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BUILDING RESILIENCE

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COVER IMAGE WORK UNDERWAY AT THE TAURANGA HARBOUR LINK PROJECT

RIGHT FIRTH CONCRETE POUR OF THE BULK STORE FOUNDATIONS FOR THE NEW GOLDEN BAY CEMENT PROJECT EASTPORT FACILITY, AT THE FLETCHER CONSTRUCTION ENGINEERING SITE IN DOWNTOWN AUCKLAND

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HIGHLIGHTS

- Net profit after tax and minority interests of $467 million notwithstanding the tougher trading conditions – an increase of 17 percent on a pre-unusuals basis, but a 4 percent decline against last year's reported net earnings
- Operating earnings up 9 percent to $768 million, with three of the five divisions improving performance
- Disappointing results from the Formica acquisition, but significant operational improvement expected in the current year
- $1.4 billion invested for growth
- A further improvement in safety performance – with the lost time injury rate down by 23 percent
- Continued engagement with initiatives on greenhouse gas emissions
- Total dividend for the year up from 45 to 48.5 cents per share
- Strong focus on the fundamentals, maintaining earnings reliability and financial strength

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CHAIRMAN'S REVIEW

This report covers a year in which the group's ability to perform to its expectations was seriously tested, and foreshadows a further demanding period to come. We can report with satisfaction on the achievements of the past year, and with confidence on our ability to meet the challenges of the near future.

Results

Net profit after tax and minority interests was $467 million, up 17 percent on the $399 million excluding unusuals from the previous year. While reported net earnings declined slightly from $484 million to $467 million, the 2007 result included unusual amounts of $85 million.

Sales, at $7.1 billion, were up $1.2 billion on the previous year. They included $1.1 billion contributed by the newly-acquired Formica Corporation.

Most of our businesses performed well given the demanding economic conditions the group faced. Earnings from Formica were significantly lower than expected, reflecting the impact on its US operations of a downturn in housing and residential markets, along with significant restructuring costs.

While Formica achieved good results from its European and Asian operations, its performance overall in its first year post-acquisition was disappointing. The causes of this are clear and measures have been taken to address those factors within our control. The downturn in United States housing markets will continue to affect results in that country, but it is anticipated that overall performance will improve in the current year. Details of Formica's performance, and those of the other businesses, are contained in the divisional reviews on the following pages.

The result represents a 19 percent return on both average equity and average funds employed. Earnings per share were 93.2 cents, up from 84.0 cents excluding unusuals in the 2007 year. Total shareholder return (TSR) – the movement in share price plus pre-tax dividends – was negative 43 percent compared with positive returns of 42, 40 and 61 percent in the three previous years.

While the negative TSR was disappointing, it is worth noting that Fletcher Building was again rated the largest creator of wealth among New Zealand's publicly listed companies, in the annual survey by Boston Consulting Group. The group was found to have created $4.8 billion of wealth for its shareholders over the five years to December 2007.

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Dividend

It is pleasing to be able to report that the final dividend of 24.5 cents per share is the thirteenth consecutive increase and, together with the interim dividend of 24 cents, increases the total for the year from 45 to 48.5 cents per share. This can be taken as a sign of confidence in the group's ability to maintain a solid stream of earnings over the longer term.

The final dividend will be paid on 16 October 2008 with New Zealand and Australian tax credits attached to the maximum permitted amount. 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 the annual report.

Corporate governance

Our corporate governance framework involves active participation by a largely independent board through 10 regular meetings and a number of special meetings during the year. These are supplemented by regular operational visits to our wide array of facilities and offices.

No significant changes to governance practices arose during the year. A summary of the corporate governance framework is provided in the Corporate Governance section of the annual report. For fuller review, the governance policies are reported on the group's website www.fletcherbuilding.com.

Shareholder reports

This is the second year of the 'new' regime whereby listed companies may decide to use the worldwide web as the platform for reporting to shareholders. We have again opted to do so, and to supplement this approach by providing shareholders with this abbreviated annual review.

Both this document and the full annual report will be published on the website. If you also wish to receive a printed copy of the annual report you need to advise us by completing the form sent with the annual review.

People

In demanding times the contribution of our people becomes both more evident and more important. The group has an active approach to managing the various aspects of this contribution, and we are confident this will continue to pay dividends.

The foremost concern is to provide safe working environments. The group has continued to improve performance in this regard, but further progress is required through initiatives in every division and business unit.

Another high priority is a structured approach to developing the leadership required to maintain and enhance the group's commercial performance. We have a strong management group and excellent employees at every level. The group has a range of programmes to ensure that our talent pool is continually grown and developed. The board has great respect and appreciation for the contribution made by all our staff, and it is my pleasure to place this firmly on record.

Directorate

At the annual meeting last year, we signalled that the board would change in composition over the next couple of years. The directors who joined the board at the inception of Fletcher Building are approaching the end of their normal terms, although the board has discretion to offer a further three-year term if that is considered appropriate. Succession arrangements are in place.

The appointment of Mr John Judge in June was the first step in this plan and it is likely further appointments and retirements will occur over the next year.

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Strategic agenda

The group continues to be managed for improved earnings reliability as a key factor in shareholder returns. With market conditions currently so uncertain this will involve a strong focus on cash generation, working capital and cost control, along with relatively conservative assumptions with respect to planning and investment.

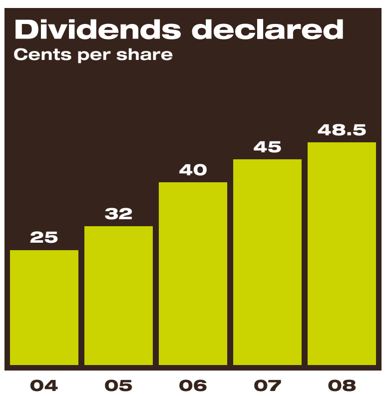
This strategy aims to build on the solid foundations provided by the group's financial strength and the balance of exposures to a range of different market sectors and geographies. The acquisitions made in recent years have provided greater balance between residential and non-residential construction, between New Zealand and international markets, and between the different international markets.

Growth will remain a priority, most likely in the short-term from relatively small acquisitions and organic growth opportunities. Excluding existing capital commitments, total capital expenditure is likely to reduce to around the level of annual depreciation.

Outlook

The group faces a mix of economic and market conditions that make it difficult to predict the level of profitability for either the short or medium term. Nevertheless, we take comfort from our spread of businesses across various building materials sectors and geographic locations, and the fact that we entered the economic slowdown with a strong balance sheet.

In New Zealand, the outlook is for divergent conditions between the housing market and the infrastructure and commercial construction markets. Residential activity is expected to slow throughout the year, with new housing consents forecast to decline. However, larger scale commercial building and infrastructure markets should remain at similar levels to those in 2008.



In Australia, infrastructure related markets are expected to vary markedly. The national housing market is at a cyclical low, with New South Wales in a slump offset in part by strength in Queensland and Western Australia. It is hoped that there will be a gradual recovery in New South Wales late in 2009. Growth in non-residential building is expected to slow. Engineering construction activity will continue to grow strongly in line with growth in infrastructure.

Outside Australasia, and at this stage of less significance, is the economic outlook in our other markets. In the United States, it is not expected that there will be any significant improvement in markets during the current year. Uncertainty about near-term trading conditions also exists in the group's European markets with no indication of improvement in the main markets in Spain and the United Kingdom. The outlook is somewhat better in the group's Asian markets.

In summary, we face very difficult markets in New Zealand, the United States, the United Kingdom and Spain; deteriorating markets in Australia; and softening markets in Asia. There is little doubt that we are in for a tougher year than the one just experienced.

This operating environment calls for a balance of caution and optimism in managing the group's affairs. We are managing our businesses with a focus on cashflow and to maintain financial strength. Our performance objective remains as before – to reward our shareholders by building earnings resilience for a range of economic and market cycles.

Roderick Deane
Chairman

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HUMES' PIPES BEING INSTALLED AT THE STONEFIELDS RESIDENTIAL DEVELOPMENT IN THE OLD LUNN AVENUE QUARRY IN MT WELLINGTON

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CHIEF EXECUTIVE'S REVIEW

Group results

Operating earnings (earnings before interest, funding costs and tax) were $768 million – 9 percent higher than the $703 million recorded in the 2007 year. There were no unusual items in the latest earnings, whereas operating earnings for the previous year included net unusuals of $5 million.

Divisional results reflected generally strong operating performance in the face of difficult conditions. Three of the five divisions – Infrastructure, Building Products and Steel – improved their performance. Results from Distribution were reduced by market conditions, and earnings from Laminates & Panels showed an increase due to the first-year contribution from Formica.

Infrastructure lifted operating earnings for the seventh year in succession – by $37 million to $308 million – despite lower demand for most construction products in New Zealand, a significant decline in the number of houses sold and ongoing weakness in the New South Wales market. The key operations all performed well in their respective market conditions. Property activities (including residential building, quarry end use and disposal of surplus land assets) contributed operating earnings of $80 million, compared with $49 million in the 2007 year. The gain reflected the sales of a quarry in South Auckland and Stresscrete, the profit on which was mainly from associated land.

Property activities were reported separately for the first time in the latest year, to provide transparency on what has become an increasingly important aspect of the Infrastructure business. The division has extensive land holdings in quarry end use and residential land. Earnings from property activities are expected to increase over the next few years, although given the nature of the activities they could be relatively volatile.

Operating earnings from Distribution declined from $80 million to $73 million, reflecting the general slowdown in the New Zealand market and the decline in residential building consents during the second half of the year. The branch development programme assisted sales growth, but also increased operating expenses.

Building Products lifted operating earnings from $141 million to $148 million despite deteriorating residential markets, rising input costs and generally adverse exchange rate conditions.

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Operating earnings from Steel rose by 26 percent – from $80 million to $101 million – reflecting very favourable prices in the second half of the year. This followed a number of initiatives to improve performance, including the exit of unprofitable businesses, restructuring to tighten management focus and acquisitions in the Australian rollforming business. There were also gains from the sale of scrap during a period where the sales value had doubled.

Laminates & Panels increased operating earnings by 8 percent to $141 million, with a full year's contribution from Formica and a 5 percent reduction in earnings by Laminex. As noted in the divisional review, Formica was affected by the downturn in US housing and commercial markets, and by issues related to the restructure of its two manufacturing plants in the US into one site in Ohio. Formica's operations in Asia and Europe performed to expectations.

The US restructure, which had been underway when the group acquired Formica, encountered significant execution problems, with additional costs relating to scrap rates, quality and maintenance. The initial expectation was that the two plants would be merged and operating properly at July 2007. The expected savings from this process were US$11 million, but instead additional operating costs of US$25 million have been incurred. Good progress has since been made and there is confidence that the benefits will be achieved by the end of this financial year.

Synergies between Laminex and Formica are proceeding as planned. Sourcing of high pressure laminates (HPL) from Formica's Shanghai plant to New Zealand and Australia is in place. The Auckland HPL factory has been closed and the Melbourne factory has been downsized and restructured.

Overall, Formica's integration into the group has been successful. As the chairman has noted, a significant improvement in operational performance is expected from Formica in the current year.

Financial position

The group remains in a sound financial position, with gearing (net debt as a percentage of net debt plus equity) of 40.1 percent at 30 June 2008, and comfortably within its relevant debt covenants. This is up from 22 percent at the same time in 2007, but is slightly reduced from the 41.1 percent level after settlement of the Formica purchase in July 2007.

The group has little exposure to debt repayment in the near future, with an average debt maturity of about five years. The latest group earnings provided interest cover (the ratio of earnings before interest, tax, depreciation and amortisation to total interest paid) of 7.1 times, compared to 9.8 times at 30 June last year. The reduction was fully consistent with our expectations at the time of the Formica purchase.

Strategic agenda – a strong focus on the fundamentals

The group's strategy of building earnings reliability through geographical and sector diversity has been a key factor in maintaining performance. It now has significant operations in Asia, Australia, Europe, New Zealand and North America. It is important to note that, while the current operating environment in the US is difficult, our business in that market accounts for less than 7 percent of group revenue.

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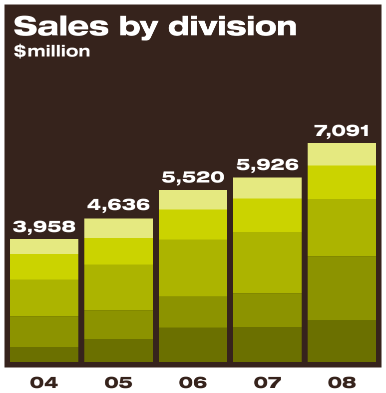

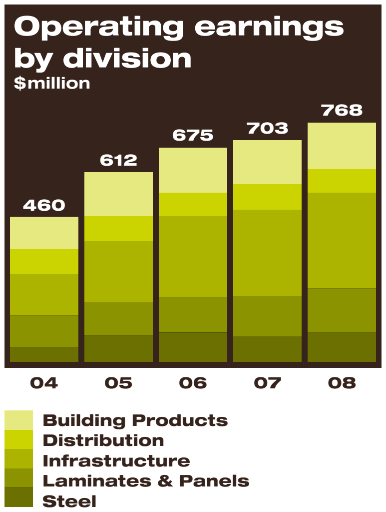

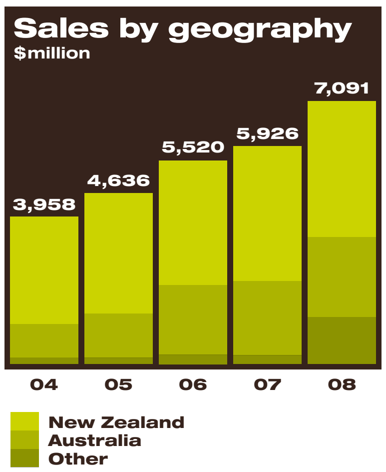

The group also has a balance of exposures between the residential, commercial and infrastructure sectors. Of particular relevance is the reduction over recent years in what was a very high level of exposure to the New Zealand residential sector. It is estimated that about 26 percent of cash earnings are derived from the New Zealand residential segment, with 35 percent from New Zealand non-residential and 39 percent from outside New Zealand. This structured diversity will continue to exert a positive influence on earnings.

Infrastructure markets in Australia and New Zealand remain strong, driven primarily by government spending programmes. In New Zealand, Fletcher Construction's backlog at 30 June 2008 was a record $1.3 billion, and this market is expected to remain strong at least through to the 2011 Rugby World Cup in New Zealand.

Spending in the residential and commercial sectors is more closely related to the strength of credit markets. These have been in varying states of weakness internationally, and there remains uncertainty over their future course and the impact on housing markets in particular. On the more extreme scenarios, this could produce a notable slowing in housing activity.

Given this trading environment, a renewed focus has been given to the fundamental strengths and capabilities of the group. These have served it well to this point, and will provide a platform to emerge from the current stage of the cycle with strength to perform in the long term.

These include:

- market leadership, with a reputation for delivering building materials and services of outstanding value to customers
- the ability to innovate through new products, services and concepts
- strength in manufacturing and distribution, through a network that now encompasses more than 300 locations worldwide
- financial strength, and thus the ability to invest in future growth even while current conditions are difficult
- clear commitment to sustainability across the economic, environmental and social spectrum, and clear programmes to deliver solutions
- a strong leadership team and culture, where performance is valued and rewarded

This focus on the fundamentals has manifested through a broad range of initiatives and developments captured in the divisional sections of this review.

In the financial sphere, our approach is to focus on maintaining the strength of our cash position, and ensuring that our management practices accommodate the lower trading volumes. Key responses will be to seek reductions in working capital and capital expenditure. In recent years the group has been investing at approximately twice the level of depreciation. For the near term it will take the more conservative position of reducing investment flows to about the same level as annual depreciation after excluding the carry-over of existing capital expenditure projects already under way.

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This does not mean that the group will be putting aside its growth aspirations. It will continue to invest for growth, internally through plant and process improvements, and through innovation. It will continue to take opportunities for bolt-on and fill-in acquisitions as it has done in recent years. It will be less likely in the near term to undertake major acquisitions.

In the latest year $1.4 billion was invested on growth, including the Formica acquisition, a number of small acquisitions referred to in the divisional reviews that follow, and internal investment. Priorities for the current year include:

- secure the Formica US operational improvements
- optimise cash generation in tougher markets
- take advantage of small bolt-on acquisition opportunities where good near-term benefits arise

Looking further ahead, the group will maintain a solid platform for growth in revenue and earnings. The Formica acquisition, while underperforming in the short-term, has helped to build this platform. Valuable lessons have been learned in integrating a major international business into the group – for example, through the assimilation of its high-level administrative functions into the corporate office in Auckland, and through the introduction of group management practices to the Formica operations.

Management

The senior management team was reshaped significantly in the 2007 year. The team is performing well and this has been reflected in divisional and functional performance.

The only change in the team during the latest year was the departure of Frank Riddick, president and chief executive officer of Formica Corporation. Mark Adamson, who was president of Formica Europe, was appointed to succeed him.

As noted last year, the team has a strong mix of talent, experience, nationality and leadership ability which stands it in good stead for the challenges and opportunities ahead.

People

The group has developed a structured approach to people management based on policies and practices to promote high levels of management capability. Key areas of focus are leadership development and succession planning; management education and development; talent identification and recruitment; and the quality and profile of the group's employment brand.

It is recognised that the quality of leadership is the most important determinant of long-term performance. The group's objective is to have the best person in place to lead each business unit, and to have that person's successor in place. With the global nature of the group's operations, there is an increased focus on international management capability.

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GERARD RUSSET COLOUR METAL ROOFING TILES BEING INSTALLED IN AUCKLAND

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This is tied to a strong programme of management education and development centred on the 250 most senior executives in the group. This includes educational programmes with a mix of in-house and external provision, involving leading academic institutions in New Zealand, Australia, the United States and the United Kingdom.

With the growth in the international operations, the implementation of people development programmes has been decentralised regionally, but with policies and practices consistent across the group. A broad range of education, training and development opportunities is offered throughout the group.

Perhaps the most significant challenge in people management during the latest year was the programme to welcome and integrate the 4,000 Formica employees into the Fletcher Building group. The cultural diversity and international spread of the Formica operations have made this a formidable task, but one which is proceeding successfully and with high satisfaction levels as reported in employee surveys.

Health and safety

The group achieved a further improvement in safety performance as measured by the lost time injury frequency rate (LTIFR). The rate for the year was 5.39 lost time injuries per one million hours worked, compared with 7.02 in the previous year. Most business units are showing consistent improvement.

The group is also introducing total injury rates and positive performance indicators to provide a broader perspective on safety management. As part of this approach the Fletcher Building Annual Safety Awards were introduced during the year. AHI Roofing won the award for Business Unit Health and Safety Performance Excellence after reducing its LTIFR from 12.7 to 4.7 per million hours and its total injury frequency rate from 23.6 to 10.9 per million hours.

The Gailes site of Rocla Pipelines won the award for the most effective safety initiative, based on promoting safe working behaviours and the use of focus groups to develop action plans. Solomone Fifita of Easysteel Christchurch won the award for the outstanding individual contribution.

In New Zealand, the group retained primary-level membership of the Accident Compensation Corporation Partnership Programme following external audits in November 2007 and June 2008. Australian manufacturing sites are subject to differing injury management requirements, based on state regulation and the range of schemes available. Self-insurance is usually the preferred option. The group is currently reviewing its approach.

Environmental sustainability and climate change

Fletcher Building is actively focused on preparing for the challenges of the future, of which the most imminent is the introduction of measures to control emissions of greenhouse gases. It has a range of strategies to improve its positioning, including recycling of raw materials, production of renewable energy – particularly through biomass and heat technologies – and achieving greater energy efficiency through improvements in plant and equipment.

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The group participated in the international Carbon Disclosure Project for the third time in the latest year. This requires a complete inventory of carbon dioxide emissions and a report describing how risks and opportunities arising from future climate change are being managed. Data supplied to the project was independently verified. While participation is voluntary, the project is consistent with the desire to have a proactive approach to carbon dioxide emissions.

The group is also participating in the Australian Energy Efficiency Opportunities programme. This requires all companies using more than 0.5 petajoules of energy per year to work through a programme of energy efficiency audits for their major energy-using sites in Australia.

Fletcher Building business units have a range of products and building solutions that will improve the energy efficiency and comfort of buildings. The group is constantly developing new methods for the use of its products to enable improved thermal performance. As well as enhancing the attributes of its building materials, it is also developing building solutions involving concrete, plasterboard and fibreglass insulation that improve heat retention and other performance attributes.

The group is also participating in a number of organisations providing leadership on sustainability. These include the Beacon Pathway research consortium, the Australian and New Zealand Green Building Councils and the New Zealand Business Council for Sustainable Development.

As chief executive officer of Fletcher Building I am a member of the New Zealand Government's Climate Change Leaders Forum, established to provide independent advice to the Government on potential climate change policies including the emissions trading scheme. A number of Fletcher Building executives are participating in other Government working groups.

Summary

The 2008 year has been one of significant challenges. The group has responded with a view to positioning it to see out the short-term softness in markets, and to be ready to take advantage of the inevitable cyclical improvement. While this programme will never be complete, I am confident that good progress has been made to build earnings resilience, and the group is in good shape to maintain a high level of performance.

Jonathan Ling
Chief Executive Officer and Managing Director

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PINK® BATTS® ULTRA™, CORRECTLY INSTALLED BY A TRAINED PINKFIT® INSTALLER CREATES A WARMER, HEALTHIER HOME THAT USES LESS ENERGY

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DIVISIONAL REVIEWS

Building Products

The division has three core business streams with leading market positions, in plasterboard, insulation and metal roof tiles. These operations constitute the sole New Zealand manufacturer of plasterboard; the market leader in glasswool insulation in New Zealand and Australia, including commercial wall and ceiling systems in New Zealand; and the leading global supplier of metal roof tiles.

The core business streams are complemented by a group of individual businesses, each of which holds the number one or two position in its regional market. These include aluminium windows and door systems in New Zealand, and high-end sinkware and access flooring systems in Australia.

Performance

Sales increased 6 percent to $739 million and operating earnings almost 5 percent to $148 million, despite deteriorating residential housing markets, rising input costs and adverse exchange rate conditions.

The insulation businesses increased earnings by 12 percent, including a full year result from the Forman insulation operations for the first time. In Australia, some earnings lost during the merger of two insulation businesses during the previous year were recovered, retaining the business's position as the largest insulation supplier in that market. In New Zealand, glasswool volumes and prices remained steady. Increasing material costs and energy prices reduced margins, but the most significant impact was from reduced sales of a building wrap product withdrawn from the market early in the year due to supplier issues. A replacement product launched in March 2008 is recovering lost market share.

Earnings from the metal roof tiles businesses increased 16 percent, against a market affected by rising steel prices. The New Zealand business lifted export sales volumes more than 11 percent. Adverse exchange rates affected trading, but earnings levels were restored as the New Zealand dollar weakened in the fourth quarter. The United States-based business recovered from a fire that destroyed one of its ovens in the first half of the year and generated a $6 million insurance recovery. Despite production constraints, it launched a new tile profile and grew volumes 7 percent in the declining North American housing market, ending the year with a record backlog of orders.

Sales	**$739 million**
Operating earnings	**$148 million**
Funds	**$631 million**
Employees	**2,070**
Key Brands	**Decra DVS Fisher Forman Gerard GIB Insulco Oliveri Pink Batts**

The wallboards business performed strongly, with earnings ahead of those for the previous year until the last quarter. Full-year earnings were down 2 percent. Capital expenditure was concentrated on the acquisition of the indoor air quality business DVS, complementing the company's healthy homes theme, and the commissioning of the new Christchurch distribution centre.

Results from the aluminium business declined 7 percent due to the deteriorating residential market and higher aluminium prices. The sinkware business grew earnings by 7 percent, driven by increasing sales of the high quality Oliveri brand into the domestic market and by strong margins. The flooring business grew earnings by 14 percent, and remains well positioned as a supplier to Green Star rated buildings, with a strong backlog of commercial work.

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Looking to the fundamentals

The insulation businesses are well positioned to benefit as energy efficiency regulation drives increased insulation levels in commercial and domestic buildings. They face increasing costs but are strongly positioned to maintain or increase margins.

A Melbourne-based industrial fabricator business, Baron Insulation, was acquired in July 2008 to expand the product offering. Baron is developing innovative systems to take advantage of increasing building code requirements while improving customer service. Furnace upgrades at the Melbourne and Auckland insulation plants were completed, with state-of-the-art electric arc equipment and industry-leading energy efficiency.

The global niche business in metal roof tiles is investing in capacity expansion through a greenfields manufacturing plant in Hungary and the addition of an accessory oven to the plant in Malaysia. These investments will allow improved service and continued growth in the European and Asian markets.

Product development is a key to the metal roof tile business's ability to sustain growth. While the business has only a small share of the total world roofing market, there is substantial scope for growth through increased product penetration, particularly in markets where extreme weather conditions prevail. The weakening trend in the New Zealand dollar has lifted earnings and the business is experiencing strong demand.

The plasterboard business has relatively low capital requirements, as well as a seasoned management team with experience of volatile market conditions across the cycle. The business is constantly evaluating growth opportunities, and this has resulted in the acquisition of the DVS home ventilation business and the recent agreement to distribute the market leading Rondo plasterboard fixing system. While its high market share ties its volume to the New Zealand building market, it will increase its commercial sales mix as residential markets soften. A strong focus will be maintained on adjustment of cost levels to match market volumes.

Tasman Insulation's new melter

After two years in the planning, the new melter at the Auckland insulation plant was commissioned in April at a ceremony attended by the Minister of Energy, the Hon. David Parker.

The upgrade reduced the plant's carbon dioxide emissions by 1,700 tonnes per year, and energy usage by two-thirds – enough to meet the energy needs of about 500 average New Zealand homes.

As New Zealand's market leader in insulation, the business enjoyed considerable growth in the latest year, assisted by building code modifications. A higher level of insulation is now required in residential buildings, and a number of new products have been developed to meet this demand.

An additional factor is increasing awareness of the health and social costs associated with the high number of New Zealand homes that are uninsulated or under-insulated. The business continues to be actively involved in government and community led initiatives to address this issue in low income groups and ensure consumers outside these groups are aware of the importance of 'topping up' their insulation.

HON. DAVID PARKER AND TASMAN INSULATION OPERATIONS MANAGER MARK RASSIE AT THE OFFICIAL OPENING

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Distribution

The division distributes building materials and related products throughout New Zealand under the PlaceMakers brand. It is the market leader in its core trade segments and provides an important distribution channel for Fletcher Building products. There are 60 stores, most of which are operated in partnership with local owners.

Performance

Sales growth slowed to 2 percent, reflecting a general slowdown in the New Zealand market, particularly in the retail sector and in the number of residential building consents.

Growth was supported by the branch development programme, but the associated development costs, along with rising costs for energy and labour, increased operational expenses. Margins were subject to pressure resulting from ongoing competition and industry reaction to the market decline. As a result, operating earnings were down by 9 percent.

The ratio of working capital to sales improved, with stock levels falling despite increased shelf capacity in the new stores.

Capital expenditure for the year was $32 million, mainly on the store upgrade programme and a new information system. The investment in information systems will allow the replacement of some ageing hardware and develop new technologies to improve business processes for customers.

The marketing programme continued to emphasise the relationship with trade customers while building retail sales via a monthly mass media programme. The LIFT trade customer loyalty programme retained its momentum, with more than 450 builders participating in two building conferences.

Frame and truss manufacturing is an essential feature of the division's offering, provided mostly through in-house manufacturing. There has been a concerted focus on improving returns from these plants through measurement and benchmarking of costs, productivity and volumes.

Sales	$1,083 million
Operating earnings	$73 million
Funds	$185 million
Employees	2,915
Key Brand	PlaceMakers

Christchurch frame and truss operation

During the year it was decided to accelerate the development and implementation of the national manufacturing strategy, which seeks to leverage the scale, and improve the operational effectiveness, of the national network of 22 frame and truss operations.

The regional rationalisation will facilitate the implementation of best practice plant and processes to improve safety and reduce waste and cost.

The first major milestone in this strategy was the successful implementation of the new Christchurch frame and truss operation. The facility, which boasts a 3,250 square metre purpose built factory as well as a 300 square metre detailing office block, opened on time and within budget in January 2008. This allowed the closure of two older and smaller regional facilities. The new facility features state-of-the-art cutting capabilities including a linear saw capable of cutting over 2,000 components a day and advanced pressing equipment capable of producing trusses of up to 18 metres in length, all of which will allow for safer, more efficient and higher quality production. Despite being operational for only six months by the end of the year, the site is already achieving its targeted performance objectives and service levels, and is the model upon which any future large regional plants will be based.

PRE-CUTTING THE STUDS, PLATES, DWANGS AND LINTELS READY FOR ASSEMBLY AT THE WALL FRAMING MACHINES. THE NEW STATE-OF-THE-ART MACHINERY MEANS MOST CUTTING IS 'HANDS FREE'

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Looking to the fundamentals

The following projects were completed during the year:

- relocation of the Thames branch
- the opening of a new depot facility at Ohakune
- the establishment of a new frame and truss manufacturing facility in Christchurch
- upgrades at the Huntly, Wairau Park, Dunedin and Cranford St stores

In addition, a site was purchased in Warkworth for a new depot facility and construction began for a new facility in New Plymouth.

As in the past, the branch upgrade programme provided much improved retail facilities, but continues to be focused principally on improving yard access and drive-through facilities, which are a service to the division's trade customers.

Infrastructure

The division is a vertically integrated business supplying aggregates, cement, readymix concrete and a range of concrete products in New Zealand; and concrete pipeline products and a range of aggregate sands throughout Australia. It is the largest construction contractor and residential builder in New Zealand.

Performance

Operating earnings grew for the seventh successive year despite lower demand for most construction products in New Zealand, a significant decline in the number of houses sold and ongoing weakness in the New South Wales market. The key operations all performed well given their market conditions.

Operating earnings grew by $37 million to $308 million, including earnings from property related activities of $80 million from the residential business, quarry end use, and surplus asset sales, up from $49 million in the prior year.

The concrete business increased operating earnings by $1 million to $189 million. Construction earnings also increased, from $34 million to $39 million. The property and residential operations accounted for most of the earnings improvement for the year, increasing $31 million to $80 million.

Operating earnings from the cement business were lower despite significant benefits flowing from the upgrade of the plant. Domestic cement volumes were 3 percent lower than for the previous year and 8 percent for the 2006 year. Export sales increased but margins were low. Completion of the plant upgrade enabled record production of clinker, avoiding the extra cost of imports for the first time in six years. Cement production was also at record levels. Prices were 4 percent above those for the previous year, but this did not fully recover increased production and distribution costs. The impact of cost increases in the new year – particularly for coal, diesel and electricity – will be substantial. A further cement price increase of $11 per tonne has been announced, but will not be sufficient to cover cost increases.

Aggregates recorded lower operating earnings due to reduced volumes of core products, and competitive pressures that restricted the ability to pass on all cost increases. While overall sales volumes were similar to those for the previous year, the sales mix was unfavourable and weakness in the Auckland market resulted in a sharp decline in earnings in that region. Unit costs increased significantly due to the compounding impact of a high fixed cost base and significant increases in input costs.

Sales	**$1,857 million**
Operating earnings	**$308 million**
Funds	**$1,027 million**
Employees	**5,846**
Key Brands	**Firth** **Fletcher Construction** **Fletcher Residential** **Golden Bay** **Humes** **Rocla** **Winstone Aggregates**

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Readymix and masonry operating earnings were lower. The impact of a softening residential construction market gained momentum in the second six months, but strong demand in rural areas reduced the impact on earnings. Concrete sales volumes were only 4 percent below those for the previous year due to investment in new sites. A focus on margin maintenance ensured that the contribution per cubic metre of concrete was similar to that for the previous year despite significant increases in costs. Masonry volumes were 6 percent lower, with significant declines recorded in the latter part of the year, although margins were maintained.

The concrete pipe market was softer, but good growth in precast concrete product sales and a small acquisition resulted in improved earnings. Concrete pipe volumes were down 6 percent, but precast volumes were 24 percent higher due to market development initiatives. Overall margins were lower, primarily due to mix, and to a lesser extent increased input costs.

Construction had a strong year, with improved operating earnings and all business units performing above expectations. The construction backlog at year-end was $1.3 billion, up from $775 million one year earlier. The business continues to hold significant opportunities for the next year. Major contracts won during the year were the Mt Eden Prison Upgrade ($150 million), the Eden Park Redevelopment ($150 million), the Manukau Harbour Crossing ($132 million) and New Lynn Rail Trench ($140 million). The backlog, and continued infrastructure spending, suggests that the workload will remain strong in both the commercial building and the civil engineering operations. In the South Pacific, earnings were solid with Papua New Guinea offsetting the more muted tone of the market in Fiji. Turnover is forecast to be higher in the current year, but this will be dependent on the timing of major projects expected to commence during the year.

Earnings from property related activities include those from quarry end use and the residential business. Earnings from the residential business declined by $16 million due to the significant drop in house sales. Housing starts declined in the second half and prices fell. While land stocks have grown, the land has been acquired at good prices and carrying values are not considered to be at risk. Good results were obtained this year from development opportunities for land previously used in the aggregates business, with these activities expected to provide further earnings in future years.

In Australia, the pipeline and quarry businesses performed well, recording combined operating earnings of $59 million compared with $47 million for the previous year. The quarry products business recorded improved results in all states except Western Australia, where earnings were still strong but lower due to recent reserve depletion. Two pieces of land were acquired in Perth for quarry development to address the situation. The pipeline products business recorded a substantial increase in sales volumes of non-pipe products, resulting in earnings significantly ahead of those for the previous year.

Looking to the fundamentals

The primary focus of the capital investment programme is on high-returning organic growth opportunities. This has contributed significantly to the earnings growth achieved in recent years and is expected to continue to do so. The $158 million invested in the 2008 year was an increase of $50 million on the prior year. Strategic and growth projects accounted for $87 million, including the new cement port facility in Auckland ($10 million); new quarry land, reserves and consents ($36 million); new concrete plants, an upgrade to a concrete pipe plant and the acquisition of a motorway barrier business ($18 million); pole and sleeper plant upgrades ($13 million); and major construction plant ($10 million).

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Golden Bay Cement secured a long-term site to replace its Auckland port facilities. The new facilities will cost $45 million and are due for completion in December 2009. The investment secures long-term, low-cost access to the major New Zealand market.

Further investment was made of $17 million in New Zealand, and $19 million in Australia, to enhance aggregates supply.

The readymix business improved its competitive position in a number of markets by investing $10 million to acquire and upgrade concrete and masonry plants. The New Zealand pipeline business committed to upgrade to new technology at its Auckland manufacturing facility. The Australian business invested $13 million in upgrading and expanding its pole and railway sleeper operations and acquiring a small water quality business.

The construction business was required to increase its investment in a range of plant as a consequence of the substantial lift in backlog.

Further progress has been made in divesting low-returning businesses and surplus assets, with $45 million of cash generated during the year, compared to $28 million in the previous year. This brought the total amount of cash generated over the past seven years from asset reductions to $154 million. The operating earnings impact on future years is negligible. While the division will continue to fine tune its portfolio, material divestments are not expected during the current year.

Quarry end use

Over the years the aggregates business has developed significant skills in resource management planning and is applying these skills to develop the highest and best use alternatives for excess land while protecting the existing quarry activities.

In the last financial year the aggregates business has advanced two opportunities in the Auckland area. At Pokeno it is working with a consortium of developers with a view to creating an integrated residential, commercial and industrial designation. In the South Auckland suburb of Wiri it has completed a transaction that frees up 35 hectares of industrial land for development. Both opportunities have been years in the planning and reflect the focus to ensure that the return from the business's asset base is maximised, while still protecting the core quarrying business.

Over the next few years there will be a number of quarries coming to the end of their productive lives and assessment is underway with regard to their best end use. This involves not only potential development but also use for cleanfill purposes, a use that already makes a contribution to profitability and reflects the whole of life approach to these assets.

The other major initiative is the change of use for the Three Kings quarry in suburban Auckland. In conjunction with the community and Auckland City Council the business will conceptualise the end use for 15 hectares of land that will be available upon the completion of the quarry filling process, which will take some eight to 12 years.

Recognition of an earnings stream from more intensive land use is a natural progression. While earnings can be variable, it is hoped that, subject to market demand, these developments will provide average earnings of around $10 million per annum for the 10 years from the financial year ended June 2010.

AUCKLAND'S THREE KINGS QUARRY, WHERE DISCUSSIONS HAVE COMMENCED WITH STAKEHOLDERS WITH A VIEW TO IDENTIFYING THE APPROPRIATE END USE FOR THE ASSET

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Laminates & Panels

The Laminates & Panels division comprises the Laminex Group and Formica Corporation. These two businesses have strong international brand profiles and leading market positions.

In Australasia, the Laminex Group is the leading manufacturer, marketer and distributor of decorative surface laminates, component products, particleboard and medium density fibreboard (MDF). It has 13 manufacturing facilities and an extensive distribution network in major population centres.

Formica is a global manufacturer, marketer and distributor of decorative surface products, with businesses in North America, Europe and Asia. It has 12 manufacturing and 33 distribution facilities spread throughout its regions of operation, with its main geographical markets being the United States, Canada, Mexico, the United Kingdom, Spain, France, the Nordic regions, the Benelux countries, Taiwan, China and Thailand.

Operating earnings were up by 8 percent to $141 million, reflecting the impact of a full year's contribution from Formica and a 5 percent reduction in earnings by Laminex. Sales were up 101 percent to $2.1 billion, almost entirely due to the Formica acquisition.

Operating performance in North America was extremely disappointing, as a severe downturn in the US housing market and a slowdown in commercial activity compounded operational issues at the major manufacturing facility at Evendale, Ohio.

US housing commencements were 28 percent lower than for the 2007 financial year, and a further 25 percent lower against the 2006 year. Historically, when housing commencements have declined there has been increased activity in the refurbishment sector. On this occasion, there has been a reduction of refurbishment activity as mortgage foreclosures and declining house prices, coupled with the economic outlook, have dissuaded home owners from renovating or upgrading.

The US commercial sector was relatively strong in the first half of the year, but declined substantially during the second half, with a commensurate effect on sales of high pressure laminates (HPL) and on financial performance. Total US HPL sales for the 2008 year were down by 9 percent.

Formica had embarked on a rationalisation of its North American manufacturing facilities during the 2007 year to address the excess capacity in its HPL plants in California, Ohio and Canada. With most customers in the Eastern part of the US, it was decided to close the plant in California and recommission idle machines in Ohio. This was intended to improve the cost structure, and provide better customer service by reducing lead times and improving distribution.

The production increase in Ohio created a number of problems which brought a short-term increase in costs, for labour, outsourcing of key production requirements, and extra maintenance. The expected savings from the closure in California were delayed. The business also faced escalating costs in key categories such as freight, resins and kraft paper.

Sales	**$2,132 million**
Operating earnings	**$141 million**
Funds	**$2,094 million**
Employees	**6,355**
Key Brands	**Essa Stone Formica Greenfirst Laminex Melteca O'Brien Laminates Trade Essentials Wespine**

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Formica Corporation

One of the key features of high pressure laminates (HPL) is the surface finish, which can range from a smooth high gloss to a rough patterned or textured finish resembling granite, stone or various other natural finishes.

Upgrade for plate manufacturing plant

The HPL finish is created by using textured steel plates during the laminate manufacturing process. Each plate is individually etched with the required finish – a time consuming and labour intensive process. The ability to continually design new finishes and release them to the market is crucial in the decorative surface industry, where demand for new fashionable surface finishes is high.

Formica is the only manufacturer of HPL with its own plate manufacturing facility, located in the South of France. In the latest year an investment project was undertaken to upgrade and streamline the manufacturing process by acquiring a state-of-the-art digital printer. The equipment was installed in July 2008 and will allow the replacement of several manual processes and shorten significantly the time required to manufacture plates – increasing the ability to launch new finishes ahead of other laminate manufacturers. It will also increase the annual throughput of the plant.

For relatively low volume manufacturers of HPL the investment in steel plates can be prohibitive and the alternative is to use a disposable sheet of etched aluminium foil. This increases the cost of the manufacturing process and also involves significant costs as the used paper is disposed of at landfill. Laminex has always used the aluminium foil process at its Australian plant, but since the acquisition of Formica it has commenced the process of converting the facility to use only steel press plates.

FORMICA'S PLATE PRINTING MACHINE BEING DELIVERED TO THE PLATE MANUFACTURING FACILITY IN QUILLAN, FRANCE

The Formica plant in France has just started manufacturing up to 200 plates, which will provide Laminex with considerable savings as well as eliminating environmental issues around landfill and costly waste disposal. Laminex has started using them in the current financial year. The total project is expected to be completed during the latter part of the financial year.

Laminex Group

The Laminex Group has a long history of delivering innovation to the Australasian market.

Laminex introduces new Formica products

The acquisition of Formica, with its rich history of technological leadership and innovation in product design, provided Laminex with access to this technology and the Formica brand in Australia and New Zealand.

Laminex has responded to this opportunity by developing its latest innovation – the New Formica – in Australasia. It has been able to source new colours and designs quickly and efficiently through access to the Formica colour palette and is now able to be more responsive to changing market needs and design directions.

In July 2007 a joint project team established product specifications to suit the Australasian market with a view to supplying high pressure laminate product from China. The new range was launched successfully in July 2008.

A SELECTION OF EASY TO USE COLOURS AND DESIGNS FOR INTEGRATED DESIGN SOLUTIONS

The New Formica is tailored to both the commercial furniture market and the residential market, with a key focus on making design accessible to the general public to make it easy for users to work with colour and design. Formica's new colours, designs and tools create a strong brand identity to position the range in the Australasian market.

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During the second half of the year the Formica global corporate office was closed and various functions were restructured in the North American business. These changes will result in cost savings of approximately US$10 million per year.

The European business performed well. Economic conditions in Europe were varied, with the larger markets such as Spain and the UK also facing slowdowns in housing and commercial activity. Spain was the worst affected economy in the region, with volumes down on previous years. Volumes in the UK were in line with those for the previous year despite a continued slowing in the housing market. Shortfalls in revenue in those countries were offset by strong performances in the Benelux countries and the Nordic and Eastern European markets.

Trading conditions remained solid in the main Asian markets. Those in Thailand and Taiwan performed in line with expectations, and conditions in China were solid in the lead up to the Olympics. China is the site of the company's newest plant, built in 2006. This plant successfully took on some production requirements for Laminex, enabling it to close its HPL plant in Papakura, New Zealand, and realise synergies identified at the time of the Formica acquisition.

Operating earnings in Australasia were down slightly from the previous year, affected by challenging conditions experienced in the second half. Sales were higher, but earnings were constrained by pressure on margins, incremental sales of commodity and distributed products, and increasing manufacturing input and distribution costs.

Earnings in Australia for the final month of the year were affected by reduced gas supply following an explosion at a processing plant off the coast of Western Australia. Further restriction of gas supply is anticipated in the current half-year, but alternate energy and supply strategies will reduce the earnings impact.

Sales in New Zealand were constrained by restructuring at the Penrose hardboard and softboard facility and the lack of MDF export sales after the closure of the Taupo facility in 2006. Most of the New Zealand MDF requirements were met by Dongwha Patinna NZ, a Southland manufacturer in which a 20 percent share was purchased during the year.

Trading volumes of MDF from Australia to South East Asia were down, and improved pricing and lower distribution costs were offset by the appreciation of the Australian dollar against the US dollar. The Wespine sawmilling and Dynea resin plant joint ventures improved operating performance and earnings.

Looking to the fundamentals

A number of new products and designs were launched during the year, including laminates with enhanced wear, structural properties and aesthetic features, as well as fashionable product designs and finishes.

A new commercial finish titled Sculpted was released, while the Asia and North America operations added several commercial woodgrain finishes. The Europe operations released a benchtop finish called Lustre for the bonded benchtop programme, and a new benchtop finish called Radiance, which resembles a high-gloss surface of real stone.

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Laminates with new 'colour through' features were introduced, in the form of a reformulated ColorCore2 and ColorThru Compact. These use matching coloured cores that blend with the surface finish. A hard wearing, scratch resistant gloss laminate, the High Gloss AR +, was also introduced.

The Formica brand HPL and decorated board product range was relaunched in Australasia in July 2008, sourcing a significant proportion of the product from China.

The Laminex range of high and low pressure laminates is undergoing an update based on Australasian interpretations of European trends. The business continued its commitment to premium benchtop products through initiatives in the Essa™ engineered stone brand and Freestyle™ solid surface brand.

The Gympie MDF facility in Queensland commissioned a new heat energy plant and associated equipment with a total project cost of $16 million. The Australian operation also completed a new distribution centre in Perth and a sales branch in Bunbury for a total cost of $4 million.

Steel

The division comprises three business streams – rollforming and coatings (including sheds), long steel products, and a steel product distribution business – with leading market positions and widely recognised brands.

Performance

Operating earnings before unusual items were ahead of expectations – up 26 percent to $101 million, reflecting a strong improvement in the second half of the year. Sales rose by 10 percent to $1,279 million.

Operating earnings in the second half were assisted by the exit of unprofitable businesses, restructuring to tighten management focus, and acquisitions in the Australian rollforming business. Results were also aided by one-off gains on the sale of scrap. Operating earnings for the same period of the 2007 year had been affected by poor selling prices for steel products while there was high availability of imported alternatives.

The rollforming business enjoyed a successful year in a more competitive trading environment, both in Australia and New Zealand. Eziform Sheetmetals (acquired before the start of the year) and Fair Dinkum Homes and Sheds (acquired 1 August 2007) performed ahead of expectations. Earnings from the other Australian operations were down slightly, reflecting conditions in the first three quarters, when prices were affected by pressure from imported product. Current conditions are the opposite, with supply constraints and little imported product available.

The New Zealand rollforming operations struggled in a competitive marketplace, and operating earnings were down substantially after additional costs were incurred to refocus the business.

The long steel business experienced an unprecedented increase in the price of ferrous scrap, which was only partially recovered through price increases. A new management team took control of the business in July 2007, and some benefits accrued in the second half of the year. In addition, a downsizing of the galvanised wire manufacturing operation at the end of the first half minimised the negative returns from that business.

The Sims Pacific Metals joint venture lifted operating earnings by 30 percent, benefiting from the high scrap prices in the second half and an increased recovery rate following the upgrade of its Auckland shredder.

Sales	**$1,279 million**
Operating earnings	**$101 million**
Funds	**$587 million**
Employees	**3,282**
Key Brands	**Colorcote** **CSP** **Cyclone** **Dimond** **Eziform** **Fair Dinkum Homes and Sheds** **Fletcher Easysteel** **Fletcher Reinforcing** **Garage World** **Pacific Steel** **Pacific Wire** **Seismic** **Shed Boss** **Stramit** **Wiremark**

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Looking to the fundamentals

Upgrades carried out at the Auckland steel plant – to the high voltage capability and the electric arc furnace – enabled a production increase from 250,000 to 300,000 tonnes per year.

The Australian rollforming business strengthened its market position further through the acquisition of the Garage World and Shed Boss shed businesses in May 2008. It also embarked on a programme to consolidate from three sites into a new facility in Melbourne, which will strengthen its position in the Victorian residential, commercial and shed markets.

The New Zealand rollforming business was reorganised to strengthen branch accountability and service customers more efficiently. This will also place it in a better position to weather the reduction in residential and commercial building activity.

A safe business is a great business

There is no doubt that the steel businesses can present an extremely high-risk work environment. In the past, the New Zealand steel-making business has had a Zero Tolerance policy in place to improve safety performance; but even with enormous effort to deliver on the policy, performance was still not acceptable and employee engagement with the issue was low. A successful change programme has been implemented.

Over the past 12 months the long steel products business has created a fresh vision of Zero Harm. A new leadership team was established and has focused on the belief that safety performance would improve through relentless commitment to the vision that 'a safe business is a great business' and 'if we get safety right, other things will fall into place.'

Along with a comprehensive survey of the existing safety climate, the company's leadership launched a campaign to promote the Zero Harm Vision – conducting weekly safety observations, introducing safety huddles, recognising and rewarding safe behaviours via a number of competitions (including the Best Neighbourhood competition), a home mail-out on safe behaviours, and emergency advice including a competition asking children to draw their parent in Personal Protective Equipment. For every day the company's people go home safe they celebrate by placing a magnet in the shape of a perfect person on a safety notice board.

The company's target was a 50 percent reduction in the Total Recordable Frequency Injury Rate (TRFIR) and in April 2008 it achieved the first milestone of remaining lost time injury free for 12 months. By year end it had reduced its TRFIR by 62 percent and was well on its way towards achieving the Zero Harm Vision. It has experienced a significant transformation – not only in safety, but also in demonstrating that 'a safe business is a great business' and improving overall employee engagement to improve financial returns.

BILLBOARD STYLE ZERO HARM SIGNAGE PROUDLY GREETS ALL VISITORS ON ENTRY TO THE PACIFIC STEEL OTAHUHU SITE SERVING AS A DAILY REMINDER TO WORK SAFER DURING THEIR STAY. ZERO HARM BRANDED WATCHES ARE AWARDED BY NOMINATION TO STAFF MEMBERS INVOLVED IN MAJOR SAFETY PROJECTS THROUGHOUT PACIFIC STEEL'S OPERATIONS

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SUSTAINABILITY

People

Fletcher Building now employs some 20,000 people, including 4,000 who joined the group with the acquisition of Formica Corporation. 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 and a significant employer in many communities in the other countries of operation.

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 the company's values, which capture commitment to sustainable business practice.

Perhaps the most significant challenge in people management during the latest year was the programme to welcome and integrate the Formica employees into the Fletcher Building group. The cultural diversity and international spread of the Formica operations have made this a formidable task, but one which is proceeding successfully and with high satisfaction levels as reported in employee surveys.

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. These hazards are required as a matter of policy to be managed safely.

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

Safety in individual workplaces, and the safety of each individual, is ultimately reliant on working habits and behaviours. The group thus invests significant resources in safety education and training.

This multi-faceted approach has been effective in reducing the injury rate across the group, with most business units showing consistent improvement. In the latest year the group's lost time injury frequency rate (LTIFR) was 5.39 lost time injuries per one million hours worked, compared with 7.02 in the previous year. All Divisions recorded decreases in their LTIFRs, and several business units passed one year without lost time injuries.

The group is also introducing total injury rates and positive performance indicators to provide a broader perspective on safety management. As part of this approach the Fletcher Building Annual Safety Awards were introduced during the year. AHI Roofing won the award for Business Unit Health and Safety Performance Excellence after reducing its LTIFR from 12.7 to 4.7 per million hours and its total recordable injury frequency rate (TRIFR) from 23.6 to 10.9 per million hours.

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The Gailes site of Rocla Pipelines won the award for the most effective safety initiative, based on promoting safe working behaviours and the use of focus groups to develop action plans. Solomone Fifita of Easysteel Christchurch won the award for the outstanding individual contribution.

In New Zealand, the group retained primary-level membership of the Accident Compensation Corporation Partnership Programme following external audits in November 2007 and June 2008. Australian manufacturing sites are subject to differing injury management requirements, based on state regulation and the range of schemes available. Self-insurance is usually the preferred option. The group is currently reviewing its approach.

Mitigating overall improvements in our safety performance was an unfortunate accident in which one of our concrete truck drivers in Fiji died when his truck overturned on a bend on a rural road east of Suva, in November last year.

Leadership and management development

Fletcher Building has a senior leadership group of broad experience and competence. At the business unit level, more than 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, some 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 the end of the year, the senior executive ranks comprised 72 roles. Sixteen appointments were made within this group during the year, of whom two were recruited externally.

The group has developed a structured approach to people management, with the key areas of focus being leadership development and succession planning, management education and development, talent identification and recruitment, and the quality and profile of the group's employment brand.

It is recognised that the quality of leadership is the most important determinant of long-term performance. The group's objective is to have the best person in place to lead each business unit, and to have that person's successor in place. With the global nature of the group's operations, there is an increased focus on international management capability.

This is tied to a strong programme of management education and development centred on the 250 most senior executives in the group. The programme includes educational offerings with a mix of in-house and external provision, involving leading academic institutions in New Zealand, Australia, the United States and the United Kingdom.

With the growth in the international operations, the implementation of people development programmes has been decentralised on a regional pattern, but with policies and practices consistent across the group. A broad range of education, training and development opportunities is offered throughout the group. In New Zealand and Australia this is supplemented by grants from the Fletcher Building Employee Educational Fund, which provided $5.2 million during the latest year.

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The group has responded to the increasing need for an active approach to recruitment and retention of talent. Recent years of relatively strong economic growth – for example, in resources booms in Western Australia and Queensland – have increased the competition for talent at all management and vocational levels. Strategies in place to deal with this include the in-house recruitment function, established three years ago. This unit participated in the recruitment of over 400 employees during the latest year, with significant cost savings and gains in effectiveness.

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 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.

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-six 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; London Business School; the Australian Graduate School of Management; and Mt. Eliza Executive Education, affiliated to the Melbourne University Business School.

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. External speakers in the latest year included Dr George S Day, Wharton School of the University of Pennsylvania; Dr Martin Seligman, University of Pennsylvania; Dr Stephen Covey of Franklin Covey; Dr Bruce Avolio, Gallup Leadership Institute, University of Nebraska-Lincoln; Dr Raj Srivasta, Goizueta Business School, Emory University.

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The transformational leadership programme
This programme is targeted at general managers and their 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 Melbourne and Auckland and a further 14 days on a key business project and assessments. Sixteen 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 (NZQA). Twenty-five managers or supervisors attended the programme in the latest year.

The Elkiem 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 Elkiem, 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 over three days. More than 80 senior leaders attended the 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. Forty-five employees attended the programme during the 2008 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 management level. Topics in the latest year included Mental Toughness, Negotiation Skills, Effective Communication, Business Process Improvement, Time Management and Lean Manufacturing. More than 1,200 managers attended short courses during the latest year.

The Manager's Toolkit
This is a learning initiative introduced in 2007 to equip managers at all levels with methodologies and tools for managing people. It is a series of 38 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. More than 600 employees have attended Manager's Toolkit workshops since they were launched in February 2007.

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Work-based Learning

This new learning initiative is designed to provide job-specific, compliance-oriented training, such as for first aid and forklift operation, across the Group and at reduced cost via a centralised on-line booking and administration function.

The initiative has enabled business units to access high-quality courses across New Zealand at preferred rates. They had previously accessed similar training on an individual basis and were thus unable to leverage Fletcher Building's buying power. All training under this initiative is aligned to NZQA-recognised unit standards.

Since its launch in September 2007, more than 570 Fletcher Building employees have completed courses under Work-based Learning.

KiwiSaver

The KiwiSaver retirement savings scheme was introduced by the New Zealand government from 1 July 2007. KiwiSaver provides a mechanism for saving via wage and salary deductions, supplemented by employer and government contributions. Fletcher Building supported the establishment of KiwiSaver as a welcome development in New Zealand's retirement savings system. It 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.
- By making a voluntary contribution to every Fletcher Building employee who participated in KiwiSaver and met the company's eligibility rules. The voluntary contribution could be up to $1,350 for the period from 1 July 2007 to 31 March 2008, and then reduced with the introduction of compulsory employer contributions from 1 April 2008.

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 group'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. While women comprise 17 percent of the workforce in our Australasian operations – an imbalance characteristic of the manufacturing and construction sectors – the proportion is higher in other regions. In Finland, for example, more than 55 percent of our workers are women. Currently 27 percent of the company's total workforce is aged over 50 and 60 percent is over 40 years. Although English is the language of our business, the company communicates with its employees in a number of languages. Fletcher Building is a proud member of the New Zealand Equal Opportunity Trust.

Work life balance

The group 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 services to permanent employees based near the company's Penrose site, which has the highest geographical concentration of employees.

The group'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.

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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, while union membership ranges from 15 to 50 percent in other regions. There are more than 150 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 – which we will endeavour, where practical, to extended to new regions of operation. 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 plan 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 employees – 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. 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.

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 employees to report any matters of concern to management in guaranteed anonymity via a neutral third party.

Environmental sustainability

Fletcher Building is actively focused on the sustainability challenges of the future. The most significant of these are the evolving requirements for "green building" and the imperative to reduce greenhouse gas emissions. We have a range of strategies to enhance our sustainability profile, including the use of recycled materials as raw materials and fuels, the use of renewable energy – particularly biomass – and the introduction of new technologies to provide energy to our industrial processes. We are also achieving greater energy efficiency through improvements in plant and equipment.

Fletcher Building business units have a range of products and building solutions that will improve the energy efficiency and comfort of buildings. We are constantly developing new methods for the use of our products to enable improved thermal performance. As well as enhancing the attributes of our building materials, we are also developing building solutions involving concrete, plasterboard and fibreglass insulation that improve heat retention and other performance attributes.

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Fletcher Construction completed construction of the Kumutoto building on the Wellington waterfront during the latest year. This is the first completed commercial office building certified as a Five Star building under the New Zealand Green Building Council's Greenstar Office Rating Scheme. Fletcher Construction is also the construction contractor for the redevelopment of an existing commercial building in Queen Street, Auckland to achieve a Five Star rating. It has implemented leading waste recycling and minimisation practices on these and other projects.

Fletcher Building is participating in a number of organisations 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 while providing improved comfort and lower costs
- The Australian and New Zealand Green Building Councils
- The New Zealand Business Council for Sustainable Development

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. Our upgraded cement manufacturing plant at Portland is achieving its designed efficiency and capacity improvements.

Fletcher Building participated in the Carbon Disclosure Project for the third time this year. This requires a complete inventory of all our 2007 CO^2 emissions and a report describing how the company manages the risks and opportunities from future climate change. All NZX50 and ASX100 companies are asked to participate. Our data has been independently verified. Our inventory is updated every six months. We have completed a provisional inventory of our emissions for the financial year, which showed:

- Total emissions of 1,502,203, tonnes of CO^2, including the CO^2 emitted during the generation of electricity used by Fletcher Building
- Total emissions in New Zealand of 895,517 tonnes
- Total emissions in Australia of 413,359 tonnes
- The largest single emitter was the Golden Bay Cement plant, with 683,163 tonnes
- The 11 major manufacturing plants for panels and laminates in New Zealand and Australia emitted a total of 273,113 tonnes
- The Pacific Steel and Wire plants emitted 75,763 tonnes

Further emission reduction initiatives are being implemented by business units, including:

- A new glass furnace at the Tasman Insulation glasswool plant at Auckland, designed for improved energy efficiency
- Water harvesting projects being developed across the Laminex distribution sites in Australia
- Product cover sheets at the end of their useful lives being used as an alternative fuel source in Laminex plants

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- A pilot product take-back scheme initiated by The Laminex Group, whereby customers' wastes are recovered and provided to other industries as supplementary fuels
- Office and warehouse lighting efficiency programmes being adopted by other business units

Fletcher Building participates in the Australian Energy Efficiency Opportunities programme. This requires all companies using more than 0.5 petajoules of energy to work through a programme of energy efficiency audits for major energy using sites in Australia. Details of assessments and energy efficiency opportunities identified will be available on www.fletcherbuilding.com.au in October 2008. The group is also preparing to participate in the National Greenhouse and Energy Reporting programme.

The chief executive officer of Fletcher Building, Jonathan Ling, is a member of the New Zealand Government's Climate Change Leaders Forum, established to provide independent advice to the Government on potential climate change policies. Fletcher Building executives also participate in other Government working groups.

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

Fletcher Building operations contribute to reduced environmental effects within the building and infrastructure sectors through the use of what would otherwise be waste materials sent to landfill. Examples (with figures for annual use) are:

- Golden Bay Cement uses flyash as a supplementary cementitious raw material, and biomass as a supplementary fuel. The cement kiln has capability for converting a variety of other waste streams to energy
- Pacific Steel uses more than 200,000 tonnes of scrap steel in its electric arc furnace. The electric arc furnace process used to produce steel from scrap is significantly less energy and CO^2 intensive than the integrated process required when using iron ore as raw material. The high proportion of electricity generated from renewable sources in New Zealand further decreases the CO^2 emissions resulting from steel manufacture at this plant
- The Laminex Group in New Zealand uses 170,000 green tonnes of biomass waste as raw material in the manufacture of its panels. It is the only composite wood panel manufacturer in New Zealand to utilise such volumes of biomass wood waste
- Tasman Insulation derives 80 percent of the glass required for manufacture of glasswool insulation products from recycled glass

Investigations are continuing into further opportunities to re-use waste generated from Fletcher Building's own operations and downstream demolition and construction activities. For example Winstone Aggregates is working with Pacific Steel to recycle steel slag.

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BOARD OF DIRECTORS

Roderick Sheldon Deane

PHD, BCOM (HONS), FACA, FCIS, FNZIM, HONORARY LLD, INDEPENDENT CHAIRMAN OF DIRECTORS, CHAIRMAN OF THE NOMINATIONS COMMITTEE

Dr Deane, 67, 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.

Paul Edward Alex Baines

BCA, FCA, MPP, FINSTD, INDEPENDENT NON-EXECUTIVE DIRECTOR, CHAIRMAN OF THE AUDIT COMMITTEE, MEMBER OF THE NOMINATIONS COMMITTEE

Mr Baines, 58, 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, The Todd Corporation, and is a board member of the New Zealand Institute of Economic Research. He is a trustee of the Chamber Music New Zealand Trust.

Hugh Alasdair Fletcher

MCOM (HONS), MBA (STANFORD), BSC, INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT AND NOMINATIONS COMMITTEES

Mr Fletcher, 60, has had extensive management experience and now holds a number of directorships and advisory positions. He is chairman of IAG New Zealand, a director of Rubicon, Fletcher Building Finance, the Reserve Bank of New Zealand, Vector and Insurance Australia Group, a member of the New Zealand advisory board of L.E.K. Consulting and Chancellor of The University of Auckland.

John Frederick Judge

BCOM, IMD, INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT AND NOMINATIONS COMMITTEES

Mr Judge, 54, has considerable experience in Australasian business and brings further financial and analytical knowledge to the board. His highly successful career includes various roles within Ernst & Young culminating in the position of Chief Executive of Ernst & Young New Zealand. He is Chairman of the Museum of New Zealand Te Papa Tongarewa and a member of both the Auckland and Otago University Business Schools' advisory boards.





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Jonathan Peter Ling
B ENG, MBA, MANAGING DIRECTOR

Mr Ling, 54, 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 group's Laminates & Panels division from 2003 to 2006, and before that in Pacifica, Visy and Nylex. Mr Ling is also a director of Fletcher Building Finance. He is a member of the Climate Change Leadership Forum, Capital Market Development Taskforce and Growth and Innovation Advisory Board.

Geoffrey James McGrath
MIIE, INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE REMUNERATION AND NOMINATIONS COMMITTEES

Mr McGrath, 66, 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, 68, has a long-standing record of leadership, in a range of industries. He is chairman of ANZ National Bank and a director of Port of Tauranga, Sky City Entertainment Group, Northport and Fletcher Building Finance. He is a member of the New Zealand Business and Parliament Trust and a Distinguished Fellow of the Institute of Directors, a member emeritus of the International Policy Council on Agriculture, Food and Trade and is on the advisory board of Visy Industries.

Kerrin Margaret Vautier
CMG, BA, FINSTD, INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT AND NOMINATIONS COMMITTEES

Mrs Vautier, 63, is a research economist specialising in competition law and economics. She has served on a number of Government agencies, including as a member of the New Zealand Commerce Commission, and has been a director of several New Zealand listed companies. Currently, she is a director of Fletcher Building Finance, adviser to the Partnership Board of Deloitte and chair of the New Zealand Asia Institute's Advisory Board. She also chairs the Musica Sacra Trust.

Mrs Vautier is a lay member of the High Court under the Commerce Act and a senior part-time lecturer in the University of Auckland's Commercial Law Department and Law Faculty.

Ralph Graham Waters
CP ENG, FIE AUST, M BUS, NON INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE REMUNERATION AND NOMINATIONS COMMITTEES

Mr Waters, 59, 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.




FROM LEFT TO RIGHT:

RODERICK S DEANE
PAUL E A BAINES
HUGH A FLETCHER
JOHN F JUDGE
JONATHAN P LING
GEOFFREY J MCGRATH
SIR DRYDEN SPRING
KERRIN M VAUTIER
RALPH G WATERS

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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 Securities 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.

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

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

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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 are also available at each meeting to address queries, and to assist in developing the board's understanding of the issues facing the company and the performance of its businesses.

Director participation remains very high, with only two apologies for absences from meetings during the year. In addition to these meetings were seven site visits and a strategic session with senior management. Each of the audit and nominations committees of the board met on two occasions and the remuneration committee of the board met on three occasions during the year. Outside these scheduled meetings was one special purpose board committee meeting.

3. Promoting ethical and responsible decision-making

The company has written procedures to:

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

The company has a written code of values and a code of conduct with which all employees are required to comply. Further details are provided later in this section.

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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 while 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, it 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 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

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

7. Recognising and managing risk

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

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.

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Non-executive directors' remuneration

The fees paid to non-executive directors for services in their capacity as directors during the year ended 30 June 2008 were:

	Base Fees	Committee Fees	Other Fees	Total
R S Deane	330,000			330,000
P E A Baines	110,000	39,000		149,000
H A Fletcher	110,000	28,500		138,500
J F Judge	6,329	1,640		7,969
G J McGrath	110,000	23,500	12,000	145,500
Sir Dryden Spring	110,000	31,500		141,500
K M Vautier	110,000	28,500		138,500
R G Waters	110,000	23,500	12,000	145,500
Total	996,329	176,140	24,000	1,196,469

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

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

As part of its biennial review of remuneration in mid 2008, the company commissioned an independent report on directors' remuneration in Australia, which recommended increases in the base director's fee and committee fees. Accordingly, for the year ended 30 June 2009 the base director's fee will increase to $121,000, with committee fees being $23,000, $17,500 and $8,500 per annum for participation on the audit, remuneration and nominations committees respectively. The maximum fees payable in any year was set at $1,500,000 at the 2006 annual shareholders' meeting.

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

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.

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Executive director's remuneration

J P Ling was appointed chief executive on 1 September 2006. His annual remuneration comprises base remuneration of $1,200,000 and a short-term incentive, if specified annual performance targets are satisfied, of up to 100 percent of his base remuneration. His remuneration for the year ended 30 June 2008 was NZ$1,756,450. Included in this sum are short-term incentive payments totalling NZ$480,000 for achieving company profitability targets and individual performance goals.

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. His long-term incentives consist of the grant of 500,000 options, and entitlement to shares in the company pursuant to the Executive Performance Share Scheme. On 10 October 2007, 23,073 shares in the company were issued to Mr Ling pursant to this scheme.

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.

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

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

Directors' and officers' indemnification and insurance

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

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Remuneration philosophy

Senior management remuneration

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

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

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

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

Fixed remuneration

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

Short-term incentive remuneration

Short-term incentive remuneration is available to recognise the contribution of senior executives to company and individual performance objectives. Short-term incentive remuneration targets are expressed as a percentage of fixed remuneration which is up to 100 percent of the fixed remuneration for the chief executive, up to 60 percent for the direct reports to the chief executive and up to 40 percent for all other senior executives. Participation in the plan is by annual invitation, at which time the target incentive is established. This involves each participant being notified of a financial target and several challenging, measurable personal objectives for the financial year. A variable incentive payment against either target is paid only once the minimum hurdle of the financial target is achieved. That is, even if a participant achieves 100 percent of personal objectives, no variable incentive payment is payable until the minimum financial target is achieved.

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

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

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

Long-term incentives

The company offers a long-term incentive scheme, targeted at around 250 executives most able to influence financial results. Participation in any year is by invitation, renewable annually and at the complete discretion of the company.

Where permited by securities legislation in the relevant jurisdiction, 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 at the discretion of directors, but is generally 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.

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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 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 entitled to the gain. The company has the right to discontinue the scheme at any time.

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

On 30 September 2008 the three year restrictive period in respect of the second issue under this share scheme ends. Present indications are that the total shareholder return of the company for the period will be just over the 50 percentile of the comparator group of companies and accordingly participating executives will be entitled to take up full ownership of around 150,000 Fletcher Building shares.

Superannuation

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

Holding the company's securities

A standard term in the senior executive employment contract is a requirement that, over time, senior executives must acquire and maintain a holding in the company's ordinary shares, 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 their participation in the short-term incentive remuneration plan in acquiring shares.

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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.

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FINANCIAL REVIEW 2008

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FINANCIAL REVIEW

The financial statements have been prepared in accordance with New Zealand standards that comply with International Financial Reporting Standards (NZ IFRS).

Results

The results for the year are set out in the highlights section at the beginning of this report and commentary is provided at the group level in the reviews by the chairman and chief executive. Segmental results and operating information are set out in the divisional reviews on pages 15 to 25.

Cashflow and capital expenditure

At $633 million, cashflow from operating activities before working capital requirements reflected the continued strong performance of the businesses within the group. Capital expenditure was up substantially to $1,388 million from $346 million, largely due to the acquisition of Formica. Growth expenditure was $195 million, and $1,039 million was expended on acquisitions. Stay in business expenditure is $154 million compared to depreciation of $197 million.

Divestments were $65 million, primarily consisting of the sale of surplus properties and poorly performing assets.

A further $199 million was utilised through increased working capital to support sales growth, and $222 million was distributed to shareholders and minority interests.

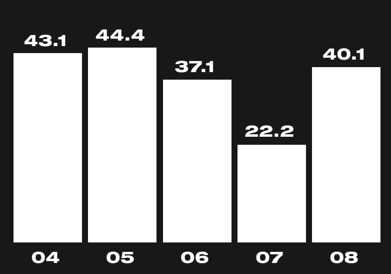
The company's guidelines on future dividend declarations require consideration of available cash after allowing for growth requirements and a prudent gearing level.

Capital management and funding

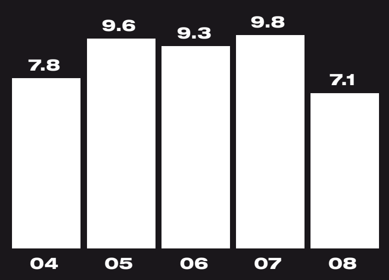
Balance sheet gearing (net debt to net debt plus equity) at 40.1 percent increased from 22.2 percent at 30 June 2007, reflecting in part the timing of the equity raising of $321 million in May 2007 ahead of the Formica acquisition settled in July 2007. The company remains in a strong financial position and is comfortably within all its relevant debt covenants.

Interest cover (EBITDA to total interest paid) was 7.1 times, compared to 9.8 times at 30 June 2007.

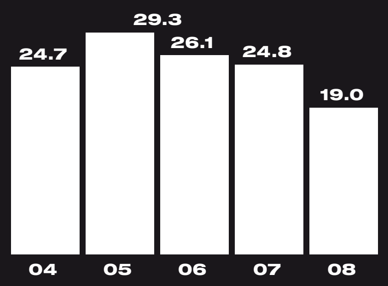
Gearing
Percentage



Interest cover
Times



Return on average funds
Percentage



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Net debt increased by $1,192 million to $1,846 million at 30 June 2008, again largely due to the acquisition of Formica. The company had undrawn committed bank funding available of $378 million plus cash to hand of $111 million.

During a tight liquidity market in 2008 the company replaced the bridging finance used to buy Formica with a United States debt issue with 10 to 12 year terms, improving the company's debt maturity profile and increasing the range of funding sources. The company also rolled and increased its existing facilities.

A series of capital notes for $113 million was subject to an interest rate re-set. In total, $121 million of notes were re-issued at competitive interest rates with $43 million of notes remaining as treasury stock.

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.

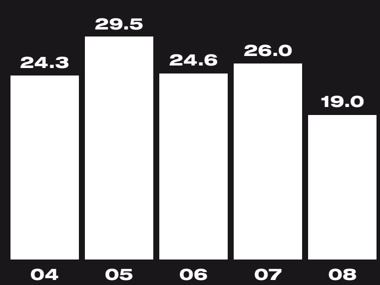
Retirement plans

The company operates a number of defined benefit retirement plans for its employees. The largest of these is the New Zealand plan, which has 1,332 members and pensioners and investments of $259 million at 31 March 2008. The investment in all plans totalled $707 million at 30 June 2008.

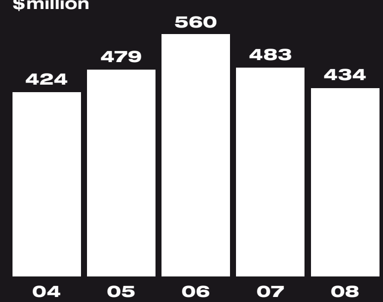
The plans are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of smoothing volatility in returns by amortising the difference between expected and actual returns over the remaining life of the members. At balance date, $8 million of net losses were to be accounted for in future periods.

During the year the company contributed $26 million towards funding these defined benefit plans, and a further $21 million in respect of defined contribution plans. The group expects to contribute $17 million to its overseas defined benefit plans during the year to June 2009.

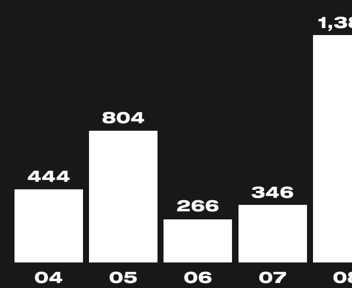
Return on equity
Percentage



Operating cashflow
$million



Capital expenditure
$million



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Earnings Statement For the year ended 30 June 2008

	Notes	Fletcher Building Group		Fletcher Building Limited	
		Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Sales		**7,091**	5,926		
Cost of goods sold		**(5,309)**	(4,446)		
Gross margin		**1,782**	1,480		
Selling and marketing expenses		**(660)**	(428)		
Administration expenses		**(457)**	(396)		
Share of profits of associates	20	**43**	28		
Other investment income	32			276	252
Other gains/(losses)	3	**61**	15		
Unusual items	3		5		
Amortisation of intangibles	19	**(1)**	(1)		
Operating earnings (EBIT)	3	**768**	703	276	252
Funding costs	5	**(136)**	(87)	(54)	(99)
Earnings before taxation		**632**	616	222	153
Taxation expense	6	**(150)**	(113)	15	18
Earnings after taxation		**482**	503	237	171
Earnings attributable to minority interests		**(15)**	(19)		
Net earnings attributable to the shareholders		**467**	484	237	171
Net earnings per share (cents)	8				
Basic		**93.2**	101.9		
Basic (excluding unusuals)		**93.2**	84.0		
Diluted		**87.4**	99.8		
Weighted average number of shares outstanding (millions of shares)	8				
Basic		**501**	475		
Diluted		**555**	505		
Dividends declared per share (cents)		**48.5**	45.0		

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

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Statement of Movements in Equity For the year ended 30 June 2008

		Fletcher Building Group		Fletcher Building Limited	
	Notes	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Total equity					
At the beginning of the year		**2,296**	1,800	1,258	941
Movement in the cashflow hedge reserve	12	**19**	(9)	19	(9)
Movement in currency translation reserve	12	**174**	(133)		
Income and expenses recognised directly in equity		**193**	(142)	19	(9)
Net earnings – parent interest	12	**467**	484	237	171
Net earnings – minority interest	13	**15**	19		
Net earnings		**482**	503	237	171
Total recognised income and expenses for the year		**675**	361	256	162
Movement in minority equity	13	**(19)**	(18)		
Movement in reported capital	10	**40**	357	40	357
Dividends	9	**(235)**	(202)	(235)	(202)
Less movement in shares held under the treasury stock method	10	**(1)**	(2)		
Total equity		**2,756**	2,296	1,319	1,258

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

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Balance Sheet As at 30 June 2008

		Fletcher Building Group		Fletcher Building Limited	
	Notes	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
Assets					
Current assets:					
Cash and liquid deposits	14	111	332	29	278
Current tax asset	24		19	14	17
Debtors	15	1,255	978	61	92
Stocks	16	1,183	745		
Total current assets		2,549	2,074	104	387
Non-current assets:					
Fixed assets	17	2,129	1,515		
Goodwill	18	854	393		
Intangibles	19	402	236		
Investments in associates	20	214	123		
Investments – other	20	27	18	3,423	2,923
Deferred taxation asset	24	60	74		4
Advances to subsidiaries	32			960	469
Total non-current assets		3,686	2,359	4,383	3,396
Total assets		6,235	4,433	4,487	3,783
Liabilities					
Current liabilities:					
Short-term loans		28	4	5	3
Provisions	21	55	46	2	2
Creditors and accruals	22	1,039	818	24	62
Current tax liability	24	40			
Contracts	23	115	137		
Capital notes	25	93	113	93	
Term debt	26	66	61	(7)	(4)
Advances from subsidiaries	32			2,808	2,262
Total current liabilities		1,436	1,179	2,925	2,325
Non-current liabilities:					
Provisions	21	22	18		
Creditors and accruals	22	69	61		
Retirement plan liability	34	61			
Deferred taxation liability	24	121	71	5	
Capital notes	25	260	236	122	200
Term debt	26	1,510	572	116	
Total non-current liabilities		2,043	958	243	200
Total liabilities		3,479	2,137	3,168	2,525
Equity					
Reported capital	10	1,364	1,325	1,373	1,333
Revenue reserves	11, 12	1,193	961	(67)	(69)
Other reserves	11, 12	158	(35)	13	(6)
Shareholders' funds		2,715	2,251	1,319	1,258
Minority equity	13	41	45		
Total equity		2,756	2,296	1,319	1,258
Total liabilities and equity		6,235	4,433	4,487	3,783

The accompanying notes form part of and are to be read in conjunction with these financial statements.
On behalf of the Board, 13 August 2008

Roderick Deane
Chairman of Directors

Jonathan Ling
Managing Director

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Statement of Cashflows For the year ended 30 June 2008

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Cashflow from operating activities				
Receipts from customers	**7,061**	5,862		
Dividends received	**37**	12	264	207
Interest received	**3**	3	14	48
Total received	**7,101**	5,877	278	255
Payments to suppliers, employees and other	**6,437**	5,200	(28)	92
Interest paid	**124**	91	59	104
Income tax paid	**106**	103		
Total applied	**6,667**	5,394	31	196
Net cash from operating activities	**434**	483	247	59
Cashflow from investing activities				
Sale of fixed assets	**57**	32		
Sale of investments	**8**			
Insurance proceeds from loss of plant		63		
Total received	**65**	95		
Purchase of fixed assets	**333**	249		
Purchase of investments	**16**	3		
Purchase of subsidiaries	**1,040**	97		
(Cash)/net debt in subsidiaries acquired	**(1)**	(3)		
Total applied	**1,388**	346		
Net cash from investing activities	**(1,323)**	(251)		
Cashflow from financing activities				
Net debt drawdowns/(settlements)	**879**	(21)	112	(28)
Issue of shares		321		321
Advances from subsidiaries				144
Issue of capital notes	**8**		15	
Total received	**887**	300	127	437
Repurchase of capital notes		50		50
Advances to subsidiaries			428	
Distribution to minority shareholders	**27**	26		
Dividends	**195**	169	195	169
Total applied	**222**	245	623	219
Net cash from financing activities	**665**	55	(496)	218
Net movement in cash held	**(224)**	287	(249)	277
Add opening cash and liquid deposits	**332**	49	278	1
Effect of exchange rate changes on net cash	**3**	(4)		
Closing cash and liquid deposits	**111**	332	29	278

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

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FLETCHER BUILDING LIMITED

Statement of Cashflows For the year ended 30 June 2008

	Fletcher Building Group	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Analysis of subsidiaries acquired		
Fixed assets	**375**	3
Goodwill on acquisition	**411**	74
Less contingent consideration	**(3)**	(7)
Intangibles	**136**	9
Investments	**52**	
Net tax liability	**(70)**	(3)
Current assets	**385**	24
Non-current assets	**2**	
Minority interests	**(1)**	
Cash in subsidiaries	**24**	3
Debt in subsidiaries	**(23)**	
Pension liabilities	**(71)**	
Non-current liabilities	**(10)**	
Current liabilities	**(167)**	(6)
Cash paid to date for subsidiaries acquired	**1,040**	97

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

During the year ended 30 June 2007, companies acquired were Maddren Building centres on 15 November 2006, Forman Insulation business on 1 December 2006 and Eziform Sheet Metal on 1 May 2007 for a consideration in aggregate of $97 million.

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

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Reconciliation of Net Earnings to Net Cash from Operating Activities For the year ended 30 June 2008

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Cash was received from:				
Net earnings	**467**	484	237	171
Earnings attributable to minority interests	**15**	19		
	482	503	237	171
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	**166**	163		
Taxation	**44**	10	(15)	(18)
Non cash adjustments	**210**	173	(15)	(18)
Cashflow from operations [1]	**692**	676	222	153
Less (gain)/loss on disposal of affiliates and fixed assets	**(59)**	(52)		
Cashflow from operations before net working capital movements	**633**	624	222	153
Net working capital movements	**(199)**	(141)	25	(94)
Net cash from operating activities [2]	**434**	483	247	59
Net working capital movements:				
Debtors	**(7)**	(101)	34	(61)
Stocks	**(159)**	(68)		
Contracts	**(23)**	37		
Creditors	**(10)**	(9)	(9)	(33)
	(199)	(141)	25	(94)

[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.

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Statement of Accounting Policies For the year ended 30 June 2008

Basis of presentation

The financial statements presented are those of Fletcher Building Limited (the company) and its subsidiaries (the group). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The registered office of the company is 810 Great South Road, Penrose, Auckland. Fletcher Building Limited is a profit oriented entity.

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

Accounting convention

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

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

Estimates

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. For further information on areas of estimation and judgement, refer to the notes to the financial statements, in particular notes 18 and 24.

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

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Statement of Accounting Policies For the year ended 30 June 2008

for foreseeable losses. Cost includes all expenditure directly related to specific projects and an allocation of fixed and variable overheads incurred in the group's contract activities based on normal operating capacity.

Cash

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

Impairment

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

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

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

Brands

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

Retirement plans

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

Foreign currency

Translation of the financial statements of foreign operations

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

Exchange differences

Monetary assets and liabilities in foreign currencies at balance date which are not covered by forward exchange contracts are translated at the rates of exchange ruling at balance date. Monetary assets and liabilities in foreign currencies at balance date which are covered by forward exchange contracts are effectively translated at the exchange rates specified in those contracts. Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined.

Net investments in foreign operations

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

Financial Instruments

Non-derivative financial instruments

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

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

Derivative financial instruments

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

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

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

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

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

Fair value hedges

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

Cashflow hedges

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

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

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

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

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

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

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

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

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

Annual leave
Annual leave is recognised on an accrual basis.

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

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

Equity

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

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

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

Income determination

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

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

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

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

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

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

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

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

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

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Long service leave

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

Research and development

Expenditure on research activities is recognised in earnings as incurred.

Employee share purchase scheme

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

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

Executive 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 shares held in the group, 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.

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1 Changes in accounting policies

During the year ended 30 June 2008, the group adopted NZ IFRS 7 Financial Instruments: Disclosures and Amendment to NZ IAS 1 Capital Disclosures. This has not had a material impact on the group's results. The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not applied these in preparing these financial statements and while the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the group's results.

There have been no other changes in accounting policy in the year ended 30 June 2008, however certain comparatives were restated to conform with the current year's presentation.

2 Acquisitions

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

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

Formica Corporation

The Formica Corporation was acquired for US$700 million, with additional payments of up to US$50 million contingent on performance milestones.

	NZ$M
Purchase price including a working capital adjustment	921
Debt acquired	23
Less cash acquired	(24)
Contingent purchase price based on performance milestones	65
Less indemnity reimbursement expected from vendor	(26)
Costs directly attributable to the acquisition	22
Total purchase price	981

The following are the values recognised in the financial statements:

	Vendors Book Value NZ$M	Fair Value Adjustment NZ$M	Fair Value NZ$M
Fixed assets	271	91	362
Goodwill on acquisition		368	368
Intangibles	81	47	128
Investments	42	10	52
Net tax liability	(33)	(32)	(65)
Working capital	223	(7)	216
Non-current assets	2		2
Pension liability	(94)	23	(71)
Minority interests	(1)		(1)
Non-current liabilities	(28)	18	(10)
Fair value of net assets	463	518	981
Less contingent purchase price outstanding			(29)
Plus indemnity reimbursement expected from vendor			26
Less debt acquired			(23)
Plus cash acquired			24
Cash paid to date for Formica Corporation			979

In the year to 30 June 2008 the Formica Corporation contributed sales of $1,077 million and operating earnings of $16 million.

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2 Acquisitions continued

Fair Dinkum Homes and Sheds, Cameron Quarries, DVS and Morinda

Fair Dinkum Homes and Sheds, Cameron Quarries, DVS and Morinda Australia were acquired for an aggregate consideration of NZ$61 million.

	Vendors Book Value NZ$M	Fair Value Adjustment NZ$M	Fair Value NZ$M
Fixed assets	1	12	13
Goodwill on acquisition		43	43
Intangibles		8	8
Net tax liability		(5)	(5)
Working capital	2		2
Cash paid to date for subsidiaries acquired	3	58	61

In the year to 30 June 2008 these acquired subsidiaries contributed sales of $21 million and operating earnings of $6 million. If the acquisitions had occurred on 1 July 2007, it is estimated that the contribution to group sales would have been $31 million and operating earnings of $7 million.

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
3 Operating earnings				
Operating earnings includes:				
Net periodic pension cost	5	9		
Employee related short-term costs [1]	1,110	904		
Other long-term employee related benefits	30	22		
Directors fees	2	1		
Research and development	4	4		
Bad debts written off	7	4		
Foreign exchange in trading accounts	(4)			
Donations and sponsorships	2	2		
Maintenance and repairs	164	131		
Operating lease expense	119	110		
Unusual items [2]		5		
Other gains/(losses) [3]	61	15		
Auditors' fees and expenses payable for:				
Statutory audit	3	2		
Other services [4]	2	1		

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

[2] During the year ended 30 June 2007 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 2007 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 increased by $36 million. With regard to the insurance claim relating to the Pacific Steel transformer failure, the company wrote off the damaged plant, recognised the increased operating costs and after allowing for the insurance deductible of $5 million recognised an insurance receivable, realised in the current year, resulting in a net charge to operating earnings of $4 million. In addition to this, the group wrote 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.

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

Profit from the sale of Stresscrete operations and land	16	
Sale of land, including quarry end use	46	11
Settlement of insurance claims	6	
Net redundancies and restructuring costs	(8)	
Other gains/(losses)	1	4
	61	15

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

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Notes to the Financial Statements

4 Discontinued operations

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

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
5 Funding costs				
Interest payable on:				
Term debt	**102**	51	13	3
Short-term loans and bank overdrafts	**2**	2	2	2
Capital notes	**27**	30	15	17
Interest paid to subsidiary companies			24	78
Income from short-term deposits	**(3)**	(4)	(2)	(3)
	128	79	52	97
Plus bank fees, registry and issue expenses	**8**	8	2	2
	136	87	54	99

6 Taxation expense				
Earnings before taxation:				
New Zealand	**419**	400	222	153
Overseas	**213**	216		
	632	616	222	153
Taxation at 33 cents per dollar	**209**	203	73	50
Adjusted for:				
Benefit of lower tax rate in overseas jurisdictions	**(10)**	(5)		
Non assessable income	**(27)**	(7)	(88)	(68)
Non deductible expenses	**3**	4		
Tax benefit arising from the election of the branch equivalent tax account		(70)		
Non assessable income arising from insurance settlement		(16)		
Tax in respect of prior years	**4**			
Impact of tax rate change	**(8)**	4		
Other permanent differences	**(21)**			
	150	113	(15)	(18)
Tax on operating profits pre unusual items	**150**	193	(15)	(18)
Tax benefit of unusual items		(10)		
Tax benefit arising from the election of the branch equivalent tax account		(70)		
	150	113	(15)	(18)
Current taxation:				
New Zealand	**91**	58	(15)	(18)
Overseas	**66**	53		
Deferred taxation:				
New Zealand	**(2)**	3		
Overseas	**(5)**	(1)		
	150	113	(15)	(18)

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	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
7 Shareholder tax credits				
Imputation credit account				
Imputation credits at the beginning of the year	**107**	135	(27)	(24)
Taxation paid	**9**	26		
Imputation credits received			60	51
Imputation credits attached to dividends paid	**(88)**	(54)	(88)	(54)
	28	107	(55)	(27)
	A$M	A$M	A$M	A$M
Franking credit account				
Franking credits at the beginning of the year	**28**	7	3	
Taxation paid	**32**	18		
Franking credits received	**3**	3	41	3
Franking credits attached to dividends paid	**(44)**		(44)	
	19	28		3

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Dividend withholding payment credit account				
Dividend withholding payment credits at the beginning of the year	**(15)**	(12)	(15)	(12)
Taxation paid	**15**	27		
Dividend withholding payment credits received			15	27
Dividend withholding payment credits attached to dividends paid		(30)		(30)
		(15)		(15)

Fletcher Building Limited has until 31 March 2009 to fund any deficiency in its imputation credit account.

Branch equivalent tax account				
Branch equivalent tax account at 1 April 2007	**26**	104		
Benefit received from dividend withholding payment tax paid	**15**	27		
Utilisation of branch equivalent tax account to offset tax liabilities for the 2007 income year	**(2)**	(35)		
Tax benefit arising from the election of the branch equivalent tax account		(70)		
Branch equivalent tax account at 31 March 2008	**39**	26		

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.

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Notes to the Financial Statements

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.

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
Numerator				
Net earnings	**467**	484		
Numerator for basic earnings per share	**467**	484		
Dilutive capital notes distribution	**18**	20		
Numerator for diluted net earnings per share	**485**	504		
Denominator (millions of shares)				
Denominator for basic net earnings per share	**501**	475		
Conversion of dilutive capital notes	**54**	30		
Denominator for diluted net earnings per share	**555**	505		

9 Dividends				
Dividends paid to shareholders	**235**	202	235	202
	235	202	235	202

On 13 August 2008 the directors declared a dividend of 24.5 cents per share, payable on 16 October 2008.

10 Capital				
Reported capital at the beginning of the year	**1,333**	976	1,333	976
Issue of shares	**40**	364	40	364
Cost of share issue		(7)		(7)
Reported capital at the end of the year including treasury stock	**1,373**	1,333	1,373	1,333
Treasury stock	**(9)**	(8)		
	1,364	1,325	1,373	1,333

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.

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	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008	Year Ended June 2007	Year Ended June 2008	Year Ended June 2007
10 Capital continued				
Number of ordinary shares:				
Number of shares on issue at the beginning of the year	**499,284,848**	469,463,011	499,284,848	469,463,011
Issue of shares		26,000,000		26,000,000
Shares issued under the dividend reinvestment plan	**4,076,894**	3,821,837	4,076,894	3,821,837
Total number of shares on issue	**503,361,742**	499,284,848	503,361,742	499,284,848
Less accounted for as treasury stock	**(1,022,692)**	(1,119,205)		
	502,339,050	498,165,643	503,361,742	499,284,848

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 2008 the exercise price is $9.5682. 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.

	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
11 Reserve balances				
Reserves comprise:				
Retained earnings	**1,193**	961	(67)	(69)
Cashflow hedge reserve	**13**	(6)	13	(6)
Currency translation reserve	**145**	(29)		
	1,351	926	(54)	(75)

	Fletcher Building Group		Fletcher Building Limited	
	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M	Year Ended June 2008 NZ$M	Year Ended June 2007 NZ$M
12 Reserve movements				
Retained earnings				
Retained earnings at the beginning of the year	**961**	679	(69)	(38)
Net earnings for the year – parent interest	**467**	484	237	171
Dividends paid during the year	**(235)**	(202)	(235)	(202)
	1,193	961	(67)	(69)
Cashflow hedge reserve				
Cashflow hedge reserve at the beginning of the year	**(6)**	3	(6)	3
Arising in the year	**19**	(9)	19	(9)
	13	(6)	13	(6)
Currency translation reserve				
Currency translation reserve at the beginning of the year	**(29)**	104		
Arising in the year	**174**	(133)		
	145	(29)		

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
13 Minority equity				
Share capital	**31**	29		
Reserves	**10**	16		
	41	45		

14 Cash and liquid deposits				
Cash and bank balances	**84**	62	6	8
Short-term deposits	**27**	270	23	270
	111	332	29	278

Short-term deposits at 30 June 2007 included cash received from the share placement on 31 May 2007 and were utilised in the acquisition of Formica on 2 July 2007.

15 Debtors				
Trade debtors	**967**	698		
Contract debtors	**93**	100		
Contract retentions	**13**	10		
Less provision for doubtful debts	**(29)**	(19)		
Trade and contract debtors	**1,044**	789		
Other receivables	**211**	189	61	92
	1,255	978	61	92
Current	**744**	540		
0 – 30 days over standard terms	**233**	205		
31 – 60 days over standard terms	**45**	33		
61+ days over standard terms	**51**	30		
Provision	**(29)**	(19)		
Trade and contract debtors	**1,044**	789		

16 Stocks				
Raw materials	**297**	158		
Work in progress	**148**	91		
Finished goods	**680**	455		
Consumable stores and spare parts	**58**	41		
	1,183	745		
Stock held at cost	**1,172**	740		
Stock held at net realisable value	**11**	5		
	1,183	745		

The group also has conditional commitments for the purchase of land to be used for residential construction totalling $136 million (June 2007 $193 million). Delivery of this land is expected to take place over the period to 2011.

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	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
17 Fixed assets							
Gross value at 1 July 2007	**177**	**274**	**1,315**	**321**	**52**	**13**	**2,152**
Acquisitions during the year	**55**	**88**	**212**	**10**	**10**		**375**
Additions	**21**	**36**	**205**	**51**	**29**		**342**
Disposals	**(9)**	**(14)**	**(56)**	**(31)**	**(3)**	**(8)**	**(121)**
Currency translation	**21**	**25**	**101**	**13**	**6**		**166**
Gross value at 30 June 2008	**265**	**409**	**1,777**	**364**	**94**	**5**	**2,914**
Accumulated depreciation at 1 July 2007		**(45)**	**(376)**	**(197)**	**(8)**	**(11)**	**(637)**
Disposals		**4**	**45**	**27**	**3**	**7**	**86**
Depreciation expense		**(17)**	**(136)**	**(38)**	**(6)**		**(197)**
Currency translation		**(2)**	**(29)**	**(6)**			**(37)**
Accumulated depreciation at 30 June 2008		**(60)**	**(496)**	**(214)**	**(11)**	**(4)**	**(785)**
Net book value at 30 June 2008	**265**	**349**	**1,281**	**150**	**83**	**1**	**2,129**
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)	(94)	(22)	(11)	(2)	(134)
Impairments in the income statement – reported in unusual items			(17)				(17)
Currency translation	(14)	(14)	(73)	(2)	(5)		(108)
Gross value at 30 June 2007	177	274	1,315	321	52	13	2,152
Accumulated depreciation at 1 July 2006		(37)	(346)	(188)	(8)	(12)	(591)
Disposals		3	58	18	4	2	85
Depreciation expense		(12)	(107)	(31)	(4)	(1)	(155)
Currency translation		1	19	4			24
Accumulated depreciation at 30 June 2007		(45)	(376)	(197)	(8)	(11)	(637)
Net book value at 30 June 2007	177	229	939	124	44	2	1,515

As at 30 June 2008, fixed assets includes $157 million of assets under construction (June 2007 $90 million).

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
18 Goodwill				
Goodwill acquired at cost	**800**	395		
Accumulated foreign currency translation movement taken to reserves	**54**	(2)		
Goodwill at the end of the year	**854**	393		
Goodwill at the beginning of the year	**393**	347		
Acquired during the year	**416**	74		
Acquisition restatement during the year	**(6)**	(1)		
Foreign currency translation movement taken to reserves	**51**	(27)		
	854	393		
Formica Corporation	**303**			
The Laminex Group	**186**	98		
Stramit Corporation	**112**	64		
Fletcher Insulation Australia	**95**	83		
Forman Insulation	**46**	50		
Tasman Insulation New Zealand	**43**	43		
Tasman Sinkware	**43**	38		
Other subsidiaries	**26**	17		
Goodwill by major subsidiaries	**854**	393		

Impairment of goodwill

Goodwill has been tested for impairment in June 2008. Each business unit which carries goodwill has prepared a discounted cashflow on a value-in-use basis. They have used their past experience of revenue growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future. These cashflow projections are based on the group's three year strategic plan approved by the directors, which has been extended for a further two years. Cashflows beyond the five year period have been extrapolated using estimated terminal growth rates which do not exceed the long-term average growth rate for the industries in which the business units operate. The growth rates used range from 1.8 percent to 3.8 percent with the majority of the business units using 2 percent. The cashflows are discounted using a nominal rate of 10 percent after tax, with the exception of Formica which has used 9 percent. This adjustment to the standard rate of 10 percent reflects the risk profile for the countries in which Formica operates.

The group operates in cyclical markets and currently faces a mix of market conditions that make it difficult to predict future profitability. Residential markets have declined in New Zealand, Australia, the USA, Spain and the UK, however there are good growth prospects in Asia. There is also divergence in those markets between the prospects for infrastructure and commercial activities.

The group has identified certain business units which face particular challenges, but which their value is still in excess of their carrying value. New management have been appointed to achieve an appropriate improvement in their operating earnings. If this improvement does not eventuate there may be a need for a future impairment.

The forecasts for purposes of valuation are most sensitive to changes in projected operating earnings and cashflows in the terminal year. However the exercise confirmed that there is headroom over the carrying value and based on the analysis performed there are no impairment issues necessitating a write-down of goodwill.

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
19 Intangibles				
Brands	**401**	235		
Intangible assets	**1**	1		
	402	236		
Brands				
Brands at the beginning of the year	**235**	248		
Acquired during the year	**136**	9		
Foreign currency translation movement taken to reserves	**30**	(22)		
	401	235		
The Laminex Group	**154**	135		
Formica Corporation	**129**			
Stramit Corporation	**50**	37		
Other subsidiaries	**68**	63		
Brands by major subsidiaries	**401**	235		

Brands are considered to have an indefinite useful life as there are no factors which indicate that there is a limit on their capacity to generate foreseeable cashflows. Factors considered before arriving at this conclusion are whether the businesses which own the brands are going concerns, whether there is any evidence of obsolescence due to changes in either technology or regulatory conditions, whether the businesses are trading profitably and whether there are any other market based indications. Brands have been tested for impairment in June 2008 on a value-in-use basis. This exercise confirmed that there are no impairment issues necessitating a write-down.

	Fletcher Building Group		Fletcher Building Limited	
Intangible assets				
Intangible assets acquired at cost	**16**	15		
Accumulated amortisation	**(15)**	(14)		
Intangible assets at the end of the year	**1**	1		
Intangible assets at the beginning of the year	**1**	2		
Arising during the year	**1**			
Charged to earnings	**(1)**	(1)		
	1	1		

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
20 Investments				
Investment in associates	**214**	123		
Investment in other companies	**1**	1		
Retirement plan surplus – see note 34	**26**	17		
Investment in subsidiary companies [1]			3,423	2,923
	241	141	3,423	2,923

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

Carrying amount of associates:				
Carrying amount at the beginning of the year	**123**	113		
Acquisition of associates	**64**	3		
Equity accounted earnings of associates	**43**	28		
Impairment of associate	**(1)**			
Foreign currency translation movement taken to reserves	**21**	(9)		
Dividends from associates	**(36)**	(12)		
Investment in associates	**214**	123		
Less loans to associates at the end of the year	**(14)**	(13)		
Investment in associates, excluding loans	**200**	110		
Investment by associates:				
Homapal Plattenwerk GmbH & Co. KG.	**64**			
Wespine Industries Pty Limited	**54**	45		
Dynea Industries WA Pty Limited	**23**	19		
Sims Pacific Metals Limited	**22**	24		
Dongwah Pattina NZ Limited	**10**			
Mt Marrow Blue Metal Quarries Pty Limited	**10**	7		
Mittagong Sands Pty Limited	**5**	4		
Other	**26**	24		
	214	123		
Balance sheet information for associates - 100%				
Assets	**371**	228		
Liabilities	**181**	103		
Equity	**190**	125		
Equity – Fletcher Building share	**84**	63		
Goodwill acquired at cost	**116**	47		
Investment in associates, excluding loans	**200**	110		
Equity accounted earnings comprise:				
Sales – 100%	**596**	429		
Earnings before taxation – 100%	**92**	70		
Earnings before taxation – Fletcher Building share	**48**	35		
Taxation expense	**(5)**	(7)		
Earnings after taxation – Fletcher Building share	**43**	28		

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21 Provisions

	Fletcher Building Group					
June 2008	Restructuring NZ$M	Construction Claims NZ$M	Property NZ$M	Warranty & Environmental NZ$M	Other NZ$M	Total NZ$M
Carrying amount at the beginning of the year	**10**	**7**	**4**	**15**	**28**	**64**
Currency translation	**1**			**1**	**1**	**3**
Acquired during the year	**2**			**10**	**3**	**15**
Charged to earnings	**14**	**5**		**2**		**21**
Settled or utilised	**(3)**	**(1)**	**(1)**		**(4)**	**(9)**
Released to earnings	**(1)**	**(1)**		**(6)**	**(9)**	**(17)**
	23	**10**	**3**	**22**	**19**	**77**
June 2007						
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

	Fletcher Building Limited					
June 2008	Restructuring NZ$M	Construction Claims NZ$M	Property NZ$M	Warranty & Environmental NZ$M	Other NZ$M	Total NZ$M
Carrying amount at the beginning of the year					2	2
					2	2
June 2007						
Carrying amount at the beginning of the year					2	2
					2	2

During the year the group provided for $14 million in respect of restructuring obligations at certain businesses, which is expected to be utilised over the next year. The remaining restructuring provisions are expected to be utilised over the next two years. Construction claims relate to disputes on jobs and provisions in regard to the wind down of overseas operations and are expected to be utilised over the next two years. Property provisions relate to onerous lease obligations and are expected to be utilised over two years. Warranty and environmental provisions relate to products sold and services provided and are expected to be utilised over the next three years. Other provisions relate to miscellaneous matters with no individual amounts being significant.

	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
Current portion	**55**	46	2	2
Non-current portion	**22**	18		
Carrying amount at the end of the year	**77**	64	2	2

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
22 Creditors and accruals				
Trade creditors	**707**	511		
Contract retentions	**26**	31		
Accrued interest	**29**	14	5	5
Other liabilities	**148**	155	19	57
Employee entitlements	**181**	158		
Workers compensation schemes	**17**	10		
	1,108	879	24	62
Current portion	**1,039**	818	24	62
Non-current portion	**69**	61		
Carrying amount at the end of the year	**1,108**	879	24	62

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

23 Contracts				
Gross construction work in progress plus margin to date	**1,675**	1,664		
Progress billings	**(1,790)**	(1,801)		
Work in progress/ (money received in advance)	**(115)**	(137)		
Construction contracts with net work in progress	**3**	1		
Construction contracts with net money received in advance of cost and margin	**(118)**	(138)		
Carrying amount at the end of the year	**(115)**	(137)		

Included in sales is $803 million of contract revenue (June 2007 $833 million).

24 Taxation				
Deferred taxation asset	**60**	74	(5)	4
Deferred taxation liability – on brands	**(121)**	(71)		
Net deferred taxation asset/(liability)	**(61)**	3	(5)	4
Current taxation asset/(liability)	**(40)**	19	14	17
Net taxation asset/(liability)	**(101)**	22	9	21
Provision for current taxation:				
Opening provision for current taxation	**19**	34	17	19
Currency translation	**(3)**	(2)		
Taxation in the earnings statement	**(157)**	(111)	15	18
Transfer from deferred taxation	**6**	30		
Intercompany payment			(18)	(20)
Acquisition during the year	**(25)**			
Minority share of taxation expense	**8**	10		
Taxation in reserves	**6**	(45)		
Net taxation payments	**106**	103		
	(40)	19	14	17

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24 Taxation continued

Provision for deferred taxation:

June 2008	Fletcher Building Group						
	Provisions NZ$M	Debtors NZ$M	Fixed assets NZ$M	Brands NZ$M	Tax losses NZ$M	Other NZ$M	Total NZ$M
Opening provision for deferred taxation	**82**	**5**	**(17)**	**(71)**		**4**	**3**
Currency translation	**4**	**1**	**(2)**	**(9)**			**(6)**
Taxation in the earnings statement						**7**	**7**
Transfer to current taxation	**(22)**		**1**	**2**	**39**	**(26)**	**(6)**
Acquisition during the year	**27**	**2**	**(56)**	**(43)**	**8**	**11**	**(51)**
Taxation in reserves						**(8)**	**(8)**
	91	**8**	**(74)**	**(121)**	**47**	**(12)**	**(61)**
June 2007							
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

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

The group has recognised tax losses in existence at acquisition and generated during the year in Formica Corporation on the basis that Formica and its relevant subsidiaries will have future assessable income. Where necessary, the Formica entities' financial affairs have been restructured during the year to assist in generating future assessable income and further tax planning opportunities are available and will be utilised to ensure that the tax losses will be realised. The tax losses have been recognised on the basis of the forecasted operating earnings set out in the Formica strategic plan approved by the directors and the discounted cashflows prepared for the purposes of impairment testing. The group will review this situation annually and will consider further opportunities to assist Formica should it be necessary. If the forecasted operating earnings are not achieved the de-recognition of the asset may be required. Formica has tax losses in some jurisdictions that have not been recognised as realisation is considered remote.

June 2008	Fletcher Building Limited						
	Provisions NZ$M	Debtors NZ$M	Fixed assets NZ$M	Brands NZ$M	Tax losses NZ$M	Other NZ$M	Total NZ$M
Opening provision for deferred taxation	1					3	4
Taxation in reserves						(9)	(9)
	1					(6)	(5)
June 2007							
Opening provision for deferred taxation	1					(2)	(1)
Taxation in reserves						5	5
	1					3	4

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25 Capital notes

			Fletcher Building Group		Fletcher Building Limited	
			June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
Capital notes	**Coupon**	**Election date**				
Series 2008	8.60%	15 March 2008		113		
Series 2009	7.80%	15 March 2009	**93**	93	93	93
Series 2010	8.85%	15 March 2010	**37**	37		
Series 2010	9.00%	15 March 2010	**30**			
Series 2011	7.55%	15 March 2011	**69**	69	69	69
Series 2012	7.50%	15 March 2012	**53**	38	53	38
Series 2013	8.90%	15 March 2013	**75**			
Prepaid expenses			**(4)**	(1)		
			353	349	215	200
Capital notes due for election within 12 months			**93**	113	93	
Capital notes due for election after 12 months			**264**	237	122	200
Prepaid expenses			**(4)**	(1)		
			353	349	215	200

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 2008 were to be converted to shares, 57 million shares (June 2007 29 million shares) would be issued at the share price as at 30 June 2008, of $6.35 (June 2007 $12.35).

As at 30 June 2008 the group held $43 million (30 June 2007 $50 million) 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 and interest cover, and at 30 June 2008 the group was in compliance with all its covenants. The negative pledge ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances.

Loans not subject to the negative pledge

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

Unused committed lines of credit

At 30 June 2008, the group had $1,988 million of committed bank facilities of which $378 million was undrawn (June 2007 $1,251 million; $618 million).

	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
Floating loans	**833**	263	(113)	(307)
Fixed loans	**649**	303	222	303
Loans not subject to the negative pledge – floating	**92**	65		
Loans not subject to the negative pledge – fixed	**2**	2		
	1,576	633	109	(4)

Credit rating

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

Notes to the Financial Statements

27 Financial instruments

Financial risk management overview

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

To manage the unpredictability of financial markets and minimise the potential adverse effects of these financial risks, the group enters into derivative financial instruments. Risk management for liquidity, interest rate, currency exposures and commodity price risks are carried out by the group's Treasury function.

The group does not enter into derivative financial instruments for trading or speculative purposes. All derivative transactions entered into are to hedge underlying physical and forecast positions arising from normal business activities.

Risks and mitigation

(a) Credit risk

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

(i) Trade receivables

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

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

(ii) Derivative financial instruments and the investment of cash

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

(b) Liquidity risk

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

(c) Currency balance sheet risk

Currency balance sheet risk arises from net investments in foreign operations. It is the group's policy to hedge this foreign currency balance sheet risk by borrowing in the currency of the asset in proportion to the group's debt to equity ratio. This reduces the variability in the debt to equity ratio due to currency translation. Where the underlying debt in any currency does not equate to the required proportion of total debt, foreign exchange derivatives are entered into for up to seven years.

(d) Currency trade risk

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

(e) Interest rate risk

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

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

(f) Commodity price risk

Commodity price risk arises from committed or highly probable trade and capital expenditure transactions that are linked to traded commodities. Where possible the group manages its commodity price risks through negotiated supply contracts and, for certain commodities, by using commodity price swaps and options. The group manages its commodity price risk depending on the underlying exposures, economic conditions and access to active derivatives markets. Currently the group's policy is to hedge around 50 to 100 percent of the New Zealand business units' electricity requirements for up to five years. Cashflow hedge accounting is applied to commodity derivative contracts.

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27 Financial instruments continued

Quantitative Analysis

(a) Credit Risk

(i) Derivative financial instruments and the investment of cash

The group has not renegotiated the terms of any financial assets which would otherwise be past due or impaired. Refer to note 15 for debtor aging analysis.

(b) Liquidity Risk

The following table sets out the material principal-only contractual cashflows for all financial liabilities and gross settled derivatives. Interest rate swaps are not gross settled. The interest component of the cashflows has not been included in the table. Other loans include financial leases, discounted receivables, overdrafts and working capital facilities

	Fletcher Building Group – June 2008				
	Contractual Cashflows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	357	93	67	197	
Bank loans					
Drawn	753			753	
Undrawn	378	181		197	
US private placements	737				737
Other loans	121	101	20		
Cash and liquid deposits	(111)	(111)			
Forward exchange contracts					
To pay	246	246			
To receive	(253)	(253)			
Cross currency interest rate swaps					
To pay	124	62			62
To receive	(124)	(62)			(62)
Net balance sheet exposure	2,228	257	87	1,147	737
Trade and other payables	1,108	1,039	69		
Forward exchange contracts					
To pay	331	327	4		
To receive	(330)	(326)	(4)		
Net trade exposure	1,109	1,040	69		

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27 Financial instruments continued

	Fletcher Building Group – June 2007				
	Contractual Cashflows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	350	113	93	144	
Bank loans					
Drawn	282			282	
Undrawn	618	150		468	
US private placements	289				289
Other loans	70	68	1	1	
Cash and liquid deposits	(332)	(332)			
Forward exchange contracts					
To pay	185	185			
To receive	(190)	(190)			
Cross currency interest rate swaps					
To pay					
To receive					
Net balance sheet exposure	1,272	(6)	94	895	289
Trade and other payables	879	818	61		
Forward exchange contracts					
To pay	2,257	1,897	217	143	
To receive	(2,272)	(1,913)	(216)	(143)	
Forward exchange options					
To pay	13	13			
To receive	(12)	(12)			
Net trade exposure	865	803	62		

	Fletcher Building Limited – June 2008				
	Contractual Cashflows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	215	93		122	
Bank loans	116			116	
Other loans	5	5			
Cash and liquid deposits	(29)	(29)			
Forward exchange contracts					
To pay	246	246			
To receive	(253)	(253)			
Cross currency interest rate swaps					
To pay	124	62			62
To receive	(124)	(62)			(62)
Net balance sheet exposure	300	62		238	
Trade and other payables	24	24			
Forward exchange contracts					
To pay	634	625	9		
To receive	(635)	(626)	(9)		
Net trade exposure	23	23			

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27 Financial instruments continued

	Fletcher Building Limited – June 2007				
	Contractual Cashflows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Capital notes	200		93	107	
Bank loans					
Other loans	3	3			
Cash and liquid deposits	(278)	(278)			
Forward exchange contracts					
To pay	186	186			
To receive	(189)	(189)			
Net balance sheet exposure	(78)	(278)	93	107	
Trade and other payables	62	62			
Forward exchange contracts					
To pay	1,503	1,143	217	143	
To receive	(1,513)	(1,154)	(216)	(143)	
Net trade exposure	52	51	1		

(c) Foreign currency risk

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

	Fletcher Building Group – June 2008						
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	**357**						**357**
Bank loans	**116**	**17**	**620**				**753**
US private placements	**144**	**427**	**166**				**737**
Other loans	**64**	**46**	**11**				**121**
Cash and liquid deposits	**(78)**	**(14)**	**(19)**				**(111)**
Forward exchange contracts	**37**	**(71)**	**(85)**	**73**	**39**		**(7)**
Cross currency interest rate swaps							
Net balance sheet exposure	**640**	**405**	**693**	**73**	**39**		**1,850**
Trade receivables	**(387)**	**(25)**	**(363)**	**(75)**	**(37)**	**(80)**	**(967)**
Trade payables	**377**	**35**	**195**	**39**	**19**	**42**	**707**
Forward exchange contracts	**90**	**(106)**	**26**	**(35)**		**26**	**1**
Net trade exposure	**80**	**(96)**	**(142)**	**(71)**	**(18)**	**(12)**	**(259)**

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

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Notes to the Financial Statements

27 Financial instruments continued

	Fletcher Building Group – June 2007						
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	350						350
Bank loans			282				282
US private placements	144		145				289
Other loans	59		11				70
Cash and liquid deposits	(318)		(14)				(332)
Forward exchange contracts	(190)		185				(5)
Net balance sheet exposure	45		609				654
Trade receivables	(361)	(6)	(305)			(26)	(698)
Trade payables	318	5	172			16	511
Forward exchange contracts	134	(542)	400	(10)		3	(15)
Forward exchange options	13	(12)					1
Net trade exposure	104	(555)	267	(10)		(7)	(201)

	Fletcher Building Limited – June 2008						
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	215						215
Bank loans	116						116
Other loans	5						5
Cash and liquid deposits	(29)						(29)
Forward exchange contracts	37	(71)	(85)	73	39		(7)
Cross currency interest rate swaps							
Net balance sheet exposure	344	(71)	(85)	73	39		300
Forward exchange contracts	47	(5)	(21)	(14)		(8)	(1)
Net trade exposure	47	(5)	(21)	(14)		(8)	(1)

	Fletcher Building Limited – June 2007						
NZ$M	NZD	USD	AUD	EURO	GBP	Other	Total
Capital notes	200						200
Bank loans							
Other loans	3						3
Cash and liquid deposits	(278)						(278)
Forward exchange contracts	(189)		186				(3)
Net balance sheet exposure	(264)		186				(78)
Forward exchange contracts	(455)	(582)	1,040	(18)	(1)	6	(10)
Net trade exposure	(455)	(582)	1,040	(18)	(1)	6	(10)

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Notes to the Financial Statements

27 Financial instruments continued

(e) Interest rate risk

Interest rate repricing

The following tables set out the interest rate repricing profile and weighted average interest rate of 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 2008						
	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed over 5 Years NZ$M	Total NZ$M
Capital notes	8.5		93	67	197		357
Bank loans	8.2	753					753
US private placements	7.4	310				427	737
Other loans	7.8	119	1	1			121
Cash and liquid deposits	2.1	(111)					(111)
Forward exchange contracts							
To receive	6.9	(253)					(253)
To pay	7.4	246					246
Cross currency interest rate swaps							
To receive	5.3	(103)				(21)	(124)
To pay	5.3	62				62	124
Interest rate swaps							
To receive	7.4	(514)	(13)	(93)		(228)	(848)
To pay	5.8	334	101	63		350	848
Total	7.6	843	182	38	197	590	1,850
Interest rate by period		8.5%	7.0%	11.3%	8.7%	6.0%	7.6%

	Fletcher Building Group – June 2007						
	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed over 5 Years NZ$M	Total NZ$M
Capital notes	8.1		113	93	144		350
Bank loans	6.9	282					282
US private placements	7.9	289					289
Other loans	9.2	68	2				70
Cash and liquid deposits	7.4	(332)					(332)
Forward exchange contracts							
To receive	8.7	(190)					(190)
To pay	6.7	185					185
Interest rate swaps							
To receive	7.0	(542)	(121)	(11)	(107)		(781)
To pay	6.7	239	116	88	55	283	781
Total	7.1	(1)	110	170	92	283	654
Interest rate by period		7.1%	7.8%	7.1%	9.0%	6.3%	7.1%

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27 Financial instruments continued

	Fletcher Building Limited – June 2008						
	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed over 5 Years NZ$M	Total NZ$M
Capital notes	7.9		93		122		215
Bank loans	9.0	116					116
US private placements							
Other loans	10.9	5					5
Cash and liquid deposits	6.2	(29)					(29)
Forward exchange contracts							
To receive	6.9	(253)					(253)
To pay	7.4	246					246
Cross currency interest rate swaps							
To receive	5.3	(103)				(21)	(124)
To pay	5.3	62				62	124
Interest rate swaps							
To receive	7.4	(514)	(13)	(93)		(228)	(848)
To pay	5.8	334	101	63		350	848
Total	4.5	(136)	181	(30)	122	163	300
Interest rate by period		11.2%	7.1%	6.3%	8.0%	5.1%	4.5%

	Fletcher Building Limited – June 2007						
	Interest Rate by Instrument %	Floating NZ$M	Fixed up to 1 Year NZ$M	Fixed 1-2 Years NZ$M	Fixed 2-5 Years NZ$M	Fixed over 5 Years NZ$M	Total NZ$M
Capital notes	7.7			93	107		200
Bank loans							
US private placements							
Other loans	8.0	3					3
Cash and liquid deposits	7.9	(278)					(278)
Forward exchange contracts							
To receive	8.7	(189)					(189)
To pay	6.7	186					186
Interest rate swaps							
To receive	7.0	(542)	(121)	(11)	(107)		(781)
To pay	6.7	239	116	88	55	283	781
Total	6.4	(581)	(5)	170	55	283	(78)
Interest rate by period		8.0%	6.4%	7.1%	9.1%	6.3%	6.4%

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27 Financial instruments continued

(f) Commodity price risk

One of the group's commodity price risks is to the New Zealand electricity spot price. Electricity is required for the group's production processes and due to price volatility it is the group's policy to hedge forecast usage for up to five years at between 50 to 100 percent of forecasted volumes. At balance date, the value of fixed electricity exposure was as follows:

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

	Fletcher Building Group and Limited- June 2007					
	Average Hedge Price NZ$/MWh	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M	Total NZ$M
Electricity contract for differences	80	32	35	72		139

(g) Sensitivity analysis

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

(i) Foreign currency risk

It is estimated a 10 percent weakening of the New Zealand dollar against the major foreign currencies the group is exposed to through financial instruments would result in a decrease to equity of approximately $97 million (June 2007 $34 million) and increase the group's profit by less than $1 million (June 2007 $nil million). If the translation of the net assets of the foreign operations were included this would result in an increase to equity of approximately $187 million (June 2007 $96 million).

(ii) Interest rate risk

It is estimated a 1 percent increase in interest rates would have increased the group's interest costs by approximately $8.4 million on the group's debt portfolio exposed to floating rates at balance date (June 2007 $3.3 million).

(iii) Commodity price risk

It is estimated a 10 percent increase in the New Zealand electricity spot price at balance date would have increased the group's New Zealand electricity cost by less than $1 million per year as the group had fixed 93 percent of its electricity usage (June 2007 $nil million, fixed 96 percent).

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Notes to the Financial Statements

27 Financial instruments continued

(h) Fair values

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

	Fletcher Building Group				
		June 2008		June 2007	
NZ$M	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital notes	Amortised cost	**357**	**344**	349	343
Bank loans	Amortised cost	**753**	**753**	282	282
US private placements	Amortised cost	**737**	**736**	289	289
Other loans	Amortised cost	**121**	**121**	70	70
Cash and liquid deposits	Loans and receivables	**(111)**	**(111)**	(332)	(332)
Forward exchange contracts	Fair value though P&L	**(7)**	**(7)**	(4)	(4)
Cross currency interest rate swaps	Fair value though P&L				
Interest rate swaps	Fair value though P&L	**(36)**	**(36)**	(20)	(20)
Net balance sheet exposure		**1,814**	**1,800**	634	628
Trade and other payables	Amortised cost	**1,108**	**1,108**	879	879
Trade and other receivables	Loans and receivables	**(1,255)**	**(1,255)**	(978)	(978)
Forward exchange contracts	Fair value though P&L			(20)	(20)
Forward exchange options	Fair value though P&L				
Net trade exposure		**(147)**	**(147)**	(119)	(119)
Electricity price swaps	Fair value though P&L	**7**	**7**	25	25
Base metal price swaps	Fair value though P&L				
Net commodity exposure		**7**	**7**	25	25

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Notes to the Financial Statements

27 Financial instruments continued

		Fletcher Building Limited			
		June 2008		June 2007	
NZ$M	Classification	Carrying Value	Fair Value	Carrying Value	Fair Value
Capital notes	Amortised cost	215	207	200	194
Bank loans	Amortised cost	116	116		
US private placements	Amortised cost				
Other loans	Amortised cost	5	5	3	3
Cash and liquid deposits	Loans and receivables	(29)	(29)	(278)	(278)
Forward exchange contracts	Fair value though P&L	(7)	(7)	(4)	(4)
Cross currency interest rate swaps	Fair value though P&L				
Interest rate swaps	Fair value though P&L	(36)	(36)	(20)	(20)
Net balance sheet exposure		**264**	**256**	**(99)**	**(105)**
Trade and other payables	Amortised cost	24	24	62	62
Trade and other receivables	Loans and receivables	(61)	(61)	(92)	(92)
Forward exchange contracts	Fair value though P&L	(1)	(1)	(24)	(24)
Forward exchange options	Fair value though P&L				
Net trade exposure		**(38)**	**(38)**	**(54)**	**(54)**
Electricity price swaps	Fair value though P&L	7	7	25	25
Base metal price swaps	Fair value though P&L				
Net commodity exposure		7	7	25	25

In the fair value tables, interest accruals and fees are not included within carrying values. 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 is based on the net present value of the future principal and interest cashflows. The fair value of trade and other receivables and payables and cash and liquid deposits 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.

(i) Capital risk management

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

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

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

	Fletcher Building Group	
	June 2008 NZ$M	June 2007 NZ$M
28 Capital expenditure commitments of plant and investments		
Approved by the directors but uncommitted at year end	**36**	45
Committed at year end	**164**	117
	200	162

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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:

	Fletcher Building Group	
	June 2008 NZ$M	June 2007 NZ$M
within one year	**111**	88
within two years	**90**	75
within three years	**64**	56
within four years	**47**	49
within five years	**34**	40
after five years	**122**	114
	468	422

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:

Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	**233**	207
Letters of credit	**7**	4

31 Self insurance

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

	Fletcher Building Group	
	June 2008 $M	June 2007 $M
The following risks are insured in respect of each event up to a maximum of:		
Public and product liability	**US$100**	NZ$100
Loss or damage to group property including business interruption	**NZ$700**	NZ$300
Marine public liability	**NZ$50**	NZ$50
Public liability resulting from construction activities	**NZ$50**	NZ$50
Contract works – separate cover is arranged for each contract and the insured value will generally exceed the contract value	**NZ$20**	NZ$30

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

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	Fletcher Building Group		Fletcher Building Limited	
	June 2008 NZ$M	June 2007 NZ$M	June 2008 NZ$M	June 2007 NZ$M
32 Related party transactions				
Fletcher Building group				
Trading activities with related parties:				
Purchase of scrap metal from Sims Pacific Metals Limited	**136**	92		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited, and is included within creditors	**18**	6		
Purchase of raw materials from Wespine Industries Pty Limited and Dyno Industries WA Pty Limited	**54**	65		
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	**2**	5		
Purchase of materials from Dongwha Pattina NZ Limited	**13**			
Amounts owing relating to the purchase of materials from Dongwha Pattina NZ Limited, and is included within creditors	**1**			
Purchase of materials from Homapal Plattenwerk GmbH & Co. KG	**20**			
Amounts owing relating to the purchase of materials from Homapal Plattenwerk GmbH & Co. KG, and is included within creditors	**1**			
Key management personnel compensation				
Directors fees	**2**	1		
Executive committee remuneration paid, payable or provided for:				
Short-term employee benefits	**10**	6		
Post employment benefits				
Other long-term benefits				
Termination benefits	**1**			
Share based payments	**1**	1		
Fletcher Building Limited				
Interest income received from subsidiary companies			12	45
Dividend income received from subsidiary companies			264	207
Reimbursement of foreign exchange loss from Fletcher Building Holdings Limited			37	
Payment of foreign exchange gain to Fletcher Building Holdings Limited				(13)
Term receivable owing from subsidiary companies [1]			520	469
Term receivable owing from subsidiary companies [2]			440	
Liability owing to subsidiary companies [3]			1,556	892
Liability owing to subsidiary companies [4]			178	296
Liability owing to subsidiary company [5]			1,074	1,074

[1] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 10.2 percent.
[2] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 9.535 percent.
[3] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 7.5 percent.
[4] These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 9.75 percent.
[5] The unsecured advance represent 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.

Fletcher Building Retirement Plan

As at 30 June 2008, Fletcher Building Nominees Limited (the trustee for the New Zealand retirement plan) held $5,462,028 of shares and $18,500,000 of capital notes in Fletcher Building Limited, (June 2007 $15,588,071 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.

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33 Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2008, 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
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
Formica Corporation	United States	100	Building products
Formica Canada Inc.	Canada	100	Building products
Formica Limited	United Kingdom	100	Building products
Formica S.A.	Spain	100	Building products
Shanghai Formica Decorative Material Co. Ltd	China	100	Building products
Formica IKI Oy	Finland	100	Building products
Formica Skandinavien AB	Sweden	100	Building products
Formica (Thailand) Co., Ltd	Thailand	100	Building products
Associates			
Wespine Industries Pty Limited	Australia	50	Saw miller
Dynea Industries WA Pty Limited	Australia	50	Building products
Mt Marrow Blue Metal Quarries Pty Limited	Australia	50	Quarrying
Mittagong Sands Pty Limited	Australia	50	Quarrying
Sims Pacific Metals Limited	NZ	50	Metal recycling
Dongwha Pattina NZ Limited	NZ	20	Building products
Homapal Plattenwerk GmbH & Co. KG.	Germany	50	Building products

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34 Retirement plans

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

The calculation of the defined benefit obligations are based on years of service and the employees' compensation during their years of employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. These obligations are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of smoothing the volatility in the returns earned by the plans through amortising gains and losses over the life of the plans. At 30 June 2008, $8 million of net losses (June 2007 $38 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% of the plan's actuarial liability. This is based upon any two consecutive annual actuarial valuations as calculated by the plan's actuary. This calculation is done on the plan's funding basis which differs from the calculation under NZ IAS 19. At 31 March 2008 the value of the assets was 111.1% of the actuarial liability and the funded surplus was $26 million (31 March 2007 119.5%, $46 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 2008 was 4.6% (30 June 2007 4.6%). 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%. By using a lower discount rate, this results in a higher obligation, therefore the funded surplus of the New Zealand plan calculated under NZ IAS 19 is only $14 million (30 June 2007 $31 million).

During the year the company contributed $5 million in respect of its Australian defined benefit plans and $21 million in respect of its Australian defined contribution plans. It also contributed $18 million in respect of its Formica defined benefit and medical plans and $3 million to its New Zealand plan on behalf of its employees as part of their salary sacrifice arrangements.

	June 2008 NZ$M	June 2007 NZ$M
Net periodic pension cost		
Service cost earned during the year	**(17)**	(18)
Interest cost on projected benefit obligation	**(41)**	(29)
Actual return on assets	**(10)**	57
Effect of settlements and curtailments	**1**	1
Net amortisation of:		
Amortisation of net (gain)/loss	**4**	1
Experience adjustments on plans assets – the difference between the expected and actual return	**58**	(21)
Net periodic pension (cost)/benefit recognised in operating earnings	**(5)**	(9)
Recognised funded surplus/(obligation)		
Assets of plans at fair value	**707**	479
Total projected benefit obligation	**(750)**	(424)
Funded surplus/(obligation)	**(43)**	55
Projected unrecognised funded (surplus)/obligation consists of:		
Allowance for tax		
Net (gain)/loss [1]	**8**	(38)
Projected unrecognised funded (surplus)/obligation	**8**	(38)
Recognised funded surplus/(obligation)	**(35)**	17

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

Retirement plan liability – recognised within non-current liabilities	**(61)**	
Retirement plan surplus – recognised within note 20, Investments	**26**	17
Recognised funded surplus/(obligation)	**(35)**	17

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Notes to the Financial Statements

34 Retirement plans continued

	June 2008 NZ$M	June 2007 NZ$M
Movement in recognised funded surplus/(obligation)		
Recognised funded surplus at the beginning of the year	**17**	14
Exchange rate adjustment	**(1)**	(1)
Acquisitions	**(72)**	
Net periodic pension cost	**(5)**	(9)
Employer contributions	**26**	13
Recognised funded surplus/(obligation) at the end of the year	**(35)**	17
New Zealand plan	**16**	13
Australian plans	**10**	4
Other overseas plans	**(61)**	
Recognised funded surplus/(obligation)	**(35)**	17
Assets of the plans		
Assets of plans at fair value as at the beginning of the year	**479**	533
Actual return on assets	**(10)**	57
Total contributions	**31**	20
Benefit payments	**(66)**	(46)
Settlements and curtailments	**(11)**	(63)
Acquisitions	**260**	
Exchange rate adjustment	**24**	(22)
	707	479
Assets of the plans consist of:		
Australasian equities	**196**	109
International equities	**175**	136
Property	**27**	34
Bonds	**147**	93
Cash and short-term deposits	**147**	107
Other assets	**15**	
	707	479
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(424)**	(509)
Service cost	**(17)**	(18)
Interest cost	**(41)**	(29)
Member contributions	**(5)**	(7)
Actuarial gain/(loss) arising on experience adjustments – the difference between the expected and actual outcomes	**(1)**	(10)
Actuarial gain/(loss) arising on movements in the discount rate	**17**	18
Benefit payments	**66**	46
Settlements and curtailments	**10**	64
Acquisitions	**(332)**	
Exchange rate adjustment	**(23)**	21
	(750)	(424)

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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:

	2008 %	2007 %
Assumed discount rate on benefit obligations	**5.50**	5.08
Expected annual rate of return on plan assets	**6.47**	6.14
Annual rate of increase in future compensation levels	**3.74**	3.86

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 $17 million to its Australian and other overseas defined benefit plans during the year to 30 June 2009. It is expected, at this stage, that the group will need to top up the New Zealand plan by $9 million at March 2009 due to the current shortfall in its funding ratio.

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

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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 similar terms as those for New Zealand based employees. The consideration for the shares was funded by an interest free loan to each employee, which will be repaid over a three year restricted period.

At 30 June 2008 the total receivable owing from the employees is less than $1 million (June 2007 $2 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	(86,650)	(188,575)
Less vested over life of scheme	(105,450)	(1,173,200)
Number of shares held at 30 June 2008	503,425	
Number of shares:		
Balance brought forward 1 July 2007	**574,650**	**1,013,050**
Less forfeited in year	**(22,625)**	**(9,725)**
Less vested in year	**(48,600)**	**(1,003,325)**
Balance carried forward 30 June 2008	**503,425**	

	June 2008 NZ$	June 2007 NZ$
Total discount expensed in year for all schemes		

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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 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:

	2007 Scheme	2006 Scheme	2005 Scheme	2004 Scheme
Grant date	**1 October 2007**	1 October 2006	1 October 2005	1 October 2004
Number of shares granted	**341,401**	438,410	400,128	426,599
Market price per share at grant date	**$12.69**	$8.36	$7.80	$6.39
Total consideration paid	**$4,332,379**	$3,665,108	$3,120,998	$2,725,968
Vesting date	**30 September 2010**	30 September 2009	30 September 2008	30 September 2007
Maximum bonus payable – expensed over three years	**$8,518,744**	$6,285,603	$5,384,220	$4,799,193
Number of shares:				
Number of shares originally granted	**341,401**	438,410	400,128	426,599
Less forfeited over life of scheme	**(8,914)**	(42,658)	(70,480)	(54,800)
Less vested over life of scheme		(5,550)	(29,645)	(371,799)
Number of shares held at 30 June 2008	**332,487**	390,202	300,003	
Number of shares:				
Balance brought forward 1 July 2007		**427,169**	**336,153**	**355,883**
Number of shares granted in year	**341,401**			
Less forfeited in year	**(8,914)**	**(31,896)**	**(23,864)**	**(9,598)**
Less vested in year		**(5,071)**	**(12,286)**	**(346,285)**
Balance carried forward 30 June 2008	**332,487**	**390,202**	**300,003**	

	June 2008 NZ$	June 2007 NZ$
Total amount expensed in year for executive performance share schemes	**6,280,067**	4,391,413
Liability recognised at year end for bonus payable	**7,924,881**	9,120,063

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36 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 2008							
Sales – gross	**858**	**1,333**	**1,102**	**1,950**	**2,206**	**6**	**7,455**
Sales – inter-segment	**(119)**	**(54)**	**(19)**	**(93)**	**(74)**	**(5)**	**(364)**
Sales – external	**739**	**1,279**	**1,083**	**1,857**	**2,132**	**1**	**7,091**
Operating earnings (EBIT)	**148**	**101**	**73**	**308**	**141**	**(3)**	**768**
Equity earnings included in EBIT above		**21**		**5**	**17**		**43**
Total assets	**786**	**866**	**306**	**1,504**	**2,641**	**132**	**6,235**
Investment in associates included in assets	**1**	**22**		**33**	**158**		**214**
Total liabilities	**149**	**236**	**155**	**451**	**528**	**1,964**	**3,483**
Capital expenditure including acquisitions	**40**	**66**	**37**	**158**	**1,086**	**1**	**1,388**
Depreciation expense	**22**	**24**	**9**	**67**	**73**	**2**	**197**

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
Investment 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

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Notes to the Financial Statements

36 Segmental Information continued

	New Zealand NZ$M	Australia NZ$M	Nth America NZ$M	Asia NZ$M	Europe NZ$M	Other NZ$M	Total Group NZ$M
Geographic Segments Year Ended 30 June 2008							
Sales – external	**3,651**	**2,165**	**474**	**227**	**481**	**93**	**7,091**
Operating earnings (EBIT)	**494**	**239**	**(36)**	**24**	**39**	**8**	**768**
Equity earnings included in EBIT above	**22**	**11**			**9**	**1**	**43**
Total assets	**2,425**	**2,292**	**478**	**406**	**576**	**58**	**6,235**
Investment in associates included in assets	**47**	**100**			**63**	**4**	**214**
Total liabilities	**1,282**	**1,805**	**141**	**70**	**153**	**32**	**3,483**
Capital expenditure including acquisitions	**215**	**209**	**260**	**378**	**324**	**2**	**1,388**
Depreciation expense	**97**	**64**	**13**	**7**	**14**	**2**	**197**

	New Zealand NZ$M	Australia NZ$M	Nth America NZ$M	Asia NZ$M	Europe NZ$M	Other NZ$M	Total Group NZ$M
Year Ended 30 June 2007							
Sales – external	3,657	2,020	52	48	4	145	5,926
Operating earnings (EBIT)	466	220	4	1	3	9	703
Unusual items included in EBIT above	8	(3)					5
Equity earnings included in EBIT above	16	11				1	28
Total assets	2,561	1,747	34	26	2	63	4,433
Investment in associates included in assets	40	80				3	123
Total liabilities	1,443	637	7	8	1	41	2,137
Capital expenditure including acquisitions	260	80	2	1		3	346
Depreciation expense	90	61	1			3	155

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KPMG

Audit Report

To the shareholders of Fletcher Building Limited

We have audited the financial statements on pages 50 to 94. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2008. This information is stated in accordance with the accounting policies as set out on pages 56 to 59.

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 2008 and the results of their operations and cashflows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

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

- the significant estimates and 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 50 to 94:
  - 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 2008 and the results of their operations and cashflows for the year ended on that date.

Our audit was completed on 13 August 2008 and our unqualified opinion is expressed as at that date.

KPMG Auckland, New Zealand

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Trend Statement

NOTES	June 2008 *7* NZ$M	June 2007 NZ$M	June 2006 NZ$M	June 2005 *6* NZ$M	June 2004 *5* NZ$M	June 2003 *4* NZ$M	June 2002 *2* NZ$M	June 2001 *1, 2, 3* NZ$M
Financial performance								
Operating sales/revenue	**7,091**	5,926	5,520	4,636	3,958	3,221	2,966	2,273
Operating earnings (EBIT)	**768**	703	675	612	460	331	210	(87)
Net earnings	**467**	484	379	347	240	168	93	(288)
Cashflow from operations	**434**	483	560	479	424	276	187	251
Earnings per share – basic (cents per share)	**93.2**	101.9	81.3	77.6	55.7	43.4	27.0	(83.7)
Dividends for the period (cents per share)	**48.5**	45.0	40.0	32.0	25.0	19.0	14.0	12.0

Balance sheet								
Current assets	**2,549**	2,074	1,699	1,484	1,171	1,021	794	851
Non-current assets	**3,686**	2,359	2,400	2,173	1,611	1,427	842	985
Total assets	**6,235**	4,433	4,099	3,657	2,782	2,448	1,636	1,836
Current liabilities	**1,436**	1,187	1,207	1,239	818	776	669	681
Non-current liabilities	**2,043**	950	1,092	991	918	812	376	615
Total liabilities	**3,479**	2,137	2,299	2,230	1,736	1,588	1,045	1,296
Capital	**1,364**	1,325	970	929	754	628	455	449
Reserves	**1,351**	926	786	455	252	195	109	89
Minority equity	**41**	45	44	43	40	37	27	2
Total equity	**2,756**	2,296	1,800	1,427	1,046	860	591	540
Total liabilities and equity	**6,235**	4,433	4,099	3,657	2,782	2,448	1,636	1,836

Other financial data								
Return on average funds (%) [8]	**19.0**	24.8	26.1	29.3	24.7	24.4	23.1	(8.6)
Return on average equity (%) [9]	**19.0**	26.0	24.6	29.5	24.3	23.0	16.9	(43.8)
Net debt/net debt plus equity (%)	**40.1**	22.2	37.1	44.4	43.1	49.9	40.2	49.2
Net tangible assets per share ($)	**2.9**	3.25	2.47	2.11	1.68	1.54	1.60	1.52
Market capitalisation (NZ$m)	**3,197**	6,166	4,296	3,207	1,987	1,490	953	817
Total shareholders return (%)	**(43)**	42	40	61	33	43	24	6

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

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

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

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

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

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

[7] The Formica Corporation group was acquired on 2 July 2008.

[8] EBIT/Average (net debt + equity + capital notes – deferred tax asset).

[9] Net earnings/average shareholders' funds.

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Regulatory Disclosures

Directors' relevant interests in equity securities at 30 June 2008

	Ordinary Shares		Capital Notes	
	Directly Held	Held by Associated Persons	Directly Held	Held by Associated Persons
P E A Baines	22,115			
R S Deane		51,295		
H A Fletcher		856,229		40,000
J F Judge		8,663		
J P Ling [1]	601,481			
G J McGrath		40,000		
D T Spring	35,550	9,500		
K M Vautier	51,216	18,992	29,000	25,500
R G Waters		1,043,424		
	710,362	2,028,103	29,000	65,500

[1] Includes 500,000 options

Securities dealings by directors

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

Director	Number of securities acquired	Number of securities disposed	Consideration $	Date
R G Waters	100,000		1,118,000	17/08/07
J P Ling	12,578		160,802	1/10/07
J P Ling	23,073 [2]		292,796	10/10/07
K M Vautier	1,161		14,738	15/10/07
HA Fletcher	32,058			19/02/08
H A Fletcher	24,043			19/02/08
K M Vautier	3,077			22/02/08
K M Vautier	5,500			22/02/08
R S Deane		300,000 [3]	300,000	17/03/08
D T Spring		50,000 [3]	50,000	17/03/08
H A Fletcher	480		3,958	10/04/08
K M Vautier	1,873		15,657	10/04/08
J P Ling	337		2,817	10/04/08
R G Waters		100,000	784,538	30/05/08

[2] Relevant interest acquired through the Executive Performance Share Scheme with vesting subject to performance obligations.
[3] Capital notes sold on interest reset

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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 2008 of:

P E A Baines	Resigned as a director of Greenstone Fund	1/06/07
H A Fletcher	Appointed as a director of Insurance Australia Group Ltd	1/09/07
D T Spring	Appointed to advisory board of Visy Industries Limited	1/08/07
K M Vautier	Resigned as a director of News & Media NZ Ltd	31/12/07
P E A Baines	Appointed as a trustee of the Chamber of Music New Zealand Trust	29/02/08
R G Waters	Appointed as a director of Tyree Holdings Pty Ltd and Tyree Australia Pty Ltd	20/05/08

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 2008

Name	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	212,310,221	42.18
RBC Dexia Investor Services Australia Nominees Pty Limited	57,381,440	11.40
National Nominees Limited	27,618,494	5.49
J P Morgan Nominees Australia Limited	22,602,130	4.49
HSBC Custody Nominees (Australia) Limited	15,867,865	3.15
Citicorp Nominees Pty Limited	11,951,862	2.37
Cogent Nominees Pty Limited	10,193,770	2.03
UBS Nominees Pty Limited	5,224,936	1.04
ASB Nominees Limited	5,225,532	1.04
Custodial Services Limited	4,102,905	0.82
Masfen Securities Limited	3,338,854	0.66
FNZ Custodians Limited	3,024,003	0.60
Queensland Investment Corporation	2,274,257	0.45
Fletcher Building Educational Fund Limited	1,772,765	0.35
Investment Custodial Services Limited	1,676,691	0.33
Fletcher Building Share Schemes Limited	1,512,032	0.30
AMP Life Limited	1,290,753	0.26
NZ Guardian Trust Company Limited	1,188,157	0.24
Forsyth Barr Custodians Limited	1,078,533	0.21
Argie Pty Limited	1,043,424	0.21

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	71,186,029	14.14
HSBC Nominees (New Zealand) Limited	62,132,589	12.34
Citibank Nominees (New Zealand) Limited	14,491,734	2.88
New Zealand Superannuation Fund Nominees Limited	12,708,801	2.52
Accident Compensation Corporation	11,749,743	2.33
ANZ Nominees Limited	11,423,760	2.27
TEA Custodians Limited	5,579,236	1.11
Premier Nominees Limited	5,466,294	1.09
NZGT Nominees Limited	3,443,363	0.68
Custody and Investment Nominees Limited	2,608,883	0.52

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Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 July 2008, 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 503,361,742.

Substantial Security Holders	Number of voting securities	Date of notice
Perpetual Trustees Australia	67,370,858	19/11/04
Perennial Value Management	34,327,434	9/07/07
Macquarie Group Limited	47,596,322	30/04/08
The Capital Group Companies, Inc	31,033,609	1/05/08
AXA Group	26,245,842	13/06/08
Westpac New Zealand Limited	29,606,101	23/07/08

Distribution of shareholders and holdings as at 31 July 2008

Size of Holdings	Number of Shareholders	%	Number of Shares	%
1 to 999	12,065	37.55	5,137,592	1.02
1,000 to 4,999	15,537	48.36	31,626,099	6.28
5,000 to 9,999	2,602	8.10	16,987,320	3.37
10,000 to 49,999	1,714	5.33	29,004,065	5.76
50,000 to 99,999	98	0.30	6,304,985	1.25
100,000 to 499,999	74	0.23	14,235,271	2.83
500,000 and over	43	0.13	400,066,410	79.49
Total	32,133	100.00	503,361,742	100.00

Geographic distribution	Number of Shareholders	%	Number of Shares	%
New Zealand	27,981	87.08	332,781,170	66.11
Australia	3,462	10.77	168,916,857	33.56
United States of America	119	0.37	217,834	0.04
Rest of the World	571	1.78	1,445,881	0.29
Total	32,133	100.00	503,361,742	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 772.

The other equity securities on issue are $400 million of capital notes, which can convert to ordinary shares of the company on the basis of 98 per cent of the then current value of the shares. There were 9,328 holders of the capital notes at 31 July 2008. These equity securities are quoted on the NZX but are unquoted on the ASX.

Distribution of capital noteholders and holdings as at 31 July 2008

	Fletcher Building Limited			
Size of Holding	Number of Noteholders	%	Number of Capital Notes	%
1 to 4,999	1,977	30.41	5,740,666	2.30
5,000 to 9,999	1,441	22.17	9,786,666	3.91
10,000 to 49,999	2,496	38.39	49,854,667	19.94
50,000 to 99,999	395	6.08	23,199,000	9.28
100,000 to 499,999	162	2.49	26,161,000	10.46
500,000 and over	30	0.46	135,258,001	54.11
Total	6,501	100.00	250,000,000	100.00

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	Fletcher Building Finance Limited			
Size of Holding	Number of Noteholders	%	Number of Capital Notes	%
1 to 4,999	1	0.04	4,000	0.00
5,000 to 9,999	544	19.24	3,010,000	2.01
10,000 to 49,999	1,813	64.13	33,635,500	22.42
50,000 to 99,999	287	10.15	16,037,000	10.69
100,000 to 499,999	153	5.41	22,744,000	15.16
500,000 and over	29	1.03	74,569,500	49.72
Total	2,827	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 and Overseas Investment Regulations regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares or an interest in shares in the company that amount to more than 25 percent of the shares issued by the company or, if the overseas person already holds 25 percent or more, the acquisition increases that holding.

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

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 2008 the amount accrued as at 30 June 2008 has also been included in the total remuneration disclosed below.

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Regulatory Disclosures

		Number of Employees		
From NZ$	To NZ$	International Business Activities	New Zealand Business Activities	Total
100,000	110,000	269	239	508
110,000	120,000	221	165	386
120,000	130,000	181	95	276
130,000	140,000	106	49	155
140,000	150,000	71	61	132
150,000	160,000	57	43	100
160,000	170,000	35	34	69
170,000	180,000	22	26	48
180,000	190,000	28	17	45
190,000	200,000	23	11	34
200,000	210,000	14	14	28
210,000	220,000	15	19	34
220,000	230,000	19	11	30
230,000	240,000	10	8	18
240,000	250,000	10	7	17
250,000	260,000	6	3	9
260,000	270,000	9		9
270,000	280,000	9	3	12
280,000	290,000	3		3
290,000	300,000	3	4	7
300,000	310,000	1	3	4
310,000	320,000	4	3	7
320,000	330,000	4	1	5
330,000	340,000	6	5	11
340,000	350,000	3	1	4
350,000	360,000	6	1	7
360,000	370,000	1	1	2
370,000	380,000		1	1
380,000	390,000		1	1
390,000	400,000	1	2	3
400,000	410,000	2	1	3
410,000	420,000	1		1
420,000	430,000	1		1
430,000	440,000	1		1
440,000	450,000	2	1	3
450,000	460,000	2		2
460,000	470,000	1		1
470,000	480,000	1	2	3
480,000	490,000		1	1
490,000	500,000		1	1
500,000	510,000	1	1	2
510,000	520,000	1	1	2
530,000	540,000	1		1
550,000	560,000	1		1
590,000	600,000	1		1
620,000	630,000		1	1
650,000	660,000		1	1
720,000	730,000		1	1
770,000	780,000	1		1
880,000	890,000		1	1
990,000	1,000,000	1		1
1,050,000	1,060,000	1		1
1,170,000	1,180,000		1	1
1,230,000	1,240,000		1	1
1,300,000	1,310,000	1		1
1,780,000	1,790,000	1		1
		1,158	842	2,000

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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 2008.

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 262 subsidiaries worldwide at 30 June 2008.

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

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

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

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

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

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
C Ellis, A O'Brien, P Stichbury, A Van De Werken (EUR 6,000)

AHI Roofing Limited
W Roest, C Ellis

AHI Roofing Proisvodnja In Distribucija Stresnih Sistemov D.O.O.
C Ellis, P Stichbury

AHI Roofing Pty Limited
D Le Quesne, C Ellis

Aickin Timber Limited
W Roest, D Edwards

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

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

Amatek Industries Pty Limited
D Le Quesne, W Roest

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

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

Amtel Pty Limited
T Richards, P Zuckerman

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

Aramis Investments Limited
W Roest, M Farrell

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

Australian Fibre Glass Pty Limited
D Le Quesne, V Gulia,

Bandelle Pty Limited
D Le Quesne, V Gulia

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

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

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

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

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

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

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

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

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

Caravan Components Pty Limited
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 Edwards, R de Raat (A)

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

Consort Laminates Limited
M Adamson, P Alderson, P Hall

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Regulatory Disclosures

Creeks Metal Industries Pty Limited
D Le Quesne, V Gulia

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

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

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

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

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

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

Decra Roofing Systems, Inc.
W Hudson, C Ellis

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

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

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

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

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

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

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

Delcon Holdings (No. 13) Limited
M Farrell, W Roest

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

Design Communications International LLC
M Adamson, L Box, D Clark Jr., M Vernon

Domestic Ventilation Systems Limited
C Ellis, W Roest

DVS Limited
C Ellis, W Roest

EFA Technologies Pty Limited
M Binns, G West

Engineered Timber Solutions Ltd
D Edwards

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

FBHS (Aust) Pty Limited
T Richards

FDL No. 20 Limited
D Edwards

FDL No. 21 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 Edwards, R de Raat (A)

FESA LLC
M Adamson, L Box, D Clark Jr., M Vernon

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

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

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

Fletcher Building Holdings Limited
W Roest, M Farrell

Fletcher Building Holdings USA Inc.
W Hudson, C Ellis

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

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

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

Fletcher Building Products Limited
C Ellis, W Roest

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

Fletcher 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

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FLETCHER BUILDING LIMITED

Regulatory Disclosures

Fletcher Challenge Investments Overseas Limited
W Roest, M Farrell

Fletcher Challenge Materiais De Construcao Limitada
D Kenderdine

Fletcher Challenge Overseas Holdings Limited
W Roest, M Farrell

Fletcher Composite Research Limited
W Roest, P Zuckerman

Fletcher Concrete (Fiji) Limited
M Binns, P Thumath

Fletcher Concrete & Infrastructure Limited
M Binns, W Roest

Fletcher Construction (Malaysia) SDN BHD
I Liew ($1,875), T Chan ($1,875), L Yeng (R)

Fletcher Construction (Nouvelle Caledonie) Limited
A Brown

Fletcher Construction (Singapore) PTE Limited
G Johnston, C Munkowits, L Beng ($1,830), K Lee (R)

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

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

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

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

Fletcher Distribution Limited
W Roest, D Edwards

Fletcher Insulation (NSW) Pty Limited
C Ellis, D Haslett

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

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

Fletcher Pacific Steel (Fiji) Limited
D Hargovind (Fj$3,000), W Roest, J Beveridge, P Zuckerman

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

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

Fletcher Property Limited
M Binns, W Roest

Fletcher Residential Limited
M Binns, W Roest

Fletcher Steel Limited
W Roest, P Zuckerman

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

FM Holdings Inc.
W Roest, D Worley, R Riddick (R), M Adamson, R Davenport (R), R Francis (R), D Shirazi (R), K Drucker (R), J Fenton (R)

FMB Comércio Importacão e Exportacão de Laminados Decorativos Ltda
G Pikielny,

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

Forman Building Systems Limited
C Ellis, W Roest

Forman Building Systems Pty Limited
B Forman (R), G Forman (R), L Rufus (R), C Ellis, D Haslett

Forman Commercial Interiors Limited
C Ellis, W Roest

Forman Group Limited
C Ellis, W Roest

Forman Insulation Limited
C Ellis, W Roest

Forman Manufacturing Limited
C Ellis, W Roest

Formica (Asia) Ltd
S Kuo, D Wang

Formica (Malaysia) Sdn. Bhd.
S Kuo

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

Formica (Nederland) B.V.
M Adamson

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

Formica Canada Inc.
E Bennett (R), C Sarrazin, F Riddick (R), M Adamson, L Box

Formica Corporation
W Roest, D Worley, M Adamson, R Davenport (R), R Francis (R), D Shirazi (R), K Drucker (R), J Fenton (R), F Riddick (R)

Formica Danmark A/S
M Breindal, H Lindegard, B Vernerson

Formica de Mexico SA DE CV
E Bennett (R), M Fischer (R), J Oritz, M Adamson, L Box

Formica Enterprises B.V.
M Adamson, Fortis Intertrust B.V.

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

Formica Global LLC
M Adamson, L Box, D Clark Jr., M Vernon

Formica GmbH (L)
M Adamson

Formica Holding AB
M Adamson, H Lindegard, V Bengt

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FLETCHER BUILDING LIMITED

Regulatory Disclosures

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

Formica Holding Corp.
W Roest, D Worley, M Adamson, F Riddick (R), R Davenport (R), R Francis (R), D Shirazi (R), K Drucker (R), J Fenton (R)

Formica Holding GmbH
M Adamson

Formica Holdings Limited
M Adamson, P Alderson, P Hall

Formica II Corporation
W Roest, D Worley, M Adamson, R Davenport (R), R Francis (R), D Shirazi (R), K Drucker (R), J Fenton (R), F Riddick (R)

Formica Iki Oy
M Adamson, P Alderson, J Kerbs

Formica International LLC
M Adamson, L Box, D Clark Jr., M Vernon

Formica Korea Corporation
S Kuo, T Ren

Formica Limited
M Adamson, P Alderson, P Hall

Formica Luxembourg Holding S.ar.L.
L Denys, M Dijkerman (R), W Roest, P Valasuo, D Worley, F Riddick (R), M Weijermans, M Adamson

Formica Luxembourg Subholding I S.ar.L.
L Denys, M Dijkerman (R), W Roest, P Valasuo, D Worley, F Riddick (R), M Weijermans, M Adamson

Formica Luxembourg Subholding II S.ar.L.
L Denys, M Dijkerman (R), W Roest, P Valasuo, D Worley, F Riddick (R), M Weijermans, M Adamson

Formica Middle East B.V.
M Adamson

Formica Norge A/S
I Kolverud, H Lindegard, B Vernerson

Formica PSM Holding B.V.
M Adamson, E Bennett (R), Fortis Intertrust B.V.

Formica PSM Limited
M Adamson, P Alderson, P Hall, E Bennett (R)

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

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

Formica (Schweiz) AG
M Adamson

Formica Singapore Pte. Ltd
S Kuo, S Neo

Formica Skandinavien AB
M Adamson, H Lindegard, B Vernerson

Formica SP.zo.O.
M Adamson

Formica Taiwan Corporation
S Kuo, S Limboonyaprasert, T Ren

Formica Vertriebs GmbH
M Adamson

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

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

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

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

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

Homapal Plattenwerk GmbH & Co KG
F Homann, M Adamson

Home Ventilation Limited
C Ellis, W Roest

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

Insulation Solutions Holdings Pty Limited
D Le Quesne, V Gulia

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

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

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

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

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

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

Laminates Acquisition Co.
M Adamson, W Roest, D Worley, R Davenport (R), R Francis (R), D Shirazi (R), K Drucker (R), J Fenton (R), F Riddick (R)

Laminates Holdings Pty Limited
W Roest, D Worley

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

Laminex Finance Pty Limited
V Gulia, D le Quesne

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

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

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Regulatory Disclosures

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 Edwards, R de Raat (A)

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

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

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

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

Meleccio Enterprises Limited
M Binns, W Roest

Metromix Concrete Company Limited
M Binns, P Thumath

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

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

Morinda Australia Pty Limited
T Richards

Mount Timber & Hardware Limited
W Roest, D Edwards

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

New Zealand Ceiling & Drywall Supplies Limited
R de Raat

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

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

Pacific Trade & Export Limited
M Binns, W Roest

Perstorp Warerite Limited
M Adamson, P Alderson, P Hall

Performance Ceilings Limited (L)
C Ellis, W Roest

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

Placemakers Limited
W Roest, D Edwards

Plaster Warehouse (Wellington) Limited
S Borrell

Plastercraft Building Systems Limited (L)
C Ellis, W Roest

Plastercraft Contract Services Limited (L)
C Ellis, W Roest

Powerscape Limited
D Jones, D Thomas

PSM Switzerland AG (L)
M Adamson, A Caruso

Raoul Holdings Limited
M Binns, W Roest

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

Rocla Australia Pty Limited
M Binns, D Le Quesne

Rocla Concrete Pipes Pty Limited
M Binns, D Le Quesne

Rocla Drilling Pty Limited
M Binns, D Le Quesne

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

Rocla Industries Pty Limited
D Le Quesne, V Gulia

Rocla Masonry Pty Limited
M Binns, D Le Quesne

Rocla Materials Pty Limited
M Binns, G West

Rocla NSW Pty Limited
M Binns, D Le Quesne

Rocla Pty Limited
M Binns, G West, S Baker

Rocla SA Pty Limited
M Binns, D Le Quesne

Rocla Vic Pty Limited
D Le Quesne, V Gulia

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

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

Servicios Formica de Mexico SA DE CV
E Bennett (R), M Fischer (R), J Oritz, M Adamson, L Box

Servicios Y Administraciones Apoquindo Limitada
C Eyzaguirre

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

Shed Boss NZ Limited
M Farrell, W Roest

Sisalation Pty Limited
C Ellis, D Haslett

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FLETCHER BUILDING LIMITED

Regulatory Disclosures

South Auckland Prenail and Truss Company Limited
D Edwards

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

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

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

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

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

Stramit Corporation Pty Limited
T Richards, P Zuckerman

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

Stramit Pty Limited
D Le Quesne, P Zuckerman

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

Surface Materials (Finland) B.V.
M Adamson, Fortis Intertrust B.V.

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

Tasman Access Floors Pty Limited
D Le Quesne, C Ellis

Tasman Australia Pty Limited
D Le Quesne, V Gulia

Tasman Building Products Pty Limited
D Le Quesne, V Gulia

Tasman Insulation New Zealand Limited
W Roest, C Ellis

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

Tasman Sinkware North America, Inc.
C Ellis

Tasman Sinkware Pty Limited
C Ellis, B Walters

TBP Group Pty Limited
D Le Quesne, V Gulia

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

Tenedora Formica Mexico, S.A. de C.V.
E Bennett (R), M Fischer (R), J Oritz, M Adamson, L Box

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

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

The Diller Corporation
W Roest, D Worley

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

The Fletcher Construction Company Limited
M Binns, W Roest

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

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

The O'Brien Group Limited
W Roest, D Worley

Thomas Street Pty Limited
D Le Quesne, M Binns

Trade Mart Limited
W Roest, D Edwards

Tradomates Limited
W Roest, D Edwards

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

Unidur GmbH
M Adamson

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

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

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

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

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

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

WFI Pte Ltd (L)
M Farrell, S Herbert, L Keun, V Pannuzzo, W Roest

Winstone Wallboards Limited
W Roest, C Ellis

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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 Wednesday 12 November 2008.

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 2008 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 24.5 cents per share payable on 16 October 2008 with New Zealand tax credits and Australian franking credits attached. This is in addition to the interim dividend of 24 cents per share paid in April 2008.

Dividend Summary Table [1]

NZ cents per share	NZ Residents	Australian Residents	Other Non Residents
Dividend declared	24.500	24.500	24.500
NZ tax credits [2]	11.172		
NZ supplementary dividend [3]		4.324	4.324
Australian franking tax credits [4]		10.500	
Gross dividend for NZ tax purposes	**35.672**	**28.824**	**28.824**
NZ tax (33%) [5]	(11.772)		
NZ non-resident withholding tax (15%) [6]		(4.324)	(4.324)
Net cash received after NZ tax	**23.900**	**24.500**	**24.500**
Australian tax (15%) [7]		(5.250)	
Reduced by credit for NZ non-resident withholding tax		4.324	
Less Australian franking credit offset [8]		6.176	
Net cash dividend to shareholders	**23.900**	**29.750**	**24.500**

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. The dividend has imputation credits attached at 33 percent on 10.5 cents per share and 30 percent on the balance of 14.0 cents per share.

[3] The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax on the dividend.

[4] These amounts are not received in cash but are relevant in determining the gross dividend received for Australian tax purposes.

[5] For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 33 percent from that part of the gross dividend which has not been credited with imputation credits at 33 percent. For those shareholders, a deduction of 0.60 cents per share will be made on the date of payment. Resident shareholders who have a tax rate less than 33 percent will need to file a tax return to obtain a refund of the RWT.

[6] NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.

[7] 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		28.824
plus franking credits	10.500	
less NZ supplementary dividend	(4.324)	6.176
gross dividend for Australian tax purposes		35.000
net Australian tax payable (15%)		5.250

[8] 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.

FletcherBuilding

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FLETCHER BUILDING LIMITED

Directory

Executive Committee

Jonathan Ling	Chief Executive Officer and Managing Director	BEng (Melbourne); MBA (RMIT)
Mark Adamson	Chief Executive, Laminates & Panels – Formica	BA (UK)
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	BBus Sci (Cape Town); MBA (Cape Town)
Bill Roest	Chief Financial Officer	FCCA (UK); ACA (NZ)
David Worley	Chief Executive, Laminates & Panels – Laminex	BCom (Auckland); MBA (Auckland)
Paul Zuckerman	Chief Executive, Steel	BSci Chem (New York), MBus Admin (Ohio)

Registered offices

New Zealand
Fletcher Building Limited, Private Bag 92 114, Victoria Street West, Auckland 1142, New Zealand
Fletcher House, 810 Great South Road, Penrose, Auckland 1061, New Zealand
Telephone: +64 9 525 9000

Australia
Fletcher Building Australia, Locked Bag 7013, Chatswood DC 2067, NSW 2067, Australia
Level 5, Tower A, Zenith Centre, 821 Pacific Highway, Chatswood, NSW 2067, Australia
Telephone: +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, Victoria Street West, Auckland 1142, New Zealand
Level 2, 159 Hurstmere Rd, Takapuna, North Shore City 0622, New Zealand
Telephone: +64 9 488 8777, Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz

Australia
Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001, Australia
Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067, Australia
Telephone: 1800 501 366 (within Australia), Telephone: +61 3 9415 4083 (outside Australia)
Facsimile: +61 3 9473 2009

Trustee for capital noteholders

Perpetual Trust Limited, PO Box 3376, Shortland Street, Auckland 1140, New Zealand
Level 17, HSBC Centre, 1 Queen Street, Auckland 1010, New Zealand
Telephone: +64 9 366 3290

Other investor enquiries

Fletcher Building Limited, Private Bag 92 114, Victoria Street West, Auckland 1142, New Zealand
Telephone: +64 9 525 9000, Facsimile: +64 9 525 9032
Email: moreinfo@fb.co.nz
Website: www.fletcherbuilding.com