
Fletcher Building Annual Report 2012

# CONNECTED FOR STRENGTH

**The creation of our built environment starts with natural resources.** Stone is crushed for aggregate, cement and concrete. Forestry offcuts are harvested to be turned into timber boards. Gypsum is refined into plaster. Building products are created: pipes, roofing tiles, wallboards and reinforcing and cladding materials. These in turn are used to form the infrastructure and buildings of the communities in which we operate around the world.

Fletcher Building is there – from the fundamental process of quarrying, to the construction of complex infrastructure and building projects. We have more than fifty businesses delivering building products, construction material and services across New Zealand, Australia, the South Pacific, Asia, North America and Europe. Connected across products, brands, people, and responsive to opportunities in times of growth. Developed over a century to create enduring value for our shareholders, customers and communities.

## Connected for growth.

Winstone Aggregates' Hunua quarry in South Auckland, New Zealand, has been in operation since 1956. In the 2012 financial year the team at Hunua moved 1.64 million tonnes of aggregates, up 13 percent on the prior year.

Concrete Page 19

fletcherbuilding.com/divisions/concrete

## Connected to the environment.

Golden Bay Cement's Northland manufacturing plant sits on the shores of Whangarei Harbour. In May 2012 the company won a national award for its use of renewable wood energy.

Concrete Page 19

fletcherbuilding.com/divisions/concrete


# Connected for returns.

Iplex pipe being installed on the Wimmera Mallee Pipeline Project, in Victoria, Australia. Iplex pipelines operates 11 manufacturing facilities in Australia, including a new AU$28m site, opened in August 2012.

Crane Page 22

fletcherbuilding.com/divisions/crane



## Connected to our customers.

Formica® High Pressure Laminate was used in the bold fitout of international fashion retailer Topshop's Oxford Street store in London. Formica celebrates its centenary in 2013.

Laminates & Panels
Page 24

fletcherbuilding.com/divisions/laminates

# Contents.



You can obtain an electronic copy of the Annual Report by going to the following website address: **fletcherbuilding.com/reports/12**

The Annual Shareholders' Meeting of Fletcher Building Limited will be held in the Level 4 Lounge, Corporate Entry G, South Stand, Reimers Avenue, Eden Park, Mt Eden, New Zealand, at 10.30 am on Tuesday 20 November 2012.

This report is dated 18 September 2012 and is signed on behalf of the board of Fletcher Building Limited.

**Ralph Waters**
Chairman of Directors

**Jonathan Ling**
Managing Director

# Snapshot.

## 34c

**PER SHARE DIVIDEND** for the 2012 financial year, with a final dividend of 17 cents per share.

## $185m

**NET EARNINGS** for the 2012 financial year.

## 20%

**REDUCTION** in Total Recordable Injury Frequency Rate for employees and contractors per million hours (TRIFR) which this year was 8.48 compared with 10.57 in 2011. Lost time injury frequency rate (LTIFR) was 3.27 compared with 4.11 in 2011.

## $403m

**OPERATING EARNINGS** (earnings before interest and tax) compared with $492 million in the previous year.

# Chairman's review.

**Ralph Waters**
Chairman

**This year has again been one of challenging economic conditions which have significantly impacted on the performance of Fletcher Building.**

A year ago, we were looking ahead with some caution as to the likely activity levels in each of our key markets. Unfortunately, our caution was exceeded by the reality of continued global uncertainty, a weak recovery in New Zealand and a continued decline in Australian construction activity. Added to this, continued earthquakes and aftershocks in Canterbury frustrated the rebuilding efforts there.

It is in this context that our performance for the year needs to be assessed. While we did not meet the financial performance targets we set for the company at the beginning of the year, the underlying performance of the businesses was satisfactory given the conditions we have faced. Beyond this, excellent progress was made in a number of areas.

Importantly, the repairs in Canterbury being carried out by Fletcher Construction Earthquake Recovery (EQR) gained substantial momentum and by the end of the year we had completed in excess of 20,000 full-scope house repairs.

The integration of Crane, which we acquired in March 2011, was completed during the year. This business has performed well in its first full 12-month period within the group.

## Operating performance

Net earnings for the 2012 financial year were $185 million, compared with $283 million in the previous year. The result included restructuring and impairment charges totalling $132 million after tax. These included $38 million in costs incurred in restructuring the Laminex business, $20 million of closure costs for the Formica plant in Bilbao, Spain, and a $74 million reduction in the carrying value of the insulation business in Australia. Net earnings before restructuring and impairment charges were $317 million, 12 percent lower than the prior year.

Operating earnings (earnings before interest and tax) were $403 million, 18 percent lower than the $492 million achieved in the prior year, while operating earnings before restructuring and impairment charges were $556 million, seven percent lower than for the previous 12 months.

Pleasingly, cashflow from operations was $448 million, 11 percent higher than for the prior year, driven by stronger cash contributions from Formica and the Construction, Crane and Steel divisions.

Total group revenues of $8,873 million were 20 percent higher than for the previous year due to the inclusion of a full year of Crane revenues versus only three months in the 2011 financial year.

The result reflected difficult trading environments in the group's core markets of New Zealand and Australia. In New Zealand, activity levels in residential and commercial construction continued to be depressed. Further seismic activity disrupted rebuilding work in Canterbury, and there was a slowdown in infrastructure spending.

In Australia, residential construction continued to slow throughout the year, and the high Australian dollar adversely impacted businesses exposed to import competition.

The restructuring and impairment charges were regrettable but necessary, given the reductions in volumes experienced in Australia and Spain, and the impacts of the high Australian currency on the competitiveness of domestic manufacturing.

Despite the challenging economic climate, several divisions reported improved results. Crane had operating earnings of $106 million in its first full year of ownership. The Concrete division increased its earnings from its Australian operations due to the strength of the infrastructure sector and improved operational performance. Formica continued to deliver improved operating earnings, through growth in its Asian business and from more favourable economic conditions and operating performance in its North American operations.

## Shareholder returns

Total return to shareholders for the year was -27 percent. This was caused by a decline in the share price between 1 July 2011 and 30 June 2012, offset in part by the 34 cents in dividends paid during the year. Investor sentiment towards the building materials sector in general has been negative over the past 12 months, reflecting in particular the downturn in construction in Australia. In this respect Fletcher Building's share price movement has been consistent with our peer companies across Australia.

Investor sentiment towards the building materials sector in general has been negative over the past 12 months, reflecting in particular the downturn in construction in Australia.

## Dividend

The final dividend for the year is 17.0 cents per share. With the interim dividend of 17.0 cents, this brings the total dividend for the year to 34.0 cents per share, up from 33.0 cents in the previous year. The final dividend will be paid on 17 October 2012 and will carry full New Zealand imputation credits but will be unfranked for Australian tax purposes. This is consistent with the revised dividend policy we introduced in February 2011.

## Balance sheet

Given the volatility in world financial markets over the past 12 months, we continue to believe that a conservative approach to the company's balance sheet is appropriate. At balance date, the group's gearing – that is, net debt to net debt plus equity – was 35.4 percent compared with 33.8 percent as at 30 June 2011. The gearing figure remains well below the target range of 40 to 50 percent.

## Appointment of chief executive officer

In June this year, Jonathan Ling announced that he would retire as chief executive officer at the end of September. Following an extensive international search, we were pleased to announce the appointment of Mark Adamson to replace Jonathan. Mark is currently the chief executive of the Laminates & Panels division, and prior to that was global president of Formica. Mark has achieved outstanding results at Formica, lifting its operating performance every year despite extremely difficult market conditions. The board members were unanimous in their decision to appoint Mark and believe his ability to deliver continued operational performance improvements and to also identify and execute strategies for profitable growth make him ideally placed to lead the company through this next period.

On behalf of the board, I would like to thank Jonathan for his leadership of Fletcher Building over the past six years. As chief executive, he has overseen two large acquisitions which have nearly doubled the size of Fletcher Building. Just as significantly, Jonathan has successfully steered Fletcher Building through one of the worst ever economic downturns. The company's sound financial position and the strength of its management team are fitting testament to his leadership.

## People

On behalf of the board, I would like to especially thank all of our people for their commitment and hard work over the past year. In particular, I wish to single out those who have worked so hard in Canterbury during the year, helping to rebuild Christchurch city. Despite the setbacks of further earthquakes and numerous practical difficulties, great progress is being made in restoring homes and services across the region. While there remains much to be accomplished, we can take great pride in what has been achieved to date thanks to the extraordinary efforts of our people.

**Hugh Fletcher**
At the Fletcher 100 Years' celebrations

## Canterbury donations

Last year, we committed a total of $6 million to the Canterbury region, to be put towards the restoration of buildings and community facilities. All of the funds have now been allocated. Recipients include the Christchurch Arts Centre, the Christchurch Arts Festival, The Court Theatre, and the Shirley Tennis Club.

## Board changes

In the past year, we have continued the board succession programme. Kerrin Vautier retired from the board in September 2011, and two new independent directors were appointed during the year. Cecilia Tarrant joined the board last October and Kathryn Spargo, in March 2012. I welcome them both to Fletcher Building.

This September marks the end of an era when Hugh Fletcher retires from the board, in accordance with planned succession arrangements. Hugh's retirement ends the last formal link with the Fletcher family that stretches back over 100 years to the very origins of the company in New Zealand. Hugh was chief executive officer of Fletcher Challenge Limited, the forerunner of today's company, between 1987 and 1997. On behalf of the board and shareholders, I would like to acknowledge and thank Hugh for his long service to Fletcher Building and wish him well for the future.

## Outlook

The uncertainty and volatility arising from the global financial crisis have made it extremely difficult to provide a clear outlook for Fletcher Building's businesses. The financial performance of the group will depend heavily on how the New Zealand and Australian building and construction sectors perform going forward.

In New Zealand, a continued modest improvement in house building activity is anticipated, assisted by low interest rates and increased new housing construction in Canterbury. Commercial and infrastructure construction levels are not expected to improve materially, although the commencement of several significant infrastructure projects should lift earnings, particularly in the 2014 financial year.

In Australia, the trend in residential construction activity is unclear, with some risk that activity levels will decline further. Commercial construction not associated with the resources and mining sector is likely to remain subdued, while infrastructure expenditure is expected to remain steady.

Trading conditions in North America are expected to remain flat to slightly positive. No recovery is anticipated for Europe overall, although Germany and Scandinavia should remain relatively strong. Continued growth is expected in South-East Asia.

In terms of earnings for the 2013 financial year, a significant increase in earnings from the current level would require a marked improvement in residential and commercial construction levels, particularly in New Zealand and Australia. Operational performance improvement initiatives will continue to be pursued across the group to maximise earnings and cash generation irrespective of the business cycle.

# Chief Executive's review.

**Jonathan Ling**
Chief Executive

**This past year, my sixth and last as chief executive, has been as challenging as any other in my time at Fletcher Building.**

In New Zealand, we continued to experience very low levels of new house building. Coupled with the ongoing disruption to rebuilding in Canterbury from further earthquakes, weak commercial construction activity and a slowdown in infrastructure spending, we've endured a very tough year in our New Zealand businesses.

In Australia, the pace of activity in residential and commercial construction slowed throughout the period and materially impacted our businesses exposed to these sectors. Additionally, the high Australian dollar has adversely affected a number of our businesses with imports negatively impacting volumes and eroding margins.

Beyond Australasia, we had a rise in activity in North America and business in Asia continued to grow strongly, while conditions in Europe remained difficult.

### Review of business performance

Total group revenues for the year were $8,873 million, 20 percent higher than for the previous 12 months due to the inclusion of a first full year of Crane revenues.

Operating earnings (earnings before interest and tax) were $403 million, 18 percent lower than the $492 million achieved in the prior year. Operating earnings before restructuring and impairment charges were $556 million, seven percent lower than for the prior year.

The Building Products division reported operating earnings excluding restructuring and impairment charges of $72 million, down 35 percent on the $111 million earned in the prior year.

Operating earnings in the plasterboard and insulation businesses declined as a result of lower volumes, while the insulation business was also impacted by the continued over-supply of insulation products in Australia and the growth in imports.

Operating earnings in the Concrete division increased by $5 million to $130 million. In New Zealand, operating earnings were steady at $56 million while revenues were up by three percent. Most product volumes were similar or slightly stronger than last year except for cement and masonry.

In Australia, the pipeline and quarry businesses performed well with operating earnings increasing by $5 million to $74 million for the year. The pipeline products business benefitted from earnings in two newly acquired businesses as well as a range of pricing initiatives and operational enhancements. The quarry business in Australia recorded a strong result from a favourable sales mix and improved margins.

The Construction division's operating earnings for the year were $50 million, down by 17 percent on the prior year. The construction backlog was $1,094 million as at the end of June 2012 compared to a backlog of $764 million a year earlier. Earnings from residential house sales were up by 35 percent on the previous 12 months as a result of increased house sales, predominantly in our Stonefields development in Auckland.

In its first full year of ownership, Crane's operating earnings were $106 million. The pipelines business recorded strong growth in operating earnings and revenues, with significant increases from the coal seam gas, resources, civil and rural sectors offsetting the decline in building activity. Trade distribution revenues fell by six percent in Australia and remained flat in New Zealand.

Revenues in the Industrial Products businesses decreased but operating earnings were slightly higher with the implementation of cost and productivity improvements.

At year-end, the Austral Wright Metals and Mico Metals businesses were sold, and the sale is expected to realise approximately $70 million.

PlaceMakers' revenues were five percent lower than the prior year's at $813 million, with operating earnings declining by 31 percent to $27 million. Earnings were impacted by the low level of residential house building and increased competitor activity which negatively impacted gross margins.

In its first full year of ownership, Crane's operating earnings were $106 million. The pipelines business recorded strong growth in operating earnings and revenues.

Formica's operating earnings before restructuring and impairment charges were $71 million, 27 percent higher than the $56 million earned in the prior year. The better result was due to ongoing operational improvements and efficiency gains in all key areas of the business as well as increased revenue in North America and Asia.

Volumes in North America were up by five percent on the previous 12 months with modest improvement in the residential sector. In Europe, volumes decreased by eight percent, but revenue growth was strong in developing markets such as Russia, and exports to Africa and the Middle East more than doubled. In Asia, revenues in local currencies were up by nine percent while volume was up by 11 percent.

Laminex's operating earnings before restructuring and impairment charges were $68 million, 39 percent lower than the $112 million earned in the prior year.

**It gives me great pleasure to introduce myself to you as the next chief executive officer of Fletcher Building.**

This is a great company with an excellent portfolio of businesses, and I am excited by the potential that I see for the future. My immediate challenge will be to continue delivering on the strategies that we have been pursuing over the past few years. In particular, our aim is to grow earnings from our current portfolio of businesses through operational performance improvements, regardless of the economic cycle. Beyond this, I'm keen that we continue to seek out selective opportunities for further investment in new businesses, bolt-on acquisitions and organic growth of our existing businesses.

Jonathan has left Fletcher Building in excellent health, and I'd like to thank him for all the opportunities he has given me over the past five years and wish him every success for the future.

**Mark Adamson**
Appointed CEO from 1 October 2012

Australian revenues were nine percent lower, driven by a slowdown in new residential activity and continued weak conditions in the commercial sector. Demand for lower margin commodity products increased as the business focused on other sectors to mitigate the impact of slowing residential and commercial markets. New Zealand revenues were down by three percent with lower activity in both residential and commercial.

Following a review of its operations, poor-performing product lines were exited during the year while a selective number of new products were launched.

The Steel division recorded operating earnings for the year of $48 million, down by 42 percent on the prior period.

The rollforming and coated businesses in both New Zealand and Australia experienced volume declines. Market conditions in the long-steel businesses were extremely difficult and earnings decreased by 58 percent to $5 million. New Zealand's domestic volumes were up by 20 percent as a result of market share gains but margins were lower. The high Australian dollar led to intense import competition in the Australian market and poor margins on exports from New Zealand. Operating earnings from the steel reinforcing business were significantly lower, driven by low volumes and increased price competition from imports.

### Cashflow

Cashflow from operations was $448 million, up by 11 percent on the $402 million achieved in the prior year. The improvement was due to strong cashflows in Formica and the Construction, Crane and Steel divisions, with working capital in line with last year.

Capital expenditure for the year was $353 million. Of this, $207 million was for stay-in-business capital projects, and $146 million was for new growth initiatives, including $86 million for the acquisition of new businesses. The latter included the acquisition of the remaining 50 percent shareholding in Homapal for $52 million.

### Restructuring and impairment charges

Restructuring and impairment charges after tax, totalling $132 million, were incurred this year.

In Laminex, a review was undertaken to determine how to achieve a step-change in the cost structure of the business. Unusual costs associated with the exit of poor-performing and peripheral products, distribution restructuring, reductions in administrative staff and other redundancies totalled $38 million after tax.

In June, we made the difficult decision to consolidate Formica's two manufacturing plants in Spain, and to close the facility in Bilbao. This was in response to significant overcapacity arising from the decrease in volumes in Spain. An amount of $20 million has been provided to cover the one-off costs associated with the closure of the Bilbao plant.

The $74 million adjustment to the carrying value of the Australian insulation business follows the strategic review we undertook during the year. While we have decided to retain the business, the review identified that, given the current exchange rate and expected activity levels, the medium term earnings expectations have reduced. Consequently, we considered that it was appropriate to write off the goodwill arising from the acquisition of this business and to reduce the carrying value of its brands.

### Senior management changes

The past year has seen several key appointments to the executive leadership team. Two existing business unit general managers were promoted to executive roles, with Tim Richards appointed chief executive of the Building Products division and Graham Darlow, chief executive of the Construction division. Graham's appointment followed the decision to separate the former Infrastructure division into two entities, with the creation of individual Construction and Concrete divisions. Mark Malpass joined Fletcher Building in December 2011 as chief executive of the Concrete division.

### Health and safety

We have continued to make progress in reducing injury rates across the group. Our primary measure is the Total Recordable Injury Frequency Rate per million employee and contractor hours (TRIFR), and in the last year, this rate has dropped from 10.57 to 8.48. In June 2006, this rate was over 60.

### Farewell

The past six years have been personally fulfilling for me, and it has been a privilege to lead a company with such a long and proud history. Despite the challenges of a difficult economic environment and low activity levels, the company is today very well positioned with an excellent portfolio of businesses, a high calibre management team and a strong financial position.

# Board of Directors.

**Ralph Waters**

Independent Non-Executive Chairman of Directors
Chairman of the Nominations Committee

**Jonathan Ling**

Non-independent Managing Director (to 30 September 2012)

**Mark Adamson**

Non-independent Managing Director (from 1 October 2012)

**Antony Carter**

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

**Hugh Fletcher**

Independent Non-Executive Director
Member of the Audit and Risk and Nominations Committees

**Alan Jackson**

Independent Non-Executive Director
Chairman of the Remuneration Committee and member of the Nominations Committee

**John Judge**

Independent Non-Executive Director
Chairman of the Audit and Risk Committee and member of the Nominations Committee

**Kathryn Spargo**

Independent Non-Executive Director
Member of the Audit and Risk and Nominations Committees

**Cecilia Tarrant**

Independent Non-Executive Director
Member of the Audit and Risk and Nominations Committees

**Gene Tilbrook**

Independent Non-Executive Director
Member of the Audit and Risk and Nominations Committees

### Ralph G Waters

CPEng, FIE Aust, M Bus
First appointed 10 July 2001

Ralph Waters, 63, 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, Asciano and Fletcher Building Industries.
Mr Waters is deputy chairman of the Local Organising Committee for the ICC World Cup 2015. He is a Chartered Professional Engineer and a Fellow of the Institution of Engineers Australia.

### Jonathan P Ling

BEng, MBA, FIPENZ
First appointed 1 September 2006
Retiring on 30 September 2012

Jonathan Ling, 58, is the chief executive officer and managing director of the company until his retirement on 30 September 2012. He has extensive management experience in competitive manufacturing business through his senior management roles in the Laminates & Panels division from 2003 to 2006, and prior to that in Pacifica, Visy and Nylex. Mr Ling is also a director of ASB Bank and Fletcher Building Industries (until 30 September 2012). 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.

### Mark D Adamson

BA (Hons), ACA, ATII
Appointed 17 June 2012 with effect from 1 October 2012

Mark Adamson, 46, has been appointed chief executive officer and managing director of the company with effect from 1 October 2012. He 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. Mr Adamson was appointed chief executive of Formica Corporation in 2008 and of the Laminates & Panels division in 2011. Prior to his positions at Formica he was financial controller of the pharmaceutical company GlaxoSmithKline.
Mr Adamson is a member of the English Institute of Chartered Accountants and the Institute of Taxation and will become a director of Fletcher Building Industries on 1 October 2012.

### Antony J Carter

BE (Hons), ME, MPhil (Loughborough)
First appointed 1 September 2010

Antony 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 previously owning and operating several Mitre 10 hardware stores. He was also a director and later chairman of Mitre 10 New Zealand.
Mr Carter is chairman of Fisher & Paykel Healthcare and is also a director of ANZ National Bank, Air New Zealand and Fletcher Building Industries, co-chair of the NZ Initiative and a trustee of the Maurice Carter Charitable Trust.

### Hugh A Fletcher

MCom (Hons), MBA (Stanford), BSc, LLB (Hon)
First appointed 23 March 2001
Retiring on 30 September 2012

Hugh Fletcher, 64, has had extensive management experience and now holds a number of directorships and advisory positions. He is a director of Rubicon, Fletcher Building Industries, 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, the Dilworth Trust and The Fletcher Trust.

### Alan T Jackson

BEng (Hons), PhD (Auckland), MBA (IMD Management Institute)
First appointed 1 September 2009

Dr Alan Jackson, 59, was Chairman Australasia, Senior Vice President and Director of The Boston Consulting Group until 2009. He has been an international management consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Dr Jackson has worked across a range of industries including resources, diversified industrials, building products and construction sectors. He is a fellow of the Institution of Professional Engineers, chairman of Housing New Zealand Corporation and New Zealand Racing Board, a director of Fletcher Building Industries and a trustee of The ICEHOUSE Auckland.

### John F Judge

BCom, FCA, MPP, FInstD
First appointed 9 June 2008

John Judge, 59, has considerable experience in Australasian business and brings 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. Mr Judge is chairman of ANZ National Bank and the Auckland Art Gallery Foundation, a director of Fletcher Building Industries and a member of the University of Otago Business School advisory board.

### Kathryn D Spargo

LLB (Hons), BA
First appointed 1 March 2012

Kathryn Spargo, 60, has extensive business experience from advisory roles on strategic and governance issues following a career in legal practice in both the public and private sectors. She has a number of non-executive directorships, including ASX-listed companies UGL and Sonic Healthcare, and of SMEC and Investec Bank (Australia). Ms Spargo also serves as a director on a number of not-for-profit businesses. She is currently the chair of the Australian Accounting Professional and Ethical Standards Board, is a member of the International Ethics Standards Boards for Accountants and a fellow of the Australian Institute of Company Directors.

### Cecilia Tarrant

BA, LLB (Hons), LLM (Berkeley)
First appointed 10 October 2011

Ms Tarrant, 52, has over 20 years' experience in international banking and finance in the USA and Europe. In that time, she worked as a real estate finance lawyer in San Francisco and as an investment banker with Credit Suisse First Boston and Morgan Stanley in New York and London, culminating in holding the position of managing director in Morgan Stanley's Global Capital Markets Group in London. Ms Tarrant is currently a trustee of The University of Auckland Foundation, where she is chair of the Investment Committee, a member of the Board of the Government Superannuation Fund Authority, a director of Fletcher Building Industries and an Executive-in-Residence at the University of Auckland Business School.

### Gene T Tilbrook

BSc, MBA (University of Western Australia)
First appointed 1 September 2009

Gene Tilbrook, 61, 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 and the GPT Group. He is a councillor of Curtin University of Technology and the Australian Institute of Company Directors (Western Australia).

# Management team.

**Jonathan Ling**
Chief Executive Officer
and Managing Director

**Mark Adamson**
Chief Executive Officer
and Managing Director*

*From 1 October 2012

**John Beveridge**
Chief Executive
Distribution

**Kate Daly**
Group General Manager
Human Resources

**Graham Darlow**
Chief Executive
Construction

**Martin Farrell**
Company Secretary
and General Counsel

**Mark Malpass**
Chief Executive
Concrete

**Tim Richards**
Chief Executive
Building Products

**Bill Roest**
Chief Financial Officer

**David Worley**
Chief Executive
Crane

**Paul Zuckerman**
Chief Executive
Steel

## Jonathan Ling

**Chief Executive Officer**

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. Mr Ling 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. Mr Ling has a Bachelor of Mechanical Engineering from The University of Melbourne and a Master of Business Administration from RMIT University (Melbourne).

## Mark Adamson

**Chief Executive Officer and Managing Director from 1 October 2012**

Mark Adamson will take up the role of chief executive officer at 1 October 2012. He 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. Mr Adamson was appointed chief executive of Formica Corporation in 2008. Prior to joining Formica Corporation he was financial controller of the pharmaceutical company GlaxoSmithKline. Mr Adamson 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 also held the positions of general manager of Golden Bay Cement, and general manager of the Pacific Steel Group, before being appointed chief executive of Fletcher Distribution/PlaceMakers in 2009. Mr Beveridge has a Bachelor of Arts (Economics) from University of Otago, and a Postgraduate Diploma in Marketing from The University of Auckland. In 2005, he attended the Senior Executive Programme at Columbia University, New York.

## 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 this she was general manager corporate affairs, people and performance for Coca-Cola Amatil (NZ). Before that, Ms Daly worked for Deutsche Bank, Merrill Lynch, ABN AMRO and Greenwich Healthcare Trust in London, UK. 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.

## Graham Darlow

**Chief Executive – Construction**

Graham Darlow joined Fletcher Building in 1988, after starting his career as a professional engineer. He progressed through Fletcher Construction's engineering division to become general manager in 2001. Mr Darlow was selected by the government as a founding governance board member for the Christchurch Infrastructure Alliance and is the current chair of the alliance board for the $1.4 billion Waterview Connection. He is the president and a fellow of the Institution of Professional Engineers New Zealand and a fellow of the Institute of Civil Engineers (UK). Graham holds a Bachelor of Engineering (Civil) from The University of Auckland and attended the Advanced Management Programme at The University of Melbourne's Mt Eliza Business School.

## 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. Mr Farrell has continued that role with Fletcher Building. He has a Bachelor of Commerce degree and a Bachelor of Law degree from the University of Otago. Mr Farrell is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants.

## Mark Malpass

**Chief Executive – Concrete**

Mark Malpass was recruited as chief executive concrete in November 2011. Before joining Fletcher Building he had a 19-year career with Exxon Mobil Corporation. Mr Malpass has had senior roles in Australia, the USA and most recently in Singapore where he led strategic change within the Asia-Pacific business. Prior to leaving New Zealand, Mr Malpass was the country manager and chairman of Mobil Oil New Zealand. He was also a director of the New Zealand Refining Company. Mr Malpass holds a Master in Business Administration from Victoria University of Wellington, Bachelor of Engineering (BE Mechanical, Hons) from The University of Auckland, and a New Zealand Certificate in Engineering (NZCE Mechanical) from Auckland Institute of Technology (now Auckland University of Technology).

## Tim Richards

**Chief Executive – Building Products**

Tim Richards has been with Fletcher Building since 2005 when the Amatek Group was acquired and he became general manager of Stramit, a leading Australian manufacturer of roll-formed steel building products. Prior to joining Stramit Mr Richards worked for Boral Timber and KPMG. He holds a Bachelor of Business (Accountancy) degree from Charles Sturt University, is a member of the Institute of Chartered Accountants in Australia, and in 2010 attended the Advanced Management Programme at The Wharton School, University of Pennsylvania.

## Bill Roest

**Chief Financial Officer**

Bill Roest held several leadership roles in the New Zealand finance sector before joining Fletcher Challenge 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. Mr Roest is responsible for Fletcher Building's finance, treasury, information technology, risk management and investor relations functions. He is a director of Fisher & Paykel Appliances Holdings, is an associate and a member of the New Zealand Institute of Chartered Accountants and a fellow of the UK Association of Certified Corporate Accountants.

## David Worley

**Chief Executive – Crane**

David Worley was appointed chief executive of the Crane division in April 2011 after five years as chief executive of the Laminex Group. He first joined Fletcher Building in January 2002 as chief executive of the Distribution division and prior to this was general manager of James Hardie Industries in New Zealand. Mr Worley's broad business background also includes the role of general manager at Auckland Healthcare Services and senior positions at Whitcoulls and Carter Holt Harvey. He gained his Bachelor of Commerce and Master of Business Administration degrees from The University of Auckland and has completed the Harvard Business School Programme for Global Leadership. Mr Worley is also a director of Green Building Council of Australia.

## 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, having progressively held senior management roles in that company, based in the 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. He gained his Bachelor of Science degree in Chemistry from Syracuse University and his Master of Business Administration from The Ohio State University.

# CONNECTED ACROSS BRANDS, PEOPLE & GEOGRAPHIES

**Total revenue** (all divisions)

$8,873m

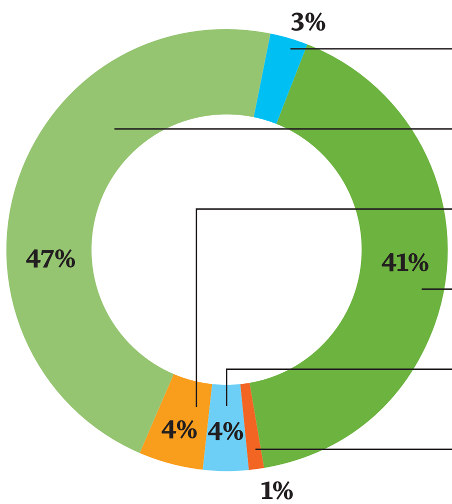
**Market capitalisation**

$4,009m

**Employees**

19,200

**Revenue by geography** (in millions)




**Asia** 256

**Australia** 4,139

**Europe** 318

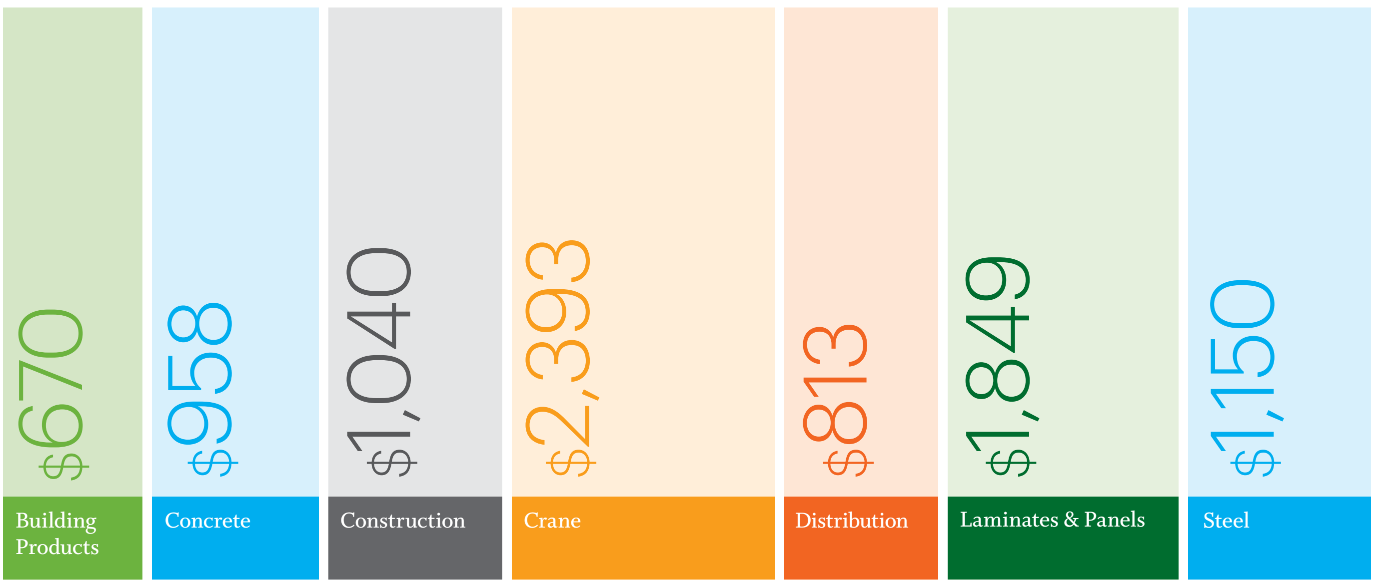
**New Zealand** 3,676

**North America** 396

**Other** 88

**TOTAL** 8,873

**Revenue by division for 2012** (in millions)



## Building

The Building Products division manufactures a broad range of building products. The division's core plasterboard, insulation and metal roof tile businesses have market leading positions and respected brands.

pink batts®

GIB®

## Concrete

The Concrete division consists of a vertically integrated concrete business in New Zealand and concrete products businesses in Australia.

Firth


## Construction

The Construction division comprises one of New Zealand's largest general construction contractors Fletcher Construction, and Fletcher Residential, a residential home building business in New Zealand. Also in the division is Fletcher EQR, which is project managing residential earthquake repairs in Canterbury for the Earthquake Commission.

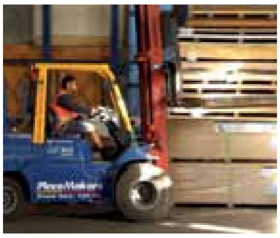
Fletcher®

## Crane

Crane is the Australasian leader in the manufacturing and distribution of plastic pipelines systems and plumbing supplies across Australia and New Zealand.


## Distribution

The Distribution division consists of the PlaceMakers business in New Zealand and supplies building materials to New Zealand's commercial and residential construction markets.



PlaceMakers® Know how. Can do.

## Laminates & Panels

Formica manufactures and distributes high pressure laminates in North America, Europe and Asia. Laminex is the leading Australian and New Zealand manufacturer and distributor of decorative wood panels, particleboard, medium density fibreboard and other durable surfaces for use in residential and commercial applications.

## Steel

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

# Building Products.

DIVISIONAL REVIEW

**Building Products manufactures a broad range of building products for the residential and commercial markets. The division includes: Winstone Wallboards, which produces plasterboard in New Zealand; Tasman Insulation in New Zealand and Fletcher Insulation in Australia, which manufacture glasswool insulation and other insulation and acoustic products; and AHI Roofing which makes metal roof tiles in New Zealand, Malaysia and Hungary, together with Decra which manufactures in the USA.**

### Operational performance

The Building Products division reported an operating loss of $7 million compared with operating earnings of $31 million in the prior year. Operating earnings excluding restructuring and impairment charges were $72 million, down by 35 percent on the $111 million earned in the previous year.

Operating earnings for the New Zealand plasterboard business decreased by 35 percent, although this was principally due to a gain from the sale and leaseback of the Auckland manufacturing site recorded in the prior year. Adjusting for this, operating earnings were 10 percent lower as a result of the continued decline in the New Zealand residential market albeit there were signs of recovery in the second half.

Operating earnings before restructuring and impairment charges for the insulation businesses were down by 56 percent. This was primarily owing to the continued industry-wide over-supply of insulation products, weaker residential construction activity and the impact of the strong New Zealand and Australian currencies on the competitiveness of imported product.

Following a strategic review of the Australian insulation business completed during the year, a restructuring and impairment charge totalling $74 million after tax was incurred due to the write-down of goodwill, the write-off of stock and a reduction in the value of its brands.

The commercial insulation and ceiling and wall systems business recorded lower operating earnings as a result of weakness in the New Zealand non-residential construction sector. A $3 million gain on the sale of the Australian access flooring business was recorded during the year. In early August, the DVS home ventilation business was sold.

Operating earnings for the roof tiles business decreased by 24 percent, principally due to the effect of the strong New Zealand dollar on foreign currency receipts. Volumes were higher in Africa and the USA despite difficult trading conditions, were flat in Asia, and lower in New Zealand and European markets compared to the previous year. Pricing improved over the period, while overheads were up as a result of continued investment in product and market development.

In the sinkware and aluminium businesses, operating earnings were down by 32 percent on the prior year due to weaker domestic volumes. In aluminium, reduced domestic and export market volumes were partly offset by improved pricing and lower input costs.

The division continued its strong focus on health, safety and sustainability. Key safety programmes incorporated a focus on mitigating high-impact risks, such as those arising from working at heights and mobile plant and equipment, while manufacturing facilities also saw initiatives like improved guarding and measures to reduce manual handling risks. There was also a significant ongoing focus on energy-efficiency initiatives to offset increased energy costs. Measures to reduce greenhouse-gas emissions continued during the period, including the $5 million commissioning of new emissions technology at the Auckland glasswool insulation plant.

### Looking ahead

Residential markets remain challenging in New Zealand and Australia, although some signs of recovery in New Zealand residential construction activity were observed towards the end of the period. 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 keep pressure on export demand, and increase competition from relatively cheaper imported product.


**GIB Aqualine® being installed**
New Zealand

The European market for roof tiles remains challenging, albeit cost reduction initiatives should improve earnings despite depressed conditions in that market. A gradual recovery in USA activity, strong growth in Africa, and medium-term gains in Asian markets should also contribute to earnings.

Cost rationalisation undertaken through the downturn, a sharpened strategic focus, and expansion plans with an emphasis on new product and in-market 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 reconstruction commences.

Demand for roof tiles is expected to also increase as Japan's earthquake and tsunami recovery continues.

# Concrete.

DIVISIONAL REVIEW

**The Concrete division is a vertically integrated business supplying cement, aggregates, ready-mix concrete and a range of concrete products in New Zealand, as well as concrete pipeline products and a variety of aggregate sands throughout Australia. It is the largest integrated infrastructure products and solutions provider in New Zealand.**

## Operational performance

Operating earnings increased by $5 million to $130 million as a result of continuing operational improvements, cost reductions and efficiency gains in all key areas of the business.

Sales for the year were five percent above the previous year. The New Zealand businesses continued to experience soft demand in most markets with the exception of Canterbury where earthquake-related work gained momentum throughout the period. Market share for all core products was stable. The Australian operations recorded sales seven percent higher than those for last year due to an increase in pipe-related volumes. Fill sand sales decreased significantly but other higher-value product volumes increased. However, most markets softened in the second half.

Operating earnings from the New Zealand operations were $56 million, the same as for the prior year. Earnings from quarry end-use and surplus land sales were $7 million compared to $1 million in the previous 12 months. Revenues were up by three percent with most product volumes similar or slightly stronger except cement and masonry.

Operating earnings from the cement business declined by 19 percent. Cement volumes were five percent lower than for the year before, although market share was maintained. Export volumes and prices were below last year's levels. Increased use of wood waste reduced production costs and greenhouse-gas emissions.

Aggregates volumes were similar to the previous year but pricing was softer and quarry margins declined by eight percent. Despite this, operating earnings increased due to productivity improvements and growth in resource recovery operations. Plans are under way to increase capacity in Christchurch.

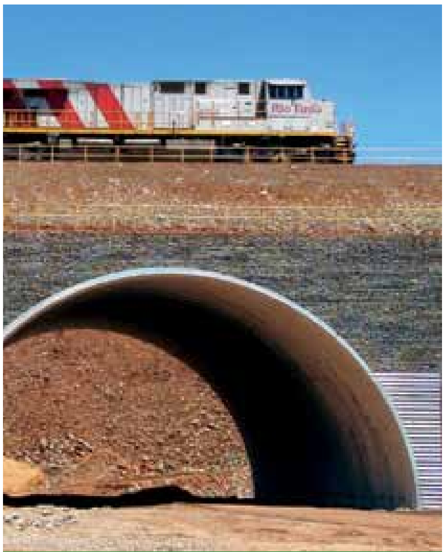
Ready-mix and masonry operating earnings increased over the prior period. Ready-mix concrete volumes were similar to last year and masonry volumes were down by 10 percent. Lower prices and margins were more than offset by profit improvement initiatives. Work is in progress on a third concrete batch plant in Christchurch.

Concrete pipe and precast volumes were similar to the year before but demand for other products was weaker. A number of large awarded projects were deferred. This reduced overall margins and earnings declined. In September 2011, Oasis Clearwater Environmental Systems and Austin Pipe Concepts were acquired and are expected to aid earnings growth as the rebuild of Christchurch gains momentum.

In Australia, the pipeline and quarry businesses performed well with combined operating earnings increasing by $5 million to $74 million for the period. This was a significant improvement given that the previous year's result included a $5 million gain from a land sale.

The pipeline products business now includes Australian Construction Products which was acquired in the 2011 year, and Atlantic Civil Products which was acquired in January 2012. In addition to the earnings from these two businesses, a range of pricing initiatives and operational enhancements increased earnings. This business maintained market shares in its core products.

The quarry business in Australia recorded a strong result benefitting from a favourable sales mix and improved margins. A range of pricing and productivity initiatives were implemented. In June 2012, a 50 percent share in a number of mining tenements in Western Australia was acquired, which are ideally placed to provide materials to the expanding mining industry in the Pilbara region.




**Atlantic Civil Products – Super.Cor structure,** Australia

## Looking ahead

The division is expected to continue to experience weak demand in New Zealand although strong growth is likely in Christchurch. The Australian businesses are expected to encounter weaker underlying demand in 2013.

There has been significant cost rationalisation and operational enhancement over the last four years and further business improvement initiatives are currently being implemented.

The medium-term focus is on developing competitive advantage by utilising benefits of scale, productivity improvements and cost reduction. The division will also continue to explore high-returning organic growth initiatives.

# Construction.

DIVISIONAL REVIEW

**The Fletcher Construction Company is the pre-eminent general contractor in New Zealand and the South Pacific. The company includes a building and interiors division, a South Pacific division, the earthquake recovery (EQR) division and an engineering division, which includes business units Brian Perry Civil, Pipeworks, and Piletech. Fletcher Residential is New Zealand's leading specialist residential home building group, and its nine building companies offer a range of homes and developments.**


**ASB North Wharf**
New Zealand

### Operational performance

The Construction division's operating earnings for the year were $50 million, down by 17 percent on the prior year. This was due to the completion of a number of projects in Auckland without the corresponding uptake of new contracts and the tighter margins in such a subdued market. There was a further slowdown in government infrastructure expenditure following the reprioritisation of post-earthquake rebuilding work in Canterbury.

The construction backlog was $1,094 million at the end of June. This compares to a backlog of $764 million at the same time last year. In September an additional contract was successfully concluded for the construction of the new prison at Wiri in South Auckland, with a construction value of $300 million. The company is the preferred contractor on two roading projects which are part of the New Zealand Government's Roads of National Significance initiative. If these two contracts proceed they would add a further $537 million to the backlog, but would have no significant earnings impact until the 2014 financial year.

Major contracts won during the year include the Waterview Alliance in Auckland with the Fletcher share of work being $398 million, Auckland Metropolitan Eastern Transport Interchange for $100 million, and the ANZ Centre refurbishment in Auckland for $65 million.

The Victoria Park Tunnel project in Auckland was completed in March 2012. Activity levels on the alliance to repair the Christchurch infrastructure, of which Fletcher Construction is one of five contractors involved, have been slower than expected.

Earnings from residential house sales were up by 35 percent on the prior year as a result of increased house sales. This has been due to an improved sales mix predominantly in the Stonefields development in Auckland which continues to attract strong interest.

As project manager for the Earthquake Commission, the division has significantly increased its activity levels with 21 hubs established to carry out home repairs compared with only five hubs operating at the same time last year. There are now over 1,100 accredited contracting companies, which have delivered in excess of 22,000 home repairs, over 46,000 emergency repairs and 17,000 winter heating installations. The Canterbury Home Repair Programme is scheduled to have completed the last of the repairs by the end of 2015.

### Looking ahead

The division continues to experience weak demand in the construction and infrastructure markets. However, the expectation is that overall activity will improve during the coming year as the Christchurch rebuild gains momentum. Greater turnover levels will occur in the 2014 year as major projects, such as the Waterview Tunnel, Wiri Prison and McKay's Crossing to Peka Peka, are progressed.

FLETCHER EQR

# CONNECTED TO CANTERBURY





As at 4 September 2012

**Amount paid per week to contractors**

$15m

**Hubs established**

21

**Emergency repairs**

46,411

**Homes completed per day**

100

**Contracting firms accredited**

1,109

**Home heating installations**

17,147

**Total homes to be repaired**

95,000

**Staff, contractors and trades**

16,501

**Full-scope repairs completed**

22,238

# Crane.




**Iplex – Electrical polyethylene pipes**
Australia

**Crane is the leader in the manufacturing and distribution of plastic pipeline systems and plumbing supplies. It is comprised of two major divisions: Pipelines and Trade Distribution. The company was acquired by Fletcher Building in March 2011.**

### Operational performance

Crane was acquired during 2011 and its businesses consolidated as from 28 March 2011. The financial results for the prior year are for the full 12 months for comparative purposes only. The actual result for the 2011 financial year included operating earnings for the three months that the company was owned by Fletcher Building.

Operating earnings were $106 million, 14 percent ahead of 2011 earnings of $93 million, on revenues of $2,393 million. Improved earnings in Pipelines and corporate cost savings offset earnings declines in Distribution in New Zealand and Australia. Across Crane very difficult conditions in residential and commercial building sectors have been offset by increased exposure to the resources sector.

Pipelines recorded a 31 percent increase in operating earnings to $59 million, with gross revenues 17 percent higher than those for the prior year. In New Zealand, year-on-year revenues were flat; however, earnings improved by 19 percent as a result of the implementation of cost reduction initiatives. Australian revenues increased by 20 percent, with significant growth from the mining sector due to the two coal seam gas projects won in Queensland. Demand from the resources, civil and rural sectors offset the decline in building activity.

Trade Distribution's gross revenues remained flat in New Zealand and fell by six percent in Australia. In Australia, flat to declining activity in residential and commercial building was the key reason for the 31 percent decline in operating earnings to $37 million. Increased revenues from the resources sector partly offset the effects of the residential decline in Australia.

In New Zealand, trading conditions remained difficult, although demand in the South Island improved, and the business traded around break-even. The New Zealand distribution businesses were successfully split into two brands – Mico Plumbing and Pipelines, and Corys Electrical – and the improvement in brand clarity between the two businesses assisted revenue growth. Corys Electrical was conditionally sold subsequent to balance date.

Gross revenues in the Industrial Products businesses declined by 16 percent to $316 million compared to those for last year. Operating earnings were slightly higher at $11 million with the implementation of cost and productivity improvements offsetting general decreases in the manufacturing sector. At year end, the Austral Wright Metals and Mico Metals businesses were sold. It is anticipated that the sale will realise approximately $70 million, including collection of the businesses' trade debts. Proceeds from the sale will be received in the 2013 financial year. With this divestment, the remaining business is now focused on ensuring competitive supply of copper tube into the distribution businesses and other markets.

### Looking ahead

In Australia, trading conditions are expected to remain subdued with residential and commercial construction flat overall. Crane will focus on the implementation of productivity initiatives across all divisions to deliver improved cost positions in anticipation that revenue will remain flat. Tradelink and Mico will be looking to deliver productivity increases from the successful implementation of identified improvements in branch operations. Pipelines will continue to supply the second coal seam gas project to be manufactured and delivered from the new Toowoomba factory which was formally opened in August 2012.

# Distribution.

DIVISIONAL REVIEW

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

## Operational performance

PlaceMakers' revenues were five percent lower than the prior year's at $813 million, with operating earnings declining by 31 percent to $27 million. Earnings were impacted by the low level of residential house building and increased competitor activity which combined to negatively impact gross margins, particularly in the second half of the year. Despite the competitive intensity, market shares were maintained across most regions. Continued improvement in operational performance resulted in costs decreasing by two percent, and inventory down by eight percent at year-end.

During the 2012 financial year, competition intensified in a difficult market. PlaceMakers' response was to focus on ensuring that its well-recognised trade brand became further strengthened. The PlaceMakers brand was revitalised through the launch of the "Together, we're building New Zealand" campaign, as well as through the support of Super 15 rugby, PlaceMakers' Big Angry Fish television programme, and other community-level sponsorships.

Restructuring was undertaken during the year to align the branch network to trading conditions, with the closure of three stores and other branches relocated to optimise their appeal to trade customers. In August 2012, PlaceMakers announced that it would open a brand new store in Christchurch.


**PlaceMakers Frame & Truss**
New Zealand

The 2,745-square-metre greenfields store, which will be designed and purpose-built for PlaceMakers, will be located at Glassworks Industry Park in Hornby. It will feature an extensive trade store, drive-through warehouse and yard. The new branch is scheduled to open in May next year and will operate alongside existing PlaceMakers Christchurch stores, located in Antigua Street, Cranford Street and in Riccarton, to supply materials to the building trade across the whole of Canterbury. Further investment to refurbish and relocate branches to trade-optimised facilities is scheduled for 2013.

The frame and truss manufacturing businesses were restructured during the year to create greater organisational focus on cost and quality, and two manufacturing sites were closed. Further manufacturing rationalisation is planned over the next two financial years.

PlaceMakers' has a competitive advantage in estimating and detailing, and this provides a platform for extension into installed-solution offerings, such as roofing. Development and roll out of the PlaceMakers' trade system platform continued throughout the year. The Price-IT customer quoting systems went live in the fourth quarter. This technology improves builders' efficiency by having online visibility to products and prices, and creates quotes for end-user customers.

Employee engagement and morale continues to be the strength of PlaceMakers' 'Team Blue' programme. Over 99 percent of staff responded via the annual engagement survey and positively rated culture and values, common purpose and leadership throughout the network. During the 2012 financial year, PlaceMakers' owner-operator partnership model was further strengthened following a comprehensive review relating to operational engagement and ownership structure.

## Looking ahead

PlaceMakers is well placed to take advantage of any recovery in market activity. Its strategy, established in 2010, continues to be focused on its core trade offer, growing share of builder wallet, and share of consent value.

# Laminates & Panels. Formica.



**VIVIX® exterior façade panels**
Spain

**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.**

### Operational performance

Formica's performance improved significantly compared to last year despite the worsening market conditions in Europe.

Formica's operating earnings before restructuring and impairment charges were $71 million, 27 percent higher than the $56 million earned in the prior year. Restructuring and impairment charges of $20 million were recorded as a result of the decision to close the factory in Bilbao, Spain (see below).

Reported revenue was four percent lower than that of the year before due to the appreciation of the New Zealand dollar. In local currency terms, sales were ahead of the previous year by three percent. In April, Formica acquired the remaining 50 percent interest in German-based Homapal, a manufacturer of specialty metallic laminates.

Volumes in North America were up by five percent on the prior year. Although there has been some improvement in both the USA and Canadian residential sectors, the commercial market showed no improvement over the previous period. Revenue in domestic currencies in North America was up by four percent.

Both volumes and revenues in domestic currencies were down in Europe. Volumes decreased by eight percent and revenue by four percent as demand in the major economies in Western Europe, particularly Spain, continued to decline. Revenues in Spain were down by 30 percent and France by 20 percent, while the UK was unchanged and the Netherlands, Scandinavia and the Baltic regions were up by seven percent. Revenue growth was strong in developing markets, up by 17 percent in Russia, while exports to Africa and the Middle East more than doubled.

As a result of continuing reductions in volumes, the closure of the Bilbao factory, one of two high-pressure laminate factories in Spain, will take effect during the 2013 financial year. This will allow the division to consolidate its Spanish operations at the remaining facility in Valencia. It will remove considerable excess capacity and allow a more efficient utilisation of remaining production equipment. A restructuring charge of $20 million has been recorded for this purpose.

Activity levels in Asia were strong during the year. In domestic currencies, revenue was up by nine percent on the previous period while volume was up by one percent. All the key markets performed well. Revenue increased by 15 percent in both China and Thailand and by nine percent in Taiwan.

In China, the current manufacturing site in Shanghai is nearing full capacity. During the year, the business announced the construction of a second high-pressure laminate factory in Juijang. Design of the new factory and purchase of equipment was under way at year-end and the facility is expected to be completed during calendar year 2013.

Input costs were relatively flat or slightly softer than those for last year. Global paper prices and energy costs were stable, while resin costs were lower.

Prices and margins were generally maintained across all regions although in some instances improved due to the ongoing promotion and extension of premium products. These included the introduction of further large-scale laminates featuring marble and granite visuals and the launch of a new and extended range of worktops in Europe which are marketed under the Axiom brand.

Efforts to improve sustainability have been continued and in March 2012, Formica Group became the first laminate products manufacturer in the world to be formally awarded the Carbon Trust's Carbon Reduction Label. The Carbon Reduction Label signifies that the total greenhouse-gas emissions from every stage of the product's life cycle – including raw materials, production, transportation, preparation, use and disposal – have been assessed. By displaying the Carbon Trust's Carbon Reduction Label, Formica Group has made a commitment to reduce the carbon footprint of its products over a two-year period.

### Looking ahead

Trading conditions in North America continue to remain relatively flat, although there have been some positive signs that the market may improve during the year. Europe shows no signs of recovery yet, although individual countries such as Germany and the Scandinavian countries remain relatively strong while the UK remains flat and the southern European countries continue to be very weak. The timing of any recovery remains uncertain.

Growth is continuing in the South East Asian countries and the regional outlook remains positive.

Formica will maintain its focus on achieving improvements to the company's operational performance and capability in the face of uncertain economic recovery. Attention will remain on service improvements and product innovation. In addition, growth opportunities will continue to be pursued in Asia and developing markets such as India, Africa, Mexico and Eastern Europe.

# Laminates & Panels. Laminex.

**Laminex 180fx® large scale design**
Australia

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

## Operational performance

Laminex's operating earnings before restructuring and impairment charges were $68 million, 39 percent lower than the $112 million earned in the prior year. Australian revenue in domestic currency was seven percent lower, driven by a slowdown in new residential activity, with residential approvals down by thirteen percent on the previous year. In addition, activity levels in the commercial sector were down on the previous year and the effect of this resulted in lower demand for Laminex's traditional decorative surface products. Conversely, demand for the division's lower-margin commodity products increased as the business focused on other sectors to mitigate the impact of slowing residential and commercial markets.

Building activity levels across Australian regions were all below those recorded for the prior period, but varied significantly throughout each region. Revenue performance across states differed as the timing of the previous year's residential and commercial building approvals were completed, with Victoria, New South Wales and Western Australia down by nine percent, Queensland down by eight percent and South Australia down by six percent on the prior period.

Pricing initiatives were introduced during the year to recover the impact of input cost increases, but the continued decline in market activity made price recovery more challenging as the year progressed.

New Zealand's revenues were down by 11 percent against last year's levels, with a slowing of activity in both residential and commercial sectors as the economy remained subdued. The slowdown in commercial activity continued following the Rugby World Cup and the Christchurch recovery taking longer to progress. Laminex New Zealand has focused on reviewing its key business operations and has taken the opportunity to exit from poor-performing product lines while launching a selective number of new products into the market.

The impact on revenue of lower activity levels and increased commodity product sales has been the key driver in the decline in operational earnings which has to some extent been mitigated by restructuring and cost reduction activities taken across all key areas of the group.

During the year, both New Zealand and Australia were faced with escalating input costs including energy, labour and material costs. The business completed a strategic review focused on efficiency and cost reduction initiatives to mitigate rising costs as recovery through price was difficult, especially with the depressed levels of demand and continuing competitive pressures. These initiatives are now well advanced with significant lowering of the operational cost base.

Laminex New Zealand exited a number of poor-performing product groups, such as hardware, and also undertook a restructure and rationalisation of its head office and administrative functions. During the year, a combination of redundancies and natural attrition resulted in a reduction of 55 employees or 17 percent of the workforce.

Laminex Australia closed its Hendra low-pressure laminating line in Queensland during the year as operations were consolidated with Laminex's MDF and low-pressure laminating site at Gympie. Exit of poor-performing and peripheral products, along with distribution restructuring, reductions in Corporate Office staff and redundancies across all other major parts of the business, saw a reduction of 230 employees or 13 percent of the workforce in Australia.

A number of new product initiatives were launched into New Zealand and Australia throughout the period, such as the highly successful 180 FX large-scale high-pressure laminate in North America and Europe. Timing of the launch was such that only minimal benefits were included in the year.

Laminex will launch its decorative surfaces products in the first half of the 2013 financial year, with much of the development for the product launch completed in the current year. Laminex and Formica, under the one Laminates & Panels division, continue to develop shared product and décor initiatives, commencing with a new décor range for the Laminex and Formica brands in New Zealand and Australia in the new financial year.

Efforts to improve sustainability were maintained and the business was highly focused on planning for the introduction of the carbon tax in July 2012 in Australia. Highlights included the completion of all compliance reporting requirements, industry qualification for Energy Intensive and Trade Exposed and commencement of a review of energy-efficiency projects.

## Looking ahead

Laminex will continue to focus on achieving improvements in operational efficiencies and capability. It will also concentrate on the core business and ensure that the division's cost base is appropriately structured to meet the reduced activity levels, while retaining the capability to meet growing demand should market conditions improve.

# Steel.

DIVISIONAL REVIEW

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

**Pacific Steel**
New Zealand

### Operational performance

The Steel division recorded operating earnings for the year of $48 million, down 42 percent on the prior year. For the Australasian steel industry, the 2012 financial year was another difficult one. The combination of low global steel utilisation and the very strong New Zealand and Australian currencies have made exporting steel products to the region attractive. In long-steel manufacturing, this has been particularly harmful and has resulted in very low margins. The declining residential building activity in Australia has adversely affected volumes there.

The highlight for 2012 has been the very strong cashflow and asset management by the division. Free cashflow was substantially ahead of that for the prior year due to very strong working capital controls and minimising capital expenditure where possible.

The rollforming and coated businesses in both New Zealand and Australia experienced volume declines over the prior year. Earnings decreased by 36 percent to $37 million. Rollforming volumes were particularly soft in Australia. New Zealand volumes were lower than those for last year but improved in the last quarter of the year. Margins reduced due to price reductions caused by increased competition.

Market conditions in the long-steel businesses were extremely difficult, resulting in earnings decreasing by 58 percent to $5 million. Overall volumes were three percent ahead of the prior year's. New Zealand's domestic volumes were up by 20 percent as a result of market share gains. Margins were lower, with the strength of the New Zealand dollar bringing about lower prices for imported product. Several new seismic-grade products specifically designed for New Zealand were released during the year. The high Australian dollar led to intense import competition in the Australian market, resulting in poor margins on long-steel exports from New Zealand.

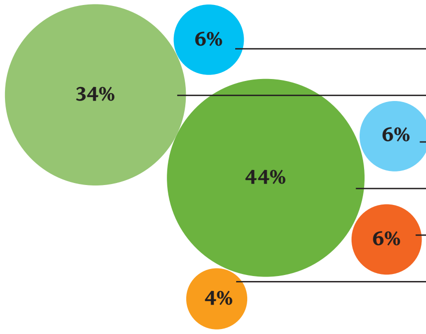
Operating earnings in the distribution and services businesses declined by 54 percent to $6 million. Earnings from the steel reinforcing business were significantly lower, driven by low volumes and increased price competition from imports. The earnings of the distribution business decreased during the year. The rising New Zealand dollar had seen prices decline in the first half of the year, but this trend was reversed in the second half of the year with margins improving.

### Looking ahead

It was encouraging to see the volume lift in the New Zealand market throughout the last quarter of the 2012 financial year. The low activity over the last few years has created a pent up demand, and this, combined with the Christchurch rebuild, suggests that the New Zealand businesses should perform more strongly in 2013. There is very little to be encouraged about in the Australian construction market, with consents and corresponding volumes declining. Given this situation, the focus for businesses in Australia will be on restructuring their cost base to match the lower volumes.

# People.

**We employ a diverse workforce of 19,200 people, based across 40 countries. The main areas of focus with regard to our people strategy is to develop a strong leadership pipeline, the attraction and retention of talent across the group and the creation of a high-performance, high-engagement and diverse workforce.**




**Location of workforce**

| | |
|---|---|
| **Asia** | 1,135 |
| **Australia** | 6,575 |
| **Europe** | 1,150 |
| **New Zealand** | 8,502 |
| **North America** | 1,063 |
| **Other** | 775 |
| **TOTAL** | 19,200 |

## Developing leaders

Developing a strong internal pipeline of future leaders is a core area of focus for the Group HR team. A reflection of the investment in leadership development was evident during the year with the promotions of the chief executive of the Laminates & Panels division, Mark Adamson, to chief executive officer of Fletcher Building and two of our general managers, Tim Richards and Graham Darlow, promoted into divisional chief executive positions. During the 2012 year, more than 1,500 leaders across the group participated in leadership development programmes. We have over 500 branches across New Zealand and Australia and this is a core channel to market for many of our businesses. To ensure that we have strong leadership capability across the extensive branch network, a branch management development programme has been established, and will launch in October 2012.

## Attracting and retaining talent

Our aspiration is to be an employer of choice in every country in which we operate. Demand for roles across New Zealand and Australia remains high, with the processing of 24,000 applications over the past 12 months. Our internal sourcing model places emphasis on providing an effective and efficient service to the business and 571 roles across New Zealand and Australia have been placed during the year.

The Employee Education Fund continues to be a strong retention tool for New Zealand, Australia and the South Pacific. The fund provided just over $5 million in funding in the 2012 financial year. This funding was used for workplace learning, leadership development, to enable employees to gain qualifications, supporting dependants of employees to retrain and re-enter the workforce, and to provide financial support for employees' children to study in tertiary institutions. The fund is valued highly by our employees and their families.

## The Christchurch rebuild

One of the most significant challenges over the past 12 months has been resourcing the Fletcher Construction Earthquake Recovery (EQR) team. Its role is to project-manage the repair of homes damaged in the Canterbury earthquakes, where the cost of repair per dwelling is between $15,000 and $100,000.

The team has grown in size to 545 direct employees. We have also engaged 1,109 accredited contracting firms and have inducted over 16,000 individual contractors and tradespeople to carry out the repair work. The EQR team has now completed full-scope repairs on more than 22,000 houses that were damaged in the earthquakes.

Given the labour shortages in Christchurch, we are working in partnership with the Ministry for Social Development to ensure opportunities to create a skills legacy are provided for Christchurch.

## Diversity

Building a diverse and inclusive workforce is a key focus area across the group. The board has adopted a group-wide diversity policy and established measurable objectives in accordance with that policy. In the past 12 months our goal to advance workforce diversity has seen us partner with Te Puni Kokiri to place 19 Maori cadets in our New Zealand businesses. We are also working in partnership with the Ministry for Social Development to provide opportunities in Christchurch for beneficiaries. Over the 2012 financial year 26 people were allocated positions under this scheme. We are also into our third year of participation with the Global Women programme and continue to have board representation on the Equal Employment Opportunities Trust.

We have also taken steps to increase the percentage of women, ethnic and other minorities working in our businesses. We have established a diversity council, which is working with the industry to create a greater focus on engineering as a career choice for women. Targets have also been established around increasing the percentage of females employed in engineering.

We also have board representation on the Employers Disability Network and will continue to be supportive of the Be Institute, members of which are taking a leadership role with regard to creating employment options for New Zealanders living with disabilities.

To identify any possible areas of inequity, pay parity reviews have been completed across certain remuneration grades. We have also engaged external consultants to review areas such as flexible work practices and parental leave, to ensure we are performing at or above market expectations and maintaining our position as an employer of choice.

Approximately 22 percent of total group employees are women. Women occupy 14 percent of total senior management positions, and make up 25 percent of the board.

## Employee engagement

In August 2012 we launched FBuSay, our first company-wide global engagement survey. The survey was available across 40 countries, in 17 languages, to all 19,200 Fletcher Building employees. The questionnaire gave employees the opportunity to provide anonymous feedback on working within the Fletcher Building group. The output from the survey will help to shape and drive future employee engagement initiatives.

# Health & Safety.

**Our health and safety vision of zero harm is based on the principle that all accidents are preventable. All incidents provide an opportunity to add resilience to our safety management.**

Each year, our executive-led Health and Safety Council, chaired by our chief executive officer, produces a safety plan detailing priorities, requirements and programmes for the whole group. Performance targets are then communicated to divisions and business units, and then reported against every month.

Over the last year, we are pleased to have made further progress 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 10.57 to 8.48. In June 2006, this rate was over 60. Our lost-time injury frequency rate has decreased from 4.11 to 3.27 (from over 10.00 in June 2006).

Our improvements in health and safety performance are a result of focused efforts across the group and an environment where health and safety progress is celebrated.

Our decentralised structure places operational responsibility for health and safety with each business unit. However, maintaining safe workplaces is not just an operational issue. We lead by example, encouraging and facilitating broader health and safety initiatives, which we believe enhances the approach by business units. Balancing the strategic importance of safe work places with the benefits of operational control by business units is a consistent focus.

In New Zealand, we attained secondary-level membership of the Accident Compensation Corporation Partnership Programme, following a November 2011 external audit of our health and safety systems and management of workplace injuries. 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 converting to such schemes.

For the fifth year, our Health, Safety and Sustainability Awards were held in recognition of health and safety achievements across the company. Submissions were received from all divisions and from business units around the world. The business unit award for safety excellence went to Fletcher Insulation. Its senior managers are leading a very effective zero-harm culture, and with a reward and recognition system and an increased focus on safety inductions, employees have begun to take ownership of their own safety responsibilities.


**Fletcher Construction Victoria Park Tunnel initiative**
New Zealand

Despite our considerable progress, serious injuries still occur. In January 2012 an employee of Fletcher Construction suffered serious head injuries when he fell from height while working on the deconstruction of the Hotel Grand Chancellor in Christchurch. Efforts to reduce such risks have received increased focus since that incident and the company has supported government campaigns to improve safety in relation to working at heights. Incidents like this are taken extremely seriously and investigated thoroughly both internally and externally.

Looking ahead, we have identified two key points for improvement across the group. To avoid any accidents or injuries in the workplace we are now increasing our focus on managing hazards that could result in serious injuries or fatalities specifically. This will mean more attention towards significant operational risks.

Our overall approach to safety management is that risks should be reduced through both 'designing-in' safety and developing a strong safety culture. We believe safety in the workplace can be a driver of innovation and productivity improvements, and are therefore concentrating on designing work environments that mitigate the risk of major incidents while also making workplaces more productive.

We are also focusing on increasing engagement with our workforce through measures which enhance their physical health and productivity. Initiatives to enhance the health of workers will differ across business units, but in general there will be a focus on health education and providing them with supportive social and physical environments in which to work. To achieve the targets we have set, it is vital that every employee considers health and safety as part of their job, rather than an addition to it.

We are also developing additional lead measures to reduce the risk of future incidents. These include increasing the frequency of safety reviews and safety observations by managers, and conducting extensive investigations of significant near-miss incidents so they can be eliminated in the future.

# Environment.

**Our focus on the environment is driven by a number of factors. Most importantly, a strong culture of sustainability is developing across our businesses and with our employees. Our businesses are setting bolder targets and increasingly ensuring sustainability is a key consideration in everything they do.**

An executive Climate Change and Environmental Sustainability Council, chaired by our chief executive officer, directs company wide programmes to support the achievement of environmental goals. The council remains firmly focused on managing our emissions trading and carbon reporting requirements. By identifying energy-efficiency opportunities, we hope to achieve our commitment to reduce carbon dioxide ($CO_2$) emissions by five percent between calendar 2008 and 2012.

Our absolute $CO_2$ emissions had decreased from 1,533,267 tonnes in 2007 to 1,277,607 as at 30 June 2012 – a decline of 17 percent. However, production levels in 2011 were less than those of 2007, and therefore further analysis was carried out using an emissions efficiency index we developed. This provides a better indicator of emissions efficiency performance. The indexed numbers will be collated in early 2013 and used to calculate our relative performance over the entire five year period.

Our Energy and $CO_2$ inventory is updated every six months, and provisional figures for the 2012 financial year show total $CO_2$ emissions of 1,277,607 tonnes. This includes the $CO_2$ emitted during the generation of electricity used by Fletcher Building. Emissions from our New Zealand operations totalled 675,033 tonnes, while Australian sites emitted 440,097 tonnes. Although we strive to be as accurate as possible in all forms of environmental reporting, we do not currently calculate emissions intensity for all of our products and services. However, the cement we produce results in 43 percent of group emissions, and the six products listed in the accompanying table (including cement) result in approximately 80 percent of emissions combined. Reviewing emissions intensity for these products provides an accurate indicator of our group-wide efficiency.

**Our six most emissions-intensive products (manufacturing process)**

| Product | | 2007 emissions | FY12 emissions |
|---|---|---|---|
| Cement | Total ($tCO_2e$) | 681,635 | 504,530 |
| | Efficiency ($tCO_2e/t$) | 0.792 | 0.741 |
| Steel | Total ($tCO_2e$) | 72,773 | 69.931 |
| | Efficiency ($tCO_2e/t$) | 0.281 | 0.309 |
| MDF and particleboard | Total ($tCO_2e$) | 130,007 | 87,787 |
| | Efficiency ($tCO_2e/m^3$) | 0.346 | 0.311 |
| Decorative Laminates | Total ($tCO_2e$) | 187,849 | 163,041 |
| | Efficiency ($kgCO_2e/m^2$) | 1.68 | 1.71 |
| Fibreglass insulation | Total ($tCO_2e$) | 93,139 | 68,435 |
| | Efficiency ($tCO_2e/t$) | 2.26 | 1.92 |
| Plasterboard | Total ($tCO_2e$) | 40,774 | 26,797 |
| | Efficiency ($kgCO_2e/m^2$) | 1.37 | 1.31 |

We also continue to participate in the Carbon Disclosure Project, which requires us to report how we manage the risks and opportunities of climate change, and provide a complete inventory of our annual energy use and $CO_2$ emissions.

In respect of New Zealand's Emissions Trading Scheme (ETS), our operations that emit $CO_2$ from fossil fuel combustion do not directly participate in this initiative, but are subject to the higher energy costs passed down by energy suppliers. However, our cement and steel manufacturing operations emit process $CO_2$, 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 the increased energy costs for our New Zealand operations from the ETS are not material.

In July 2012, the Australian Government introduced the carbon price component of its Clean Energy Future Plan. We are now incurring additional costs indirectly from an increase in natural gas and electricity costs passed on by retailers, and will be faced with further costs from the carbon price being imposed on transport diesel from 1 July 2014.

As in New Zealand, emissions-intensive, trade exposed operations are granted free emission units to offset the effects of this increased cost. Our MDF and particleboard manufacturing operations are eligible for free emission units equivalent to 66 percent of their operational emissions. 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 expenses through price increases.

In May, our Golden Bay Cement business was announced the Renewable Energy Category winner at the 2012 New Zealand Energy Efficiency and Conservation Authority (EECA) Awards. Golden Bay has reduced its annual $CO_2$ emissions by 58,000 tonnes and its annual energy bill by $3 million, as a result of substituting nearly a third of the coal burned in its kiln for wood waste fuel. This initiative also won Golden Bay Cement the Excellence in Concrete for the Community Award at the 2011 New Zealand Concrete Sustainability Awards, and makes Golden Bay Cement New Zealand's largest known user of renewable wood energy outside the wood-processing sector.

We also participate 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 environmental performance of their homes. We have also contributed to a number of important GreenStar-rated buildings across Australia and New Zealand, either as construction contractors or through the supply of accredited materials. In November 2011 we published our first sustainability report: **fletcherbuilding.com/sustainability**.

# Corporate governance.

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

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

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

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

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

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 best 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, eight of the nine directors are independent directors.

### 2. Structuring the board to add value

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

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

**Board composition**
While the constitution provides that the appropriate size for the board is between three and nine members, the board has determined that 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 and risk, 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.

While not designated as a member of the Remuneration Committee, the board chairman, Mr Waters, is an ex officio member and participates in all the committee meetings.

**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 a single apology for absence from one of the ten regular meetings during the year. In addition to these meetings were 10 site visits and a strategic session with senior management. The audit and risk committee met on three occasions and the remuneration committee met twice. The nominations committee met four 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 and risk 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 120 persons comprising executives and directors, who are currently designated as having the opportunity to access price sensitive information, can transact in its securities only with the prior approval of the company secretary.

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

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.

# Corporate governance continued.

### 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 and risk committee operating under a written charter.
- Review and consideration by the audit and risk 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 and risk committee.
- Responsibility for appointment of the auditors residing with the audit and risk 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 and risk 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 2012 are shown in the 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 2011 review of remuneration, the company commissioned an independent report on directors' remuneration in Australasia, which indicated that some increase in fees was justified having regard to market changes. As a result, from 1 January 2012, the base director's fee was increased from $135,000 per annum to $140,000 per annum, with audit and risk and remuneration committee fees remaining the same at $23,000 and $17,500 respectively. The fee for participation on the nominations committees increased from $8,500 per annum to $10,000 per annum. The maximum aggregate fees payable in any year was set at $2,000,000 at the 2011 annual shareholders' meeting.

**Non-executive directors' remuneration**

| | Base Fees $ | Committee Fees $ | Other Fees $ | Total $ |
|---|---|---|---|---|
| A J Carter | 137,500 | 26,750 | | 164,250 |
| H A Fletcher | 137,500 | 32,250 | | 169,750 |
| A T Jackson | 137,500 | 35,750 | | 173,250 |
| J F Judge | 137,500 | 43,750 | | 181,250 |
| K D Spargo | 46,923 | 9,685 | 6,033 | 62,641 |
| C Tarrant | 100,448 | 23,605 | | 124,053 |
| G T Tilbrook | 137,500 | 32,250 | 15,000 | 184,750 |
| K M Vautier[1] | 22,500 | 5,250 | | 27,750 |
| R G Waters | 356,250 | | 15,000 | 371,250 |
| **Total** | **1,213,621** | **209,290** | **36,033** | **1,458,944** |

Committee chairs receive a 50 percent premium to the committee fee. The board chairman's fee is two and a half times the aggregate of the base fee and nominations committee fee paid to directors, and is inclusive of the time committed by the chairman for participation on other board committees. In acknowledgement of the additional time commitment required of any Australian-based director, a travelling allowance of $18,000 per annum is also payable, increased from $12,000 per annum payable previously. Where an ad hoc committee is convened, such as for due diligence, additional remuneration may be payable at $1,200 per half day.

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

### Executive director's remuneration

J P Ling's remuneration as chief executive officer comprises base remuneration, a short-term incentive if specified annual performance targets are satisfied of up to 100% of base remuneration and participation in the company's long-term incentive scheme of up to 100% 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 $2,439,385 comprising base remuneration of $1,568,250, a short-term incentive payment of $367,132 and $504,003 paid in October 2011 in respect of the shares vesting pursuant to the 2008 Executive Long-Term 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 granted pursuant to the Executive Long-Term Share Scheme. The value of the 143,162 shares in the company acquired under the Executive Long-Term Share Scheme on 13 October 2011 was $1,063,692.

The first grant of 500,000 options was made with effect from 1 September 2006, being the date of Mr Ling's appointment with a second grant of 500,000 options being made with effect from 8 September 2009. Each option was granted for no cash consideration.

[1] As advised in the Fletcher Challenge Building Information Memorandum dated 30 January 2001, Fletcher Building Limited assumed responsibility for the payment of directors' retirement allowances which had accrued prior to separation in respect of three directors of Fletcher Challenge Limited who became directors of Fletcher Building. Fletcher Building received payment for those allowances from Fletcher Challenge. In addition to the above fees, Mrs Vautier, who retired on 31 August 2011, was paid the sum of $187,500 being the retirement allowance in respect of her directorship of Fletcher Challenge.

# Remuneration report continued.

The initial exercise price for the first grant was $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 prices are increased annually, with effect from the date of grant, by the company's cost of capital, less any dividends actually paid. As the exercise price on 1 September 2012 was above the current share price, these options have lapsed.

The initial exercise price for the second grant was $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 price at 30 June 2012 for the second grant was $9.23.

There is a restrictive period of three years from the date of grant during which the options may not be exercised. Subject to the company's rules on the trading of securities, options may be exercised at any time between the third and sixth anniversary of the date of grant. As Mr Ling was an employee of the company on 8 September 2012, he retains the right to exercise the second grant of options until 8 September 2015.

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.

## Directors' and officers' indemnification and insurance

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

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

## Senior management remuneration

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

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

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

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

## Fixed remuneration

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

## Short-term incentive remuneration

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

Participation in the plan is by annual invitation, at which time the target incentive is established. This involves each participant being notified of a financial target and several challenging, measurable personal objectives for the financial year. 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 95 percent of earnings target, with 50 percent of the financial component earned at 100 percent of target, and 100 percent of the financial component earned at 105 percent of target.

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

## Long-term incentives

The company has implemented long-term cash-based performance incentive schemes, targeted at around 330 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.

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

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

(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.

# Remuneration report continued.

(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 to be used to determine relative TSR performance for the 2012 offer comprises Adelaide Brighton, Amcor, Arrium (formally OneSteel), BlueScope, Boral, Brickworks, CSR, Downer EDI, F & P Appliances, GWA International, James Hardie, Leighton Holdings, Nuplex, Reece, Sims Group and Steel & Tube. Alesco and Gunns have been removed from the group. The minimum and maximum EPS targets for the 2012 offer are for EPS for the year ended 30 June 2012 to increase by five percent per annum and 10 percent per annum respectively.

On 30 September 2012 the three year restrictive period in respect of the second issue under the ELSS, which was made in 2009, ends. The EPS minimum vesting threshold for the 2009 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 in the 63rd percentile of the comparator group of companies and accordingly participating executives in the ELSS (in respect of the TSR tranche) will be entitled to take up ownership of around 226,500 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.

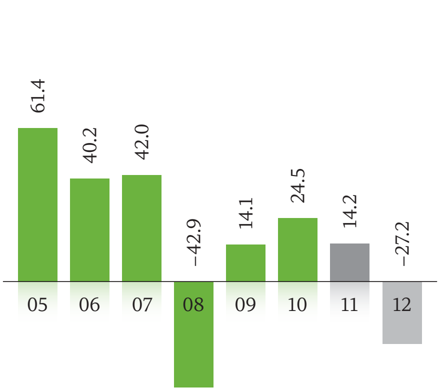
### Employee remuneration

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 2012, the amount accrued as at 30 June 2012 has also been included in the total remuneration disclosed below.

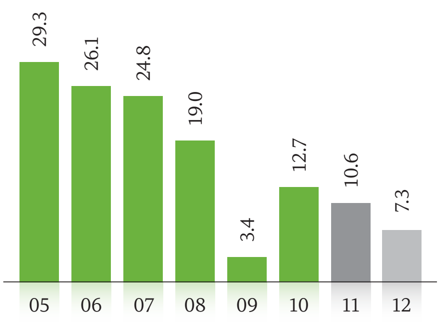
| | | Number of Employees | | |
|---|---|---|---|---|
| From NZ$ | To NZ$ | International Business Activities | New Zealand Business Activities | Total |
| 100,000 | 110,000 | 505 | 305 | 810 |
| 110,000 | 120,000 | 382 | 207 | 589 |
| 120,000 | 130,000 | 283 | 146 | 429 |
| 130,000 | 140,000 | 197 | 109 | 306 |
| 140,000 | 150,000 | 147 | 72 | 219 |
| 150,000 | 160,000 | 117 | 50 | 167 |
| 160,000 | 170,000 | 90 | 39 | 129 |
| 170,000 | 180,000 | 72 | 36 | 108 |
| 180,000 | 190,000 | 48 | 43 | 91 |
| 190,000 | 200,000 | 56 | 23 | 79 |
| 200,000 | 210,000 | 35 | 18 | 53 |
| 210,000 | 220,000 | 29 | 20 | 49 |
| 220,000 | 230,000 | 25 | 17 | 42 |
| 230,000 | 240,000 | 25 | 8 | 33 |
| 240,000 | 250,000 | 15 | 7 | 22 |
| 250,000 | 260,000 | 24 | 8 | 32 |
| 260,000 | 270,000 | 8 | 4 | 12 |
| 270,000 | 280,000 | 9 | 8 | 17 |
| 280,000 | 290,000 | 12 | 6 | 18 |
| 290,000 | 300,000 | 6 | 2 | 8 |
| 300,000 | 310,000 | 5 | 5 | 10 |
| 310,000 | 320,000 | 7 | | 7 |
| 320,000 | 330,000 | 5 | 2 | 7 |
| 330,000 | 340,000 | 7 | 5 | 12 |
| 340,000 | 350,000 | 3 | 3 | 6 |
| 350,000 | 360,000 | 6 | 6 | 12 |
| 360,000 | 370,000 | 11 | 2 | 13 |
| 370,000 | 380,000 | 4 | 4 | 8 |
| 380,000 | 390,000 | 3 | 1 | 4 |
| 390,000 | 400,000 | 4 | 3 | 7 |
| 400,000 | 410,000 | 2 | | 2 |
| 410,000 | 420,000 | 3 | 2 | 5 |
| 420,000 | 430,000 | 5 | 2 | 7 |
| 430,000 | 440,000 | | 2 | 2 |
| 440,000 | 450,000 | 2 | | 2 |
| 450,000 | 460,000 | 5 | 1 | 6 |
| 460,000 | 470,000 | 3 | 3 | 6 |
| 470,000 | 480,000 | 1 | 3 | 4 |
| 480,000 | 490,000 | 1 | | 1 |
| 500,000 | 510,000 | 1 | | 1 |
| 510,000 | 520,000 | 5 | 1 | 6 |
| 520,000 | 530,000 | 3 | 1 | 4 |
| 540,000 | 550,000 | 1 | 1 | 2 |
| 550,000 | 560,000 | 2 | 1 | 3 |
| 560,000 | 570,000 | 2 | | 2 |
| 570,000 | 580,000 | 1 | | 1 |
| 590,000 | 600,000 | 2 | | 2 |
| 610,000 | 620,000 | 2 | | 2 |
| 620,000 | 630,000 | 1 | 1 | 2 |
| 710,000 | 720,000 | | 1 | 1 |
| 730,000 | 740,000 | 1 | | 1 |
| 740,000 | 750,000 | 1 | 1 | 2 |
| 780,000 | 790,000 | 1 | 1 | 2 |
| 790,000 | 800,000 | | 1 | 1 |
| 810,000 | 820,000 | | 1 | 1 |
| 820,000 | 830,000 | 1 | | 1 |
| 910,000 | 920,000 | 1 | | 1 |
| 1,090,000 | 1,100,000 | | 1 | 1 |
| 1,120,000 | 1,130,000 | 1 | | 1 |
| 1,290,000 | 1,300,000 | 1 | | 1 |
| 1,400,000 | 1,410,000 | 1 | | 1 |
| 2,410,000 | 2,420,000 | 1 | | 1 |
| | | **2,191** | **1,183** | **3,374** |

# Financial review.

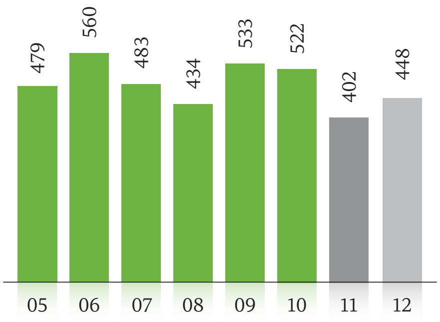
Total shareholder return (percentage)




Return on funds (percentage)




Operating cashflow ($million)




**Restructuring and impairment charges**

Restructuring and impairment charges (previously referred to as unusual items) totalling $132 million after tax were incurred during the year. These related to costs incurred in restructuring the Laminex business, the closure of the Formica plant in Bilbao, Spain, and reductions in the carrying value of the insulation business in Australia.

In response to the low volumes and margin deterioration in the Laminex business, a review was undertaken during the year to determine how to achieve a step-change in the cost structure of the business. The review addressed the go-to-market model and the profitability of ancillary activities that support the core Laminex product range. Costs associated with the exit of poorly performing and peripheral products, distribution restructuring, reductions in administrative staff and other redundancies totalled $38 million after tax.

At the end of the year the decision was taken to consolidate Formica's two manufacturing plants in Spain, resulting in the closure of Formica's plant in Bilbao. This was in response to significant overcapacity across Formica's two Spanish plants as a result of the decrease in volumes in Spain. A total of $20 million has been provided to cover the one-off costs associated with the closure of the Bilbao plant.

The adjustment to the carrying value of the Australian insulation business follows the strategic review undertaken during the year to determine the future of the business. While the decision has been made to retain the business, the review identified that given the current exchange rate and expected activity levels the medium term earnings expectations have reduced. Consequently, it is considered appropriate to write off the goodwill arising on the acquisition of this business, write down stock and reduce the carrying value of its brands.

**Cashflow and capital expenditure**

Cashflow from operations was $448 million, up 11 percent on the $402 million achieved in the prior year. The improvement was due to strong cash flows in Formica and the Crane, Construction and Steel divisions, with working capital in aggregate in line with the previous year.

Capital expenditure for the period was $353 million, up from $307 million in the prior year (excluding the acquisition of Crane). Of this total, $207 million was for stay-in-business capital projects and $148 million was for new growth initiatives, including $86 million for the acquisition of new businesses. The latter included the acquisition of the remaining 50 percent shareholding in Homapal for $52 million.

**Capital management and funding**

The group's gearing at 30 June 2012 was 35.4 percent compared with 33.8 percent at 30 June 2011. The gearing figure remains well below the target range of 40 to 50 percent, and the group will continue to position gearing below the bottom of this range given the volatility in global financial markets.

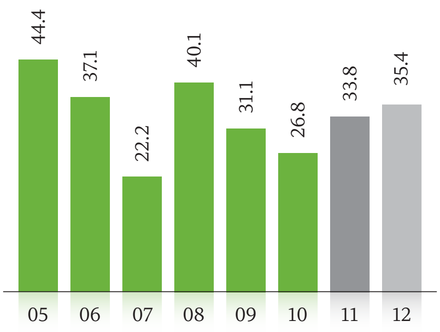
The group had total available funding of $2,928 million as at 30 June 2012. Of this, approximately $782 million was undrawn and there was an additional $168 million of cash on hand. The group has drawn debt facilities maturing within the next 12 months of $381 million, and a further $75 million of capital notes subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and cash on hand.

The average maturity of the debt is 5 years and the currency split is 52 percent Australian dollar; 34 percent New Zealand dollar; 10 percent US dollar; 3 percent Euro; and 1 percent Pounds Sterling.

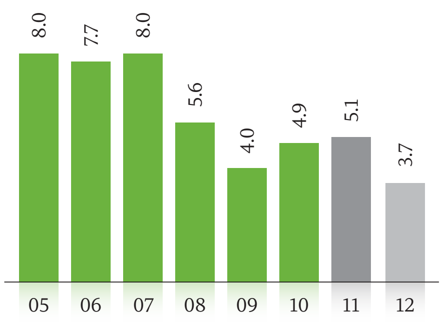
Approximately 67 percent of all borrowings have fixed interest rates with an average duration of 4 years and a rate of 7.5 percent. Inclusive of floating rate borrowings the average interest rate on the debt is approximately 6.7 percent. All interest rates are inclusive of margins but not fees.

Interest coverage for the period was 3.7 times compared with 5.1 times in the previous year. This was due to increased interest costs from the higher debt levels following the acquisition of Crane in March 2011.

Gearing (percentage)




Interest cover (times)




## 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 investments in all plans totalled $663 million at 30 June 2012.

The plans are accounted for in accordance with NZIAS 19 Employee Benefits, which has the effect of smoothing volatility in returns by amortizing the difference between expected and actual returns over the remaining life of the members. At balance date, $182 million of net losses were to be accounted for in future periods.

During the year the company contributed $23 million towards funding these plans. The group expects to contribute $25 million to its overseas defined benefit plans during the year to June 2013.

# Financial statements.

## Earnings statement.

For the year ended 30 June 2012

| | Notes | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|---|
| | | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| Sales | | **8,873** | 7,416 | | |
| Cost of goods sold | | **(6,647)** | (5,566) | | |
| Gross margin | | **2,226** | 1,850 | | |
| Selling and marketing expenses | | **(1,095)** | (788) | | |
| Administration expenses | | **(603)** | (516) | | |
| Share of profits of associates | 21 | **26** | 33 | | |
| Other investment income/(expense) | | **1** | 4 | 2 | (168) |
| Intercompany investment income | 32 | | | 677 | 550 |
| Other gains and losses | 3 | **1** | 14 | | |
| Amortisation of intangibles | 20 | | (1) | | |
| Restructuring and impairment charges | 4 | **(153)** | (104) | | |
| Operating earnings (EBIT) | | **403** | 492 | 679 | 382 |
| Funding costs | 6 | **(152)** | (122) | 40 | (15) |
| Earnings before taxation | | **251** | 370 | 719 | 367 |
| Taxation expense | 7 | **(58)** | (79) | (11) | 54 |
| **Earnings after taxation** | | **193** | 291 | 708 | 421 |
| Earnings attributable to minority interests | | **(8)** | (8) | | |
| **Net earnings attributable to the shareholders** | | **185** | 283 | 708 | 421 |
| Net earnings per share (cents) | 9 | | | | |
| Basic | | **27.2** | 45.0 | | |
| Diluted | | **27.2** | 45.0 | | |
| Weighted average number of shares outstanding (millions of shares) | 9 | | | | |
| Basic | | **681** | 629 | | |
| Diluted | | **681** | 644 | | |
| Dividends declared per share (cents) | | **34.0** | 33.0 | | |

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

On behalf of the Board, 22 August 2012

**Ralph Waters**
Chairman of Directors

**Jonathan Ling**
Managing Director

# Statements of comprehensive income and movements in equity.

For the year ended 30 June 2012

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| **Statement of comprehensive income** | | | | |
| Net earnings – parent interest | **185** | 283 | 708 | 421 |
| Net earnings – minority interest | **8** | 8 | | |
| Net earnings | **193** | 291 | 708 | 421 |
| Movement in cashflow hedge reserve | **(39)** | (6) | (23) | (6) |
| Movement in currency translation reserve | **(39)** | 10 | | |
| Income and expenses recognised directly in equity | **(78)** | 4 | (23) | (6) |
| **Total comprehensive income for the year** | **115** | 295 | 685 | 415 |
| **Statement of movements in equity** | | | | |
| Total equity at the beginning of the year | **3,700** | 3,023 | 2,518 | 1,647 |
| Total comprehensive income for the year | **115** | 295 | 685 | 415 |
| Movement in minority equity | **(10)** | (8) | | |
| Movement in reported capital | **30** | 645 | 30 | 645 |
| Dividends | **(231)** | (189) | (231) | (189) |
| Distribution to Crane minority shareholders | | (62) | | |
| Less movement in shares held under the treasury stock method | **(1)** | (4) | | |
| **Total equity** | **3,603** | **3,700** | 3,002 | 2,518 |

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

# Balance sheet.

As at 30 June 2012

| | Notes | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|---|
| | | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash and deposits | 15 | **168** | 115 | 77 | 31 |
| Current tax asset | 25 | **28** | | | 55 |
| Debtors | 16 | **1,460** | 1,450 | 27 | 1 |
| Stocks | 17 | **1,434** | 1,539 | | |
| Total current assets | | **3,090** | 3,104 | 104 | 87 |
| Non current assets: | | | | | |
| Fixed assets | 18 | **2,348** | 2,206 | | |
| Goodwill | 19 | **1,243** | 1,424 | | |
| Intangibles | 20 | **519** | 404 | | |
| Investments | 21 | **224** | 281 | 5,429 | 3,656 |
| Derivatives | 27 | **73** | 67 | 65 | 67 |
| Deferred taxation asset | 25 | | 6 | 15 | 6 |
| Advances to subsidiaries | 32 | | | 781 | 805 |
| Total non current assets | | **4,407** | 4,388 | 6,290 | 4,534 |
| **Total assets** | | **7,497** | 7,492 | 6,394 | 4,621 |
| **Liabilities** | | | | | |
| Current liabilities: | | | | | |
| Provisions | 22 | **95** | 78 | 2 | 2 |
| Creditors and accruals | 23 | **1,249** | 1,364 | 1 | 2 |
| Current tax liability | 25 | | 27 | 12 | |
| Contracts | 24 | **115** | 92 | | |
| Borrowings | 26 | **456** | 139 | 55 | 12 |
| Advances from subsidiaries | 32 | | | 3,208 | 2,023 |
| Total current liabilities | | **1,915** | 1,700 | 3,278 | 2,039 |
| Non current liabilities: | | | | | |
| Provisions | 22 | **21** | 23 | | |
| Creditors and accruals | 23 | **92** | 93 | | |
| Deferred taxation liability | 25 | **13** | | | |
| Retirement plan liability | 34 | **29** | 37 | | |
| Derivatives | 27 | **134** | 71 | 105 | 71 |
| Borrowings | 26 | **1,690** | 1,868 | 9 | (7) |
| Total non current liabilities | | **1,979** | 2,092 | 114 | 64 |
| **Total liabilities** | | **3,894** | 3,792 | 3,392 | 2,103 |
| **Equity** | | | | | |
| Reported capital | 11 | **2,582** | 2,553 | 2,603 | 2,573 |
| Revenue reserves | 12, 13 | **985** | 1,031 | 435 | (42) |
| Other reserves | 12, 13 | **4** | 82 | (36) | (13) |
| Shareholders' funds | | **3,571** | 3,666 | 3,002 | 2,518 |
| Minority equity | 14 | **32** | 34 | | |
| **Total equity** | | **3,603** | 3,700 | 3,002 | 2,518 |
| **Total liabilities and equity** | | **7,497** | 7,492 | 6,394 | 4,621 |

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 2012

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| Cashflow from operating activities | | | | |
| Receipts from customers | **8,908** | 7,370 | 2 | |
| Dividends received | **32** | 33 | 677 | 229 |
| Interest received | **1** | | 40 | 1 |
| Total received | **8,941** | 7,403 | 719 | 230 |
| Payments to suppliers, employees and other | **8,227** | 6,793 | 44 | 55 |
| Interest paid | **143** | 122 | | 19 |
| Income tax paid | **123** | 86 | | |
| Total applied | **8,493** | 7,001 | 44 | 74 |
| **Net cash from operating activities** | **448** | 402 | 675 | 156 |
| | | | | |
| Cashflow from investing activities | | | | |
| Sale of fixed assets | **16** | 41 | | |
| Sale of investments | | 1 | | |
| Sale of subsidiaries | **11** | | | |
| Total received | **27** | 42 | | |
| Purchase of fixed assets | **261** | 249 | | |
| Purchase of investments | **6** | 2 | | |
| Purchase of subsidiaries | **86** | 1,106 | | |
| Net debt in subsidiaries acquired | **10** | 323 | | |
| Total applied | **363** | 1,680 | | |
| **Net cash from investing activities** | **(336)** | (1,638) | | |
| | | | | |
| Cashflow from financing activities | | | | |
| Issue of shares | | 645 | | 645 |
| Net debt drawdown | **107** | 754 | 59 | 35 |
| Issue of capital notes | **67** | 69 | | |
| Total received | **174** | 1,468 | 59 | 680 |
| Repurchase of capital notes | **21** | 29 | | 167 |
| Advances to subsidiaries | | | 487 | 505 |
| Distribution to minority shareholders | **13** | 13 | | |
| Dividends | **201** | 189 | 201 | 189 |
| Total applied | **235** | 231 | 688 | 861 |
| **Net cash from financing activities** | **(61)** | 1,237 | (629) | (181) |
| | | | | |
| Net movement in cash held | **51** | 1 | 46 | (25) |
| Add opening cash deposits | **115** | 112 | 31 | 56 |
| Effect of exchange rate changes on net cash | **2** | 2 | | |
| **Closing cash and liquid deposits** | **168** | 115 | 77 | 31 |

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 2012

| | Fletcher Building Group | |
|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| **Analysis of subsidiaries acquired** | | |
| Fixed assets | **41** | 288 |
| Goodwill on acquisition | **102** | 758 |
| Intangibles | | 8 |
| Investments | | 16 |
| Net tax asset | | 48 |
| Current assets | **19** | 784 |
| Minority interests | **(2)** | |
| Cash in subsidiaries | | 129 |
| Debt in subsidiaries | **(10)** | (452) |
| Current liabilities | **(11)** | (473) |
| Total assets and liabilities recognised | **139** | 1,106 |
| Gain recognised in respect of investment previously held | **(4)** | |
| Adjustment to derecognise investment previously held in subsidiaries acquired | **(49)** | |
| Cash paid to date for subsidiaries acquired | **86** | 1,106 |

On 2 April 2012 the group acquired the remaining half of Homapal Plattenwerk GmbH & Co.KG. (Homapal) for a consideration of $52 million, having previously held a 50 percent investment. From that date Homapal has been accounted for as a subsidiary of the group. During the year the group also acquired other minor subsidiaries for an aggregate consideration of $34 million.

In the prior year 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. The group also acquired Australian Construction Products Pty Ltd and other minor subsidiaries for a consideration of $56 million.

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

# Reconciliation of net earnings to net cash from operating activities.

For the year ended 30 June 2012

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| Cash was received from: | | | | |
| Net earnings | **185** | 283 | 708 | 421 |
| Earnings attributable to minority interests | **8** | 8 | | |
| | **193** | 291 | 708 | 421 |
| Adjustment for items not involving cash: | | | | |
| Depreciation, depletions, and amortisation | **230** | 205 | | |
| Restructuring and impairment charges | **122** | 89 | | |
| Provisions and other adjustments | **(21)** | (7) | (21) | 117 |
| Taxation | **(65)** | (7) | 11 | (54) |
| Non cash adjustments | **266** | 280 | (10) | 63 |
| Cashflow from operations [1] | **459** | 571 | 698 | 484 |
| Less gain on disposal of affiliates and fixed assets | **(2)** | (21) | | (321) |
| Cashflow from operations before net working capital movements | **457** | 550 | 698 | 163 |
| Net working capital movements | **(9)** | (148) | (23) | (7) |
| **Net cash from operating activities [2]** | **448** | 402 | 675 | 156 |
| **Net working capital movements:** | | | | |
| Debtors | **15** | (42) | (24) | 18 |
| Stocks | **71** | (52) | | |
| Contracts | **20** | (4) | | |
| Creditors | **(115)** | (50) | 1 | (25) |
| | **(9)** | (148) | (23) | (7) |

[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 2012

## 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. Any 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 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 balance 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 scheme**
The company has implemented a long term cash-based performance incentive scheme 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 long-term share scheme introduced in 2008 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 half 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.

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.

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 accounts for the share schemes under the treasury stock method. The receivable owing from the executives, representing the shares held in the company, 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 earnings. NZ IAS 19 Employee Benefits has been revised with an effective date of June 2014 for the group. This will result in the group's deferred actuarial loss of $182 million, as at 30 June 2012, in respect of its retirement plans to be written off direct to the other comprehensive reserve within equity. It is not expected to have a material impact on the group's earnings.

There have been no other changes in accounting policies in the year ended 30 June 2012, however certain comparatives have been restated to conform with the current year's presentation.

## 2 Acquisitions

During the 2012 year the group acquired subsidiaries for a total consideration of $86 million (2011: $1,106 million).

The major acquisition during the year was the purchase of the remaining half of Homapal on 2 April 2012 for a consideration of $52 million, having previously held a 50 percent investment. From that date Homapal has been accounted for as a subsidiary of the group, having previously been equity accounted as an associate.

The following values are recognised in the financial statements in respect of this acquisition:

**Homapal**

| | Provisional fair value NZ$M |
|---|---|
| Fixed assets | **26** |
| Goodwill on acquisition | **81** |
| Inventories | **7** |
| Receivables | **3** |
| Current liabilities | **(2)** |
| Enterprise value | **115** |
| Less debt acquired | **(10)** |
| Gain recognised in respect of investment previously held | **(4)** |
| Adjustment to derecognise investment previously held | **(49)** |
| **Consideration paid** | **52** |

During the year to 30 June 2012, Homapal contributed sales of $8 million and operating earnings of $4 million. If the acquisition had occurred on 1 July 2011, it is estimated that the contribution to group sales would have been $33 million and operating earnings would have been $12 million.

**Other acquisitions**

During the year the group also acquired other subsidiaries for a total consideration of $34 million.

The following values are recognised in the financial statements:

| | Provisional fair value NZ$M |
|---|---|
| Fixed assets | **15** |
| Goodwill on acquisition | **21** |
| Minority interest | **(2)** |
| Current assets | **9** |
| Current liabilities | **(9)** |
| Enterprise value | **34** |
| **Consideration paid** | **34** |

## 2 Acquisitions continued

During the year to 30 June 2012 these acquisitions contributed sales of $27 million and operating earnings of $2 million. If the acquisitions had occurred on 1 July 2011, it is estimated that the contribution to group sales would have been $49 million and operating earnings would have been $5 million.

A formal fair value exercise of the assets and liabilities for the above acquisitions is underway, but will not be completed until the 2013 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 was acquired with an effective date of 28 March 2011 for consideration of $1,050 million inclusive of $323 million of net debt. The fair value exercise for Crane has now been completed. The following are the values recognised in the financial statements:

**Crane**

| | Final fair value at acquisition date NZ$M | Provisional fair value at acquisition date NZ$M |
|---|---|---|
| Fixed assets | 426 | 286 |
| Goodwill on acquisition | 435 | 655 |
| Goodwill in respect of the minority interest | 62 | 62 |
| Brands and other intangibles | 143 | 8 |
| Net tax asset/(liability) | (2) | 47 |
| Inventories | 391 | 401 |
| Receivables | 363 | 366 |
| Current liabilities | (456) | (468) |
| Investments | 11 | 16 |
| Enterprise value | 1,373 | 1,373 |
| Less debt acquired | (451) | (451) |
| Plus cash acquired | 128 | 128 |
| **Consideration paid** | 1,050 | 1,050 |
| Less goodwill in respect of the minority interest | (62) | (62) |
| Net assets recognised | 988 | 988 |

# Notes to the financial statements continued.

## 3 Specific disclosures

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| The following items are specific disclosures required to be made and are included within the earnings statement: | | | | |
| Net periodic pension cost | **12** | 20 | | |
| Employee related short term costs [1] | **1,429** | 1,203 | | |
| Other long term employee related benefits | **68** | 53 | | |
| Research and development | **2** | 4 | | |
| Bad debts written off | **7** | 7 | | |
| Foreign exchange losses | | | | 172 |
| Donations and sponsorships | **1** | 7 | | |
| Maintenance and repairs | **167** | 158 | | |
| Operating lease expense | **180** | 154 | | |
| Other gains and (losses) [2] | **1** | 14 | | |
| Auditors' fees and expenses payable for: | | | | |
| Statutory audit – KPMG | **3** | 3 | | |
| Other services – KPMG [3] | **1** | 1 | | |
| Other professional services to other firms | **2** | 1 | | |
| [1] Remuneration for the executive committee included in the above is disclosed in note 32. | | | | |
| [2] Other gains and (losses) include the following: | | | | |
| Sale of assets | **8** | 21 | | |
| Acquisition costs | **(3)** | | | |
| Insurance proceeds | **1** | | | |
| Impairment of assets | **(2)** | | | |
| Net cost of repairs due to earthquake damage | **(1)** | | | |
| Net redundancies and restructuring costs | **(3)** | (9) | | |
| Other | **1** | 2 | | |
| | **1** | 14 | | |

[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 Restructuring and impairment charges – unusual items

Restructuring and impairment charges, previously disclosed as unusual items consists of the following:

| | Fletcher Building Group – June 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Acquisition income and expenses [1] NZ$M | Restructuring costs [2] NZ$M | Intangibles impairment [3] NZ$M | Write-off of fixed assets [4] NZ$M | Write-off of stock [5] NZ$M | Other NZ$M | Total NZ$M |
| Building Products division | | | **75** | | **4** | | **79** |
| Laminates & Panels division | **(1)** | **45** | | **20** | **10** | | **74** |
| **Total restructuring and impairment charges – EBIT** | **(1)** | **45** | **75** | **20** | **14** | | **153** |
| Tax benefit on above items [6] | | **(7)** | **(4)** | **(6)** | **(4)** | | **(21)** |
| **Total restructuring and impairment charges – net earnings** | **(1)** | **38** | **71** | **14** | **10** | | **132** |

## 4 Restructuring and impairment charges – unusual items continued

| | Fletcher Building Group – June 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Acquisition income and expenses [1] NZ$M | Restructuring costs NZ$M | Intangibles impairment [2] NZ$M | Write-off of fixed assets [3] NZ$M | Write-off of stock [4] 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 for Crane | (3) | | | | | | (3) |
| **Total restructuring and impairment charges – EBIT** | 15 | | 50 | 14 | 25 | | 104 |
| Interest [6] | | | | | | 4 | 4 |
| Tax benefit on above items [5] | (7) | | | (4) | (7) | (1) | (19) |
| Tax benefit – reversal of recognition of deferred tax liability on buildings (NZ) [5] | | | | | | (13) | (13) |
| **Total restructuring and impairment charges – net earnings** | 8 | | 50 | 10 | 18 | (10) | 76 |

**Fletcher Building Group 2012**

[1] The group recorded a gain of $4 million arising from the revaluation of its existing 50 percent share in Homapal. In addition the group incurred $3 million of acquisition costs.

[2] The group incurred $45 million of restructuring costs in the Laminates & Panels division. $21 million is attributable to the decision to close the Formica factory in Bilbao, Spain and consolidate operations at the Valencia site. The remaining $24 million was incurred in restructuring the Laminex Australia and New Zealand businesses.

[3] A strategic review of the Australian insulation business was completed during the year ended 30 June 2012. The review identified that medium term earnings prospects have deteriorated, necessitating a reduction in the carrying value of the business. As a result the group has written off $62 million of goodwill and $13 million of brands, refer notes 19 and 20.

[4] The group has decided to write off a further $3 million of fixed assets for The O'Brien Group Limited and $17 million for Laminex Australia. The Laminex Australia write-offs are a result of product rationalisation initiatives.

[5] The group has also written off $10 million of stock in Laminex Australia as a result of product rationalisation initiatives, and incurred a further $4 million in disposing of surplus stock in Fletcher Insulation Australia.

[6] Tax benefit, see note 7.

**Fletcher Building Group 2011**

[1] Crane incurred $18 million of redundancies and restructuring costs after the date of acquisition. In addition the group incurred $22 million of transaction costs as a result of the acquisition of Crane, plus income of $25 million consisting 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.

[2] 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.

[3] The group 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.

[4] During the year the group wrote 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.

[5] Tax benefit, see note 7.

[6] Interest expense relates to $4 million of costs relating to the close out of Crane debt instruments upon acquisition.

# Notes to the financial statements continued.

## 5 Discontinued operations

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

## 6 Funding costs

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| Interest expense | | | | |
| Loans and derivatives | **101** | 66 | 15 | 10 |
| Capital notes | **39** | 34 | | 11 |
| Other | **2** | 7 | | |
| Interest income | | | | |
| Subsidiary companies | | | (62) | (12) |
| Cash and deposits | **(2)** | (1) | 2 | (1) |
| | **140** | 106 | (45) | 8 |
| Plus bank fees, registry and issue expenses | **12** | 16 | 5 | 7 |
| | **152** | 122 | (40) | 15 |

Included in interest expense is the net settlement of the group's interest derivatives. This consisted of $80 million of interest income and $86 million of interest expense (2011: $62 million interest income; $70 million interest expense).

For items applying fair value hedges the gains or losses on the hedging instrument and on the hedged item net off to zero.

Other interest expense in the prior year 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 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| Earnings before taxation | **251** | 370 | 719 | 367 |
| Taxation at 28 cents per dollar (2011: 30 cents per dollar) | **70** | 111 | 201 | 110 |
| Adjusted for: | | | | |
| Benefit of lower tax rate in overseas jurisdictions | | (3) | | |
| Non assessable income | **(3)** | (17) | (190) | (165) |
| Non deductible expenses | **19** | 22 | | |
| Tax losses not recognised | **11** | 4 | | |
| Tax in respect of prior years | **(17)** | (9) | | |
| Recognition of deferred tax liability on buildings (NZ) | | (13) | | |
| Other permanent differences | **(22)** | (16) | | 1 |
| | **58** | 79 | 11 | (54) |
| Tax on operating profits pre restructuring and impairment charges | **79** | 111 | 11 | (54) |
| Tax benefit on restructuring and impairment charges | **(21)** | (19) | | |
| Tax expense on recognition of deferred tax liability on buildings (NZ) | | (13) | | |
| | **58** | 79 | 11 | (54) |
| Total current taxation expense | **47** | 98 | 11 | (54) |
| Total deferred taxation expense | **11** | (19) | | |
| | **58** | 79 | 11 | (54) |

# Notes to the financial statements continued.

## 8 Shareholder tax credits

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| **Imputation credit account** | | | | |
| Imputation credits at the beginning of the year | **3** | (13) | 1 | (13) |
| Taxation paid | **29** | 29 | | |
| Imputation credits received | **1** | 2 | 32 | 29 |
| Imputation credits attached to dividends paid | **(33)** | (15) | (33) | (15) |
| | | 3 | | 1 |

Fletcher Building Limited has until 31 March 2013 to fund any deficiency in its imputation credit account.

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 A$M | Year ended June 2011 A$M | Year ended June 2012 A$M | Year ended June 2011 A$M |
| **Franking credit account** | | | | |
| Franking credits at the beginning of the year | **25** | 21 | | 1 |
| Taxation paid | **56** | 10 | | |
| Franking credits received | **7** | 9 | 79 | 31 |
| Franking credits received on acquisition of subsidiaries | | 17 | | |
| Franking credits attached to dividends paid | **(39)** | (32) | (39) | (32) |
| | **49** | 25 | 40 | |

## 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. For the year ended 30 June 2012, all capital notes were anti-dilutive.

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| **Numerator** | | | | |
| Net earnings | **185** | 283 | | |
| Numerator for basic earnings per share | **185** | 283 | | |
| Dilutive capital notes distribution | | 7 | | |
| **Numerator for diluted net earnings per share** | **185** | 290 | | |
| **Denominator (millions of shares)** | | | | |
| Denominator for basic net earnings per share | **681** | 629 | | |
| Conversion of dilutive capital notes | | 15 | | |
| **Denominator for diluted net earnings per share** | **681** | 644 | | |

## 10 Dividends

| | | | | |
|---|---|---|---|---|
| Dividends paid to shareholders | **231** | 189 | 231 | 189 |
| | **231** | 189 | 231 | 189 |

On 22 August 2012 the directors declared a dividend of 17 cents per share, payable on 17 October 2012.

## 11 Capital

| | | | | |
|---|---|---|---|---|
| Reported capital at the beginning of the year | **2,573** | 1,928 | 2,573 | 1,928 |
| Issue of shares | **30** | 645 | 30 | 645 |
| Reported capital at the end of the year including treasury stock | **2,603** | 2,573 | 2,603 | 2,573 |
| Treasury stock | **(21)** | (20) | | |
| | **2,582** | 2,553 | 2,603 | 2,573 |

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 prior 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 2012 | Year ended June 2011 | Year ended June 2012 | Year ended June 2011 |
| **Number of ordinary shares:** | | | | |
| Number of shares on issue at the beginning of the year | **678,573,570** | 606,946,993 | 678,573,570 | 606,946,993 |
| Issue of shares | | 71,626,577 | | 71,626,577 |
| Shares issued under the dividend reinvestment plan | **4,293,366** | | 4,293,366 | |
| Total number of shares on issue | **682,866,936** | 678,573,570 | 682,866,936 | 678,573,570 |
| Less accounted for as treasury stock | **(2,696,181)** | (2,540,424) | | |
| | **680,170,755** | 676,033,146 | 682,866,936 | 678,573,570 |

### Share options:

On 1 September 2006, the Company issued 500,000 share options under the executive option scheme. As at 30 June 2012, the exercise price of the share options is $11.64 and is increased annually by the company's cost of capital, less actual dividends paid. The final exercise date is 1 September 2012 and these options will lapse. A further 500,000 share options were issued on 8 September 2009. As at 30 June 2012, the exercise price is $9.23. 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 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Reserves comprise: | | | | |
| Retained earnings | **985** | 1,031 | 435 | (42) |
| Share option reserve | **1** | 1 | 1 | 1 |
| Cashflow hedge reserve | **(53)** | (14) | (37) | (14) |
| Currency translation reserve | **56** | 95 | | |
| | **989** | 1,113 | 399 | (55) |

## 13 Reserve movements

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M | Year ended June 2012 NZ$M | Year ended June 2011 NZ$M |
| **Retained earnings** | | | | |
| Retained earnings at the beginning of the year | **1,031** | 999 | (42) | (274) |
| Net earnings for the year – parent interest | **185** | 283 | 708 | 421 |
| Distribution to Crane minority shareholders | | (62) | | |
| Dividends paid during the year | **(231)** | (189) | (231) | (189) |
| | **985** | 1,031 | 435 | (42) |
| **Share option reserve** | | | | |
| Share option reserve at the beginning of the year | **1** | 1 | 1 | 1 |
| Arising in the year | | | | |
| | **1** | 1 | 1 | 1 |
| **Cashflow hedge reserve** | | | | |
| Cashflow hedge reserve at the beginning of the year | **(14)** | (8) | (14) | (8) |
| Arising in the year | **(39)** | (6) | (23) | (6) |
| | **(53)** | (14) | (37) | (14) |
| **Currency translation reserve** | | | | |
| Currency translation reserve at the beginning of the year | **95** | 85 | | |
| Arising in the year | **(39)** | 10 | | |
| | **56** | 95 | | |

## 14 Minority equity

| | | | | |
|---|---|---|---|---|
| Share capital | **20** | 21 | | |
| Reserves | **12** | 13 | | |
| | **32** | 34 | | |

## 15 Cash and deposits

| | | | | |
|---|---|---|---|---|
| Cash and bank balances | **89** | 88 | 11 | 9 |
| Short-term deposits | **79** | 27 | 66 | 22 |
| | **168** | 115 | 77 | 31 |

## 16 Debtors

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Trade debtors | **1,168** | 1,201 | | |
| Contract debtors | **89** | 108 | | |
| Contract retentions | **27** | 20 | | |
| Less provision for doubtful debts | **(47)** | (50) | | |
| Trade and contract debtors | **1,237** | 1,279 | | |
| Other receivables | **223** | 171 | 27 | 1 |
| | **1,460** | 1,450 | 27 | 1 |
| | | | | |
| Current | **906** | 953 | | |
| 0 – 30 days over standard terms | **267** | 270 | | |
| 31 – 60 days over standard terms | **42** | 37 | | |
| 61+ days over standard terms | **69** | 69 | | |
| Provision | **(47)** | (50) | | |
| Trade and contract debtors | **1,237** | 1,279 | | |

## 17 Stocks

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Raw materials | **338** | 365 | | |
| Work in progress | **126** | 131 | | |
| Finished goods | **912** | 983 | | |
| Consumable stores and spare parts | **58** | 60 | | |
| | **1,434** | 1,539 | | |
| | | | | |
| Stock held at cost | **1,351** | 1,467 | | |
| Stock held at net realisable value | **83** | 72 | | |
| | **1,434** | 1,539 | | |

The group also has conditional commitments for the purchase of land to be used for residential construction totalling $42 million (June 2011: $41 million). Delivery of this land is expected to take place in the period to December 2014.

## 18 Fixed assets

| | Fletcher Building Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land NZ$M | Buildings NZ$M | Plant & machinery NZ$M | Fixtures & equipment NZ$M | Resource extraction NZ$M | Leased assets NZ$M | Total NZ$M |
| Gross value at 1 July 2011 | **297** | **478** | **2,244** | **388** | **110** | **5** | **3,522** |
| Acquisitions during the year | | | **41** | | | | **41** |
| Additions | **3** | **10** | **197** | **44** | **7** | | **261** |
| Disposals | **(10)** | **(18)** | **(100)** | **(18)** | **(2)** | **(1)** | **(149)** |
| Acquisition restatement during the year | **87** | **11** | **27** | **15** | | | **140** |
| Transfer of quarry assets to inventory | **(19)** | | | | | | **(19)** |
| Impairments in the income statement | | | **(3)** | **(17)** | | | **(20)** |
| Currency translation | **(4)** | **(6)** | **(21)** | **(2)** | **(1)** | | **(34)** |
| **Gross value at 30 June 2012** | **354** | **475** | **2,385** | **410** | **114** | **4** | **3,742** |
| Accumulated depreciation at 1 July 2011 | | **(101)** | **(924)** | **(271)** | **(19)** | **(1)** | **(1,316)** |
| Disposals | | **14** | **97** | **22** | **4** | | **137** |
| Depreciation expense | | **(14)** | **(173)** | **(37)** | **(5)** | **(1)** | **(230)** |
| Currency translation | | **1** | **13** | **1** | | | **15** |
| **Accumulated depreciation at 30 June 2012** | | **(100)** | **(987)** | **(285)** | **(20)** | **(2)** | **(1,394)** |
| **Net book value at 30 June 2012** | **354** | **375** | **1,398** | **125** | **94** | **2** | **2,348** |
| 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 | | 27 | 168 | 35 | 5 | 2 | 237 |
| 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 | 297 | 478 | 2,244 | 388 | 110 | 5 | 3,522 |
| 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 | 297 | 377 | 1,320 | 117 | 91 | 4 | 2,206 |

As at 30 June 2012, fixed assets includes $195 million of assets under construction (June 2011: $157 million).

## 19 Goodwill

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Goodwill acquired at cost | **1,362** | 1,480 | | |
| Accumulated currency translation | **54** | 55 | | |
| Accumulated impairment | **(173)** | (111) | | |
| **Goodwill at the end of the year** | **1,243** | 1,424 | | |
| | | | | |
| Goodwill at the beginning of the year | **1,424** | 820 | | |
| Acquired during the year | **102** | 696 | | |
| Acquisition restatement during the year | **(220)** | | | |
| Goodwill in subsidiaries sold during the year | **(1)** | | | |
| Impaired during the year | **(62)** | (50) | | |
| Formica milestone settlement | | (18) | | |
| Currency translation | | (24) | | |
| | **1,243** | 1,424 | | |
| | | | | |
| Tradelink | **238** | 419 | | |
| Formica Asia | **232** | 221 | | |
| The Laminex Group | **190** | 186 | | |
| Stramit Corporation | **116** | 117 | | |
| Iplex New Zealand | **105** | 157 | | |
| Homapal Plattenwerk GmbH | **77** | | | |
| Fletcher Insulation Australia | | 59 | | |
| Forman Insulation | **46** | 46 | | |
| Tasman Insulation New Zealand | **43** | 43 | | |
| Tasman Sinkware | **45** | 44 | | |
| Mico Plumbing | **43** | 46 | | |
| Iplex Australia | **40** | 20 | | |
| AHI Roofing | **22** | 22 | | |
| Other subsidiaries | **46** | 44 | | |
| **Goodwill by major subsidiaries** | **1,243** | 1,424 | | |

**Impairment of goodwill**

Goodwill has been tested for impairment in June 2012. 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 five year strategic plan approved by the directors. 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 2 percent to 3 percent, with the majority of the business units using 2 percent. The cashflows are discounted using a nominal rate of 10 percent after tax, with the exception of Formica which has used 9 percent. This adjustment to the standard rate of 10 percent reflects the risk profile for the countries in which Formica operates. The 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 Fletcher Insulation Australia's sustainable mid-cycle earnings, the group impaired the remaining goodwill of $62 million, as the impairment reviews indicated that the value of the assets has been adversely impacted.

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 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Brands | **511** | 396 | | |
| Intangible assets | **8** | 8 | | |
| | **519** | 404 | | |
| **Brands** | | | | |
| Brands at the beginning of the year | **396** | 407 | | |
| Acquisition restatement during the year | **135** | | | |
| Impaired during the year | **(13)** | | | |
| Currency translation | **(7)** | (11) | | |
| | **511** | 396 | | |
| The Laminex Group | **155** | 157 | | |
| The Crane Group | **127** | | | |
| Formica Corporation | **124** | 119 | | |
| Stramit Corporation | **50** | 51 | | |
| Other subsidiaries | **55** | 69 | | |
| **Brands by major subsidiaries** | **511** | 396 | | |

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 2012 on a value-in-use basis. As a result of this exercise brands of $13 million in relation to Fletcher Insulation Australia have been written off. There are no other impairment issues necessitating a write-down.

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

## 21 Investments

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Investment in associates | **150** | 209 | | |
| Retirement plan surplus – see note 34 | **74** | 72 | | |
| Investment in subsidiary companies [1] | | | 5,429 | 3,656 |
| | **224** | 281 | 5,429 | 3,656 |

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

| | June 2012 NZ$M | June 2011 NZ$M |
|---|---|---|
| **Carrying amount of associates:** | | |
| Carrying amount at the beginning of the year | **209** | 189 |
| Acquisition of associates | **6** | 14 |
| Loans to associates | **(1)** | 2 |
| Equity accounted earnings of associates | **26** | 33 |
| Purchase of controlling interest of Homapal investment | **(49)** | |
| Acquisition restatement during the year | **(5)** | |
| Currency translation | **(4)** | 4 |
| Dividends from associates | **(32)** | (33) |
| **Investment in associates** | **150** | 209 |
| | | |
| **Investment by associate:** | | |
| Homapal Plattenwerk GmbH & Co. KG. | | 53 |
| Wespine Industries Pty Limited | **67** | 53 |
| Dynea Industries WA Pty Limited | **20** | 21 |
| Sims Pacific Metals Limited | **19** | 20 |
| Mt Marrow Blue Metal Quarries Pty Limited | **10** | 13 |
| Mitchell Water Australia Pty Limited | **7** | 13 |
| Mittagong Sands Pty Limited | **6** | 5 |
| Regional Resources NW Quarrying | **5** | |
| Other | **16** | 31 |
| | **150** | 209 |

## 21 Investments continued

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| **Associate information:** | | | | |
| **Balance sheet information for associates – 100%** | | | | |
| Assets | **351** | 388 | | |
| Liabilities | **175** | 181 | | |
| Equity | **176** | 207 | | |
| Equity – Fletcher Building share | **71** | 79 | | |
| Goodwill acquired at cost | **63** | 109 | | |
| Plus loans to associates at the end of the year | **16** | 21 | | |
| **Investment in associates** | **150** | 209 | | |
| **Equity accounted earnings comprise:** | | | | |
| Sales – 100% | **535** | 579 | | |
| Earnings before taxation – 100% | **64** | 79 | | |
| Earnings before taxation – Fletcher Building share | **32** | 39 | | |
| Taxation expense | **(6)** | (6) | | |
| **Earnings after taxation – Fletcher Building share** | **26** | 33 | | |

## 22 Provisions

| | Restructuring NZ$M | Construction claims NZ$M | Warranty & environmental NZ$M | Other NZ$M | Total NZ$M |
|---|---|---|---|---|---|
| **June 2012** | | **Fletcher Building Group** | | | |
| Carrying amount at the beginning of the year | **28** | **2** | **43** | **28** | **101** |
| Currency translation | **(1)** | | | | **(1)** |
| Acquired | | | | **2** | **2** |
| Charged to earnings | **42** | **1** | **19** | **17** | **79** |
| Settled or utilised | **(23)** | | **(15)** | **(14)** | **(52)** |
| Released to earnings | **(6)** | **(1)** | **(4)** | **(2)** | **(13)** |
| | **40** | **2** | **43** | **31** | **116** |
| **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 2012** | | **Fletcher Building Limited** | | | |
| Carrying amount at the beginning of the year | | | | 2 | 2 |
| | | | | 2 | 2 |
| **June 2011** | | **Fletcher Building Limited** | | | |
| Carrying amount at the beginning of the year | | | | 2 | 2 |
| | | | | 2 | 2 |

During the year the group utilised $23 million (June 2011: $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 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Current portion | **95** | 78 | 2 | 2 |
| Non current portion | **21** | 23 | | |
| Carrying amount at the end of the year | **116** | 101 | 2 | 2 |

## 23 Creditors and accruals

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Trade creditors | **890** | 983 | | |
| Contract retentions | **25** | 34 | | |
| Accrued interest | **31** | 22 | | 1 |
| Other liabilities | **131** | 139 | 1 | 1 |
| Employee entitlements | **244** | 257 | | |
| Workers' compensation schemes | **20** | 22 | | |
| | **1,341** | 1,457 | 1 | 2 |
| Current portion | **1,249** | 1,364 | 1 | 2 |
| Non current portion | **92** | 93 | | |
| Carrying amount at the end of the year | **1,341** | 1,457 | 1 | 2 |

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

## 24 Contracts

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Gross construction work in progress plus margin to date | **1,956** | 1,671 | | |
| Progress billings | **(2,071)** | (1,763) | | |
| **Work in progress/(money received in advance)** | **(115)** | (92) | | |
| Construction contracts with net work in progress | **3** | 5 | | |
| Construction contracts with net money received in advance of cost and margin | **(118)** | (97) | | |
| Carrying amount at the end of the year | **(115)** | (92) | | |

Included in sales is $845 million of contract revenue (June 2011: $985 million).

## 25 Taxation

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| **Provision for current taxation:** | | | | |
| Opening provision for current taxation liability | **(27)** | (25) | 55 | 19 |
| Currency translation | | 3 | | |
| Taxation in the earnings statement | **(47)** | (98) | (11) | 54 |
| Transfer from deferred taxation | **(19)** | 19 | | |
| Intercompany payment | | | (56) | (18) |
| Acquisitions and restatement of acquisitions | **(6)** | (5) | | |
| Minority share of taxation expense | **3** | 3 | | |
| Taxation in reserves | **1** | (10) | | |
| Net taxation payments | **123** | 86 | | |
| | **28** | (27) | (12) | 55 |
| **Provision for deferred taxation:** | | | | |
| Opening provision for deferred taxation asset/(liability) | **6** | (49) | 6 | 3 |
| Currency translation | | (1) | | |
| Taxation in the earnings statement | **(11)** | 19 | | |
| Transfer to current taxation | **19** | (19) | | |
| Acquisitions and restatement of acquisitions | **(43)** | 52 | | |
| Taxation in reserves | **16** | 4 | 9 | 3 |
| | **(13)** | 6 | 15 | 6 |
| **Composed of:** | | | | |
| Provisions | **175** | 173 | | |
| Debtors | **12** | 14 | | |
| Fixed assets | **(71)** | (63) | | |
| Brands | **(156)** | (124) | | |
| Tax losses | **28** | 15 | | |
| Other | **(1)** | (9) | 15 | 6 |
| | **(13)** | 6 | 15 | 6 |

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 USA and Germany on the basis that the respective companies will have future assessable income. 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.

Formica has not recognised tax losses in the UK, France, Spain and Sweden of $92 million representing $316 million of gross tax losses (June 2011: $103 million, $325 million gross losses).

## 26 Borrowings

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Bank loans | **317** | | 52 | |
| Other loans | **71** | 70 | 10 | 6 |
| Capital notes | **75** | 63 | | |
| Foreign currency revaluation on debt derivatives | **(7)** | 6 | (7) | 6 |
| **Current borrowings** | **456** | 139 | 55 | 12 |
| Bank loans | **23** | 789 | 23 | |
| Private placements | **1,265** | 708 | | |
| Other loans | **4** | | | |
| Capital notes | **412** | 378 | | |
| Foreign currency revaluation on debt derivatives | **(14)** | (7) | (14) | (7) |
| **Non current borrowings** | **1,690** | 1,868 | 9 | (7) |
| | **2,146** | 2,007 | 64 | 5 |

The fair value hedge adjustment of $81 million (June 2011: $36 million) of the underlying borrowings required for hedge accounting is included in the carrying amount of derivatives, please refer to note 27.

## 26 Borrowings continued

### 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 2012 the group had debt subject to the negative pledge of $1,614 million (June 2011: $1,516 million).

### Bank loans

At 30 June 2012, the group had a syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis, 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 borrowing covenants relate to net debt to EBITDA and interest cover, and at 30 June 2012 and throughout the year the group was in compliance with the covenants.

### Private placements

The group has borrowed funds from private investors (primarily US & Japanese based) on an unsecured, negative pledge and borrowing covenant basis. These borrowings comprise NZ$144 million, AU$231 million, US$525 million and YEN10,000 million with maturities between 2015 and 2027. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2012 and throughout the year the group was in compliance with the covenants.

### Other loans

At 30 June 2012, the group had $45 million (June 2011: $51 million) of loans which are secured against the subsidiaries' own balance sheet or against specific assets and had unsecured loans at 30 June 2012 of $30 million (June 2011: $19 million) some of which are subject to the negative pledge. Other loans includes bank overdrafts, short-term loans, working capital facilities, financial leases, PlaceMakers joint venture funding, amortising loans and discounted receivables.

### Foreign currency revaluation on debt derivatives

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

### Capital notes

Capital notes are long-term fixed rate unsecured subordinated debt instruments. 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 these 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 2012 were to be converted to Fletcher Building shares, 83 million (June 2011: 52 million) would be issued at the share price as at 30 June 2012, of $5.87 (June 2011: $8.62).

As at 30 June 2012 the group held $45 million (June 2011: $91 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 Fletcher Building 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 in conjunction with 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

The group 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 except in limited circumstances. 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.

**(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 on going basis.

At 30 June 2012 the group had $2,928 million of committed facilities of which $782 million was undrawn (June 2011: $2,499 million; $492 million). The undrawn facilities have a weighted average maturity of 2.9 years (June 2011: 2.9 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 2012 | | | | |
|---|---|---|---|---|---|
| | 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 | 340 | 317 | | 23 | |
| Capital notes | 487 | 75 | 112 | 236 | 64 |
| Private placements | 1,265 | | | 389 | 876 |
| Other loans | 75 | 71 | 1 | 3 | |
| **Non-derivative financial liabilities – principal cashflows** | 2,167 | 463 | 113 | 651 | 940 |
| Gross settled derivatives – To pay | 788 | 349 | 32 | | 407 |
| Gross settled derivatives – To receive | (809) | (356) | (39) | | (414) |
| **Debt derivatives financial instruments – principal cashflows** | (21) | (7) | (7) | | (7) |
| **Total principal cashflows** | 2,146 | 456 | 106 | 651 | 933 |
| **Contractual interest cashflows** | 797 | 127 | 112 | 251 | 307 |
| **Total contractual cashflows** | 2,943 | 583 | 218 | 902 | 1,240 |

## 27 Financial instruments continued

### (b) Liquidity Risk continued

| | 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 |
| 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) | |
| **Total principal cashflows** | 2,007 | 139 | 361 | 810 | 697 |
| **Contractual interest cashflows** | 493 | 125 | 101 | 217 | 50 |
| **Total contractual cashflows** | 2,500 | 264 | 462 | 1,027 | 747 |

| | Fletcher Building Limited – June 2012 | | | | |
|---|---|---|---|---|---|
| | 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 | 75 | 52 | | 23 | |
| Other loans | 10 | 10 | | | |
| **Non-derivative financial liabilities – principal cashflows** | 85 | 62 | | 23 | |
| Gross settled derivatives – To pay | 788 | 349 | 32 | | 407 |
| Gross settled derivatives – To receive | (809) | (356) | (39) | | (414) |
| **Debt derivatives financial instruments – principal cashflows** | (21) | (7) | (7) | | (7) |
| **Total principal cashflows** | 64 | 55 | (7) | 23 | (7) |
| **Contractual interest cashflows** | 159 | 17 | 13 | 23 | 106 |
| **Total contractual cashflows** | 223 | 72 | 6 | 46 | 99 |

| | 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 |
| 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) | |
| **Total principal cashflows** | 5 | 12 | (4) | (3) | |
| **Contractual interest cashflows** | (18) | 2 | (3) | (11) | (6) |
| **Total contractual cashflows** | (13) | 14 | (7) | (14) | (6) |

## 27 Financial instruments continued

### (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 debt plus equity ratio. This reduces the variability in the debt to debt plus 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 fifteen years. Net investment, cashflow 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 five years. Cashflow hedge accounting is applied to these instruments.

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

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Australian dollars | **1,113** | 1,233 | 544 | 259 |
| Euro's | **69** | 56 | 62 | 47 |
| British pounds | **29** | 16 | 16 | 16 |
| New Zealand dollars | **723** | 501 | 59 | (122) |
| Japanese yen | | | (160) | |
| United States dollars | **212** | 201 | (457) | (195) |
| **Currency translation risk – Foreign currency borrowings** | **2,146** | 2,007 | 64 | 5 |

(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 five 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$313 million (June 2011: NZD$436 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 2012, the group was 67% fixed (June 2011: 66% fixed). The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency interest rate, interest rate swaps, forward rate agreements and options are entered into to manage this position. 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.
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. The group's overall weighted average interest rate excluding fees is 6.65% (June 2011: 6.60%).

| | Fletcher Building Group | | Fletcher Building Limited | |
|---|---|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Floating | **702** | 783 | 63 | (384) |
| Fixed up to 1 year | **70** | 89 | (5) | 26 |
| Fixed 1-2 years | **268** | 115 | 155 | 40 |
| Fixed 2-5 years | **850** | 768 | 366 | 533 |
| Fixed over 5 years | **256** | 252 | (515) | (210) |
| Total financial liabilities | **2,146** | 2,007 | 64 | 5 |
| Floating financial assets | **(168)** | (115) | (77) | (31) |

### (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 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| Fixed up to 1 year | **5** | 6 | 5 | 6 |
| Fixed 1-2 years | **35** | 29 | 35 | 29 |
| Fixed 2-5 years | **36** | 60 | 36 | 60 |
| Total | **76** | 95 | 76 | 95 |
| | NZ$/MWh | NZ$/MWh | NZ$/MWh | NZ$/MWh |
| Average hedge price | **96** | 94 | 96 | 94 |

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 $150 million (June 2011: $158 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 $256 million (June 2011: $263 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 $7.0 million on the group's debt portfolio exposed to floating rates at balance date (June 2011: $6.9 million).

(iii) Commodity price risk

It is estimated a 10 percent increase in the New Zealand electricity spot price at balance date would not materially impact the group's earnings (June 2011: $0.6 million) but this would result in an increase in equity of $7 million (June 2011: $6 million).

### (g) Fair values

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

| | | Fletcher Building Group | | | |
|---|---|---|---|---|---|
| | | June 2012 NZ$M | | June 2011 NZ$M | |
| | Classification | Carrying value | Fair value | Carrying value | Fair value |
| Bank loans | Amortised cost | **340** | **340** | 789 | 789 |
| Private placements | Amortised cost | **1,265** | **1,342** | 708 | 754 |
| Other loans | Amortised cost | **75** | **75** | 70 | 70 |
| Capital notes | Amortised cost | **487** | **513** | 441 | 456 |
| Foreign currency revaluation on debt derivatives – cashflow hedge | Fair value through P&L | **6** | **6** | | |
| Foreign currency revaluation on debt derivatives – net investment hedge | Fair value through P&L | **(21)** | **(21)** | (1) | (1) |
| Foreign currency revaluation on debt derivatives – fair value hedge | Fair value through P&L | **(6)** | **(6)** | | |
| **Borrowings** | | **2,146** | **2,249** | 2,007 | 2,068 |
| Forward exchange contracts – net investment hedge | Fair value through P&L | **(8)** | **(8)** | (15) | (15) |
| Cross currency interest rate swaps – cashflow hedge | Fair value through P&L | **23** | **23** | | |
| Cross currency interest rate swaps – net investment hedge | Fair value through P&L | **1** | **1** | (9) | (9) |
| Cross currency interest rate swaps – fair value hedge | Fair value through P&L | **(28)** | **(28)** | | |
| Interest rate swaps – fair value hedge | Fair value through P&L | **(53)** | **(53)** | (29) | (29) |
| Interest rate swaps – cashflow hedge | Fair value through P&L | **37** | **37** | 16 | 16 |
| Electricity price swaps – cashflow hedge | Fair value through P&L | **8** | **8** | 5 | 5 |
| Borrowings fair value hedge adjustment | Fair value through P&L | **81** | | 36 | 36 |
| **Derivatives** | | **61** | **(20)** | 4 | 4 |
| Creditors and accruals | Amortised cost | **1,341** | **1,341** | 1,456 | 1,456 |
| Trade and other receivables | Loans and receivables | **(1,460)** | **(1,460)** | (1,450) | (1,450) |
| Cash and deposits | Loans and receivables | **168** | **168** | (115) | (115) |
| **Total financial instruments** | | **2,256** | **2,278** | 1,902 | 1,963 |

The borrowings hedge adjustment fair value is included in the fair value of the borrowings.

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

Financial instruments measured and recognised at fair value are derivatives and borrowings that are designated in hedge relationships. The fair value of base metal price swaps is based on the quoted market prices of those instruments and are measured under level 2. All other derivatives are level 2 valuations are based on accepted valuation methodologies. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity 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 the maturity of the contract. 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.

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

(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 plus an estimated credit margin 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 10.9 percent (June 2011: 0.2 percent and 7.7 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, 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 but currently is targeting 30 percent to 40 percent in the current economic environment.

## 28 Capital expenditure commitments of plant and investments

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M |
| Approved by the directors but uncommitted at year end | **85** | 34 |
| Committed at year end | **62** | 102 |
| | **147** | 136 |

## 29 Lease commitments

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

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M |
| within one year | **198** | 200 |
| within two years | **153** | 154 |
| within three years | **113** | 105 |
| within four years | **83** | 83 |
| within five years | **64** | 64 |
| after five years | **185** | 152 |
| | **796** | 758 |

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:

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M |
| Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions | **151** | 156 |
| Letters of credit | **11** | 17 |

## 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 2012<br>$M | June 2011<br>$M |
|---|---|---|
| The following risks are insured at 1 July 2012 in respect of each event up to a maximum of: | | |
| Public and product liability | **US$150** | US$150 |
| Loss or damage to group property including business interruption | **NZ$1,000** | NZ$1,000 |
| 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 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
| **Fletcher Building group** | | | | |
| Trading activities with related parties: | | | | |
| Purchase of scrap metal from Sims Pacific Metals Limited | **124** | 118 | | |
| Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited, and is included within creditors | **4** | 4 | | |
| Purchase of raw materials from Wespine Industries Pty Limited and Dynea Industries WA Pty Limited | **49** | 39 | | |
| 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 | **3** | 4 | | |
| Purchase of materials from Dongwha Pattina NZ Limited | **14** | 8 | | |
| Sale of materials to Dongwha Pattina NZ Limited | **1** | 6 | | |
| Purchase of materials from Mt Marrow Blue Metal Quarries Pty Limited | **2** | 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 | **3** | 2 | | |
| **Fletcher Building Limited** | | | | |
| Dividend income received from subsidiary companies | | | 677 | 229 |
| Gain on sale of 20% in FBHL, to Fletcher Building Industries Limited (FBIL) | | | | 321 |
| Term receivable owing from subsidiary companies [1] | | | 781 | 705 |
| Term receivable owing from subsidiary companies [2] | | | | 100 |
| Liability owing to subsidiary companies [2] | | | 148 | |
| Liability owing to subsidiary companies [3] | | | 838 | 962 |
| Liability owing to subsidiary company [4] | | | 2,222 | 1,061 |

[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] 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 2012, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $6,000,000 of shares and $18,500,000 of capital notes in Fletcher Building, (June 2011: $8,500,000 of shares; $18,500,000 of capital notes) in respect of economic interests that members of the retirement plan have in Fletcher Building shares and capital notes.

# Notes to the financial statements continued.

## 33 Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2012, are outlined below:

| | Country of domicile | % Holding | Principal activity |
|---|---|---|---|
| **Principal subsidiaries** | | | |
| Fletcher Building Holdings Limited | NZ | 100 | Holding company |
| Fletcher Building Holdings New Zealand 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 |
| 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 | Construction |
| Fletcher Construction (Solomon Islands) Limited | Solomon Islands | 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 |

## 33 Principal operations continued

| | Country of domicile | % Holding | Principal activity |
|---|---|---|---|
| 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 Scandinavian AB | Sweden | 100 | Building products |
| Formica (Thailand) Co., Ltd | Thailand | 100 | Building products |
| Homapal Plattenwerk GmbH & Co. KG. | Germany | 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 |
| Regional Resources NW Quarrying | 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 |

## 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 Crane, Amatek, Tasman Building Products, and the Laminex groups which companies contribute to on behalf of their employees. 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 2012, $182 million of deferred actuarial losses (June 2011: $87 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% 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 2012 the value of the assets was 122.1% of the actuarial liability and the funded surplus was $49 million (March 2011: 127.1%, $60 million).

During the year the group contributed $5 million in respect of its Australian defined benefit plans and $18 million in respect of its Formica defined benefit and medical plans. It contributed $45 million in respect of its defined contribution plans worldwide, including Kiwisaver.

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M |
| **Net periodic pension cost** | | |
| Service cost | **(9)** | (11) |
| Interest cost | **(34)** | (34) |
| Actual return on assets | **1** | 72 |
| Experience adjustments on plans assets – the difference between the expected and actual return | **40** | (34) |
| Amortisation of deferred actuarial (loss)/deferred actuarial gain | **(10)** | (13) |
| **Net periodic pension cost – recognised in operating earnings** | **(12)** | (20) |
| **Recognised net asset/(liability)** | | |
| Assets of plans | **663** | 690 |
| Projected benefit obligation | **(800)** | (742) |
| Funded surplus/(obligation) | **(137)** | (52) |
| Deferred actuarial loss/deferred actuarial (gain)[1] | **182** | 87 |
| **Recognised net asset/(liability)** | **45** | 35 |

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

| | June 2012 NZ$M | June 2011 NZ$M |
|---|---|---|
| **Recognised net asset/(liability) by jurisdiction:** | | |
| New Zealand plan | **59** | 58 |
| Australian plans | **15** | 14 |
| Retirement plan surplus – recognised within note 21, Investments | **74** | 72 |
| Other overseas plans | **(29)** | (37) |
| Retirement plan liability – recognised within non current liabilities | **(29)** | (37) |
| **Recognised net asset/(liability)** | **45** | 35 |

## 34 Retirement plans continued

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$M | June 2011 NZ$M |
| **Movement in recognised net asset** | | |
| Recognised net asset/(liability) at the beginning of the year | **35** | 26 |
| Currency translation | **(1)** | 5 |
| Acquisitions | | 2 |
| Net periodic pension cost | **(12)** | (20) |
| Employer contributions | **23** | 22 |
| **Recognised net asset** | **45** | 35 |
| **Assets of the plans** | | |
| Assets of plans at the beginning of the year | **690** | 659 |
| Actual return on assets | **1** | 72 |
| Total contributions | **29** | 25 |
| Benefit payments | **(55)** | (45) |
| Settlements and curtailments | **(5)** | (2) |
| Acquisition adjustment | | 5 |
| Currency translation | **3** | (24) |
| | **663** | 690 |
| **Assets of the plans consist of:** | | |
| Australasian equities | **76** | 87 |
| International equities | **257** | 265 |
| Property | **34** | 35 |
| Bonds | **261** | 264 |
| Cash and short term deposits | **9** | 14 |
| Other assets | **26** | 25 |
| | **663** | 690 |
| **Projected benefit obligation** | | |
| Projected benefit obligation as at the beginning of the year | **(742)** | (756) |
| Service cost | **(9)** | (11) |
| Interest cost | **(34)** | (34) |
| Member contributions | **(6)** | (3) |
| Actuarial gain/(loss) arising on movements in the discount rate | **(79)** | (10) |
| Actuarial gain/(loss) arising on other assumptions – experience adjustments | **13** | (9) |
| Benefit payments | **55** | 45 |
| Settlements and curtailments | **5** | 2 |
| Acquisition adjustment | | (3) |
| Currency translation | **(3)** | 37 |
| | **(800)** | (742) |

## 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:

| | Fletcher Building Group | |
|---|---|---|
| | 2012 % | 2011 % |
| Assumed discount rate on benefit obligations | **3.36** | 4.56 |
| Expected annual rate of return on plan assets | **6.05** | 6.11 |
| Annual rate of increase in future compensation levels | **3.26** | 3.45 |

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 $25 million to its Australian and other overseas defined benefit plans during the year to 30 June 2013.

## 35 Share based payments

### Executive share schemes

The group has implemented long term cash based incentive scheme 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.

The executive long-term share scheme introduced in 2008 allows group executives to acquire shares in the company at market price. Payment of half 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. 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 dependant 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.

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.

The following are details in regards to the share schemes of the group:

| | 2011 Scheme | 2010 Scheme | 2009 Scheme | 2008 Scheme |
|---|---|---|---|---|
| Grant date | 1 October 2011 | 1 October 2010 | 1 October 2009 | 1 October 2008 |
| Number of shares granted | 1,340,033 | 1,019,011 | 811,927 | 964,128 |
| Market price per share at grant date | $7.43 | $8.32 | $8.23 | $6.94 |
| Total consideration paid | $9,956,445 | $8,478,172 | $6,682,159 | $6,691,048 |
| Vesting date | 30 September 2014 | 30 September 2013 | 30 September 2012 | 30 September 2011 |
| Maximum bonus payable – expensed over three years | $17,962,298 | $15,305,364 | $13,063,404 | $13,845,976 |
| Number of shares: | | | | |
| Number of shares originally granted | 1,340,033 | 1,019,011 | 811,927 | 964,128 |
| Less forfeited over life of scheme | (93,322) | (185,472) | (170,477) | (349,022) |
| Less vested over life of scheme | | (8,540) | (16,979) | (615,106) |
| Number of shares held at 30 June 2012 | **1,246,711** | **824,999** | **624,471** | |

| | Fletcher Building Group | |
|---|---|---|
| | June 2012 NZ$ | June 2011 NZ$ |
| Total amount expensed in year for executive performance share schemes | **12,133,319** | 12,936,098 |
| Liability recognised at year end for bonus payable | **20,002,557** | 23,869,768 |

# Notes to the financial statements continued.

## 36 Segmental information

**Industry segments**

| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
|---|---|---|---|---|
| | Gross sales | Gross sales | External sales | External sales |
| Building Products | **767** | 786 | **670** | 692 |
| Concrete | **1,021** | 981 | **958** | 912 |
| Construction | **1,047** | 1,147 | **1,040** | 1,140 |
| Crane | **2,506** | 661 | **2,393** | 623 |
| Distribution | **817** | 859 | **813** | 856 |
| Laminates & Panels | **1,882** | 2,002 | **1,849** | 1,979 |
| Steel | **1,219** | 1,272 | **1,150** | 1,214 |
| Other | **6** | 7 | | |
| Group | **9,265** | 7,715 | **8,873** | 7,416 |
| Less intersegment sales | **(392)** | (299) | | |
| Group external sales | **8,873** | 7,416 | **8,873** | 7,416 |

| | Operating earnings (EBIT) | Operating earnings (EBIT) | Restructuring and impairment charges in operating earnings | Restructuring and impairment charges in operating earnings |
|---|---|---|---|---|
| Building Products | **(7)** | 31 | **(79)** | (80) |
| Concrete | **130** | 125 | | |
| Construction | **50** | 60 | | |
| Crane | **106** | 11 | | (18) |
| Distribution | **27** | 39 | | |
| Laminates & Panels | **65** | 159 | **(74)** | (9) |
| Steel | **48** | 83 | | |
| Other | **(16)** | (16) | | 3 |
| Group | **403** | 492 | **(153)** | (104) |

| | Depreciation and amortisation expense | Depreciation and amortisation expense | Capital expenditure including acquisitions | Capital expenditure including acquisitions |
|---|---|---|---|---|
| Building Products | **25** | 27 | **28** | 22 |
| Concrete | **62** | 62 | **94** | 107 |
| Construction | **11** | 10 | **11** | 24 |
| Crane | **32** | 9 | **29** | 7 |
| Distribution | **8** | 9 | **7** | 11 |
| Laminates & Panels | **66** | 64 | **163** | 114 |
| Steel | **25** | 23 | **27** | 20 |
| Other | **1** | 1 | **4** | 1,375 |
| Group | **230** | 205 | **363** | 1,680 |

## 36 Segmental information continued

### Industry segments continued

| | June 2012 NZ$M | June 2011 NZ$M | June 2012 NZ$M | June 2011 NZ$M |
|---|---|---|---|---|
| | Funds* | Funds* | | |
| Building Products | **481** | 583 | | |
| Concrete | **1,071** | 1,016 | | |
| Construction | **109** | 118 | | |
| Crane | **1,342** | 1,289 | | |
| Distribution | **141** | 142 | | |
| Laminates & Panels | **1,799** | 1,745 | | |
| Steel | **540** | 577 | | |
| Other (including debt and taxation) | **(1,880)** | (1,770) | | |
| Group total equity | **3,603** | 3,700 | | |

### Geographic segments

| | External sales | External sales | Funds* | Funds* |
|---|---|---|---|---|
| New Zealand | **3,676** | 3,454 | **1,343** | 1,358 |
| Australia | **4,139** | 2,857 | **1,362** | 1,486 |
| North America | **396** | 401 | **267** | 243 |
| Asia | **256** | 242 | **391** | 357 |
| Europe | **318** | 355 | **238** | 240 |
| Other | **88** | 107 | **2** | 16 |
| Group | **8,873** | 7,416 | **3,603** | 3,700 |

| | Operating earnings (EBIT) | Operating earnings (EBIT) | Restructuring and impairment charges in operating earnings | Restructuring and impairment charges in operating earnings |
|---|---|---|---|---|
| New Zealand | **198** | 234 | **(9)** | (16) |
| Australia | **135** | 179 | **(124)** | (88) |
| North America | **26** | 20 | | |
| Asia | **40** | 37 | | |
| Europe | **(7)** | 11 | **(20)** | |
| Other | **11** | 11 | | |
| Group | **403** | 492 | **(153)** | (104) |

* Funds represent the net external assets and liabilities of the group and are used for internal reporting purposes.

# 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 2012, 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 auditor 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 2012 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(1)(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

22 August 2012
KPMG Auckland, New Zealand

# Trend statement.

| | June 2012 | 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$M | NZ$M |
| **Financial performance** | | | | | | | | | | |
| Operating sales/revenue | **8,873** | 7,416 | 6,799 | 7,103 | 7,091 | 5,926 | 5,520 | 4,636 | 3,958 | 3,221 |
| Operating earnings (EBIT) | **403** | 492 | 521 | 159 | 768 | 703 | 675 | 612 | 460 | 331 |
| Net earnings | **185** | 283 | 272 | (46) | 467 | 484 | 379 | 347 | 240 | 168 |
| Cashflow from operations | **448** | 402 | 522 | 533 | 434 | 483 | 560 | 479 | 424 | 276 |
| Earnings per share – basic (cents per share) | **27.2** | 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) | **34.0** | 33.0 | 29.0 | 38.0 | 48.5 | 45.0 | 40.0 | 32.0 | 25.0 | 19.0 |
| **Balance sheet** | | | | | | | | | | |
| Current assets | **3,090** | 3,104 | 2,317 | 2,255 | 2,549 | 2,074 | 1,699 | 1,484 | 1,171 | 1,021 |
| Non current assets | **4,407** | 4,388 | 3,397 | 3,550 | 3,686 | 2,359 | 2,400 | 2,173 | 1,611 | 1,427 |
| Total assets | **7,497** | 7,492 | 5,714 | 5,805 | 6,235 | 4,433 | 4,099 | 3,657 | 2,782 | 2,448 |
| Current liabilities | **1,915** | 1,700 | 1,384 | 1,313 | 1,436 | 1,187 | 1,207 | 1,239 | 818 | 776 |
| Non current liabilities | **1,979** | 2,092 | 1,307 | 1,508 | 2,043 | 950 | 1,092 | 991 | 918 | 812 |
| Total liabilities | **3,894** | 3,792 | 2,691 | 2,821 | 3,479 | 2,137 | 2,299 | 2,230 | 1,736 | 1,588 |
| Capital | **2,582** | 2,553 | 1,912 | 1,895 | 1,364 | 1,325 | 970 | 929 | 754 | 628 |
| Reserves | **989** | 1,113 | 1,077 | 1,057 | 1,351 | 926 | 786 | 455 | 252 | 195 |
| Minority equity | **32** | 34 | 34 | 32 | 41 | 45 | 44 | 43 | 40 | 37 |
| Total equity | **3,603** | 3,700 | 3,023 | 2,984 | 2,756 | 2,296 | 1,800 | 1,427 | 1,046 | 860 |
| Total liabilities and equity | **7,497** | 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] | **7.3** | 10.6 | 12.7 | 3.4 | 19.0 | 24.8 | 26.1 | 29.3 | 24.7 | 24.4 |
| Return on average equity (%) [7] | **5.1** | 8.2 | 9.1 | (1.6) | 19.0 | 26.0 | 24.6 | 29.5 | 24.3 | 23.0 |
| Net debt/net debt plus equity (%) | **35.4** | 33.8 | 26.8 | 31.1 | 40.1 | 22.2 | 37.1 | 44.4 | 43.1 | 49.9 |
| Net tangible assets per share ($) | **2.65** | 2.71 | 2.90 | 2.80 | 2.90 | 3.25 | 2.47 | 2.11 | 1.68 | 1.54 |
| Market capitalisation (NZ$M) | **4,009** | 5,850 | 4,763 | 3,967 | 3,197 | 6,166 | 4,296 | 3,207 | 1,987 | 1,490 |
| Total shareholders return (%) | **(27)** | 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 funds (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 2012**

| | Ordinary shares | | Capital notes | |
|---|---|---|---|---|
| | Directly held | Held by associated persons | Directly held | Held by associated persons |
| A J Carter | | 34,627 | | 150,000 |
| H A Fletcher | | 1,013,395 | | 1,632,500 |
| A T Jackson | 18,000 | | | |
| J F Judge | | 22,563 | | |
| J P Ling [1] | 1,099,316 | 380,320 | | |
| K D Spargo | 20,000 | | | |
| C Tarrant | 15,000 | | | |
| G T Tilbrook | 12,000 | | | |
| R G Waters | | 1,000,093 | | |
| | **1,164,316** | **2,450,998** | | **1,782,500** |

[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 |
|---|---|---|---|---|
| A T Jackson | 4,000 | | 30,320 | 07/09/11 |
| A J Carter [2] | 50,000 | | 52,987 | 08/09/11 |
| J P Ling | 143,162 | | 1,063,694 | 13/10/11 |
| J P Ling | | 44,299 | 307,435 | 13/10/11 |
| A J Carter | 555 | | 4,212 | 19/10/11 |
| H A Fletcher | 209 | | 1,587 | 19/10/11 |
| J F Judge | 27 | | 205 | 19/10/11 |
| J P Ling | 815 | | 6,185 | 19/10/11 |
| A J Carter | 4,000 | | 27,240 | 31/10/11 |
| C Tarrant | 5,000 | | 31,517 | 16/11/11 |
| C Tarrant | 4,000 | | 23,881 | 30/11/11 |
| K D Spargo | 20,000 | | 119,163 | 05/12/11 |
| H A Fletcher [3] | 201,216 | | N/A | 29/03/12 |
| H A Fletcher [2,3] | 1,632,500 | | N/A | 29/03/12 |
| A J Carter [2] | 50,000 | | 50,328 | 05/04/12 |
| A J Carter | 537 | | 3,540 | 18/04/12 |
| H A Fletcher | 177 | | 1,167 | 18/04/12 |
| J F Judge | 23 | | 152 | 18/04/12 |
| J P Ling | 680 | | 4,483 | 18/04/12 |
| A T Jackson | 3,000 | | 18,510 | 27/04/12 |
| C Tarrant | 5,000 | | 31,000 | 30/04/12 |

[2] Fletcher Building Industries capital notes.
[3] Non-beneficial interest.

## 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 2012 of:

| | | |
|---|---|---|
| A J Carter | Appointed as a director of ANZ National Bank | 18/08/11 |
| R G Waters | Appointed as deputy chairman of the local organising committee for the ICC Cricket World Cup 2015 | 22/08/11 |
| H A Fletcher | Appointed as a trustee of the Fletcher Trust | 28/03/12 |
| A J Carter | Appointed as chairman of Fisher & Paykel Healthcare | 01/04/12 |
| A J Carter | Appointed as co-chair of New Zealand Initiative | 01/04/12 |
| A J Carter | Resigned as a director of Vector | 15/05/12 |
| H A Fletcher | Resigned as a director of the Reserve Bank of New Zealand | 09/06/12 |
| J F Judge | Appointed chairman of ANZ National Bank | 23/06/12 |
| K D Spargo | Resigned as a director of Pacific Hydro | 30/06/12 |
| J F Judge | Resigned as chairman and board member of Accident Compensation Corporation | 30/06/12 |

## 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 2012

| Name | Number of shares | % of shares |
|---|---|---|
| New Zealand Central Securities Depository Limited | 346,883,289 | 50.80 |
| JP Morgan Nominees Australia Limited | 29,452,224 | 4.31 |
| National Nominees Limited | 24,260,089 | 3.55 |
| Custodial Services Limited | 15,415,077 | 2.26 |
| Citicorp Nominees Pty Limited | 12,641,172 | 1.85 |
| HSBC Custody Nominees (Australia) Limited | 12,129,489 | 1.78 |
| Cogent Nominees Pty Limited | 10,289,813 | 1.51 |
| RBC Dexia Investor Services Australia Nominees Pty Limited | 8,737,528 | 1.28 |
| FNZ Custodians Limited | 7,199,875 | 1.05 |
| Forsyth Barr Custodians Limited | 6,908,612 | 1.01 |
| Investment Custodial Services Limited | 5,652,961 | 0.83 |
| Southern Steel Group Pty Limited | 3,989,365 | 0.58 |
| Masfen Securities Limited | 3,540,070 | 0.52 |
| Fletcher Building Share Schemes Limited | 2,679,775 | 0.39 |
| Fletcher Building Educational Fund Limited | 2,069,462 | 0.30 |
| New Zealand Depository Nominee Limited | 2,045,984 | 0.30 |
| NZPT Custodians (Grosvenor) Limited | 1,380,045 | 0.20 |
| Argo Investments Limited | 1,350,701 | 0.20 |
| UBS Nominees Pty Ltd | 1,235,000 | 0.18 |
| Computershare Nominees CI Limited | 1,213,653 | 0.18 |

# Regulatory disclosures continued.

### Stock exchange listings continued

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 |
|---|---|---|
| JP Morgan Chase Bank NA | 114,729,501 | 16.80 |
| HSBC Nominees (New Zealand) Limited | 66,326,020 | 9.71 |
| Accident Compensation Corporation | 29,141,156 | 4.27 |
| National Nominees New Zealand Limited | 22,167,473 | 3.25 |
| New Zealand Superannuation Fund Nominees Limited | 20,738,095 | 3.04 |
| Citibank Nominees (New Zealand) Limited | 20,127,477 | 2.95 |
| Cogent Nominees (NZ) Limited | 17,601,906 | 2.58 |
| TEA Custodians Limited | 13,006,284 | 1.90 |
| Premier Nominees Limited | 8,607,815 | 1.26 |
| NZGT Nominees Limited | 7,344,596 | 1.08 |

### Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 August 2012, 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 682,866,936.

| Substantial security holders | Number of voting securities | Date of notice |
|---|---|---|
| The Capital Group Companies, Inc | 34,239,000 | 24/04/12 |

### Distribution of shareholders and holdings as at 31 July 2012

| Size of holdings | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| 1 to 999 | 17,772 | 37.17 | 7,322,266 | 1.07 |
| 1,000 to 4,999 | 22,017 | 46.05 | 48,554,593 | 7.11 |
| 5,000 to 9,999 | 4,659 | 9.75 | 30,934,192 | 4.53 |
| 10,000 to 49,999 | 3,024 | 6.33 | 52,391,975 | 7.67 |
| 50,000 to 99,999 | 178 | 0.37 | 11,956,842 | 1.75 |
| 100,000 to 499,999 | 112 | 0.23 | 21,914,227 | 3.21 |
| 500,000 and over | 49 | 0.10 | 509,792,841 | 74.66 |
| **Total** | **47,811** | **100.00** | **682,866,936** | **100.00** |

| Geographic distribution | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|
| New Zealand | 36,694 | 76.74 | 543,883,177 | 79.65 |
| Australia | 10,394 | 21.74 | 135,087,884 | 19.78 |
| Rest of the World | 723 | 1.52 | 3,895,875 | 0.57 |
| **Total** | **47,811** | **100.00** | **682,866,936** | **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 2,271.

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 8,930 holders of the capital notes at 31 July 2012. These equity securities are quoted on the NZX but are unquoted on the ASX.

## Distribution of capital noteholders and holdings as at 31 July 2012

| Fletcher Building Industries Limited | | | | |
|---|---|---|---|---|
| Size of holding | Number of noteholders | % | Number of capital notes | % |
| 1 to 4,999 | 1,146 | 12.83 | 3,305,166 | 0.62 |
| 5,000 to 9,999 | 1,423 | 15.94 | 9,055,166 | 1.70 |
| 10,000 to 49,999 | 4,737 | 53.04 | 97,315,500 | 18.32 |
| 50,000 to 99,999 | 992 | 11.11 | 58,528,000 | 11.02 |
| 100,000 to 499,999 | 560 | 6.27 | 88,462,750 | 16.65 |
| 500,000 and over | 72 | 0.81 | 274,653,418 | 51.69 |
| **Total** | **8,930** | **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 2012 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 2012.

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 2012.

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, T Richards, W Roest, P Wilson, C Ellis (R)

**AHI Roofing (Middle East) Limited**
T Richards, W Roest, C Ellis (R)

**AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag**
M Adamson, O Pascutiu, P Wilson, C Ellis (R), A O'Brien (R)

**AHI Roofing Limited**
T Richards, W Roest, C Ellis (R)

**AHI Roofing Proizvodnja In Distribucija Stresnih Sistemov D.O.O.**
M Adamson, O Pascutiu, T Richards, C Ellis (R)

**AHI Roofing Pty Limited**
D Le Quesne, T Richards, C Ellis (R)

**Aickin Timber Limited**
J Beveridge, W Roest

**Amatek Holdings Limited**
M Farrell, N Gleeson, D Le Quesne, W Roest, V Gulia (R)

**Amatek Industries Pty Limited**
N Gleeson, D Le Quesne, W Roest, V Gulia (R)

**Amatek Investments Limited**
M Farrell, N Gleeson, D Le Quesne, W Roest, V Gulia (R)

**Amtel Pty Limited**
W Roest, P Zuckerman, T Richards (R)

**Andy Sellar Building Supplies Limited**
J Beveridge, V Grant (A), A Sellar

**Anson Building Supplies Limited**
J Beveridge

**Associated Water Equipment Pty. Ltd.**
D Worley, W Roest

**Auckland Frame and Truss Supplies Limited**
J Beveridge, B Bibbie, R Grimmer, D King, O Lyttleton, S Marshall, L Stickland, J Sullivan, R Spiers, B Deavoll (R)

**Austral Bronze Crane Copper Limited**
S Robertson, W Roest, D Worley

**Australian Construction Products Pty Limited**
S Baker, M Malpass, M Binns (R), Z Paris (R), G Darlow (R)

**Australian Fibre Glass Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Bandelle Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Baron Insulation Pty Ltd**
T Richards, C Zeitlyn, C Ellis (R), D Isaacs (R), W Roest (R)

**Boden Building Supplies Limited**
J Beveridge, P Boden, V Grant (A)

**Builders Hardware Company Limited**
J Beveridge

**Building Choices Limited**
J Beveridge, D Close, V Grant (A)

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

**Burford Building Supplies Limited**
J Beveridge

**Calvert Building Supplies Limited**
J Beveridge

**Cameron Building Supplies Limited**
J Beveridge, D Cameron, V Grant (A)

**Caravan Components Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Charmac Industries Proprietary Limited**
W Roest, D Worley

**Christchurch Frame & Truss Limited**
J Beveridge, B Bibbie, M Cleaver, D Close, M Evans, R Grimmer (A), O Lyttelton (A), R Callon (R)

**Cleaver Building Supplies Limited**
J Beveridge, M Cleaver, V Grant (A), R Callon (A)

**Cloudguard No 96 Pty Ltd**
W Roest, D Worley

**Collier Building Supplies Limited**
J Beveridge

**Consort Laminates Limited**
M Adamson, P Hall

**Crane Distribution Limited**
L Mayne, W Roest, D Worley, I Timmins (R)

**Crane Distribution NZ Limited**
M Farrell, W Roest, D Worley

**Crane Distribution Properties Limited**
M Farrell, W Roest, D Worley

**Crane Employee Services Pty Limited**
W Roest, D Worley

**Crane Enfield Metals Pty Limited**
W Roest, D Worley

**Crane Group Limited**
D Le Quesne, W Roest, D Worley

**Creeks Metal Industries Pty Limited**
D Le Quesne, N Gleeson, V Gulia (R)

**Crevet Ltd**
R McLeod, W Roest D Worley

**Crevet Pipelines Pty Ltd**
R McLeod, W Roest, D Worley

**CTCI Pty Limited**
W Roest, P Sackville, D Surveyor, E Woldhuis, D Noonan (R)

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

**Cullity Timber Holdings Pty Limited**
W Roest, D Surveyor, D Noonan (A) (R), D Worley (R)

**Dale King Building Supplies Limited**
J Beveridge, V Grant (A), D King

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

**Deavoll Building Supplies Limited**
J Beveridge, D Deavoll, V Grant (A)

**Decorative Surfaces Holding AB**
M Adamson, I Delen, U Hector

**Decra Roofing Systems, Inc.**
W Hudson, T Richards, W Roest, C Ellis (R)

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

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

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

**Delcon Holdings (No. 8) Limited**
T Richards, W Roest, C Ellis (R)

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

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

**Delcon Holdings (No. 15) Limited**
G Darlow, W Roest, M Binns (R)

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

**DVS Healthy Homes Limited**
T Richards, W Roest, C Ellis (R)

**DVS Limited**
T Richards, W Roest, C Ellis (R)

**EE-Fit Pty Limited**
T Richards, C Zeitlyn, S McKay, C Ellis (R), D Isaacs (R), W Roest (R)

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

**Engineered Timber Solutions Ltd**
J Beveridge

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

**FBHS (Aust) Pty Limited**
W Roest, P Zuckerman, T Richards (R)

**FBSOL Pty Limited**
W Roest, P Zuckerman, T Richards (R)

**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

**Fletcher Building (Australia) Finance Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

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

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

**Fletcher Building Holdings Limited**
M Farrell, W Roest, J Ling (R)

**Fletcher Building Holdings New Zealand Limited**
M Farrell, J Ling, W Roest

**Fletcher Building Holdings USA Inc.**
W Hudson, W Roest, C Ellis (R)

**Fletcher Building Industries Limited**
A Carter, H Fletcher, A Jackson, J Judge, J Ling, K Spargo, C Tarrant, G Tilbrook, R Waters, K Vautier (R)

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

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

**Fletcher Building (New Zealand) Limited**
M Farrell, W Roest

**Fletcher Building Nominees Limited**
J McDonald, G Niccol, M Farrell, W Roest, C Munkowits, K Daly

**Fletcher Building Products Limited**
T Richards, W Roest, C Ellis (R)

**Fletcher Building Share Schemes Limited**
G Niccol, J McDonald

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

**Fletcher Challenge Building UK Limited**
J Ollard, D Wood

**Fletcher Challenge Finance Investments Limited**
M Farrell, W Roest

**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**
M Farrell, W Roest

**Fletcher Challenge Overseas Holdings Limited**
M Farrell, W Roest

**Fletcher Composite Research Limited**
W Roest, P Zuckerman

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

**Fletcher Concrete & Infrastructure Limited**
M Malpass, W Roest, M Binns (R)

**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**
N Gleeson, C Munkowits (R), M Binns (R), V Gulia (R)

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

**Fletcher Construction Pty Limited**
N Gleeson, C Munkowits, V Gulia (R), M Binns (R)

**Fletcher Distribution Limited**
J Beveridge, W Roest

**Fletcher Insulation (Vic) Pty Limited**
T Richards, C Zeitlyn, S McKay, C Ellis (R), D Isaacs (R), W Roest (R)

**Fletcher Insulation Pty Limited**
T Richards, C Zeitlyn, S McKay, C Ellis (R), D Isaacs (R), W Roest (R)

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

**Fletcher Pacific Steel (Fiji) Limited**
D Hargovind (FJ$2,500), I Jones, W Roest, 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**
G Darlow, W Roest, M Binns (R)

**Fletcher Residential Limited**
G Darlow, W Roest, M Binns (R)

**Fletcher Steel Limited**
W Roest, P Zuckerman

**Fletcher Wood Panels (Australia) Pty Limited**
W Roest, D Surveyor, D Noonan (A) (R), D Worley (R)

**FM Holdings Inc.**
M Adamson, L Box, W Roest, D Worley (R)

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

**Forman Building Systems Limited**
T Richards, W Roest, C Ellis (R)

**Forman Building Systems Pty Limited**
T Richards, C Zeitlyn, C Ellis (R), D Isaacs (R), W Roest (R)

**Forman Commercial Interiors Limited**
T Richards, W Roest, C Ellis (R)

**Forman Group Limited**
T Richards, W Roest, C Ellis (R)

**Forman Insulation Limited**
T Richards, W Roest, C Ellis (R)

**Forman Manufacturing Limited**
T Richards, W Roest, C Ellis (R)

**Formica (Asia) Ltd**
C Wang, D Wang

**Formica (Malaysia) Sdn. Bhd.**
K Leong, C Wang, J Yang

**Formica (N.Z.) Limited**
M Adamson, W Roest, D Worley (R)

**Formica (Nederland) B.V.**
J Ruurd de Pater, N Mason, M Adamson (R)

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

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

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

**Formica Corporation**
M Adamson, L Box, W Roest, D Worley (R)

**Formica Danmark A/S**
I Delen, U Hector, R Pollington

**Formica de Mexico SA DE CV**
M Adamson, L Box, M Quint, J Oritz (R)

**Formica Decorative Materials (China) Co., Ltd**
P Foreman, C Kao, C Wang

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

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

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

**Formica Holding Corp.**
M Adamson, L Box, W Roest, D Worley (R)

**Formica Holding GmbH**
M Adamson, E Hoernisch, T Ruhnke

**Formica Holdings Limited**
M Adamson, P Hall, N Mason, R Pollington

**Formica II Corporation**
M Adamson, L Box, W Roest, D Worley (R)

**Formica Iki Oy**
M Adamson, I Delen, R Pollington

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

**Formica Korea Corporation**
T Ren C Wang

**Formica Laminates (India) Private Limited**
M Adamson, S Badri, L Box, N Mason, R Pollington

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

**Formica LLC**
I Delen, N Mason, R Pollington, A Tsvetov

**Formica Middle East B.V.**
M Adamson

**Formica Norge A/S**
I Delen, U Hector, S Berge (R)

**Formica PSM Limited**
M Adamson, P Hall

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

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

**Formica Skandinavien AB**
M Adamson, I Delen, R Pollington

**Formica SP.zo.O.**
M Adamson, N Mason

**Formica Taiwan Corporation**
T Ren, C Wang, DH Wang

**Formica Vertriebs GmbH**
M Adamson, E Hoernisch, T Ruhnke

**Gatic Pty Limited**
R McLeod, W Roest, D Worley

**G E Crane Investments Pty Ltd**
W Roest, D Worley

**G E Crane Securities Pty Ltd**
W Roest, D Worley

**G. E. Crane N.Z. Holdings Ltd**
M Farrell, W Roest, D Worley

**G. E. Crane N.Z. Limited**
M Farrell, W Roest, D Worley

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

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

**Graeme Joy Building Supplies Limited**
J Beveridge, V Grant (A), G Joy

**Gravure et Polissage de Surfaces Metalliques**
M Adamson, P Hall, N Mason

**Homapal GmbH**
T Ruhnke

**Homapal Plattenwerk Beteiligungs-GmbH**
T Ruhnke

**Homapal Plattenwerk GmbH & Co KG**
T Ruhnke, M Adamson (R), F Homann (R)

**Home&Dry Limited**
M Farrell, T Richards, W Roest

**Hudson Building Supplies Pty Limited**
W Roest, D Worley, I Timmins (R)

**Icon Industries National Administration Pty Ltd**
W Roest, D Worley

**Insulation Solutions Holdings Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Iplex Pipelines Australia Pty Limited**
R McLeod, W Roest, D Worley

**Iplex Pipelines NZ Limited**
M Farrell, W Roest, D Worley

**Iplex Properties Pty. Limited**
R McLeod, W Roest, D Worley

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

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

**Kenna Building Supplies Limited**
J Beveridge, V Grant (A), L Kenna

**Kevin Jarvis Building Supplies Limited**
J Beveridge, C Tucker (A)

**Key Plastics Distribution Pty Ltd**
W Roest, D Worley

**Key Plastics Pty. Ltd.**
R McLeod, W Roest, D Worley

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

**Kimura Building Supplies Limited**
J Beveridge, V Grant (A), J Kimura

**Kingston Bridge Engineering Pty Ltd**
R McLeod, W Roest, D Worley

**Kinsey Kydd Building Supplies Limited**
J Beveridge, V Grant (A), S Kinsey

**Kusabs Building Supplies Limited**
J Beveridge, V Grant (A), G Kusabs

**Laminates Acquisition Co.**
M Adamson, L Box, W Roest, D Worley (R)

**Laminates Holdings Pty Limited**
W Roest, D Surveyor, D Worley (R)

**Laminex (Australia) Pty. Ltd.**
W Roest, D Surveyor, D Noonan (A) (R), D Worley (R)

**Laminex Finance Pty Limited**
N Gleeson, D le Quesne, V Gulia (R)

**Laminex Group (N.Z.) Limited**
M Adamson, W Roest, D Worley (R)

**Laminex Group Pty Limited**
W Roest, D Surveyor, D Noonan (A) (R), D Worley (R)

**Laminex Inc.**
W Roest, D Worley

**Laminex Overseas Holdings Pty Limited**
N Gleeson, D Le Quesne, D Worley (R), V Gulia (R)

**Laminex US Holdings Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

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

**McDonald Building Supplies Limited**
J Beveridge, R Callon (A)

**McGill Building Supplies Limited**
J Beveridge

**Meleccio Enterprises Limited**
G Darlow, W Roest, M Binns (R)

**Milnes-Gatic Pty Ltd**
W Roest, D Worley

**Milnes Holdings Limited**
R McLeod, W Roest, D Worley

**Minnell Building Supplies Limited**
J Beveridge, V Grant (A), D Minnell

**Morinda Australia Pty Limited**
W Roest, P Zuckerman, T Richards (R)

**Mount Timber & Hardware Limited**
J Beveridge, W Roest

**New Zealand Ceiling & Drywall Supplies Limited**
D Jones

**Nick Letica Building Supplies Limited**
J Beveridge, V Grant (A), N Letica

**Nock Building Supplies Limited**
J Beveridge

**Northern Iron and Brass Foundry Pty. Ltd.**
R McLeod, W Roest, D Worley

**Pacific Trade & Export Limited**
G Darlow, W Roest, M Binns (R)

**Perstorp Warerite Limited**
M Adamson, P Hall

**PinkFit Limited**
T Richards, W Roest, C Ellis (R)

**Placemakers Limited**
J Beveridge, W Roest

**Polymer Fusion Education Pty Ltd**
R McLeod, W Roest, D Worley

**Raoul Holdings Limited**
M Malpass, W Roest, M Binns (R)

**Rocla Australia Pty Limited**
D Le Quesne, M Malpass, G West (R), M Binns (R)

**Rocla Concrete Pipes Pty Limited**
D Le Quesne, M Malpass, M Binns (R)

**Rocla Drilling Pty Limited**
D Le Quesne, M Malpass, G West (R), M Binns (R)

**Rocla Group Superannuation Fund Pty Limited**
J Gardiner, W Roest, L Box, V Gulia (A) (R)

**Rocla Industries Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Rocla Masonry Pty Limited**
D Le Quesne, M Malpass, G West (R), M Binns (R)

**Rocla Materials Pty Limited**
D Cilento, M Malpass, M Binns (R), G West (R)

**Rocla NSW Pty Limited**
D Le Quesne, M Malpass, M Binns (R)

**Rocla Pty Limited**
S Baker, D Cilento, M Malpass, M Binns (R), G West (R)

**Rocla SA Pty Limited**
D Le Quesne, M Malpass, G West (R), M Binns (R)

**Rocla Vic Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Rolleston Building Supplies Limited**
J Beveridge, V Grant (A), R Rolleston

**S Cubed Pty Limited**
W Roest, P Zuckerman, T Richards (R)

**Seabar Holdings (No 16) Limited**
G Darlow, W Roest, M Binns (R)

**Servicios Formica de Mexico SA DE CV**
M Adamson, L Box, M Quint, J Oritz (R)

**Shanghai Fletcher Building Materials Trading Company Limited**
W Roest, C Wang, P Wilson

**Shanghai Formica Decorative Material Co., Ltd**
P Foreman, J Hu, C Kao, C Wang, M de Pater (R)

**Shed Boss NZ Limited**
M Farrell, W Roest

**Sisalation Pty Limited**
T Richards, S McKay, W Roest (R), D Isaacs (R), C Ellis (R)

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

**Steven Marshall Building Supplies Limited**
J Beveridge, V Grant (A), S Marshall

**Stickland Building Supplies Limited**
J Beveridge, V Grant (A), L Stickland

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

**Stramit Corporation Pty Limited**
W Roest, P Zuckerman, T Richards (R)

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

**Stramit Pty Limited**
D Le Quesne, P Zuckerman

**Sullivan & Armstrong Building Supplies Limited**
J Beveridge, V Grant (A), J Sullivan

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

**TAF Building Systems Pty Limited (formerly Tasman Access Floors Pty Limited)**
D Le Quesne, T Richards, C Ellis (R), W Roest (R)

**Tasman Australia Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Tasman Building Products Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Tasman Insulation New Zealand Limited**
T Richards, W Roest, C Ellis (R)

**Tasman Investments (Netherlands Antilles) N.V.**
S Coeriel, M Farrell, E Rakers (US $3,675), W Roest

**Tasman Sinkware North America, Inc.**
W Roest, C Ellis (R)

**Tasman Sinkware Pty Limited**
J Bayer, T Richards, C Ellis (R), W Roest (R)

**TBP Group Pty Limited**
N Gleeson, D Le Quesne, V Gulia (R)

**Ted Harper Building Supplies Limited**
J Beveridge, V Grant (A), E Harper

**Tenedora Formica Mexico, S.A. de C.V.**
M Adamson, L Box, M Quint, J Oritz (R)

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

**Terry Mellsop Building Supplies Limited**
J Beveridge

**The Diller Corporation**
M Adamson, L Box, W Roest, D Worley (R)

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

**The Fletcher Construction Company Limited**
G Darlow, W Roest, M Binns (R)

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

**The Fletcher Trust and Investment Company Limited**
G Darlow, W Roest, M Binns (R)

**The O'Brien Group Limited**
M Adamson, W Roest, D Worley (R)

**Thomas Street Pty Limited**
D Le Quesne, M Malpass, M Binns (R)

**Thor Plastics Pty Ltd**
W Roest, D Worley

**Trade Mart Limited**
J Beveridge, W Roest

**Tradenates Limited**
J Beveridge, W Roest

**Unidur GmbH**
M Adamson

**Waikato/BOP Frame & Truss Limited (formerly Tango Warkworth Limited)**
J Beveridge

**Ward Building Supplies Limited**
J Beveridge, V Grant (A) (R), R Ward (R)

**Waterman Building Supplies Limited (L)**
J Beveridge

**Wellington Frame & Truss Limited**
J Beveridge

**Wesfi Limited**
D Le Quesne, W Roest, D Surveyor, D Worley (R), D Noonan (A) (R)

**Wesfi Manufacturing Pty Limited**
W Roest, D Surveyor, D Worley (R), D Noonan (A) (R)

**Winstone Wallboards Limited**
T Richards, W Roest, C Ellis (R)

# Investor information.

## Annual shareholders' meeting

The Annual Shareholders' Meeting of Fletcher Building Limited will be held in the Level 4 Lounge, Corporate Entry G, South Stand, Reimers Avenue, Eden Park, Mt Eden, New Zealand, at 10.30 am on Tuesday 20 November 2012.

## Final dividend information

The company has declared a final dividend for the year of 17 cents per share payable on 17 October 2012. This is in addition to the interim dividend of 17 cents per share paid in April 2012. 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.

## Further information online

Details on Fletcher Building, its governance policies, and its operations for the year ended 30 June 2012 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 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
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 21, 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
Auckland 1142
New Zealand

Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
New Zealand
T. +64 9 488 8777
F. +64 9 488 8787
E. enquiry@computershare.co.nz

**Australia**
Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 8060, 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
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