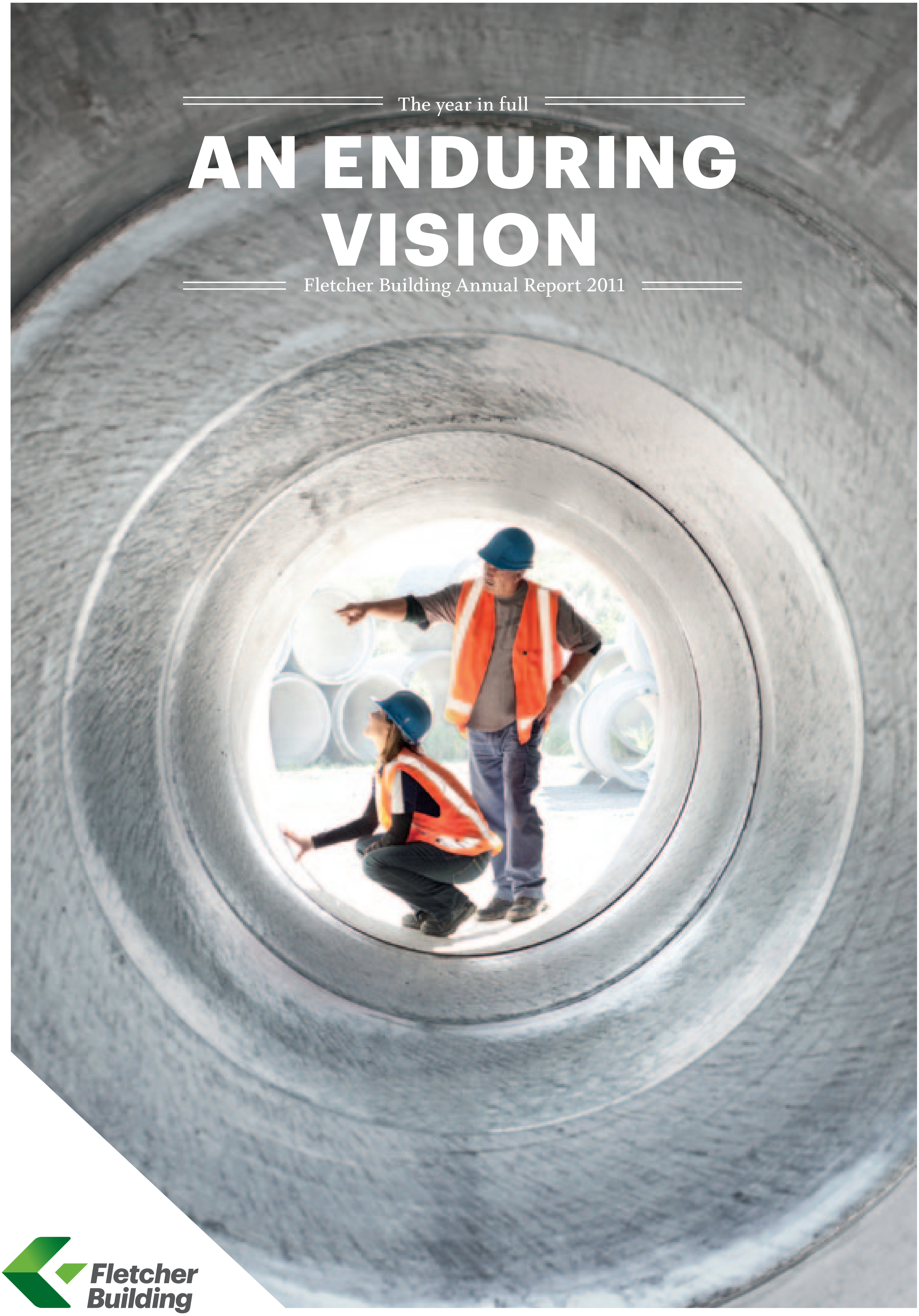
The year in full

AN ENDURING VISION

Fletcher Building Annual Report 2011



Fletcher Building

350E
TMC-485
2006
2052
2052

An enduring vision

TO GROW

Crane – *An Australian advantage*

The acquisition of Crane signals our commitment to continue to diversify and strengthen our market position in Australia.

***Iplex Factory**, Adelaide, Australia.*

More about Crane on Page 18


An enduring vision
TO REBUILD
Christchurch – *Rebuilding a loved cityscape.*
In the Fletcher tradition, we're strengthening heritage buildings and rebuilding homes and businesses.
***Dawn over Christchurch**, New Zealand.*
More online at fletcherbuilding.com/canterbury

AN ENDURING VISION

In March 2001, Fletcher Building was formed to manage the businesses at the heart of the Fletcher Building tradition.

Our vision was to build a company that would deliver superior shareholder value by providing customers with building products, construction materials and services that would enhance built environments and improve quality of life.

Ten years on, that vision is a reality. Fletcher Building is a successful international company with businesses that hold leading market positions around the world. Year by year, we deliver for shareholders. Investors who bought Fletcher Building shares in 2001 have had a return on their money that equates to 19 percent compound annual growth rate.

Today, our vision endures as our scale and reputation bring new challenges to us. Over the past year, our acquisition of Crane has signalled our commitment to continue to diversify and strengthen our position in our major markets. In the year ahead, we will continue our legacy of contribution to the New Zealand built environment as participants in the rebuilding of Canterbury.

We look forward to another decade of achievement for our customers, staff, and shareholders.

You can obtain an electronic copy of the Annual Report by going to the following website address:
fletcherbuilding.com/reports/11

Annual shareholders' meeting
The Fletcher Building 2011 annual shareholders' meeting is to be held at 10.30 am on Wednesday 16 November 2011 at the SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, New Zealand. The notice of meeting, voting form and RSVP card will be mailed to shareholders closer to that time.

This report is dated 20 September 2011 and is signed on behalf of the board of Fletcher Building Limited.

Ralph Waters
Chairman of Directors

Jonathan Ling
Managing Director

Highlights.

33c per share

DIVIDEND for the 2011 financial year, with a final dividend of 17 cents per share.

$283m

NET EARNINGS after tax. Net earnings before unusual items were $359 million, up 19 percent on the prior year.

$596m

OPERATING EARNINGS (earnings before interest and tax) before unusual items, compared with $521 million in the previous year.

25%

REDUCTION in Total Recordable Injury Frequency Rate for employees and contractors per million hours (TRIFR) which this year was 10.57 compared with 14.09 in 2010. Lost time injury frequency rate (LTIFR) was 4.11 compared with 5.04 in 2010.

Chairman's review.

Ralph Waters
Chairman

The past year has been one of significant challenges in New Zealand and Australia.

The Canterbury earthquakes, which devastated Christchurch, have had a significant impact on our people and businesses in the region and further afield. All of New Zealand has been affected by the terrible loss of life and damage sustained in New Zealand's second largest city.

In Australia, Queensland, New South Wales and Victoria were hit by some of the most severe flooding seen in a generation. The widespread damage caused significant disruption to communities across the east coast of Australia.

Economic conditions have also been challenging, demanding a high level of focus on operational performance across our divisions.

A significant development was the acquisition of Crane Group Limited ("Crane"), which we completed in May of this year. With the addition of the Crane businesses, Fletcher Building now has annualised revenues of approximately NZ$10 billion and employees in excess of 20,000. The integration of Crane has gone very well, and we have been delighted with the positive response of the Crane employees to being part of the larger Fletcher Building Group.

The effects of the global financial crisis continued to be felt in the current year and we have had to manage the impacts of the major natural catastrophes and the acquisition of Crane in an environment of continued economic uncertainty. In New Zealand, an increase in housing consents early in the year ebbed away. By the end of the year the rate of consents was at near historic lows. The commercial market stabilised but at low levels. Government infrastructure spending helped to underpin the market. In Australia, the new housing market cooled in the second half of the year, and as in New Zealand, commercial construction activity remained subdued. There is evidence in both countries of households reducing their debt levels, and this has had a flow-on effect in the new housing market.

In the US and Europe, conditions remained difficult and no recovery was seen in these markets. Asia, however, has continued to perform strongly.

Operating performance

Given difficult conditions in our Australasian home markets, I am pleased to be able to report net earnings before unusual items of $359 million for the year ended 30 June 2011. The result compares with $301 million recorded in the previous year.

Operating earnings (earnings before interest and tax) before unusual items were $596 million, up 14 percent on the $521 million achieved in the previous year. These results include three months of operating earnings from Crane. Consistent with the announcement in March net earnings were approximately $20 million lower than earlier market guidance than they might otherwise have been, due to the disruption caused by the earthquakes in Canterbury.

Unusual items after tax totalling $76 million were incurred during the year. These relate to costs associated with the acquisition and restructuring of Crane, inventory and goodwill write-downs in the Australian insulation business, and adjustments to the carrying value of other assets.

Net earnings were $283 million compared with $272 million in the previous year.

The result was driven by strong performances in our Infrastructure, and Laminates & Panels divisions, together with the initial contribution from Crane. Most divisions reported stronger trading performances from their Australian operations. Formica also reported good growth from its Asia operations and a strong improvement in North American earnings despite flat volumes in that market.

Businesses exposed to the New Zealand market generally reported flat or lower earnings, as a consequence of the slowdown in construction activity seen during the course of the year and also as a result of the significant disruption from the earthquakes in Canterbury.

Shareholder returns

Earnings per share excluding unusual items were 57.1 cents, an increase of 15 percent on the 49.7 cents in the previous year. Total returns to shareholders were 14 percent, compared with 24 percent in the prior year. This was a combination of dividend yield and share price appreciation, and in the context of difficult trading conditions was a good outcome.

Unusual items

Unusual items after tax totalling $76 million were incurred during the year. These relate to costs associated with the acquisition and restructuring of Crane, inventory, equipment and goodwill write-downs in the Australian and New Zealand insulation businesses, and adjustments to the carrying value of O'Brien's, the residential bench-top business.

The inventory, equipment and goodwill write-offs in the Australian insulation business are due to the significant disruption in the market since the Australian government's insulation retrofit scheme was terminated in February 2010. In New Zealand, the DVS home heating business which is part of the insulation group, and O'Brien's, have been adversely impacted by the slowdown in new residential house building activity.

Dividend

The board has approved a final dividend of 17.0 cents per share. With the interim dividend of 16.0 cents, this brings the total dividend for the year to 33.0 cents per share, up from 29.0 cents in the previous year. The final dividend will be paid on 19 October 2011.

In February, we announced a revised dividend policy. Under the new approach, we intend to alternately frank and impute successive dividends to the maximum extent possible. In practice, this means that all interim dividends will be fully franked with Australian tax credits, or franked to the maximum extent possible; and all final dividends will be fully imputed with New Zealand tax credits, or imputed to the maximum extent possible.

If any surplus Australian or New Zealand tax credits are still available after fully franking the interim dividend or fully imputing the final dividend for that year, these will also be distributed to shareholders as circumstances permit.

The new approach will improve the tax effectiveness of the company's dividend, and help to minimise the wastage of tax credits for shareholders. It will also provide shareholders with greater certainty in relation to the company's tax crediting.

In line with this new tax crediting policy, the final dividend will carry full New Zealand imputation credits. The dividend will not be franked for Australian tax purposes, with the interim dividend of 16 cents per share paid in April carrying full franking credits.

The dividend reinvestment plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued.

Balance sheet

We have maintained a conservative approach to the company's balance sheet, due to continuing uncertainty in world financial markets. The acquisition of Crane was funded partly through the issue of further shares and partly through bank borrowing. At balance date our gearing, that is interest bearing net debt as a percentage of interest bearing net debt plus equity, was 33.8 percent compared with 26.8 percent at 30 June 2010. Despite the increase, this level remains comfortably below our target gearing range of 40 to 50 percent. The board continues to believe that a conservative stance is warranted in the current economic climate.

People

This year has been an especially challenging one for our people, particularly due to the natural disasters in New Zealand and Australia. On behalf of the board, I would like to express our appreciation for the dedication and professionalism of our people as they coped with the aftermaths of the earthquakes, floods and cyclone. I would particularly like to acknowledge those who suffered loss of life amongst family and friends, or sustained significant damage to their homes and property. Your commitment to returning to work to help your customers and communities has been an inspiration to all of us.

To the wider Fletcher Building family, I also extend our thanks for the extra efforts you made to support your colleagues in the affected regions.

In support of our many affected employees and customers, directors

Directors agreed to donate $6 million towards the recovery across Canterbury.
Christchurch Arts Centre, Christchurch

agreed to donate $6 million towards the recovery and reconstruction efforts across Canterbury. This includes supporting the Christchurch Arts Festival, and the construction of the Westpac Business Hub. Other projects we are supporting include heritage building restoration and the repair of community facilities.

I would like to acknowledge the contribution all our people have made to our financial performance in the context of challenging economic conditions in most of our markets.

On behalf of the board, let me also welcome the 4,000 staff members from Crane who have now joined the Fletcher Building team. We are delighted to have been able to add Crane to our portfolio and to have gained your expertise and commitment to serving your customers.

Board changes

In accordance with the company's succession arrangements for directors, Kerrin Vautier has retired from the board. Kerrin has served on the board of Fletcher Building since the company was separately listed in 2001. Prior to that Kerrin had been a director of Fletcher Challenge Limited since 1986. On behalf of the board I extend my thanks for the many years of dedicated service Kerrin has given to Fletcher Building, and for the enormous contribution she has made to the performance and governance of the company. An additional director will be appointed in due course.

Outlook

In New Zealand, the outlook is for a very gradual improvement in housing starts, but from a very low base. The rebuilding of Canterbury is expected to gain momentum in the latter part of the year and this will boost the construction industry. The commercial outlook remains patchy with increased activity in some sectors, but limited growth likely in aggregate. Infrastructure-related demand is expected to be underpinned by central government spending.

In Australia, the housing, and alterations and additions sectors are weakening in the short term. The short term outlook for the commercial sector is also subdued. The continued activity in the mining sector, and ongoing government investment, should underpin infrastructure spending.

Trading conditions in both North America and Europe continue to remain flat with no recovery of significance expected in these markets in the near term. Recent economic forecasts have been downgraded and expectations and timing of any recovery continue to remain uncertain. Conversely, China, South East Asia and Taiwan are exhibiting growth and the outlook remains positive for this region.

View online
fletcherbuilding.com/11/chairman

See Financial Review pages 38–39

Chief Executive's review.

This has been another milestone year. The successful acquisition of Crane Group Limited ("Crane") during the year has seen Fletcher Building become the largest building materials company in Australasia.

The addition of Crane is consistent with the strategy established ten years ago when Fletcher Building was first listed as a separate entity. This entailed diversifying geographically and through the mix of businesses and products. The addition of Crane will see total revenues generated in Australia exceed those derived from within New Zealand. This diversification has ensured stable operating earnings despite the slowdown in the New Zealand economy over the past year.

A year ago, the Canterbury region suffered the first in a series of earthquakes that have extracted a terrible toll in lives lost, and buildings and livelihoods destroyed.

Following the first major earthquake on 4 September 2010, Fletcher Building was appointed to project manage the repair to homes covered by the Earthquake Commission. The second and more damaging earthquake on 22 February 2011 saw the focus switch temporarily to emergency repair work and the installation of alternative winter heating sources.

We are committed to playing our part in rebuilding New Zealand's second largest city.

Review of business performance

Set out below is an overview of the group's performance for the year. You will find more detailed information on each of our divisions elsewhere in this report.

Net earnings were $283 million, compared with $272 million in the 2010 year. Unusual items of $76 million after tax were incurred. These related to costs associated with the acquisition and restructuring of Crane, inventory and goodwill write-downs in the Australasian insulation businesses, and adjustments to the carrying value of other assets. Net earnings before unusual items increased to $359 million from $301 million in the previous year.

Operating earnings before unusual items increased to $596 million, from $521 million in the 2010 year. Cashflow from operations was $402 million compared with $522 million in 2010.

For the year to 30 June 2011, total sales for the group were nine percent higher at $7,416 million including sales of $623 million for Crane for the period since its acquisition. Excluding Crane, total sales were in line with those recorded in the previous year.

Revenue performance in New Zealand was mixed, with growth in concrete products and residential house sales but lower sales in most other building products, steel, and construction. Many businesses were affected by disruption to trading following the Canterbury earthquakes.

In Australia, the group recorded revenue growth in most businesses with stronger growth in concrete and quarry products, particleboard, and coated steel. Revenues were significantly down, however, in the Australian insulation business as a result of the termination of the government's insulation retrofit scheme. Formica continued to generate strong sales growth in Asia, while North American revenues were flat and European revenues fell further.

Building Products operating earnings, excluding unusual items, were down three percent to $111 million. Plasterboard volumes reduced due to the decline in the New Zealand residential construction in the second half. Costs increased due to the Canterbury earthquakes and input pricing pressures.

Operating earnings before unusual items for the insulation business were down 26 percent partly due to the continuing impact of the withdrawal of the Australian government's insulation subsidy scheme in February 2010. The continued industry-wide over-supply of insulation products has adversely impacted price and manufacturing efficiencies.

Volumes in the roof tiles business were up in Africa, Europe and Asia despite difficult global trading conditions, but down in the key New Zealand and US markets.

For the three months since acquisition, Crane had revenues of $623 million and operating earnings before unusual items of $29 million.

Corporate cost savings originally identified in the acquisition have largely been achieved.

Sales in the Distribution division declined by three percent as residential and commercial building activity reduced in the second half. Operating earnings rose by three percent to $39 million, driven by planned cost reductions and a focus on protecting product margin.

Infrastructure's operating earnings, including its property activities, increased by $21 million to $185 million, up 13 percent on the previous year. The result was driven by operational improvements and efficiency gains across the business, and higher earnings from house sales.

Jonathan Ling
Chief Executive

The New Zealand and Australian concrete businesses earnings increased by $19 million to $124 million. Sales volumes of most products in New Zealand were lower for the third year in succession. Reduced costs and improved operational efficiency mitigated the impact of the softer demand. A focus on product pricing and operational enhancements contributed to improved margins. Construction earnings declined from $39 million to $37 million with activity softening during the year. The property and residential operations improved by $4 million to $24 million, and homes in the Stonefields subdivision in Auckland continued to sell well.

Operating earnings for Laminates & Panels before unusual items were $168 million, compared with $141 million in the previous year. Sales were three percent higher at $1,979 million.

Laminex's Australian revenues were up eight percent on the prior year. Revenues in the first half were up strongly, driven by improvements in new housing and the government education building investment programme. In the second half of the year housing starts slowed and the education building programme was completed. Activity levels in the commercial sector were lower than previous years.

Laminex's New Zealand revenues were marginally lower than the prior year with the economy continuing to remain subdued, although margins remained consistent.

Formica's operating earnings were $56 million, 65 percent higher than the prior year. The improved result was due to further operational improvements and efficiency gains in all key areas of the business.

Volumes in North America were down three percent. Activity in the US residential sector showed minimal growth from an extremely low base. Non-residential activity continued to decline in the first half, with little recovery seen in the second half.

In Europe, volumes were down six percent and domestic currency revenues down five percent as demand in the major economies in Western Europe continued to decline. Other European markets generated revenue growth, however, and new markets were developed with the commencement of exports to South Africa and the establishment of operations in India.

Activity levels in Asia were strong with revenue up by nine percent in domestic currency terms. All the key markets performed well.

The Steel division operating earnings of $83 million were in line with the prior year. Demand was weak with overall volumes declining three percent during the year. Sales for the year were slightly ahead but declined in the second half of 2011.

In the rollforming and coated steel businesses, operating earnings improved by 32 percent to $58 million, despite volume declines in both Australia and New Zealand. Market conditions in long steel were difficult, and earnings declined 61 percent to $12 million. Volumes were seven percent lower, with New Zealand domestic demand down 19 percent. Earnings in the distribution and services businesses rose 86 percent.

Cashflow

Cashflow from operations was $402 million compared with $522 million in the prior year. Working capital increased by $148 million due to increases in inventory and debtors, and a reduction in creditors.

Capital expenditure for the period, excluding the acquisition of Crane, was $307 million, up from $191 million in the prior year. Of this total, $200 million was for stay-in-business capital projects, $51 million was for new growth initiatives, and $56 million was for the acquisition of new businesses. Significant investments during the period included the acquisition of Australian Construction Products, and the expansion of the Laminex decorated board plant in Queensland.

Iplex Pipelines, part of Crane
Iplex factory, Adelaide, Australia

Environment

Our goal is to reduce our CO_2 emissions by five percent by 2012 and work to achieve this is continuing.

Our business units are making steady progress towards achieving greater energy efficiency. Golden Bay Cement, for example, which is responsible for 45 percent of the company's emissions, is progressively increasing the level of biomass fuel it uses for the production of cement at its Portland plant and in 2010 this grew to 28 percent.

The Australian government has announced it will introduce its Clear Energy Future Plan, which includes a carbon pricing mechanism, from 1 July 2012. Our efforts to continually reduce emissions and improve energy efficiency will help to ensure that these costs are minimised.

People

Following the acquisition of Crane, Fletcher Building employee numbers have increased to over 20,000 people in over 50 business units across more than 40 countries.

To encourage employees to share in the company's success, we launched in March a global employee share scheme, FBuShare. Participation by employees exceeded expectations with thirty percent of eligible employees joining the scheme.

Health and safety

We have made good progress in further reducing injuries.

Total Recordable Injury Frequency Rate (TRIFR) for employees and contractors reduced significantly over the last year, from 14.09 to 10.57. Similarly, the lost time injury frequency rate has also reduced from 5.04 to 4.11.

Strategy

Ten years on from its separate stock exchange listing in 2001, Fletcher Building is today a portfolio company that creates value through applying its operating model to attractive industry positions in Australian and New Zealand light and heavy building materials markets. This strategy has delivered improved earnings reliability for the group through geographic and end market diversification.

Fletcher Building continues to see good opportunities across Australia and New Zealand to invest in new businesses and bolt-on acquisitions, and for organic growth of its existing businesses. Fletcher Building's primary exposure outside Australia and New Zealand is through Formica.

For the next few years the company will continue to focus on opportunities across Australasia, and on growing the Formica business, particularly in Asia.

View online
fletcherbuilding.com/11/chiefexecutive

See People, Health & Safety and Environment pages 26–29

Board of Directors.

Board of Directors
From left to right: Alan Jackson, John Judge, Gene Tilbrook, Kerrin Vautier, Ralph Waters, Jonathan Ling, Hugh Fletcher and Tony Carter.

Alan Trevor Jackson

BEng (Hons), PhD (Auckland) MBA (IMD Management Institute)

Independent Non-Executive Director

Chairman of the Remuneration Committee and member of the Nominations Committee

First appointed 1 September 2009
Dr Jackson, 58, was until 2009 chairman Australasia, senior vice president and director of The Boston Consulting Group. He has been an international management consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Dr Jackson has worked across a range of industries including resources, diversified industrials, building products and construction sectors. Dr Jackson is a Fellow of the Institution of Professional Engineers. He is chairman of Housing New Zealand Corporation, a director of New Zealand Racing Board and Fletcher Building Industries and a trustee of The Icehouse Auckland.

John Frederick Judge

BCom, FCA, MPP, FINSTD

Independent Non-Executive Director

Chairman of the Audit Committee and member of the Nominations Committee

First appointed 9 June 2008
Mr Judge, 57, has considerable experience in Australasian business and brings further financial and analytical knowledge to the board. His career includes various roles within Ernst & Young culminating in the position of chief executive of Ernst & Young New Zealand. He is a director of ANZ National Bank and Fletcher Building Industries and chairman of the Accident Compensation Corporation and the Auckland Art Gallery Foundation and a member of the Otago University Business School advisory board.

Gene Thomas Tilbrook

BSc, MBA (University of Western Australia)

Independent Non-Executive Director

Member of the Audit and Nominations Committees

First appointed 1 September 2009
Mr Tilbrook, 60, was finance director at Wesfarmers Limited until his retirement in May 2009. He led Wesfarmers' business development group, becoming executive director, business development in 2002 and finance director in 2005. Mr Tilbrook is chairman of Transpacific Industries Group and a director of Fletcher Building Industries, QR National, the GPT Group and the Australian broadband company, NBN. He is a councillor of Curtin University of Technology and a fellow of the Australian Institute of Company Directors (WA).

Kerrin Margaret Vautier

CMG, BA, FINSTD, LEANZF

Independent Non-Executive Director

Member of the Audit and Nominations Committees

First appointed 23 March 2001
Retired 31 August 2011
Mrs Vautier, 66, 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 the Reserve Bank of New Zealand and Fletcher Building Industries. She also chairs the Musica Sacra Trust and the Auckland City Mission. Mrs Vautier is a lay member of the High Court under the Commerce Act.

Ralph Graham Waters

CPEng, FIE Aust, MBus

Independent Non-Executive Chairman of Directors

Chairman of the Nominations Committee

First appointed 10 July 2001
Mr Waters, 62, 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 a director of Woolworths, Fonterra Co-operative Group, Westpac New Zealand and Fletcher Building Industries. He is deputy chairman of the Local Organising Committee for the ICC World Cup 2015. Mr Waters is a Chartered Professional Engineer and a Fellow of the Institution of Engineers Australia.

Jonathan Peter Ling

BEng, MBA, FIPENZ

Managing Director

First appointed 1 September 2006
Mr Ling, 57, is the chief executive officer and managing director of the company. He has extensive management experience in competitive manufacturing business through his senior management roles in the Laminates & Panels division from 2003 to 2006, and before that in Pacifica, Visy and Nylex.

Mr Ling is also a director of ASB Bank and Fletcher Building Industries. He is a member of the Business Council of Australia Sustainable Growth Taskforce and during 2008 and 2009 served on the New Zealand-Government appointed Capital Markets Development Taskforce.

Hugh Alasdair Fletcher

MCom (Hons), MBA (Stanford), BSc

Independent Non-Executive Director

Member of the Audit and Nominations Committees

First appointed 23 March 2001
Mr Fletcher, 63, has had extensive management experience and now holds a number of directorships and advisory positions. He is a director of Rubicon, Fletcher Building Industries, the Reserve Bank of New Zealand, Vector and Insurance Australia Group, a member of the Australia and New Zealand advisory board of L.E.K. Consulting and a trustee of the New Zealand Portrait Gallery.

Antony John Carter

BE (Hons), ME, MPhil (Loughborough)

Independent Non-Executive Director

Member of the Remuneration and Nominations Committees

First appointed 1 September 2010
Mr Carter, 54, was previously managing director of Foodstuffs (Auckland) and Foodstuffs (New Zealand), New Zealand's largest retail organisation, and a director of a number of related companies. He has extensive experience in retailing, having joined Foodstuffs in 1994 and from having owned and operated several Mitre 10 hardware stores, and was a director and later chairman of Mitre 10 New Zealand Limited. Mr Carter is also a director of Vector, Air New Zealand, Fisher & Paykel Healthcare and Fletcher Building Industries, chair of the NZ Institute and a trustee of the Maurice Carter Charitable Trust.

Management team.

Jonathan Ling
Managing Director

Jonathan Ling is the chief executive officer and managing director of Fletcher Building. He has extensive management experience in the manufacturing industry through his senior management roles in the Laminates & Panels division from 2003 to 2006, and before that in Pacifica, Visy and Nylex. He is also a director of ASB Bank and the NZDX listed Fletcher Building Industries. He is a member of the Business Council of Australia Sustainable Growth Taskforce and during 2008 and 2009 served on the New Zealand Government appointed Capital Markets Development Taskforce. Jonathan has a Bachelor of Mechanical Engineering from Melbourne University and Master of Business Administration from RMIT.

Mark Adamson
Chief Executive – Laminates & Panels – Formica

Mark Adamson joined the Formica Group in 1998 as chief financial officer of the European Division followed by the role of managing director UK and Eire and in 2004 became president of Formica Europe. He became the chief executive of Formica Corporation in 2008. Prior to joining Formica Corporation he was financial controller of the pharmaceutical company GlaxoSmithKline. Mark holds a Bachelor of Arts degree in Business Finance from Northumbria University UK. He is a member of the English Institute of Chartered Accountants and the Institute of Taxation.

John Beveridge
Chief Executive – Distribution

John Beveridge joined Fletcher Building as general manager of Fletcher EasySteel in 1998. He was general manager of Golden Bay Cement and general manager of the Pacific Steel Group, before being appointed chief executive of the Distribution Division in 2009. John holds a Bachelor of Arts (Economics) from University of Otago, and a post-graduate diploma in Marketing at the University of Auckland. In 2005, he completed the Senior Executive Program at Columbia University, New York.

Mark Binns
Chief Executive – Infrastructure

Mark Binns joined Fletcher Challenge Limited in 1989 from the partnership of a large Auckland law firm. He previously held roles in Challenge Properties before he became chief executive of Fletcher Construction, followed by his present role as chief executive of the Infrastructure Division. In his current role he has responsibility for the New Zealand and Australian concrete related businesses and New Zealand construction and residential building activities. Mark holds a Bachelor of Laws Degree from the University of Auckland.

Kate Daly
Group General Manager – Human Resources

Kate Daly joined Fletcher Building as the group general manager of human resources in June 2011. Prior to joining Fletcher Building, Kate was general manager corporate affairs, people & performance for Coca-Cola Amatil (NZ). Prior to this she worked for Deutsche Bank, Merrill Lynch, ABN AMRO and Greenwich Healthcare Trust in London. Kate holds a Bachelor of Commerce degree (majoring in Economics and International Business) and a Bachelor of Science degree (majoring in Pharmacology) from the University of Auckland.

Martin Farrell
Company Secretary and General Counsel

Martin Farrell joined Fletcher Challenge in 1980 where he headed the tax function across the Fletcher Challenge Group. In early 2000 he also became company secretary and his current responsibilities include board, governance, legal and taxation matters. Martin has a Bachelor of Commerce and a Bachelor of Law degrees from the University of Otago. He is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants.

Management team continued.

Bill Roest
Chief Financial Officer

Bill Roest held several leadership roles in the New Zealand finance sector before joining Fletcher Challenge Limited upon the acquisition of Group Rentals in 1986. Since then, he has been managing director of Fletcher Residential and Fletcher Aluminium prior to his present position. He is responsible for Fletcher Building's finance, treasury, information technology, risk management and investor relations functions. Bill is a director of Fisher and Paykel Appliances Holdings and is an Associate and a member of the New Zealand Institute of Chartered Accountants and a fellow of the Association of Certified Corporate Accountants (UK).

David Worley
Chief Executive – Crane

David Worley was appointed chief executive of the Crane Division in April 2011 after five years as the chief executive of the Laminex Group. He first joined Fletcher Building in January 2002 as the chief executive of the Distribution Division and prior to this was general manager of James Hardie Industries in New Zealand. His broad business background also includes the role of general manager in Auckland Healthcare Services and senior positions in Whitcoulls and Carter Holt Harvey. David gained his Bachelor of Commerce and Master of Business Administration degrees from the University of Auckland and has completed the Harvard Business School Program for global leadership.

Paul Zuckerman
Chief Executive – Steel

Paul Zuckerman became chief executive of the Steel Division in May 2007. Prior to joining Fletcher Building, he held the position of president, Greater China within BlueScope Steel Limited, having held increasingly senior management roles in that company, based in USA and Australia over the last 11 years. Prior to this his business background included eight years at PPG Industries, a leading global manufacturer of industrial coating, glass and chemical products. Paul gained his Bachelor of Science degree in Chemistry from Syracuse University and his Master of Business Administration from Ohio State University.

To be appointed

Chief Executive – Building Products
Chief Executive – Laminates & Panels – Laminex

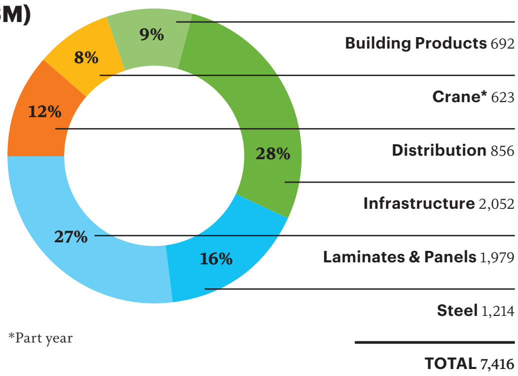
This year the Fletcher Building board of directors and management team have been photographed with the Fletcher Trust Art Collection. The collection, which was founded in 1962, is devoted to New Zealand paintings across the sweep of the country's art history.

For more information visit **fletchercollection.co.nz**

Pictured:
Gordon Walters
Karaka Ii
Acrylic On Canvas
1524 x 1142

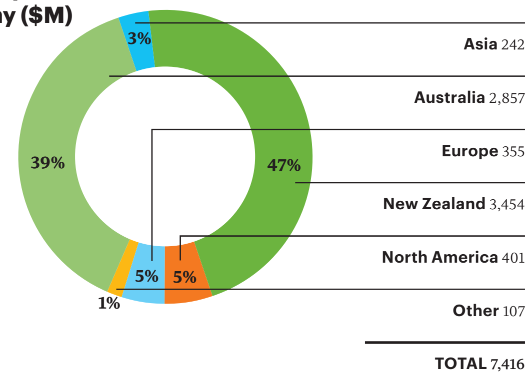
Divisional overview.

Revenue by division ($M)

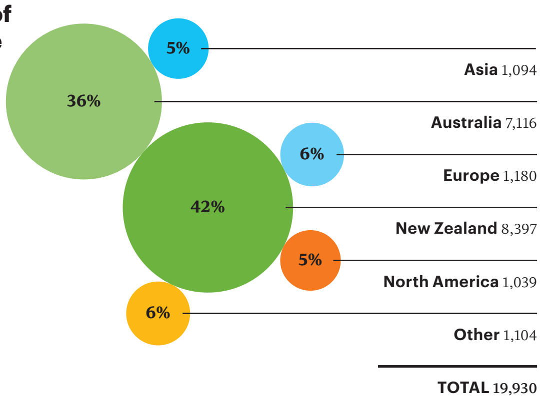


*Part year

Revenue by geography ($M)



Location of workforce



Division	Principal Business	New Zealand	Australia	Rest of the World
Building Products	Gypsum plasterboard manufacturing	✓		
	Insulation products manufacturing	✓	✓	
	Metal roof tiles manufacturing	✓		✓
	Sinkware manufacturing		✓	
Crane	Pipelines	✓	✓	
	Trade distribution	✓	✓	
	Industrial products	✓	✓	
Distribution	Nationwide building products distribution	✓		
Infrastructure	Aggregates, cement and readymix concrete production and distribution	✓		
	Fine aggregates production	✓	✓	
	Concrete products production and distribution	✓	✓	
	Construction contracting	✓		✓
	Residential home building	✓		
Laminates & Panels	Decorative surfaces and wood panels manufacturing and distribution	✓	✓	
	High pressure laminate manufacturing		✓	✓
Steel	Long steel manufacturing	✓		
	Coated steel products manufacturing	✓	✓	
	Distribution and service	✓		

Building Products.

DIVISIONAL REVIEW

Forman – Westpac Takutai Square Britomart
Auckland, New Zealand

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

Performance overview

The Building Products division reported operating earnings of $111 million, excluding unusual items, down three percent on the $114 million earned in the prior year.

Operating earnings for the plasterboard business were up 16 percent. This was principally due to a gain from the sale and leaseback of the Auckland manufacturing site. This more than offset the impact of the decline in the New Zealand residential construction market in the second half, costs associated with the Canterbury earthquakes, and input pricing pressures.

Operating earnings before unusual expenses for the insulation businesses, Fletcher Insulation in Australia and Tasman Insulation in New Zealand, were down 26 percent. This was largely due to the continuing impact of the sudden withdrawal of the Australian government's insulation subsidy scheme in February 2010. The continued industry-wide over-supply of insulation products has adversely impacted price and manufacturing efficiencies. In New Zealand a reduction in uptake of the government insulation retrofit scheme and weaker construction activity adversely affected earnings. Cost-saving initiatives were undertaken, and the benefits of these will be realised when manufacturing volumes improve.

Increased market share and improved operating performance saw operating earnings from the commercial insulation and ceiling and wall systems business, Forman Group in New Zealand and Tasman Access Floors in Australia, increase significantly.

The Roof Tiles Group has manufacturing plants in New Zealand, Malaysia, Hungary and the USA. Operating earnings for the roof tiles business were down 15 percent but only because the prior year included receipt of insurance proceeds for the 2008 fire at the US plant. Volumes were up in Africa, Europe and Asia despite difficult global trading conditions, but down in the key New Zealand and US markets. US and European markets weakened during the period as a deteriorating economic outlook reduced demand. Cost pressure was experienced from increasing steel prices. Overheads were also up due to investments in product and market development.

Operating earnings for the sinkware and aluminium businesses were up 10 percent on the prior year. The domestic Australian market and export markets for Tasman Sinkware products were both weaker and were affected by the strong Australian dollar, but this was offset by a focus on higher value products and improved input prices. Fletcher Aluminium experienced improvements in margins with market share gains for its window and door systems. Manufacturing performance was strong, although volumes were lower.

The division continued its strong focus on health, safety and sustainability. Key initiatives included a focus on 'working at heights' risks. This included implementation at the plasterboard facilities of a fall arrest system for truck drivers loading product, improved guarding across manufacturing facilities, and measures to reduce manual handling risks. There was also a significant focus on energy efficiency initiatives to offset increased energy costs. Measures to reduce greenhouse gas emissions, such as a $5 million investment in new emissions technology at the Auckland glasswool plant, will be implemented during the coming year.

Looking ahead

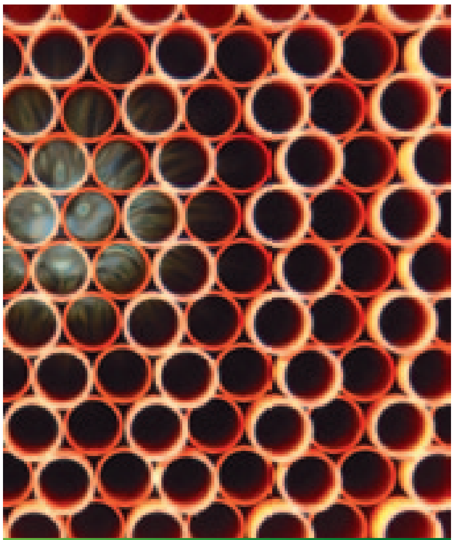
Residential markets remain challenging in Australia and New Zealand. Cost rationalisation undertaken through the downturn, a sharpened strategic focus, and growth initiatives with an emphasis on new product development, have provided a buffer against prevailing economic conditions. These initiatives will offer strong operating leverage in the eventual recovery.

Christchurch rebuild volumes will drive demand as rebuilding gets underway. Demand for roof tiles is also expected to increase as Japan's earthquake and tsunami recovery continues.

In Australia, the division expects to have to continue to tackle the challenges created by the strength of the Australian dollar. This is expected to reduce export demand, and increase competition from relatively cheaper imported product. The Australian glasswool insulation business will focus on strengthening its channels to market. Once it has worked through the remaining inventory of batts left over from the termination of the Australian government insulation scheme the business will be well positioned.

Fletcher Aluminium – Vinaconex Tower
Hanoi, Vietnam

Crane.



Iplex Pipelines
Adelaide, Australia

Crane is the Australasian leader in the manufacturing and distribution of plastic pipeline systems, plumbing and electrical supplies and non-ferrous metal products. It is comprised of three major divisions: Pipelines, Trade Distribution and Industrial Products. Crane was acquired by Fletcher Building in 2011, with 100 percent achieved on the 6th May.

Performance overview

For the full year net earnings before unusual items of $92 million were five percent ahead of 2010 earnings of $88 million on revenue of $2,437 million. Lower earnings from the 40 percent investment in Mitchell Water Australia were offset by improved earnings in the Pipelines and Distribution divisions and reduced corporate costs in the last quarter of 2011. For the three months since the acquisition, sales revenue was $623 million and operating earnings before unusual items were $29 million. Due to the nature of the acquisition a formal due diligence programme was not completed, however the results have met expectations and no issues of substance have arisen.

The year saw a number of significant achievements. Pipelines secured the first major Coal Seam Gas contract tendered in Queensland. This will be supplied during the 2011 – 2012 year. Kingston Bridge Engineering secured and commenced supply of polyethylene pipe and fittings to the Gorgon Gas Project in Western Australia. Tradelink opened or upgraded 18 branches in key growth areas. Hudson Building Supplies, with 15 branches, was purchased in November 2010.

The Pipelines Division is a manufacturer and distributor of plastic pipeline systems in Australia and New Zealand. Pipeline products, under the market leading brands Iplex, Key Plastics, Crevet and KBE are supplied into the water infrastructure, civil, building, telecommunications, mining and gas markets. Revenue for the full period was seven percent ahead of last year and earnings were 12 percent ahead. Revenue increases were from improved sales into the telecommunications and mining and gas sectors. Sales into the civil and building products sectors declined. Kingston Bridge Engineering had a 31 percent increase in revenue and lifted their profits by $6 million. The New Zealand business units had an 11 percent increase in revenue and an 18 percent increase in earnings. Revenue in the Australian business was flat and earnings declined with margins under pressure in the high volume building products segment.

Trade Distribution revenue was $1,575 million, five percent ahead of last year. Trade Distribution operates over 300 trade and retail outlets across Australia and New Zealand. In Australia the division operates three businesses: Tradelink, Northern's and Hudsons (acquired in November 2010). In New Zealand the division operates under the three brands; Mico, Master Trade and Corys Electrical. The major market segment is the supply of plumbing solutions to plumbers and builders. Revenues in the base business fell in both New Zealand and Australia by three percent reflecting reduced activity in the housing and renovations markets. The Hudson Building Supplies acquisition from November 2010 lifted revenues ahead of last year. CDNZ delivered a lift in earnings of $2 million as work on the turnaround strategy continued. With the inclusion of Hudson and the uplift in CDNZ, overall Trade Distribution earnings lifted by nine percent. Hudson Building Supplies revenue since the acquisition has met expectations and is expected to be a source of revenue growth in the 2012 year.

Industrial Products revenue of $378 million was one percent ahead of last year. The Crane Copper Tube business manufactures copper tube in Penrith, NSW for supply in Australia, New Zealand and overseas markets. The Austral Wright Metals business in Australia and Mico Metals business in New Zealand specialise in the distribution of non-ferrous metals products into manufacturing businesses. Earnings declined by $3 million due predominantly to increased competition in the Australian market. In New Zealand Mico Metals revenue was 16 percent ahead of prior year and as a result earnings lifted by 12 percent. In Australia whilst revenue fell by two percent earnings declined much more sharply as competition put increased pressure on selling margins.

Corporate cost savings originally identified in the acquisition have largely been achieved. The relocation of the corporate office will occur in the second half of 2011 to a new Fletcher Building Australia corporate office in Sydney.

Looking ahead

Trading conditions in Australia are expected to remain weak in the housing sector in the short term. This is expected to be off-set by mining and infrastructure growth. In New Zealand market conditions are expected to be weak due to a continued decline in the housing market.

Crane divisions will be looking to capitalise on the exposure across multiple market segments combined with initiatives already underway to focus on earnings growth. Safety programs will be maintained, and integrated with the Fletcher Building approach.

Tradelink
Adelaide, Australia

Distribution.

DIVISIONAL REVIEW

Fletcher Building's distribution business, PlaceMakers, is the premier supplier of building materials to New Zealand's commercial and residential construction markets. There are 63 PlaceMakers branches and depots, most of which are operated in joint venture partnership with local owners/operators.

Performance overview

PlaceMakers sales declined by three percent over the prior year as residential and commercial activity declined in the second half. Despite very tough second half conditions, operating earnings rose by three percent driven by planned cost reductions and a focus on margin protection. A 12 percent decline in residential consents resulted in the worst trading conditions since the beginning of the global financial crisis. While this second dip was unexpected, the business was in good shape to weather the conditions. Improvements in operational controls initiated in the prior year resulted in inventory reducing by eight percent. This helped PlaceMakers achieve an annualised return of 27 percent, in line with the previous year. Capital expenditure was restrained and focused on improving resilience and operational performance. More focus on growth is planned in next year's budgets.

The Canterbury earthquakes placed substantial pressures on the 340 staff in the Christchurch network of four facilities. Most importantly, no staff or customers were injured. The branches suffered minor damage and only modest trading impediments. PlaceMakers' teams worked hard to ensure each facility was able to pick itself up quickly and resume trading. Much work has gone into strengthening the Christchurch network in readiness for the rebuilding programme.

While the trade segment endured tough conditions, the DIY segment came under even more pressure as consumer confidence weakened, demand tapered off following the GST increase in October 2010, and big box retail competition intensified. PlaceMakers' response was to remain focused on a quality trade offering, and its "Know How, Can Do" brand position. Continued enhancements to the network were undertaken with new trade-focused branches opening in Hawera, Albany, and Pukekohe. Further new branches and refurbishments are planned. The purpose of these is to strengthen PlaceMakers' trade offering, rather than increasing activity in the more expensive retail market. The planned consolidation of the frame and truss plants continues, and this will enable the business to maximise its scale and product quality to customers through larger, safer, and more productive plants.

Employee engagement lifted in the annual survey. This was a result of a continuing focus on health and safety, communication, learning and development, and internal talent development. Six branch operator appointments were made internally during the year. The new PlaceMakers' leadership team was completed with the appointments of Commercial, Marketing, and Merchandise General Managers.

Looking ahead

PlaceMakers will remain focused on shaping the distribution business to withstand on-going tough trading conditions. Challenging retail conditions will see a reduction in the cost of marketing to retail customers by moving investment into more direct marketing to "Know How" cardholders. Improving the trade offer will remain a priority to grow share of builder wallet and consent value. Leveraging the Frame and Truss estimating and detailing capability will help PlaceMakers extend into offerings in roofing, windows, and doors. The trade system platform will be further developed to allow for full project management capability. Higher branch performance standards and customer survey results indicate a lift in overall customer satisfaction. PlaceMakers intends to hold market share against continuing efforts by retail competitors to enter the trade market.

PlaceMakers
Auckland, New Zealand

Infrastructure.

DIVISIONAL REVIEW

EQR Project Management Office
Christchurch, New Zealand

The Infrastructure division is a vertically integrated business supplying aggregates, cement, ready-mix 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 overview

Sales for the year were similar despite weaker demand. A stronger Australian dollar, the purchase of Australian Construction Products, and increased house sales, had a positive impact on turnover. Sales volumes in New Zealand and Australia were lower for most construction materials products, as were billings in the construction business. Operating earnings increased by $21 million to $185 million. Infrastructure's operating performance for the current year improved over the last year as a result of continuing operational improvements and efficiency gains in all key areas of the business, and higher earnings from property. The New Zealand market experienced softer demand from the commercial construction and residential construction sectors. The Canterbury earthquakes saw activity levels decline for most businesses in the period. In Australia, the Queensland market, already affected by the global financial crisis, recorded further weakness as a consequence of the floods, while most other markets were also weak.

The earnings of the New Zealand and Australian concrete businesses increased by $19 million to $124 million. Sales volumes of most products in New Zealand were lower for the third year in succession. The effect of softer demand was mitigated by the cost reductions and operational efficiency enhancements achieved over the last three years. In Australia sleeper and pipe-related volumes were down and the market for sand in New South Wales was more difficult than anticipated. A focus on product pricing and operational enhancements enabled Rocla to improve margins in some areas. Construction earnings declined from $39 million to $37 million with activity softening in 2010. The property and residential operations improved by $4 million to $24 million. The Stonefields subdivision in Auckland has been very successful.

Operating earnings from the cement business were $4 million higher despite lower volumes. In New Zealand, volumes were three percent lower but the domestic price of cement increased by $11 per tonne on 1 September 2010. Export sales volumes and prices increased but margins remained low. Manufacturing performance was excellent.

Aggregates sales volumes were seven percent higher than last year but still 26 percent below peak of cycle volumes. The volume improvement was largely low value product and roading product. The business continued to make significant progress in lowering its costs and earnings increased by $2 million.

Readymix and masonry operating earnings declined by $5 million. Sales volumes of concrete dropped by three percent and masonry volumes were down 10 percent. Tighter market conditions led to intensified competition and reduced prices and margins. Despite many profit improvement initiatives, earnings declined. On 1 July a long sought after readymix operation was acquired in one of the few markets where we do not currently operate.

The concrete pipe and precast markets were similar to last year but demand for other products was weaker. Due to a favourable sales mix, overall margins were higher despite competitive pricing and slightly higher input costs.

In Australia, the pipeline and quarry businesses performed well with combined operating earnings of $64 million compared with $52 million in 2010, although $5 million of those earnings were from a one-off land sale. The pipeline products business experienced weaker demand for most products but a renewed focus on pricing saw margins improve despite softer demand. The quarry business recorded a very strong result despite building activity remaining subdued.

In August 2010 the division acquired Australian Construction Products, a specialist in the supply of road barrier and associated roading products in Australia. The business was adversely affected by the Queensland floods but still exceeded its earnings target for the period.

Construction's operating earnings were $37 million, down five percent on the previous year, reflecting a similar percentage reduction in turnover. A total of $747 million of new work was awarded during the year. The backlog of construction at year end was $764 million compared with $930 million at the end of the previous year. The major projects awarded during the year were the ASB Bank head office in Auckland and the Ngaruawahia bypass. Unfortunately the most notable events of the year were associated with the devastation arising from the Canterbury earthquakes. The Earthquake Commission appointed the company project manager for residential repairs in the range between $10,000 and $100,000 on insured homes. We are also one of five contractors working in alliance to repair Christchurch's infrastructure. The size of these tasks is yet to be accurately determined.

Earnings from property-related activities include those from quarry end use and the residential business. Earnings from residential house sales increased by $4 million to $24 million due to increased house sales and a favourable sales mix with higher margins. Property sales earned $1 million. Earnings from this source are not expected to be significant in 2012.

Looking ahead

The division continues to experience very weak demand in New Zealand, and the Australian businesses are expected to experience significantly weaker underlying demand in 2012. There has been significant cost rationalisation and operational enhancement over the last three years and further business improvement initiatives will be implemented this year. These will mitigate to some extent the impact of any further downturn in activity and will position the division well for the upturn.

In the meantime the division will also continue to explore high-returning organic growth initiatives.

The Cloud
Auckland, New Zealand

Laminates & Panels. Laminex.

New Laminam product in use
Seoul, Korea

The Laminates & Panels division comprises the Laminex Group and Formica Group.

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

Laminex performance overview

Laminex's operating earnings excluding unusual items were $112 million, up 23 percent on the prior year trading earnings of $91 million. One-off costs from asset write downs totalled $9 million for the year, reducing operating earnings to $103 million. Laminex's prior year reported earnings were $107 million which included one-off gains, totalling $16 million, from the closure and sale of the Welshpool and Kumeu sites.

Australian revenues were approximately eight percent above prior year. Revenues in the first six months of the year were strong, driven by improvements in new housing starts and the Government stimulus building educational revolution ("BER") package. In the second half of the year housing starts slowed considerably and the BER work dried up. Conditions in the commercial sector remained constrained throughout the year due to lack of access to funding and land. Laminex successfully continued to release new product during financial year 2011. This contributed to the increase in revenues.

New Zealand revenues were marginally lower than prior year with the economy remaining subdued. Margins remained consistent year on year.

Competitive pressures in Australia and New Zealand have remained strong although some price increases have been achieved during the period in the key decorated product categories. The cost of resin is increasing on the back of general commodity price rises, this is being offset by the stronger Australian and New Zealand currencies.

Manufacturing facilities are running at or around full capacity. The exception is our high pressure laminates (HPL) facility in Melbourne where capacity is matched to local demand. The MDF facility at Gympie in Queensland had a very strong year with production at record levels despite the floods, which restricted wood supply for a number of weeks. Laminex are currently commissioning a new short cycle laminating line in Gympie. This will increase capacity, lower costs and facilitate the introduction of new technically advanced products. The business has also committed to a major upgrade of its particle board facility in Dardanup in WA which will extend the life of the facility for approximately 15 years.

The floods in Queensland and Victoria did not cause any structural, property or inventory damage to our operations although costs and revenues were negatively affected. The Laminex facilities in Christchurch suffered minor earthquake damage which affected day-to-day operations.

The Laminex Reset programme is now complete. This has helped drive EBIT improvement, and has positioned the business for growth. During the year Laminex acquired a small distribution business in Geraldton, Western Australia which has enhanced our footprint. This will open up opportunities to supply product into this growing region of Australia.

Laminex has continued to successfully launch new product which has contributed to revenue, stimulated demand and kept Laminex in a market-leading position.

These launches included the Laminex 2010 Colour Range update, Laminex Metaline Splashbacks, Laminex CrystalGloss, Laminex and Formica LPM Silk gloss surfaces, EZero MDF, Formica HPL gloss and Laminex and Formica EZero low pressure laminate.

Laminex Head Office
Auckland, New Zealand

Looking ahead

No near-term improvement from the current reduced level of demand in the housing and alterations and additions sectors in Australia is expected. The short term outlook for the commercial sector is also subdued.

In New Zealand we see market demand remaining at its current historical lows with continued pressure on prices and margins.

Although the economic forecasts show that there will be demand arising from the rebuilds in Canterbury and Queensland, this is not yet occurring.

For the coming year we have a continuing programme of new market-leading product launches.

We have commenced our new profit driver program called Mercury. It is aimed at driving improvements in our strategic themes of product authority, customer intimacy and cost efficiency.

Laminates & Panels. Formica.

Formica – Tinderbox Espresso Bar
London, United Kingdom

Formica manufactures, and distributes high pressure decorative surface laminates in North America, Europe and Asia. The Formica brand is well recognised and highly respected globally. In markets where it has manufacturing facilities it either leads the market or holds the second largest share.

Formica performance overview

Formica's operating performance for the current year improved significantly over last year despite markets in North America and Europe continuing to perform below expectations.

Formica's operating earnings were $56 million, 65 percent higher than the $34 million earned in the prior year. The improved result was due to continuing operational improvements and efficiency gains in all key areas of the business. Reported sales were six percent lower due to the appreciation of the New Zealand dollar. In local currency terms sales were in line with the previous year, although there were regional variances.

Market conditions remained flat in North America and were down in Europe. The market strengthened in Asia, in particular in China.

Volumes in North America were down three percent on the prior year with continued depressed levels of demand. Activity in the US residential sector has continued to be subdued and there was minimal growth from an extremely low base. Non-residential activity continued to decline during calendar year 2010 and there was very little recovery in the first half of the 2011 calendar year. Despite the fall in volume, revenue in domestic currencies in North America remained unchanged. This was due to improved product mix and pricing.

Both volumes and revenues in domestic currencies were down in Europe. Volumes decreased by six percent and revenue by five percent as demand in the major economies in Western Europe continued to decline. Across the region results varied with Spain down by nine percent, the UK down by eight percent, and France down by five percent. A number of initiatives within the region resulted in revenue growth in some markets. Revenue increased by 51 percent in Russia, and 10 percent in Poland. Export opportunities to Africa were identified and exports were successfully commenced. The establishment of operations in India also saw an increase in revenue in that market over the prior year.

Activity levels in Asia were strong. Revenue was up nine percent in domestic currencies on the prior year. All the key markets performed well. Revenue increased by 10 percent in China, seven percent in Thailand, and six percent in Taiwan. Initiatives to increase exposure in nearby markets saw revenue in Malaysia increase by 53 percent, by 11 percent in Singapore up, by 19 percent in Japan up and by 17 percent in the Philippines.

In 2010 Formica began an extensive rationalisation of its product range and offering. Other initiatives saw us consolidate logistics and freight providers, and improve service delivery lead times and other operational metrics. These initiatives were completed in 2011 and this contributed significantly to improved financial performance at a time when market demand and revenue was flat.

During the year all regions were faced with escalating input costs especially resins, and energy including oil, gas and electricity. This was particularly evident across the major economies in Europe where significant increases in utility charges occurred, and in China where increased demand and government environmental regulation is resulting in large increases year on year.

Prices were adjusted where possible to mitigate the impact of rising input costs, although competitive pressure meant that not all cost increases could be recovered. Improved service, combined with the promotion and extension of premium products, such as large-scale granite and products with enhanced wear properties, did result in improved pricing and margins in some areas.

Significant focus continued on improving the quality of Formica's operational assets through investing in major upgrades and replacements of key pieces of machinery. This included a $10 million installation of a new phenolic paper treater at Formica's site in Montreal, Canada that was commissioned in May. In China, as the current manufacturing site in Shanghai nears full capacity, we began looking for additional capacity opportunities.

Efforts to improve sustainability continue. All products from Formica's 10 international manufacturing sites have achieved GREENGUARD™ Indoor Air Quality Certification and/or GREENGUARD Children & Schools Certification, the premier marks for low-emitting products. Formica® Laminate and Deco Metal® have achieved GREENGUARD Indoor Air Quality Certification.

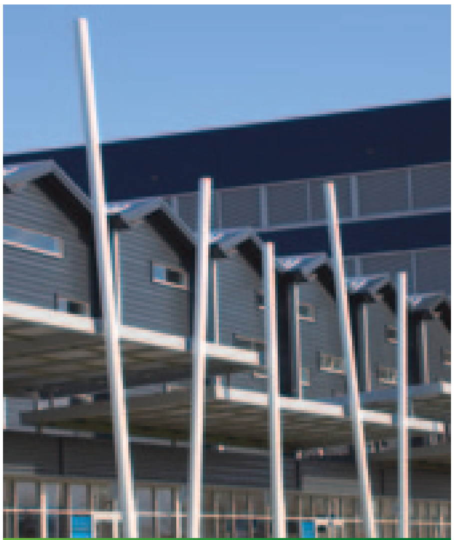
Formica is the first laminate manufacturer to be granted the esteemed logo of the British-based Carbon Trust. This recognises that we have initiated programmes and projects to reduce the carbon impacts from our manufacturing sites, distribution centres and offices.

Looking ahead

Trading conditions in both North America and Europe continue to remain flat and no recovery of significance expected in these markets in the near term. Recent forecasts by leading economic forecasters have recently been downgraded and the timing of any recovery continues to remain uncertain. Growth is happening in China and the South East Asian countries and at this stage the regional outlook remains positive.

Formica will continue to focus on achieving improvements to its operational performance, and capability. As we continue to reshape the business to perform in the face of uncertain economic recovery, our focus will remain on service improvements and product innovation. In addition, we will pursue growth opportunities in Asia and Germany, and developing markets such as India, Africa, Mexico and Eastern Europe.

Steel.



Dimond – Claudelands Arena
Hamilton, New Zealand

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

Performance overview

Operating earnings for the year were $83 million, in line with the prior year. For the Australasian steel industry, 2011 was a very difficult year. The combination of low global steel utilisation and the very strong Australian and New Zealand currencies made exporting steel products to the region attractive. In our long steel business, where we are a manufacturer, this has been particularly harmful and has resulted in very low margins.

Demand has again been weak with overall volumes declining three percent during the year. Overall volumes for the year are 18 percent below where they were before the 2008 global financial crisis. New Zealand is particularly soft. Overall activity has been low and the Canterbury earthquakes have delayed activity in the region. Revenues were slightly ahead of the prior year despite the slowdown in the second half.

Despite the difficult market, the Steel Division focused on seeking out new profitable customers, optimising pricing and margins and positioning the businesses to take advantage of the economic recovery when it arrives.

The rollforming and coated businesses in Australia and New Zealand again experienced volume declines over the prior year. Rollforming volumes were inconsistent and heavily affected by the Canterbury earthquakes, the South Queensland floods, and Cyclone Yasi. The general downturn in new housing development in South East Queensland has reduced volumes at Stramit, which has strong share in this market. Despite the poor market conditions, careful management of pricing and costs helped hold margins. During the year Stramit Buildings launched its new brand SOL which, through licensees, offers consumers a variety of home improvement products such as patios and car ports. Earnings improved by 32 percent to $58 million for the year.

Market conditions in the long steel product businesses have been extremely difficult. As a result, earnings declined 61 percent to $12 million. Overall volumes at Pacific Steel were seven percent behind prior year with New Zealand domestic demand down 19 percent due to a reducing number of major infrastructure projects, low residential construction and pressure from imported products. The high Australian Dollar meant import competition into the Australian market was intense.

Earnings in the distribution and services businesses improved by 86 percent, to $13 million. This was mainly driven by the Easysteel distribution business. Easysteel had seen its profits drop as a result of the 2008 global financial crisis, but strong management of this business during 2011 saw it return to more normal levels of profitability. Fletcher Reinforcing's earnings declined during the year due to low volumes in infrastructure and residential, and increasing price competition.

Looking ahead

Market conditions are not expected to improve substantially in 2012 as such the business will continue to focus on streamlining the cost base while continuing to pursue profitable customers and manage margins effectively.

Pacific Steel
Penrose, Auckland

People.

At 30 June 2011, Fletcher Building employed some 20,000 people in over 50 business units across more than 40 different countries. The significant increase in the year was due to the Crane acquisition.

To attract and keep the best workforce, we strive to provide inclusive, engaging workplaces in which talented people can make the most of their potential and deliver great results.

Key to our culture is the Fletcher Building Way, which guides the actions of all our employees, shapes our relationships with our stakeholders and provides us with the framework for profitable, sustainable growth. All employees are expected to practice our values, which promote teamwork, respect, commitment and results. Our aim is to make Fletcher Building a high-performing business, respected corporate citizen and employer of choice.

Natural disasters

The safety of our people was our top priority following the earthquakes in Canterbury and the floods in Australia. While none of our employees were critically injured, many suffered the loss of family members and friends. Through our Employee Assistance Programme, all employees in New Zealand and Australia were able to access counselling services.

Canterbury

We are very proud of the resilience and professionalism shown by our teams in Canterbury in extremely challenging circumstances. The earthquakes had a significant impact on our people. In order to assist our employees and their families we developed a range of support initiatives such as additional leave and emergency cash grants to allow employees to deal with urgent issues, individual and family counselling, and local support groups.

We have provided our employees with accommodation options, funded property advisory services and launched a 'Book a Break' website for our Canterbury-based employees to use vacant holiday accommodation offered by other employees across the country.

The Fletcher Building Employee Educational Fund has sponsored short courses in Resilient Leadership for our Christchurch managers and family trips to Hanmer Springs.

Employee share ownership

This year we launched FBuShare, a global employee share plan, to give our employees a new opportunity to share in our company's success. FBuShare allows eligible employees across the Group to purchase Fletcher Building shares on market and receive Award Shares at no additional cost on a 1:2 basis (subject to conditions). Launched on a phased basis, FBuShare operated in 11 countries at 30 June 2011 and will be extended to further countries in the new financial year. Thirty percent of the employees who were invited to participate in the initial FBuShare offer have joined the plan, well exceeding comparable offerings in the Australasian marketplace.

Leadership and development programmes

Fletcher Building has a strong leadership culture. Across the Group, we have a talent pool of considerable depth and capacity; over 46 percent of our 450 senior executives have more than 10 years' service and 30 percent have over 15 years' service.

In Australia and New Zealand, training activities for employees, and employees' dependants, are supported by the Fletcher Building Employee Educational Fund. In the last 12 months, this independent trust has granted over $4.3 million towards individual and company development programmes.

Talent recruitment

We continue to source high performing people from all backgrounds, drawing on our associations with external providers, academic institutions, and professional bodies. Our in-house recruitment centres processed over 24,000 applications and filled 580 vacancies over the year, saving over $3.5 million.

Our businesses closely associated with the rebuild in Christchurch are forecasting a significant increase in staffing numbers. Our objective is to search locally and internationally to build a skilled workforce capable of delivering quality projects.

Employee relations

Fletcher Building maintains respectful working relationships with the many labour unions represented across our global workforce. Some

FBuShare
Employee share plan

31 percent of our employees are union members and there are over 150 negotiated collective agreements across the group.

We also continue to offer free and confidential third party-operated employee phone services through which employees may report ethical and compliance concerns without fear of retribution. Calls made to Safe2Say and Fair Call are logged and investigations follow a structured process and are subject to regular Audit Committee review.

Employee engagement

Our most recent global engagement survey yielded a pleasing overall engagement score of 79 percent, with 'commitment to stay' (81 percent), 'pride in the group' and 'commitment to deliver extra discretionary effort' (80 percent each) among the highest scoring items.

Equal opportunity and diversity

The Fletcher Building workforce is diverse and we are committed to discrimination-free employment practices. In May, the Board approved a diversity policy based on the recommendations of the ASX Corporate Governance Council. This can be found in the Corporate Governance section in this report.

The company is represented on the Boards of the New Zealand Equal Employment Opportunities (EEO) Trust and NZ Employers' Disability Network Trust. We are a sponsor of the EEO Trust's annual Work and Life Awards, and participate in the Global Women Leadership Programme and the EEO Trust's cross-company mentoring programme for the advancement of women directors.

Health & Safety.

Over the last year significant progress has been made in reducing injury rates.

Our primary injury rate measure is the 12 month rolling average Total Recordable Injury Frequency Rate per million employee and contractor hours (TRIFR), with total injuries being the sum of lost-time and medical treatment injuries. In the last year, this rate has dropped from 14.09 to 10.57. In June 2006, this rate was over 60. Our lost time injury frequency rate has dropped from 5.04 to 4.11 (from over 10 in June 2006).

In addition to these measures, we have also introduced from 1 July an additional lead measure for near misses as a proactive step in identifying potential risks so that action can be taken before an injury occurs.

The improvements in health and safety performance are a result of focused effort by teams across the company. Fletcher Building's health and safety vision, policy and standards are established by an executive-led health and safety council chaired by the chief executive. Each year, the Council produces a safety plan which details priorities, requirements and programmes for the whole group. Performance targets are then cascaded down to divisions and business units.

Due to our decentralised structure, operational responsibility for health and safety is placed with each business unit. The maintenance of safe workplaces is not just an operation issue for our business units. The correlation between productivity and improved health and safety and the high human cost of injuries and fatalities, make health and safety a strategic issue. That means we seek to balance the strategic importance of safe work places with the benefits of operational control by business units.

To support divisional and business unit health and safety activities, high quality health and safety resources have been progressively developed by the company over recent years. These include tools to ensure that variability in basic safety standards is reduced, a common health and safety electronic reporting system, and a health and safety intranet site. Guidelines and resources have been produced to ensure that common hazards are managed in a more consistent manner.

An annual executive-led initiative reinforces our commitment to safety in the workplace. Pulse, a Fletcher Building health and safety conference held every two years, brought together over 150 senior managers from across the group in October. The conference acknowledged the recent improvements that have been made within the company in terms of health and safety, but also recognised the challenges still facing us before we achieve and sustain zero harm. Subsequently, all of our senior managers have attended training on human factors and the company is implementing other programmes to enhance our understanding of the role of human factors in managing hazards and understanding why incidents occur. We have also established a team of extensively trained specialist investigators who will participate in the investigations of all serious safety incidents.

For the fourth year, the Fletcher Building Health, Safety and Sustainability Awards were held in recognition of health and safety achievements across the company. Submissions were received across all divisions from business units around the world. In addition to the Awards' seven categories, a special award for Sustained Excellence was awarded to Winstone Aggregates for demonstrating a 41 percent reduction in all injuries and for being a consistent top performing business unit, despite the challenges associated with working in the quarrying industry.

Our business units have also been acknowledged with external awards. Fletcher Construction employee Jay Lauten, Health and Safety Manager for the Manukau Harbour Crossing Project, was named Health and Safety Practitioner of the Year at the Safeguard New Zealand Workplace Health and Safety Awards. The award recognised the strong relationships that he had built with contractors and staff at all levels. On the same evening, Fletcher Construction's Victoria Park Tunnel team won the award for the Best Initiative to Encourage Engagement in Health and Safety. Using workshops and a psychologist, the team was able to find the best way to engage project staff and developed powerful on-site graphics featuring staff that had been injured and the consequences for them and their family.

Despite our progress, however, serious injuries still occur and we are far from satisfied with this level of performance. Tragically, an employee of Fletcher Construction died in Albany, Auckland after the building he was in was struck by a tornado in May.

Our health and safety vision of zero harm is based on the principle that all accidents are preventable and we understand that further reductions in total injuries must occur to reduce the risk of serious injuries and fatalities.

Health & Safety practitioner of the year
Jay Lauten, Fletcher Construction, Auckland

The participation of senior management in our programmes, and the investment of significant resources in safety education and training, continues to demonstrate the company's strong commitment to health and safety.

In New Zealand, Fletcher Building retained primary-level membership of the Accident Compensation Corporation Partnership Programme following an external audit in November. 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 and additional operations are moving into self-insurance schemes.

Environment.

Visit the Environment section of our website:
fletcherbuilding.com/environment
for dedicated case studies about our initiatives.

The environment is a key consideration in everything we do. An executive Climate Change and Environmental Sustainability Council directs company-wide programmes to support the achievement of our environmental goals.

In the last 12 months, much of the Council's efforts have been directed at emissions trading and carbon reporting, with the introduction of an emissions trading scheme in New Zealand on 1 July 2010 and the energy and carbon reporting requirements in Australia. There has been a focus on identifying energy efficiency opportunities, to enable us to achieve our commitment of reducing our CO_2 emissions by five percent between 2008 and 2012.

Our energy and CO_2 inventory is updated every six months and provisional figures for this financial year show total CO_2 emissions of 1,201,847 tonnes. This includes the CO_2 emitted during the generation of electricity used by Fletcher Building and three months of Crane operations. Our New Zealand operations emissions totalled 664,687 tonnes, while Australian operations emitted 377,554 tonnes. Of those business units with a high CO_2 output, the largest single emitter was Golden Bay Cement with 486,454 tonnes. Our major manufacturing plants for laminates and panels in New Zealand and Australia emitted a total of 176,935 tonnes and the Pacific Steel and Wire plants emitted 62,359 tonnes.

By 31 December 2010, the first three years of our five-year target period for CO_2 emissions reduction policy were completed. Our absolute emissions had decreased from 1,526,854 tonnes CO_2 in 2007 to 1,203,876, a decline of 21 percent. Production levels in 2010 were less than 2007, however, and therefore further analysis was carried out using an emissions efficiency index we have developed in the last 12 months. This provides a better indicator of emissions efficiency performance.

We do not calculate emissions intensity for all of Fletcher Building's products and services. However, the cement we produce results in 45 percent of the Group's emissions and six products (including cement) result in approximately 80 percent of our emissions. Reviewing emissions-intensity for these products provides an indicator of improvements in efficiency. The improvements in cement and fibreglass insulation emissions efficiency since 2007 have resulted in a four percent improvement in our overall emissions efficiency between 2007 and 2010. The manufacture of cement in 2007 resulted in the emission of 0.792 tonnes of CO_2 per tonne in 2007 and 0.711 tonnes in 2010. In 2010, CO_2 emissions intensity improved through the increase in biomass fuel substitution

Golden Bay Cement, Eastport Service Centre
Auckland, New Zealand

from 11 percent in 2007 to 28 percent of thermal energy.

Fletcher Building continues to participate in the Carbon Disclosure Project, which requires reporting how we manage the risks and opportunities of climate change and providing a complete inventory of our 2010 energy use and CO_2 emissions.

New Zealand's emissions trading scheme (ETS) has now been operating for 12 months, with coverage extended to industrial and transport emissions on 1 July 2010. It has been designed so that energy suppliers rather than energy users have to buy emissions units ("carbon credits") and surrender these to the Government. Our operations that emit CO_2 from fossil fuel combustion do not directly participate in the ETS but are subject to the higher energy costs passed down by energy suppliers. However, our cement and steel manufacturing operations emit process CO_2 and our cement plant uses imported coal, so these operations are direct participants in the ETS. Cement and steel manufacturing also meet the threshold tests for offsetting the costs of the ETS on emissions-intensive, trade-exposed industries. Both receive free allocations of emission units to partly offset their increased costs. These allocations mean that the increased energy costs for our New Zealand operations from the ETS are not material.

In July, the Australian government announced it will introduce its Clean Energy Future Plan, which includes a carbon price mechanism from 1 July 2012. Fletcher Building will incur additional costs indirectly from an increase in natural gas and electricity costs passed on by retailers and from the carbon price that will be imposed on transport diesel from 1 July 2014. As in New Zealand, we understand Australia will grant free emission units to emissions-intensive, trade-exposed industries. This would likely include a portion of the emissions from our composite wood panels operations. Our operations that are not exposed to significant international competition, such as our sand quarry and downstream concrete and steel products, are likely to see their costs increase but may be able to recover these through price increases. The active engagement of our businesses in seeking energy efficiencies and emissions improvements will ensure that these costs are minimised.

Formica factory
Kolho, Finland

We have developed an internal waste-reporting tool that enables business units to classify and quantify waste streams, and identify cost-effective opportunities for waste reduction. Over time, this tool will enable Fletcher Building to quantify and report its total waste generation at a group level.

The company also participates in organisations that are leading sustainability practices and policies, including the Green Building Councils in Australia and New Zealand. In New Zealand, this includes "Homestar", a residential rating tool to help homeowners lift the performance of their homes. We have also contributed to a number of important Green Star-rated buildings across Australia and New Zealand, either as construction contractors or through the supply of accredited materials.

Corporate governance.

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

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

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

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

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

This section on corporate governance contains commentary on seven of the eight principles recognised by the ASX Corporate Governance Council. Commentary on principle eight – remunerating fairly and responsibly – is contained in the Remuneration Report.

A fuller discussion on corporate governance is included on the company's website at **fletcherbuilding.com/investor/governance**.

1. Ensuring solid foundations for management and oversight

The company's procedures are designed to:

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

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

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

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

The terms of reference for directors and the chairman, the charters for board committees and the delegation to the chief executive officer all provide for reviews of the performance of directors and senior management. The nominations committee assesses the composition and effectiveness of the board and its committees annually. The chair of the nominations committee undertakes one-on-one reviews annually with all directors on the effectiveness of the board.

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

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

The governance procedures require the board to be comprised of a majority of independent directors and for there to be a separation of the role of chairman from that of the chief executive. These policies also provide that a director who has been employed in an executive capacity in the last three years cannot be considered an independent director. Therefore, R G Waters has been an independent director from 1 September 2009. With J P Ling being an executive director, seven of the eight 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 eight is an appropriate number at this time to ensure proper rotation arrangements. At least one-third of all directors stand for election every year although this can be increased due to requirements of the stock exchanges. The directors who retire in each year are those who have been longest in office since their last election or, if there are more than one of equal term, those determined by agreement. Subject to continued shareholder support, the standard term for a non-executive director is six years from the date that he or she initially stands for election. At the end of this term the director will offer his or her resignation. The board may, if it considers it appropriate, offer a further term of up to three years.

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

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

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

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

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

Director participation remains very high, with no apologies for absence from the ten regular meetings during the year. In addition to these meetings were 12 site visits and a strategic session with senior management. Five special board meetings were convened to review issues relating to the takeover offer for Crane Group. A special Crane Group due diligence committee met twice. The audit and remuneration committees both met on two occasions and the nominations committee met five times during the year.

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.
- Annually establish and review progress against measurable objectives for correcting imbalances in workforce diversity and in particular, gender diversity at senior levels of the group.

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

New Zealand legislation and the company's securities trading code of conduct prevent short-term trading and dealing in the company's securities whilst directors and senior executives are in possession of non-public material and relevant information. The company reinforces these measures by requiring that any of the 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.

View online
fletcherbuilding.com/11/governance

Corporate governance continued.

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.

The company is committed to developing an inclusive working environment that promotes employment equity and workforce diversity at all levels, including senior management and the board of directors. Fletcher Building believes that a workforce in which diversity differences, particularly in such matters as gender, age and race, are well-represented, builds competitive advantage and enhances business and thinking around the world.

4. Safeguarding the integrity in financial reporting

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

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

5. Making timely and balanced disclosure

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

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

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

6. Respecting the rights of shareholders

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

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

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

7. Recognising and managing risk

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

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

Remuneration report.

This Remuneration Report contains commentary on principle eight of the ASX Corporate Governance Council principles — remunerating fairly and responsibly.

Remunerating fairly and responsibly

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

Non-executive directors' remuneration

The fees paid to non-executive directors for services in their capacity as directors during the year ended 30 June 2011 are detailed in the corresponding table.

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 New Zealand and Australian companies. Directors' fees are normally reviewed annually by the nominations committee with effect from the beginning of the calendar year.

As part of its 2010 review of remuneration, the company commissioned an independent report on directors' remuneration in Australia, which indicated that some increase in fees was justified having regard to market changes. It was decided to defer any increases and reconsider the position later in the year. As a result, from 1 January 2011, the base director's fee was increased from $121,000 per annum to $135,000 per annum, with committee fees remaining the same at $23,000, $17,500 and $8,500 per annum for participation on the audit, remuneration and nominations committees respectively. The maximum aggregate fees payable in any year was set at $1,500,000 at the 2006 annual shareholders meeting.

Committee chairs receive a 50 percent premium to the committee fee. In 2010, the board chairman's fee was reduced from three times to two and a half times the base fee paid to directors, and inclusive of the time committed by the chairman for participation on board committees. In acknowledgement of the additional time commitment required of any Australian-based director, a travelling allowance of $12,000 per annum is also payable. Where an ad hoc committee is convened, such as for due diligence, additional remuneration may be payable at $1,200 per half day. Mr Fletcher and Mrs Vautier received remuneration for their participation on the due diligence committee in respect of the Crane Group takeover.

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

Non-executive directors' remuneration				
	Base fees $	**Committee fees $**	**Other fees $**	**Total $**
A J Carter	107,833	21,667		129,500
H A Fletcher	128,000	31,500	12,000	171,500
A T Jackson	128,000	32,750		160,750
J F Judge	128,000	43,000		171,000
Sir Dryden Spring	30,250	8,750		39,000
G T Tilbrook	128,000	31,500	12,000	171,500
K M Vautier	128,000	31,500	13,000	172,500
R G Waters	320,000		12,000	332,000
Total	**1,098,083**	**200,667**	**49,000**	**1,347,750**

Executive director's remuneration

J P Ling's remuneration as chief executive officer comprises base remuneration, a short-term incentive if specified annual performance targets are satisfied of up to 100 percent of base remuneration and participation in the company's long-term incentive scheme of up to 80 percent of base remuneration. In addition, his total remuneration includes a portion of the assessed value of options granted to him in September 2009.

The actual remuneration received by Mr Ling in the financial year was $2,821,317 comprising base remuneration of $1,449,000, a short-term incentive payment of $1,015,686 and $356,631 paid in October 2010 in respect of the shares vesting pursuant to the 2007 Executive Performance Share Scheme.

As required by the NZSX and ASX Listing Rules, shareholder approval of the two components of Mr Ling's long-term incentives was received at the annual shareholders' meetings on 14 November 2006 and on 12 November 2008. His long-term incentives, consist of the grant of 1,000,000 options, and entitlement to shares in the company previously granted pursuant to the Executive Performance Share Scheme and in the Executive Long-Term Share Scheme. The value of the 97,408 shares in the company acquired under the Executive Long-Term Share Scheme of 22 October 2010 was $810,435.

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

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

Remuneration report continued.

Directors' and officers' indemnification and insurance

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

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

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

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

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

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

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

Short-term incentive remuneration
Short-term incentive remuneration is available to recognise the contribution of senior executives to company and individual performance objectives. Short-term incentive remuneration targets are expressed as a percentage of fixed remuneration which is up to 100 percent of the fixed remuneration for the chief executive and the direct reports to the chief executive, and up to 50 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. Personal and financial objectives are independently assessed such that a participant can achieve their personal objectives even if the minimum financial target is not achieved.

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

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

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

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

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

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

The cash-based share-ownership scheme, the Executive Long-Term Share Scheme (ELSS), will be offered to all eligible executives this year and is described in detail below. This scheme replaced the Executive Performance Share Scheme in 2009 and is designed to deliver the same economic value as that scheme.

Executive Long-Term Share Scheme
The ELSS is a cash-based long-term scheme as, to the extent any performance targets are met, the company will pay a cash bonus to facilitate the acquisition of a number of shares in the company.

Under the ELSS, vesting of up to 50 percent of the shares allocated to a participant will be dependent on achieving the total shareholder return (TSR) target and vesting of up to the other 50 percent of the shares will be dependent on achieving the earnings per share (EPS) target.

The primary reasons for dual performance measures are:

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

The main terms of the ELSS are as follows:

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

- Vesting of 50 percent of the shares in the participants requires achievement of certain levels of TSR relative to a comparator group of New Zealand and Australian companies over a minimum three year restrictive period, or as may be extended by the one year retesting period.
- Vesting of the remaining 50 percent of the shares in the participants requires achievement of certain EPS targets over a three year restrictive period. Each year the board will, in its discretion, set an EPS target for the group. EPS is measured by the Fletcher Building group's net earnings attributable to shareholders for financial reporting purposes, divided by the weighted average number of shares on issue. The one year retesting period will not apply to the EPS tranche of shares.

(b) If at the end of the minimum three year restrictive period the TSR performance target has not been met in full, the restrictive period will be extended (either automatically or at the election of the participant, depending on the target level achieved) for a further one year period.

If a retesting period applies, it will apply in relation to all the participant's shares in the TSR tranche. During this one year retesting period, the company will assess (mid-way through the period and at the end of the retesting period) whether the TSR performance objective has been achieved. If the TSR performance declines during the retesting period, the participant's entitlements (if any) will be determined on this lower TSR performance result.

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

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

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

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

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

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

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

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

The comparator group of Australasian companies used to determine relative TSR performance for the 2011 offer comprises Adelaide Brighton, Alesco, Amcor, BlueScope, Boral, Brickworks, CSR, F & P Appliances, Gunns, GWA International, James Hardie, Leighton Holdings, Nuplex, OneSteel, Sims Group and Steel & Tube. This is unchanged from that applied for the 2010 ELSS offer, except that Crane Group has been removed. The minimum and maximum EPS targets for

Remuneration report continued.

the 2011 offer are for EPS for the year ended 30 June 2011 to increase by 8 percent per annum and 14 percent per annum respectively.

On 30 September 2011 the three year restrictive period in respect of the fourth issue under the EPSS and in respect of the first issue under the ELSS, which was made in 2008 to a small number of senior executives, ends. The EPS minimum vesting threshold for the 2008 ELSS will not be met and accordingly no shares will vest in respect of the EPS tranche of shares in that offer. However, present indications are that the TSR of the company for the period will be greater than the 75th percentile of the comparator group of companies and accordingly participating executives in both the EPSS and the ELSS (in respect of the TSR tranche) will be entitled to take up ownership of around 576,000 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 remuneration information later in this report.

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

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

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

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

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

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

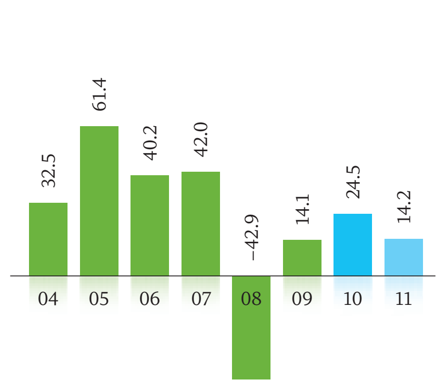
Employee remuneration

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 2011, the amount accrued as at 30 June 2011 has also been included in the total remuneration disclosed opposite.

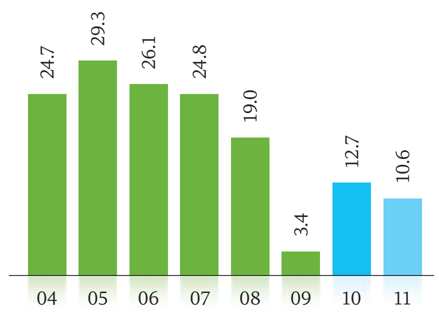
		Number of Employees		
From NZ$	To NZ$	International Business Activities	New Zealand Business Activities	Total
100,000	110,000	362	291	653
110,000	120,000	356	175	531
120,000	130,000	239	151	390
130,000	140,000	164	101	265
140,000	150,000	116	72	188
150,000	160,000	83	59	142
160,000	170,000	68	43	111
170,000	180,000	60	19	79
180,000	190,000	40	39	79
190,000	200,000	40	23	63
200,000	210,000	26	18	44
210,000	220,000	17	16	33
220,000	230,000	23	11	34
230,000	240,000	21	8	29
240,000	250,000	11	14	25
250,000	260,000	11	6	17
260,000	270,000	7	6	13
270,000	280,000	9	4	13
280,000	290,000	5	4	9
290,000	300,000	6	2	8
300,000	310,000	2	2	4
310,000	320,000	5	7	12
320,000	330,000	5	5	10
330,000	340,000	6	1	7
340,000	350,000	7	2	9
350,000	360,000	6		6
360,000	370,000	6	4	10
370,000	380,000	4	1	5
380,000	390,000	2	3	5
390,000	400,000	4	5	9
400,000	410,000	3	3	6
410,000	420,000	3		3
420,000	430,000	3	3	6
430,000	440,000	4	1	5
440,000	450,000		1	1
450,000	460,000		1	1
460,000	470,000		1	1
470,000	480,000	3		3
480,000	490,000	1		1
490,000	500,000	2		2
500,000	510,000	2		2
510,000	520,000	1	1	2
530,000	540,000	2		2
540,000	550,000	1		1
550,000	560,000	3		3
570,000	580,000	2		2
580,000	590,000	3		3
590,000	600,000	1		1
650,000	660,000		1	1
680,000	690,000	1		1
690,000	700,000	1		1
710,000	720,000		1	1
720,000	730,000	1		1
780,000	790,000	1		1
850,000	860,000		1	1
1,010,000	1,020,000	1		1
1,180,000	1,190,000		1	1
1,240,000	1,250,000	1		1
1,300,000	1,310,000	1		1
1,400,000	1,410,000		1	1
1,420,000	1,430,000	1		1
1,460,000	1,470,000		1	1
1,780,000	1,790,000	1		1
		1,754	**1,109**	**2,863**

Financial review.

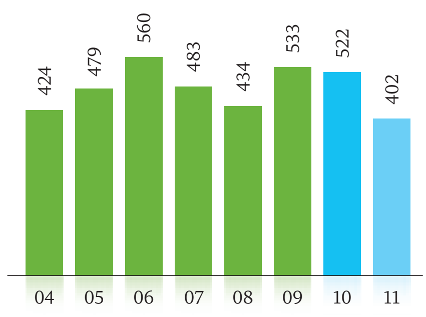
Total shareholder return (percentage)



Return on funds (percentage)



Operating cashflow ($million)



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 16 to 24.

Unusual items

Unusual items after tax totalling $76 million were incurred during the year. These relate to costs associated with the acquisition and restructuring of Crane; inventory, fixed assets and goodwill write-downs in the Australian and New Zealand insulation businesses, and adjustments to the carrying value of O'Brien's, the residential bench-top business.

The inventory, fixed assets and goodwill write-offs in the Australian insulation business are due to the significant disruption in the market since the Australian government's insulation retrofit scheme was terminated in February 2010. In New Zealand, the DVS home heating business which is part of the insulation group, and O'Brien's, have been adversely impacted by the slowdown in new residential house building activity.

The unusual tax benefit of $13 million is a partial reversal of the increased provision for deferred tax of $29 million which was recognised in 2010. This provision arose as a result of changes in New Zealand taxation law including the elimination of depreciation on buildings for tax purposes, and a reduction in the corporate taxation rate from 30 percent to 28 percent.

A detailed explanation of the unusual items can be found in note 4 of the financial statements.

Cashflow and capital expenditure

Cashflow from operations was $402 million compared with $522 million in the prior year. Working capital increased by $148 million due to increases in inventory and debtors, and a reduction in creditors.

Capital expenditure for the period, excluding the acquisition of Crane, was $307 million, up from $191 million in the prior year. Of this total, $200 million was for stay-in-business capital projects, $51 million was for new growth initiatives, and $56 million was for the acquisition of new businesses. Significant investments during the period included the acquisition of Australian Construction Products, and the expansion of the Laminex high pressure laminate plant in Queensland.

The acquisition of Crane was partly funded through the issue of 67.3 million ordinary shares to Crane shareholders for $586 million, and partly through the payment of cash to Crane shareholders for $451 million which was financed using cash and existing bank debt facilities.

$202 million was distributed to shareholders and minority interests.

Capital management and funding

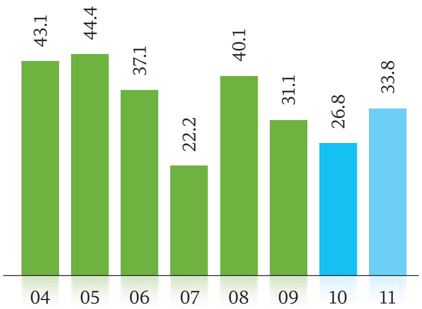
The group's gearing[1] at 30 June 2011 was 33.8 percent compared with 26.8 percent at 30 June 2010. The increase was due to the acquisition of Crane in March 2011. The gearing figure remains well below the target range of 40 to 50 percent, and for so long as world economies remain volatile the group will continue to position gearing below the bottom of this range.

The group had total available funding of $2,499 million as at 30 June 2011. Of this, approximately $492 million was undrawn and there was an additional $115 million of cash on hand. The main increase in available funding was due to the establishment of a new Australian bank debt facility of AU$120 million. Bank debt facilities represented 54 percent of total available funding, US private placements 28 percent and capital notes 18 percent.

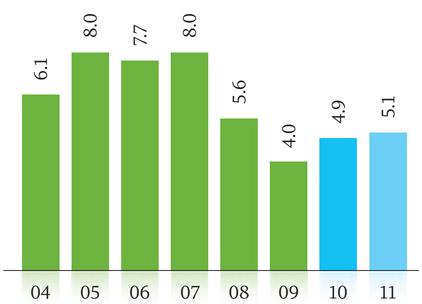
During the period a major portion of the group's syndicated bank debt facility was refinanced. Debt requiring refinancing within the next 12 months is $166 million. Current debt includes $63 million of capital notes subject to interest rate and term reset, $76 million of expiring drawn facilities and $27 million of expiring undrawn facilities.

The average maturity of the debt is four years and the currency split is 61 percent Australian dollar; 25 percent New Zealand dollar; 10 percent US dollar; 3 percent Euro; and 1 percent Pounds Sterling.

Gearing (percentage)



Interest cover (times)



Proforma earnings	Fletcher Building Group	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Operating earnings before unusuals	**596**	521
Funding costs	**(118)**	(107)
Taxation expense on ordinary activities	**(111)**	(103)
Earnings attributable to minority interests	**(8)**	(10)
Net earnings before unusual items	**359**	**301**
Net unusual items	**(76)**	(29)
Net earnings	**283**	**(46)**

Approximately 66 percent of all borrowings have fixed interest rates with an average duration of 3.4 years and a rate of 7.3 percent. Inclusive of floating rate borrowings the average interest rate on the debt is currently 6.6 percent. All interest rates are inclusive of margins but not fees.

Interest coverage[2] for the period was 5.1 times compared with 4.9 times in the previous year.

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 1,126 members and pensioners and investments of $280 million at 31 March 2011. The investments in all plans totalled $690 million at 30 June 2011.

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, $87 million of net losses were to be accounted for in future periods.

During the year the company contributed $22 million towards funding these plans. The group expects to contribute $22 million to its overseas defined benefit plans during the year to June 2012.

[1] Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.

[2] EBIT before unusual items to total interest paid including capital notes interest.

Financial statements.

Earnings statement.

For the year ended 30 June 2011

		Fletcher Building Group		Fletcher Building Limited	
	Notes	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Sales		**7,416**	6,799		
Cost of goods sold		**(5,566)**	(5,141)		
Gross margin		**1,850**	1,658		
Selling and marketing expenses		**(788)**	(645)		
Administration expenses		**(516)**	(510)		
Share of profits of associates	21	**33**	26		
Other investment income/(expense)		**4**	2	(168)	(13)
Intercompany investment income	32			550	4
Other gains/(losses)	3	**14**	(10)		
Amortisation of intangibles	20	**(1)**			
Unusual items – acquisition costs and impairments	4	**(104)**			
Operating earnings/(loss) (EBIT)	3	**492**	521	382	(9)
Funding costs	6	**(122)**	(107)	(15)	(51)
Earnings/(loss) before taxation		**370**	414	367	(60)
Taxation expense	7	**(79)**	(132)	54	19
Earnings/(loss) after taxation		**291**	282	421	(41)
Earnings attributable to minority interests		**(8)**	(10)		
Net earnings/(loss) attributable to the shareholders		**283**	272	421	(41)
Net earnings per share (cents)	9				
Basic		**45.0**	44.9		
Basic (excluding unusuals)		**57.1**	49.7		
Diluted		**45.0**	44.7		
Weighted average number of shares outstanding (millions of shares)	9				
Basic		**629**	606		
Diluted		**644**	624		
Dividends declared per share (cents)		**33.0**	29.0		

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

On behalf of the Board, 17 August 2011

Ralph Waters
Chairman of Directors

Jonathan Ling
Managing Director

Statements of comprehensive income and movements in equity.

For the year ended 30 June 2011

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Statement of Comprehensive Income				
Net earnings – parent interest	**283**	272	421	(41)
Net earnings – minority interest	**8**	10		
Net earnings	**291**	282	421	(41)
Movement in cashflow hedge reserve	**(6)**	4	(6)	4
Movement in currency translation reserve	**10**	(88)		
Income and expenses recognised directly in equity	**4**	(84)	(6)	4
Total comprehensive income for the year	**295**	**198**	**415**	**(37)**
Statement of Movements in Equity				
Total equity				
At the beginning of the year as previously published	**3,023**	2,990	1,647	1,832
Change in accounting policy		(6)		
At the beginning of the year as restated	**3,023**	2,984	1,647	1,832
Total comprehensive income for the year	**295**	198	415	(37)
Movement in minority equity	**(8)**	(8)		
Movement in reported capital	**645**	20	645	20
Dividends	**(189)**	(169)	(189)	(169)
Distribution to Crane minority shareholders	**(62)**			
Movement in share option reserve		1		1
Less movement in shares held under the treasury stock method	**(4)**	(3)		
Total equity	**3,700**	**3,023**	**2,518**	**1,647**

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

Balance sheet.

As at 30 June 2011

		Fletcher Building Group		Fletcher Building Limited	
	Notes	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Assets					
Current assets:					
Cash and liquid deposits	15	**115**	112	31	56
Current tax asset	25			55	19
Debtors	16	**1,517**	1,114	68	86
Stocks	17	**1,527**	1,091		
Total current assets		**3,159**	2,317	154	161
Non current assets:					
Fixed assets	18	**2,218**	1,909		
Goodwill	19	**1,424**	820		
Intangibles	20	**404**	409		
Investments in associates	21	**209**	189		
Investments – other	21	**72**	70	3,656	3,419
Deferred taxation asset	25	**6**	(49)	6	3
Advances to subsidiaries	32			805	637
Total non current assets		**4,333**	3,348	4,467	4,059
Total assets		**7,492**	5,665	4,621	4,220
Liabilities					
Current liabilities:					
Provisions	22	**78**	64	2	2
Creditors and accruals	23	**1,435**	1,113	73	89
Current tax liability	25	**27**	25		
Contracts	24	**92**	96		
Borrowings	26	**139**	86	12	63
Advances from subsidiaries	32			2,023	2,345
Total current liabilities		**1,771**	1,384	2,110	2,499
Non current liabilities:					
Provisions	22	**23**	17		
Creditors and accruals	23	**93**	64		
Retirement plan liability	34	**37**	44		
Borrowings	26	**1,868**	1,133	(7)	74
Total non current liabilities		**2,021**	1,258	(7)	74
Total liabilities		**3,792**	2,642	2,103	2,573
Equity					
Reported capital	11	**2,553**	1,912	2,573	1,928
Revenue reserves	12, 13	**1,031**	999	(42)	(274)
Other reserves	12, 13	**82**	78	(13)	(7)
Shareholders' funds		**3,666**	2,989	2,518	1,647
Minority equity	14	**34**	34		
Total equity		**3,700**	3,023	2,518	1,647
Total liabilities and equity		**7,492**	5,665	4,621	4,220

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

Statement of cashflows.

For the year ended 30 June 2011

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Cashflow from operating activities				
Receipts from customers	**7,370**	6,796		19
Dividends received	**33**	24	229	4
Interest received			1	1
Total received	**7,403**	6,820	230	24
Payments to suppliers, employees and other	**6,793**	6,100	55	
Interest paid	**122**	108	19	52
Income tax paid	**86**	90		
Total applied	**7,001**	6,298	74	52
Net cash from operating activities	**402**	522	156	(28)
Cashflow from investing activities				
Sale of fixed assets	**41**	38		
Sale of investments	**1**			
Total received	**42**	38		
Purchase of fixed assets	**249**	189		
Purchase of investments	**2**	2		
Purchase of subsidiaries	**1,106**			
(Cash)/net debt in subsidiaries acquired	**323**			
Total applied	**1,680**	191		
Net cash from investing activities	**(1,638)**	(153)		
Cashflow from financing activities				
Issue of shares	**645**	2	645	2
Net debt drawdown	**754**	(145)	35	(68)
Advances from subsidiaries				262
Issue of capital notes	**69**			
Total received	**1,468**	(143)	680	196
Repurchase of capital notes	**29**	47	167	
Advances to subsidiaries			505	
Distribution to minority shareholders	**13**	13		
Dividends	**189**	151	189	151
Total applied	**231**	211	861	151
Net cash from financing activities	**1,237**	(354)	(181)	45
Net movement in cash held	**1**	15	(25)	17
Add opening cash and liquid deposits	**112**	99	56	39
Effect of exchange rate changes on net cash	**2**	(2)		
Closing cash and liquid deposits	**115**	112	31	56

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

Statement of cashflows continued.

For the year ended 30 June 2011

	Fletcher Building Group	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Analysis of subsidiaries acquired		
Fixed assets	**288**	
Goodwill on acquisition including non-controlling interest	**758**	
Intangibles	**8**	
Investments	**16**	
Net tax asset	**48**	
Current assets	**784**	
Cash in subsidiaries	**129**	
Debt in subsidiaries	**(452)**	
Current liabilities	**(473)**	
Cash paid to date for subsidiaries acquired	**1,106**	

The group acquired Crane Group Limited (Crane) with an effective date of acquisition of 28 March 2011 for a consideration of $1,050 million inclusive of $323 million of net debt. During the year the group also acquired Australian Construction Products Pty Ltd and other minor subsidiaries for a consideration of $56 million.

No acquisitions were made during the year ended 30 June 2010.

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

Reconciliation of net earnings to net cash from operating activities.

For the year ended 30 June 2011

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Cash was received from:				
Net earnings	**283**	272	421	(41)
Earnings attributable to minority interests	**8**	10		
	291	282	421	(41)
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	**198**	198	117	19
Unusual items included in earnings – impairment of assets	**89**			
Taxation	**(7)**	42	(54)	(19)
Non cash adjustments	**280**	240	63	
Cashflow from operations [1]	**571**	522	484	(41)
Less (gain)/loss on disposal of affiliates and fixed assets	**(21)**	(10)	(321)	
Cashflow from operations before net working capital movements	**550**	512	163	(41)
Net working capital movements	**(148)**	10	(7)	13
Net cash from operating activities [2]	**402**	**522**	**156**	**(28)**
Net working capital movements:				
Debtors	**(42)**	(8)	18	(12)
Stocks	**(52)**	(70)		
Contracts	**(4)**	6		
Creditors	**(50)**	82	(25)	25
	(148)	10	(7)	13

[1] Includes (gain)/loss on disposal of affiliates and fixed assets.

[2] As per the statement of cashflows.

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

Accounting policies.

For the year ended 30 June 2011

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

Accounting convention

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

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

Segmental reporting

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

Estimates

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

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 acquisition method of consolidation, from the date control commences until the date control ceases.

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

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

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

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

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

Valuation of assets

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

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

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

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

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

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

Debtors
Debtors are valued at estimated net realisable value. The valuation is net of a specific provision maintained for doubtful debts. All known losses are written off to earnings in the period in which it becomes apparent that

the debts are not collectable. Trade debtors normally have 30 to 90 day terms.

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

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

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

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

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

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

Retirement plans
The group's net asset in respect of its retirement plans is calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The value of the asset recognised cannot exceed in aggregate the total value of any deferred actuarial loss, 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 borrowings, trade and other payables, cash and cash equivalents, and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value. 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.

Accounting policies continued.

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

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

Valuation of liabilities

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

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

Finance leases
Finance leases are capitalised to reflect the borrowings incurred and the cost of the asset acquired. Such obligations are classified within borrowings. 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.

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

Annual leave
Annual leave is recognised on an accrual basis.

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

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

Equity

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

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

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

Income determination

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

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

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

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

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

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

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

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

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

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

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

Executive share schemes

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

The executive performance share scheme introduced in 2004 allows group executives to acquire shares in the company at market price, funded by an interest free loan from the group. The executives are entitled to vote on the shares and to receive cash dividends, the proceeds of which are used to repay the loan. The shares are held in trust for the executives by the Trustee, Fletcher Building Share Schemes Limited. Payment of any benefit under the executive performance share scheme is dependent upon the group's total shareholder return exceeding the 51st percentile of the total shareholder return of a comparative group of companies over a three year restricted period.

In 2008, the executive long-term share scheme was introduced for a small number of senior executives. Payment of half of any benefit is dependent upon total shareholder return and payment of the other half of any benefit is dependent upon the group achieving an earnings per share target. In addition, in respect of the benefit which is dependent on total shareholders return, the three year restricted period is automatically extended for up to one year if total shareholders return is less than the 51st percentile. Executives can elect to extend the restricted period for up to one year if total shareholders return is between the 51st and 75th percentile. No extension is permitted for the benefit which is dependent upon achieving an earnings per share target. In 2009, all eligible executives joined the executive long-term share scheme. The executive performance share scheme was not offered to executives in 2009 and will terminate in 2011.

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

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

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

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

Employee share purchase scheme – FBuShare

The global employee share purchase scheme, FbuShare, allows eligible group employees to regularly save up to NZ$5,000 per annum of their after-tax pay and purchase shares in the company (purchased shares) at market prices. At the end of rolling three year qualification periods, and provided they remain employed by a group company, employees will be awarded one free award share for every two purchased shares acquired in the first year of each three year qualification period and still held at the end of those periods.

Dividends payable will be re-invested in additional shares. Employees will receive award shares on any additional shares, subject to the same conditions set out above. The employees are responsible for any income tax liability payable on dividends and on the value of any award shares.

At the end of each three year qualification period, employees may continue to hold any purchased, additional and award shares or they may sell some or all of the shares.

The group accrues the liability to pay for award shares over the three year qualification periods.

Notes to the financial statements.

1 Changes in accounting policies

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The group has not yet applied these in preparing these financial statements although the application of these standards, amendments and interpretations would require further disclosures, but they are not expected to have a material impact on the group's results.

There have been no other changes in accounting policies in the year ended 30 June 2011, however certain comparatives have been restated to conform with the current year's presentation.

2 Acquisitions

During the 2011 year the group acquired subsidiaries for a total consideration of $1,106 million (2010: $nil).

The major acquisition during the year was the purchase of Crane, acquired for total consideration of $1,050 million, following an off-market offer to the Crane shareholders. The effective acquisition date is 28 March 2011 being the date the group gained control of Crane. At that date 13 percent of Crane shares had not been acquired, representing a non-controlling interest (or minority shareholding) on acquisition. The group therefore recognised the net identifiable assets of Crane as well as the goodwill arising in relation to its proportionate share of Crane as at that date. As permitted by NZIFRS 3 the non-controlling interest has been valued at the proportionate share (13 percent) of Crane's identifiable net assets. This means that the group excludes the goodwill of $62 million in respect of the non-controlling interest. Accordingly the value assigned to the non-controlling interest is lower than its fair value of $135 million.

Subsequent to the acquisition date the remaining shares were acquired to give the group a 100 percent interest in Crane. The consideration paid for the non-controlling interest was $135 million. The excess of $62 million over the value of the non-controlling interest of $73 million has been charged to the group's retained earnings, as a distribution to the Crane minority shareholders.

Prior to the off-market offer, an initial pre-bid stake of 14.9 percent had been acquired for $143 million cash. The group recognised a gain of $13 million as a result of measuring at fair value its pre-bid stake of 14.9 percent, as required by NZIFRS 3. This is disclosed as an unusual item in the earnings statement.

A formal fair value exercise of the assets and liabilities of Crane is underway, but will not be completed until the 2012 year. At present the difference between the book value at acquisition and the purchase price has been recognised as goodwill, representing the expected profitability and the synergies to be achieved. The goodwill arising is not expected to be deductible for tax purposes.

Crane

The cost of the Crane acquisition is as follows:

	NZ$M
Consideration paid, comprising:	
Cash, including pre-bid stake	**451**
Fletcher Building Limited ordinary shares issued *	**586**
Fair value gain on pre-bid stake	**13**
Consideration paid for Crane shares	**1,050**

* 67.3 million shares at an effective share price of A$6.72 (NZ$8.71) on the 28 March 2011.

2 Acquisitions continued

The following are the values recognised in the financial statements:

	Provisional fair value NZ$M
Fixed assets	**286**
Goodwill on acquisition	**655**
Goodwill in respect of the non-controlling interest	**62**
Intangibles	**8**
Net tax asset	**47**
Inventories	**401**
Receivables	**366**
Current liabilities	**(468)**
Investments	**16**
Enterprise value	**1,373**
Less debt acquired	**(451)**
Plus cash acquired	**128**
Consideration paid	**1,050**
Less goodwill in respect of the non-controlling interest	**(62)**
Net assets recognised	**988**

During the year to 30 June 2011, Crane contributed sales of $623 million and operating earnings excluding unusual items of $29 million. If the acquisition had occurred on 1 July 2010, it is estimated that the contribution to group sales would have been $2,437 million and to operating earnings excluding unusual items would have been $92 million.

Other acquisitions

During the year the group also acquired other subsidiaries including Australian Construction Products Pty Ltd for an aggregate consideration of $56 million. The following are the values recognised in the financial statements:

	Provisional fair value NZ$M
Fixed assets	**2**
Goodwill on acquisition	**41**
Net tax asset	**1**
Working capital	**12**
Enterprise value	**56**
Less debt acquired	**(1)**
Plus cash acquired	**1**
Consideration paid	**56**

During the year to 30 June 2011 these acquisitions contributed sales of $50 million and operating earnings of $6 million. If the acquisitions had occurred on 1 July 2010, it is estimated that the contribution to group sales would have been $64 million and to operating earnings would have been $8 million.

Notes to the financial statements continued.

3 Operating earnings

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Operating earnings includes:				
Net periodic pension cost	**20**	21		
Employee related short term costs [1]	**1,203**	1,135		
Other long term employee related benefits	**53**	45		
Research and development	**4**	3		
Bad debts written off	**7**	8		
Foreign exchange losses		(2)	172	13
Donations and sponsorships	**7**	1		
Maintenance and repairs	**158**	160		
Operating lease expense	**154**	142		
Other gains/(losses) [2]	**14**	(10)		
Auditors' fees and expenses payable for:				
Statutory audit – KPMG	**3**	3		
Other services – KPMG [3]	**1**	1		
Other professional services to other firms	**1**	1		
[1] Remuneration for the executive committee included in the above is disclosed in note 32.				
[2] Other gains/(losses) include the following:				
Sale of land	**21**	13		
Net redundancies and restructuring costs	**(9)**	(20)		
Other	**2**	(3)		
	14	(10)		

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

4 Unusual items

The unusual expense consists of the following:

Fletcher Building Group – June 2011	Acquisition and other costs [1] NZ$M	Acquisition income [2] NZ$M	Goodwill impairment [3] NZ$M	Fixed asset impairment [4] NZ$M	Write-off of stock [5] NZ$M	Other NZ$M	Total NZ$M
Building Products division			**46**	**9**	**25**		**80**
Crane division	**18**						**18**
Laminates & Panels division			**4**	**5**			**9**
Other – Corporate acquisition costs/(income) for Crane	**22**	**(25)**					**(3)**
Total unusual items – EBIT	**40**	**(25)**	**50**	**14**	**25**		**104**
Interest [6]						**4**	**4**
Tax benefit on above items [7]	**(8)**	**1**		**(4)**	**(7)**	**(1)**	**(19)**
Tax benefit – reversal of recognition of deferred tax liability on buildings (NZ) [7]						**(13)**	**(13)**
Total unusual items – net earnings	**32**	**(24)**	**50**	**10**	**18**	**(10)**	**76**

Fletcher Building Group – June 2010	Other NZ$M	Total NZ$M
Recognition of deferred tax liability on buildings (NZ) [8]	29	29
Total unusual items – net earnings	29	29

1 For the year ended 30 June 2011 the group incurred $22 million of transaction costs as a result of the acquisition of Crane. In addition Crane incurred $18 million of redundancies and restructuring costs after the date of acquisition.

2 For the year ended 30 June 2011 the group received income of $25 million relating to the acquisition of Crane. This consisted of an equity swap of $4 million, the special dividend received on the pre-bid stake of $8 million and a fair value gain on the pre-bid stake of $13 million.

3 During the year ended 30 June 2011 the group impaired goodwill in The O'Brien Group Limited of $4 million, DVS Limited of $7 million and $39 million in Fletcher Insulation Australia, see note 19.

4 The group has decided to write off $5 million of fixed assets for The O'Brien Group Limited and $9 million for the manufacturing site closed in 2010 by Fletcher Insulation Australia following the sudden withdrawal of the Australian government's insulation subsidy scheme.

5 During the year the group has written off $25 million of stock in Fletcher Insulation Australia. This was the surplus imported stock remaining after the sudden withdrawal of the Australian government's insulation subsidy scheme.

6 Unusual interest expense relates to $4 million of costs relating to the close out of Crane debt instruments upon acquisition. See note 6.

7 Unusual tax benefit, see note 7.

8 During the year ended 30 June 2010 the group incurred an unusual tax expense of $29 million, arising from tax changes announced by the New Zealand Government in the year, which included the elimination of depreciation on buildings for tax purposes, and a reduction in the tax rate.

5 Discontinued operations

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

6 Funding costs

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Interest expense:				
Loans and derivatives	**66**	49	10	8
Capital notes	**34**	38	11	13
Other	**7**	9		
Subsidiary companies				28
Interest income:				
Subsidiary companies			(12)	
Cash and deposits	**(1)**	(1)	(1)	(1)
	106	95	8	48
Plus bank fees, registry and issue expenses	**16**	12	7	3
	122	107	15	51

Included in interest expense above is the net settlement of the group's interest rate swaps. This consisted of $62 million of interest income and $70 million of interest expense (2010: $51 million interest income; $58 million interest expense).

Other interest expense includes $4 million of costs relating to the close out of Crane debt instruments upon acquisition.

7 Taxation expense

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Earnings before taxation	**370**	414	367	(60)
Taxation at 30 cents per dollar	**111**	124	110	(18)
Adjusted for:				
Benefit of lower tax rate in overseas jurisdictions	**(3)**	(1)		
Tax benefit arising from the conversion of branch equivalent tax account debit balance		(31)		
Non assessable income	**(17)**	(6)	(165)	(1)
Non deductible expenses	**22**	4		
Tax losses not recognised	**4**	7		
Tax in respect of prior years	**(9)**	(8)		
Valuation allowance		29		
Recognition of deferred tax liability on buildings (NZ)	**(13)**	29		
Other permanent differences	**(16)**	(15)	1	
	79	132	(54)	(19)
Tax on operating profits pre unusual items	**111**	103	(54)	(19)
Tax benefit of unusual items	**(19)**			
Unusual tax expense – recognition of deferred tax liability on buildings (NZ)	**(13)**	29		
	79	132	(54)	(19)
Total current taxation expense	**98**	112	(54)	(19)
Total deferred taxation expense	**(19)**	20		
	79	132	(54)	(19)

8 Shareholder tax credits

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Imputation credit account				
Imputation credits at the beginning of the year	**(13)**	(22)	(13)	(23)
Taxation paid	**29**	33		
Imputation credits received	**2**	3	29	37
Imputation credits attached to dividends paid	**(15)**	(27)	(15)	(27)
	3	(13)	1	(13)

Fletcher Building Limited has until 31 March 2012 to fund any deficiency in its imputation credit account.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 A$M	Year ended June 2010 A$M	Year ended June 2011 A$M	Year ended June 2010 A$M
Franking credit account				
Franking credits at the beginning of the year	**21**	7	1	
Taxation paid	**10**	8		
Franking credits received	**9**	6	31	1
Franking credits received on acquisition of subsidiaries	**17**			
Franking credits attached to dividends paid	**(32)**		(32)	
	25	21		1

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Branch equivalent tax account				
Branch equivalent tax account at 1 April 2010		32		
Utilisation of branch equivalent tax account	**30**	(32)		
Branch equivalent tax account at 31 March 2011	**30**			

9 Net earnings per share

The diluted net earnings per share calculation uses the weighted average number of shares as determined for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the company's shares and are therefore considered dilutive securities for purposes of determining the 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 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Numerator				
Net earnings	**283**	272		
Numerator for basic earnings per share	**283**	272		
Dilutive capital notes distribution	**7**	7		
Numerator for diluted net earnings per share	**290**	279		
Denominator (millions of shares)				
Denominator for basic net earnings per share	**629**	606		
Conversion of dilutive capital notes	**15**	18		
Denominator for diluted net earnings per share	**644**	624		

10 Dividends

Dividends paid to shareholders	**189**	169	189	169
	189	169	189	169

On 17 August 2011 the directors declared a dividend of 17 cents per share, payable on 19 October 2011.

11 Capital

Reported capital at the beginning of the year	**1,928**	1,908	1,928	1,908
Issue of shares	**645**	20	645	20
Reported capital at the end of the year including treasury stock	**2,573**	1,928	2,573	1,928
Treasury stock	**(20)**	(16)		
	2,553	1,912	2,573	1,928

All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up. 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 and the executive long-term 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. During the year the company issued 71,626,577 shares for a total consideration of $645 million as part of the acquisitions of Crane and Australian Construction Products Pty Ltd.

11 Capital continued

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011	Year ended June 2010	Year ended June 2011	Year ended June 2010
Number of ordinary shares:				
Number of shares on issue at the beginning of the year	**606,946,993**	604,466,028	606,946,993	604,466,028
Issue of shares	**71,626,577**	291,174	71,626,577	291,174
Shares issued under the dividend reinvestment plan		2,189,791		2,189,791
Total number of shares on issue	**678,573,570**	606,946,993	678,573,570	606,946,993
Less accounted for as treasury stock	**(2,540,424)**	(1,901,981)		
	676,033,146	605,045,012	678,573,570	606,946,993

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 2011 the exercise price is $10.99. The final exercise date is 1 September 2012. A further 500,000 share options were issued on 8 September 2009, at an exercise price of $7.78 and is increased annually by the company's cost of capital less actual dividends paid. As at 30 June 2011 the exercise price is $8.79. The restrictive period is until 1 September 2012 and the final exercise date is 1 September 2015. The options carry no dividend or voting rights. The company has calculated the fair value of granting these options and has expensed $615,000 in respect of the 2006 share options and $432,081 in respect of the 2009 share options to a share option reserve.

12 Reserve balances

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Reserves comprise:				
Retained earnings	**1,031**	999	(42)	(274)
Cashflow hedge reserve	**(14)**	(8)	(14)	(8)
Share option reserve	**1**	1	1	1
Currency translation reserve	**95**	85		
	1,113	1,077	(55)	(281)

13 Reserve movements

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M	Year ended June 2011 NZ$M	Year ended June 2010 NZ$M
Retained earnings				
Retained earnings at the beginning of the year as previously published	**999**	902	(274)	(64)
Changes in accounting policy		(6)		
	999	896	(274)	(64)
Net earnings for the year – parent interest	**283**	272	421	(41)
Distribution to Crane minority shareholders	**(62)**			
Dividends paid during the year	**(189)**	(169)	(189)	(169)
	1,031	999	(42)	(274)
Share option reserve				
Share option reserve at the beginning of the year	**1**		1	
Arising in the year		1		1
	1	1	1	1
Cashflow hedge reserve				
Cashflow hedge reserve at the beginning of the year	**(8)**	(12)	(8)	(12)
Arising in the year	**(6)**	4	(6)	4
	(14)	(8)	(14)	(8)
Currency translation reserve				
Currency translation reserve at the beginning of the year	**85**	173		
Arising in the year	**10**	(88)		
	95	85		

14 Minority equity

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Share capital	**21**	23		
Reserves	**13**	11		
	34	34		

15 Cash and liquid deposits

Cash and bank balances	**88**	61	9	6
Short-term deposits	**27**	51	22	50
	115	112	31	56

16 Debtors

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Trade debtors	**1,201**	821		
Contract debtors	**108**	116		
Contract retentions	**20**	20		
Less provision for doubtful debts	**(50)**	(35)		
Trade and contract debtors	**1,279**	922		
Other receivables	**238**	192	68	86
	1,517	1,114	68	86
Current	**953**	721		
0 – 30 days over standard terms	**270**	163		
31 – 60 days over standard terms	**37**	24		
61+ days over standard terms	**69**	49		
Provision	**(50)**	(35)		
Trade and contract debtors	**1,279**	922		

17 Stocks

Raw materials	**365**	322		
Work in progress	**131**	113		
Finished goods	**971**	599		
Consumable stores and spare parts	**60**	57		
	1,527	1,091		
Stock held at cost	**1,455**	1,074		
Stock held at net realisable value	**72**	17		
	1,527	1,091		

The group also has conditional commitments for the purchase of land to be used for residential construction totalling $41 million (June 2010 $106 million). Delivery of this land is expected to take place during the 2012 year.

18 Fixed assets

	Fletcher Building Group						
	Land NZ$M	Buildings NZ$M	Plant & machinery NZ$M	Fixture & equipment NZ$M	Resource extraction NZ$M	Leased assets NZ$M	Total NZ$M
Gross value at 1 July 2010	**238**	**410**	**1,964**	**334**	**104**	**1**	**3,051**
Acquisitions during the year	**63**	**66**	**136**	**20**		**3**	**288**
Additions	**12**	**27**	**168**	**35**	**5**	**2**	**249**
Disposals	**(7)**	**(24)**	**(24)**	**(5)**	**(3)**	**(1)**	**(64)**
Impairments in the income statement			**(14)**				**(14)**
Currency translation	**3**	**(1)**	**14**	**4**	**4**		**24**
Gross value at 30 June 2011	**309**	**478**	**2,244**	**388**	**110**	**5**	**3,534**
Accumulated depreciation at 1 July 2010		**(93)**	**(786)**	**(246)**	**(16)**	**(1)**	**(1,142)**
Disposals		**10**	**16**	**10**	**3**	**1**	**40**
Depreciation expense		**(18)**	**(147)**	**(32)**	**(6)**	**(1)**	**(204)**
Currency translation			**(7)**	**(3)**			**(10)**
Accumulated depreciation at 30 June 2011		**(101)**	**(924)**	**(271)**	**(19)**	**(1)**	**(1,316)**
Net book value at 30 June 2011	**309**	**377**	**1,320**	**117**	**91**	**4**	**2,218**
Gross value at 1 July 2009	261	408	1,915	335	102	2	3,023
Additions		16	146	22	5		189
Disposals	(13)		(39)	(20)	(3)	(1)	(76)
Currency translation	(10)	(14)	(58)	(3)			(85)
Gross value at 30 June 2010	238	410	1,964	334	104	1	3,051
Accumulated depreciation at 1 July 2009		(82)	(680)	(232)	(13)	(2)	(1,009)
Disposals		3	26	15	3	1	48
Depreciation expense		(17)	(152)	(31)	(6)		(206)
Currency translation		3	20	2			25
Accumulated depreciation at 30 June 2010		(93)	(786)	(246)	(16)	(1)	(1,142)
Net book value at 30 June 2010	238	317	1,178	88	88		1,909

As at 30 June 2011, fixed assets includes $157 million of assets under construction (June 2010 $83 million).

19 Goodwill

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Goodwill acquired at cost	**1,480**	802		
Accumulated currency translation	**55**	79		
Accumulated impairment	**(111)**	(61)		
Goodwill at the end of the year	**1,424**	820		
Goodwill at the beginning of the year	**820**	846		
Acquired during the year	**696**			
Acquisition restatement during the year		(2)		
Impaired during the year	**(50)**			
Formica milestone settlement	**(18)**			
Currency translation	**(24)**	(24)		
	1,424	820		
Crane Group	**654**			
Formica Asia	**221**	284		
The Laminex Group	**186**	176		
Stramit Corporation	**117**	111		
Fletcher Insulation Australia	**59**	92		
Forman Insulation	**46**	46		
Tasman Insulation New Zealand	**43**	43		
Tasman Sinkware	**44**	42		
Other subsidiaries	**54**	26		
Goodwill by major subsidiaries	**1,424**	820		

Impairment of goodwill

Goodwill has been tested for impairment in June 2011. Each business unit which carries goodwill has prepared a discounted cashflow on a value-in-use basis. They have used their past experience of sales 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 two percent to three percent, with the majority of the business units using two percent. The cashflows are discounted using a nominal rate of 10 percent after tax, with the exception of Formica which has used nine percent. This adjustment to the standard rate of 10 percent reflects the risk profile for the countries in which Formica operates. The valuation models used are most sensitive to changes in the terminal year earnings and cashflows.

The group has identified certain business units which face particular challenges. The group operates in cyclical markets and currently faces uncertain market conditions that make it difficult to predict future profitability. Residential markets have declined in New Zealand, Australia, the USA, and Europe, however there are reasonable growth prospects in Asia. There is also divergence in those markets between the prospects for infrastructure and commercial activities.

Due to the deterioration in market conditions and the outlook of certain companies' sustainable mid-cycle earnings, the group impaired the remaining goodwill in The O'Brien Group Limited of $4 million and DVS of $7 million, and $39 million of the goodwill of Fletcher Insulation Australia as the impairment reviews indicated that the value of the assets has been adversely impacted. Management have identified a number of strategies and initiatives to achieve an appropriate improvement in their operating earnings. If this improvement does not eventuate there may be a need for a further impairment.

The impairment review confirmed that, for all other business units, there is headroom over the carrying value and as such there are no other impairment issues necessitating a further write-down of goodwill.

20 Intangibles

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Brands	**396**	407		
Intangible assets	**8**	2		
	404	409		
Brands				
Brands at the beginning of the year	**407**	420		
Currency translation	**(11)**	(13)		
	396	407		
The Laminex Group	**157**	149		
Formica Corporation	**119**	141		
Stramit Corporation	**51**	49		
Other subsidiaries	**69**	68		
Brands by major subsidiaries	**396**	407		

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 2011 on a value-in-use basis. This exercise confirmed that there are no impairment issues necessitating a write-down.

Intangible assets				
Intangible assets acquired at cost	**25**	17		
Currency translation	**(1)**			
Accumulated amortisation	**(16)**	(15)		
Intangible assets at the end of the year	**8**	2		
Intangible assets at the beginning of the year	**2**	1		
Arising during the year		1		
Acquired during the year	**8**			
Currency translation	**(1)**			
Charged to earnings	**(1)**			
	8	2		

21 Investments

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Investment in associates	**209**	189		
Retirement plan surplus – see note 34	**72**	70		
Investment in subsidiary companies [1]			3,656	3,419
	281	259	3,656	3,419

[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	**189**	195		
Acquisition of associates	**14**			
Loans to associates	**2**	3		
Equity accounted earnings of associates	**33**	26		
Currency translation	**4**	(13)		
Dividends from associates	**(33)**	(22)		
Investment in associates	**209**	189		
Investment by associate:				
Homapal Plattenwerk GmbH & Co. KG.	**53**	53		
Wespine Industries Pty Limited	**53**	51		
Dynea Industries WA Pty Limited	**21**	21		
Sims Pacific Metals Limited	**20**	21		
Mitchell Water Australia Pty Limited	**13**			
Mt Marrow Blue Metal Quarries Pty Limited	**13**	10		
Mittagong Sands Pty Limited	**5**	5		
Other	**31**	28		
	209	189		

21 Investments continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Associate information:				
Balance sheet information for associates – 100%				
Assets	**388**	362		
Liabilities	**181**	186		
Equity	**207**	176		
Equity – Fletcher Building share	**79**	67		
Goodwill acquired at cost	**109**	104		
Plus loans to associates at the end of the year	**21**	18		
Investment in associates	**209**	**189**		
Equity accounted earnings comprise:				
Sales – 100%	**579**	556		
Earnings before taxation – 100%	**79**	64		
Earnings before taxation –Fletcher Building share	**39**	32		
Taxation expense	**(6)**	(6)		
Earnings after taxation – Fletcher Building share	**33**	26		

22 Provisions

	Restructuring NZ$M	Construction claims NZ$M	Warranty & environmental NZ$M	Other NZ$M	Total NZ$M
June 2011			**Fletcher Building Group**		
Carrying amount at the beginning of the year	**26**	**5**	**30**	**20**	**81**
Currency translation	**1**			**1**	**2**
Acquired	**7**		**13**	**12**	**32**
Charged to earnings	**13**		**20**	**6**	**39**
Settled or utilised	**(10)**	**(1)**	**(18)**	**(5)**	**(34)**
Released to earnings	**(9)**	**(2)**	**(2)**	**(6)**	**(19)**
	28	**2**	**43**	**28**	**101**
June 2010			**Fletcher Building Group**		
Carrying amount at the beginning of the year	60	6	30	23	119
Currency translation	(4)		(2)		(6)
Charged to earnings	4	1	9	1	15
Settled or utilised	(28)	(1)	(7)	(3)	(39)
Released to earnings	(6)	(1)		(1)	(8)
	26	5	30	20	81
June 2011			**Fletcher Building Limited**		
Carrying amount at the beginning of the year				2	2
				2	2
June 2010			**Fletcher Building Limited**		
Carrying amount at the beginning of the year				2	2
				2	2

During the year the group utilised $10 million in respect of restructuring obligations at certain businesses. The remaining balance of restructuring claims are expected to be utilised in 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. 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 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Current portion	**78**	64	2	2
Non current portion	**23**	17		
Carrying amount at the end of the year	**101**	81	2	2

23 Creditors and accruals

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Trade creditors	**983**	671		
Contract retentions	**34**	35		
Accrued interest	**22**	20	1	5
Other liabilities	**210**	251	72	84
Employee entitlements	**257**	180		
Workers' compensation schemes	**22**	20		
	1,528	1,177	73	89
Current portion	**1,435**	1,113	73	89
Non current portion	**93**	64		
Carrying amount at the end of the year	**1,528**	1,177	73	89

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

24 Contracts

Gross construction work in progress plus margin to date	**1,671**	1,985		
Progress billings	**(1,763)**	(2,081)		
Work in progress/(money received in advance)	**(92)**	(96)		
Construction contracts with net work in progress	**5**	8		
Construction contracts with net money received in advance of cost and margin	**(97)**	(104)		
Carrying amount at the end of the year	**(92)**	(96)		

Included in sales is $985 million of contract revenue (June 2010 $1,023 million).

25 Taxation

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Provision for current taxation:				
Opening provision for current taxation liability	**(25)**	(27)	19	22
Currency translation	**3**	1		
Taxation in the earnings statement	**(98)**	(112)	54	19
Transfer from deferred taxation	**19**	18		
Intercompany payment			(18)	(22)
Acquisition during the year	**(5)**			
Minority share of taxation expense	**3**	5		
Taxation in reserves	**(10)**			
Net taxation payments	**86**	90		
	(27)	(25)	55	19
Provision for deferred taxation:				
Opening provision for deferred taxation asset/(liability)	**(49)**	(14)	3	
Currency translation	**(1)**	1		
Taxation in the earnings statement	**19**	(20)		
Transfer to current taxation	**(19)**	(18)		
Acquisition during the year	**52**			
Taxation in reserves	**4**	2	3	3
	6	(49)	6	3
Composed of:				
Provisions	**145**	135		
Debtors	**14**	8		
Fixed assets	**(58)**	(87)		
Brands	**(124)**	(124)		
Tax losses	**15**	16		
Other	**14**	3	6	3
	6	(49)	6	3

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

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

Formica has not recognised tax losses in the USA, France, Spain and Sweden of $103 million representing $325 million of gross tax losses (June 2010: $98 million, $317 million gross losses).

26 Borrowings

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Other loans	**70**	30	6	7
Capital notes	**63**	68		68
Foreign currency revaluation on debt derivatives	**6**	(12)	6	(12)
Current borrowings	**139**	86	12	63
Bank loans	**789**			
US private placements	**708**	775		
Other loans		49		
Capital notes	**378**	333		98
Foreign currency revaluation on debt derivatives	**(7)**	(24)	(7)	(24)
Non current borrowings	**1,868**	1,133	(7)	74
	2,007	1,219	5	137

For further information about the terms of these loans, please refer note 27. The fair value adjustment in respect of interest is not included in the carrying amount of borrowings.

Negative pledge

The group borrows certain funds based on a negative pledge arrangement. The negative pledge includes a cross guarantee from a number of wholly owned subsidiaries, ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances. At 30 June 2011 the group had debt subject to the negative pledge of $1,516 million (June 2010: $754 million).

Bank loans

At 30 June 2011, the group had two revolving credit facilities on an unsecured, negative pledge and borrowing covenant basis, one is syndicate with ANZ National Bank, Bank of Tokyo Mitsubishi UFJ, Bank of New Zealand, Commonwealth Bank of Australia, Citibank N.A., The Hong Kong and Shanghai Banking Corporation and Westpac Banking Corporation. The funds under this facility can be borrowed in United States dollars, Australian dollars and New Zealand dollars. The other facility is a bilateral with Westpac Banking Corporation in Australian dollars. The borrowing covenants relate to gearing and interest cover, and at 30 June 2011 the group was in compliance with those covenants.

US private placements

The group has borrowed funds from private investors (primarily US based) on an unsecured, negative pledge and borrowing covenant basis. These borrowings comprise NZ$144 million, AU$132 million, US$325 million with maturities between 2015 and 2020. The borrowing covenants relate to gearing and interest cover and at 30 June 2011 the group was in compliance with all its covenants.

Other loans

At 30 June 2011, the group had $51 million (June 2010: $64 million) of loans which are secured against the subsidiaries' own balance sheet or against specific assets and had unsecured loans at 30 June 2011 of $19 million (June 2010: $15 million). Other loans, some of which are subject to the negative pledge, includes bank overdrafts, short-term loans, working capital facilities, financial leases, PlaceMakers joint venture funding and discounted receivables.

26 Borrowings continued

Foreign currency revaluation on debt derivatives

This is the foreign currency revaluation of derivatives that have been specifically taken out to hedge the currency risk on various borrowings and includes cross currency interest rate swaps and foreign exchange forwards. The majority of these instruments have the benefit of the negative pledge.

Capital notes

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 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 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 2011 were to be converted to Fletcher Building shares, 52 million (June 2010: 52 million) would be issued at the share price as at 30 June 2011, of $8.62 (June 2010: $7.85). In March 2011, NZ$250 million of the Fletcher Building capital notes were transferred into Fletcher Building Industries Limited in order to rationalise the group's capital notes programme under one issuer.

As at 30 June 2011 the group held $91 million (30 June 2010: $131 million) of capital notes as treasury stock.

Credit rating

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

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. Risk management is carried out by the group's central treasury, which ensures compliance with the risk management policies and procedures set by the board.

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

Risks and mitigation

(a) Credit risk

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

(i) Trade receivables

Management has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the group reviews the customers' financial statements, trade references, bankers' references and/or credit agencies' reports 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. Please refer to note 16 for debtor aging analysis.

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.

The group has not renegotiated the terms of any financial assets which would otherwise be past due or impaired. The carrying amount of non-derivative financial assets represents the maximum credit exposure. The carrying amount of derivative financial assets are at their current fair value.

27 Financial instruments continued

(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.

At 30 June 2011 the group had $2,499 million of committed facilities of which $492 million was undrawn (June 2010: $2,349 million; $1,130 million). The undrawn facilities have a weighted average maturity of 2.9 years (June 2010: 2.3 years).

The following maturity analysis table sets out the remaining contractual undiscounted cashflows, including estimated interest payments for non-derivative financial liabilities and derivative financial instruments. Creditors and accruals are excluded from this analysis as they are not part of the Group's assessment of liquidity risk.

	Fletcher Building Group – June 2011				
	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
Bank loans	789		290	435	64
Capital notes	441	63	75	235	68
US private placements	708			143	565
Other loans	70	70			
Non-derivative financial liabilities – Principal cashflows	2,008	133	365	813	697
Gross settled derivatives – To pay	471	317	119	35	
Gross settled derivatives – To receive	(472)	(311)	(123)	(38)	
Debt derivatives financial instruments – Principal cashflows	(1)	6	(4)	(3)	
Contractual interest cashflows	493	125	101	217	50
Total contractual cashflows	2,500	264	462	1,027	747

27 Financial instruments continued

(b) Liquidity risk continued

	Fletcher Building Group – June 2010				
	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	401	68	59	227	47
US private placements	775				775
Other loans	79	30	49		
Non-derivative financial liabilities – principal cashflows	1,255	98	108	227	822
Gross settled derivatives – to pay	670	368	149	153	
Gross settled derivatives – to receive	(706)	(380)	(155)	(171)	
Debt derivatives financial instruments – principal cashflows	(36)	(12)	(6)	(18)	
Contractual interest cashflows	413	79	69	172	93
Total contractual cashflows	1,632	165	171	381	915

	Fletcher Building Limited – June 2011				
	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					
Other loans	6	6			
Non-derivative financial liabilities – principal cashflows	6	6			
Gross settled derivatives – to pay	471	317	119	35	
Gross settled derivatives – to receive	(472)	(311)	(123)	(38)	
Debt derivatives financial instruments – principal cashflows	(1)	6	(4)	(3)	
Contractual interest cashflows	(18)	2	(3)	(11)	(6)
Total contractual cashflows	(13)	14	(7)	(14)	(6)

27 Financial instruments continued

(b) Liquidity risk continued

	Fletcher Building Limited – June 2010				
	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	166	68	59	39	
Other loans	7	7			
Non-derivative financial liabilities – principal cashflows	173	75	59	39	
Gross settled derivatives – to pay	670	368	149	153	
Gross settled derivatives – to receive	(706)	(380)	(155)	(171)	
Debt derivatives financial instruments – principal cashflows	(36)	(12)	(6)	(18)	
Contractual interest cashflows	(4)	11	2	(6)	(11)
Total contractual cashflows	133	74	55	15	(11)

(c) Foreign currency risk

(i) Currency translation risk

Currency translation risk arises from net investments in foreign operations. It is the group's policy to hedge this foreign currency translation risk by borrowing in the currency of the asset in proportion to the group's long term 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, debt derivatives such as foreign exchange forwards, swaps and cross currency interest rate swaps are entered into for up to seven years. Net investment and fair value hedge accounting is applied to these instruments.

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

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

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Australian dollars	**1,233**	637	259	466
Euros	**56**	63	47	47
British pounds	**16**	17	16	17
New Zealand dollars	**501**	224	(122)	(199)
United States dollars	**201**	278	(195)	(194)
Currency translation risk – Foreign currency borrowings	**2,007**	1,219	5	137

(ii) Currency transaction risk

Currency transaction risk arises from committed or highly probable trade and capital expenditure transactions that are denominated in currencies other than the operation's functional currency. The objective in managing this risk is to reduce the variability from changes in currency exchange rates on the operation's income and cashflow to acceptable parameters. It is group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed transactions. In addition the group hedges some highly probable forecast transactions for up to three years. When exposures are incurred by operations in currencies other than their functional currency, foreign exchange 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. The gross value of these foreign exchange derivatives is NZD$436 million (June 2010: NZD$374 million).

27 Financial instruments continued

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will change due to changes in market interest rates and arises primarily from the group's interest bearing borrowings. The group manages the fixed interest rate component of its debt and capital notes obligations and aims to maintain this ratio between 40 to 70 percent, and at 30 June 2011, the group was 66 percent fixed (June 2010: 90 percent fixed). The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency, interest rate swaps, forward rate agreements and options are entered into to manage this position. Currently financial instruments have been entered into in Australian dollars, United States dollars, Euros, British pounds and New Zealand dollars which mature over the next ten years in relation to the maturity of the related loans.

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

Interest rate repricing

The following tables set out the interest rate repricing profile of interest bearing financial assets and liabilities (includes cash). The group's overall weighted average interest rate excluding fees is 6.60 percent (June 2010: 7.31 percent).

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Floating	**669**	(26)	(416)	(347)
Fixed up to 1 year	**89**	68	26	68
Fixed 1-2 years	**115**	59	40	59
Fixed 2-5 years	**768**	740	533	552
Fixed over 5 years	**252**	266	(210)	(251)
Total	**1,893**	1,107	(27)	81

(e) Commodity price risk

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

At balance date, the notional value of fixed electricity exposure was as follows:

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Fixed up to 1 year	**6**	7	6	7
Fixed 1-2 years	**29**	33	29	33
Fixed 2-5 years	**60**	41	60	41
Fixed over 5 years				
Total	**95**	81	95	81
	NZ$/MWh	NZ$/MWh	NZ$/MWh	NZ$/MWh
Average hedge price	**94**	90	94	90

Zinc, aluminium and copper are also hedged but the volume and values are not material.

27 Financial instruments continued

(f) Sensitivity analysis

The numbers in the sensitivity analysis for foreign currency risk, interest rate risk and commodity price risk have not been adjusted for tax and are based only on the group's financial instruments held at balance date and assumes that all other variables remain constant, except for the change in the chosen 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 $158 million (June 2010: $100 million) and no material impact on earnings. If the translation of the net assets of the foreign operations were included this would result in an increase to equity of approximately $263 million (June 2010: $186 million).

(ii) Interest rate risk

It is estimated a 100 basis point increase in interest rates would result in an increase in the group's interest costs in a year by approximately $6.9 million on the group's debt portfolio exposed to floating rates at balance date (June 2010: $1.7 million).

(iii) Commodity price risk

It is estimated a 10 percent increase in the New Zealand electricity spot price at balance date would result in an increase in the group's profit by $0.6 million (June 2010: $1 million) due to hedge ineffectiveness and an increase in equity of $6 million (June 2010: $7 million).

(g) Fair values

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

		Fletcher Building Group			
		June 2011		**June 2010**	
NZ$M	Classification	Carrying value	Fair value	Carrying value	Fair value
Bank loans	Amortised cost	**789**	**789**		
US private placements	Amortised cost	**708**	**754**	775	779
Other loans	Amortised cost	**70**	**70**	79	79
Capital notes	Amortised cost	**441**	**456**	401	412
Creditors and accruals	Amortised cost	**1,456**	**1,456**	1,096	1,096
Trade and other receivables	Loans and receivables	**(1,450)**	**(1,450)**	(1,045)	(1,045)
Cash and liquid deposits	Loans and receivables	**(115)**	**(115)**	(112)	(112)
Forward exchange contracts – cashflow hedge	Fair value through P&L	**(14)**	**(14)**	(3)	(3)
Forward exchange contracts – net investment hedge	Fair value through P&L			(10)	(10)
Forward exchange contracts – fair value hedge	Fair value through P&L	**4**	**4**	(4)	(4)
Cross currency interest rate swaps – net investment hedge	Fair value through P&L	**(14)**	**(14)**	(24)	(24)
Interest rate swaps – fair value hedge	Fair value through P&L	**(29)**	**(29)**	(39)	(39)
Interest rate swaps – cashflow hedge	Fair value through P&L	**16**	**16**	10	10
Electricity price swaps – cashflow hedge	Fair value through P&L	**5**	**5**	3	3
		1,867	**1,928**	1,127	1,142

Fletcher Building Limited's fair values are materially the same as the carrying values.

27 Financial instruments continued

(g) Fair values continued

Fair value measurement

The only financial instruments measured and recognised at fair value are derivatives. Base metal price swaps are measured under level 1. All other derivatives are measured under level 2 valuations using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturities of the contract. The fair value of electricity price swaps are measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate derivatives are calculated by discounting the future principal and interest cashflows at current market interest rates that are available for similar financial instruments.

(Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair value of base metal price swaps is based on the quoted market prices of those instruments.

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

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

Fair value disclosures

The fair values of borrowings used for disclosure are measured by discounting future principal and interest cashflows at the current market interest rate that are available for similar financial instruments.

The interest rates across all currencies used to discount future principal and interest cashflows are between 0.2 percent and 7.7 percent (June 2010: 0.9 percent and 8.4 percent) including margins.

(h) Capital risk management

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

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

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

28 Capital expenditure commitments of plant and investments

	Fletcher Building Group	
	June 2011 NZ$M	June 2010 NZ$M
Approved by the directors but uncommitted at year end	**34**	32
Committed at year end	**102**	71
	136	103

29 Lease commitments

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

within one year	**200**	114
within two years	**154**	93
within three years	**105**	67
within four years	**83**	51
within five years	**64**	61
after five years	**152**	132
	758	518

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	**156**	158
Letters of credit	**17**	14

Notes to the financial statements continued.

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

	June 2011 $M	June 2010 $M
The following risks are insured at 1 July 2011 in respect of each event up to a maximum of:		
Public and product liability	**US$150**	US$100
Loss or damage to group property including business interruption	**NZ$1,000**	NZ$900
Marine public liability	**NZ$50**	NZ$50
Public liability resulting from construction activities	**NZ$100**	NZ$100
Contract works – separate cover is arranged for each contract and the insured value will generally exceed the contract value	**NZ$20**	NZ$20

32 Related party transactions

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Fletcher Building group				
Trading activities with related parties:				
Purchase of scrap metal from Sims Pacific Metals Limited	**118**	112		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited, and is included within creditors	**4**	5		
Purchase of raw materials from Wespine Industries Pty Limited and Dynea Industries WA Pty Limited	**39**	32		
Amounts owing relating to the purchase of raw materials from Wespine Industries Pty Limited and Dynea Industries WA Pty Limited, and is included within creditors	**4**	3		
Purchase of materials from Dongwha Pattina NZ Limited	**8**	15		
Sale of materials to Dongwha Pattina NZ Limited	**6**	1		
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	**10**	11		
Sale of materials to Homapal Plattenwerk GmbH & Co	**1**			
Amounts owing relating to the purchase of materials from Homapal Plattenwerk GmbH & Co, and is included within creditors	**1**	1		
Purchase of materials from Mt Marrow Blue Metal Quarries Pty Limited	**1**	1		
Key management personnel compensation				
Directors fees	**2**	2		
Executive committee remuneration paid, payable or provided for:				
Short term employee benefits	**11**	11		
Share based payments	**2**	2		

32 Related party transactions continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2011 NZ$M	June 2010 NZ$M	June 2011 NZ$M	June 2010 NZ$M
Fletcher Building Limited				
Dividend income received from subsidiary companies			229	4
Gain on sale of 20% in FBHL, to Fletcher Building Industries Limited (FBIL)			321	
Term receivable owing from subsidiary companies [1]			705	637
Term receivable owing from subsidiary companies [2]			100	
Liability owing to subsidiary companies [3]			962	948
Liability owing to subsidiary companies [4]				323
Liability owing to subsidiary company [5]			1,061	1,074

[1] These unsecured advances represent long term funding even though they are for no fixed term and bear interest at 10.2 percent.
[2] These unsecured advances represent long term funding even though they are for no fixed term and bear interest at 7.5 percent.
[3] These unsecured advances represent long term funding even though they are for no fixed term and bear interest at 6.7 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 represents long term funding even though it is for no fixed term and is non interest bearing.

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

Fletcher Building Retirement Plan

As at 30 June 2011, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $8,500,000 of shares and $18,500,000 of capital notes in Fletcher Building, (June 2010: $7,400,000 of shares; $18,500,000 of capital notes).

33 Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2011, 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 Industries Limited	NZ	100	Holding company
Tasman Insulation New Zealand Limited	NZ	100	Insulation
AHI Roofing Limited	NZ	100	Roofing
Forman Group Limited	NZ	100	Insulation
Crane Distribution NZ Limited	NZ	100	Retail
Fletcher Building (Fiji) Limited	Fiji	100	Infrastructure
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
Crane Group Limited	Australia	100	Holding company
Crane Distribution Limited	Australia	100	Retail
Hudson Building Supplies Pty Limited	Australia	100	Retail
Iplex Pipelines Australia Pty Limited	Australia	100	Building products
Kingston Bridge Engineering Pty Limited	Australia	100	Building products
Australian Construction Products Pty Limited	Australia	100	Roading products

33 Principal operations continued

	Country of domicile	% Holding	Principal activity
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
Mitchell Water	Australia	40	Pipeline contractor
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

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 Crane, 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 the Formica 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 2011, $87 million of deferred actuarial losses (June 2010: $123 million) will be amortised in future years.

Fletcher Building Limited has an obligation to ensure that the funding ratio of the New Zealand plan's assets is at least 115 percent of the plan's actuarial liability. This is based upon any two consecutive annual actuarial valuations as calculated by the plan's actuary. This calculation is done on the plan's funding basis which differs from the calculation under NZ IAS 19. At 31 March 2011 the value of the assets was 127.1 percent of the actuarial liability and the funded surplus was $60 million (31 March 2010: 122.6 percent, $51 million).

During the year the company contributed $5 million in respect of its Australian defined benefit plans and $32 million in respect of its Australian defined contribution plans. It contributed $15 million in respect of its Formica defined benefit and medical plans and $1 million to its New Zealand plan on behalf of its employees as part of their salary sacrifice arrangements.

	June 2011 NZ$M	June 2010 NZ$M
Net periodic pension cost		
Service cost	**(11)**	(12)
Interest cost	**(34)**	(35)
Actual return on assets	**72**	80
Experience adjustments on plans assets – the difference between the expected and actual return	**(34)**	(43)
Effect of settlements and curtailments		
Amortisation of deferred actuarial (loss)/deferred actuarial gain	**(13)**	(11)
Net periodic pension cost – recognised in operating earnings	**(20)**	(21)
Recognised net asset/(liability)		
Assets of plans	**690**	659
Projected benefit obligation	**(742)**	(756)
Funded surplus/(obligation)	**(52)**	(97)
Deferred actuarial loss/deferred actuarial (gain) [1]	**87**	123
Recognised net asset/(liability)	**35**	26

[1] The deferred actuarial loss is being amortised over eight years.

	June 2011 NZ$M	June 2010 NZ$M
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	**58**	61
Australian plans	**14**	9
Retirement plan surplus – recognised within note 21, Investments	**72**	70
Other overseas plans	**(37)**	(44)
Retirement plan liability – recognised within non current liabilities	**(37)**	(44)
Recognised net asset/(liability)	**35**	26

34 Retirement plans continued

	June 2011 NZ$M	June 2010 NZ$M
Movement in recognised net asset/(liability)		
Recognised net asset/(liability) at the beginning of the year	**26**	17
Currency translation	**5**	7
Acquisitions	**2**	(1)
Net periodic pension cost	**(20)**	(21)
Employer contributions	**22**	24
Recognised net asset/(liability)	**35**	26
Assets of the plans		
Assets of plans at the beginning of the year	**659**	622
Actual return on assets	**72**	80
Total contributions	**25**	28
Benefit payments	**(45)**	(50)
Settlements and curtailments	**(2)**	1
Acquisition adjustment	**5**	4
Currency translation	**(24)**	(26)
	690	659
Assets of the plans consist of:		
Australasian equities	**87**	81
International equities	**265**	245
Property	**35**	23
Bonds	**264**	255
Cash and short term deposits	**14**	30
Other assets	**25**	25
	690	659
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(756)**	(693)
Service cost	**(11)**	(12)
Interest cost	**(34)**	(34)
Member contributions	**(3)**	(4)
Actuarial gain/(loss) arising on movements in the discount rate	**(10)**	(70)
Actuarial gain/(loss) arising on other assumptions – experience adjustments	**(9)**	(21)
Benefit payments	**45**	50
Settlements and curtailments	**2**	(1)
Acquisition adjustment	**(3)**	(5)
Currency translation	**37**	34
	(742)	(756)

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:

	2011 %	2010 %
Assumed discount rate on benefit obligations	**4.56**	4.76
Expected annual rate of return on plan assets	**6.11**	6.16
Annual rate of increase in future compensation levels	**3.43**	3.41

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

The group expects to contribute $22 million to its Australian and other overseas defined benefit plans during the year to 30 June 2012.

35 Share based payments

Executive share schemes

The group has implemented long term cash based incentive schemes targeted at the executives most able to influence the results of the group, with an agreed percentage of any cash received to be invested in purchasing the company's shares. For all participants in the 2007 scheme, and for most participants in the 2008 scheme, 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. For a small number of participants in the 2008 scheme and all participants in the 2009 and 2010 schemes, a variation was implemented whereby the three year restricted period is automatically extended by up to one further year if total shareholder return does not exceed the 51st percentile. Participants may elect to extend the restricted period if total shareholder return is between the 51st and 75th percentiles.

In addition, for the relevant participants in the 2008, 2009 and 2010 schemes, payment of half of any benefit is dependent upon total shareholder return, including the one-year extension of the restricted period, and payment of the other half of any benefit is dependent upon the group achieving an earnings per share target over the three year restricted period. No one-year extension is made for any benefit which is dependent upon the earnings per share performance target.

The group provides interest free loans to executives, who instruct the trustee to purchase shares on their behalf. The shares purchased by executives are held by the trustee with executives entitled to vote and receive dividends, the proceeds of which are used to repay the interest free loan.

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

35 Share based payments continued

The following are details in regards to the share schemes:

	2010 Scheme	2009 Scheme	2008 Scheme	2007 Scheme
Grant date	1 October 2010	1 October 2009	1 October 2008	1 October 2007
Number of shares granted	963,382	811,927	964,128	341,401
Market price per share at grant date	$8.32	$8.23	$6.94	$12.69
Total consideration paid	$8,015,338	$6,682,159	$6,691,048	$4,332,379
Vesting date	30 September 2013	30 September 2012	30 September 2011	30 September 2010
Maximum bonus payable – expensed over three years	$15,305,364	$13,063,404	$13,845,976	$8,518,744
Number of shares:				
Number of shares originally granted	963,382	811,927	964,128	341,401
Less forfeited over life of scheme	(9,952)	(41,655)	(116,635)	(143,916)
Less vested over life of scheme	(25)	(1,733)	(29,013)	(197,485)
Number of shares held at 30 June 2011	**953,405**	**768,539**	**818,480**	

	June 2011 NZ$	June 2010 NZ$
Total amount expensed in year for executive performance share schemes	**12,936,098**	10,597,112
Liability recognised at year end for bonus payable	**23,869,768**	19,856,176

Notes to the financial statements continued.

36 Segmental information

	Building Products	Crane	Distribution	Infrastructure	Laminates & Panels	Steel	Other	Group
Industry segments				**Year ended 30 June 2011**				
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Sales – gross	**786**	**661**	**859**	**2,128**	**2,002**	**1,272**	**7**	**7,715**
Sales – inter segment	**(94)**	**(38)**	**(3)**	**(76)**	**(23)**	**(58)**	**(7)**	**(299)**
Sales – external	**692**	**623**	**856**	**2,052**	**1,979**	**1,214**		**7,416**
Operating earnings (EBIT)	**31**	**11**	**39**	**185**	**159**	**83**	**(16)**	**492**
Unusual items included in operating earnings	**(80)**	**(18)**			**(9)**		**3**	**(104)**
Total assets	**711**	**1,788**	**242**	**1,634**	**2,173**	**750**	**194**	**7,492**
Total liabilities	**111**	**436**	**120**	**462**	**386**	**159**	**2,118**	**3,792**
Capital expenditure including acquisitions	**22**	**7**	**11**	**131**	**114**	**20**	**1,375**	**1,680**
Depreciation and amortisation expense	**27**	**9**	**9**	**72**	**64**	**23**	**1**	**205**
				Year ended 30 June 2010				
	NZ$M		NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Sales – gross	881		894	2,110	1,963	1,231	7	7,086
Sales – inter segment	(83)		(16)	(90)	(33)	(59)	(6)	(287)
Sales – external	798		878	2,020	1,930	1,172	1	6,799
Operating earnings (EBIT)	114		38	164	141	82	(18)	521
Total assets	792		258	1,510	2,175	730	200	5,665
Total liabilities	119		139	460	419	180	1,325	2,642
Capital expenditure including acquisitions	24		9	65	75	17	1	191
Depreciation and amortisation expense	26		9	70	76	25		206

36 Segmental information continued

Geographic segments	New Zealand	Australia	Nth America	Asia	Europe	Other	Group
Year ended 30 June 2011							
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Sales – external	**3,454**	**2,857**	**401**	**242**	**355**	**107**	**7,416**
Operating earnings (EBIT)	**234**	**179**	**20**	**37**	**11**	**11**	**492**
Unusual items included in operating earnings	**(16)**	**(88)**					**(104)**
Total assets	**2,641**	**3,706**	**334**	**405**	**342**	**64**	**7,492**
Total liabilities	**1,287**	**2,241**	**79**	**36**	**103**	**46**	**3,792**
Capital expenditure including acquisitions	**101**	**1,538**	**22**	**6**	**10**	**3**	**1,680**
Depreciation and amortisation expense	**94**	**79**	**15**	**7**	**8**	**2**	**205**
Year ended 30 June 2010							
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Sales – external	3,358	2,286	436	238	388	93	6,799
Operating earnings (EBIT)	256	209	13	30	4	9	521
Total assets	2,270	2,149	371	485	333	57	5,665
Total liabilities	1,188	1,144	92	41	129	48	2,642
Capital expenditure including acquisitions	82	66	17	6	18	2	191
Depreciation and amortisation expense	91	74	18	9	12	2	206

Independent auditor's report.

TO THE SHAREHOLDERS OF FLETCHER BUILDING LIMITED

Report on the company and group financial statements

We have audited the accompanying financial statements on pages 40 to 87 of Fletcher Building Limited ("the company") and the group, comprising the company and its subsidiaries. The financial statements comprise the balance sheets as at 30 June 2011, the earnings statements and statements of comprehensive income, movements in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion the financial statements on pages 40 to 87:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 30 June 2011 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(l)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Fletcher Building Limited as far as appears from our examination of those records.

KPMG

17 August 2011
KPMG Auckland, New Zealand

Trend statement.

	June 2011	June 2010	June 2009	June 2008	June 2007	June 2006	June 2005	June 2004	June 2003
Notes	5			4			3	2	1
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Financial performance									
Operating sales/revenue	**7,416**	6,799	7,103	7,091	5,926	5,520	4,636	3,958	3,221
Operating earnings (EBIT)	**492**	521	159	768	703	675	612	460	331
Net earnings	**283**	272	(46)	467	484	379	347	240	168
Cashflow from operations	**402**	522	533	434	483	560	479	424	276
Earnings per share – basic (cents per share)	**45.0**	44.9	(8.7)	93.2	101.9	81.3	77.6	55.7	43.4
Dividends for the period (cents per share)	**33.0**	29.0	38.0	48.5	45.0	40.0	32.0	25.0	19.0
Balance sheet									
Current assets	**3,159**	2,317	2,255	2,549	2,074	1,699	1,484	1,171	1,021
Non current assets	**4,333**	3,397	3,550	3,686	2,359	2,400	2,173	1,611	1,427
Total assets	**7,492**	5,714	5,805	6,235	4,433	4,099	3,657	2,782	2,448
Current liabilities	**1,771**	1,384	1,313	1,436	1,187	1,207	1,239	818	776
Non current liabilities	**2,021**	1,307	1,508	2,043	950	1,092	991	918	812
Total liabilities	**3,792**	2,691	2,821	3,479	2,137	2,299	2,230	1,736	1,588
Capital	**2,553**	1,912	1,895	1,364	1,325	970	929	754	628
Reserves	**1,113**	1,077	1,057	1,351	926	786	455	252	195
Minority equity	**34**	34	32	41	45	44	43	40	37
Total equity	**3,700**	3,023	2,984	2,756	2,296	1,800	1,427	1,046	860
Total liabilities and equity	**7,492**	5,714	5,805	6,235	4,433	4,099	3,657	2,782	2,448
Other financial data									
Return on average funds (%) [6]	**10.6**	12.7	3.4	19.0	24.8	26.1	29.3	24.7	24.4
Return on average equity (%) [7]	**8.2**	9.1	(1.6)	19.0	26.0	24.6	29.5	24.3	23.0
Net debt/net debt plus equity (%)	**33.8**	26.8	31.1	40.1	22.2	37.1	44.4	43.1	49.9
Net tangible assets per share ($)	**2.71**	2.90	2.80	2.90	3.25	2.47	2.11	1.68	1.54
Market capitalisation (NZ$M)	**5,850**	4,763	3,967	3,197	6,166	4,296	3,207	1,987	1,490
Total shareholders return (%)	**14**	24	14	(43)	42	40	61	33	43

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

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

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

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

[5] The Crane group was acquired with an effective acquisition date of 28 March 2011.

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

[7] Net earnings/average shareholders' funds.

Regulatory disclosures.

Directors' relevant interests in equity securities at 30 June 2011

	Ordinary shares		Capital notes	
	Directly held	Held by associated persons	Directly held	Held by associated persons
A J Carter		29,535		50,000
H A Fletcher		811,793		
A T Jackson	11,000			
J F Judge		22,513		
J P Ling[1]	1,055,016	324,262		
G T Tilbrook	12,000			
K M Vautier	55,692	19,242	229,000	33,500
R G Waters		1,000,093		
	1,133,708	**2,207,438**	**229,000**	**83,500**

[1] Includes 1,000,000 options

Securities dealings by directors

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

Director	Number of securities acquired	Number of securities disposed	Consideration $	Date
J P Ling	542		$4,406	20/10/10
J P Ling	97,408		$810,435	22/10/10
J P Ling		5,930	$75,252	22/10/10
A J Carter	10,000		$83,425	21/02/11
J P Ling	415		$3,852	01/04/11
K M Vautier		3,219	N/A	04/04/11
A J Carter	50,000		$50,000	20/04/11
K M Vautier	200,000		$200,000	03/05/11
K M Vautier		42,000	N/A	07/05/11
A T Jackson	3,000		$27,142	12/05/11

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 2011 of:

K M Vautier	Ceased to be an adviser to the partnership board of Deloitte	01/09/10
A T Jackson	Appointed as a director of New Zealand Racing Board	20/10/10
K M Vautier	Appointed as chair of the Auckland City Mission	02/11/10
A J Carter	Appointed as a director of Air New Zealand	01/12/10
A J Carter	Resigned as a director of Foodstuffs	01/12/10
A J Carter	Appointed as a director of Fisher & Paykel Healthcare	01/12/10
A T Jackson	Appointed chairman of Housing New Zealand Corporation	17/12/10
J F Judge	Resigned as chairman and director of Museum of New Zealand, Te Papa Tongarewa	31/12/10
H A Fletcher	Resigned as a councillor of the University of Auckland	31/01/11
R G Waters	Appointed as a director of Woolworths	01/02/11
R G Waters	Resigned as chairman and director of Fisher & Paykel Appliances	28/02/11

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 2011

Name	Number of shares	% of shares
New Zealand Central Securities Depository Limited	310,964,533	45.83
RBC Dexia Investor Services Australia Nominees Pty Limited	42,714,544	6.29
JP Morgan Nominees Australia Limited	38,991,506	5.75
National Nominees Limited	33,175,222	4.89
HSBC Custody Nominees (Australia) Limited	21,570,019	3.18
Citicorp Nominees Pty Limited	17,823,170	2.63
Custodial Services Limited	10,479,865	1.54
Cogent Nominees Pty Limited	9,757,553	1.44
UBS Nominees Pty Limited	5,171,484	0.76
FNZ Custodians Limited	4,991,011	0.74
AMP Life Limited	4,804,339	0.71
Investment Custodial Services Limited	4,662,951	0.69
Southern Steel Group Pty Limited	3,989,365	0.59
Masfen Securities Limited	3,540,070	0.52
Fletcher Building Share Schemes Limited	2,644,205	0.39
Fletcher Building Educational Fund Limited	2,069,462	0.30
New Zealand Depositary Nominee Limited	1,986,730	0.29
Private Nominees Limited	1,763,881	0.26
Forsyth Barr Custodians Limited	1,674,787	0.25
NZPT Custodians (Grosvenor) Limited	1,031,328	0.15

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	111,300,047	16.40
HSBC Nominees (New Zealand) Limited	73,817,784	10.88
Accident Compensation Corporation	24,096,749	3.55
Citibank Nominees (New Zealand) Limited	19,013,811	2.80
New Zealand Superannuation Fund Nominees Limited	18,554,373	2.73
Tea Custodians Limited	10,407,764	1.53
Premier Nominees Limited	9,939,786	1.46
JP Morgan Chase Bank NA	7,098,969	1.05
NZGT Nominees Limited	6,065,881	0.89
AMP Investments Strategic Equity Growth Fund	5,055,416	0.75

Regulatory disclosures continued.

Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 August 2011, 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 678,573,570.

Substantial security holders	Number of voting securities	Date of notice
The Capital Group Companies, Inc	50,703,096	4/03/11
AMP Limited	46,029,491	30/03/11
Perpetual Trustees Australia	68,137,195	23/08/11

Distribution of shareholders and holdings as at 31 July 2011

Size of holdings	Number of shareholders	%	Number of shares	%
1 to 999	17,027	38.97	6,901,748	1.02
1,000 to 4,999	20,253	46.36	44,220,632	6.52
5,000 to 9,999	3,873	8.87	25,662,331	3.78
10,000 to 49,999	2,272	5.20	39,331,577	5.80
50,000 to 99,999	123	0.28	8,192,120	1.21
100,000 to 499,999	93	0.21	17,859,291	2.62
500,000 and over	50	0.11	536,405,871	79.05
Total	**43,691**	**100.00**	**678,573,570**	**100.00**

Geographic distribution	Number of shareholders	%	Number of shares	%
New Zealand	31,990	73.22	465,901,971	68.66
Australia	10,995	25.16	210,356,259	31.00
United States of America	123	0.28	259,967	0.04
Rest of the World	583	1.34	2,055,373	0.30
Total	**43,691**	**100.00**	**678,573,570**	**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 1,133.

The other equity securities on issue are 531 million of Fletcher Building Industries Limited capital notes, which can convert to Fletcher Building Limited ordinary shares on the basis of 98 percent of the then current value of the shares. There were 9,094 holders of the capital notes at 31 July 2011. These equity securities are quoted on the NZX but are unquoted on the ASX.

Distribution of capital noteholders and holdings as at 31 July 2011

Fletcher Building Industries Limited				
Size of holding	Number of noteholders	%	Number of capital notes	%
1 to 4,999	1,313	14.44	3,814,666	0.72
5,000 to 9,999	1,555	17.10	9,909,166	1.87
10,000 to 49,999	4,712	51.81	95,907,417	18.05
50,000 to 99,999	946	10.40	55,423,000	10.43
100,000 to 499,999	503	5.53	78,447,500	14.76
500,000 and over	65	0.72	287,818,251	54.17
Total	**9,094**	**100.00**	**531,320,000**	**100.00**

Limitations on the acquisition of the company's securities

The terms of the company's admission to the ASX and ongoing listing require the following disclosures.

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.

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

In accordance with the requirements of the ASX waiver, the company certifies that during the 12 months to 30 June 2011 it has been subject to, and has complied with, the requirements of the NZX with respect to the issue of new securities and that it continues to comply with those requirements.

Regulatory disclosures continued.

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 2011.

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 268 subsidiaries worldwide at 30 June 2011.

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, P Binti Mohamad, W Roest, C Ellis, P Wilson

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

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
C Ellis, A O'Brien, M Adamson, P Wilson

AHI Roofing Limited
W Roest, C Ellis

AHI Roofing Proisvodnja In Distribucija Stresnih Sistemov D.O.O.
C Ellis, M Adamson

AHI Roofing Pty Limited
D Le Quesne, C Ellis

Aickin Timber Limited
W Roest, J Beveridge

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

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

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

Amtel Pty Limited
T Richards, P Zuckerman

Anson Building Supplies Limited
J Beveridge, A Anson (R), R de Raat (A) (R), C Tucker (A) (R)

Aramis Investments Limited
W Roest, M Farrell

Associated Water Equipment Pty. Ltd.
D Worley, W Roest, M Fitzgerald (R)

Auckland Frame and Truss Supplies Limited
O Lyttleton, D King, J Beveridge, D Deavoll, S Marshall, R Spiers, A Sellar (R)

Austral Bronze Crane Copper Limited
D Worley, W Roest, S Robertson, M Fitzgerald (R)

Australian Construction Products Pty Limited
M Binns, Z Paris, P Smaller (R), E Smaller (R)

Australian Fibre Glass Pty Limited
D Le Quesne, V Gulia

Bandelle Pty Limited
D Le Quesne, V Gulia

Baron Insulation Pty Ltd
C Ellis, D Isaacs

Boden Building Supplies Limited
P Boden, J Beveridge, R de Raat (A) (R), C Tucker (A) (R)

Builders Hardware Company Limited
J Beveridge, R de Raat (A) (R), R Callon (A) (R), P Dolheguy (R)

Building Choices Limited
D Close, J Beveridge, R Callon (A), R de Raat (A) (R)

Burford Building Choices Limited
J Beveridge, C Tucker (A) (R), R de Raat (A) (R), A Burford (R)

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

Calder Building Supplies Limited
J Beveridge, R de Raat (A) (R)

Calvert Building Supplies Limited
J Beveridge, R de Raat (A) (R)

Campbell Building Supplies Limited (L)
J Beveridge, R de Raat, D Edwards (R)

Caravan Components Pty Limited
D Le Quesne, V Gulia

Charmac Industries Proprietary Limited
D Worley, W Roest, M Fitzgerald (R)

Christchurch Frame & Truss Limited
J Beveridge, D Close, B Bibbie, R Callow, M Evans, R Grimmer (A), O Lyttelton (A), I McDonald, R de Raat (A) (R)

Cleaver Building Supplies Limited
M Cleaver, J Beveridge, R Callow (A), V Grant (A), R de Raat (A) (R)

Cloudguard No 96 Pty Ltd
D Worley, W Roest, L Tutt (R), M Fitzgerald (R)

Collier Building Supplies Limited
J Beveridge, R de Raat (A) (R)

Consort Laminates Limited
M Adamson, P Hall

Crane Distribution Limited
D Worley, W Roest, I Timmons, M Fitzgerald (R)

Crane Distribution NZ Limited
W Roest, M Farrell, D Worley, I Timmons (R), K Hunt (R), S Priest (R), M Fitzgerald (R)

Crane Distribution Properties Limited
W Roest, M Farrell, D Worley, I Timmons (R), K Hunt (R), S Priest (R), M Fitzgerald (R)

Crane Employee Services Pty Limited
D Worley, W Roest, M Fitzgerald (R)

Crane Enfield Metals Pty Limited
D Worley, W Roest, M Fitzgerald (R)

Crane Group Limited
D Worley, D Le Quesne, W Roest, P Zuckerman (R), C Ellis (R), M Binns (R), L Tutt (R), T Carroll (R), J Morton (R)

Creeks Metal Industries Pty Limited
D Le Quesne, V Gulia

Crevet Ltd
D Worley, W Roest, R McLeod, W Wood (R), M Fitzgerald (R)

Crevet Pipelines Pty Ltd
D Worley, W Roest, R McLeod, M Fitzgerald (R)

Cullen Building Supplies Limited
R Cullen, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

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

Dale King Building Supplies Limited
J Beveridge, D King, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Davis & Casey Building Supplies Limited
T Davis, J Beveridge, V Grant (A), R Callon (A), R de Raat (A) (R)

Deavoll Building Supplies Limited
J Beveridge, D Deavoll, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Decorative Surfaces Holding AB
M Adamson, U Hector, D Ingvar, M Nordgren (R), H Lindegard (R)

Decra Roofing Systems, Inc.
W Hudson, C Ellis

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

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

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

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. 15) Limited
W Roest, M Binns

Delcon Holdings (No. 16) Limited
M Farrell, W Roest

DVS Healthy Homes Limited
C Ellis, W Roest, M Farrell (R)

DVS Limited
C Ellis, W Roest

EE-Fit Pty Limited
C Ellis, D Isaacs

EFA Technologies Pty Limited
M Binns, G West

Engineered Timber Solutions Ltd
J Beveridge

Evans Building Supplies Limited
M Evans, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

FBHS (Aust) Pty Limited
T Richards, P Zuckerman

FBSOL Pty Limited
T Richards, P Zuckerman

FDL No. 26 Limited
J Beveridge

FDL No. 27 Limited
J Beveridge

FDL No. 28 Limited
J Beveridge

FDL No. 29 Limited
J Beveridge

FDL No. 30 Limited
J Beveridge

Fegan Building Supplies Limited (L)
J Beveridge, R de Raat (A) (R)

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

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

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

Fletcher Building Holdings Limited
W Roest, M Farrell, P Ling

Fletcher Building Holdings USA Inc.
W Hudson, C Ellis

Fletcher Building Industries Limited
J Judge, A Jackson, H Fletcher, J Ling, A Carter, K Vautier (R), R Waters, G Tilbrook, Sir D Spring (R)

Fletcher Building Netherlands Antilles B.V.
M Farrell, E Rakers (US $3,865), W Roest, S Coeriel

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, M Farrell, W Roest, C Munkowits, P Merry (R)

Fletcher Building Products Limited
C Ellis, W Roest

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

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

Fletcher Challenge Building UK Limited
J Ollard, D Wood

Fletcher Challenge Finance Investments Limited
W Roest, M Farrell

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

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

Fletcher Challenge Investments Overseas Limited
W Roest, M Farrell

Fletcher Challenge Overseas Holdings Limited
W Roest, M Farrell

Fletcher Composite Research Limited
W Roest, P Zuckerman

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

Fletcher Concrete & Infrastructure Limited
M Binns, W Roest

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

Fletcher Construction (Nouvelle Caledonie) Limited
A Brown

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

Fletcher Construction Australia Pty Limited
M Binns, V Gulia, C Munkowits (R)

Fletcher Construction Company (Fiji) Limited
A Brown, L Gray, J Matthews

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

Fletcher Distribution Limited
W Roest, J Beveridge

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

Fletcher Insulation Pty Limited
C Ellis, D Isaacs

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

Fletcher Pacific Steel (Fiji) Limited
D Hargovind (FJ$2,500), W Roest, I Jones, 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, D Noonan (A), L Box (A) (R)

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

FMB Comércio Importacão e Exportacão de Laminados Decorativos Ltda
G Pikielny

Forman Building Systems Limited
C Ellis, W Roest

Forman Building Systems Pty Limited
C Ellis, D Isaacs

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
C Wang, D Wang

Formica (Malaysia) Sdn. Bhd.
C Wang, J Yang, K Leong, T Ren (R)

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

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

Formica (Singapore) Pte. Ltd
C Wang, C Chang, DH Wang

Formica (Thailand) Co., Ltd
W Kunanantakul, S Oetama, DH Wang, C Wang

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

Formica Corporation
W Roest, D Worley, M Adamson

Formica Danmark A/S
U Hector, D Ingvar, R Pollington, M Nordgren (R), H Lindegard (R), J Whisker (R)

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

Formica Finance Limited
M Adamson, P Hall, W Roest

Formica Global LLC
M Adamson, L Box, R Bollman, M Vernon

Formica Holdco UK Limited
M Adamson, P Hall

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

Formica Holding GmbH
M Adamson, E Hoernisch, J Schuster (R)

Formica Holdings Limited
M Adamson, N Mason, P Hall, R Pollington, J Whisker (R)

Formica II Corporation
W Roest, D Worley, M Adamson

Formica Iki Oy
M Adamson, D Ingvar, R Pollington, H Lindegard (R), J Whisker (R)

Formica International LLC
M Adamson, L Box, R Bollman, M Vernon

Formica Korea Corporation
C Wang, T Ren

Formica Limited
M Adamson, L Box, P Hall, R Pollington, W Roest, N Mason, D Worley, D Pallas, J Whisker (R)

Formica LLC
R Pollington, A Tsvetov, H Storagatan (R), D Worley (R)

Formica Middle East B.V.
M Adamson

Formica Norge A/S
S Berge, I Delen, U Hector, M Nordgren (R), H Lindegard (R), J Whisker (R)

Formica PSM Limited
M Adamson, P Hall

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

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

Formica Skandinavien AB
M Adamson, I Delen, R Pollington, M Nordgren (R), H Lindegard (R), J Whisker (R)

Formica SP.zo.O.
M Adamson, N Mason, J Whisker (R)

Formica Taiwan Corporation
C Wang, T Ren, DH Wang, S Oetama (R), S Limboonyaprasert (R)

Formica Vertriebs GmbH
M Adamson, E Hoernisch, J Schuster (R)

Gatic Pty Limited
D Worley, W Roest, R McLeod, M Fitzgerald (R)

G E Crane Investments Pty Ltd
D Worley, W Roest, M Fitzgerald (R)

G E Crane Securities Pty Ltd
D Worley, W Roest, M Fitzgerald (R)

G. E. Crane N.Z. Holdings Ltd
W Roest, M Farrell, D Worley, I Timmons (R), K Hunt (R), S Priest (R), M Fitzgerald (R)

G. E. Crane N.Z. Ltd
W Roest, M Farrell, D Worley, I Timmons (R), K Hunt (R), S Priest (R), M Fitzgerald (R)

Geoff Brown Building Supplies Limited
G Brown, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

Geraldton Independant Building Supplies Pty Limited
D Worley, W Roest, D Noonan (A)

Graeme Joy Building Supplies Limited
G Joy, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Gravure et Polissage de Surfaces Metalliques
M Adamson, P Hall, N Mason, R Lambert (R)

Gray Building Supplies Limited
J Beveridge, R de Raat (A) (R)

Hedges Building Supplies Limited
J Beveridge, R de Raat (A) (R), C Tucker (A) (R), R Hedges (R)

Homopal Plattenwerk GmbH & Co KG
F Homann, M Adamson

Home&Dry Limited
M Farrell, W Roest

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

Hudson Building Supplies Pty Limited
W Roest, D Worley, I Timmons, M Fitzgerald (R)

Icon Industries National Administration Pty Ltd
D Worley, W Roest, M Fitzgerald (R)

Insulation Solutions Holdings Pty Limited
D Le Quesne, V Gulia

Iplex Pipelines Australia Pty Limited
D Worley, W Roest, R McLeod, W Wood (R), M Fitzgerald (R)

Iplex Pipelines NZ Limited
W Roest, M Farrell, D Worley, B Holmes (R), K Kellow (R), C Mangos (R), M Fitzgerald (R)

Iplex Properties Pty. Limited
D Worley, W Roest, R McLeod, W Wood (R), M Fitzgerald (R)

John Cockburn Building Supplies Limited
J Cockburn, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

Ken Jones Building Supplies Limited
K Jones, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

Kenna Building Supplies Limited
L Kenna, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Kevin Jarvis Building Supplies Limited
J Beveridge, C Tucker (A), R de Raat (A) (R), K Jarvis (R)

Key Plastics Distribution Pty Ltd
D Worley, W Roest, M Fitzgerald (R)

Key Plastics Pty. Ltd.
D Worley, W Roest, R McLeod, M Fitzgerald (R)

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

Kimura Building Supplies Limited
J Kimura, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Kingston Bridge Engineering Pty Ltd
W Roest, D Worley, R McLeod, W Wood (R)

Regulatory disclosures continued.

Kinsey Kydd Building Supplies Limited
J Beveridge, S Kinsey, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Kusabs Building Supplies Limited
J Beveridge, G Kusabs, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

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

Laminates Holdings Pty Limited
W Roest, D Worley

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

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, D Noonan (A), L Box (A) (R)

Laminex Inc.
W Roest, D Worley

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

Laminex US Holdings Pty Limited
D Le Quesne, V Gulia

Langford-Lee Building Supplies Limited
J Beveridge, R de Raat (A) (R)

MacReady Building Supplies Limited
J Beveridge, R Callon (A), V Grant (A), J MacReady, R de Raat (A) (R)

McDonald Building Supplies Limited
J Beveridge, R Callon (A), R de Raat (A) (R), I McDonald (R)

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

Meleccio Enterprises Limited
M Binns, W Roest

Milnes-Gatic Pty Ltd
D Worley, W Roest

Milnes Holdings Limited
D Worley, W Roest, R McLeod, W Wood (R), M Fitzgerald (R)

Minnell Building Supplies Limited
J Beveridge, D Minnell, V Grant (A), C Tucker (A) (R), R de Raat (A) (R)

Morinda Australia Pty Limited
T Richards, P Zuckerman

Mount Timber & Hardware Limited
W Roest, J Beveridge

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

New Zealand Ceiling & Drywall Supplies Limited
D Jones

Nick Letica Building Supplies Limited
N Letica, J Beveridge, V Grant (A), C Tucker (A) (R), R de Raat (A) (R)

Nock Building Supplies Limited
J Beveridge, R de Raat (A) (R), C Tucker (A) (R), M Nock (R)

Northern Iron and Brass Foundry Pty. Ltd.
D Worley, W Roest, R McLeod, M Fitzgerald (R)

Pacific Trade & Export Limited
M Binns, W Roest

Perstorp Warerite Limited
M Adamson, P Hall

Phoenix Aluminium 2011 Limited
M Fletcher, C Ellis

PinkFit Limited
C Ellis, W Roest, M Farrell (R)

Placemakers Limited
W Roest, J Beveridge

Polymer Fusion Education Pty Ltd
W Roest, D Worley, R McLeod, W Wood (R)

Raoul Holdings Limited
M Binns, W Roest

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

Rocla Concrete Pipes Pty Limited
M Binns, D Le Quesne

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

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

Rocla Industries Pty Limited
D Le Quesne, V Gulia

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

Rocla Materials Pty Limited
M Binns, G West

Rocla NSW Pty Limited
M Binns, D Le Quesne

Rocla Pty Limited
M Binns, G West, S Baker

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

Rocla Vic Pty Limited
D Le Quesne, V Gulia

Rolleston Building Supplies Limited
R Rolleston, J Beveridge, V Grant (A), C Tucker (A) (R), R de Raat (A) (R)

S Cubed Pty Limited
T Richards, P Zuckerman

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

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

Shanghai Formica Decorative Material Co., Ltd
J Hu, C Kao, M de Pater, C Wang, S Yiu (R), H Lee (R)

Shed Boss NZ Limited
M Farrell, W Roest

Sisalation Pty Limited
C Ellis, D Isaacs

South Auckland Prenail and Truss Company Limited
J Beveridge

Southbound Building Supplies Limited
A Rance, J Beveridge, R Callon (A), V Grant (A), R de Raat (A) (R)

Steven Marshall Building Supplies Limited
S Marshall, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Stickland Building Supplies Limited
L Stickland, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

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, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

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

Tango Warkworth Limited
J Beveridge, C Loughlin

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 (US 3,675), M Farrell, S Coeriel, W Roest

Tasman Sinkware North America, Inc.
C Ellis

Tasman Sinkware Pty Limited
C Ellis, J Bayer

TBP Group Pty Limited
D Le Quesne, V Gulia

Ted Harper Building Supplies Limited
E Harper, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

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

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

Terry Mellsop Building Supplies Limited
J Beveridge, R de Raat (A) (R), T Mellsop (R), C Tucker (A) (R)

The Diller Corporation
W Roest, D Worley, M Adamson

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

Thor Plastics Pty Ltd
D Worley, W Roest, M Fitzgerald (R)

Trade Mart Limited
W Roest, J Beveridge

Trademates Limited
W Roest, J Beveridge

Trevor Cockburn Building Supplies Limited
J Beveridge, R de Raat (A) (R)

Unidur GmbH
M Adamson, J Schuster (R)

Ward Building Supplies Limited
R Ward, J Beveridge, V Grant (A), R de Raat (A) (R), C Tucker (A) (R)

Waterman Building Supplies Limited (L)
J Beveridge, R de Raat (A) (R)

Wellington Frame & Truss Limited
J Beveridge

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

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

Winstone Wallboards Limited
W Roest, C Ellis

Investor information.

Annual shareholders' meeting

The Annual Shareholders' Meeting of Fletcher Building Limited will be held in the SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, New Zealand, at 10.30 am on Wednesday 16 November 2011.

Final dividend information

The company has declared a final dividend for the year of 17 cents per share payable on 19 October 2011. This is in addition to the interim dividend of 16 cents per share paid in April 2011. The final dividend has imputation credits attached at a 28 percent tax rate. There are no Australian franking credits attached.

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 2011 can be viewed at the Fletcher Building website, at **fletcherbuilding.com**.

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

Shareholder communications

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

Direct crediting of interest and dividends

To minimise the risk of fraud and misplacement of dividend cheques shareholders are strongly recommended to have all payments made by way of direct credit to their nominated New Zealand or Australian 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 inside 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.

Directory.

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
T. +64 9 525 9000

Australia
Fletcher Building Australia
Locked Bag 7013,
Chatswood DC 2067
NSW 2067, Australia

Level 11, Tower B, Zenith Centre
821 Pacific Highway
Chatswood, NSW 2067, Australia
T. +61 2 8986 0900
ARBN 096 046 936

Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online:
www.computershare.co.nz/investorcentre
Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

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
T. +64 9 488 8777
F. +64 9 488 8787
E. enquiry@computershare.co.nz

Australia
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia
T. 1800 501 366 (within Australia)
T. +61 3 9415 4083 (outside Australia)
F. +61 3 9473 2009

Other investor enquiries

Fletcher Building Limited
Private Bag 92 114
Victoria Street West
Auckland 1142, New Zealand
T. +64 9 525 9000
F. +64 9 525 9032
E. moreinfo@fb.co.nz

Other information

fletcherbuilding.com

Fletcher Building Limited

fletcherbuilding.com