	104
Net cash from operating activities	**483**	560	59	219
Cashflow from investing activities				
Sale of fixed assets	**32**	6		
Insurance proceeds from loss of plant	**63**			
Total received	**95**	6		
Purchase of fixed assets	**249**	226		
Purchase of investments	**3**	12		
Purchase of subsidiaries	**97**	28		
(Cash)/net debt in subsidiaries acquired	**(3)**			
Total applied	**346**	266		
Net cash from investing activities	**(251)**	(260)		
Cashflow from financing activities				
Net debt drawdowns/(settlements)	**(21)**	(201)	(28)	(491)
Issue of shares	**321**		321	
Advances from subsidiaries			144	339
Issue of capital notes		64		64
Total received	**300**	(137)	437	(88)
Repurchase of capital notes	**50**	14	50	14
Distribution to minority shareholders	**26**	26		
Dividends	**169**	128	169	128
Total applied	**245**	168	219	142
Net cash from financing activities	**55**	(305)	218	(230)
Net movement in cash held	**287**	(5)	277	(11)
Add opening cash and liquid deposits	**49**	52	1	12
Effect of exchange rate changes on net cash	**(4)**	2		
Closing cash and liquid deposits	**332**	49	278	1

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 2007*

	Fletcher Building Group	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*
Analysis of subsidiaries acquired [1]		
Fixed assets	**3**	15
Goodwill on acquisition	**74**	13
less contingent consideration	**(7)**	(2)
Intangibles	**9**	
Tax assets	**(3)**	
Current assets	**24**	6
Cash in subsidiary	**3**	
Current liabilities	**(6)**	(4)
Cash paid to date for subsidiaries acquired	**97**	28

[1] *During the year ended 30 June 2007, the Forman Insulation group, Maddren Timber centres and Eziform Sheet Metal were all acquired for a total consideration of $97 million. The fair value exercises were completed during the year ended 30 June 2007 and values have been allocated in line with the valuers' final reports.*

During the year ended 30 June 2006, the O'Brien group was acquired for $23 million. In addition, other subsidiaries were acquired for $5 million.

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 2007*

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*
Cash was received from:				
Net earnings	**484**	379	171	178
Earnings attributable to minority interests	**19**	19		
	503	398	171	178
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	**163**	161		
Taxation	**10**	79	(18)	(19)
Non-cash adjustments	**173**	240	(18)	(19)
Cashflow from operations [1]	**676**	638	153	159
Less (gain)/loss on disposal of affiliates and fixed assets	**(52)**	2		
Cashflow from operations before net working capital movements	**624**	640	153	159
Net working capital movements	**(141)**	(80)	(94)	60
Net cash from operating activities [2]	**483**	560	59	219
Net working capital movements:				
Debtors	**(101)**	(32)	(61)	(5)
Stocks	**(68)**	(58)		
Contracts	**37**	8		
Creditors	**(9)**	2	(33)	65
	(141)	(80)	(94)	60

[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.

Statement of Accounting Policies ~ *For the year ended 30 June 2007*

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. The company is a profit orientated 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 New Zealand standards that comply with International Financial Reporting Standards (NZ IFRS).

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

Segmental reporting

Segmental information is presented in respect of the group's industry and geographical segments. The primary format, industry segments, 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.

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 and as at June 2007 no indication of impairment existed. 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 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.

Valuation of liabilities

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 and 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 item.

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 similarly to 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.

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 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 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.

Provisions

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

Equity

Share capital

Ordinary shares are classified as shareholders funds. Incremental 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 construction 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

Lease commitments

Expenditure arising from operating lease 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 plan.

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 is expensed to earnings immediately.

Dividends are paid in cash to the employees who acquire shares. They are required to repay the loan from their regular employment 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 performance share scheme

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

At the end of the three year 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 three year restricted period to provide for the maximum bonus payable.

The group is accounting for the executive performance share scheme under the treasury stock method. The receivable owing from the executives, representing the cost of the shares held in the company is deducted from the group's paid up capital. If the performance targets 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. 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.

Notes to the Financial Statements

1 Changes in accounting policies

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective, in particular NZ IFRS 7 Financial Instruments: Disclosures and Amendment to NZ IAS 1 Capital Disclosures. The group has not yet applied these in preparing these financial statements although the application of these standards, amendments and interpretations would require further disclosures, but 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 2007, however certain comparatives were restated to conform with the current year's presentation.

2 Acquisition of subsidiaries

The Maddren Building centres were acquired on 15 November 2006, the Forman Insulation group on 1 December 2006 and Eziform Sheet Metal business on 1 May 2007.

The total cash paid was $97 million, net of $3 million cash on hand. A formal fair value exercise was undertaken for these acquisitions which resulted in the fair value of the assets and liabilities as described in the statement of cashflows. In the period to 30 June 2007 these acquired subsidiaries contributed sales of $57 million and operating earnings of $5 million to the group. If the acquisitions had occurred on 1 July 2006, it is estimated that the contribution to group sales would have been $115 million and operating earnings $15 million.

Goodwill on acquisition represents the value in the business attributable to its expected profitability.

	Vendors Book Value NZ$M	*Fair Value Adjustment NZ$M*	*Fair Value NZ$M*
Acquiree's net assets at the acquisition date			
Fixed assets	**3**		**3**
Goodwill on acquisition		**74**	**74**
Less contingent consideration		**(7)**	**(7)**
Intangibles		**9**	**9**
Tax assets		**(3)**	**(3)**
Current assets	**24**		**24**
Cash in subsidiary	**3**		**3**
Current liabilities	**(6)**		**(6)**
Acquiree's net assets at the acquisition date	**24**	**73**	**97**

Notes to the Financial Statements

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*

3 Operating earnings

	Year Ended June 2007 NZ$M	Year Ended June 2006 NZ$M		
Operating earnings includes:				
Net (gain)/loss on disposal of fixed assets	**(11)**	2		
Net periodic pension cost	**9**	16		
Employee related short-term costs [1]	**904**	840		
Other long-term employee related benefits	**22**	22		
Directors fees	**1**	1		
Research and development	**4**	2		
Bad debts written-off	**4**	5		
Foreign exchange in trading accounts		(1)		
Donations and sponsorships	**2**	1		
Maintenance and repairs	**131**	131		
Operating lease expense	**110**	100		
Unusual items – gain [2]	**5**			
Auditors' fees and expenses payable for:				
Statutory audit	**2**	2		
Other services [3]	**1**			

[1] *Remuneration for the executive committee included in the above is disclosed in note 32.*

[2] *During the year there were two significant unanticipated incidents. The first was the destruction of the medium density fibreboard plant in Taupo by fire, and the second was the failure of the transformer at Pacific Steel, which resulted in six weeks of lost billet production. The insurance claim relating to the Taupo fire was settled during the year and the group accepted a gross cash settlement of $91 million of its claim against the insurers. This was reduced by the $10 million insurance deductible to give a net receipt of $81 million. After accounting for plant write-offs, redundancies and business interruption costs, operating earnings have increased by $36 million. The insurance claim relating to the Pacific Steel transformer failure has not yet been settled. The company has written-off the damaged plant, recognised the increased operating costs and after allowing for the insurance deductible of $5 million has recognised an insurance receivable, which it expects that once negotiations with the insurers are concluded, will be realisable. In addition to this, the group has written-off $20 million of assets and provided for $7 million of obligations in relation to impairments at certain plants, or assets no longer used in the generation of earnings.*

	Fletcher Building Group	
	Year Ended June 2007 NZ$M	*Year Ended June 2007 NZ$M*
Gross insurance proceeds Taupo fire	*91*	
Less insurance deductible	*(10)*	
Less write-off of plant, redundancies, business interruption costs	*(45)*	
Net insurance proceeds Taupo fire	*36*	
Write-off relating to impaired assets – Laminates & Panels division	*(16)*	
Unusual items – Laminates & Panels division		*20*
Write-off relating to Pacific Steel transformer	*(4)*	
Write-off relating to impaired assets - Steel division	*(5)*	
Unusual items – Steel division		*(9)*
Write-off relating to impaired assets – Building Products division	*(6)*	
Unusual items – Building Products division		*(6)*
Total unusual items – gain		*5*

[3] *Fees of $500,000 (2006 $400,000) were paid to the auditors during the year for other services, consisting mainly of the half year review and tax compliance work.*

Notes to the Financial Statements

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*

4 Discontinued operations

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

5 Funding costs

	Group 2007	Group 2006	Limited 2007	Limited 2006
Interest payable on:				
Term debt	**51**	53	3	14
Short-term loans and bank overdrafts	**2**	3	2	1
Capital notes	**30**	31	17	18
Interest paid to subsidiary companies			78	64
Income from short-term deposits	**(4)**	(3)	(3)	(1)
	79	84	97	96
Plus bank fees, registry and issue expenses	**8**	4	2	2
	87	88	99	98

6 Taxation expense

	Group 2007	Group 2006	Limited 2007	Limited 2006
Earnings before taxation:				
New Zealand	**400**	369	153	159
Overseas	**216**	218		
	616	587	153	159
Taxation at 33 cents per dollar	**203**	194	50	52
Adjusted for:				
Benefit of lower tax rate in overseas jurisdictions	**(5)**	(5)		
Non-assessable income	**(7)**	(8)	(68)	(71)
Non-deductible expenses	**4**	5		
Tax benefit arising from the election of the branch equivalent tax account	**(70)**			
Non-assessable income arising from insurance settlement	**(16)**			
Impact of tax rate change	**4**			
Other permanent differences		3		
	113	189	(18)	(19)
Tax on operating profits pre unusual items	**193**	189	(18)	(19)
Tax benefit of unusual items	**(10)**			
Tax benefit arising from the election of the branch equivalent tax account	**(70)**			
	113	189	(18)	(19)
Current taxation:				
New Zealand	**58**	143	(18)	(19)
Overseas	**53**	48		
Deferred taxation:				
New Zealand	**3**	(1)		
Overseas	**(1)**	(1)		
	113	189	(18)	(19)

7 Shareholder tax credits

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2007 NZ$M	*Year ended June 2006 NZ$M*	*Year ended June 2007 NZ$M*	*Year ended June 2006 NZ$M*
Imputation credit account				
Imputation credits at the beginning of the year	**135**	140	(24)	
Taxation paid	**26**	18		
Imputation credits received		1	51	
Imputation credits attached to dividends paid	**(54)**	(24)	(54)	(24)
	107	135	(27)	(24)

	A$M	*A$M*	*A$M*	*A$M*
Franking credit account				
Franking credits at the beginning of the year	**7**	3		
Taxation paid	**18**	18		
Franking credits received	**3**		3	14
Franking credits attached to capital notes interest paid		(1)		(1)
Franking credits attached to dividends paid		(13)		(13)
	28	7	3	

	NZ$M	*NZ$M*	*NZ$M*	*NZ$M*
Dividend withholding payment credit account				
Dividend withholding payment credits at the beginning of the year	**(12)**	(32)	(12)	(34)
Taxation paid	**27**	72		
Dividend withholding payment credits received			27	74
Dividend withholding payment credits attached to dividends paid	**(30)**	(52)	(30)	(52)
	(15)	(12)	(15)	(12)

Fletcher Building Limited has until 31 March 2008 to fund any deficiency in its imputation credit and dividend withholding payment credit accounts.

Branch equivalent tax account		
Branch equivalent tax account at 1 April 2006	**104**	74
Benefit received from dividend withholding payment tax paid	**27**	72
Utilisation of branch equivalent tax account to offset tax liabilities for the 2006 income year	**(35)**	(42)
Tax benefit arising from the election of the branch equivalent tax account	**(70)**	
Branch equivalent tax account at 31 March 2007	**26**	104

On 14 June 2006, certain subsidiaries elected to credit the total balance of the branch equivalent tax account giving rise to a tax benefit of $70 million.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2007 NZ$M	*Year ended June 2006 NZ$M*	*Year ended June 2007 NZ$M*	*Year ended June 2006 NZ$M*

8 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.

	Group June 2007	Group June 2006	Limited June 2007	Limited June 2006
Numerator				
Net earnings	**484**	379		
Numerator for basic earnings per share	**484**	379		
Dilutive capital notes distribution	**20**	21		
Numerator for diluted net earnings per share	**504**	400		
Denominator (millions of shares)				
Denominator for basic net earnings per share	**475**	466		
Conversion of dilutive capital notes	**30**	43		
Denominator for diluted net earnings per share	**505**	509		

9 Dividends

	Group June 2007	Group June 2006	Limited June 2007	Limited June 2006
Dividends paid to shareholders	**202**	167	202	167
	202	167	202	167

On 8 August 2007 the directors approved the payment of a dividend of 23 cents per share payable on 11 October 2007.

10 Capital

	Group June 2007	Group June 2006	Limited June 2007	Limited June 2006
Reported capital at the beginning of the year	**976**	932	976	932
Issue of shares	**364**	44	364	44
Cost of share issue	**(7)**		(7)	
Reported capital at the end of the year including treasury stock	**1,333**	976	1,333	976
Treasury stock	**(8)**	(6)		
	1,325	970	1,333	976

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.

Notes to the Financial Statements

10 Capital continued

Number of ordinary shares:

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007	*Year Ended June 2006*	*Year Ended June 2007*	*Year Ended June 2006*
Number of shares on issue at the beginning of the year	**469,463,011**	464,146,348	469,463,011	464,146,348
Issue of shares	**26,000,000**		26,000,000	
Shares issued under the dividend reinvestment plan	**3,821,837**	5,316,663	3,821,837	5,316,663
Total number of shares on issue	**499,284,848**	469,463,011	499,284,848	469,463,011
Less accounted for as treasury stock	**(1,119,205)**	(777,489)		
	498,165,643	468,685,522	499,284,848	469,463,011

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 2007 the exercise price is $9.35. 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.

11 Reserve balances

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
Reserves comprise:				
Retained earnings	**961**	679	(69)	(38)
Cashflow hedge reserve	**(6)**	3	(6)	3
Currency translation reserve	**(29)**	104		
	926	786	(75)	(35)

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2007 NZ$M	*Year Ended June 2006 NZ$M*	*Year Ended June 2007 NZ$M*	*Year Ended June 2006 NZ$M*

12 Reserve movements

Retained earnings

Retained earnings at the beginning of the year	**679**	467	(38)	(49)
Net earnings for the year – parent interest	**484**	379	171	178
Dividends paid during the year	**(202)**	(167)	(202)	(167)
	961	679	(69)	(38)

Currency translation reserve

Currency translation reserve at the beginning of the year	**104**	(12)		
Arising in the year and included in the carrying amount of an asset	**(133)**	116		
	(29)	104		

Cashflow hedge reserve

Cashflow hedge reserve at the beginning of the year	**3**		3	
Arising in the year	**(9)**	3	(9)	3
	(6)	3	(6)	3

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*

13 Minority equity

Share capital	**29**	29		
Reserves	**16**	15		
	45	44		

14 Cash and liquid deposits

Cash and bank balances	**62**	49	8	1
Short-term deposits	**270**		270	
	332	49	278	1

Short-term deposits at 30 June 2007 includes the proceeds from the share placement, which were subsequently applied to meet the settlement obligation for Formica Corporation on 2 July 2007.

Notes to the Financial Statements

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
15 Debtors				
Trade debtors	**698**	689		
Contract debtors	**100**	97		
Contract retentions	**10**	11		
Less provision for doubtful debts	**(19)**	(21)		
Other receivables	**189**	137	92	22
	978	913	92	22
16 Stocks				
Raw materials	**158**	185		
Work in progress	**91**	69		
Finished goods	**455**	406		
Consumable stores and spare parts	**41**	43		
	745	703		
Stock held at cost	**745**	703		
Stock held at net realisable value				
	745	703		

17 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 2006	**176**	**254**	**1,353**	**303**	**60**	**15**	**2,161**
Acquisitions during the year				**3**			**3**
Additions	**16**	**38**	**146**	**39**	**8**		**247**
Disposals	**(1)**	**(4)**	**(165)**	**(22)**	**(11)**	**(2)**	**(205)**
Impairments in the earnings statement – reported in unusual items			**(17)**				**(17)**
Currency translation	**(13)**	**(14)**	**(73)**	**(2)**	**(5)**		**(107)**
Gross value at 30 June 2007	**178**	**274**	**1,244**	**321**	**52**	**13**	**2,082**
Accumulated depreciation at 1 July 2006	**(1)**	**(37)**	**(346)**	**(188)**	**(8)**	**(12)**	**(592)**
Disposals		**3**	**129**	**18**	**4**	**2**	**156**
Depreciation expense		**(12)**	**(107)**	**(31)**	**(4)**	**(1)**	**(155)**
Currency translation		**1**	**19**	**4**			**24**
Accumulated depreciation at 30 June 2007	**(1)**	**(45)**	**(305)**	**(197)**	**(8)**	**(11)**	**(567)**
Net book value at 30 June 2007	**177**	**229**	**939**	**124**	**44**	**2**	**1,515**
Gross value at 1 July 2005	168	236	1,120	248	44	17	1,833
Acquisitions and restatement during the year	(9)	(1)	24	(4)	5		15
Additions	1	9	164	42	10		226
Disposals		(1)	(15)	(5)	(3)	(2)	(26)
Currency translation	16	11	60	22	4		113
Gross value at 30 June 2006	176	254	1,353	303	60	15	2,161
Accumulated depreciation at 1 July 2005		(25)	(237)	(160)	(6)	(13)	(441)
Disposals			10	4	2	2	18
Depreciation expense		(10)	(101)	(27)	(4)	(1)	(143)
Currency translation	(1)	(2)	(18)	(5)			(26)
Accumulated depreciation at 30 June 2006	(1)	(37)	(346)	(188)	(8)	(12)	(592)
Net book value at 30 June 2006	175	217	1,007	115	52	3	1,569

As at 30 June 2007, fixed assets includes $90 million of assets under construction (June 2006 $119 million).

18 Goodwill

	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Goodwill acquired at cost	**395**	322		
Accumulated foreign currency translation movement taken to reserves	**(2)**	25		
	393	347		
Goodwill at the beginning of the year	**347**	309		
Acquired during the year	**74**	13		
Acquisition restatement during the year	**(1)**	(6)		
Foreign currency translation movement taken to reserves	**(27)**	31		
	393	347		
The Laminex Group Pty Limited	**98**	107		
Fletcher Insulation Australia	**83**	92		
Tasman Insulation New Zealand Limited	**43**	43		
Stramit Corporation Pty Limited	**64**	60		
Tasman Sinkware Pty Limited	**38**	42		
Forman Insulation Limited	**50**			
Other subsidiaries	**17**	3		
Goodwill by major subsidiaries	**393**	347		

Impairment of goodwill

Goodwill has been tested for impairment in June 2007. Each business unit which carries goodwill has prepared a discounted cashflow on a value-in-use basis, using their past experience and external sources of information where appropriate. These cashflow projections are based on the group's three year strategic plan rolled out for a further two years, plus a terminal year using a growth rate, on average, of two percent. The cashflow is discounted using a rate of 10 percent after tax. This exercise confirmed that there are no impairment issues necessitating a write-down of goodwill, as every business unit's value was in excess of its carrying value.

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*

19 Intangibles

	June 2007	June 2006		
Brands	**235**	248		
Intangible assets	**1**	2		
	236	250		
Brands				
Brands at the beginning of the year	**248**	203		
Acquired during the year	**9**			
Acquisition restatement during the year		21		
Foreign currency translation movement taken to reserves	**(22)**	24		
	235	248		
The Laminex Group Pty Limited	**135**	149		
Stramit Corporation Pty Limited	**37**	40		
Other subsidiaries	**63**	59		
Brands by major subsidiaries	**235**	248		

Brands are considered to have an indefinite useful life as there are no factors which indicate that there is a limit to the foreseeable cashflows. Factors considered before arriving at this conclusion are whether the business is a going concern, whether there is any evidence of obsolescence due to changes in either technology or regulatory conditions, whether the business is trading profitably and whether there are any other market based indications.

Brands have been tested for impairment in June 2007 on a value-in-use basis. This exercise confirmed that there are no impairment issues necessitating a write-down.

	June 2007	June 2006		
Intangible assets				
Intangible assets acquired at cost	**15**	15		
Accumulated amortisation	**(14)**	(13)		
	1	2		
Intangible assets at the beginning of the year	**2**	2		
Arising during the year		1		
Charged to earnings	**(1)**	(1)		
	1	2		

Notes to the Financial Statements

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
20 Investments				
Investment in associates	**123**	113		
Investment in other companies	**1**	2		
Retirement plans surplus – see note 34	**17**	14		
Investment in subsidiary companies [1]			2,923	2,868
	141	129	2,923	2,868

[1] *The principal subsidiaries included within investment in subsidiary companies are disclosed in note 33, principal operations.*

	June 2007 NZ$M	June 2006 NZ$M
Carrying amount of associates:		
Carrying amount at the beginning of the year	**113**	103
Acquisition of associates	**3**	3
Loans to associates		(7)
Equity accounted earnings of associates	**28**	29
Foreign currency translation movement taken to reserves	**(9)**	13
Dividends from associates	**(12)**	(28)
Investment in associates	**123**	113
Less loans to associates at the end of the year	**(13)**	(14)
Investment in associates, excluding loans	**110**	99
Investment by associate:		
Wespine Industries Pty Limited	**45**	51
Dynea Industries WA Pty Limited	**19**	18
Mt Marrow Blue Metal Quarries Pty Limited	**7**	8
Mittagong Sands Pty Limited	**4**	4
Sims Pacific Metals Limited	**24**	11
Other	**24**	21
	123	113
Balance sheet information for associates – 100%		
Assets	**228**	246
Liabilities	**103**	153
Equity	**125**	93
Equity – our share	**63**	47
Goodwill acquired at cost	**47**	52
Investment in associates, excluding loans	**110**	99
Equity accounted earnings comprise:		
Revenue – 100%	**429**	359
Earnings before taxation – 100%	**70**	68
Earnings before taxation – our share	**35**	34
Taxation expense	**(7)**	(5)
Earnings after taxation – our share	**28**	29

21 Provisions

30 June 2007	Restructuring NZ$M	Construction Claims NZ$M	Property NZ$M	Warranty & Environmental NZ$M	Other NZ$M	Total NZ$M
	Fletcher Building Group					
Carrying amount at the beginning of the year	**11**	**6**	**7**	**10**	**37**	**71**
Currency translation					**(4)**	**(4)**
Acquired during the year					**7**	**7**
Acquisition restatement during the year		**(1)**				**(1)**
Charged to earnings	**5**	**4**		**7**	**1**	**17**
Settled or utilised	**(6)**	**(2)**	**(1)**	**(2)**	**(13)**	**(24)**
Released to earnings			**(2)**			**(2)**
	10	**7**	**4**	**15**	**28**	**64**
30 June 2006						
Carrying amount at the beginning of the year	8	6	10	10	30	64
Currency translation	1				3	4
Acquired during the year	3	2				5
Charged to earnings	3			1	6	10
Settled or utilised	(3)	(1)			(1)	(5)
Released to earnings	(1)	(1)	(3)	(1)	(1)	(7)
	11	6	7	10	37	71

30 June 2007	Fletcher Building Limited
Carrying amount at the beginning of the year	2
	2
30 June 2006	
Carrying amount at the beginning of the year	2
	2

During the year the group provided for $5 million in respect of onerous obligations at certain plants. These provisions are expected to be utilised over the next two years. The remaining restructuring provisions predominantly relate to obligations acquired as part of the Amatek acquisition and are expected to be utilised over the next year. 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 three years. Property provisions relate to onerous lease obligations and are expected to be utilised over three years. Warranty and environmental provisions relate to products sold and services provided and is expected to be utilised over the next three years. Other provisions relate to miscellaneous provisions with no individual amounts being significant.

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
Current portion	**54**	59	2	2
Non-current portion	**10**	12		
Carrying amount at the end of the year	**64**	71	2	2

22 Creditors and accruals

	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Trade creditors	**511**	548		
Contract retentions	**31**	26		
Accrued interest	**14**	15	5	5
Other liabilities	**155**	182	57	66
Employee entitlements	**158**	157		
Workers compensation schemes	**10**	11		
	879	939	62	71
Current portion	**818**	876	62	71
Non-current portion	**61**	63		
Carrying amount at the end of the year	**879**	939	62	71

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

23 Contracts

	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Gross construction work in progress plus margin to date	**1,664**	1,255		
Progress billings	**(1,801)**	(1,358)		
Work in progress/(money received in advance)	**(137)**	(103)		
Construction contracts with net work in progress	**1**	8		
Construction contracts with net money received in advance of cost and margin	**(138)**	(111)		
Carrying amount at the end of the year	**(137)**	(103)		

Included in sales is $833 million of contract revenue (June 2006 $772 million).

24 Taxation

	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Deferred taxation asset	**74**	105	4	
Deferred taxation liability	**(71)**	(76)		(1)
Net deferred taxation asset/(liability)	**3**	29	4	(1)
Current taxation asset/(liability)	**19**	34	17	19
Net taxation asset/(liability)	**22**	63	21	18
Provision for current taxation:				
Opening provision for current taxation	**34**	(1)	19	12
Currency translation	**(2)**	3		
Taxation in the earnings statement	**(111)**	(191)	18	19
Transfer from deferred taxation	**30**	45		
Intercompany payment			(20)	(12)
Minority share of taxation expense	**10**	9		
Taxation in reserves	**(45)**	59		
Net taxation payments	**103**	110		
	19	34	17	19

24 Taxation continued

	Provisions NZ$M	*Debtors NZ$M*	*Fixed Assets NZ$M*	*Brands NZ$M*	*Tax Losses NZ$M*	*Other NZ$M*	*Total NZ$M*
Provision for deferred taxation:							
30 June 2007	**Fletcher Building Group**						
Opening provision for deferred taxation	**79**	**6**	**(4)**	**(76)**	**31**	**(7)**	**29**
Currency translation	**(4)**	**(1)**	**1**	**7**		**2**	**5**
Taxation in the earnings statement	**(4)**			**1**		**1**	**(2)**
Transfer to current taxation	**11**		**(14)**		**(31)**	**4**	**(30)**
Acquisition during the year				**(3)**			**(3)**
Taxation in reserves						**4**	**4**
	82	**5**	**(17)**	**(71)**		**4**	**3**
30 June 2006							
Opening provision for deferred taxation	73	6	14	(62)	55		86
Currency translation	4			(7)	3	(1)	(1)
Adjustments to deferred taxation upon first time adoption of IFRS						(1)	(1)
Taxation in the earnings statement	2						2
Transfer to current taxation	(2)		(5)		(35)	(3)	(45)
Acquisition and restatement during the year	2		(13)	(7)	8	(1)	(11)
Taxation in reserves						(1)	(1)
	79	6	(4)	(76)	31	(7)	29
30 June 2007	**Fletcher Building Limited**						
Opening provision for deferred taxation	1					(2)	(1)
Taxation in reserves						5	5
	1					3	4
30 June 2006							
Opening provision for deferred taxation	1						1
Taxation in reserves						(2)	(2)
	1					(2)	(1)

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

25 Capital notes

Capital notes	Coupon	Election date	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Series 2006	7.90%	31 October 2006		35		35
Series 2006	7.30%	31 October 2006		25		25
Series 2006	8.30%	31 October 2006		28		28
Series 2008	8.60%	15 March 2008	**113**	113		
Series 2009	7.80%	15 March 2009	**93**	93	93	93
Series 2010	8.85%	15 March 2010	**37**	37		
Series 2011	7.55%	15 March 2011	**69**	69	69	69
Series 2012	7.50%	15 March 2012	**38**		38	
Prepaid expenses			**(1)**	(1)		
			349	399	200	250
Capital notes due for election within 12 months			**113**	88		88
Capital notes due for election after 12 months			**237**	312	200	162
Prepaid expenses			**(1)**	(1)		
			349	399	200	250

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.

If the principal amount of the capital notes held at 30 June 2007 were to be converted to shares, 29 million shares (June 2006 45 million shares) would be issued at the share price as at 30 June 2007, of $12.35 (June 2006 $9.15).

As at 30 June 2007, the group held $50 million (30 June 2006 nil) of capital notes as treasury stock.

26 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, interest cover and minimum net tangible assets, and at 30 June 2007 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 statement of financial position or against specific assets.

Unused committed lines of credit

At 30 June 2007, the group had $1,251 million of committed bank facilities of which $618 million was undrawn (June 2006 $1,267 million; $577 million).

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
Floating loans	**263**	317	(307)	(301)
Fixed loans	**303**	311	303	311
Loans not subject to the negative pledge – floating	**65**	59		
Loans not subject to the negative pledge – fixed	**2**	3		
	633	690	(4)	10

Summary of repayment terms and interest rates by repayment period

	Fletcher Building Group			
	June 2007 NZ$M	*June 2007 Int. Rate %*	*June 2006 NZ$M*	*June 2006 Int. Rate %*
Due for repayment:				
within one year	**61**	**9.0**	60	8.0
within two years	**1**	**8.1**	1	8.5
within three years	**238**	**5.9**	275	5.9
within four years				
within five years	**44**	**6.0**	49	5.9
after five years	**289**	**6.9**	305	6.9
	633	**6.7**	690	6.5

The amount due for repayment within one year relates to the PlaceMakers joint ventures and certain trade bill facilities which are reviewed annually.

Summary of repayment terms and interest rates by repayment period

	Fletcher Building Limited			
	June 2007 NZ$M	*June 2007 Int. Rate %*	*June 2006 NZ$M*	*June 2006 Int. Rate %*
Due for repayment:				
within one year	(4)	7.7		
within two years				
within three years			10	8.0
within four years				
within five years				
	(4)	7.7	10	8.0

Credit rating

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

27 Financial instruments

Exposures to currency, interest rate, commodity, credit and liquidity risks arise in the normal course of the group's business. To manage and limit the effects of these financial risks the group operates within the following policies and utilises the following financial instruments.

Management policies

The group does not enter into derivative financial instruments for trading or speculative purposes.

Currency balance sheet risk

It is group policy to hedge the foreign exchange exposure to balance sheet currency risk by borrowing in the currency of the asset in proportion to the group's debt to equity ratio. Where the underlying debt in any currency does not equate to the required proportion of total debt, currency swaps are entered into for up to one year. In addition, the group has entered into currency forwards and swaps to hedge the taxation exposure arising from the translation of the group's Australian operations for up to three years. The gains and losses on these transactions are taken to the currency translation reserve as cashflow hedges.

Currency trade risk

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 forecast transactions for up to two years.

When exposures are incurred by operations in currencies other than their local 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. Hedge accounting is not applied on committed trade transactions and the gain and loss on these transactions are taken to the earnings statement. However hedge accounting is applied on the forecast transactions and the gains and losses on these are carried forward in the cashflow hedge reserve. The main currencies hedged are the Australian dollar, the United States dollar, the Japanese yen, the Euro and the British pound.

Interest rate risk

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. Interest rate swaps, forward rate agreements and options are entered into to manage this position. Currently interest rate swaps have been entered into in Australian dollars and New Zealand dollars which mature over the next ten years matching the maturity of the related loans. All the group's interest rate swaps are cashflow hedges and the gains and losses on these transactions are taken to the cashflow hedge reserve.

Commodity price risk

It is group policy to use commodity price swaps and options to manage the market price risk of certain commodities. The group manages its commodity price risk depending on the underlying exposures, economic conditions and access to active derivatives markets. Currently the group hedges zinc for up to one year and over 80 percent of the New Zealand business unit's electricity requirements for up to five years. Hedge accounting is applied on these forecast transactions and the gains and losses are carried forward in the cashflow hedge reserve.

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. At balance date there were no significant concentrations of credit risks in respect of trade receivables. The group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar value and does not require collateral or other security to support the financial instruments. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of the financial instruments.

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.

Outstanding derivative transactions

Financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset with an opposite effect on the items being hedged. The principal or contract amounts of outstanding derivative transactions for the group are as follows:

Notes to the Financial Statements

27 Financial instruments continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2007 NZ$M	*June 2006 NZ$M*	*June 2007 NZ$M*	*June 2006 NZ$M*
Principal or contract amount:				
Foreign exchange				
Currency forward exchange contracts				
To pay – liability	**(2,442)**	(2,074)	(1,689)	(1,232)
To receive – asset	**2,462**	2,018	1,702	1,180
Currency options purchased – asset	**12**	1		
Currency options purchased – (liability)	**(13)**	(1)		
Interest rate swaps – asset/(liability)	**572**	581	572	581
Electricity price swaps – asset/(liability)	**139**	141	139	141
Base metal price swaps – asset/(liability)				

The cash settlement amounts of these instruments, if they had settled on 30 June 2007, approximates the principal or contract amounts, except for interest rate swaps, currency options and commodity price swaps for which the cash settlement is limited to the fair value.

Interest rate repricing

The following tables set out the interest rate repricing profile and weighted average interest rate of the group's and company's income earning financial assets and liabilities by the total portfolio and class of assets. As creditors, debtors and investments are not interest rate sensitive, they are not included in the tables.

	Fletcher Building Group			
	June 2007 NZ$M	*June 2007 %*	*June 2006 NZ$M*	*June 2006 %*
Total portfolio				
Interest rate repriced and average interest rate:				
within one year	**87**	**7.6**	437	7.4
within two years	**171**	**7.1**	70	9.1
within three years	**8**	**7.6**	180	7.1
within four years	**68**	**7.8**	8	7.3
within five years	**38**	**7.5**	68	7.8
after five years	**282**	**6.6**	299	6.3
	654	**7.1**	1,062	7.3

	Fletcher Building Limited			
	June 2007 NZ$M	*June 2007 %*	*June 2006 NZ$M*	*June 2006 %*
Interest rate repriced and average interest rate:				
within one year	(609)	8.0	(193)	7.4
within two years	170	7.1	(43)	7.8
within three years	(30)	6.3	179	7.1
within four years	68	7.8	(30)	6.3
within five years	38	7.5	68	7.8
after five years	284	6.3	299	6.3
	(79)	6.4	280	6.2

27 Financial instruments continued

	Fletcher Building Group – June 2007					
	Interest Rate %	*Floating NZ$M*	*Fixed up to One Year NZ$M*	*Fixed One to Five Years NZ$M*	*Fixed over Five Years NZ$M*	*Total NZ$M*
Asset class						
Bank loans – New Zealand dollars						
Bank loans – Australian dollars	**6.9**	**282**				**282**
US private placement – New Zealand dollars	**8.3**	**144**				**144**
US private placement – Australian dollars	**7.5**	**145**				**145**
Interest rate swaps – New Zealand dollars	**(0.3)**	**(110)**		**(30)**	**140**	
Interest rate swaps – Australian dollars	**(0.6)**	**(303)**	**105**	**55**	**143**	
Cross currency interest rate swaps – New Zealand dollars	**8.7**	**(190)**				**(190)**
Cross currency interest rate swaps – Australian dollars	**6.7**	**185**				**185**
Other loans – New Zealand dollars	**9.2**	**54**	**2**			**56**
Other loans – Australian dollars	**9.7**	**11**				**11**
Term debt	**6.7**	**218**	**107**	**25**	**283**	**633**
Cash and liquid deposits – New Zealand	**7.5**	**(318)**				**(318)**
Cash and liquid deposits – Australia	**5.4**	**(14)**				**(14)**
Short-term loans – New Zealand	**8.0**	**3**				**3**
Capital notes	**8.1**		**113**	**237**		**350**
	7.1	**(111)**	**220**	**262**	**283**	**654**

	Fletcher Building Group – June 2006					
	Interest Rate %	*Floating NZ$M*	*Fixed up to One Year NZ$M*	*Fixed One to Five Years NZ$M*	*Fixed over Five Years NZ$M*	*Total NZ$M*
Bank loans – New Zealand dollars	8.0	10				10
Bank loans – Australian dollars	6.5	312				312
US private placement – New Zealand dollars	8.3	144				144
US private placement – Australian dollars	6.9	161				161
Interest rate swaps – New Zealand dollars	(0.2)	(30)		(110)	140	
Interest rate swaps – Australian dollars	(0.4)	(281)		122	159	
Cross currency interest rate swaps – New Zealand dollars	(7.5)	(205)				(205)
Cross currency interest rate swaps – Australian dollars	6.0	206				206
Other loans – New Zealand dollars	8.6	47		3		50
Other loans – Australian dollars	9.0	12				12
Term debt	6.5	376		15	299	690
Cash and liquid deposits	4.0	(49)				(49)
Short-term loans	7.4	21				21
Capital notes	8.2		88	312		400
	7.3	348	88	327	299	1,062

Notes to the Financial Statements

27 Financial instruments continued

	Fletcher Building Limited – June 2007					
	Interest Rate %	*Floating NZ$M*	*Fixed up to One Year NZ$M*	*Fixed One to Five Years NZ$M*	*Fixed over Five Years NZ$M*	*Total NZ$M*
Asset class						
Bank loans – New Zealand dollars						
Interest rate swaps – New Zealand dollars	(0.3)	(110)		(30)	140	
Interest rate swaps – Australian dollars	(0.6)	(304)	105	55	143	(1)
Cross currency interest rate swaps – New Zealand dollars	8.7	(189)				(189)
Cross currency interest rate swaps – Australian dollars	6.7	186				186
Term debt	7.7	(417)	105	25	283	(4)
Cash and liquid deposits – New Zealand	7.9	(278)				(278)
Short-term loans – New Zealand	8.0	3				3
Capital notes	7.7			200		200
	6.4	(692)	105	225	283	(79)

	Fletcher Building Limited – June 2006					
	Interest Rate %	*Floating NZ$M*	*Fixed up to One Year NZ$M*	*Fixed One to Five Years NZ$M*	*Fixed over Five Years NZ$M*	*Total NZ$M*
Bank loans – New Zealand dollars	8.0	10				10
Interest rate swaps – New Zealand dollars	(0.2)	(30)		(110)	140	
Interest rate swaps – Australian dollars	(0.4)	(281)		122	159	
Cross currency interest rate swaps – New Zealand dollars	(7.5)	(206)				(206)
Cross currency interest rate swaps – Australian dollars	6.0	206				206
Term debt	8.0	(301)		12	299	10
Cash and liquid deposits	(4.1)	(1)				(1)
Short-term loans	7.4	21				21
Capital notes	7.8		88	162		250
	6.2	(281)	88	174	299	280

27 Financial instruments continued

Fair values

The estimated fair values of the group's and company's financial assets and liabilities compared to their carrying values are as follows:

	Fletcher Building Group			
	Carrying Value June 2007 NZ$M	*Fair Value June 2007 NZ$M*	*Carrying Value June 2006 NZ$M*	*Fair Value June 2006 NZ$M*
Debtors	**978**	**978**	913	913
Investments – other	**18**	**18**	16	16
Creditors	**(818)**	**(818)**	(939)	(939)
Cash and liquid deposits	**332**	**332**	49	49
Short-term loans	**(4)**	**(4)**	(21)	(21)
Capital notes	**(349)**	**(343)**	(400)	(401)
Bank loans	**(282)**	**(282)**	(323)	(323)
US private placement	**(289)**	**(289)**	(305)	(305)
Interest rate swaps	**20**	**20**	9	9
Currency swaps	**4**	**4**	(1)	(1)
Other loans	**(67)**	**(67)**	(61)	(61)
Currency forward exchange contracts	**20**	**20**	(54)	(54)
Currency options				
Electricity price swaps	**(25)**	**(25)**	(7)	(7)
Base metal price swaps				

	Fletcher Building Limited			
	Carrying Value June 2007 NZ$M	*Fair Value June 2007 NZ$M*	*Carrying Value June 2006 NZ$M*	*Fair Value June 2006 NZ$M*
Debtors	92	92	22	22
Creditors	62	62	(71)	(71)
Cash and liquid deposits	278	278	1	1
Short-term loans	(3)	(3)	(21)	(21)
Capital notes	(200)	(194)	(250)	(249)
Bank loans			(10)	(10)
Interest rate swaps	20	20	9	9
Currency swaps	4	4		
Other loans				
Currency forward exchange contracts	24	24	(60)	(60)
Currency options				
Electricity price swaps	(25)	(25)	(7)	(7)
Base metal price swaps				

In the fair value tables interest accruals are included within other liabilities within creditors. The carrying values are different from the fair values for the capital notes and currency forward exchange contracts when valued using rates at balance date. The fair value of derivative financial instruments is estimated based on the quoted or estimated market prices of those instruments. The fair value of interest bearing loans are based on the net present value of the future principal and interest cashflows. The fair value of debtors, cash and liquid deposits, creditors and accrued interest is deemed to be the carrying amount. For interest bearing loans and interest rate derivatives the government stock or swap interest rate curves at balance date in the appropriate currency plus an applicable margin are used. For foreign currency derivatives and commodity derivatives the appropriate quotes or derived forward curve is used at balance date.

	Fletcher Building Group	
	June 2007 NZ$M	*June 2006 NZ$M*

28 Capital expenditure commitments on plant and investments

Approved by the directors but uncommitted at year end	**45**	30
Committed at year end	**117**	89
	162	119

29 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	**88**	86
within two years	**75**	71
within three years	**56**	52
within four years	**49**	38
within five years	**40**	33
after five years	**114**	78
	422	358

Operating lease commitments relate mainly to occupancy leases of buildings.

30 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:

Guarantees extended on trading transactions, performance bonds and other transactions	**207**	199
Letters of credit	**4**	5

31 Self insurance

The company monitors its capacity to retain otherwise insurable loss. 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 $10 million inherent in its major insurance policies, up to an annual aggregate amount of $20 million. 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 better.

The following risks are insured at 30 June 2007 in respect of each event up to a maximum of:

Public and product liability	**100**	100
Loss or damage to group property including business interruption	**300**	300
Marine public liability	**50**	50
Public liability resulting from construction activities	**50**	50
Contract works – separate cover is arranged for each contract and the insured value will generally exceed the contract value	**30**	30

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

32 Related party transactions

	Fletcher Building Group June 2007 NZ$M	Fletcher Building Group June 2006 NZ$M	Fletcher Building Limited June 2007 NZ$M	Fletcher Building Limited June 2006 NZ$M
Fletcher Building Group				
Trading activities with related parties:				
Purchase of scrap metal from Sims Pacific Metals Limited	**92**	81		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited, and is included within creditors	**6**	5		
Purchase of raw materials from Wespine Industries Pty Limited and Dyno Industries WA Pty Limited	**65**	62		
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	**5**	1		
Key management personnel compensation				
Directors' fees	**1**	1		
Executive committee remuneration paid, payable or provided for:				
Short-term employee benefits	**6**	8		
Post employment benefits				
Other long-term benefits				
Termination benefits				
Share based payments	**1**	1		
Fletcher Building Limited				
Interest income received from subsidiary companies			45	41
Dividend received from subsidiary companies			207	216
Reimbursement of foreign exchange loss from Fletcher Building Holdings Limited				28
Payment of foreign exchange gain to Fletcher Building Holdings Limited			(13)	
Term receivable owing from subsidiary companies [1]			469	424
Liability owing to subsidiary companies [2]			892	887
Liability owing to subsidiary companies [3]			296	77
Liability owing to subsidiary companies [4]			1,074	1,074

[1] *This unsecured advance represents long-term funding even though it is for no fixed term and bears interest at 10.2 percent.*

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

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

[4] *This 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 the annual report.

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.

Fletcher Building Retirement Plan

As at 30 June 2007, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $15,588,071 of shares and $13,500,000 of capital notes in Fletcher Building Limited, (June 2006 $13,430,132 shares; $13,500,000 capital notes) in respect of economic interests that members of the retirement plan have in Fletcher Building shares and capital notes.

33 Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2007, 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	Finance
Tasman Insulation New Zealand Limited	NZ	100	Insulation
AHI Roofing Limited	NZ	100	Roofing
Forman Group Limited	NZ	100	Insulation
Firth Industries Peru S.A.	Peru	100	Concrete products
Cemac (Hong Kong) Limited	Hong Kong	100	Wall partitions & ceiling systems
Fletcher Construction Company (Fiji) Limited	Fiji	100	Construction
Fletcher Challenge Concrete Industries (Fiji) Limited	Fiji	100	Quarrying
Metromix Concrete Company 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
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

34 Retirement plans

Fletcher Building Limited is the principal sponsoring company of a plan that provides retirement and other benefits to employees of the Fletcher Building 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 plans and defined contribution plans exist in Australia as a result of the acquisition of the Amatek, Tasman Building Products, and the Laminex groups which those companies contribute to on behalf of their employees. All of the these plans' obligations are wholly funded.

These 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 2007, $38 million of net gains (June 2006 $10 million of net gains) 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 pension obligation. 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 2007 the value of the assets was 119.5 percent of the actuarial liability and the funded surplus was $46 million (31 March 2006 120.3 percent, $49 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 2007 was 4.6 percent (30 June 2006 4.03 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's plan calculated under NZ IAS 19 is only $31 million (30 June 2006 $11 million).

During the year the company contributed $8 million in respect of its Australian defined benefit plans and $16 million in respect of its Australian defined contribution plans. It also contributed $5 million to its New Zealand plan on behalf of its employees as part of their salary sacrifice arrangements.

	June 2007 NZ$M	*June 2006 NZ$M*
Net periodic pension cost		
Service cost earned during the year	**(18)**	(22)
Interest cost on projected benefit obligation	**(29)**	(34)
Actual return on assets	**57**	71
Effect of settlements and curtailments	**1**	
Net amortisation of:		
Amortisation of net (gain)/loss	**1**	(1)
Experience adjustments on plans assets – the difference between the expected and actual return	**(21)**	(30)
Net periodic pension (cost)/benefit recognised in operating earnings	**(9)**	(16)
Recognised funded surplus		
Assets of plans at fair value	**479**	533
Total projected benefit obligation	**(424)**	(509)
Funded surplus/(obligation)	**55**	24
Projected unrecognised funded (surplus)/obligation consists of:		
Allowance for tax		
Net (gain)/loss [1]	**(38)**	(10)
Projected unrecognised funded (surplus)/obligation	**(38)**	(10)
Recognised funded surplus [2]	**17**	14

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

[2] *Recognised funded surplus included within note 20, Investments.*

34 Retirement plans continued

	June 2007 NZ$M	June 2006 NZ$M
Movement in recognised funded surplus		
Recognised funded surplus at the beginning of the year	**14**	13
Exchange rate adjustment	**(1)**	1
Net periodic pension cost	**(9)**	(16)
Employer contributions	**13**	16
Recognised funded surplus at the end of the year	**17**	14
New Zealand plan	**13**	11
Australian plans	**4**	3
Recognised funded surplus	**17**	14
Assets of the plans		
Assets of plans at fair value as at the beginning of the year	**533**	461
Actual return on assets	**57**	71
Total contributions	**20**	24
Benefit payments	**(46)**	(41)
Settlements and curtailments	**(63)**	(4)
Exchange rate adjustment	**(22)**	22
	479	533
Assets of the plans consist of:		
Australasian equities	**109**	140
International equities	**136**	134
Property	**34**	39
Bonds	**93**	82
Cash and short-term deposits	**107**	134
Other assets		4
	479	533
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(509)**	(460)
Service cost	**(18)**	(22)
Interest cost	**(29)**	(34)
Member contributions	**(7)**	(8)
Actuarial gain/(loss) arising on experience adjustments – the difference between the expected and actual outcomes	**(10)**	(3)
Actuarial gain/(loss) arising on movements in the discount rate	**18**	(6)
Benefit payments	**46**	41
Settlements and curtailments	**64**	4
Exchange rate adjustment	**21**	(21)
	(424)	(509)

34 Retirement plans continued

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:

	June 2007 %	*June 2006* %
Assumed discount rate on benefit obligations	**5.08**	4.29
Expected annual rate of return on plan assets	**6.14**	6.36
Annual rate of increase in future compensation levels	**3.86**	3.95

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 A$7 million to its Australian defined benefit plans during the year to 30 June 2008. No contribution is expected to be made to the New Zealand plan due to its surplus funded position.

	June 2007 NZ$M	*June 2006* NZ$M	*June 2005* NZ$M
Trend data			
Projected benefit obligations	**(424)**	(509)	(460)
Assets of the plans	**479**	533	461
Funded surplus/(obligation)	**55**	24	1
Experience adjustments on plan obligations	**(10)**	(3)	2
Experience adjustments on plan assets	**21**	30	9

35 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 essentially the same terms as these schemes for New Zealand based employees. As required by the Income Tax Assessment Act, the consideration for the shares was funded by an interest free loan to each employee, which will be repaid over a three year restricted period. At 30 June 2007 the total receivable owing from the employees is $2 million (June 2006 $6 million). The shares allocated to employees are held on behalf of the employees by the trustee, which is Fletcher Building Share Schemes Limited. Employees are entitled to receive the dividends on the shares. Voting rights on the shares, which have not been exercised, are held by the directors of the trustee company on behalf of the employees. Peter Merry, John McDonald and Grant Niccol have been appointed by the company as directors of Fletcher Building Share Schemes Limited.

The following are details in regards to the share schemes:

	2005 Scheme	*2004 Scheme*
Date of announcement	10 October 2005	6 September 2004
Grant date	1 December 2005	1 November 2004
Number of shares granted	695,525	1,361,775
Consideration per share at grant date	$7.54	$5.66
Total consideration paid/issue amount	$5,242,517	$7,706,488
Discount to market price at time of announcement	19%	17%
Grant price to employees per share	$6.24	$4.25
Total grant value	$4,340,076	$5,787,544
Discount to employees per share	$1.30	$1.41
Maximum number of shares per employee	375	550
Vesting date	30 November 2008	31 October 2007
Number of shares:		
Number of shares originally granted	695,525	1,361,775
Less forfeited over life of scheme	(64,025)	(178,850)
Less vested over life of scheme	(56,850)	(169,875)
Number of shares held at 30 June 2007	574,650	1,013,050
Number of shares:		
Balance brought forward 1 July 2006	**659,875**	**1,141,050**
Less forfeited in year	**(46,200)**	**(64,050)**
Less vested in year	**(39,025)**	**(63,950)**
Balance carried forward 30 June 2007	**574,650**	**1,013,050**

	June 2007 NZ$	*June 2006 NZ$*
Total discount expensed in year for all schemes		902,441

35 Share based payments continued

Executive performance share scheme

With effect from 1 October 2004, the group introduced a long-term incentive scheme targeted at the executives most able to influence the results of the group. 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. 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 to receive dividends, the proceeds of which are used to repay the interest free loan.

At the end of the three year 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 in capital.

The following are details in regards to the share schemes:

	2006 Scheme	*2005 Scheme*	*2004 Scheme*
Grant date	**1 October 2006**	1 October 2005	1 October 2004
Number of shares granted	**438,410**	400,128	426,599
Market price per share at grant date	**$8.36**	$7.80	$6.39
Total consideration paid	**$3,665,108**	$3,120,998	$2,725,968
Vesting date	**30 September 2009**	30 September 2008	30 September 2007
Maximum bonus payable – expensed over three years	**$6,285,603**	$5,384,220	$4,799,193
Number of shares:			
Number of shares originally granted	**438,410**	400,128	426,599
Less forfeited over life of scheme	**(10,762)**	(46,616)	(45,202)
Less vested over life of scheme	**(479)**	(17,359)	(25,514)
Number of shares held at 30 June 2007	**427,169**	336,153	355,883
Number of shares:			
Balance brought forward 1 July 2006		**378,927**	**398,562**
Number of shares granted in year	**438,410**		
Less forfeited in year	**(10,762)**	**(39,414)**	**(36,790)**
Less vested in year	**(479)**	**(3,360)**	**(5,889)**
Balance carried forward 30 June 2007	**427,169**	**336,153**	**355,883**

	June 2007 NZ$	*June 2006 NZ$*
Total amount expensed in year for executive performance share schemes	**4,391,413**	3,394,471
Liability recognised at year end for bonus payable	**9,120,063**	4,615,145

36 Subsequent events

On 23 May 2007 the group announced that it would acquire Formica Corporation for US$700 million, with additional contingent payments of up to US$50 million. Settlement for the acquisition of Formica Corporation occurred on 2 July 2007. As at 8 August 2007 the group has commenced a formal fair valuation exercise which will result in the determination of the fair values of the assets and liabilities of the acquired companies. It is impractical to estimate the fair values of the assets and liabilities until the group receives reports from the various valuers. The group has until 2 July 2008 to complete this exercise.

37 Segmental information

	Building Products NZ$M	Steel NZ$M	Distribution NZ$M	Infrastructure NZ$M	Laminates & Panels NZ$M	Other NZ$M	Total Group NZ$M
Industry segments							
Year Ended 30 June 2007							
Sales – gross	**808**	**1,204**	**1,081**	**2,039**	**1,130**	**7**	**6,269**
Sales – inter-segment	**(111)**	**(43)**	**(17)**	**(95)**	**(72)**	**(5)**	**(343)**
Sales – external	**697**	**1,161**	**1,064**	**1,944**	**1,058**	**2**	**5,926**
Operating earnings (EBIT)	**135**	**71**	**80**	**271**	**151**	**(5)**	**703**
Unusual items included in EBIT above	**(6)**	**(9)**			**20**		**5**
Equity earnings included in EBIT above	**(1)**	**16**		**4**	**9**		**28**
Total assets	**687**	**689**	**271**	**1,183**	**981**	**622**	**4,433**
Investments in associates included in assets	**3**	**24**		**27**	**69**		**123**
Total liabilities	**144**	**184**	**151**	**447**	**175**	**1,036**	**2,137**
Capital expenditure including acquisitions	**101**	**36**	**33**	**110**	**35**	**31**	**346**
Depreciation expense	**20**	**22**	**8**	**60**	**44**	**1**	**155**
Year Ended 30 June 2006							
Sales – gross	706	1,132	968	1,919	1,089	8	5,822
Sales – inter-segment	(77)	(50)	(12)	(96)	(62)	(5)	(302)
Sales – external	629	1,082	956	1,823	1,027	3	5,520
Operating earnings (EBIT)	142	93	75	255	116	(6)	675
Equity earnings included in EBIT above		15		4	10		29
Total assets	646	670	243	1,243	1,108	189	4,099
Investments in associates included in assets	3	11		30	69		113
Total liabilities	136	205	143	457	187	1,171	2,299
Capital expenditure including acquisitions	28	23	17	128	69	1	266
Depreciation expense	19	19	8	57	40		143

37 Segmental information continued

	Australia NZ$M	*New Zealand NZ$M*	*Other NZ$M*	*Group NZ$M*
Geographic segments				
Year Ended 30 June 2007				
Sales – external	**2,020**	**3,657**	**249**	**5,926**
Operating earnings (EBIT)	**220**	**466**	**17**	**703**
Unusual items included in EBIT above	(3)	**8**		**5**
Equity earnings included in EBIT above	**11**	**16**	**1**	**28**
Total assets	**1,747**	**2,561**	**125**	**4,433**
Investments in associates included in assets	**80**	**40**	**3**	**123**
Total liabilities	**637**	**1,443**	**57**	**2,137**
Capital expenditure including acquisitions	**80**	**260**	**6**	**346**
Depreciation expense	**61**	**90**	**4**	**155**
Year Ended 30 June 2006				
Sales – external	1,859	3,389	272	5,520
Operating earnings (EBIT)	211	436	28	675
Equity earnings included in EBIT above	11	17	1	29
Total assets	1,916	2,010	173	4,099
Investments in associates included in assets	81	29	3	113
Total liabilities	715	1,506	78	2,299
Capital expenditure including acquisitions	72	181	13	266
Depreciation expense	55	82	6	143

Audit Report

To the shareholders of Fletcher Building Limited

We have audited the financial statements on pages 54 to 95. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2007. This information is stated in accordance with the accounting policies as set out on pages 60 to 63.

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 2007 and the results of their operations and cash flows 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 judgments 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 general accounting 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 54 to 95:
  - 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 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 8 August 2007 and our unqualified opinion is expressed as at that date.

KPMG Auckland, New Zealand

Trend Statement

Note	*June 2007* *NZ$M*	*June 2006* 5 *NZ$M*	*June 2005* 4 *NZ$M*	*June 2004* 3 *NZ$M*	*June 2003* 2 *NZ$M*	*June 2002* 1 *NZ$M*
Financial performance						
Operating sales/revenue	**5,926**	5,520	4,636	3,958	3,221	2,966
Operating earnings (EBIT)	**703**	675	612	460	331	210
Net earnings	**484**	379	347	240	168	93
Cashflow from operations	**483**	560	479	424	276	187
Earnings per share – basic (cents per share)	**101.9**	81.3	77.6	55.7	43.4	27.0
Dividends for the period (cents per share)	**45.0**	40.0	32.0	25.0	19.0	14.0
Balance sheet						
Current assets	**2,074**	1,699	1,484	1,171	1,021	794
Non-current assets	**2,359**	2,400	2,173	1,611	1,427	842
Total assets	**4,433**	4,099	3,657	2,782	2,448	1,636
Current liabilities	**1,187**	1,207	1,239	818	776	669
Non-current liabilities	**950**	1,092	991	918	812	376
Total liabilities	**2,137**	2,299	2,230	1,736	1,588	1,045
Capital	**1,325**	970	929	754	628	455
Reserves	**926**	786	455	252	195	109
Minority equity	**45**	44	43	40	37	27
Total equity	**2,296**	1,800	1,427	1,046	860	591
Total liabilities and equity	**4,433**	4,099	3,657	2,782	2,448	1,636
Other financial data						
Return on average funds (%) [5]	**24.8**	26.1	29.3	24.7	24.4	23.1
Return on average equity (%) [6]	**26.0**	24.6	29.5	24.3	23.0	16.9
Net debt/net debt plus equity (%)	**22.2**	37.1	44.4	43.1	49.9	40.2
Net tangible assets per share ($)	**3.25**	2.47	2.11	1.68	1.54	1.60
Market capitalisation (NZ$m)	**6,166**	4,296	3,207	1,987	1,490	953
Total shareholders return (%)	**42**	40	61	33	43	24

[1] *The results of the Distribution division in the 2002 year were included on an equity accounted basis for 15 months on a consolidated basis.*

[2] *The Laminex Group was acquired on 13 November 2002.*

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

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

[5] *EBIT/Average funds (net debt + equity + capital notes - deferred tax asset).*

[6] *Net earnings/average shareholders' funds.*

Regulatory Disclosures

Directors' relevant interests in equity securities at 30 June 2007

	Ordinary Shares		Capital Notes	
	Beneficial	*Associated Persons*	*Beneficial*	*Associated Persons*
P E A Baines	22,115			
R S Deane	1,295	50,000		300,000
H A Fletcher	9,028	790,620		40,000
G J McGrath	40,000			
D T Spring	20,550	24,500		50,000
K M Vautier	48,901	15,196	20,000	20,000
R G Waters		1,043,424		
	141,889	1,923,740	20,000	410,000

Share 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 shares as follows:

Director	*Number of shares acquired*	*Number of shares disposed*	*Consideration $*	*Date*
K M Vautier	1,539		12,873	16/10/06
R G Waters	2,841		23,764	16/10/06
K M Vautier		9,000*	9,000	31/10/06
K M Vautier	1,250		13,828	13/04/07

** Capital notes repurchased on interest reset date*

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 2007 of:

R G Waters	Appointed as a director of Fonterra Co-operative Group Limited	18/07/06
R G Waters	Appointed as a director of Westpac New Zealand Limited	8/09/06
D T Spring	Resigned as a member of NZ APEC Business Advisory Council	1/12/06
D T Spring	Resigned as a director of Asia NZ Foundation	31/12/06
R S Deane	Resigned as a trustee of Motu Economic and Public Policy Research	10/03/07
R S Deane	Appointed a member of the Advisory Board of Pacific Road Corporate Finance Limited	28/03/07
H A Fletcher	Appointed as chairman of IAG	7/02/07
H A Fletcher	Appointed a member of the Advisory Board of LEK Consulting	7/04/07
P E A Baines	Appointed as a director of The Todd Corporation Limited	1/05/07
H A Fletcher	Appointed as a director of Vector Limited	25/05/07

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 2007

Name	*Number of Shares*	*% of Shares*
New Zealand Central Securities Depository Limited	218,901,461	43.84
RBC Dexia Investor Services Australia Nominees Pty Limited	54,560,786	10.93
National Nominees Limited	32,632,946	6.54
J P Morgan Nominees Australia Limited	29,126,705	5.83
HSBC Custody Nominees (Australia) Limited	13,652,460	2.73
Citicorp Nominees Pty Limited	10,935,739	2.19
Cogent Nominees Pty Limited	7,015,018	1.41
ANZ Nominees Limited	5,130,526	1.03
FNZ Custodians Limited	4,104,189	0.82
Masfen Holdings Limited	3,338,854	0.67
Custodial Services Limited	3,246,761	0.65
UBS Nominees Pty Limited	3,042,065	0.61
Queensland Investment Corporation	2,093,268	0.42
Fletcher Building Share Schemes Limited	1,865,717	0.37
Fletcher Building Educational Fund Limited	1,772,765	0.36
Investment Custodial Services Limited	1,522,680	0.30
ASB Nominees Limited	1,388,086	0.28
NZ Guardian Trust Company Limited	1,166,105	0.23
Argie Pty Limited	1,043,424	0.21
Fletcher Building Nominees Limited	822,407	0.16

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	76,786,867	15.38
HSBC Nominees (New Zealand) Limited	46,114,820	9.24
ANZ Nominees Limited	24,966,166	5.00
Citibank Nominees (New Zealand) Limited	19,628,432	3.93
Accident Compensation Corporation	9,407,849	1.88
TEA Custodians Limited	9,004,121	1.80
NZ Superannuation Fund Nominees Limited	8,340,332	1.67
Custody and Investment Nominees Limited	3,296,024	0.66
Asteron Life Limited	2,759,390	0.55

Regulatory Disclosures

Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 July 2007, 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 499,284,848.

Substantial Security Holders	*Number of Voting Securities*	*Date of Notice*
Perennial Value Management	34,327,434	9/07/07
Perpetual Trustees Australia	67,370,858	19/11/04

Distribution of shareholders and holdings as at 31 July 2007

Size of Holding	*Number of Shareholders*	*%*	*Number of Shares*	*%*
1–999	9,918	34.61	4,019,711	0.81
1,000–4,999	14,555	50.79	29,378,644	5.88
5,000–9,999	2,396	8.36	15,661,463	3.14
10,000–49,999	1,584	5.53	26,826,164	5.37
50,000–99,999	91	0.32	5,992,939	1.20
100,000–499,999	73	0.25	14,130,877	2.83
500,000 and over	39	0.14	403,275,050	80.77
	28,656	100.00	499,284,848	100.00

Geographic Distribution	*Number of Shareholders*	*%*	*Number of Shares*	*%*
New Zealand	25,470	88.88	325,951,989	65.28
Australia	2,515	8.78	171,708,823	34.39
United States of America	118	0.41	208,981	0.04
Rest of the World	553	1.93	1,415,055	0.29
	28,656	100.00	499,284,848	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 263.

The other equity securities on issue are $400 million 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 11,123 holders of the capital notes at 31 July 2007. These equity securities are quoted on the NZX but are unquoted on the ASX.

Distribution of capital noteholders and holdings as at 31 July 2007

	Fletcher Building Limited			
Size of Holding	*Number of Noteholders*	*%*	*Number of Capital Notes*	*%*
1,000–4,999	2,043	30.79	5,927,666	2.37
5,000–9,999	1,500	22.60	10,194,166	4.08
10,000–49,999	2,523	38.02	50,335,167	20.13
50,000–99,999	383	5.77	22,675,500	9.07
100,000–499,999	157	2.37	24,987,500	10.00
500,000 and over	30	0.45	135,880,001	54.35
	6,636	100.00	250,000,000	100.00

Regulatory Disclosures

	Fletcher Building Finance Limited			
Size of Holding	*Number of Noteholders*	*%*	*Number of Capital Notes*	*%*
1,000–4,999	1	0.02	4,000	0.00
5,000–9,999	913	20.34	5,041,000	3.36
10,000–49,999	2,981	66.44	54,630,000	36.42
50,000–99,999	410	9.14	22,930,000	15.29
100,000–499,999	160	3.57	23,803,000	15.87
500,000 and over	22	0.49	43,592,000	29.06
	4,487	100.00	150,000,000	100.00

Limitations on the acquisition of the company's securities

The terms of the company's admission to the ASX require the following disclosure.

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 2005 and Overseas Investment Regulations regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Commission 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.

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 2007 the amount accrued as at 30 June 2007 has also been included in the total remuneration disclosed as follows.

Regulatory Disclosures

From NZ$	To NZ$	Number of Employees International Business Activities	New Zealand Business Activities	Total
100,000	110,000	142	243	385
110,000	120,000	131	113	244
120,000	130,000	65	94	159
130,000	140,000	77	56	133
140,000	150,000	34	51	85
150,000	160,000	27	36	63
160,000	170,000	15	21	36
170,000	180,000	16	20	36
180,000	190,000	11	18	29
190,000	200,000	11	18	29
200,000	210,000	10	9	19
210,000	220,000	5	4	9
220,000	230,000	6	8	14
230,000	240,000	2	9	11
240,000	250,000	4	8	12
250,000	260,000	6	3	9
260,000	270,000	4	2	6
270,000	280,000	4	4	8
280,000	290,000	4	2	6
290,000	300,000	2	4	6
300,000	310,000	1	1	2
310,000	320,000	1	2	3
320,000	330,000	1	4	5
330,000	340,000	2	1	3
340,000	350,000	2	4	6
350,000	360,000		1	1
360,000	370,000		1	1
370,000	380,000	1		1
380,000	390,000	1	1	2
390,000	400,000	1		1
400,000	410,000	2	1	3
410,000	420,000	1		1
430,000	440,000	1		1
460,000	470,000	1	2	3
490,000	500,000	1		1
500,000	510,000		1	1
510,000	520,000		1	1
570,000	580,000	1	1	2
580,000	590,000		1	1
760,000	770,000		1	1
840,000	850,000	1	1	2
1,010,000	1,020,000		1	1
		594	748	1,342

Regulatory Disclosures

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 2007.

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 207 subsidiaries worldwide at 30 June 2007.

No employee of Fletcher Building Limited who is appointed as a director of a company within the Fletcher Building group 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 (R), P Binti Mohamad (R), P Lamb, A Reding (R), P Stichbury, C Ellis

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

AHI Roofing Limited
A Reding (R), W Roest, C Ellis

AHI Roofing Pty Limited
D Le Quesne, A Reding (R), C Ellis

Aickin Timber Limited
D Worley (R), W Roest, D Edwards

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

Amatek Holdings Limited
L Box (R), M Farrell, D Le Quesne, W Roest, V Gulia

Amatek Industries Pty Limited
D Le Quesne, W Roest

Amatek Investments Limited
L Box (R), M Farrell, D Le Quesne, W Roest, V Gulia

Amies Building Supplies Limited
O Lyttleton, D Worley, R de Raat (A)

Amtel Pty Limited
D Le Quesne (R), A Reding (R), T Richards

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

Aramis Investments Limited
W Roest, M Farrell

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

Australian Fibre Glass Pty Limited
D Le Quesne, A Reding (R), V Gulia

Bandelle Pty Limited
M Binns (R), L Box (R), D Le Quesne, V Gulia

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

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

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

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

Burford Building Choices Limited
D Worley (R), D Edwards

Building Products Superannuation Fund Pty Limited
C Chick, A Hardge, S Hart, S Ryan, T Thomas, P Pickup, W Roest, L Box, J McCabe (A)

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

Calvert Building Supplies Limited
D Worley (R), D Edwards

Caravan Components Pty Limited
M Binns (R), D Le Quesne, V Gulia

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

Cemac (Macau) Limited
C Wing Shum

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

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

Creeks Metal Industries Pty Limited
D Le Quesne, A Reding (R), V Gulia

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

Cullity Timber Holdings Pty Limited
M Farrell (R), D Le Quesne (R), W Roest, J Ling (R), L Box (A), D Worley

Regulatory Disclosures

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

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

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

Decra Roofing Systems, Inc.
W Hudson, A Reding (R), C Ellis

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

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

Delcon Holdings (No. 3) Limited
A Reding (R), W Roest, G Kirk, A Cadman, C Ellis

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

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

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

Delcon Holdings (No. 12) Limited
M Farrell, W Roest

Duroid Pty Limited (L)
G Kirk, L Box

EFA Technologies Pty Limited
M Binns, D Le Quesne (R), G West

Engineered Timber Solutions Ltd
D Worley (R), D Edwards

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

FBHS (Aust) Pty Limited
T Richards

FDCC Californa Inc (L)
M Binns, K Kupchak, C Munkowits

FDL No. 20 Limited
D Worley (R), D Edwards

FDL No. 21 Limited
D Edwards

FDL No. 22 Limited
D Edwards

FDL No. 23 Limited
D Edwards

FDL No. 24 Limited
D Edwards

FDL No. 25 Limited
D Edwards

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

Firth Industries Peru S.A.
M Binns, B Denekamp, R Silva-Rodriguez

Fletcher Building (Australia) Finance Pty Limited
M Binns (R), D Le Quesne, L Box (R), V Gulia

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

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

Fletcher Building Holdings Limited
W Roest, M Farrell

Fletcher Building Holdings USA Inc.
W Hudson, A Reding (R), C Ellis

Fletcher Building Netherlands Antilles B.V.
M Farrell, T Mol, E Rakers, W Roest

Fletcher Building Netherlands B.V.
M Farrell, W Roest, P Ruoff, A Van De Werken ($4,768)

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

Fletcher Building Products Limited
A Reding (R), W Roest, C Ellis

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

Fletcher Building US Holdings Pty Limited
D Le Quesne, V Gulia

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 Challenge Overseas Investments S.A.
B Denekamp, R Silva-Rodriguez, P Thumath

Fletcher Challenge Steel Products (Australia) Pty Limited (L)
A Pearson, L Box

Fletcher Composite Research Limited
A Reding (R), W Roest, P Zuckerman

Regulatory Disclosures

Fletcher Concrete (Fiji) Limited
M Binns, P Thumath

Fletcher Concrete & Infrastructure Limited
M Binns, W Roest

Fletcher Construction (Malaysia) SDN BHD
I Liew ($1,969), T Chan ($1,969)

Fletcher Construction (Nouvelle Caledonie) Limited
A Brown

Fletcher Construction (Singapore) PTE Limited
G Johnston, C Munkowits, K Lee, L Beng ($1,883)

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, P Watts

Fletcher Constuction Company North America (L)
M Binns, K Kupchak, C Munkowits

Fletcher Construction Pty Limited
M Binns, C Munkowits, L Box (R), V Gulia, C Wickham

Fletcher Distribution Limited
W Roest, D Worley (R), D Edwards

Fletcher Insulation (NSW) Pty Limited
D Le Quesne (R), A Reding (R), C Ellis, D Haslett

Fletcher Insulation (Vic) Pty Limited
D Le Quesne (R), A Reding (R), C Ellis, D Haslett

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

Fletcher Pacific Steel (Fiji) Limited
D Hargovind ($7,187), A Pearson (R), A Reding (R), 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
A Reding (R), W Roest, P Zuckerman

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

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

Forman Building Systems Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Forman Building Systems Pty Limited
B Forman, G Forman, L Rufus

Forman Commercial Interiors Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Forman Group Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Forman Insulation Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Forman Manufacturing Limited
B Forman (R), G Forman (R), C Ellis, W Roest

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

FWPBT Limited (L)
A Reding, W Roest

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

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

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

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

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

Insulation Solutions Holdings Pty Limited
D Le Quesne, A Reding (R), V Gulia

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

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

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

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

Key Building Supplies Limited (L)
D Worley, R de Raat (A)

KH Consolidated Industries (Canberra) Pty Limited
D Le Quesne, A Reding (R)

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

Laminates Holdings Pty Limited
W Roest, D Worley

Laminex (Australia) Pty. Ltd.
M Farrell (R), D Le Quesne (R), W Roest, J Ling (R), L Box (A), D Worley

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

Regulatory Disclosures

Laminex Group Pty Limited
M Farrell (R), D Le Quesne (R), W Roest, J Ling (R), L Box (A), D Worley

Laminex Inc.
W Roest, D Worley

Laminex Overseas Holdings Pty Limited
D Le Quesne, D Worley

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

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

M Wong Building Supplies Limited (L)
O Lyttelton, D Worley, R de Raat (A)

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

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

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

Mecon Hawaii Limited (L)
J Caldwell, D Hastert, K Kupchak, C Munkowits

Meleccio Enterprises Limited
M Binns, W Roest

Metromix Concrete Company Limited
M Binns, P Thumath

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

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

Mount Timber & Hardware Limited
W Roest, D Worley (R), D Edwards

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

Neil Thomson Building Supplies Limited (L)
D Worley, R de Raat (A)

New Zealand Ceiling & Drywall Supplies Limited
R de Raat

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

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

Pacific Trade & Export Limited
M Binns, W Roest

Performance Ceilings Limited
B Forman (R), G Forman (R), C Ellis, W Roest

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

Placemakers Limited
D Worley (R), W Roest, D Edwards

Plaster Warehouse (Wellington) Limited
S Borrell

Plastercraft Building Systems Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Plastercraft Contract Services Limited
B Forman (R), G Forman (R), C Ellis, W Roest

Raoul Holdings Limited
M Binns, W Roest

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

Rocla Australia Pty Limited
M Binns, D Le Quesne

Rocla Concrete Pipes Pty Limited
M Binns, D Le Quesne

Rocal Drilling Pty Limited
M Binns, D Le Quesne

Rocal Group Superannuation Fund Pty Limited
J Gardiner, A Hardge, M Lukban, W Roest, L Box, J Curtis, N Lloyd (R)

Rocla Industries Pty Limited
M Binns (R), D Le Quesne, V Gulia

Rocla Masonry Pty Limited
M Binns, D Le Quesne

Rocla Materials Pty Limited
M Binns, D Le Quesne (R), G West

Rocla NSW Pty Limited
M Binns, D Le Quesne

Rocla Pty Limited
M Binns, D Le Quesne (R), G West, S Baker

Rocla SA Pty Limited
M Binns, D Le Quesne

Rocla Vic Pty Limited
M Binns (R), D Le Quesne, V Gulia

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

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

Servicios Y Administraciones Apoquindo Limitada
C Eyzaguirre

Sisalation Pty Limited
D Le Quesne (R), A Reding (R), C Ellis, D Haslett

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

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

Regulatory Disclosures

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

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

Stramit (Preston) Pty Limited
D Le Quesne, A Reding (R)

Stramit Corporation Pty Limited
D Le Quesne (R), A Reding (R), T Richards

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

Stramit Pty Limited
D Le Quesne, A Reding (R)

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

Tasman Access Floors Pty Limited
D Le Quesne, A Reding (R), C Ellis

Tasman Australia Pty Limited
D Le Quesne, A Reding (R), V Gulia

Tasman Building Products Pty Limited
D Le Quesne, A Reding (R), V Gulia

Tasman Insulation New Zealand Limited
A Reding (R), W Roest, C Ellis

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

Tasman Sinkware North America, Inc.
A Reding (R), C Ellis

Tasman Sinkware Pty Limited
D Le Quesne (R), A Reding (R), C Ellis, B Walters

TBP Group Pty Limited
D Le Quesne, A Reding (R), V Gulia

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

Terrace Insurances (PCC) Limited
M Eades, P Wakefield, J McDonald, M Farrell

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

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
J Ling (R), W Roest, D Worley

Thomas Street Pty Limited
D Le Quesne, M Binns

Trade Mart Limited
W Roest, D Worley (R), D Edwards

Trademates Limited
W Roest, D Worley (R), D Edwards

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

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

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

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

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

Wesfi Limited
M Farrell (R), D Le Quesne, W Roest, J Ling (R), L Box (A), D Worley

Wesfi Manufacturing Pty Limited
M Farrell (R), D Le Quesne (R), W Roest, J Ling (R), L Box (A), D Worley

Winstone Wallboards Limited
A Reding (R), W Roest, C Ellis

Investor Information

Annual shareholders' meeting

The Annual Shareholders' Meeting of Fletcher Building Limited will be held at the Rangitoto Ballroom, Langham Hotel, Auckland, New Zealand, at 10.00am on Tuesday 13 November 2007.

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.

On-line trading and financial information

Details on Fletcher Building, its governance policies, and its operations for the year ended 30 June 2007 can be viewed at the Fletcher Building website, at www.fletcherbuilding.com.

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

Shareholder communications

Recent legislative and NZX Listing Rules changes allow the company not to send printed copies of the annual report and half year review to security-holders. Instead, Fletcher Building has produced an annual review as a summary of the company's operational and financial activities, although security holders have a right to receive a copy of these reports on request. In addition, they can be viewed on the company's website.

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 the back cover 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 23 cents per share payable on 11 October 2007 with New Zealand tax credits and Australian franking credits attached. This is in addition to the interim dividend of 22 cents per share paid in April 2007.

Dividend Summary Table [1]

NZ cents per share	*NZ Residents*	*Australian Residents*	*Other Non Residents*
Dividend declared	23.000	23.000	23.000
NZ tax credits [2]	11.328		
NZ supplementary dividend		4.059	4.059
Australian franking tax credits [3]		9.857	
Gross dividend for NZ tax purposes	**34.328**	**27.059**	**27.059**
NZ tax (33%)	(11.328)		
NZ non-resident withholding tax (15%) [4]		(4.059)	(4.059)
Net cash received after NZ tax	**23.000**	**23.000**	**23.000**
Australian tax (15%) [5]		(4.929)	
Reduced by credit for NZ non-resident withholding tax		4.059	
Less Australian franking credit offset [6]		5.798	
Net cash dividend to shareholders	**23.000**	**27.929**	**23.000**

NOTES:

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.*

3 *These amounts are not received in cash but are relevant in determining the gross dividend received for Australian tax purposes.*

4 *NZ non-resident withholding tax is imposed at the rate of 15% on the gross dividend for NZ tax purposes.*

5 *This summary uses the 15% 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.*

The Australian tax is calculated as:

gross dividend for NZ tax purposes		*27.059*
plus franking credits	*9.857*	
less NZ supplementary dividend	*(4.059)*	*5.798*
gross dividend for Australian tax purposes		*32.857*
net Australian tax payable (15%)		*4.929*

6 *The Australian franking credit assessable amount and tax offset is calculated by reducing the franking credits by the NZ supplementary dividend. Any surplus franking credit offset is refundable to Australian resident shareholders on issue of their Australian tax assessment.*

Directory

Executive Committee

Jonathan Ling	Chief Executive Officer and Managing Director	BEng (Melb); MBA (RMIT)
Mark Binns	Chief Executive, Infrastructure	LLB (Auckland)
David Edwards	Chief Executive, Distribution	
Chris Ellis	Chief Executive, Building Products	BEng Civil (Christchurch); MSci (Stanford)
Martin Farrell	Company Secretary and General Counsel	BCom; LLB (Otago); CA (NZ)
Peter Merry	Executive General Manager, Human Resources	BBusSci (Cape Town); MBA (Cape Town)
Frank Riddick	Chief Executive, Formica Corporation	BA (USA); MBA (USA)
Bill Roest	Chief Financial Officer	FCCA (UK); ACA (NZ)
David Worley	Chief Executive, Laminates & Panels	BCom (Auckland); MBA (Auckland)
Paul Zuckerman	Chief Executive, Steel	BSci Chem (New York), MBus Admin (Ohio)

Registered Offices

New Zealand
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Fletcher House, 810 Great South Road, Penrose, Auckland 1061, New Zealand
Tel: +64 9 525 9000

Australia
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Level 5, Tower A, Zenith Centre, 821 Pacific Highway, Chatswood, NSW 2067, Australia
Tel: +61 2 9928 3532, 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 92 119, Auckland 1142, New Zealand
Level 2, 159 Hurstmere Road, Takapuna, North Shore City 0622, New Zealand
Tel: +64 9 488 8777, Fax: +64 9 488-8787, Email: enquiry@computershare.co.nz

Australia
Computershare Investor Services Pty Limited, GPO Box 7045, Sydney, NSW 2001, Australia
Level 3, 60 Carrington Street, Sydney, NSW 2000, Australia
Tel: 1800 501 366 (within Australia), Tel: +61 3 9415 4083 (outside Australia),
Fax: +61 2 8234 5050

Trustee for capital noteholders

Perpetual Trust Limited, PO Box 3376, Auckland 1140, New Zealand
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Other investor enquiries

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