

NEWS RELEASE FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2014

Stock Exchange Listings: New Zealand (FBU), Australia (FBU)

Auckland, August 20, 2014 - Fletcher Building today reported net earnings of \$339 million for the year ended 30 June 2014, compared with \$326 million in the 2013 financial year. The result included significant items totalling \$32 million. Net earnings before significant items were \$362 million, 11 per cent higher than the prior year.

Operating earnings (earnings before interest and tax) were \$592 million, compared with \$569 million in the prior year. Operating earnings excluding significant items were \$624 million, up 10 per cent on the prior year and within the previously announced guidance range of \$610 million to \$650 million.

Significant items of \$32 million were incurred during the year principally from the sale of the Pacific Steel and Hudson Building Supplies businesses. The expense reflects the difference between the sale proceeds and asset carrying values together with transaction costs.

Cash flow from operations was \$489 million, compared with \$559 million in the prior year. The reduction was due to increased residential land acquisition activity in Auckland, higher inventory levels for the Formica plants in emerging markets, and the timing of customer payments for major construction projects.

A final dividend of 18.0 cents per share will be paid on 15 October 2014, with full New Zealand tax credits attached, bringing the total dividend for the year to 36.0 cents per share.

Fletcher Building chief executive Mark Adamson said the underlying result was a strong one, with double digit earnings growth despite currency headwinds and subdued trading conditions in Australia for much of the year.

"We would have met the top end of our guidance range had the New Zealand dollar not strengthened the way it has over the past year.

"New Zealand volumes tracked the strong activity levels experienced across the residential, commercial and infrastructure sectors, which drove earnings growth in our New Zealand businesses.

"In Australia, volumes stabilised during the year and operating earnings in the second half in Australia were higher than for the same period in the prior year. However, our reported results were negatively impacted by the currency translation effects due to the strength of the New Zealand dollar. Earnings from our businesses in the rest of the world were up strongly despite the high New Zealand dollar", Mr Adamson said.

News release continued

Mr Adamson said that substantial progress had been made in implementing the FBUnite business transformation programme and other cost reduction initiatives. "FBUnite generated cost savings of \$25 million in its first year, and this was a strong start towards our target of \$100 million in annual cost reductions by 2018."

Looking ahead to 2015, Mr Adamson said the group was well positioned to meet the strong volumes expected in New Zealand and was hopeful of improved conditions in Australia.

"We're confident we can further grow earnings in the year ahead, with a strong construction backlog in New Zealand and further benefits from FBUnite", Mr Adamson said.

Results overview NZ\$

Comparisons are with the prior financial year ended 30 June 2013.

Revenue	\$8,401 million, down from \$8,517 million
Net earnings	\$339 million, up from \$326 million
Net earnings before significant items	\$362 million, up from \$326 million
Operating earnings (EBIT)	\$592 million, up from \$569 million
Operating earnings (EBIT) before significant items	\$624 million, up from \$569 million
Cash flow from operations	\$489 million, down from \$559 million
Basic earnings per share	49.3 cents per share, up from 47.6 cents
Basic earnings per share excluding significant items	52.7 cents per share, up from 47.6 cents
Final dividend	18.0 cents per share, up from 17.0 cents per share

Please refer to the Financial Statements for terms and definitions.

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MANAGEMENT COMMENTARY FOR THE YEAR ENDED 30 JUNE 2014

Fletcher Building earnings rise, driven by strong New Zealand trading performance

Reported Results NZ\$m (except EPS and DPS)	Year ended 30 June		
	2014	2013	Change %
Total revenue	8,401	8,517	(1%)
Operating earnings ('EBIT')	592	569	4%
Funding costs	(130)	(147)	(12%)
Earnings before tax	462	422	9%
Tax expense	(111)	(85)	31%
Earnings after tax	351	337	4%
Non-controlling interests	(12)	(11)	9%
Net earnings	339	326	4%
Earnings per share (EPS - cents)	49.3	47.6	4%
Dividends declared per share (DPS - cents)	36.0	34.0	6%
Capital expenditure	260	233	12%

NZ\$m	Year ended 30 June		
	2014	2013	Change %
Operating earnings before significant items¹	624	569	10%
Significant items ²	(32)	-	NM
Reported operating earnings	592	569	4%

- Revenue for the year of \$8,401 million was \$116 million lower when compared with the prior year, due to adverse foreign currency translation effects;
- Operating earnings of \$592 million were \$23 million or 4% higher than the prior year;
- Significant items of \$32 million (June 2013: nil) were incurred during the year;
- Operating earnings before significant items were \$624 million, 10% higher than the prior year;
- Net earnings of \$339 million, up by \$13 million or 4% from \$326 million in the prior year;
- Net earnings before significant items of \$362 million, up 11%;
- Cash flow from operations was \$489 million, down from \$559 million in the prior period mainly due to the acquisition of residential land in Auckland;
- Basic earnings per share of 49.3 cents, up from 47.6 cents. Earnings per share before significant items of 52.7 cents;
- Final dividend of 18.0 cents per share bringing the total dividend for the year to 36.0 cents.

¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

² Details of the significant items incurred can be found in note 4 of the group's financial statements.

Financial Results

Year ended 30 June

NZ\$m	External revenue		
	2014	2013	Change
Infrastructure Products	2,050	2,095	(2%)
Building Products	1,288	1,350	(5%)
Laminates & Panels	1,710	1,738	(2%)
Distribution New Zealand	1,169	1,147	2%
Distribution Australia	927	994	(7%)
Construction	1,257	1,193	5%
Total revenue	8,401	8,517	(1%)

Year ended 30 June

NZ\$m	Reported operating earnings			Operating earnings before significant items ¹		
	2014	2013	Change	2014	2013	Change
Infrastructure Products	209	222	(6%)	229	222	3%
Building Products	135	122	11%	135	122	11%
Laminates & Panels	124	120	3%	124	120	3%
Distribution New Zealand	51	42	21%	51	42	21%
Distribution Australia	5	8	(38%)	17	8	113%
Construction	105	87	21%	105	87	21%
Corporate	(37)	(32)	(16%)	(37)	(32)	(16%)
Total	592	569	4%	624	569	10%
Funding costs	(130)	(147)	(12%)	(130)	(147)	(12%)
Earnings before tax	462	422	9%	494	422	17%
Tax expense	(111)	(85)	31%	(120)	(85)	41%
Earnings after tax	351	337	4%	374	337	11%
Non-controlling interests	(12)	(11)	9%	(12)	(11)	9%
Net earnings	339	326	4%	362	326	11%

¹Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014. Details of the significant items incurred can be found in note 4 of the financial statements.

Financial Results

continued

Geographic segments

Year ended 30 June

NZ\$m	External revenue			Operating earnings before significant items ¹		
	2014	2013	Change	2014	2013	Change
New Zealand	4,031	3,832	5%	362	286	27%
Australia	3,287	3,640	(10%)	171	203	(16%)
Rest of World	1,083	1,045	4%	91	80	14%
Total	8,401	8,517	(1%)	624	569	10%

Geographic segments in local currency

Year ended 30 June

	External revenue			Operating earnings before significant items ¹		
	2014	2013	Change	2014	2013	Change
Australia (A\$m)	2,966	2,916	2%	154	163	(6%)
Rest of World (US\$m)	895	855	5%	75	65	15%

- Revenue for the year of \$8,401 million was \$116 million lower when compared with the prior year. Of this decline \$428 million was due to adverse foreign currency translation effects more than offsetting the \$312 million of underlying revenue growth. In local currencies, revenues increased by 5% in New Zealand, 2% in Australia and 5% in the Rest of World.
- Reported operating earnings before interest and tax ('EBIT') of \$592 million were 4% higher than the prior year.
- Reported operating earnings include significant items of \$32 million relating to the sales of Pacific Steel's rolling mill and wire drawing facilities in Otahuhu together with its Fijian rolling mill (\$19 million), the Fiji cement business (\$1 million) and the Hudson Building Supplies business (\$12 million). The significant expense items reflect the difference between sale proceeds and asset carrying values, together with transaction costs.
- Operating earnings before significant items were \$624 million, 10% higher than \$569 million in the prior year.
- The result includes a net expense of \$16 million relating to restructuring and other costs which are included in the financial statements as 'other gains and losses' (2013: \$4 million net gain).
- The result was driven by increased activity levels across most sectors in New Zealand and improved conditions in the USA, partly offset by subdued markets in Australia and Europe.
- In **New Zealand** earnings benefited from an increase in construction activity, continued momentum in the repairs and rebuilding work in Canterbury, and continued strong demand for houses in Fletcher Building's residential developments. Consents for new houses in New Zealand of 23,260 increased 24% when compared with the prior corresponding period, the highest level since 2007. The positive trading result in New Zealand, along with cost reduction and efficiency measures, more than offset the adverse impacts of increased price competition, and additional corporate costs relating to centralisation initiatives.

¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014. Details of the significant items incurred can be found in note 4 of the financial statements.

Financial Results continued

- In **Australia** conditions remained mixed. There was an improvement in the residential construction market with housing consents rising to near-record levels. Activity levels in the commercial construction sector were flat and reduced State Government infrastructure expenditure and depressed mining activity impacted results. The adverse impacts of declining activity and increased price competition were partially offset by the positive effects from efficiency initiatives, savings in headcount and other controllable costs. In local currency terms, the operating earnings before significant items of the group's Australian operations declined by 6% on the prior year. However, some businesses experienced improved conditions in the second half of the year, particularly in the distribution, laminates and panels and coated steel businesses.
- In the **Rest of World**, market conditions varied geographically with most markets experiencing strong competition and price pressures. Operating earnings in Formica North America increased by 5%, benefiting from improved volumes in the first half of the year. Adverse weather conditions in early 2014 had a negative impact on the building and construction industry. In most parts of Asia activity increased, while Thailand remained stable. Performance in Europe has been more stable than in recent years with some markets, such as the UK, showing signs of improvement.
- Significant progress has been made in implementing the FBUnite business transformation programme. The initiatives are on track and cost savings and organisational efficiencies were achieved in the first year, in line with expectations. During the year benefits achieved of \$25 million were partially offset by increased operating costs of \$10 million and capital expenditure of \$12 million. Further benefits will become evident from FY15 onwards.
- Corporate costs of \$37 million were up \$5 million on the prior year due to costs associated with the FBUnite transformation programme and centralisation of core functions, including property, procurement and financial shared services.
- Funding costs of \$130 million were 12% lower when compared with the prior year. The reduction is due to lower interest costs and a continued reduction in debt outstanding, as well as the strengthening New Zealand dollar resulting in a reduction in Australian dollar interest costs.
- The tax expense of \$111 million is an increase on the prior year. The increase is a consequence of the group's increased earnings before tax, partially offset by a \$9 million tax impact of the significant expense items described above. The effective tax rate for the year was 24% (2013: 20%). The effective tax rate was lower in the prior year primarily due to the recognition of previously unrecognised tax losses.
- Earnings per share were 49.3 cents, an increase of 4% from 47.6 cents per share in the corresponding period. Earnings per share before significant items were 52.7 cents, an increase of 11%.

Segmental Operational Review

The following sections provide a commentary on individual division results for the year ended 30 June 2014.



Infrastructure Products

Cement, Concrete & Aggregates, Concrete Pipes & Products, Plastic Pipes & Copper Tube and Steel

NZ\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	2,050	2,095	(45)	(2%)
Operating earnings before significant items ¹	229	222	7	3%
Significant items ²	(20)	-	(20)	NM
Operating earnings	209	222	(13)	(6%)
Funds	1,792	1,841	(49)	(3%)

Infrastructure Products reported operating earnings were \$209 million, compared with \$222 million in the prior year. The result includes significant items of \$20 million relating to the divestment of Pacific Steel's rolling mill and wire drawing facilities and the sale of the Fiji cement business. The result was also negatively impacted by foreign exchange translation effects totalling \$13 million. Operating earnings before significant items of \$229 million were 3% higher than the prior year.

Revenues were largely flat with stronger market conditions in New Zealand offset by lower volumes in Australia. Market shares were largely stable for all businesses.

Operating earnings of the Cement, Concrete and Aggregates businesses increased by 23% to \$90 million. Cement volumes were up 24% and ready-mix concrete volumes were up 14%, with prices generally stable. Aggregates volumes in New Zealand were up 17%. Australian aggregates volumes increased by 27% but earnings were lower, being adversely impacted by product mix.

The Concrete Pipes and Products businesses recorded a 15% decrease in operating earnings to \$57 million. Australian pipe volumes were 19% lower, due to the challenging Australian market conditions, particularly in infrastructure and mining.

Operating earnings in the Plastic Pipes and Copper Tube businesses were 15% lower at \$46 million. The result was impacted by the upfront costs associated with the consolidation of manufacturing sites in New South Wales and Western Australia. Pipe volumes decreased by 4%, with weaker building markets being partially offset by contracts to supply coal seam gas projects. New Zealand plastic pipe volumes increased in line with activity levels in Canterbury and Auckland.

Steel operating earnings increased by 29% to \$36 million. Long steel volumes were 11% higher, reflecting increased domestic demand in New Zealand. Steel distribution businesses experienced increased earnings over the prior year, benefiting from the integration of the steel reinforcing businesses, a focus on product mix and reduced service costs.

¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

² Details of the significant items incurred can be found in note 4 of the group's financial statements.

Segmental Operational Review continued



Building Products

Coated Steel, Roof Tiles, Plasterboard, Insulation, Aluminium Windows & Doors and Sinkware

Year ended 30 June

NZ\$m	2014	2013	Change	Change %
Revenue	1,288	1,350	(62)	(5%)
Operating earnings	135	122	13	11%
Funds	725	770	(45)	(6%)

Building Products operating earnings were \$135 million, up 11% from \$122 million in the prior year. The earnings uplift was driven by the sustained economic recovery in New Zealand and benefits from continued margin improvement initiatives within the business units.

Revenues fell by 5%, as sales growth in Christchurch and Auckland was more than offset by revenue declines in Queensland and Victoria. New South Wales revenues were ahead of the prior year and Rest of World revenues remained stable overall.

The Plasterboard business recorded increased volumes, in line with house building activity in New Zealand.

Insulation operating earnings fell by 33% on the prior year, primarily driven by price and margin compression in New Zealand, while glass wool volumes remained flat. In the second half of the year volumes were ahead of prior year, with New Zealand demonstrating share recovery in a growing market and Australia showing some signs of recovery. Australian glass wool margins improved over the second half of the year.

Operating earnings in the Coated Steel and Roof Tiles businesses increased by 13% over the prior year as a result of margin improvement initiatives. Volumes improved in the Australasian roof tiles businesses and the New Zealand painting and roll-forming businesses. Volumes in the North America roof tiles business fell behind the prior year due to adverse weather conditions, and volumes in Europe and Asia were flat. Australian roll-forming volumes fell by 4%, however, earnings improved with the benefit of significant cost reduction initiatives.

Segmental Operational Review

continued



Laminates & Panels

Formica and Laminex

NZ\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	1,710	1,738	(28)	(2%)
Operating earnings	124	120	4	3%
Funds	1,702	1,788	(86)	(5%)

Operating earnings in Laminates & Panels were \$124 million, up 3% from \$120 million in the prior year. Adjusting for the adverse effects of foreign currency translation, operating earnings would have increased by 12%. Revenues were down by 2% to \$1,710 million but would have increased by 4% excluding the currency impact.

Prices and margins were generally flat or slightly down as a result of strong price competition, as well as increased input costs, particularly in Australia due to the decline of the Australian dollar against key currencies related to resin and paper inputs.

Formica operating earnings were \$63 million, or 9% up on the prior year.

Volumes in Europe were down 3% on the prior year, while revenue in domestic currencies was flat due in part to improved pricing and a more favourable product mix. Market conditions in Europe have stabilised and some markets, such as the UK, showed early signs of improvement while most other markets remained flat. Reported operating earnings were \$6 million, compared with a loss in the prior year, due to improved operating performance.

Revenues in Asia were up by 6% in domestic currencies with volumes up in China (+8%), Taiwan (+6%), Singapore (+26%) and Malaysia (+15%), while Thailand remained stable, notwithstanding the domestic political unrest. Reported operating earnings in Asia were down 22% to \$29 million due to competitive pressures and product mix negatively impacting margins, as well as increased operational costs to drive efficiencies and the costs associated with operating the new plant in Jiujiang.

In North America volumes were up by 4%, on the prior year while in domestic currencies revenue was up by 1%. Reported operating earnings were \$43 million, up 5% on the prior year.

Divisional corporate costs of \$15 million were consistent with prior year.

Laminex (Australia and New Zealand) operating earnings were \$61 million, stable on the prior year, however, adjusting for currency impacts operating earnings would have been up 10%. Australian revenue in domestic currency grew by 6% on the prior year driven by increased activity in the building and construction industry, especially in the eastern Australian states, and increased market share. Laminex New Zealand revenues were up by 2% compared with the prior corresponding period. Activity levels in the residential market continued to improve, while the commercial segment was flat.

Segmental Operational Review continued



Distribution New Zealand

PlaceMakers and Mico Plumbing

NZ\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	1,169	1,147	22	2%
Operating earnings	51	42	9	21%
Funds	196	251	(55)	(22%)

Distribution New Zealand revenues of \$1,169 million were 2% higher than the prior year. Adjusting for the sale of the Corys business in the prior year, underlying revenue growth was 7%. PlaceMakers recorded a 12% increase in revenues and experienced further improvement in trading conditions. During the period two new branches were opened, along with two new frame and truss manufacturing plants to cater for increased demand.

Operating earnings increased by 21% to \$51 million. PlaceMakers operating earnings were up 47% on the prior year to \$53 million. Whilst competitive pressures negatively impacted margins, this was more than offset by volume increases as well as operational efficiencies. Mico recorded a loss of \$2 million due to restructuring costs incurred in the period. In addition, operating earnings in the prior year included \$4 million profit from the sale of surplus property in Christchurch, which was not repeated in the current year.

Segmental Operational Review continued



Distribution Australia Tradelink and Hudson Building Supplies

NZ\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	927	994	(67)	(7%)
Operating earnings before significant items ¹	17	8	9	113%
Significant items ²	(12)	-	(12)	NM
Operating earnings	5	8	(3)	(38%)
Funds	406	452	(46)	(10%)

For comparative purposes the results of the Australian distribution business are presented in Australian dollars below.

A\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	836	796	40	5%
Operating earnings before significant items ¹	15	6	9	150%
Significant items ²	(10)	-	(10)	NM
Operating earnings	5	6	(1)	(17%)
Funds	378	380	(2)	(1%)

Australian Distribution reported operating earnings were NZ\$5 million. The result includes significant items of NZ\$12 million relating to impairment of goodwill and a provision for other charges relating to the sale of Hudson Building Supplies. Operating earnings before significant items in domestic currency were A\$15 million, an increase of A\$9 million.

Revenues in domestic currency were A\$836 million, up 5% on the prior year with strong growth in the second half of the year as a result of business improvement initiatives leading to market share gains, as well as improving market conditions.

¹ Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

² Details of the significant items incurred can be found in note 4 of the group's financial statements.

Segmental Operational Review

continued



Construction

Building and Interiors, Infrastructure, EQR, South Pacific, Residential

NZ\$m	Year ended 30 June			
	2014	2013	Change	Change %
Revenue	1,257	1,193	64	5%
Operating earnings	105	87	18	21%
Funds	116	69	47	68%

Construction operating earnings for the year were \$105 million, up 21% on the prior year. The increase was due to a significant upturn in the infrastructure business, with good progress on a number of key projects including the Waterview tunnel in Auckland. The South Pacific operations grew earnings in the period and have a substantial backlog of work in Papua New Guinea.

The total construction backlog of \$1,820 million at the end of June is the highest recorded for the division and compares with \$1,022 million at June 2013. Fletcher Construction is also the preferred bidder on several other projects, with a total value of approximately \$450 million, which is not included in the June 2014 backlog.

Major contracts awarded during the year include the Christchurch Justice Precinct for \$200 million, the MacKays to Peka Peka section of the Wellington road network for \$400 million, a further \$112 million of work as part of the Stronger Christchurch Infrastructure Rebuild Team and the Fonterra Head Office project in Auckland for \$70 million.

Earnings from the residential homes business were slightly ahead of the prior year, with continued strong sales levels in Stonefields and other developments in Auckland. A number of land holdings have been secured in the Auckland region, including the purchase of the Manukau Golf Course and land developed from the Peninsula Golf Course in Orewa, which will provide for a substantial housing development over the next five years. Residential construction also commenced in the year in Christchurch.

As project manager for the Earthquake Commission in Canterbury, Fletcher Construction has now completed in excess of 59,000 home repairs. The Canterbury Home Repair Programme is on track to be substantially complete by December 2014.

Financial Review

Group Cash Flow

NZ\$m	Year ended 30 June		
	2014	2013	Change
Earnings after tax	351	337	14
Non-cash adjustments	228	188	40
Net working capital movements	(90)	34	(124)
Cash flows from operating activities	489	559	(70)
Cash flows from investing activities	(229)	(155)	(74)
Cash flows from financing activities	(243)	(447)	204
Effects of exchange rate changes on net cash	(6)	(2)	(4)
Net movement in cash	11	(45)	56

Detailed disclosure of the above line items is included in Fletcher Building Limited's group financial statements which have been released with this Management Commentary.

Cash flows from operating activities

Cash flows from operations of \$489 million in the year ended 30 June 2014 were \$70 million lower than the \$559 million in the prior year. While the group experienced increased cash flows from trading activities, these were more than offset by the cash impacts of: the acquisition of residential land in Auckland for future development; timing of cash flows on construction projects; and increased inventory levels in emerging markets. For 2015, cash flows from operating expenditure will be impacted by continued payments for development land acquisitions, as well as for the acquisition and redevelopment of the group's Head Office campus in Auckland.

Cash flows from investing activities

The net cash outflow from investing activities of \$229 million in the current year was \$74 million higher than the prior year largely due to higher proceeds from sales of businesses and property, plant and equipment received in the prior year. The main investment in the year related to capital expenditure, which is discussed below.

Cash flows from financing activities

Fletcher Building's outflows from financing activities largely reflect borrowing activities and dividend payments to shareholders. The net cash outflow for financing activities was \$243 million compared with \$447 million in the prior corresponding period. The \$243 million net cash outflow in the current period primarily comprised the \$224 million of dividends paid. The \$204 million reduction in cash outflows year on year was due largely to the \$170 million debt repayments in 2013, being proceeds from divestments.

Capital expenditure

NZ\$m	Year ended 30 June		
	2014	2013	Change
Capital expenditure	260	233	27

Capital expenditure was \$260 million, compared with \$233 million in the prior year. Of this total, \$175 million was for stay-in-business capital projects, including \$32 million on major IT projects and \$85 million related to new growth initiatives, including \$28 million in the period on the new Formica plant in China. For 2015 capital expenditure is expected to be in the range of \$275 million to \$325 million.

Funding

Total available funding as at 30 June 2014 was \$2,378 million. Of this, approximately \$616 million was undrawn and there was an additional \$134 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$64 million and a further \$74 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and available cash.

Following a review during the year, gearing and leverage targets were reset in light of current financial market conditions.

The target gearing range, expressed as Net Debt to Net Debt plus Equity, is 30-40%. This is consistent with the group's balance sheet settings of the past eight years and future planned debt levels.

The group's gearing¹ at 30 June 2014 was 32.3% compared with 33.5% at 30 June 2013.

In addition to the revised gearing policy, a target leverage range has been introduced that reflects the ratio of debt to cash flow. Expressed as a ratio of Net Debt to EBITDA, the target range is 2.0-2.5 times.

The group's leverage² at 30 June 2014 was 1.99 times compared with 2.27 times at 30 June 2013.

The average maturity of the debt is 4.2 years and the hedged currency split is 44% Australian dollar; 37% New Zealand dollar; 10% US dollar; and 9% spread over various other currencies.

Approximately 60% of all borrowings have fixed interest rates with an average duration of 3.5 years and a rate of 6.9%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 6.22%.

Interest coverage³ for the period was 4.8 times compared with 3.9 times in the previous year.

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

²Interest bearing net debt (including capital notes) to EBITDA before significant items

³EBIT before significant items to total interest paid including capital notes interest

Dividend

The 2014 final dividend is 18 cents per share. In line with the group's tax crediting policy announced in 2011, the final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes.

A dividend summary is attached illustrating the effect of the New Zealand imputation tax credits on the dividend.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after-tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 15 October 2014 to holders registered as at 5.00 pm Friday 26 September 2014 (NZT). The shares will be quoted on an ex dividend basis from 24 September 2014 on the NZX and ASX.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will not be operative for this dividend payment.

Dividend Policy

Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term. The target dividend pay-out ratio, in the range of 50-75% of net earnings, is intended to provide sufficient flexibility for dividends to be maintained despite variations in economic conditions. Maintenance of a dividend in this range will be subject to there being no material adverse change in circumstances or outlook. In determining a dividend for any year a number of factors are taken into consideration, including current and forecast earnings and operating cash flows, capital requirements, and the company's debt equity position.

Beyond dividends, Fletcher Building will consider other means of distribution, should cash flows and future investment requirements allow.

Fletcher Building's policy on franking and imputation credits is for successive dividends to be alternately franked and imputed where possible, such that:

- all interim dividends are fully franked with Australian tax credits or franked to the maximum extent possible;
- all final dividends are fully imputed with New Zealand tax credits or imputed to the maximum extent possible.

Dividend continued

2014 Final Dividend Summary Table¹

NZ cents per share	NZ Residents on Top of Marginal Tax Rate of 33%	Australian Residents on Top of Marginal Tax Rate of 46.5%	Australian Residents on 15% Tax Rate	Other Non Residents ⁸
Dividend declared	18.0000	18.0000	18.0000	18.0000
NZ imputation credits ²	7.0000			
NZ supplementary dividend ³		3.1765	3.1765	3.1765
Australian franking credits ⁴		0.0000	0.0000	
Gross dividend for NZ tax purposes	25.0000	21.1765	21.1765	21.1765
NZ tax (33%) ⁵	(8.2500)			
NZ non-resident withholding tax (15%) ⁶		(3.1765)	(3.1765)	(3.1765)
Net cash received after NZ tax	16.7500	18.0000	18.0000	18.0000
Australian tax (46.5% and 15%) ⁷		(9.8471)	(3.1765)	
Reduced by offset for NZ non-resident withholding tax		3.1765	3.1765	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	16.7500	11.3294	18.0000	18.0000

Notes:

1. This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent tax advice.
2. The dividend has imputation credits attached at a 28 percent tax rate.
3. The supplementary dividend is payable to non-New Zealand shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.
4. There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.
5. For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 5% from the gross dividend which has been credited with imputation credits at 28 percent. Accordingly, for those shareholders, a deduction of 1.25 cents per share will be made on the date of payment from the dividend declared of 18.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a credit for the RWT deduction in excess of their marginal tax rate.
6. NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.
7. This summary uses two examples of the effect of tax in Australia. The first uses the top marginal tax rate of 46.5%, including the Medicare levy. The second example uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

The Australian tax is calculated as:	46.5% Rate	15% Rate
gross dividend for NZ tax purposes	21.1765	21.1765
plus franking credits	0.0000	0.0000
gross dividend for Australian tax purposes	21.1765	21.1765
Australian tax	9.8471	3.1765

8. This illustration does not purport to show the taxation consequences of the dividend for non-residents of New Zealand or Australia. Shareholders resident in other countries are encouraged to consult their own taxation adviser.

Business Transformation Update and Outlook

Update on Business Transformation Programme

Substantial progress was made during the year in implementing the FBUnite transformation programme, and benefits of \$25 million were achieved, partly offset by increased operating costs of \$10 million and capital expenditure of \$12 million. Key achievements included:

- The establishment of a new central group procurement function tasked with achieving coordination and cost savings from both direct and indirect third-party spend;
- Commencement of operations at the financial shared services centre, which went live in March with accounts payable processing for all the steel businesses, centralised payroll functions and a centre of excellence for debt recovery and credit management, as parts of the business units transfer into the shared services arrangements;
- Consolidation of group property activities into one centre of excellence for New Zealand and Australia with cost savings achieved through over 100 lease and other property-related transactions including three surplus property sales;
- The formation of a centralised IT function, with responsibility for all of the group's IT requirements; and
- Deployment of the Operations Excellence programme, which seeks to increase and standardise the quality of manufacturing across a number of the group's key manufacturing sites.

It is still expected that the total benefits from FBUnite will be approximately \$100 million per annum. FBUnite is, however, a multi-year programme, with individual work streams set to be completed within different timeframes such that this quantum of benefit will take several years to be fully realised.

Outlook

Looking ahead to the 2015 financial year, the strong activity levels experienced in the New Zealand market are expected to continue. Residential consents are running at levels last seen in 2007 prior to the global financial crisis, and this level of house building activity will underpin volumes. Repairs and new construction activity in Canterbury will continue, with the Canterbury Home Repair Programme to be substantially complete by the end of December 2014. Beyond Canterbury, non-residential construction levels are expected to remain strong, with continued government investment in infrastructure projects and an improved level of activity in commercial construction.

In Australia, improved trading conditions are anticipated for those group businesses exposed to the residential sector. While the strong uplift in housing consents had been driven principally by multi-residential construction, recent trends in stand-alone house consents have been encouraging. Private sector commercial construction activity is expected to improve modestly while engineering activity is likely to remain subdued in line with mining and energy activity. Government expenditure on construction and engineering will continue to be impacted by fiscal constraints.

In North America, improved housing market conditions in the US are forecast to continue but commercial activity is expected to remain relatively flat. In Europe, market conditions are expected to be stable overall with some improvement in the UK. In Asia, political instability in Thailand and slower growth in China are likely to temper trading performance in that region.

It is expected that further earnings growth will be achieved in the year ahead, with a strong construction backlog in New Zealand and further benefits from FBUnite.

Divisions

Division	Business Groupings	Key Businesses
Infrastructure Products		
	Cement, Concrete & Aggregates	Winstone Aggregates (NZ) Rocla Quarries (Australia) Golden Bay Cement (NZ) Firth Concrete (NZ)
	Concrete Pipes & Products	Rocla Pipelines (Australia) Humes Pipes (NZ)
	Plastic Pipes & Copper Tube	Iplex (NZ & Australia) Crane Copper Tube (Australia)
	Steel	Easysteel (NZ) Fletcher Reinforcing (NZ)
Building Products		
	Coated Steel	Stramit (Australia) Dimond (NZ) Pacific Coil Coaters (NZ)
	Roof Tiles	Gerard Roofing Systems (NZ/Asia/Europe) DECRA Roofing Systems (USA)
	Plasterboard	Winstone Wallboards
	Insulation	Fletcher Insulation (Australia) Tasman Insulation (NZ) Forman Group (NZ)
	Other businesses	Fletcher Aluminium (NZ) Tasman Sinkware (Australia)
Laminates & Panels		
	Formica	Formica Asia Formica Europe Formica North America Homapal (Europe)
	Laminex	Laminex (NZ) Laminex (Australia)
Distribution		
	New Zealand	PlaceMakers Mico Plumbing
	Australia	Tradelink
Construction		
	Construction	Building & Interiors Infrastructure Earthquake Recovery South Pacific
	Residential	Fletcher Residential

Appendix: Supplemental split of Divisional results

External revenue

Infrastructure Products		Year ended 30 June	
External revenue	2014	2013	Change
Cement, Concrete and Aggregates	559	500	12%
Concrete Pipes and Products	429	492	(13%)
Iplex & Crane Copper Tube	648	690	(6%)
Steel	414	413	0%
Total	2,050	2,095	(2%)

Building Products		Year ended 30 June	
External revenue	2014	2013	Change
Coated Steel and Roof Tiles	808	883	(8%)
Other building products	480	467	3%
Total	1,288	1,350	(5%)

Laminates & Panels		Year ended 30 June	
External revenue	2014	2013	Change
Laminex Australia	762	813	(6%)
Laminex NZ	99	97	2%
Formica	849	828	3%
Total	1,710	1,738	(2%)

Distribution New Zealand		Year ended 30 June	
External revenue	2014	2013	Change
Distribution New Zealand	1,169	1,147	2%
Total	1,169	1,147	2%

Distribution Australia		Year ended 30 June	
External revenue	2014	2013	Change
Distribution Australia	927	994	(7%)
Total	927	994	(7%)

Construction		Year ended 30 June	
External revenue	2014	2013	Change
Construction	1,257	1,193	5%
Total	1,257	1,193	5%

Appendix: Supplemental split of Divisional results

Local currency results

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the reported results on the previous page.

Infrastructure Products		Year ended 30 June		
External revenue	2014	2013	Change	
New Zealand (NZ\$m)	1,081	999	8%	
Australia (A\$m)	862	868	(1%)	
Rest of World (US\$m)	12	11	9%	

Building Products		Year ended 30 June		
External revenue	2014	2013	Change	
New Zealand (NZ\$m)	517	470	10%	
Australia (A\$m)	580	601	(3%)	
Rest of World (US\$m)	106	106	0%	

Laminates & Panels		Year ended 30 June		
External revenue	2014	2013	Change	
New Zealand (NZ\$m)	99	97	2%	
Australia (A\$m)	687	651	6%	
Rest of World (US\$m)	702	677	4%	

Distribution New Zealand		Year ended 30 June		
External revenue	2014	2013	Change	
New Zealand (NZ\$m)	1,169	1,147	2%	

Distribution Australia		Year ended 30 June		
External revenue	2014	2013	Change	
Australia (A\$m)	836	796	5%	

Construction		Year ended 30 June		
External revenue	2014	2013	Change	
New Zealand (NZ\$m)	1,165	1,119	4%	
Rest of World (US\$m)	76	61	25%	

Appendix: Supplemental split of Divisional results

Operating earnings before significant items¹

Infrastructure Products		Year ended 30 June	
Operating Earnings ¹ NZ\$m	2014	2013	Change
Cement, Concrete and Aggregates	90	73	23%
Concrete Pipes and Products	57	67	(15%)
Iplex & Crane Copper Tube	46	54	(15%)
Steel	36	28	29%
Total	229	222	3%

Building Products		Year ended 30 June	
Operating Earnings NZ\$m	2014	2013	Change
Coated Steel and Roof Tiles	59	52	13%
Other building products	76	70	9%
Total	135	122	11%

Laminates & Panels		Year ended 30 June	
Operating Earnings NZ\$m	2014	2013	Change
Laminex Australia	54	57	(5%)
Laminex NZ	7	5	40%
Formica	63	58	9%
Total	124	120	3%

Distribution New Zealand		Year ended 30 June	
Operating Earnings NZ\$m	2014	2013	Change
Distribution New Zealand	51	42	21%
Total	51	42	21%

Distribution Australia		Year ended 30 June	
Operating Earnings ¹ NZ\$m	2014	2013	Change
Distribution Australia	17	8	113%
Total	17	8	113%

Construction		Year ended 30 June	
Operating Earnings NZ\$m	2014	2013	Change
Construction	105	87	21%
Total	105	87	21%

¹Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

Appendix: Supplemental split of Divisional results

Local currency results

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the reported results on the previous page.

Infrastructure Products		Year ended 30 June	
Operating Earnings¹	2014	2013	Change
New Zealand (NZ\$m)	151	108	40%
Australia (A\$m)	70	91	(23%)

Building Products		Year ended 30 June	
Operating Earnings	2014	2013	Change
New Zealand (NZ\$m)	100	90	11%
Australia (A\$m)	20	17	18%
Rest of World (US\$m)	11	9	22%

Laminates & Panels		Year ended 30 June	
Operating Earnings	2014	2013	Change
New Zealand (NZ\$m)	7	5	40%
Australia (A\$m)	49	45	9%
Rest of World (US\$m)	52	48	8%

Distribution New Zealand		Year ended 30 June	
Operating Earnings	2014	2013	Change
New Zealand (NZ\$m)	51	42	21%

Distribution Australia		Year ended 30 June	
Operating Earnings¹	2014	2013	Change
Australia (A\$m)	15	6	150%

Construction		Year ended 30 June	
Operating Earnings	2014	2013	Change
New Zealand (NZ\$m)	93	79	18%
Rest of World (US\$m)	10	7	43%

¹Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.



Our people...



Fletcher Building Annual Report 2014

Our company

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Stronger together.

Who we are.

2014

With 18,750 people in 40 countries, united, we are Fletcher Building.

Fletcher Building is an integrated manufacturer and distributor of infrastructure and building products, as well as a construction company. A global organisation with a strong New Zealand heritage, Fletcher Building and its subsidiaries are market leaders with a solid platform in Australasian building products and construction materials.

We are committed to creating superior shareholder value by providing outstanding products and services that enhance built environments and improve quality of life. Whether the group is manufacturing infrastructure or building products, constructing a multi-million dollar project, or supplying building materials through its various distribution channels, Fletcher Building aims to drive efficiencies and invest in world-class capabilities.

From Australia to Asia, New Zealand to North America, Europe to the South Pacific, our diverse workforce is made up of 18,750 people: approximately 8,000 in New Zealand; 6,100 in Australia; and 4,600 in other parts of the world.

This annual report presents an insight into what our people have achieved over the last year, the strategic and future focus, how the group is governed and our corporate and social responsibility.

The individual photographs in this annual report comprise real people from across the group who collectively unite our operations and make Fletcher Building 'stronger together'.



Ralph Waters
Chairman of Directors



Mark Adamson
Managing Director

2014 report

You can obtain an electronic copy of this annual report at fbu.com/investor-centre/reports. This report is dated 20 August 2014 and is signed on behalf of the board of Fletcher Building Limited.

When used in this annual report, references to the 'company' are references to Fletcher Building Limited. References to 'Fletcher Building' or the 'group' are to Fletcher Building Limited, together with its subsidiaries and its interests in associates.

All references to financial years (e.g. FY14 and FY15) in this annual report are to the financial year ended 30 June. References to \$ and NZ\$ are to New Zealand dollars unless otherwise stated.

Any references to documents and information included on external websites, including Fletcher Building's website, are provided for convenience alone and none of the documents or other information on those websites is incorporated by reference in this annual report.



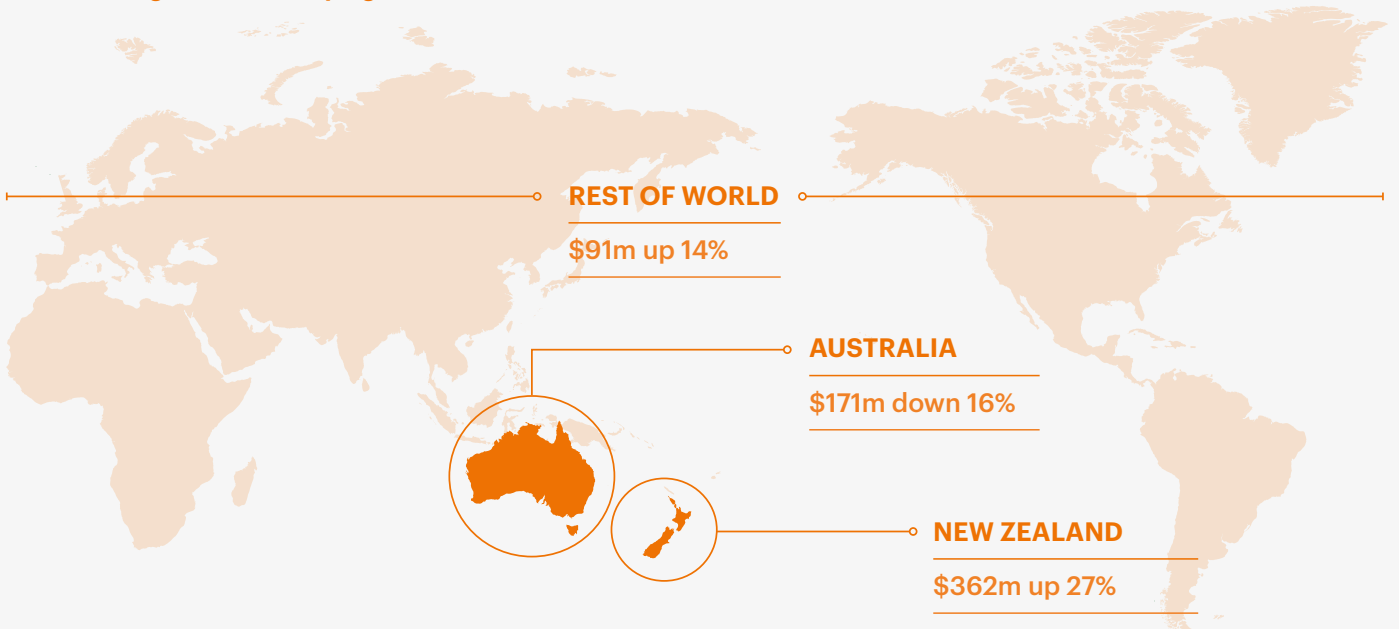
Reported EBIT

\$592m
+4%

EBIT before significant items

\$624m
+10%

EBIT before significant items by region



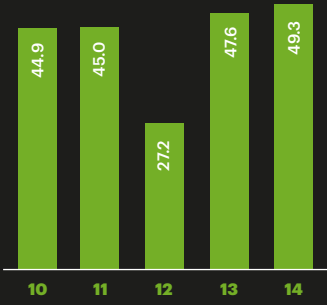
Capital expenditure



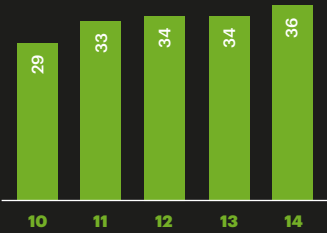
Dividends declared in year

36cps
+6%

Earnings per share (cps)



5 Year Dividend History (cps)



As I look back on my involvement with Fletcher Building, I recall with great satisfaction the people I have worked with.

RALPH WATERS
Chairman

Chairman's review.

Ralph Waters

Dear shareholder, It gives me great pleasure to report to you on the performance of Fletcher Building for the 2014 financial year. This is the last time I will be reporting to you as chairman because, as previously announced, I will retire from the board in October.

Operating performance

For the 2014 financial year we delivered a strong financial performance, with operating earnings of \$592 million and net earnings of \$339 million, both up on the prior year. This year's result included significant items totalling \$32 million relating to the sale of the Pacific Steel and Hudson Building Supplies businesses. Excluding these significant items, and looking at our performance on a comparable basis, operating earnings were up 10% on the prior year and net earnings were up 11%.

This year adverse currency movements have had a strongly negative impact on our reported results, particularly on the translation of our Australian earnings into New Zealand dollars. Adjusting for the adverse effects of foreign currency translation, operating earnings before significant items would have been up by 15%.

The lift in earnings was driven by improved market conditions in New Zealand, with residential, commercial and infrastructure construction activity levels up strongly, in addition to the reconstruction and repair work in Canterbury. Elsewhere, conditions were more mixed. Activity levels in Australia were subdued for much of the year, although an improvement was evident in the second half, particularly in housing construction. North America experienced reasonable volume growth due to the recovery in the USA. European markets continued to be stable but with little growth. Conditions in Asia were variable and results were impacted by the commencement of operations at the new Formica plant in Jiujiang, China.

In addition to delivering strong underlying financial performance, the past year has seen significant progress made in implementing the FBUnite business transformation initiatives we outlined last year. You will find greater detail on our progress later in this report but, in summary, the initiatives are on track. Cost savings and organisational efficiencies were achieved in the first year, in line with our expectations. I would stress that the past year was one in which we established strong foundations for the FBUnite programme and the benefits will build over the next few years.

Business divestments

The decision to sell the Pacific Steel business to New Zealand Steel followed an extensive review of Fletcher Building's involvement in long steel manufacturing. With the high New Zealand dollar favouring imported steel and the small scale of our operations relative to international competitors, the earnings from Pacific Steel have been volatile over the past decade and on average have not met our minimum required investment returns. The sale of Pacific Steel to a local operator has helped to ensure that steel manufacturing in New Zealand remains globally competitive. Most of the employees in Pacific Steel were offered employment with the new owner and those who were not offered employment will be given the opportunity to re-train and move to other roles within Fletcher Building.

In June we announced the conditional sale of the building materials distribution business, Hudson Building Supplies, to HTH Stores Pty Limited. Hudson Building Supplies is an Australian trade-focused distributor of timber and building materials which was acquired as part of the Crane Group acquisition in 2011. The sale followed a review of our Australian business portfolio, which determined the business was not core to our future operations.

Both of these transactions are consistent with our strategy of actively managing our business portfolio and seeking to exit those businesses that do not fit strategically or where we do not have a sustainable competitive advantage.

Balance sheet and capital management

During the past year, we undertook a review of the company's capital management settings and, in particular, our gearing and leverage targets. Our goal is to ensure that we maintain

strong credit fundamentals at all times, thereby ensuring we are able to continually borrow as we require on reasonable terms. Following this review, we established fresh gearing and leverage targets, which we consider to be optimal in the light of current financial market conditions. Further details of these targets can be found in the financial review section of this report. It is intended that both the gearing and leverage target ranges will not be materially exceeded on a long-run basis.

Dividend

The total dividend for the year is 36 cents per share, which is 6% higher than the 34 cents per share paid in the prior year. As we signalled last year, the dividend has grown at a slower rate than earnings as we seek to return the dividend pay-out ratio to a level that is sustainable over the long term. In February we revised our dividend policy to better reflect our recent practice. In particular, we have established a target dividend pay-out ratio, in the range of 50 to 75% of net earnings, to provide sufficient flexibility for dividends to be maintained, despite variations in economic conditions.

Our policy on franking and imputation credits remains unchanged. We seek, where possible, for successive dividends to be alternately franked with Australian tax credits and imputed with New Zealand tax credits. Unfortunately, due to the reduction in Australian earnings over the past two years, there were insufficient Australian franking credits available for distribution with the half year dividend. The second half dividend of 18 cents per share will be fully imputed for New Zealand tax purposes.

People

This year the annual report highlights our people and the contribution of 18,750 employees to the success of the company. As I look back on my involvement with Fletcher Building, I recall with great satisfaction the people I have worked with, both the successes and the challenges we have worked through together and the incredible things that have been achieved through hard work, collaboration and a determination to succeed.

I would like to express the board's appreciation to everyone working across the Fletcher Building group for their efforts over the past year. It has been particularly gratifying to witness the enthusiasm with which the FBUnite programme has been embraced and the progress that has been made to transform a number of our business operations, while at the same time our people have continued to serve our customers and deliver on our earnings targets.

Board changes and appointment of Sir Ralph Norris as chairman

Following my decision to retire from the board of Fletcher Building in October, the directors have unanimously appointed Sir Ralph Norris to succeed me as chairman.

Sir Ralph was announced as a new director in January and took up his appointment to the board in April. Sir Ralph retired as managing director and chief executive officer of the Commonwealth Bank of Australia in November 2011 following a 40 year career in the banking

Chairman's review.

continued

sector in Australia and New Zealand, and having also been chief executive officer of Air New Zealand. We were delighted to have Sir Ralph join the board, and he has brought valuable skills and experience from leading large organisations, both in New Zealand and Australia. Sir Ralph previously served as a non-executive director of Fletcher Building between 2001 and 2005, and has maintained a keen interest in the company in the intervening years.

Sir Ralph's appointment temporarily brought the size of the board to nine members ahead of my retirement in October 2014, following which the board will revert to eight directors.

Outlook

Looking ahead to the 2015 financial year, we expect the strong activity levels experienced in the New Zealand market to continue. Residential consents are running at levels last seen in 2007 prior to the global financial crisis and this level of house building activity will underpin volumes. Repairs and new construction activity in Canterbury will continue, with the Canterbury Home Repair Programme to be substantially complete by the end of December 2014. Beyond Canterbury, non-residential construction levels are expected to remain strong, with continued government investment in infrastructure projects and an improved level of activity in commercial construction.

In Australia, improved trading conditions are anticipated for those group businesses exposed to the residential sector. While the strong uplift in housing consents has been driven principally by multi-residential construction, recent trends in stand-alone house consents have

been encouraging. Private sector commercial construction activity is expected to improve modestly, while engineering activity is likely to remain subdued as mining and energy projects are completed. Government expenditure on construction and engineering will continue to be impacted by fiscal constraints.

In North America, improved housing market conditions in the USA are forecast to continue but commercial activity is expected to remain relatively flat. In Europe, market conditions are expected to be stable overall with some improvement in the UK. In Asia, political instability in Thailand and slower growth in China are likely to temper our trading performance in that region.

Farewell

The past 13 years have been extremely satisfying for me and it has been a privilege to serve as the chief executive officer of Fletcher Building and later on as a non-executive director and chairman. I believe that the business today is well placed to grow and to succeed in its chosen markets. The strong financial performance of the past year bodes well for the near term and the company has a strong financial base. Thank you for your support and my best wishes to you, the company and its people.



Ralph Waters

Chairman of directors

Welcome



Sir Ralph Norris

Incoming Chairman

I was very pleased to rejoin the board of Fletcher Building earlier this year. The company has a proud history that dates back over a century, and it will be a privilege to chair the board over the next period of its growth and development.

I'd also like to pay tribute to Ralph Waters and the involvement he has had with Fletcher Building since 2001, firstly as chief executive, and subsequently as a non-executive director and then chairman. In all of these roles, Ralph has made a significant contribution to the success of the company as a result of which Fletcher Building is now the largest building materials manufacturer in Australasia.



FROM THE construction division, Gemma Collins, national building services manager with project manager Stuart West at the redevelopment project at Zurich House, 21 Queen Street, Auckland, New Zealand.

Chief executive's review.

Mark Adamson



A year ago I outlined the initiatives we had developed to transform the way in which Fletcher Building operates, in order to best position the company for the next chapter in its history.

With one full year completed, I am pleased to report that we have made a strong start in implementing the FBUnite business transformation programme. This progress has been achieved at the same time as delivering on the financial targets we set ourselves at the start of the year.

This year's annual report focuses on our people. The substantial progress we have made this year has been through the efforts of 18,750 employees across the world, whether by delivering for our customers, driving to meet financial targets or working together to implement the various FBUnite initiatives.

As we continue with the transformation of the business, an ongoing priority for us will be to further invest in our people. We will be extending our existing programmes around skills and leadership development, as we look to build capabilities across the group and provide our people with satisfying long-term career paths.

Financial performance

For the 2014 financial year we established a target to deliver operating earnings (earnings before interest, tax and significant items) of between \$610 million and \$650 million. Our actual results were well within this range, with operating earnings before significant items of \$624 million.

One of the challenges we have faced in the past year has been the strength of the New Zealand dollar relative to other currencies and particularly the Australian dollar. Had the New Zealand dollar remained stable throughout the period, we would have delivered operating earnings at the top end of this range. In addition, the strong currency has increased import competition leading to a weaker pricing environment across most of our products.

Strong economic conditions in New Zealand helped to drive operating earnings before significant items from our New Zealand business up 27% and we benefited from increased volumes from the buoyant conditions across the construction industry. New Zealand housing consents have been running at their highest level since 2007, boosted by strong net migration flows and new housing required in Christchurch. We also experienced continued strong sales in our residential business, particularly at the Stonefields subdivision in Auckland.

Beyond the residential sector, we recorded strong growth in earnings in our construction

business during the year, reflecting the increased commercial and government project work under way. The backlog of contracted work has increased from \$1 billion to \$1.8 billion over the course of the year, with a number of major new contracts secured.

In Canterbury, we continued to deliver on the Canterbury Home Repair Programme, with 59,000 permanent home repairs completed so far. We are on track to have the programme substantially complete by December 2014.

While trading conditions in Australia were mixed, residential construction activity recovered strongly and this would typically have a positive effect on our volumes. Unfortunately, much of the increase was in multi-storey apartment developments, which consume very little by way of the materials we manufacture domestically in Australia. Residential construction constitutes around half of our total sector exposure in Australia but this is mostly driven by stand-alone housing.

Other parts of the Australian construction industry have remained difficult. Investment in mining and resources projects peaked two years ago and is declining as projects are completed. Similarly, there was lower expenditure on core infrastructure projects, such as road and rail upgrades and electricity transmission lines. These declines have had a knock-on effect across the construction industry and impacted the performance of our businesses exposed to these sectors.

Despite these challenges, we saw improved performances from several of our key businesses in Australia, driven by various cost reduction and efficiency programmes. In particular, we had a significant turnaround in the performance of Tradelink following a renewed focus on how best to serve the trade plumber market.

Beyond Australasia, operating earnings were up 14% despite the currency headwinds and mixed trading conditions. In North America, Formica's volumes increased due to the continued recovery in new housing starts in the USA, although adverse weather conditions at the start of 2014 impacted results. Across Europe, conditions stabilised and operating performance improved. In Asia, a highlight of the year was the commissioning of our new Formica plant in Jiujiang, China. Meanwhile, Formica Thailand was impacted by the political unrest in that country.

Business transformation

We have made an excellent start in implementing the FBUnite programme and highlights from the past year include:

- the establishment of a new central group procurement function tasked with achieving coordination and cost savings from both direct and indirect third party procurement. The procurement team is now fully resourced and has already delivered significant cost savings;
- the commencement of operations at the financial shared services centre, which went live in March with accounts payable processing for all the New Zealand steel businesses. Other activities

The substantial progress we have made this year has been through the efforts of 18,750 employees across the world, whether by delivering for our customers, driving to meet financial targets or working together to implement the various FBUnite initiatives.

MARK ADAMSON
Chief executive officer



Chief executive's review.

continued

have ramped up progressively, with the centralisation of payrolls and credit management functions as parts of our business units transfer into the shared services arrangements;

- consolidation of all our property activities into one centre of excellence, with responsibility for managing total group property costs across New Zealand and Australia. The team is now fully in place and has assumed responsibility for the 1,000 leased and owned sites across the two countries;
- the formation of a centralised IT function, with responsibility for all of the group's IT requirements and for delivering against the key strategic outcomes for IT including consolidating technology platforms group-wide, delivering digital technologies to business units and a refined operating model; and
- deployment of the 'Operations Excellence' programme, which seeks to increase and standardise the quality of manufacturing across the group and across a number of key manufacturing sites.

We have previously quantified the total benefits arising from FBUnite at approximately \$100 million per annum. The first year of the programme generated substantial benefits and these more than offset the upfront costs of the programme. We expect an increased contribution to our financial performance in 2015 but continue to emphasise that FBUnite is a multi-year programme and the full quantum of benefit will take several years to be fully realised.

Strategy

Fletcher Building's strategy remains centred on improved operational leverage and targeted growth opportunities. Our key focus continues to be on the core markets of New Zealand and Australia, with the objective of growing and

maintaining positions in building and construction products, as well as in distribution.

We will also look to augment this by selective investment in the global Formica business over time.

For us, large scale acquisitions are not a priority but we will continue to seek opportunities to extend our core positions in New Zealand and Australia through infill and adjacent acquisitions.

As we have demonstrated with the sale of the Pacific Steel and Hudson Building Supplies businesses, we are continuing to actively manage our business portfolio and are prepared to divest where we are not the logical or highest value owner of a business.

Investing for the future

This year we generated \$489 million in cash flow from our operating activities, which was lower than the \$559 million generated in the preceding year. The reduction was due to the increased investment in residential land in Auckland and we have made further land purchase commitments extending over the next several years. The earnings from our residential development activities have grown substantially over the past few years and these land purchases will ensure that we are well placed to capture future growth in the Auckland market.

Capital expenditure for the year was \$260 million, up slightly on the prior year. The most significant project during the year was the commissioning of the new Formica plant in Jiujiang, China. The plant was officially opened last November and production has been gradually ramping up. This plant will meet growth in the China market over the next few years, as well as supplying product into South East Asia and also parts of Europe.

Looking ahead, we expect capital expenditure of between \$275 million and \$325 million in the current year. The increase is driven by a number

of key IT projects as we invest to standardise systems across the group and enhance our digital capabilities.

Management appointments

During the year I made several appointments to the senior executive team.

Carl Powell was appointed to the new role of chief information officer. Fletcher Building had historically operated a devolved IT structure and there was no group-level IT function or an overarching IT strategy. Under Carl we have centralised all of the group's IT functions and Carl is leading the deployment of our IT and digital strategies.

Dean Fradgley joined Fletcher Building late in 2013 as chief executive of our New Zealand Distribution businesses, PlaceMakers and Mico Plumbing. Dean has more than 20 years' experience in retailing including within the trade and hardware sectors.

Charles Bolt was appointed general counsel and company secretary following the retirement of Martin Farrell in October last year. Prior to this Charles was assistant general counsel, having worked at Fletcher Building since 2002.

Health and safety

One constant area of focus is employee health and safety, where we continued to lift our performance during the year and saw a further improvement in performance metrics. A key measure for us is total recorded injuries per million employee and contractor hours and this rate decreased by a further 12% this year, from 6.8 to 6.0. While this improvement is pleasing we will continue to pursue further reductions across the group in the year ahead.

Conclusion

2014 has been a year of excellent progress, both in terms of financial and operating performance and in the delivery of our business transformation initiatives. We head into 2015 with good momentum, a strong management team and a clear view of our priorities.

On a personal note, I would like to thank Ralph Waters for his support and leadership in my time at Fletcher Building. Ralph has made a significant contribution to the success of the company since joining as chief executive officer in 2001 and has provided me with strong support and wise counsel since I became chief executive two years ago.

Mark Adamson
Chief executive officer



People



HEALTH AND SAFETY

Total recordable injury frequency rate reduced by 57% over last 5 years

LEARNING & DEVELOPMENT

Silver award in global awards for excellence in executive development

DIVERSITY

Women in senior management increased by 8%

Growth



INNOVATION

Formica won the 2013 global Red Dot Design Award

EXPANSION IN ASIA

Opened new \$78m Formica factory in China

DISTRIBUTION AUSTRALIA TURNAROUND

EBIT up 113%

Strategy & Focus



LEADERSHIP

Invested in more than 600 leaders in the past year

FBUNITE

On track for \$100m per annum of savings

ACTIVE PORTFOLIO

Divestment of Pacific Steel and Hudson Building Supplies

Recent Awards



reddot design award
winner 2013

Formica won the 2013 Red Dot Award



EFMD

Silver award for excellence in executive development



LEADERS' EDGE

LEADERS' EDGE

Getting the most out of our investments



Board of directors.

2014

Ralph Waters

1

CPEng, HonFIE Aust, M Bus
Independent Non-executive
Chairman of Directors
Chairman of the Nominations
Committee and member of the
Health and Safety Committee

First appointed 10 July 2001

Mr Waters, 65, 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 chairman of Woolworths, Fletcher Building Industries and the ICC Cricket World Cup 2015 and is a director of Asciano. Mr Waters is a Chartered Professional Engineer and an Honorary Fellow of the Institution of Engineers Australia.

Mark Adamson

2

BA (Hons), ACA, ATII
Executive Director
Member of the Health and
Safety Committee

First appointed 1 October 2012

See 'Management Team' for information on Mark Adamson.

Antony Carter

3

BE (Hons), ME, MPhil
(Loughborough)

Independent
Non-executive Director

Member of the Remuneration,
Nominations and Health and
Safety Committees

First appointed 1 September 2010

Mr Carter, 56, was previously managing director of Foodstuffs (Auckland) and Foodstuffs (New Zealand), New Zealand's largest retail organisation, and a director of a number of related companies. He has extensive experience in retailing, having joined Foodstuffs in 1994, and from having owned and operated several Mitre 10 hardware stores and was a director and later chairman of Mitre 10 New Zealand. Mr Carter is chairman of Fisher & Paykel Healthcare, Air New Zealand and the Blues LLP, a director of ANZ Bank New Zealand, Fletcher Building Industries and Avonhead Mall and a trustee of the Maurice Carter Charitable Trust.

Alan Jackson

4

BEng (Hons), PhD (Auckland), MBA
(IMD Management Institute)
Independent
Non-executive Director
Chairman of the Remuneration
Committee and member of the
Nominations and Health and
Safety Committees

First appointed 1 September 2009

Dr Jackson, 61, was until 2009 chairman Australasia, senior vice president and director of The Boston Consulting Group. Dr Jackson has been an international management consultant since 1987 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, including as chairman of Housing Corporation New Zealand. Dr Jackson is a Fellow of the Institution of Professional Engineers. He is a director of Delegat's Group and Fletcher Building Industries and chairman of Thorough Vision Pty.

John Judge

5

BCom, FCA, MPP, FlinstD
Independent
Non-executive Director

Chairman of the Audit and Risk
Committee and member of the
Nominations and Health and
Safety Committees

First appointed 9 June 2008

Mr Judge, 61, 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. He is chairman of ANZ Bank New Zealand and the Auckland Art Gallery Foundation, a director of Fletcher Building Industries and The New Zealand Initiative, a member of the Otago Business School Board of Advisors and a trustee of The Auckland Festival Trust.

Sir Ralph Norris

6

FNZIM, HFIITP, KNZM, Hon.DBUS
(University of New South Wales)
Independent
Non-executive Director
Member of the Nominations and
Health and Safety Committees

First appointed 1 April 2014

Sir Ralph, 65, retired as managing director and chief executive officer of the Commonwealth Bank of Australia in November 2011, following a 40 year career in the banking sector in Australia and New Zealand, including as chief executive officer of ASB Bank. He is a former chief executive officer of Air New Zealand. Sir Ralph is a director of Fonterra Co-operative Group, Fonterra Shareholders' Fund, Origin Energy, New Zealand Treasury and Fletcher Building Industries. He is a member of the NZ Olympic Advisory Committee and the Juvenile Diabetes Research Foundation Advisory Board and a trustee of Business Mentors New Zealand. He also served as an independent non-executive director of Fletcher Building from 2001 to 2005.

Kathryn Spargo

7

LLB (Hons), BA
Independent
Non-executive Director

Member of the Audit and Risk,
Nominations and Health and
Safety Committees

First appointed 1 March 2012

Ms Spargo, 62, 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 is a director of ASX listed companies, UGL and Sonic Healthcare, and of SMEC Holdings (Australia) and Fletcher Building Industries. Ms Spargo will become chairman of UGL in October 2014. She also serves as a director on a number of not-for-profit businesses. Ms Spargo is a member of the International Ethics Standards Boards for Accountants and is a Fellow of the Australian Institute of Company Directors.

Cecilia Tarrant

8

BA, LLB (Hons), LLM (Berkeley)
Independent
Non-executive Director
Member of the Audit and Risk,
Nominations and Health and
Safety Committees

First appointed 10 October 2011

Ms Tarrant, 53, has over 20 years of experience in international banking and finance, having worked as a lawyer and an investment banker in the USA and Europe. Prior to returning to New Zealand, she was a managing director at Morgan Stanley in London. She is a director of Fletcher Building Industries, Annuitas Management, and Shopping Centres Australasia Property Group Trustee NZ and deputy chairman of the Government Superannuation Fund Authority. Ms Tarrant is also a member of The University of Auckland Council, a trustee of The University of Auckland Foundation and an executive-in-residence at The University of Auckland Business School.

Gene Tilbrook

9

BSc, MBA (University of
Western Australia)
Independent
Non-executive Director

Member of the Audit and Risk,
Nominations and Health and
Safety Committees

First appointed 1 September 2009

Mr Tilbrook, 63, was finance director at Wesfarmers 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 a director of Fletcher Building Industries, Orica, Aurizon Holdings and the GPT Group. He is a councillor of Curtin University of Technology and of the Australian Institute of Company Directors (WA).

Mark Adamson

Chief Executive Officer and Managing Director



Mark Adamson is chief executive officer and managing director of the company. 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. He became the chief executive of Formica Corporation in 2008 and of the Laminates & Panels division in 2011. Prior to joining 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 a director of Fletcher Building Industries.

Gerry Bollman

Chief Executive – Business Strategy and Performance



Gerry Bollman joined the senior management team at Formica Group in 2008, based in the USA but working extensively across Europe, Asia and India. Prior to moving to New Zealand in October 2012 to commence his current role, Gerry was most recently

Fletcher Laminates & Panels division's vice president – strategy & business development. In that role Gerry spent considerable time working with Formica Asia on its China growth and expansion; with Formica Europe on the acquisition in India; and with the Laminex Australia and New Zealand teams on their transformation programmes. Before joining Formica he spent seven years with the global management consultancy Booz Allen Hamilton. Gerry holds an MBA from The University of Michigan and a Bachelor of Science degree (Finance) from Xavier University in Cincinnati.

Charles Bolt

General Counsel and Company Secretary



Charles Bolt was appointed general counsel and company secretary in October 2013. Prior to joining Fletcher Building in 2002, he spent eight years at the New Zealand law firm Bell Gully where he had a broad commercial law practice in mergers and acquisitions, capital markets and managed funds. Before that, Charles spent three years working as a lawyer at the New Zealand Stock Exchange.

Charles holds a Bachelor of Laws (LLB) from Victoria University of Wellington and in 2009 completed the Senior Executive Programme at Columbia University in New York.

Kate Daly

Chief Executive – Corporate Services



Kate Daly joined Fletcher Building as the group general manager of human resources in June 2011 and was promoted to chief executive – corporate services in 2013. Prior to this she was general manager corporate affairs, people & performance at Coca-Cola Amatil (NZ). Kate has also worked for Deutsche Bank, Merrill Lynch, ABN AMRO and Greenwich Healthcare Trust in London. Kate holds a Bachelor of Commerce degree (majoring in Economics and International Business) and a Bachelor of Science degree (majoring in Pharmacology) from The University of Auckland.

Graham Darlow

Chief Executive – Construction



Graham Darlow has held the role of chief executive, Construction since November 2011. He joined Fletcher Building in 1988, after starting his career as a professional engineer in Australia and the UK. He progressed through Fletcher Construction's engineering division to become general manager in 2001. After holding senior positions on

many of New Zealand's largest construction projects, he now plays a significant role in the rebuild of Christchurch. Graham is a Distinguished Fellow and past president 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 Auckland University and attended the Advanced Management Program at Mt Eliza Business School.

Dean Fradgley

Chief Executive – Distribution New Zealand



Dean Fradgley was appointed chief executive, Distribution New Zealand in December 2013. Previously, Dean was the managing director of Wolseley UK's pipe and climate business, a position he held since June 2010. He first joined Wolseley UK in 2007 where he held trading and commercial director roles. Prior to his roles at Wolseley Group, Dean worked for 20 years in the UK in various leadership positions with a number of blue chip companies, including J Sainsbury and B&Q, a large UK DIY retailer. At B&Q he undertook several senior roles, including head of trade as well as commercial and operational roles. Dean has attended IMD Business School in Switzerland and studied MBA courses at Stirling University. He has also completed the Institution of Occupational Safety & Health Senior Executive course.

Management team.

2014

Tim Hickey

Chief Executive – Distribution Australia



Tim Hickey was appointed chief executive, Distribution Australia in July 2013. Before this permanent appointment he was interim executive general manager of Tradelink between April 2013 and July 2013. Prior to this Tim was the chief executive of Midas Australia, a business that was transformed from a position of voluntary administration into a profitable franchise operation under Tim's leadership. He has previously worked as a senior executive for PepsiCo restaurants and Yum! Brands in the USA, holding various roles in marketing and operations. Tim has a Bachelor of Economics from Macquarie University and has completed courses in marketing management from the University of NSW and strategic management from the Macquarie Graduate School of Management.

Mark Malpass

Chief Executive – Infrastructure Products



Mark Malpass was appointed chief executive, Infrastructure Products division (formerly Concrete) in

November 2011. Prior to joining Fletcher Building he had a 19 year career with ExxonMobil Corporation. He has had senior leadership roles in Australia, the USA and most recently Singapore, where he led strategic change across the Asia-Pacific business. Mark has also held the role of managing director and chairman of Mobil Oil New Zealand. He was also a director of the New Zealand Refining Company. Mark holds an MBA from Victoria University of Wellington, Bachelor of Engineering (BE Mechanical, Hons) from The University of Auckland and New Zealand Certificate in Engineering (NZCE Mechanical) from Auckland Institute of Technology.

Nick Olson

Group Chief Financial Officer



Nick Olson joined Fletcher Building as chief financial officer in April 2013. Prior to this he held the position of chief financial officer, Telecom Corporation of New Zealand Limited from October 2010 until February 2013. Nick joined Telecom in January 2002 and between 2002 and 2010 held numerous roles with the company, including treasurer, general manager finance and group controller. Prior to this he spent 13 years in the investment banking industry. Nick has extensive capital markets, mergers and acquisitions and corporate finance experience. In 2012 Nick was awarded 'CFO of the year' at the annual New Zealand CFO Awards. Nick holds a Bachelor of Engineering (1st Class Hons) from the University of Auckland and is a Fellow of the New Zealand Institute of Chartered Accountants (NZICA).

Carl Powell

Group Chief Information Officer



Carl Powell joined Fletcher Building in late 2013 to lead the transformation of the group's digital and technology capabilities. The newly-created role involves development of the group's digital strategy and of the group's IT structure and technology landscape – an integral part of the FBUnite business transformation programme. Carl joined Fletcher Building from the Unipart Group in the UK, where he was group chief information officer, responsible for the overall strategy and operation of IT and successfully restructured the delivery of IT across the Unipart Group. He has extensive experience in leading IT and digital projects and in supply chain and logistics management.

Carl also served on the CIO advisory Boards of Vodafone, Computacenter and CSC in the UK. Carl is qualified in Applied Physics from Sheffield Hallam University.

Tim Richards

Chief Executive – Building Products



Tim Richards was appointed chief executive, Building Products division in October 2011. He has been with

Fletcher Building since 2005 when the Amatek Group was acquired and he became general manager of Stramit. Prior to joining Stramit Tim worked for Boral and KPMG. Tim holds a Bachelor of Business (Accountancy) from Charles Sturt University, is a member of the Institute of Chartered Accountants in Australia and in 2010 attended the Advanced Management Program at The Wharton School, University of Pennsylvania.

Paul Zuckerman

Chief Executive – Laminates & Panels



Paul Zuckerman was appointed chief executive, Laminates & Panels division in October 2012. Prior to this he was chief executive of the Steel division, a role he held since May 2007. Prior to joining Fletcher Building he held the position of president, Greater China with BlueScope Steel. He held numerous senior management roles with BlueScope over a 13 year period. Prior to this he spent eight years at PPG Industries, a leading global manufacturer of industrial coating, glass and chemical products. Paul gained his Bachelor of Science degree in Chemistry from Syracuse University and his Master of Business Administration from Ohio State University.

Fletcher Building is an iconic New Zealand headquartered company with over 100 years of experience in the building sector. Over the last 100 years Fletcher Building has grown from family origins to an integrated manufacturer and distributor of infrastructure and building products, as well as a construction company. With over 45 businesses in over 40 countries Fletcher Building provides proven expertise and local knowledge to deliver both successful outcomes to customers and value to shareholders.



Infrastructure Products

The Infrastructure Products division is a manufacturer, distributor and marketer of heavy construction materials typically used in the early stages of the construction cycle.

Products manufactured include: Cement, Concrete and Aggregates, Concrete Pipes and Products, Plastic Pipes and Copper Tube.

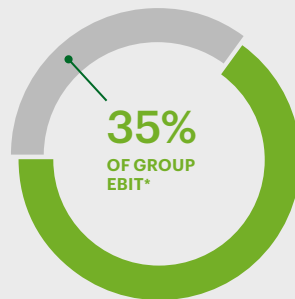
The division also distributes a range of steel products, including reinforcing bar, mesh and wire and flat steel.



Building Products

The Building Products division manufactures a broad range of building products for residential markets in New Zealand, Australia, USA, Europe and Asia.

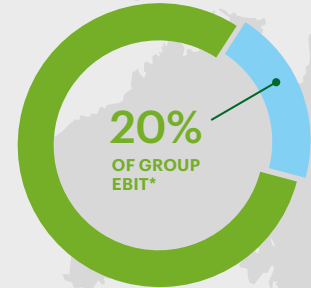
These products include: Plasterboard, Insulation, Roof Tiles, Coated Steel, Aluminium Windows & Doors and Sinkware.



\$2.0b Revenue

\$229m EBIT*

3,639 Headcount



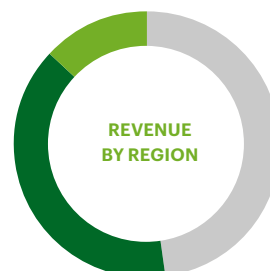
\$1.3b Revenue

\$135m EBIT*

2,676 Headcount

At a glance.

Fletcher Building



Revenue by region

48%	New Zealand
39%	Australia
13%	Rest of World



Laminates & Panels

The Laminates & Panels division includes the global Formica business and the Australasian Laminex business. Formica manufactures and distributes decorative surface laminates in North America, Europe and Asia.

Products include: high pressure laminate, low pressure laminate, component products, particleboard and medium density fibreboard.



Distribution

The Distribution divisions consist of building, plumbing and pipeline businesses in Australia and New Zealand. PlaceMakers and Mico operate in New Zealand and Tradelink operates a national chain of stores in Australia.

New Zealand – 58 PlaceMakers branches, 10 PlaceMakers frame and truss sites, 61 Mico branches.

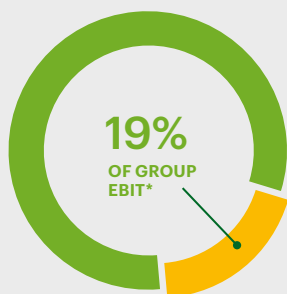
Australia – 223 Tradelink branches and 12 Northern's Plumbing Supplies branches.



Construction

Fletcher Construction is a leading general contractor in New Zealand and the South Pacific and a builder of residential homes in New Zealand. The division's five business units are: Building & Interiors, Infrastructure, South Pacific, Fletcher EQR and Fletcher Residential.

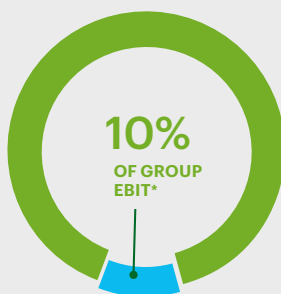
General construction, Infrastructure, Residential house development.



\$1.7b Revenue

\$124m EBIT+

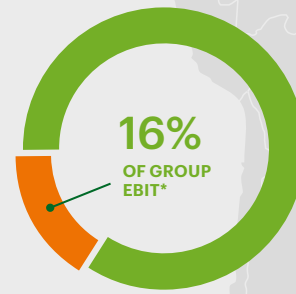
4,948 Headcount



\$2.1b Revenue

\$68m EBIT+

4,419 Headcount



\$1.3b Revenue

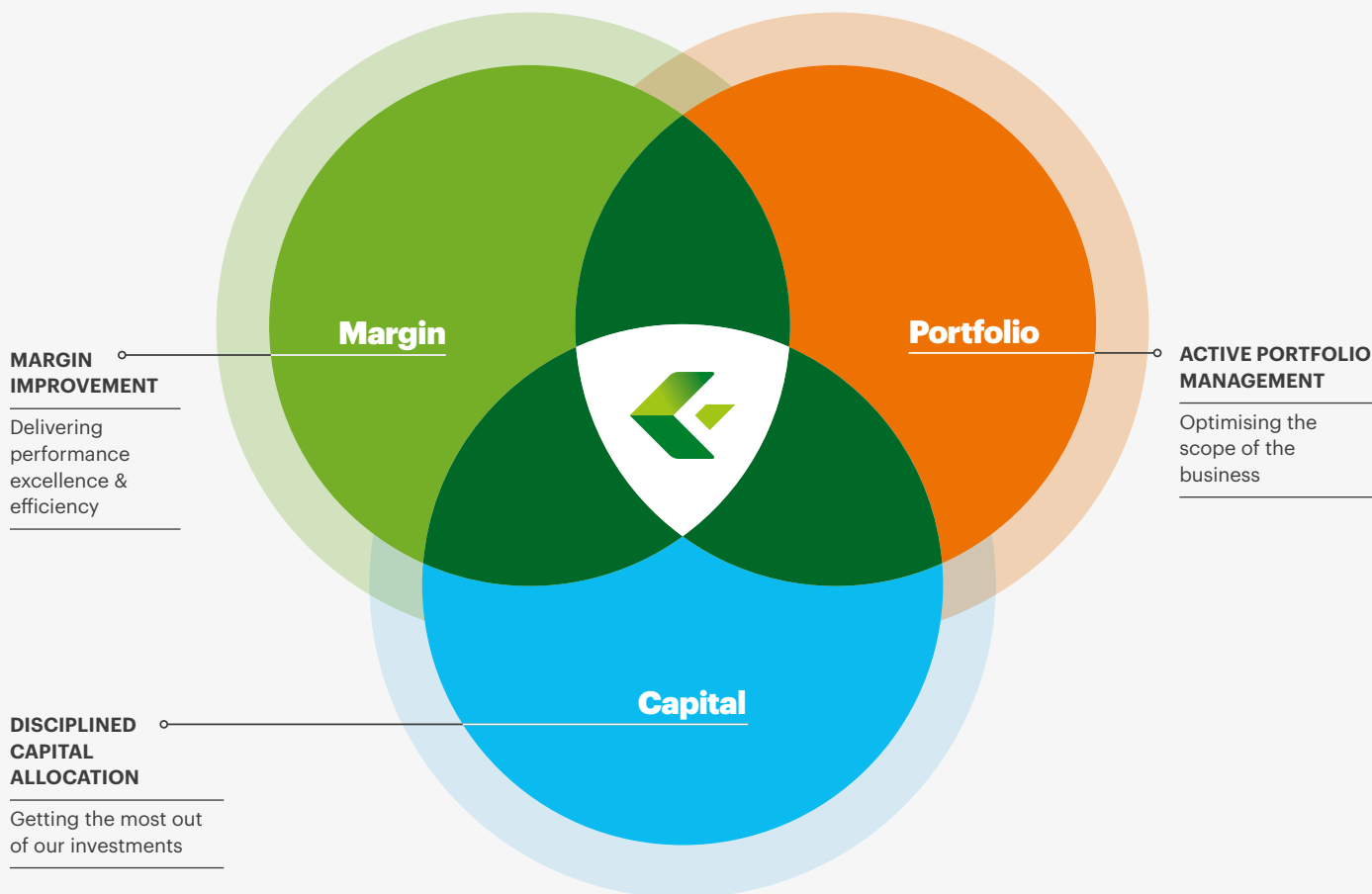
\$105m EBIT+

2,788 Headcount

(* EBIT excluding corporate costs and significant items)

(* EBIT excluding significant items)

Our strategy.



In optimising future returns and allocation of resources Fletcher Building’s strategy is to create sustainable value for shareholders through margin improvement, active portfolio management and disciplined capital allocation.

Active portfolio management – optimising the scope of the business

The group’s strategy is to ensure that all parts of the group’s portfolio are capable of delivering sustainable and material returns through the cycle. Where we believe these returns are not being delivered, we will look for opportunities to improve or divest. We believe that, ultimately, exiting non-core assets will allow greater focus on organic growth and returns within core businesses and more effective consideration and execution of new business opportunities.

In the past year, the Pacific Steel group was divested, and a conditional agreement was entered into for the sale of the Hudson Building Supplies distribution business in Australia.

Disciplined capital allocation – getting the most out of our business

In a portfolio with a large scope and geographical reach, there are opportunities to invest in new ventures – both within current and adjacent sectors of activity.

Fletcher Building’s strategy is to pursue such investments, either through organic or growth acquisitions, where we have a demonstrable ability to add value through:

- outstanding value propositions;
- low-cost position; or
- differentiated capabilities.

Our strategy, supported by our focus on operational excellence, is also to optimise returns through more efficient management of working capital.

Margin improvement – focus on performance excellence and efficiency

Most of the businesses in the group’s portfolio have potential for continued organic growth and attractive returns. In these businesses Fletcher Building aims to deliver improved margins through:

- a decentralised business model – making decisions as close to the customer as possible;
- the creation of centres of excellence, providing enhanced operating capabilities across the group; and
- organisational development – instilling a winning culture and outstanding people performance.

To achieve these objectives, Fletcher Building will in the coming year:

- continue to deploy the FBUnite programmes and deliver on expected cost savings;
- develop a sales and marketing effectiveness programme aimed at improved customer engagement and more efficient service delivery; and
- invest significantly in IT infrastructure, IT capabilities and digital initiatives.

FBUnite.

Stronger Together

A programme to unite our people and our businesses across the group.

FBUnite is a multi-year programme that comprises a number of workstreams that will collectively transform how the group operates whilst at the same time retaining aspects of the decentralised business model that keep businesses focused on their customers, products and core markets.

FY14 has been a year of investment and progress in the group's transformation initiatives under the FBUnite banner.

The development of centres of excellence under FBUnite has been a major focus for Fletcher Building in the past year. Centralised property and procurement teams delivered benefits in FY14 and the financial shared services function went live in March. An 'Operations Excellence' programme was also launched during the year.

The FBUnite programme is on target to deliver total benefits of over \$100 million per annum. In FY14 the capital and operating expenditure incurred to enable a number of workstreams to be implemented was more than offset by the financial benefits gained from implementing the programme. Further benefits will become evident from FY15 onwards.

An update on the individual workstreams is provided below:

Financial shared services

The financial shared services programme will centralise a range of transactional requirements into a centre of excellence that will allow a more standardised approach and better discipline, whilst avoiding unnecessary costs and duplication across the group.

In FY14 a centralised accounts payable pilot was initiated, payrolls across New Zealand and Australia have begun to be centralised and a centralised credit management team deployed.

Progress has also been made on the future centralisation of accounts receivable and cash management initiatives.

The financial shared services programme is intrinsically linked to the group's investment and roll-out of common ERP platforms and centralisation will therefore follow IT upgrades and deployments over the next few years.

Procurement

The group procurement team has been deployed and has already delivered \$23 million in cost savings during FY14. The team is building relationships with internal stakeholders and suppliers and is working across a broad range of spend categories. Major areas of savings have come from IT, temporary labour, transport and logistics categories, as well as with direct material suppliers.

Looking ahead, the group procurement team will continue to work across the business to identify further cost savings initiatives. Furthermore the group will be expanding its focus into low cost sourcing countries.

Property

During FY14 a centralised property team has been deployed with an initial focus on the review of the group's property portfolio. Cost savings have been achieved through over 100 lease and other property related transactions, including three surplus property sales. The focus for the year ahead is on further property portfolio footprint rationalisation opportunities and cost saving initiatives.

Operations Excellence

The 'Operations Excellence' programme, which commenced in FY14, initially focuses on manufacturing and supply chain excellence. These programmes utilise best practice standards framed up as the 'ten pillars of excellence'. In FY14 the group developed the group's framework for this initiative and began deploying the programme into certain businesses. In FY15 we expect to start to see the benefits from this investment as we raise standards in terms of our manufacturing approaches and leveraging the group's supply chain.



Per annum savings expected

\$100m



Infrastructure Products.

Our people enable us to achieve strong market positions and 'best in class' outcomes.

— **MARK MALPASS** CHIEF EXECUTIVE INFRASTRUCTURE PRODUCTS



Following a significant amount of restructuring activity last year and the reorganisation of several business units into larger, leaner entities, our people are focused on executing our strategy.

Greater collaboration at a divisional and business unit level has driven structural earnings improvements. In June 2014 the sale of the downstream long-products rolling and marketing operations of Pacific Steel to BlueScope was completed. This sale secures a sustainable future for the New Zealand steel industry and is aligned with Fletcher Building's long-term strategic direction. The successful integration of Mico Pipelines into Humes was also completed, creating a specialist pipes business delivering greater customer value through improved service and market-leading solutions. We have also seen a marked performance improvement in our reinforcing steel business, which has benefited from increased customer reach through our Easysteel sales offices and the leveraging of a combined management structure.

Market update

The division's New Zealand businesses have been assisted by improved market conditions, more focused customer programmes and operational leverage from increased volumes. The trend towards larger, more complex infrastructure projects allows our businesses to scale their technical and operational expertise as a key point of difference. Most New Zealand businesses have retained market share, although price growth has been challenging, as a high New Zealand dollar, combined with low international

freight prices, has encouraged more import competition. Challenging market dynamics in Australia have affected our Concrete Pipes & Products and Iplex pipes businesses through declining activity in infrastructure projects and mining, combined with softer building activity. These impacts have been partially offset by improved cost structures and sales into higher margin sectors.

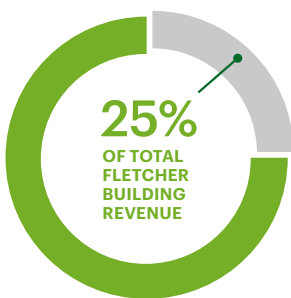
Innovation

Attaining differentiated positions in the markets in which we participate continues to be a focus for our people. Firth's innovative RibRaft TC3® solution, a world first re-levelable concrete foundation system for seismic-prone areas, has helped Firth to consolidate its position as New Zealand's leading concrete supplier. Building on its leading position in trenchless technology, the Iplex team introduced new Fusible PVC™ innovation, offering higher tensile strength and lower weight pipes. These pipes are set to become an important solution to assist the replacement and rehabilitation of ageing pipeline infrastructure beneath Australia and New Zealand's congested cities.

Strategic priorities and outlook

In all parts of the business our people's focus must be on how our actions lead to a positive impact on the customer. We will continue to improve customer value propositions and functional capability, particularly in the areas of sales excellence. Just as important will be disciplined cost management and developing and maintaining world class operational excellence, encompassing safety practices and deployment of Fletcher Building manufacturing and supply chain operational excellence programmes. We will continue to explore high-returning organic growth initiatives and strategic opportunities for inorganic growth.

INFRASTRUCTURE PRODUCTS



\$2.0b

Revenue

\$229m

EBIT before significant items

3,639

Headcount

Building Products.

Our people deliver innovative and quality solutions to our customers across the globe.

— **TIM RICHARDS** CHIEF EXECUTIVE BUILDING PRODUCTS



During FY14 the division continued to supply high quality products and customer focused service offerings, whilst balancing the impacts of competition and the effects of imported products from global competitors.

Furthermore, a concerted effort by our people across the division has occurred as we:

- implemented a trans-Tasman management structure in our insulation businesses;
- brought together the New Zealand operations of the New Zealand Roof Tile Group and the long-run steel forming operations of Dimond as the 'Coated Steel Systems' group; and
- further increased product offerings within Stramit, our steel forming business in Australia with the acquisition of the Paneltech insulated panels business in FY14.

Market update

The division's core plasterboard, insulation and coated steel businesses have market leading positions and respected brands. However, there is strong competition in building products across both New Zealand and Australia from local manufacturers and imports, leading to price pressure in most of the division's businesses. To compete effectively in each of its markets, the division focuses on its manufacturing capabilities, product quality and customer service. During FY14 the New Zealand market continued to be buoyant, driven by rebuild activity in Canterbury, although all regions across New Zealand have been positive. Australia remains a challenging market but with encouraging trends in new

building commencements in New South Wales, Queensland and South Australia for FY15.

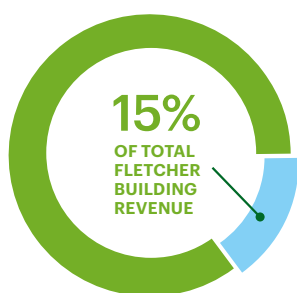
Innovation

Exciting new products released to the market in FY14 include Winstone Wallboards' new GIB® Acoustic Systems, which combines an innovative, efficient method to improve the quality of sound within a space with the great look of GIB® Quietline™ plasterboard and GIB Tone® Quiet™ ceiling tiles. The Roof Tile Group has been able to benefit from the solar energy generation subsidy in Japan, and supplies brackets to allow solar panels to be safely fitted to our roof tile products, whilst maintaining the roof tile warranty. Further work in Japan is ongoing to develop a fully integrated solar panel within a roof tile for that market. In the technology and digital space, Fair Dinkum Sheds in Australia recently released a mobile device application that allows customers to self-design a shed to their own needs. We believe this capability is the first of its kind in the market and it already has over 85,000 downloads of the application. Winstone Wallboards has also developed a mobile device application that allows users to quickly search and select the right GIB® solution for wet, high impact and braced areas.

Strategic priorities and outlook

Building Products expects to deliver a stronger performance in FY15, with higher revenues and earnings driven by continued buoyant New Zealand market conditions. The key priorities for our people include top-line growth from continued delivery of quality products and service, leveraging our presence in certain overseas markets for the Roof Tile Group and extending product offerings in coated steel. Our people will be focusing on further embedding operational excellence practices in both manufacturing and supply chain excellence.

BUILDING PRODUCTS



\$1.3b Revenue

\$135m EBIT before significant items

2,676 Headcount

Laminates & Panels.

Through innovation and customer focus our people are growing our global presence and reach.

— PAUL ZUCKERMAN CHIEF EXECUTIVE LAMINATES & PANELS



During FY14 the Laminates & Panels division completed the construction and began the commissioning of its new high pressure laminate plant in Jiujiang China, some 680km south west of the business' existing plant in Shanghai.

At a construction cost of \$78 million the new 'state of the art' plant is primarily aimed at servicing the expanding Chinese market, although initially it will also supplement production for ASEAN and European countries. This new 24 hour facility employs over 250 people, who have joined the group over the last year and have undertaken various training and induction programmes. In addition to the investment in China, the division continued to build capability by upgrading the recently acquired facility in India. In North America, we invested \$8 million in a new melamine surface treater at the Montreal Canada facility, as well as upgrades to North American IT systems. The division continues to build digital capabilities, introducing new customer relationship management systems and a programme of sales force effectiveness.

where their metallic laminate is specified into high profile and upmarket fit-outs.

Market update

During the year key market conditions varied geographically, reflecting the division's global presence. Modest revenue growth in domestic currencies was seen against a backdrop of strong competitive activity and price pressure. Extreme adverse weather conditions in the first three months of the 2014 calendar year had a negative effect on the building and construction industry in North America. Market conditions in Europe stabilised and some markets, such as the UK, showed signs of improvement after significant declines during recent years. In Asia, market conditions were mixed with activity in the ASEAN region remaining firm. Market conditions are expected to continue to improve in North America and certain parts of Europe. Recent political events in Thailand make the outlook there more uncertain, while activity levels in China are expected to grow but at levels below recent years. Market activity levels in Australia are expected to continue to improve.

Strategic priorities and outlook

The division will continue to pursue margin improvement and revenue growth initiatives in key markets during the forthcoming year. Focus will continue on improving the division's effectiveness in sales and marketing excellence, while the manufacturing and supply chain excellence programmes will continue to be rolled out across the division's major manufacturing facilities. New investments in Jiujiang, China and India will continue to be developed during the forthcoming year. Portfolio management and the allocation of capital are key to the ongoing success of the division. Accordingly, we will be leveraging our existing assets, pursuing growth opportunities and improving returns.

LAMINATES & PANELS



\$1.7b

Revenue

\$124m

EBIT before significant items

4,948

Headcount

Distribution New Zealand.

Our people create an improved customer service experience where no one else is easier to do business with.

— **DEAN FRADGLEY** CHIEF EXECUTIVE DISTRIBUTION NEW ZEALAND



Distribution New Zealand comprises the following operating units:

- PlaceMakers, one of the largest suppliers of building materials to the residential and commercial construction markets, servicing the building industry across New Zealand from over 50 branch locations;
- PlaceMakers Frame and Truss, the largest specialist pre-nail frame and truss provider in New Zealand, operating through eight specialised manufacturing plants and embracing best practice, end user efficiency and lean manufacturing principles; and
- Mico, which specialises in the distribution of plumbing and bathroom products through a network of 61 branches across New Zealand.

In early calendar 2014 PlaceMakers, PlaceMakers Frame and Truss and the Mico stores were united under the banner of Distribution New Zealand in order to drive efficiency, remove duplication and optimise the service offering across the three businesses. Previously, the Mico businesses were reported as part of the Distribution Australia division.

Market update

Growth in the New Zealand market has been fuelled by strong market conditions in the Auckland and Christchurch residential and commercial sectors, which are forecast to continue into FY15. To cater for increased demand two new branches were opened, along with construction of new frame and truss plants in Whangarei and Hamilton in FY14.

PlaceMakers operates in the highly competitive building supplies market against four national competitors and numerous smaller regional players. Whilst the competitive landscape has continued to intensify in the last 12 months, PlaceMakers continues to hold leading market share positions. In FY14 sales growth has

been strong at 12%, however, margins have compressed due to price competition.

Innovation

During FY14 a new management team was recruited, with a cross-section of experience in distribution, retail and the building sector. With a passion to grow and develop market leading positions, a number of innovative programmes are under way, which include:

- bringing together both Mico and PlaceMakers to create scale advantages, such as category management, shared facilities and back office functions;
- colocating certain PlaceMakers and Mico branches under one roof to create an enhanced customer experience;
- commencing a process efficiency programme to reduce complexity and cost, as well as enable centralisation so that the division is able to leverage the scale and capability advantages of the wider Fletcher Building Group; and
- further penetrate the kitchen market, with an enhanced quality and service offer, reflecting the demand for room solutions.

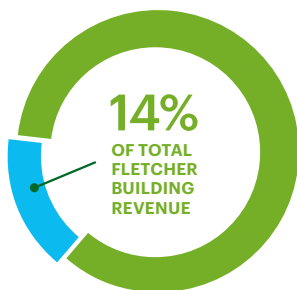
Strategic priorities and outlook

In addition to the innovation initiatives above, other key initiatives being taken by our people to strengthen the business and deliver improved performance in FY15 include:

- optimising the size and shape of the branch network to improve the operational efficiency to serve our customers; and
- sourcing products from a wider network, including low cost country sourcing, to offer improved solutions to meet customers' needs, whilst enhancing margins.

The division expects to continue to deliver through focusing on a simplified strategy, having the best people, best products, systems and solutions and coming together seamlessly to put the customer at the heart of everything we do.

DISTRIBUTION NEW ZEALAND



\$1.2b Revenue

\$51m EBIT before significant items

2,636 Headcount

Distribution Australia.

Our people are turning Tradelink around and focusing on customers and growth initiatives.

— **TIM HICKEY** CHIEF EXECUTIVE DISTRIBUTION AUSTRALIA



With over 1,700 people, Distribution Australia operates primarily in the plumbing merchant business under the name of Tradelink, which has over 210 branches across Australia.

In early calendar 2014 the oversight of Fletcher Building's New Zealand Mico business moved from being part of Distribution Australia to being part of Distribution New Zealand. During FY14 the division undertook a restructure of its leadership team under the divisional chief executive, Tim Hickey. The new leadership team is a blend of external hires, with global experience and leadership talent identified from within the Fletcher Building group. Together, our people are focusing on the strategic rebuild of Tradelink to provide a strong, national plumbing merchant network, capable of delivering earnings growth over the coming years. FY14 results for Distribution Australia, both financial and non-financial, show that the investment in capability under the new leadership team has produced significant year-on-year earnings improvement and continued earnings growth is forecast for the coming 12 months.

Market update

The Australian plumbing products market has been stable in FY14 and Tradelink's market share has improved, following on from previous years of contraction. The market outlook for FY15 is encouraging, based on forecasts for single and multi-residential dwellings and commercial buildings, which are key drivers of demand for plumbing products. New South Wales is the strongest driver of new commencement growth.

Innovation

Our people have invested resources and

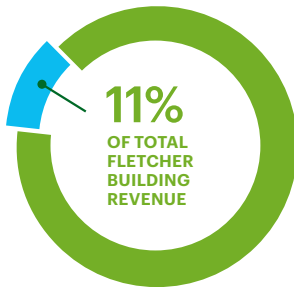
strategic focus to develop processes and partnerships with leading industry suppliers to bring innovative products and services to the Australian plumbing market. As a result of this work, Tradelink has a range of market relevant innovations that will come to the Australian plumbing market in FY15, such as the waste drainage system, dBlue, that provides integrated acoustic insulation and the new range of bathroom products from Tradelink's own bathroom brand, Raymor. In early FY15 Tradelink will also open several stores with innovative branch layouts designed to improve customer experience and service. These innovations in products, services and customer offerings are forecast to improve revenues and margins and make a positive contribution to the divisional result. Further innovations in products and services are being developed by our people to take strong positions in important customer segments.

Strategic priorities and outlook

Distribution Australia will continue to invest in the Tradelink business through business improvement initiatives focused on greater customer alignment in our channels to market, improved gross margins from better buying and selling and a cost base maximised for effectiveness and efficiency. Future capital investments are planned in upgrades to the branch network, to present a strong and relevant brand in the plumbing supplies market, as well as health and safety improvements.

During the year, consistent with the group's investment rationalisation strategy, Distribution Australia has entered a conditional agreement to divest Hudson Building Supplies, which is expected to be finalised in the first half of FY15.

DISTRIBUTION AUSTRALIA



\$927m Revenue

\$17m EBIT before significant items

1,783 Headcount

Construction.

Our people are rebuilding Christchurch and growing our construction and residential activities.

— **GRAHAM DARLOW** CHIEF EXECUTIVE CONSTRUCTION



The Construction division is currently delivering projects for government and the private sector in infrastructure, buildings and housing and earthquake repairs.

Over the last year the division has seen an unprecedented increase in construction activity. Construction backlog at 30 June 2014 was \$1.8 billion, a 78% increase from 2013. We have also increased our land bank to support future growth in residential house sales. The division has a significant presence in the rebuild of Canterbury with earthquake recovery (Fletcher EQR) having managed over 59,000 emergency repairs and over 59,000 full scope repairs to earthquake damaged homes to date. We are also a key member of the 'Stronger Christchurch Infrastructure Rebuild Team' ('SCIRT'). Fletcher Construction is part of the Well-Connected Alliance, which is delivering the Waterview Connection project to complete Auckland's Western Ring Route. We also have a major presence in the South Pacific, with the team particularly active in Papua New Guinea at present delivering two large projects that will be venues for the South Pacific Games in 2015.

Innovation

Our people bring innovation to project delivery and in creating outcomes for customers. During FY14 the successful Waterview Alliance commenced underground tunnelling with 'Alice' - the largest tunnel boring machine in the Southern Hemisphere. Innovative technology is also being leveraged on other roading projects, such as GPS technology to track earthwork volumes and efficiencies.

During FY14 our people and projects won some significant awards. ASB's North Wharf head office building in Auckland won the Supreme Award at the New Zealand Property Industry Awards, as well as category trophies for best commercial office property and a merit in the Green Building Property Award. SCIRT was recently recognised on the world stage, with the award of the prestigious Brunel Medal from the Institute of Civil Engineers. The award has only been made to one other Southern Hemisphere civil engineering group (in Seoul in 2009).

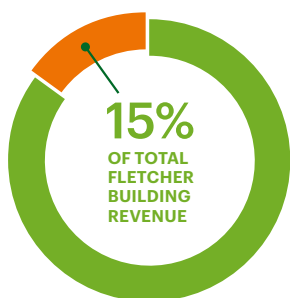
Strategic priorities and outlook

Looking forward, our people's focus is on securing key projects coming to market over the coming year and growing our residential business, both in terms of sales, land inventory and innovative housing solutions for the New Zealand market.

We are nearing the end of two important contributors to earnings, (the Christchurch Home Repair Programme with the Earthquake Commission and the residential project in Stonefields) and it is important we win key projects to replace these earnings streams.

Fletcher Construction will also assess opportunities to build on our successful expansion into public private partnerships achieved through the new Men's Prison at Wiri, which is currently being constructed.

CONSTRUCTION



\$1.3b Revenue

\$105m EBIT before significant items

2,788 Headcount

Market update

While construction demand within New Zealand is strong, particularly in Auckland and Christchurch, the market is also becoming increasingly attractive to international competitors. Accordingly, competition is strong in all of the sectors in which we operate. Fletcher Construction continues to respond to the current shortage of housing in Auckland and Christchurch, however, land availability and pricing are expected to have a negative impact on future margins when compared with historic levels.

Our people.

2014

Our people strategy is built around three key pillars: leadership, talent and culture.

Fletcher Building employs a diverse workforce of 18,750 people, based across 40 countries. The three pillars of our people strategy – leadership, talent and culture – have been developed to create a high performance and high engagement workplace across our global footprint. During FY14 we completed the implementation of a leadership development framework and have also developed a talent management programme that has provided career opportunities for some of our leaders across divisions and internationally. The Fletcher Building Learning Academy has delivered programmes to over 5,000 employees globally. While our focus on creating a high performance and high engagement workplace culture continues, we are also building a communications platform to create a stronger sense of connection for our employees across the globe to the Fletcher Building group.

Developing leaders

Developing a strong internal pipeline of future leaders is a key priority. Over the past 12 months we have developed and launched a complete leadership framework, with over 600 employees globally attending a leadership programme. Our senior leaders' programme, Leaders' Edge run in conjunction with The University of Auckland Business School has a key focus on developing transformational and change leadership. This programme won a silver award in the executive development category of the 2014 European Foundation for Management Development Excellence in Practice Awards. Winning this award against a formidable global lineup of business schools and corporates is an outstanding achievement and our leaders on the programme have gained an experience that reflects global best practice. 'Step Up', our front line leaders' programme was also launched during the year to just under 300 participants.

Attracting and retaining talent

The group's aspirations include being 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 over 40,000 applications over the last 12 months. 1,250 employees across New Zealand and Australia have been recruited into our businesses directly from the group's talent sourcing centre during FY14.

We continue to focus on building capability across our businesses and during the year more than 5,000 employees have attended a learning academy programme covering manufacturing excellence, health and safety and sales force effectiveness.

The Fletcher Building Employee Educational Fund, which sponsors training, continues to be a strong retention tool for New Zealand, Australia and the South Pacific. This external fund met over \$4 million of funding for group employees during FY14. This funding was used for workplace learning, leadership development, grants for tertiary study for employees, supporting dependents of employees to retrain and re-enter the workforce and to provide financial support for employees' children to study in tertiary institutions.

Diversity

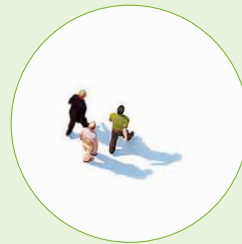
Building a diverse and inclusive workforce is a key focus area across the group. Over the past two years we have provided employment opportunities to over 200 people through alliances with Te Puni Kōkiri, Limited Services Volunteers, Work and Income and the Department of Corrections. As the principal sponsor of the First Foundation, we are funding 21 scholarships for high achievers from low decile schools.

We have established a Diversity Council, chaired by our chief executive officer that will drive our diversity strategy, measure objectives and ultimately ensure greater participation and inclusion across the group.

As part of this wider programme of work, we have also launched a series of 'Inspiring Women' networking events, which offer an opportunity for our women to meet other Fletcher Building leaders, share experiences and help shape the way forward for women in our business.

We continue to have board representation on the Equal Employment Opportunities Trust and have participated in the Ministry of Women's Affairs pipeline advisory group.

The diversity of our people is key to our success.



200

COMMUNITY
employment
placements



600

EMPLOYEES
on leadership
programmes

Fletcher Building Excellence Awards

During FY14 the inaugural Fletcher Building Excellence Awards were held to recognise our employees who deliver outstanding leadership, innovation, performance excellence and customer service. These awards recognise and acknowledge the excellence that exists in these areas across the group and the contribution that our people make every day. One of this year's winners was Matt Fairweather (below) who won the individual Emerging Leader Award.



Matt Fairweather

Our community.

2014

Since becoming First Foundation's principal sponsor in 2011 Fletcher Building is currently funding 21 scholarships, with recipients also working across the group.

Fletcher Building is proud to support the communities in which we operate. Below is a snapshot of some of the local organisations we support.

Spotlight on the First Foundation

Since becoming First Foundation's principal sponsor in 2011 Fletcher Building is currently funding 21 scholarships, with recipients also working across the Fletcher Building group.

A New Zealand-based educational trust, First Foundation gives high achieving teenagers from low decile schools the opportunity for university study. Fletcher Building funds a four year university scholarship as well as providing paid work experience. The student also receives advice and guidance from an external mentor while he or she studies.

Supporting the arts

While the group's sponsorship mandate is focused on youth training, skills development and finding solutions to housing affordability, we are also a proud supporter of the arts in New Zealand.

Fletcher Building is a bronze partner of the New Zealand Opera and we were a cornerstone partner of the 2013 Christchurch Arts Festival. Fletcher Construction is a sponsor of the 2014 New Zealand International Arts Festival.

University of Canterbury Quake Centre

Our support for the rebuild of Canterbury continues as an industry partner of the University of Canterbury Quake Centre.

Underpinned by New Zealand's need to better understand seismic risk, the centre was established to provide world-class research, education and information on earthquake engineering to the public. The centre is focused on developing training initiatives, best practice and innovative solutions in response to earthquake risk.

The centre has received international recognition and has a vision to provide viable and forward-looking earthquake engineering solutions.



ABOVE In 2014, Australian business unit Stramit Building Products continued its support of the NSW Country Surf Life Saving Championships competition, where more than 1,200 athletes from 36 different surf clubs competed. The event was also attended by the Duke and Duchess of Cambridge during their Australia-New Zealand tour in April 2014.



LEFT Carnia-Rose Aupouri is one of our newest First Foundation scholarship recipients. The year 13 head girl of Auckland's Mangere College has plans to study Commerce for which her scholarship funds will be used. As part of the group's commitment, Carnia-Rose joins Fletcher Building's finance team for work experience during her university holidays and has been paired with an external mentor for advice and guidance during her study.



LEFT PlaceMakers has been the major sponsor of the Prostate Cancer Foundation of New Zealand for the past five years as part of the Blue September initiative. Every September, the PlaceMakers network goes to work. To date, they have raised over \$1.2 million, which goes to research that saves lives through early detection programmes and awareness initiatives.

Protecting the environment.

2014

Fletcher Building is committed to its role as an environmental steward in providing innovative products and building smarter.

We aim to reduce our environmental impact by taking a life cycle approach to products and services. From the sourcing of raw materials to product design, manufacturing, construction and recycling, we aim for sustainable practices across our operations.

Recent initiatives

Our approach drives initiatives that address resource use and the environmental and social impacts of our operations including:

- the Golden Bay Cement site in Whangarei uses fuel made from forestry, demolition and construction waste. Water stewardship is being integrated into its operations, which includes wastewater treatment and consideration of groundwater and water flow at the site;
- in New Zealand, Winstone Aggregates has extensive land management plans in place that include replanting native bush and reshaping or backfilling land to create ponds and pasture once mining is complete; and
- at Rocla's Gaskell Quarry near Perth in Western Australia, a programme has been introduced to restore woodlands after sand extraction. This programme has led to an 80% species return in the first year of restoration, a figure that adheres to international best practice and positions Rocla as a recognised leader in quarry rehabilitation techniques.

Lifecycle approach to sustainability

Becoming involved earlier in the design phase of buildings and infrastructure is key to implementing sustainable solutions. This approach has led to the group working with The University of Auckland's Sustainable Futures Centre, which conducts research on the sustainability of New Zealand's built environments and collaborates with industry to identify improvements.

Formica's newest production facility in Jiujiang, China has set a new benchmark for sustainable production in the decorative materials industry, with large investments made in best practice material sourcing, waste management, energy efficiency and emission control.

Energy efficiency and carbon

Fletcher Building is committed to reducing its group energy use through improved process efficiency, technology and general plant improvements.

The energy efficiency programme, run in conjunction with the Energy Efficiency and Conservation Authority (EECA) in New Zealand has identified more than 200 efficiency opportunities. Nine business units have carried out energy audits and assessments leading to savings being implemented, including:

- Tasman Insulation has put in place a formal motor replacement policy to ensure the ongoing energy efficiency and reliability of the Pink® Batts® manufacturing equipment at its Auckland plant;
- Laminex New Zealand has undertaken a complete lighting redesign of its Hamilton site, which involved replacing more than 200 existing light fittings with energy efficient LED fittings. When enough natural light is available, the lights dim or switch off, while zones that are not in constant use have motion sensors. Total light energy use is expected to reduce from 660,000 kWh to 140,000 kWh per annum – an 80% saving. This initiative is also being deployed across other group sites; and

- Laminex Australia's Dardanup site near Perth recently began generating extra energy for its particleboard drier by substituting natural gas with recycled wood fibre waste from one of its single stream fraction mills. The environmental benefits of using wood fibre instead of natural gas as a fuel source include a reduction in fossil fuel consumption and the associated carbon footprint, as well as a decrease in the amount of waste sent to landfill. Recycling the waste material prevents stockpiles of unusable dust fibre sitting on the ground, which in turn stops associated chemicals leaching into the groundwater. Financially, the wood fibre used is 32% cheaper as a fuel source than natural gas.

In Australia, the Energy Efficiency Opportunities programme, run in response to government legislation, has identified opportunities for reducing CO₂ emissions by up to 90,000 tonnes or approximately 7% of total emissions. Accordingly we are on track to realising our goal of reducing CO₂ emissions by 10% before 2020.

As a largely manufacturing-based business, a key focus remains the reduction of CO₂ emissions. Our goal of 10% reduction in emissions between 2012 and 2020 has been included into our 'Operations Excellence' programme, which was launched in 2014.

Carbon Disclosure Project (CDP)

Established by large, international investors, the CDP is a not-for-profit organisation that provides a global system for companies to measure, disclose, manage and share vital environmental information. Annually, the organisation produces the CDP report.

In the 2013 CDP report, Fletcher Building was again the only New Zealand manufacturer named in the Climate Disclosure Leadership Index (one of only five companies across Australia and New Zealand) with a disclosure score of 82 or better. Additionally, our Climate Performance score was described by the Carbon Disclosure Project as 'stand out performance'. Our continued participation in the CDP ensures complete transparency as we are required to provide a complete inventory of our annual energy use and CO₂ emissions and report on how we manage the risks and opportunities of climate change. In November 2013 the group published our third sustainability report (see www.fbu.com/sustainability).



Pictured at the MacKays to Peka Peka project on the Kapiti Coast, New Zealand, ecologists Matiu Park and Barbara Risi fish the Muaupoko Stream. Before working in any waterways the project safely captures and relocates native fish.

Health & safety.

2014

Protecting our people

The health and safety of our people remains a high priority for Fletcher Building. Strategic direction and priorities are developed by our executive Environment, Health and Safety (EHS) Council, which is chaired by the chief executive officer, while health and safety forms a key component of our managers' personal performance. The board has oversight of this part of the business, with a special sub-committee dedicated to health and safety governance (see Governance section). Keeping health and safety top of mind is as important to us as producing quality products and services – no result is more important than achieving it safely.

Total recordable injury frequency rate (TRIFR)

Over the last year we have further reduced our recordable injury rates. We continue to report our 12 month rolling average TRIFR per million employee and contractor hours, with total injuries being the sum of lost time and medical treatment injuries. In the last year this rate has dropped from 6.80 to 6.0. In June 2005 this rate was over 60. Our lost time injury frequency rate has dropped from 2.82 to 2.50 (from over 10 in June 2005).

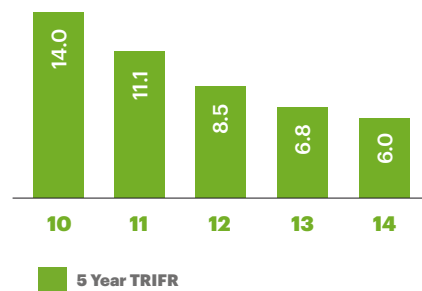
Despite the group's investment and progress, serious injuries still occur. During the last year 20 employees and contractors suffered serious injuries. Fixed plant and equipment, movement and storage of products, work at height and mobile equipment have been recognised as significant hazards and are subject to centralised direction on hazard controls. Accordingly, we continue to invest in our people, safety management and further proactive health and safety initiatives.

Fletcher Building Excellence Awards

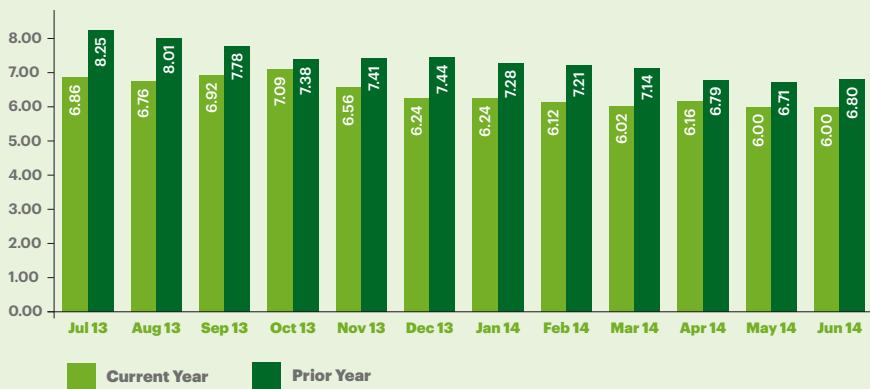
In FY14 our Health, Safety & Sustainability Awards were amalgamated with the Fletcher Building Innovation Awards to create the inaugural Fletcher Building Excellence Awards. Held in Auckland in November, high quality submissions were received from across our global network.

Nominated by his colleagues, Taua Papalii an extrusion press operator from Fletcher Aluminium, received the award for Outstanding Individual Contribution to Safety or Workplace Health Improvement to a standing ovation.

5 year rolling total recordable injury frequency rate



12 month rolling total recordable injury frequency rate



Our annual Workplace Safety Initiative Award went to Winstone Wallboards for developing a Safe Work Practices Guide for the safe site delivery and handling of GIB® plasterboard.



ABOVE The Workplace Safety Initiative Award was presented to Winstone Wallboards

BELOW In the FY14 Fletcher Building Excellence awards Taua Papalii won the Outstanding Individual Contribution to Safety or Workplace Health Improvement Award.

Managing health and safety risk

The group has recognised the need to increase our focus on hazards that could result in serious injuries or fatalities. One of our top safety priorities is effectively managing the risk of fires and explosions in our large, high temperature manufacturing processes. To manage this risk, we have implemented a programme that improves competencies and management systems for process safety in large, high temperature manufacturing plants. Fletcher Building is developing further standardised controls for other significant hazards where there is risk of serious or fatal injuries. During FY14, new group standards were completed for onsite traffic management and surveying, and process safety. The group has substantially completed further standards on journeys in light vehicles, machine guarding and isolation.

Health and safety management is being integrated into our 'Operations Excellence' programme. Our operations will be regularly assessed against a common set of criteria, enabling better benchmarking. This programme will also ensure that health and safety management is a key component of operational management.

Our facts & figures.

2014

The following table presents key performance indicators that senior management actively uses in assessing the performance of the group. This table presents an insight of the areas monitored by management in terms of how the group is both controlled and operated.

		FY14	FY13	FY12
Total revenue	NZ\$M	8,401	8,517	8,839
Operating earnings (EBIT) before significant items	NZ\$M	624	569	556
Depreciation, depletions and amortisation	NZ\$M	203	220	230
Net earnings	NZ\$M	339	326	185
Cash flows from operating activities	NZ\$M	489	559	448
Capital expenditure	NZ\$M	260	233	261
Shareholders' funds	NZ\$M	3,419	3,519	3,420
Return on average funds	%	11.7	10.8	7.4
Total shareholder return	%	9	51	(27)
Gearing ⁽¹⁾	%	32.3	33.5	37.4
Leverage ⁽²⁾	times	1.99	2.27	2.62
Headcount	#	18,750	19,050	19,200
Total recordable injury frequency ⁽³⁾	#	6.00	6.80	8.48
Construction backlog	NZ\$M	1,820	1,022	1,094
Canterbury houses repaired ⁽⁴⁾	#	59,000	40,000	22,000

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

(2) Interest bearing net debt (including capital notes) to EBITDA before significant items.

(3) Number of injuries per million hours worked.

(4) Full scope repairs completed under the Canterbury repair programme (to date).

Financial review.

2014

Fletcher Building's earnings rise, driven by strong New Zealand performance.

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %
Reported results			
Total revenue	8,401	8,517	(1%)
Operating earnings (EBIT)	592	569	4%
Funding costs	(130)	(147)	(12%)
Earnings before tax	462	422	9%
Tax expense	(111)	(85)	31%
Earnings after tax	351	337	4%
Non-controlling interests	(12)	(11)	9%
Net earnings	339	326	4%
Earnings per share (EPS - cents)	49.3	47.6	4%
Dividends declared per share (cents)	36.0	34.0	6%
Capital expenditure	260	233	12%

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %
Operating earnings before significant items⁽¹⁾	624	569	10%
Significant items ⁽²⁾	(32)		NM
Reported operating earnings	592	569	4%

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %
Infrastructure Products	2,050	2,095	(2%)
Building Products	1,288	1,350	(5%)
Laminates & Panels	1,710	1,738	(2%)
Distribution New Zealand	1,169	1,147	2%
Distribution Australia	927	994	(7%)
Construction	1,257	1,193	5%
Total revenue	8,401	8,517	(1%)

	Reported operating earnings			Operating earnings before significant items ⁽¹⁾		
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %
Infrastructure Products	209	222	(6%)	229	222	3%
Building Products	135	122	11%	135	122	11%
Laminates & Panels	124	120	3%	124	120	3%
Distribution New Zealand	51	42	21%	51	42	21%
Distribution Australia	5	8	(38%)	17	8	113%
Construction	105	87	21%	105	87	21%
Corporate	(37)	(32)	(16%)	(37)	(32)	(16%)
Total	592	569	4%	624	569	10%
Funding costs	(130)	(147)	(12%)	(130)	(147)	(12%)
Earnings before tax	462	422	9%	494	422	17%
Tax expense	(111)	(85)	31%	(120)	(85)	41%
Earnings after tax	351	337	4%	374	337	11%
Non-controlling interests	(12)	(11)	9%	(12)	(11)	9%
Net earnings	339	326	4%	362	326	11%

(1) Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

(2) Details of the significant items incurred can be found in note 4 of the financial statements.

Geographic segments

	External revenue			Operating earnings before significant items ⁽¹⁾		
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change %
New Zealand	4,031	3,832	5%	362	286	27%
Australia	3,287	3,640	(10%)	171	203	(16%)
Rest of World	1,083	1,045	4%	91	80	14%
Total	8,401	8,517	(1%)	624	569	10%

Geographic segments in local currency

	External revenue			Operating earnings before significant items ⁽¹⁾		
	Year ended June 2014	Year ended June 2013	Change %	Year ended June 2014	Year ended June 2013	Change %
Australia (A\$M)	2,966	2,916	2%	154	163	(6%)
Rest of World (US\$M)	895	855	5%	75	65	15%

(1) Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014. Details of the significant items incurred can be found in note 4 of the financial statements.

Revenue for the year of \$8,401 million was \$116 million lower when compared with the prior year. Of this decline \$428 million was due to adverse foreign currency translation effects more than offsetting the \$312 million of underlying revenue growth. In local currencies, revenues increased by 5% in New Zealand, 2% in Australia and 5% in the Rest of World.

Reported operating earnings before interest and tax ('EBIT') of \$592 million were 4% higher than the prior year.

Reported operating earnings include significant items of \$32 million relating to the sales of Pacific Steel's rolling mill and wire drawing facilities in Otahuhu together with its Fijian rolling mill (\$19 million), the Fiji cement business (\$1 million) and the Hudson Building Supplies business (\$12 million). The significant expense items reflect the difference between sale proceeds and asset carrying values, together with transaction costs.

Operating earnings before significant items were \$624 million, 10% higher than \$569 million in the prior year.

The result includes a net expense of \$16 million relating to restructuring and other costs which are included in the financial statements as 'other gains and losses' (2013: \$4 million net gain).

The result was driven by increased activity levels across most sectors in New Zealand and improved conditions in the USA, partly offset by subdued markets in Australia and Europe.

In **New Zealand** earnings benefited from an increase in construction activity, continued momentum in the repairs and rebuilding work in Canterbury, and continued strong demand for houses in Fletcher Building's residential developments. Consents for new houses in New Zealand of 23,260 increased 24% when compared with the prior corresponding period, the highest level since 2007. The positive trading result in New Zealand, along with cost reduction and efficiency measures, more than offset the adverse impacts of increased price competition, and additional corporate costs relating to centralisation initiatives.

In **Australia** conditions remained mixed. There was an improvement in the residential construction market with housing consents rising to near-record levels. Activity levels in the commercial construction sector were flat and reduced State Government infrastructure expenditure and depressed mining activity impacted results. The adverse impacts of declining activity and increased price competition were partially compensated by the positive effects from efficiency initiatives, savings in headcount and other controllable costs. In local currency terms, the operating earnings before significant items of the group's Australian operations declined by 6% on the prior year. However, some businesses experienced improved conditions in the second half of the year, particularly in the distribution, laminates and panels and coated steel businesses.

In the **Rest of World**, market conditions varied geographically with most markets experiencing strong competition and price pressures. Operating earnings in Formica North America increased by 5%, benefiting from improved volumes in the first half of the year. Adverse weather conditions in early 2014 had a negative impact on the building and construction industry. In most parts of Asia activity increased, while Thailand remained stable. Performance in Europe has been more stable than in recent years with some markets, such as the UK, showing signs of improvement.

Significant progress has been made in implementing the FBUnite business transformation programme. The initiatives are on track and cost savings and organisational efficiencies were achieved in the first year, in line with expectations. During the year benefits achieved of \$25 million were partially offset by increased operating costs of \$10 million and capital expenditure of \$12 million. Further benefits will become evident from FY15 onwards.

Corporate costs of \$37 million were up \$5 million on the prior year due to costs associated with the FBUnite transformation programme and centralisation of core functions, including property, procurement and financial shared services.

Funding costs of \$130 million were 12% lower when compared with the prior year. The reduction is due to lower interest costs and a continued reduction in debt outstanding, as well as the strengthening New Zealand dollar resulting in a reduction in Australian dollar interest costs.

The tax expense of \$111 million is an increase on the prior year. The increase is a consequence of the group's increased earnings before tax partially offset by a \$9 million tax impact of the significant expense items described above. The effective tax rate for the year was 24% (2013: 20%). The effective tax rate was lower in the prior year primarily due to the recognition of previously unrecognised tax losses.

Earnings per share were 49.3 cents, an increase of 4% from 47.6 cents per share in the corresponding period. Earnings per share before significant items were 52.7 cents, an increase of 11%.

The following sections provide a commentary on individual division results for the year ended 30 June 2014.

Infrastructure Products



Cement, Concrete & Aggregates, Concrete Pipes & Products, Plastic Pipes & Copper Tube and Steel

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	2,050	2,095	(45)	(2%)
Operating earnings before significant items ⁽¹⁾	229	222	7	3%
Significant items ⁽²⁾	(20)		(20)	NM
Operating earnings	209	222	(13)	(6%)
Funds	1,792	1,841	(49)	(3%)

(1) Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

(2) Details of significant items can be found in note 4 of the group's financial statements.

Infrastructure Products reported operating earnings were \$209 million, compared with \$222 million in the prior year. The result includes significant items of \$20 million relating to the divestment of Pacific Steel's rolling mill and wire drawing facilities and the sale of the Fiji cement business. The result was also negatively impacted by foreign exchange translation effects totalling \$13 million. Operating earnings before significant items of \$229 million were 3% higher than the prior year.

Revenues were largely flat with stronger market conditions in New Zealand offset by lower volumes in Australia. Market shares were largely stable for all businesses.

Operating earnings of the Cement, Concrete and Aggregates businesses increased by 23% to \$90 million. Cement volumes were up 24% and ready-mix concrete volumes were up 14%, with prices generally stable. Aggregates volumes in New Zealand were up 17%. Australian aggregates volumes increased by 27% but earnings were lower, being adversely impacted by product mix.

The Concrete Pipes and Products businesses recorded a 15% decrease in operating earnings to \$57 million. Australian pipe volumes were 19% lower, due to the challenging Australian market conditions, particularly in infrastructure and mining.

Operating earnings in the Plastic Pipes and Copper Tube businesses were 15% lower at \$46 million. The result was impacted by the upfront costs associated with the consolidation of manufacturing sites in New South Wales and Western Australia. Pipe volumes decreased by 4%, with weaker building markets being partially offset by contracts to supply coal seam gas projects. New Zealand plastic pipe volumes increased in line with activity levels in Canterbury and Auckland.

Steel operating earnings increased by 29% to \$36 million. Long steel volumes were 11% higher, reflecting the increase in domestic demand in New Zealand. Steel distribution businesses experienced increased earnings over the prior year, benefiting from the integration of the steel reinforcing businesses, a focus on product mix and reduced service costs.

Building Products



Coated Steel, Roof Tiles, Plasterboard, Insulation, Aluminium Windows & Doors and Sinkware

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	1,288	1,350	(62)	(5%)
Operating earnings	135	122	13	11%
Funds	725	770	(45)	(6%)

Building Products operating earnings were \$135 million, up 11% from \$122 million in the prior year. The earnings uplift was driven by the sustained economic recovery in New Zealand and benefits from continued margin improvement initiatives within the business units.

Revenues fell by 5%, as sales growth in Christchurch and Auckland was more than offset by declines in Queensland and Victoria. New South Wales revenues were ahead of the prior year and Rest of World revenues remained stable overall.

The Plasterboard business recorded increased volumes, in line with house building activity in New Zealand.

Insulation operating earnings fell by 33% on the prior year, primarily driven by price and margin compression in New Zealand, while glass wool volumes remained flat. In the second half of the year volumes were ahead of prior year, with New Zealand demonstrating share recovery in a growing market and Australia showing some signs of recovery. Australian glass wool margins improved over the second half of the year.

Operating earnings in the Coated Steel and Roof Tiles businesses increased by 13% over the prior year as a result of margin improvement initiatives. Volumes improved in the Australasian roof tiles businesses and the New Zealand painting and roll-forming businesses. Volumes in the North America roof tiles business fell behind the prior year due to adverse weather conditions, and volumes in Europe and Asia were flat. Australian roll-forming volumes fell by 4%, however, earnings improved with the benefit of significant cost reduction initiatives.

Laminates & Panels



Formica and Laminex

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	1,710	1,738	(28)	(2%)
Operating earnings	124	120	4	3%
Funds	1,702	1,788	(86)	(5%)

Operating earnings in Laminates & Panels were \$124 million, up 3% from \$120 million in the prior year. Adjusting for the adverse effects of foreign currency translation, operating earnings would have been up 12%. Revenues were down by 2% to \$1,710 million but would have been up by 4% excluding the currency impact.

Prices and margins were generally flat or slightly down as a result of strong price competition, as well as increased input costs, particularly in Australia due to the decline of the Australian dollar against key currencies related to resin and paper inputs.

Formica operating earnings were \$63 million, or 9% up on the prior year.

Volumes in Europe were down 3% on the prior year, while revenue in domestic currencies was flat due in part to improved pricing and a more favourable product mix. Market conditions in Europe have stabilised and some markets, such as the UK, showed early signs of improvement while most other markets remained flat. Reported operating earnings were \$6 million, compared with a loss in the prior year, due to improved operating performance.

Revenues in Asia were up by 6% in domestic currencies with volumes up in China (+8%), Taiwan (+6%), Singapore (+26%) and Malaysia (+15%), while Thailand remained stable, notwithstanding the domestic political unrest. Reported operating earnings in Asia were down 22% to \$29 million due to competitive pressures and product mix negatively impacting margins, as well as increased operational costs to drive efficiencies and the costs associated with operating the new plant in Jiujiang.

In North America volumes were up by 4% on the prior year, while in domestic currencies revenue was up by 1%. Reported operating earnings were \$43 million, up 5% on the prior year.

Divisional corporate costs of \$15 million were consistent with prior year.

Laminex (Australia and New Zealand) operating earnings were \$61 million, stable on the prior year, however, adjusting for currency impacts operating earnings would have been up 10%. Australian revenue in domestic currency grew by 6% on the prior year driven by increased activity in the building and construction industry, especially in the eastern Australian states, and increased market share. Laminex New Zealand revenues were up by 2% compared with the prior corresponding period. Activity levels in the residential market continued to improve, while the commercial segment was flat.

Distribution New Zealand



PlaceMakers and Mico Plumbing

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	1,169	1,147	22	2%
Operating earnings	51	42	9	21%
Funds	196	251	(55)	(22%)

Distribution New Zealand revenues of \$1,169 million were 2% higher than the prior year. Adjusting for the sale of the Corys business in the prior year, underlying revenue growth was 7%. PlaceMakers recorded a 12% increase in revenues and experienced further improvement in trading conditions. During the period two new branches were opened, along with two new frame and truss manufacturing plants to cater for increased demand.

Operating earnings increased by 21% to \$51 million. PlaceMakers operating earnings were up 47% on the prior year to \$53 million. Whilst competitive pressures negatively impacted margins, this was more than offset by volume increases as well as operational efficiencies. Mico recorded a loss of \$2 million due to restructuring costs incurred in the period. In addition, operating earnings in the prior year included \$4 million profit from the sale of surplus property in Christchurch, which was not repeated in the current year.

Distribution Australia



Tradelink and Hudson Building Supplies

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	927	994	(67)	(7%)
Operating earnings before significant items ⁽¹⁾	17	8	9	113%
Significant items ⁽²⁾	(12)		(12)	NM
Operating earnings	5	8	(3)	(38%)
Funds	406	452	(46)	(10%)

For comparative purposes the results of the Australian distribution business are presented in Australian dollars below.

	Year ended June 2014 A\$M	Year ended June 2013 A\$M	Change A\$M	Change %
Revenue	836	796	40	5%
Operating earnings before significant items ⁽¹⁾	15	6	9	150%
Significant items ⁽²⁾	(10)		(10)	NM
Operating earnings	5	6	(1)	(17%)
Funds	378	380	(2)	(1%)

(1) Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2014.

(2) Details of significant items can be found in note 4 of the group's financial statements

Australian Distribution reported operating earnings were NZ\$5 million. The result includes significant items of NZ\$12 million relating to impairment of goodwill and a provision for other charges relating to the sale of Hudson Building Supplies. Operating earnings before significant items in domestic currency were A\$15 million, an increase of A\$9 million.

Revenues in domestic currency were A\$836 million, up 5% on the prior year with strong growth in the second half of the year as a result of business improvement initiatives leading to market share gains, as well as improving market conditions.

Construction



Building and Interiors, Infrastructure, EQR, South Pacific and Residential

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M	Change %
Revenue	1,257	1,193	64	5%
Operating earnings	105	87	18	21%
Funds	116	69	47	68%

Construction operating earnings for the year were \$105 million, up 21% on the prior year. The increase was due to a significant upturn in the infrastructure business, with good progress on a number of key projects including the Waterview tunnel in Auckland. The South Pacific operations grew earnings in the period and have a substantial backlog of work in Papua New Guinea.

The construction backlog of \$1,820 million at the end of June is the highest recorded for the division and compares with \$1,022 million at June 2013. Fletcher Construction is also the preferred bidder on several other projects, with a total value of approximately \$450 million, which is not included in the June 2014 backlog.

Major contracts awarded during the year include the Christchurch Justice Precinct for \$200 million, the MacKays to Peka Peka section of the Wellington road network for \$400 million, a further \$112 million of work as part of the Stronger Christchurch Infrastructure Rebuild Team and the Fonterra Head Office project in Auckland for \$70 million.

Earnings from the residential homes business were slightly ahead of the prior year, with continued strong sales levels in Stonefields and other developments in Auckland. A number of land holdings have been secured in the Auckland region, including the purchase of the Manukau Golf Course and land developed from the Peninsula Golf Course in Orewa, which will provide for a substantial housing development over the next five years. Residential construction also commenced in the year in Christchurch.

As project manager for the Earthquake Commission in Canterbury, Fletcher Construction has now completed in excess of 59,000 home repairs. The Canterbury Home Repair Programme is on track to be substantially complete by December 2014.

Group cash flow

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M
Earnings after tax	351	337	14
Non-cash adjustments	228	188	40
Net working capital movements	(90)	34	(124)
Cash flows from operating activities	489	559	(70)
Cash flows from investing activities	(229)	(155)	(74)
Cash flows from financing activities	(243)	(447)	204
Effects of exchange rate changes on net cash	(6)	(2)	(4)
Net movement in cash	11	(45)	56

Detailed disclosure of the above line items is included in Fletcher Building Limited's group financial statements included in this annual report.

Cash flows from operating activities

Cash flows from operations of \$489 million in the year ended 30 June 2014 were \$70 million lower than the \$559 million in the prior year. While the group experienced increased cash flows from trading activities, these were more than offset by the cash impacts of: the acquisition of residential land in Auckland for future development; timing of cash flows on construction projects; and increased inventory levels in emerging markets. For FY15, cash flows from operating expenditure will be impacted by continued payments for development land acquisitions, as well as for the acquisition and redevelopment of the group's Head Office campus in Auckland.

Cash flows from investing activities

The net cash outflow from investing activities of \$229 million in the current year was \$74 million higher than the prior year largely due to higher proceeds from sales of businesses and property, plant and equipment received in the prior year. The main investment spend for the year related to capital expenditure, which is discussed below.

Cash flows from financing activities

Fletcher Building's outflows from financing activities largely reflects borrowing activities and dividend payments to shareholders. The net cash outflow for financing activities was \$243 million compared with \$447 million in the prior corresponding period. The \$243 million net cash outflow in the current period primarily comprised the \$224 million of dividends paid. The \$204 million reduction in cash outflows year on year was due largely to the \$170 million debt repayments in 2013, being proceeds from divestments.

Capital expenditure

	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Change NZ\$M
Capital expenditure	260	233	27

The group defines capital expenditure as 'additions to the balance sheet of property, plant and equipment and intangible assets, excluding the initial impacts of the acquisitions of companies or businesses'.

Capital expenditure was \$260 million, compared with \$233 million in the prior year. Of this total, \$175 million was for stay-in-business capital projects, including \$32 million on major IT projects and \$85 million related to new growth initiatives, including \$28 million in the period on the new Formica plant in China.

For FY15 capital expenditure is expected to be in the range of \$275 million to \$325 million.

Funding

Total available funding as at 30 June 2014 was \$2,378 million. Of this, approximately \$616 million was undrawn and there was an additional \$134 million of cash on hand. Drawn debt facilities maturing within the next 12 months total \$64 million and a further \$74 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities and cash on hand.

Following a review during the year, gearing and leverage targets were reset in light of current financial market conditions.

The target gearing range, expressed as Net Debt to Net Debt plus Equity, is 30-40%. This is consistent with the group's balance sheet settings of the past eight years and future planned debt levels.

The group's gearing⁽¹⁾ at 30 June 2014 was 32.3% compared with 33.5% at 30 June 2013.

In addition to the revised gearing policy, a target leverage range has been introduced that reflects the ratio of debt to cash flow. Expressed as a ratio of Net Debt to EBITDA, the target range is 2.0-2.5 times.

The group's leverage⁽²⁾ at 30 June 2014 was 1.99 times compared with 2.27 times at 30 June 2013.

The average maturity of the debt is 4.2 years and the hedged currency split is 44% Australian dollar; 37% New Zealand dollar; 10% US dollar; and 9% spread over various other currencies.

Approximately 60% of all borrowings have fixed interest rates with an average duration of 3.5 years and a rate of 6.9%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 6.22%.

Interest coverage⁽³⁾ for the period was 4.8 times compared with 3.9 times in the previous year.

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

(2) Interest bearing net debt (including capital notes) to EBITDA before significant items.

(3) EBIT before significant items to total interest paid including capital notes interest.

Dividend

The 2014 final dividend is 18 cents per share. In line with the group's tax crediting policy announced in 2011, the final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes. The imputed amount per security on the dividend is seven cents.

As a fully imputed dividend, a supplementary dividend is payable to non-New Zealand non-portfolio shareholders and has the effect of removing or reducing the cost of New Zealand non-resident withholding tax (NRWT). For most Australian resident shareholders receiving a supplementary dividend, the after-tax return of the fully imputed dividend is equivalent to receiving a 41% franked dividend.

The dividend will be paid on 15 October 2014 to holders registered as at 5.00 pm Friday 26 September 2014 (NZT). The shares will be quoted on an ex dividend basis from 24 September 2014 on the NZX and ASX.

The interim dividend of 18 cents per share was paid on 15 April 2014.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan will not be operative for this dividend payment.

Dividend Policy

Fletcher Building seeks to maintain dividends through economic cycles, and to progressively grow the dividend over the medium term. The target dividend pay-out ratio, in the range of 50 - 75% of net earnings, is intended to provide sufficient flexibility for dividends to be maintained despite variations in economic conditions. Maintenance of a dividend in this range will be subject to there being no material adverse change in circumstances or outlook.

In determining a dividend for any year a number of factors are taken into consideration, including current and forecast earnings and operating cash flows, capital requirements, and the company's debt equity position.

Beyond dividends, Fletcher Building will consider other means of distribution, should cash flows and future investment requirements allow.

Fletcher Building's policy on franking and imputation credits is for successive dividends to be alternately franked and imputed where possible, such that:

- all interim dividends are fully franked with Australian tax credits or franked to the maximum extent possible;
- all final dividends are fully imputed with New Zealand tax credits or imputed to the maximum extent possible.

Trend statement

	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008	June 2007	June 2006	June 2005
Notes			(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	8,401	8,517	8,839	7,416	6,799	7,103	7,091	5,926	5,520	4,636
Earnings before interest and taxation (EBIT)	592	569	403	492	521	159	768	703	675	612
Net earnings	339	326	185	283	272	(46)	467	484	379	347
Cash flow from operations	489	559	448	402	522	533	434	483	560	479
Earnings per share - basic (cents per share)	49.3	47.6	27.2	45.0	44.9	(8.7)	93.2	101.9	81.3	77.6
Dividends for the period (cents per share)	36.0	34.0	34.0	33.0	29.0	38.0	48.5	45.0	40.0	32.0
Balance sheet										
Current assets	2,958	2,868	3,112	3,104	2,317	2,255	2,549	2,074	1,699	1,484
Non-current assets	3,983	4,257	4,367	4,388	3,397	3,550	3,686	2,359	2,400	2,173
Total assets	6,941	7,125	7,479	7,492	5,714	5,805	6,235	4,433	4,099	3,657
Current liabilities	1,596	1,557	1,936	1,700	1,384	1,313	1,436	1,187	1,207	1,239
Non-current liabilities	1,891	2,014	2,091	2,092	1,307	1,508	2,043	950	1,092	991
Total liabilities	3,487	3,571	4,027	3,792	2,691	2,821	3,479	2,137	2,299	2,230
Capital	2,624	2,606	2,582	2,553	1,912	1,895	1,364	1,325	970	929
Reserves	795	913	838	1,113	1,077	1,057	1,351	926	786	455
Non-controlling interests	35	35	32	34	34	32	41	45	44	43
Total equity	3,454	3,554	3,452	3,700	3,023	2,984	2,756	2,296	1,800	1,427
Total liabilities and equity	6,941	7,125	7,479	7,492	5,714	5,805	6,235	4,433	4,099	3,657
Other financial data										
Return on average funds (%) ⁽⁵⁾	11.7	10.8	7.4	10.6	12.7	3.4	19.0	24.8	26.1	29.3
Return on average equity (%) ⁽⁶⁾	9.9	9.4	5.2	8.2	9.1	(1.6)	19.0	26.0	24.6	29.5
Gearing (%) ⁽⁷⁾	32.3	33.5	37.4	34.3	26.8	31.1	40.1	22.2	37.1	44.4
Net tangible assets per share (\$)	2.65	2.61	2.65	2.71	2.90	2.80	2.90	3.25	2.47	2.11
Market capitalisation (NZ\$m)	6,060	5,784	4,009	5,850	4,763	3,967	3,197	6,166	4,296	3,207
Total shareholders return (%) ⁽⁸⁾	9	51	(27)	14	24	14	(43)	42	40	61

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

⁽²⁾ The Formica Corporation group was acquired on 2 July 2007.

⁽³⁾ The Crane group was acquired with an effective acquisition date of 28 March 2011.

⁽⁴⁾ The June 2012 balance sheet has been restated following revisions to IAS 19 *Employee Benefits* adopted by the group.

⁽⁵⁾ EBIT to average funds (net debt and equity less deferred tax asset).

⁽⁶⁾ Net earnings to average shareholders' funds.

⁽⁷⁾ Net debt (borrowings less cash and deposits) to net debt and equity.

⁽⁸⁾ Share price movement in year and gross dividend received, to opening share price.

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 of Fletcher Building Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 40 to 75. The financial statements comprise the balance sheets as at 30 June 2014, the income 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 and International Financial Reporting Standards 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. Subject to certain restrictions, 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 75:

- comply with generally accepted accounting practice in New Zealand;
- comply International Financial Reporting Standards; and
- give a true and fair view of the financial position of the company and the group as at 30 June 2014 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.



20 August 2014
KPMG Auckland, New Zealand

Financial statements.

2014

For the year ended 30 June 2014

	Notes	Fletcher Building Group		Fletcher Building Limited	
		Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Sales		8,401	8,517		
Cost of goods sold		(6,255)	(6,346)		
Gross margin		2,146	2,171		
Selling and marketing expenses		(968)	(1,040)		
Administration expenses		(561)	(585)		
Share of profits of associates and joint ventures	19	24	21		
Other investment income		1			2
Intercompany investment income	29			300	140
Other gains and losses	3	(16)	4		
Amortisation of intangibles	17	(2)	(2)		
Significant items	4	(32)			
Earnings before interest and taxation (EBIT)		592	569	300	142
Funding (costs)/income	5	(130)	(147)	(2)	136
Earnings before taxation		462	422	298	278
Taxation (expense)/benefit	6	(111)	(85)	8	(39)
Earnings after taxation		351	337	306	239
Earnings attributable to non-controlling interests		(12)	(11)		
Net earnings attributable to the shareholders		339	326	306	239
Net earnings per share (cents)	8				
Basic		49.3	47.6		
Diluted		49.2	47.5		
Weighted average number of shares outstanding (millions of shares)	8				
Basic		687	685		
Diluted		714	711		
Dividends declared per share (cents)		36.0	34.0		

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

On behalf of the Board, 20 August 2014



Ralph Waters
Chairman of Directors



Mark Adamson
Managing Director

Statement of comprehensive income

For the year ended 30 June 2014

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Net earnings - parent interest	339	326	306	239
Net earnings - non-controlling interests	12	11		
Net earnings	351	337	306	239
Other comprehensive income				
Items that do not subsequently get reclassified to profit or loss:				
Movement in pension reserve	9	71		
	9	71		
Items that may be reclassified subsequently to profit or loss:				
Movement in cash flow hedge reserve	9	22	34	3
Movement in currency translation reserve	(245)	(111)		
	(236)	(89)	34	3
Income and expenses recognised directly in equity	(227)	(18)	34	3
Total comprehensive income for the year	124	319	340	242

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

Statement of movements in equity

For the year ended 30 June 2014

	Notes	Share capital NZ\$M	Retained earnings NZ\$M	Share-based payments reserve NZ\$M	Cash flow hedge reserve NZ\$M	Currency translation reserve NZ\$M	Pension reserve NZ\$M	Total NZ\$M	Non-controlling interests NZ\$M	Total equity NZ\$M
Fletcher Building Group										
Total equity at 30 June 2012		2,582	985	1	(53)	56		3,571	32	3,603
Change in accounting policy	31						(151)	(151)		(151)
Total equity at 30 June 2012 as restated		2,582	985	1	(53)	56	(151)	3,420	32	3,452
Total comprehensive income for the year			326		22	(111)	71	308	11	319
Movement in non-controlling interests	11								(8)	(8)
Issue of shares	10	25						25		25
Dividends paid to shareholders of the parent	9		(233)					(233)		(233)
Movement in treasury stock	10	(1)						(1)		(1)
Total equity at 30 June 2013		2,606	1,078	1	(31)	(55)	(80)	3,519	35	3,554
Total comprehensive income for the year			339		9	(245)	9	112	12	124
Movement in non-controlling interests	11								(12)	(12)
Issue of shares	10	17						17		17
Dividends paid to shareholders of the parent	9		(240)					(240)		(240)
Movement in share-based payment reserve				10				10		10
Movement in treasury stock	10	1						1		1
Total equity at 30 June 2014		2,624	1,177	11	(22)	(300)	(71)	3,419	35	3,454

	Notes	Share capital NZ\$M	Retained earnings NZ\$M	Share-based payments reserve NZ\$M	Cash flow hedge reserve NZ\$M	Total equity NZ\$M
Fletcher Building Limited						
Total equity at 30 June 2012		2,603	435	1	(37)	3,002
Total comprehensive income for the year			239		3	242
Issue of shares	10	25				25
Dividends paid	9		(233)			(233)
Total equity at 30 June 2013		2,628	441	1	(34)	3,036
Total comprehensive income for the year			306		34	340
Issue of shares	10	17				17
Dividends paid	9		(240)			(240)
Total equity at 30 June 2014		2,645	507	1		3,153

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

Balance sheet

As at 30 June 2014

	Notes	Fletcher Building Group		Fletcher Building Limited	
		June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Assets					
Current assets:					
Cash and deposits	12	134	123	57	38
Current tax assets	23	55	30	12	
Derivatives	25	6	16	6	16
Debtors	13	1,401	1,346	7	26
Inventories	14	1,362	1,353		
Total current assets		2,958	2,868	82	80
Non-current assets:					
Property, plant and equipment	15	2,126	2,261		
Goodwill	16	1,122	1,219		
Intangible assets	17	474	523		
Investments in associates and joint ventures	19	133	124		
Other investments	18	62	43	5,452	5,447
Derivatives	25	41	55	41	55
Deferred tax assets	23	25	32	7	13
Advances to subsidiaries	29			954	864
Total non-current assets		3,983	4,257	6,454	6,379
Total assets		6,941	7,125	6,536	6,459
Liabilities					
Current liabilities:					
Creditors and accruals	20	1,234	1,221		1
Provisions	21	54	57		
Current tax liabilities	23	22	15		38
Derivatives	25	18	11	16	10
Construction contracts	22	130	102		
Borrowings	24	138	151	30	15
Advances from subsidiaries	29			3,299	3,262
Total current liabilities		1,596	1,557	3,345	3,326
Non-current liabilities:					
Creditors and accruals	20	66	53		
Provisions	21	14	20		
Retirement plan liabilities	31	79	84		
Deferred tax liabilities	23	50	40		
Derivatives	25	38	56	38	56
Borrowings	24	1,644	1,761		41
Total non-current liabilities		1,891	2,014	38	97
Total liabilities		3,487	3,571	3,383	3,423
Equity					
Capital	10	2,624	2,606	2,645	2,628
Reserves		795	913	508	408
Shareholders' funds		3,419	3,519	3,153	3,036
Non-controlling interests	11	35	35		
Total equity		3,454	3,554	3,153	3,036
Total liabilities and equity		6,941	7,125	6,536	6,459

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

Statement of cash flows

For the year ended 30 June 2014

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Cash flow from operating activities				
Receipts from customers	8,323	8,539	33	26
Dividends received	12	19	300	140
Interest received			16	164
Total received	8,335	8,558	349	330
Payments to suppliers, employees and others	7,642	7,790		
Interest paid	131	149	20	28
Income tax paid	73	60	12	
Total applied	7,846	7,999	32	28
Net cash from operating activities	489	559	317	302
Cash flow from investing activities				
Sale of property, plant and equipment	13	18		
Sale of investments	1	9		
Sale of subsidiaries/businesses	21	64		
Total received	35	91		
Purchase of property, plant and equipment	260	233		
Purchase of investments		2		
Purchase of subsidiaries/businesses	4	11		
Total applied	264	246		
Net cash from investing activities	(229)	(155)		
Cash flow from financing activities				
Net debt drawdown	25			
Issue of capital notes	13			
Total received	38			
Net debt repayment		170	26	74
Repurchase of capital notes	43	57		
Advances to subsidiaries			48	59
Distribution to non-controlling interests	14	12		
Dividends	224	208	224	208
Total applied	281	447	298	341
Net cash from financing activities	(243)	(447)	(298)	(341)
Net movement in cash held	17	(43)	19	(39)
Add opening cash deposits	123	168	38	77
Effect of exchange rate changes on net cash	(6)	(2)		
Closing cash and liquid deposits	134	123	57	38

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 2014

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Cash was received from:				
Net earnings	339	326	306	239
Earnings attributable to non-controlling interests	12	11		
	351	337	306	239
Adjustment for items not involving cash:				
Depreciation, depletions and amortisation	203	220		
Significant items	22			
Provisions and other adjustments	(34)	(51)	13	(2)
Taxation	38	25	(20)	39
Gain on disposal of businesses and property, plant and equipment	(1)	(6)		
Non-cash adjustments	228	188	(7)	37
Cash flow from operations before net working capital movements	579	525	299	276
Net working capital movements	(90)	34	18	26
Net cash from operating activities	489	559	317	302
Net working capital movements*				
Debtors	(108)	34	19	17
Inventories	(104)	12		
Contracts	32	(6)		
Creditors	90	(6)	(1)	9
	(90)	34	18	26

* Included in the 2014 working capital movement is a land and development net payment of \$28 million (June 2013: net receipt of \$37 million).

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

Statement of accounting policies

For the year ended 30 June 2014

General information

The financial statements presented are those of Fletcher Building Limited (the company) and its subsidiaries (the group). The group is primarily involved in the manufacturing and distribution of building materials and residential and commercial construction.

Fletcher Building Limited is a company domiciled in New Zealand. The registered office of the company is 810 Great South Road, Penrose, Auckland.

The company 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 group is a profit oriented entity.

Basis of presentation

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.

These financial statements are presented in New Zealand dollars (\$), which is the group's functional and presentation currency and rounded to the nearest million unless otherwise stated.

The financial statements comprise the income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows, 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.

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

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.

Critical accounting estimates and judgements

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. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

Estimates

The estimates and assumptions that are critical to the determination of the amounts reported in the financial statements relate to the following:

Revenue from construction contracts

The construction contract accounting policy below requires estimates to be made of the outcome under each contract, which requires assessments and judgements to be made on a range of factors, such as: recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities, and changes in costs.

Intangible assets

Assessing the carrying value of goodwill and indefinite life brands requires management to estimate future cash flows to be generated by the related cash-generating unit or brand. The key assumptions used in the value in use models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply. Refer to notes 16 and 17 for further details.

Deferred tax assets

Estimates are required relating to the availability and utilisation of losses to be carried forward. Refer to note 23 for further details.

Retirement plan assets and liabilities

Principal assumptions made in the actuarial calculation of the defined benefit obligation relate to the discount rate, rate of salary inflation and life expectancy. Refer to note 31 for further details.

Provisions and contingent liabilities

Management consults with legal counsel on matters related to litigation, with respect to matters in the ordinary course of business. In respect of all claims and litigation, the group provides for anticipated costs in line with the accounting policy stated below. Refer to note 21 and note 28 for further details.

Fair value of derivatives

The valuation of derivatives is determined in accordance with the accounting policy stated below and as discussed in note 25(g).

Basis of consolidation

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

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights

to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation, from the date control commences until the date control ceases.

Non-controlling interests are allocated their share of profit for the year in the income statement and are presented separately within equity in the balance sheet. The effect of all transactions with non-controlling interests that change the group's ownership interest but do not result in a change in control are recorded in equity.

Associates

The equity method has been used for associate entities over which the group has significant influence but not control.

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.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. The group classifies its joint arrangements as either joint operations or joint ventures depending on the legal, contractual and other rights and obligations.

Where the interest in the joint arrangement is in the net residual of the business, the arrangement is a joint venture. Joint ventures are accounted for using the equity method. Under the equity method of accounting, investments in joint ventures are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the group's share of profit or loss and other comprehensive income of equity accounted investees.

Where the group has rights to the assets and obligations for the liabilities of the joint arrangement, this is a joint operation. The group recognises its share of assets, liabilities, revenue and expenses of each joint operation.

Valuation of assets

Property, plant 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 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 in the location and condition necessary for it to be capable of operating in the manner intended by management. 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, finance leased assets and fixtures and equipment are stated at cost, less accumulated depreciation.

Site development costs incurred in order to commence extraction are capitalised as resource extraction assets. Resource extraction assets are held at historic cost and depleted over the shorter of the life of the site or right to use period.

Other investments

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

Inventories

Inventories 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 and deposits

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 of an asset falls below its carrying value. The recoverable amount is determined to be the greater of the fair value, less disposal costs or the sum of expected future discounted net cash flows arising from the ownership of the asset. Future net cash flows 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 cash flows that are largely independent of the cash flows 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 annually and when an indication of impairment exists. 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 cash flows 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 plan assets and liabilities in respect of individual retirement plans are 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 the present value of any future refunds from the plans or reductions in future contributions to the plans. In the group's balance sheet, plans that are in a surplus position are not offset with plans that are in a liability position.

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 and other currency instruments designated as hedges of such investments are recognised directly in the currency translation reserve. The cumulative exchange variations would be reclassified subsequently to earnings if the overseas

operation to which the reserve relates were to be sold or otherwise disposed of.

Foreign currency transactions

Transactions in foreign currencies are translated at exchange rates at the date of the transactions.

Monetary assets and liabilities in foreign currencies at balance date are translated at the rates of exchange ruling at balance date.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in earnings, except where deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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.

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 are determined by applying quoted market prices, where available, or by using inputs that are observable for the asset or liability. Further information is included in note 25(g).

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

For the year ended 30 June 2014

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.

Cash flow hedges

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

Net investment hedges

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for on the same basis as cash flow 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 tax 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 expensed to earnings over the lease period. 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 on transaction date, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

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 an economic benefit 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 were 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.

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 and are accrued where declared prior to balance date.

Significant items

Transactions are classified as significant items when they meet certain criteria approved by the group's audit and risk committee. Significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for

classification as significant items include acquisition and disposal costs; impairment or reversal of impairment of assets; business integration; and transactions or events outside of the group's ongoing operations that have a significant impact on reported profit. Significant items have previously been referred to as Unusual items.

Depreciation

Depreciation of property, plant and equipment 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 retirement plan related actuarial gains or losses are recognised in other comprehensive income in the pension reserve in the year in which they arise.

Long service leave

The liability for long service leave is recognised in the employee entitlements liability and is measured as the present value of expected future long service leave payments to be made in respect of services provided by employees. Consideration is given to expected future wage and salary levels, experience of employee turnover and periods of service.

Research and development

Expenditure on research activities is recognised in earnings as incurred. Development expenditure is recognised as an asset if certain criteria, relating to technical feasibility and future economic benefits, are met. All other development expenditure is recognised in the income statement as incurred.

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.

Executive share scheme

The group has a long-term share-based performance incentive scheme targeted at certain group executives most able to influence the results of the group.

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 reduce the loan. The shares are held in trust for the executives by the Trustee, Fletcher Building Share Schemes Limited. Payment of half of any entitlement under the executive long-term 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 entitlement is dependent upon the group achieving an earnings per share target. Additionally, in respect of the entitlement which is dependent on total shareholders' return, the three year restrictive 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 restrictive period for up to one year if total shareholders' return is between the 51st and 75th percentile. No extension is permitted for the entitlement which is dependent upon achieving an earnings per share target.

At the end of the restrictive 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 generally sufficient for the executives to repay the balance of the loan in respect of the shares which are to be transferred. Due to the integrated nature of the scheme, for accounting purposes the group accounts for the incentive scheme as being equity-settled.

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, with a corresponding increase in the share-based payments reserve, over the restrictive period. If the performance targets based on total shareholder return are not met and the shares do not transfer to the executives, the amount in the share-based payments reserve will remain in 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 transfer, the amount in the share-based payments reserve will be released to earnings.

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. The shares are deducted from equity until the end of the restrictive period, at which point they transfer to the executive or novate to the Trustee.

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.

1. Changes in accounting policies

The following sets out the new accounting standards and amendments to standards that were applicable to the group from 1 July 2013.

NZ IAS 1 Presentation of Financial Statements (amendment), requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period, however, this has prescribed the way items of other comprehensive income are presented.

NZ IFRS 13 Fair Value Measurement, explains how to measure fair value and aims to enhance fair value disclosures. Adoption of NZ IFRS 13 has resulted in a change in the valuation methodology of the group’s financial instruments. In accordance with the transitional provisions of NZ IFRS 13, the group has applied the new fair value measurement guidance prospectively from 1 July 2013 and is not required to provide any comparative information for new disclosures. The one-off impact for the group from adopting NZ IFRS 13 was a charge of \$2 million (net of tax) for the year ended 30 June 2014.

There has been no material impact of any other relevant standards adopted in the year to 30 June 2014, including NZ IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*. However, certain comparatives have been re-presented to conform with the current period’s presentation.

A number of new standards, amendments and interpretations have been issued by the International Accounting Standards Board and the External Reporting Board in New Zealand that are not yet effective and have not been early adopted by the group. Those which may be relevant to the group are set out below:

NZ IFRS 9 Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It will eventually replace NZ IAS 39 *Financial Instruments – Recognition and Measurement* and is required to be adopted by the group in the financial statements for the year ending 30 June 2019.

NZ IFRS 15 Revenue from Contracts with Customers, was issued on 28 May 2014 and addresses recognition and measurement of revenue. It is required to be adopted by the group in the financial statements for the year ending 30 June 2018.

The group has not applied these new standards in preparing these financial statements and is assessing the impact on the group’s results.

In addition, from 1 April 2014, the new Financial Reporting Act 2013 came into effect, replacing the Financial Reporting Act 1993. This is effective for the group’s financial statements for the year ending 30 June 2015 and the change has no impact on the group’s obligation to prepare financial statements.

As well as the change in legislation the External Reporting Board of New Zealand (‘XRB’) has released a new accounting standards framework, which establishes the financial standards to be applied to entities with statutory reporting obligations. Under the new framework the group continues to apply NZ IFRS as applicable for Tier 1 for-profit entities (as defined by the XRB).

2. Segmental information

Industry segments	Year ended June 2014	Year ended June 2013	Year ended June 2014	Year ended June 2013
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
	Gross sales	Gross sales	External sales	External sales
Infrastructure Products	2,494	2,526	2,050	2,095
Building Products	1,470	1,524	1,288	1,350
Laminates & Panels	1,731	1,758	1,710	1,738
Distribution New Zealand	1,295	1,257	1,169	1,147
Distribution Australia	928	996	927	994
Construction	1,268	1,214	1,257	1,193
Other	7	7		
Group	9,193	9,282	8,401	8,517
less intercompany sales	(792)	(765)		
Group external sales	8,401	8,517	8,401	8,517

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (note 4)	Significant items in EBIT
Infrastructure Products	229	222	(20)	
Building Products	135	122		
Laminates & Panels	124	120		
Distribution New Zealand	51	42		
Distribution Australia	17	8	(12)	
Construction	105	87		
Other	(37)	(32)		
Group	624	569	(32)	
Significant items	(32)			
Earnings before interest and taxation (EBIT) per income statement	592	569		

2. Segmental information continued

Industry segments	Year ended June 2014 NZ\$M Depreciation, depletion and amortisation expense	Year ended June 2013 NZ\$M Depreciation, depletion and amortisation expense	Year ended June 2014 NZ\$M Capital expenditure	Year ended June 2013 NZ\$M Capital expenditure
Infrastructure Products	87	90	66	77
Building Products	31	37	29	20
Laminates & Panels	53	60	115	109
Distribution New Zealand	13	12	13	11
Distribution Australia	8	9	3	6
Construction	8	8	9	5
Other	3	4	25	5
Group	203	220	260	233

	Funds*	Funds*		
Infrastructure Products	1,792	1,841		
Building Products	725	770		
Laminates & Panels	1,702	1,788		
Distribution New Zealand	196	251		
Distribution Australia	406	452		
Construction	116	69		
Other (including debt and taxation)	(1,483)	(1,617)		
Group	3,454	3,554		

Geographic segments	External sales	External sales	Funds*	Funds*
New Zealand	4,031	3,832	1,747	1,682
Australia	3,287	3,640	2,263	2,541
North America	392	396	240	238
Asia	263	255	424	436
Europe	322	307	292	291
Other jurisdictions	106	87	(13)	(18)
Debt and taxation			(1,499)	(1,616)
Group	8,401	8,517	3,454	3,554

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (note 4)	Significant items in EBIT
New Zealand	362	286	(20)	
Australia	171	203	(12)	
North America	40	40		
Asia	36	40		
Europe	3	(8)		
Other	12	8		
Group	624	569	(32)	
Significant items	(32)			
Earnings before interest and taxation (EBIT) per income statement	592	569		

	Non-current assets*	Non-current assets*		
New Zealand	1,160	1,193		
Australia	1,839	2,042		
North America	256	272		
Asia	357	373		
Europe	236	237		
Other	8	11		
Group	3,856	4,128		

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

*Excludes deferred tax assets, retirement plan surplus and financial instruments.

3. Specific disclosures

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
The following items are specific disclosures required to be made and are included within the income statement:				
Net periodic pension cost	10	14		
Employee related short-term costs ⁽¹⁾	1,370	1,436		
Other long-term employee related benefits	62	67		
Research and development expenditure	2	3		
Bad debts written off	5	7		
Donations and sponsorships	3	2		
Maintenance and repairs	158	169		
Operating lease expense	184	179		
Other gains and (losses) ⁽²⁾	(16)	4		
Auditor's fees and expenses payable for:				
Audit and review of the financial statements - KPMG	3	4		
All other services performed - KPMG ⁽³⁾	1	1		
(1) Remuneration for the executive committee included in the above is disclosed in note 29.				
(2) Other gains and (losses) include the following:				
Sale of assets	2	13		
Redundancies and restructuring costs	(18)	(11)		
Other		2		
	(16)	4		
(3) Fees paid to the auditor during the year for other services are mainly with respect to tax compliance work.				

4. Significant items

	Fletcher Building Group June 2014		
	Business disposal income and expenses NZ\$M	Impairment of Property, plant and equipment NZ\$M	Total NZ\$M
Infrastructure Products division ⁽¹⁾	5	15	20
Distribution Australia division ⁽²⁾	12		12
Total significant items before taxation	17	15	32
Tax (benefit)/charge on above items	(5)	(4)	(9)
Total significant items after taxation	12	11	23

2014

(1) The group sold parts of the Pacific Steel Group to BlueScope Steel Limited in June 2014 in a transaction with sale proceeds of \$60 million and a further consideration for net working capital of \$52 million. The gain on sale, offset by transaction costs, amounted to a \$4 million charge. In addition, there was a \$15 million adjustment to retained asset carrying values. Included in Other receivables at 30 June 2014 is an amount of \$82 million relating to deferred consideration.

In a separate transaction, a \$1 million loss was recorded on the sale of the group's investment in Fiji Industries Limited, a concrete business.

(2) In June 2014 the group entered into an agreement to sell its Hudson Building Supplies business to HTH Stores Pty Limited, conditional upon a number of matters, including Australian Competition and Consumer Commission clearance (subsequently received on 7 August 2014). Due to the anticipated loss on sale of \$12 million, the group has recorded an impairment charge against goodwill of \$8 million and provided for \$4 million of other charges related to the disposal.

2013

There were no items or transactions separately disclosed as significant items in the prior year.

5. Funding costs/(income)

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Interest expense				
Loans and derivatives	83	97	16	23
Capital notes	33	38		
Other	5			
Interest income				
Subsidiary companies			(15)	(163)
Cash and deposits	(1)	(1)	(1)	(1)
Other			(2)	
	120	134	(2)	(141)
Plus bank fees, registry and issue expenses	10	13	4	5
	130	147	2	(136)

Included in interest expense is the net settlement of the group's interest derivatives. This consisted of \$50 million of interest income and \$58 million of interest expense (2013: \$100 million interest income; \$110 million interest expense).

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

6. Taxation expense

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Earnings before taxation	462	422	298	278
Taxation at 28 cents per dollar	129	118	83	78
Adjusted for:				
Higher/(lower) tax rate in overseas jurisdictions	(1)	1		
Non assessable income	(9)	(9)	(91)	(39)
Non deductible expenses	5	3		
Tax losses not recognised	3	3		
Benefit of tax losses recognised		(5)		
Tax in respect of prior years	7	(2)		
Other permanent differences	(23)	(24)		
	111	85	(8)	39
Tax on earnings before significant items	120	85	(8)	39
Tax benefit on significant items	(9)			
	111	85	(8)	39
Total current taxation expense/(benefit)	109	104	(1)	39
Total deferred taxation expense/(benefit)	2	(19)	(7)	
	111	85	(8)	39

7. Shareholder tax credits

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Imputation credit account				
Imputation credits at the beginning of the year	1		1	
Taxation paid	34	34		
Imputation credits received		1		35
Imputation credits attached to dividends paid	(34)	(34)	(1)	(34)
	1	1		1

Fletcher Building's practice is to attach imputation credits to the final dividend and the company has until 31 March the following year to fund any deficiency in its imputation credit account.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 A\$M	Year ended June 2013 A\$M	Year ended June 2014 A\$M	Year ended June 2013 A\$M
Franking credit account				
Franking credits at the beginning of the year	12	49	5	40
Taxation paid	(1)		1	
Franking credits received	5	4	4	6
Franking credits attached to dividends paid		(41)		(41)
	16	12	10	5

8. Net earnings per share

The diluted net earnings per share calculation uses the weighted average number of shares as determined for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the company's shares and may therefore result in dilutive securities for purposes of determining the diluted net earnings per share. Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Numerator				
Net earnings	339	326		
Numerator for basic earnings per share	339	326		
Dilutive capital notes distribution	12	12		
Numerator for diluted net earnings per share	351	338		
Denominator (millions of shares)				
Denominator for basic net earnings per share	687	685		
Conversion of dilutive capital notes	27	26		
Denominator for diluted net earnings per share	714	711		

9. Dividends

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Dividends paid to shareholders	240	233	240	233
	240	233	240	233

On 20 August 2014 the directors declared a dividend of 18 cents per share, payable on 15 October 2014.

10. Capital

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Reported capital at the beginning of the year	2,628	2,603	2,628	2,603
Issue of shares	17	25	17	25
Reported capital at the end of the year including treasury stock	2,645	2,628	2,645	2,628
Treasury stock	(21)	(22)		
	2,624	2,606	2,645	2,628

All ordinary shares are issued and fully paid and carry equal rights in respect of voting, dividend payments and distribution upon winding up.

	Fletcher Building Group		Fletcher Building Limited	
	June 2014	June 2013	June 2014	June 2013
Number of ordinary shares:				
Number of shares on issue at the beginning of the year	686,096,427	682,866,936	686,096,427	682,866,936
Shares issued under the dividend reinvestment plan	1,758,361	3,229,491	1,758,361	3,229,491
Total number of shares on issue	687,854,788	686,096,427	687,854,788	686,096,427
Less accounted for as treasury stock	(2,575,905)	(2,998,233)		
	685,278,883	683,098,194	687,854,788	686,096,427

Share options:

On 1 September 2009 the company issued 500,000 share options under the executive option scheme. As at 30 June 2014 the exercise price of the share options was \$10.22 and is increased annually by the company's cost of capital, less actual dividends paid. The restrictive period was until 1 September 2012 and the final exercise date is 1 September 2015. On 1 October 2012 the company issued a further 500,000 options under the executive option scheme. At 30 June 2014 the exercise price of these share options was \$6.70. The restrictive period is until 1 October 2015 and the final exercise date is 1 October 2018.

The options carry no dividend or voting rights. The company has calculated the fair value of granting these options and has expensed \$0.1 million during the year in respect of the 2012 options to a share-based payment reserve.

11. Non-controlling interests

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Share capital	20	21		
Reserves	15	14		
	35	35		

12. Cash and deposits

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Cash and bank balances	76	90	3	9
Short-term deposits	58	33	54	29
	134	123	57	38

13. Debtors

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Trade debtors	1,004	1,071		
Contract debtors	157	95		
Contract retentions	16	18		
Less provision for doubtful debts	(26)	(41)		
Trade and contract debtors	1,151	1,143		
Other receivables	250	203	7	26
	1,401	1,346	7	26

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Current	859	815		
0 - 30 days over standard terms	221	255		
31 - 60 days over standard terms	33	43		
61+ days over standard terms	64	71		
Provision	(26)	(41)		
Trade and contract debtors	1,151	1,143		

14. Inventories

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Raw materials	354	300		
Work in progress	133	138		
Finished goods	831	856		
Consumable stores and spare parts	44	59		
	1,362	1,353		
Inventories held at cost	1,276	1,252		
Inventories held at net realisable value	86	101		
	1,362	1,353		

Included in inventories are land and developments to the value of \$280 million (June 2013: \$209 million) of which \$123 million is expected to be held for greater than 12 months (2013: \$65 million). The group also has conditional commitments for the purchase of land to be used for residential construction totalling \$196 million (June 2013: \$192 million). Delivery of this land is expected to take place in the period to 30 June 2019.

15. Property, plant and equipment

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 2013	335	483	2,350	489	113	4	3,774
Acquisitions during the year			4				4
Additions	2	9	142	94	13		260
Disposals	(3)	(7)	(100)	(3)	(11)	(1)	(125)
Currency translation	(26)	(33)	(130)	(24)	(7)		(220)
Gross value at 30 June 2014	308	452	2,266	556	108	3	3,693
Accumulated depreciation at 1 July 2013		(112)	(1,075)	(303)	(20)	(3)	(1,513)
Disposals		4	67	3	11	1	86
Impairments in the income statement (note 4)		(13)	(2)				(15)
Depreciation expense		(17)	(142)	(37)	(4)	(1)	(201)
Currency translation		7	58	10	1		76
Accumulated depreciation at 30 June 2014		(131)	(1,094)	(327)	(12)	(3)	(1,567)
Net book value at 30 June 2014	308	321	1,172	229	96		2,126
Gross value at 1 July 2012	354	475	2,385	410	114	4	3,742
Acquisitions during the year	1	4	3				8
Additions		24	105	98	6		233
Disposals	(4)	(6)	(72)	(14)	(3)		(99)
Acquisition restatement during the year			(14)				(14)
Currency translation	(16)	(14)	(57)	(5)	(4)		(96)
Gross value at 30 June 2013	335	483	2,350	489	113	4	3,774
Accumulated depreciation at 1 July 2012		(100)	(987)	(285)	(20)	(2)	(1,394)
Disposals		3	43	15	4		65
Depreciation expense		(17)	(158)	(38)	(4)	(1)	(218)
Currency translation		2	27	5			34
Accumulated depreciation at 30 June 2013		(112)	(1,075)	(303)	(20)	(3)	(1,513)
Net book value at 30 June 2013	335	371	1,275	186	93	1	2,261

As at 30 June 2014 property, plant and equipment includes \$161 million of assets under construction (June 2013: \$117 million).

16. Goodwill

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Goodwill acquired at cost	1,373	1,373		
Accumulated currency translation	(70)	19		
Accumulated impairment	(181)	(173)		
Goodwill at the end of the year	1,122	1,219		
Goodwill at the beginning of the year	1,219	1,243		
Acquired during the year		3		
Acquisition restatement during the year		8		
Impairments in the income statement (note 4)	(8)			
Currency translation	(89)	(35)		
	1,122	1,219		
Formica Asia	208	234		
Tradelink	201	223		
The Laminex Group	161	178		
Iplex New Zealand	105	105		
Stramit Corporation	97	108		
Homapal Plattenwerk GmbH	79	85		
Humes Pipeline Systems	50	50		
Forman Insulation	46	46		
Tasman Insulation New Zealand	44	43		
Tasman Sinkware	38	42		
Iplex Australia	34	37		
Roof Tile Group	23	23		
Other subsidiaries	36	45		
Goodwill by major subsidiaries	1,122	1,219		

Goodwill impairment review:

Goodwill was tested for impairment in June 2014. Each business unit which carries goodwill has prepared a discounted cash flow 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 cash flow projections are principally based on the group's three year strategic plan approved by the directors, which has been extended for a further two years. Cash flows beyond five years 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 2.5-3%, with the majority of the business units using 2.5%. The cash flows are discounted using a nominal rate of 9.5% after tax, with the exception of Formica, which has used 9%. This adjustment to the standard rate of 9.5% 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 cash flows.

The group operates in cyclical markets, which face uncertain market conditions that make it difficult to predict future profitability. Residential markets are still below long-term averages in many jurisdictions, however, there has been a continued improvement experienced in New Zealand and USA.

The group has identified certain business units where the review indicated the recoverable amount was only marginally in excess of the carrying amount. Management has implemented a number of strategies and initiatives to achieve an appropriate improvement in earnings before interest and taxation. If this improvement does not eventuate there would be a need for an impairment in the future.

The impairment review confirmed that, for all other business units, there is headroom over the carrying value and as such there are no impairment issues necessitating a write down of goodwill at 30 June 2014.

17. Intangible assets

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Brands	459	504		
Other intangible assets	15	19		
	474	523		
Brands				
Brands at the beginning of the year	504	511		
Acquisition restatement during the year		14		
Brands in subsidiaries sold during the year		(1)		
Currency translation	(45)	(20)		
	459	504		
The Laminex Group	132	145		
Formica Corporation (including Homapal)	125	140		
Tradelink	52	57		
Stramit Corporation	43	47		
Iplex Australia	36	40		
Other subsidiaries	71	75		
Brands by major subsidiaries	459	504		

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 cash flows. 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 2014 on a value in use basis. This exercise confirmed that there are no impairment issues necessitating a write down.

Other intangible assets				
Other intangible assets at cost	38	38		
Currency translation	(3)	(1)		
Accumulated amortisation	(20)	(18)		
Other intangible assets at the end of the year	15	19		
Other intangible assets at the beginning of the year	19	21		
Currency translation	(2)			
Charged to earnings	(2)	(2)		
	15	19		

18. Other investments

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Retirement plan surplus (note 31)	61	42		
Other investments	1	1		
Investment in subsidiary companies (note 30)			5,452	5,447
	62	43	5,452	5,447

19. Investments in associates and joint ventures

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Carrying amount of associates/joint ventures:				
Carrying amount at the beginning of the year	124	137		
New investment in associates/joint ventures	9			
Loans to associates/joint ventures		1		
Share of profits of associates/joint ventures	24	21		
Sale of investment in associates/joint ventures	(1)	(9)		
Currency translation	(11)	(7)		
Dividends from associates/joint ventures	(12)	(19)		
Investment in associates and joint ventures	133	124		
Investment by associate/joint venture:				
Wespine Industries Pty Limited	44	48		
Momentive Specialty Chemicals Australia Pty Ltd	18	19		
Sims Pacific Metals Limited	26	20		
Mt Marrow Blue Metal Quarries Pty Limited	10	11		
Mittagong Sands Pty Limited	5	6		
Regional Resources NW Quarrying	4	4		
Other	26	16		
	133	124		
Associate and joint venture information:				
Balance sheet information for associates and joint ventures - 100%				
Assets	313	310		
Liabilities	(147)	(162)		
Equity	166	148		
Equity - Fletcher Building share	77	64		
Goodwill acquired at cost	52	56		
Loans to associates and joint ventures	4	4		
Investment in associates and joint ventures	133	124		
Equity accounted earnings comprise:				
Sales - 100%	519	525		
Earnings before taxation - 100%	60	53		
Earnings before taxation - Fletcher Building share	30	26		
Taxation expense	(6)	(5)		
Earnings after taxation - Fletcher Building share	24	21		

20. Creditors and accruals

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Trade creditors	857	811		
Contract retentions	31	31		
Accrued interest	30	31		
Other liabilities	130	128		1
Employee entitlements	235	254		
Workers' compensation schemes	17	19		
	1,300	1,274		1
Current portion	1,234	1,221		1
Non-current portion	66	53		
Carrying amount at the end of the year	1,300	1,274		1

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

21. Provisions

	Fletcher Building Group			
	Restructuring NZ\$M	Warranty & Environmental NZ\$M	Other NZ\$M	Total NZ\$M
June 2014				
Carrying amount at the beginning of the year	9	39	29	77
Currency translation	(1)	(3)	(1)	(5)
Charged to earnings	3	12	23	38
Settled or utilised	(5)	(13)	(9)	(27)
Released to earnings	(2)	(7)	(6)	(15)
	4	28	36	68
June 2013				
Carrying amount at the beginning of the year	37	43	34	114
Currency translation		(1)	(1)	(2)
Charged to earnings	8	16	16	40
Settled or utilised	(33)	(15)	(17)	(65)
Released to earnings	(3)	(4)	(3)	(10)
	9	39	29	77

During the year the group utilised \$5 million (30 June 2013: \$33 million) in respect of restructuring obligations at certain businesses. The remaining balance is expected to be utilised in the next year. 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, including a \$10 million provision for costs from the disposal of parts of the Pacific Steel Group, which are expected to be utilised within the next two years (refer note 4). No other individual amounts are significant.

	Fletcher Building Group		Fletcher Building Limited	
	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M	Year ended June 2014 NZ\$M	Year ended June 2013 NZ\$M
Current portion	54	57		
Non-current portion	14	20		
Carrying amount at the end of the year	68	77		

22. Construction contracts

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Gross construction work in progress plus margin to date	2,855	2,699		
Progress billings	(2,985)	(2,801)		
	(130)	(102)		
Construction contracts with net work in progress	12	18		
Construction contracts with billing in advance of cost and margin	(142)	(120)		
Carrying amount at the end of the year	(130)	(102)		

Included in sales is \$1,069 million of contract revenue (June 2013: \$972 million).

23. Taxation

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Current tax assets/(liabilities)				
Included within the balance sheet as follows:				
Current tax assets	55	30	12	
Current tax liabilities	(22)	(15)		(38)
	33	15	12	(38)
Opening provision for current tax assets/(liabilities)	15	28	(38)	(12)
Taxation (expense)/benefit	(109)	(104)	1	(39)
Transfer from deferred taxation	17	17	(1)	1
Transfers from intercompany			19	12
Transfers from other receivables	19		19	
Acquisitions and restatement of acquisitions		(3)		
Non-controlling interest share of taxation expense	3	4		
Tax recognised directly in reserves	15	13		
Net tax payments	73	60	12	
	33	15	12	(38)
Provision for deferred tax assets/(liabilities)				
Included within the balance sheet as follows:				
Deferred tax assets	25	32	7	13
Deferred tax liabilities	(50)	(40)		
	(25)	(8)	7	13
Opening provision for deferred tax assets/(liabilities)	(8)	18	13	15
Taxation (expense)/benefit	(2)	19	7	
Transfer to current tax	(17)	(17)	1	(1)
Acquisitions and restatement of acquisitions		(1)		
Tax recognised directly in reserves	2	(27)	(14)	(1)
	(25)	(8)	7	13

23. Taxation continued

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Composed of:				
Provisions	121	132		
Inventories	17	16		
Debtors	7	11		
Property, plant and equipment	(65)	(72)		
Brands	(139)	(151)		
Tax losses	23	35		
Pensions	7	14		
Other	4	7	7	13
	(25)	(8)	7	13

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

The group has recognised certain tax losses available in USA, Germany and the UK on the basis that the respective companies will have future assessable income. The tax losses have been recognised on the basis of the forecast earnings before interest and taxation set out in the companies' strategic plans. The group reviews future loss utilisations annually.

The group has unrecognised tax losses in France, Spain, Sweden, UK and China of \$96 million representing \$344 million of gross tax losses (June 2013: \$95 million, \$337 million gross losses).

24. Borrowings

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Other loans	64	39	30	15
Capital notes	74	112		
Current borrowings	138	151	30	15
Bank loans	122	136		
Private placements	1,128	1,246		37
Other loans	68	57		4
Capital notes	326	322		
Non-current borrowings	1,644	1,761		41
Carrying value of borrowings (as per balance sheet)	1,782	1,912	30	56
Less impact of debt hedging activities (included within derivatives)	5	(13)	5	(13)
Borrowings after impact of hedging activities	1,787	1,899	35	43
Less fair value adjustment included in borrowings	(25)	(28)		(41)
Borrowings excluding derivative adjustments	1,762	1,871	35	2
Total available funding	2,378	2,690		
Unutilised banking facilities	616	819		

The undrawn facilities have a weighted average maturity of 3.5 years (June 2013: 2.4 years).

Negative pledge

The group borrows certain funds based on a negative pledge arrangement. The negative pledge includes a cross guarantee between a number of wholly owned subsidiaries and 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 2014 the group had debt subject to the negative pledge of \$1,308 million (June 2013: \$1,394 million).

Bank loans

At 30 June 2014 the group had a syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis, with ANZ Bank New Zealand Limited, The Bank of Tokyo Mitsubishi UFJ, Bank of New Zealand, Commonwealth Bank of Australia, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited and Westpac New Zealand Limited. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2014, 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 2014, and throughout the year, the group was in compliance with the covenants.

24. Borrowings continued

Other loans

At 30 June 2014 the group had \$25 million (June 2013: \$31 million) of loans which are secured against the subsidiaries' own balance sheet or against specific assets and had unsecured loans at 30 June 2014 of \$107 million (June 2013: \$65 million) some of which are subject to the negative pledge. Other loans include bank overdrafts, short-term loans, working capital facilities, financial leases, PlaceMakers joint venture funding, amortising loans and discounted receivables.

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 are 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% 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 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 2014 were to be converted to Fletcher Building shares, 46 million (June 2013: 51 million) would be issued at the share price as at 30 June 2014 of \$8.81 (June 2013: \$8.43).

As at 30 June 2014 the group held \$131 million (30 June 2013: \$102 million) of capital notes as treasury stock.

Fair value adjustment included in borrowings

This is the revaluation of certain borrowings that have been designated in fair value hedge relationships for changes in benchmark interest rates.

Credit rating

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

25. Financial instruments

Financial risk management overview

Exposures to credit, liquidity, currency, interest rate and commodity price risks arise in the normal course of the group's business. The principles under which these risks are managed are set out in policy documents approved by the board. The policy documents identify the risks and set out the group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the group's businesses. Risk management is carried out in conjunction with the group's central treasury function, 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. Refer to note 13 for debtor ageing 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. Credit risks may be further mitigated by registering an interest in the goods sold and the proceeds arising from that supply. The group does not otherwise 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 but 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 overdue 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 ongoing basis.

The following maturity analysis table sets out the remaining contractual undiscounted cash flows, 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.

25. Financial instruments continued

Fletcher Building Group – June 2014					
(b) Liquidity Risk continued	Contractual cash flows 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	122			122	
Capital notes	400	74	94	232	
Private placements	1,103		144	362	597
Other loans	132	64	60	6	2
Non-derivative financial liabilities - Principal cash flows	1,757	138	298	722	599
Gross settled derivatives - To pay	540	197			343
Gross settled derivatives - To receive	(535)	(195)			(340)
Debt derivatives financial instruments - Principal cash flows	5	2			3
Total principal cash flows	1,762	140	298	722	602
Contractual interest cash flows	523	105	92	170	156
Total contractual cash flows	2,285	245	390	892	758

Fletcher Building Group – June 2013					
	Contractual cash flows 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	136			136	
Capital notes	430	112	74	226	18
Private placements	1,223			549	674
Other loans	95	39	3	52	1
Non-derivative financial liabilities - Principal cash flows	1,884	151	77	963	693
Gross settled derivatives - To pay	617	236			381
Gross settled derivatives - To receive	(630)	(243)			(387)
Debt derivatives financial instruments - Principal cash flows	(13)	(7)			(6)
Total principal cash flows	1,871	144	77	963	687
Contractual interest cash flows	650	120	109	215	206
Total contractual cash flows	2,521	264	186	1,178	893

Fletcher Building Limited – June 2014					
	Contractual cash flows 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					
Other loans	30	30			
Non-derivative financial liabilities - Principal cash flows	30	30			
Gross settled derivatives - To pay	1,021	197		140	684
Gross settled derivatives - To receive	(1,019)	(195)		(140)	(684)
Debt derivatives financial instruments - Principal cash flows	2	2			
Total principal cash flows	32	32			
Contractual interest cash flows	(3)	3	(3)	(2)	(1)
Total contractual cash flows	29	35	(3)	(2)	(1)

25. Financial instruments continued

Fletcher Building Limited – June 2013					
	Contractual cash flows NZ\$M	Up to 1 Year NZ\$M	1-2 Years NZ\$M	2-5 Years NZ\$M	Over 5 Years NZ\$M
(b) Liquidity Risk continued					
Bank loans					
Other loans	15	15			
Non-derivative financial liabilities - Principal cash flows	15	15			
Gross settled derivatives - To pay	1,150	236		146	768
Gross settled derivatives - To receive	(1,166)	(243)		(155)	(768)
Debt derivatives financial instruments - Principal cash flows	(16)	(7)		(9)	
Total principal cash flows	(1)	8		(9)	
Contractual interest cash flows	(6)	8	2	(10)	(6)
Total contractual cash flows	(7)	16	2	(19)	(6)

(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 15 years. Net investment, cash flow 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. Cash flow 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 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Australian dollar	782	925	104	173
Euro	74	68	16	10
British pound	22	20	118	115
New Zealand dollar	649	619	80	14
United States dollar	175	207	(286)	(313)
Indian Rupee	10	3		
Chinese Renminbi	50	29		
Currency translation risk - Foreign currency borrowings	1,762	1,871	32	(1)

(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 cash flow 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. Cash flow 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 at 30 June 2014 was \$338 million (June 2013: \$357 million).

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows 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 40-70% and at 30 June 2014 the group was within the range at 60% fixed (June 2013: 74% 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. The financial instruments entered into are in Australian dollars, United States dollars, Euros, Japanese Yen and New Zealand dollars and will mature over the next 14 years.

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

25. Financial instruments continued

(d) Interest rate risk continued

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 6.22% (June 2013: 6.65%).

	Fletcher Building Group		Fletcher Building Limited	
	June 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Floating	701	495	(126)	(377)
Fixed up to 1 year	161	254	87	143
Fixed 1-2 years	118	428		354
Fixed 2-5 years	615	491	162	(17)
Fixed over 5 years	167	203	(91)	(104)
Total financial liabilities	1,762	1,871	32	(1)
Floating financial assets	(134)	(123)	(57)	(39)

(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% of the New Zealand business units' electricity requirements for up to three years. Cash flow 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 2014 NZ\$M	June 2013 NZ\$M	June 2014 NZ\$M	June 2013 NZ\$M
Fixed up to 1 year	13	8	13	8
Fixed 1-2 years	18	34	18	34
Fixed 2-5 years		18		18
Total	31	60	31	60
	NZ\$/MWh	NZ\$/MWh	NZ\$/MWh	NZ\$/MWh
Average hedge price	93	92	93	92

Aluminium and copper are also hedged but the volume and values are not material.

(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 assume that all other variables remain constant, except for the change in the chosen risk variable.

(i) Foreign currency risk

It is estimated a 10% weakening of the New Zealand dollar against the major foreign currencies the group is exposed to on the net assets of its foreign operations would result in an increase to equity of approximately \$260 million (June 2013: \$273 million) and no material impact on earnings.

(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 \$1.7 million on the group's debt portfolio exposed to floating rates at balance date (June 2013: \$3.7 million).

(iii) Commodity price risk

It is estimated a 10% increase in the New Zealand electricity spot price at balance date would not materially impact the group's earnings but this would result in an increase in equity of \$2 million (June 2013: \$4 million).

25. Financial instruments continued**(g) Fair values**

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

Fletcher Building Group					
NZ\$M	Classification	June 2014		June 2013	
		Carrying Value NZ\$M	Fair Value NZ\$M	Carrying Value NZ\$M	Fair Value NZ\$M
Bank loans	Amortised cost	122	122	136	136
Private placements	Amortised cost	1,128	1,266	1,246	1,297
Other loans	Amortised cost	132	132	96	96
Capital notes	Amortised cost	400	407	434	449
Borrowings		1,782	1,927	1,912	1,978
Forward exchange contracts - fair value hedge	Fair value through P&L	1	1	(4)	(4)
Forward exchange contracts - net investment hedge	Fair value through P&L			5	5
Forward exchange contracts - cash flow hedge	Fair value through P&L	(1)	(1)	(1)	(1)
Cross currency interest rate swaps - cash flow hedge	Fair value through P&L	5	5	3	3
Cross currency interest rate swaps - net investment hedge	Fair value through P&L			(12)	(12)
Cross currency interest rate swaps - fair value hedge	Fair value through P&L	4	4	12	12
Cross currency interest rate swaps - FX spot value	Fair value through P&L	3	3	(6)	(6)
Interest rate swaps - fair value hedge	Fair value through P&L	(27)	(27)	(40)	(40)
Interest rate swaps - cash flow hedge	Fair value through P&L	16	16	24	24
Electricity price swaps - cash flow hedge	Fair value through P&L	8	8	15	15
Derivatives		9	9	(4)	(4)
Creditors and accruals	Amortised cost	1,300	1,300	1,274	1,274
Debtors	Loans and receivables	(1,401)	(1,401)	(1,346)	(1,346)
Cash and liquid deposits	Loans and receivables	(134)	(134)	(123)	(123)
Total financial instruments		1,556	1,701	1,713	1,779

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

Fair value measurement

Financial instruments measured and recognised at fair value are derivatives 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 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 cash flows 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 under level 2, by discounting future principal and interest cash flows at the current market interest rate plus an estimated credit margin that is available for similar financial instruments with a similar credit profile to the group.

The interest rates across all currencies used to discount future principal and interest cash flows are between 1.17% and 10.04% (June 2013: 1.2% and 11.12%) including margins, for both accounting and disclosure purposes.

(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 net debt to net debt plus equity and the target gearing range is 30-40%. A target leverage range has been introduced that reflects the ratio of debt to cash flow. Expressed as a ratio of net debt to EBITDA, the target range is 2.0-2.5 times. It is intended that the group will not be materially outside the target gearing and leverage ranges on a long-term basis.

25. Financial instruments continued

(i) Master Netting or similar agreements

All derivatives are reported in the balance sheet as gross, there are no amounts offset in accordance with NZ IAS 32 offsetting criteria. The group has ISDA agreements in place for all derivatives but the netting arrangements are only enforceable in the event of 'early termination', for example when a credit default or tax event occurs. In the ordinary course of business these agreements do not meet the criteria for offsetting in the balance sheet.

Financial assets and financial liabilities that are subject to offsetting, enforceable master netting arrangements or similar agreements:

Fletcher Building Group – June 2014							
Description of types of financial assets/(liabilities)	Gross amounts of recognised financial assets and financial liabilities NZ\$M	Gross amounts of recognised financial liabilities and financial assets offset in the balance sheet NZ\$M	Net amounts of financial assets and financial liabilities presented in the balance sheet NZ\$M	Financial Instruments NZ\$M	Cash collateral received NZ\$M	Net amount NZ\$M	
Derivative financial assets	47		47	(14)		33	
Derivative financial liabilities	(56)		(56)	14		(42)	
Total derivatives	(9)		(9)			(9)	

Fletcher Building Group – June 2013							
Description of types of financial assets/(liabilities)	Gross amounts of recognised financial assets and financial liabilities NZ\$M	Gross amounts of recognised financial liabilities and financial assets offset in the balance sheet NZ\$M	Net amounts of financial assets and financial liabilities presented in the balance sheet NZ\$M	Financial Instruments NZ\$M	Cash collateral received NZ\$M	Net amount NZ\$M	
Derivative financial assets	71		71	(20)		51	
Derivative financial liabilities	(67)		(67)	20		(47)	
Total derivatives	4		4			4	

Fletcher Building Limited – June 2014							
Description of types of financial assets/(liabilities)	Gross amounts of recognised financial assets and financial liabilities NZ\$M	Gross amounts of recognised financial liabilities and financial assets offset in the balance sheet NZ\$M	Net amounts of financial assets and financial liabilities presented in the balance sheet NZ\$M	Financial Instruments NZ\$M	Cash collateral received NZ\$M	Net amount NZ\$M	
Derivative financial assets	47		47	(14)		33	
Derivative financial liabilities	(54)		(54)	14		(40)	
Total derivatives	(7)		(7)			(7)	

Fletcher Building Limited – June 2013							
Description of types of financial assets/(liabilities)	Gross amounts of recognised financial assets and financial liabilities NZ\$M	Gross amounts of recognised financial liabilities and financial assets offset in the balance sheet NZ\$M	Net amounts of financial assets and financial liabilities presented in the balance sheet NZ\$M	Financial Instruments NZ\$M	Cash collateral received NZ\$M	Net amount NZ\$M	
Derivative financial assets	71		71	(20)		51	
Derivative financial liabilities	(66)		(66)	20		(46)	
Total derivatives	5		5			5	

26. Capital expenditure commitments

	Fletcher Building Group	
	June 2014 NZ\$M	June 2013 NZ\$M
Committed at year end	64	70
Approved by the directors but uncommitted at year end	31	66
	95	136

27. Lease commitments

	Fletcher Building Group	
	June 2014 NZ\$M	June 2013 NZ\$M
Expected future minimum lease payments on non-cancellable leases:		
Within one year	177	173
Within two years	152	153
Within three years	110	118
Within four years	84	88
Within five years	58	71
After five years	133	162
	714	765

Operating lease commitments relate mainly to occupancy leases of buildings.

28. 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 2014 NZ\$M	June 2013 NZ\$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	195	184
Letters of credit	1	1

The New Zealand plasterboard business is subject to an ongoing inquiry by the New Zealand Commerce Commission into supply arrangements with building supplies merchants. The company is fully cooperating with requests for information. As at 20 August 2014 the regulator had not concluded the inquiry.

29. Related party transactions

Trading activities with related parties	Sales to related parties NZ\$M	Purchases from related parties NZ\$M	Amounts owing from related parties (included within debtors) NZ\$M	Amounts owing to related parties (included within creditors) NZ\$M
Fletcher Building Group - 2014				
Sims Pacific Metals Limited		104		5
Wespine Industries Pty Limited and Momentive Specialty Chemicals Australia Pty Ltd		81		14
Dongwha Pattina NZ Limited		16		1
Mt Marrow Blue Metal Quarries Pty Limited		1		
Fletcher Residential Joint Ventures	14		4	
Fletcher Building Group - 2013				
Sims Pacific Metals Limited		112		4
Wespine Industries Pty Limited and Momentive Specialty Chemicals Australia Pty Ltd		32		2
Dongwha Pattina NZ Limited		14		
Mt Marrow Blue Metal Quarries Pty Limited		2		
			Fletcher Building Group	Fletcher Building Limited
			June 2014 NZ\$M	June 2013 NZ\$M
			June 2014 NZ\$M	June 2013 NZ\$M
Key management personnel compensation				
Directors' fees		2	2	
Executive committee remuneration paid, payable or provided for:				
Short-term employee benefits		15	15	
Termination benefits		2	2	
Share based payments		2	2	
Fletcher Building Limited				
Dividend income received from subsidiary companies			300	140
Term receivable owing from subsidiary companies ⁽¹⁾			954	864
Liability owing to subsidiary companies ⁽²⁾			52	7
Liability owing to subsidiary companies ⁽³⁾			1,239	955
Liability owing to subsidiary companies ⁽⁴⁾			2,008	2,300

(1) These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 10.2%.

(2) These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at 7.5%.

(3) These unsecured advances represent long-term funding even though they are for no fixed term and bear interest at various interest rates.

(4) These unsecured advances represent long-term funding even though they are for no fixed term and are 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 arrangements. A full list of all the subsidiaries of the group is included in the Regulatory Disclosures section of this annual report.

Fletcher Building Retirement Plan

As at 30 June 2014 Fletcher Building Nominees Limited (the New Zealand retirement plan) held \$5,300,000 of shares and \$18,500,000 of capital notes in Fletcher Building (June 2013: \$7,300,000 of shares; \$13,500,000 of capital notes) in respect of economic interests that members of the retirement plan have in Fletcher Building shares and capital notes.

30. Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building Group. The principal subsidiaries, associates and joint arrangements, as at 30 June 2014, 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	Infrastructure products
Fletcher Distribution Limited	NZ	100	Distribution
Fletcher Steel Limited	NZ	100	Infrastructure products
Fletcher Residential Limited	NZ	100	Construction
The Fletcher Construction Company Limited	NZ	100	Construction
Winstone Wallboards Limited	NZ	100	Building products
Fletcher Property Limited	NZ	100	Property management
PlaceMakers subsidiaries - wholly owned	NZ	100	Distribution
PlaceMakers subsidiaries - joint venture ownership	NZ	50.1	Distribution
Fletcher Building Industries Limited	NZ	100	Holding company
Tasman Insulation New Zealand Limited	NZ	100	Building products
AHI Roofing Limited	NZ	100	Building products
Forman Group Limited	NZ	100	Building products
Crane Distribution NZ Limited	NZ	100	Distribution
Fletcher Building (Australia) Pty Limited	Australia	100	Holding company
Laminex Group Limited	Australia	100	Laminates & panels
Fletcher Insulation Pty Limited	Australia	100	Building products
Tasman Sinkware Pty Limited	Australia	100	Building products
Rocla Pty Limited	Australia	100	Infrastructure products
Stramit Corporation Pty Limited	Australia	100	Building products
Crane Distribution Limited	Australia	100	Distribution
Hudson Building Supplies Pty Limited	Australia	100	Distribution
Iplex Pipelines Australia Pty Limited	Australia	100	Infrastructure products
Kingston Bridge Engineering Pty Limited	Australia	100	Infrastructure products
Laminex Finance Pty Ltd	Australia	100	Finance
Fletcher Building (Fiji) Limited	Fiji	100	Infrastructure products
Fletcher Construction (Solomon Islands) Limited	Solomon Islands	100	Construction
Fletcher Morobe Construction Pty Limited	Papua New Guinea	100	Construction
Decra Roofing Systems Inc.	USA	100	Building products
Formica Corporation	USA	100	Laminates & panels
Diller Corporation	USA	100	Laminates & panels
Formica Canada Inc.	Canada	100	Laminates & panels
Formica Limited	UK	100	Laminates & panels
Formica S.A.	Spain	100	Laminates & panels
Shanghai Formica Decorative Material Co. Ltd	China	100	Laminates & panels
Formica Decorative Materials (China) Co. Ltd	China	100	Laminates & panels
Formica IKI Oy	Finland	100	Laminates & panels
Formica Scandinavian AB	Sweden	100	Laminates & panels
Formica (Thailand) Co., Ltd	Thailand	100	Laminates & panels
Homopal Plattenwerk GmbH & Co. KG.	Germany	100	Laminates & panels
Formica Laminates (India) Pte Limited	India	100	Laminates & panels
Formica Taiwan Corporation	Taiwan	100	Laminates & panels
Formica (Asia) Limited	Hong Kong	100	Laminates & panels

30. Principal operations continued

	Country of domicile	% Holding	Principal activity
Associates and joint ventures			
Wespine Industries Pty Limited	Australia	50	Saw miller
Momentive Specialty Chemicals Australia Pty Ltd	Australia	50	Building products
Mt Marrow Blue Metal Quarries Pty Limited	Australia	50	Quarrying
Mittagong Sands Pty Limited	Australia	50	Quarrying
Regional Resources NW Pty Ltd	Australia	50	Quarrying
Sims Pacific Metals Limited	NZ	50	Metal recycling
Dongwha Pattina NZ Limited	NZ	20	Building products
Joint operations			
Well-Connected Joint Operation	NZ	32	Construction
MacKays to Peka Peka Alliance	NZ	75	Construction

31. 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. Where the plans have a deficit in their funded status, 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 recognising the volatility in the returns earned by the plans in the pension reserve.

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 2014 the value of the assets was 130% of the actuarial liability and the funded surplus was \$64 million (31 March 2013: 129%, \$62 million).

During the year the group contributed \$3 million in respect of its Australian defined benefit plans and \$16 million in respect of its Formica defined benefit and medical plans.

It contributed \$43 million in respect of its defined contribution plans worldwide, including Kiwisaver.

	Fletcher Building Group	
	June 2014 NZ\$M	June 2013 NZ\$M
Net periodic pension cost		
Service cost	9	10
Net interest cost	1	4
Net periodic pension cost - recognised in earnings before interest and taxation	10	14
Recognised net asset/(liability)		
Assets of plans	742	743
Projected benefit obligation	(760)	(785)
Funded surplus/(obligation)	(18)	(42)
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	51	37
Australian plans	10	5
Retirement plan surplus - recognised within other investments (note 18)	61	42
Other overseas plans	(79)	(84)
Retirement plan liability - recognised within non-current liabilities	(79)	(84)
Recognised net asset/(liability)	(18)	(42)

31. Retirement plans continued

	Fletcher Building Group	
	June 2014 NZ\$M	June 2013 NZ\$M
Movement in recognised net asset/(liability)		
Recognised net asset/(liability) at the beginning of the year as previously reported	(42)	45
Change in accounting policy*		(182)
Recognised net asset/(liability) at the beginning of the year (as restated in 2013)	(42)	(137)
Currency translation	5	
Actuarial movements for the year	10	85
Net periodic pension cost	(10)	(14)
Employer contributions	19	24
Recognised net asset/(liability)	(18)	(42)
*The group adopted NZ IAS 19 <i>Employee Benefits</i> in the prior year. As a result \$182 million was written off to the pension reserve (\$151 million net of tax).		
Assets of the plans		
Assets of plans at the beginning of the year	743	663
Actual return on assets	59	113
Total contributions	24	29
Benefit payments	(57)	(53)
Currency translation	(27)	(9)
	742	743
Assets of the plans consist of:		
Australasian equities	72	80
International equities	331	307
Property	33	35
Bonds	222	282
Cash and short-term deposits	61	14
Other assets	23	25
	742	743
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	(785)	(800)
Service cost	(9)	(10)
Interest cost	(29)	(28)
Member contributions	(5)	(5)
Actuarial gain/(loss) arising on movements in the discount rate	(2)	(15)
Actuarial gain/(loss) arising on changes in financial assumptions	(11)	15
Actuarial gain/(loss) arising on other assumptions - experience adjustments	(8)	(4)
Benefit payments	57	53
Currency translation	32	9
	(760)	(785)

31. Retirement plans continued

Assumptions used

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

	June 2014 %	June 2013 %
Assumed discount rate on benefit obligations	4.14	4.14
Annual rate of increase in future compensation levels	2.77	2.70

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

The group expects to contribute at least \$19 million to its overseas defined benefit plans during the year to 30 June 2015.

32. Share-based payments

Executive share schemes

The group has a long-term share-based incentive scheme targeted at the executives most able to influence the results of the group. Refer to the accounting policies for a description of the scheme.

The following are details with regard to the scheme:

	2013 Award	2012 Award	2011 Award
Grant date	1 October 2013	1 October 2012	1 October 2011
Number of shares granted	771,038	1,542,549	1,340,033
Market price per share at grant date	\$9.52	\$6.87	\$7.43
Total value at grant date	\$7,340,282	\$10,597,312	\$9,956,445
Vesting date	30 September 2016	30 September 2015	30 September 2014
Maximum bonus payable - expensed over three years	\$12,588,231	\$19,317,505	\$17,962,298
Number of shares:			
Number of shares originally granted	771,038	1,542,549	1,340,033
Less forfeited over life of scheme	(25,143)	(353,417)	(619,128)
Less vested over life of scheme		(77,841)	(2,186)
Number of shares held at 30 June 2014	745,895	1,111,291	718,719

	June 2014 NZ\$M	June 2013 NZ\$M
Total amount expensed in year for executive performance share scheme	12	14
Amount recognised at year end for related bonus payable	21	26

Corporate governance.

The board is committed to ensuring that Fletcher Building has appropriate corporate governance arrangements in place and that those arrangements are disclosed in a meaningful way to maximise transparency and investor confidence.

Fletcher Building's framework of rules, relationships, systems and processes are designed to ensure that Fletcher Building meets best practice standards of governance.

Framework

Fletcher Building has securities listed on the New Zealand and Australian stock exchanges. Consequently, its corporate governance framework is informed by the principles, guidelines, recommendations and requirements of the NZX Listing Rules, the NZX Corporate Governance Best Practice Code, the Financial Markets Authority's 'Corporate Governance in New Zealand Principles and Guidelines', the ASX Listing Rules and the ASX Corporate Governance Council's Principles and Recommendations.

The company has adopted the principles recognised by the ASX Corporate Governance Council as an appropriate way to organise its corporate governance reporting. The company believes that the practices it has adopted follow all of the recommendations of the NZX, the Financial Markets Authority and the ASX Corporate Governance Council, with the following exceptions:

- The ASX Corporate Governance Recommendations suggest that the remuneration committee should have three members. While the company's remuneration committee has only two members, the chairman of the board attended all meetings during the year as a de facto member. In addition, the board has since appointed Sir Ralph Norris to the remuneration committee.
- The company does not report on measurable objectives for achieving gender diversity as it believes that a broader disclosure of diversity initiatives and achievements is more appropriate. Reporting on diversity is included in 'Our People' and in this section under 'Promoting ethical and responsible decision-making'.

Shareholders should also refer to details of the board of directors (presented within 'Our Company'), the Remuneration Report (presented

within this section) and Diversity (presented within 'Our People'). Further information is also available on the company's website at <http://www.fbu.com/investor-centre/governance>.

Lay solid foundations for management and oversight

The board has overall legal responsibility for all decision-making within Fletcher Building. The board has delegated to the chief executive officer the authority to manage the business and affairs of the company and to sub-delegate to other levels of management, subject to certain limitations and qualifications.

The board has reserved for its review and approval, transactions involving significant capital expenditure, business and asset divestments, major construction-related contracts, major land development initiatives and third party borrowings. The board has also specified that it receives reports or plans in respect of strategy and portfolio composition, organisational structure, succession planning, management capability and remuneration, the annual financial budget, corporate performance against budget and reviews of legislation and compliance.

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

Structure the board to add value

The company's constitution allows the size of the board to be between three and nine members. The board has determined that eight is an appropriate number but some flexibility is anticipated to accommodate the overlap of new and retiring directors.

Information on the skills, experience and expertise of current directors, their independence status and the existence of other relationships is contained under 'Our Company'. The board considers all directors to be independent, with the exception of Mark Adamson. No quantitative materiality thresholds for independence have been adopted by the company as it is considered more appropriate to determine independence on a case by case basis.

The board considers Ralph Waters to be an independent director, despite having previously held the position of chief executive officer.

The board believes that the governance procedures, the historical relationships between senior management and the board, the changes to senior management composition and that a number of non-executive directors do not reside in Auckland where the company is headquartered, all contribute to maintaining director independence such that director tenure is not a predominant consideration. The tenure of the senior management is a matter of equal importance in determining the closeness of the relationship of directors and management.

The board seeks to have at least one, and preferably two, Australian based directors with relevant Australian industrial or manufacturing experience, given the company's presence in Australia. The board also seeks to have at least one, and preferably two, women directors in furtherance of its diversity aspirations.

The nominations committee makes recommendations to the board in respect of board and committee composition and, when required, identifies individuals believed to be qualified to become board members. The chairman of the committee has the authority of the board to obtain independent professional advice and research and generally to engage such advisors and involve such consultants as the committee considers necessary for this function.

One-third of directors stands for election every year. The directors who retire in each year are those who have been longest in office since their last election or, if there is 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. The board may, if it considers it appropriate, offer a further term of up to three years.

The board seeks to ensure that new directors are appropriately introduced to Fletcher Building and to acquaint them with relevant industry knowledge and economics. This includes visits to specific company operations when appropriate and briefings from key executives and industry experts. Directors are provided with material health and safety information relevant to the business and attend site visits.

A committee or individual director may engage separate independent counsel and/or advisors at the expense of the company in appropriate circumstances with the approval of the chairman.

Director attendance at board and committee meetings.

	Board*		Audit and risk		Remuneration		Nominations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ralph Waters	(C) 10	10	-	-	-	-	(C) 3	3
Mark Adamson	10	10	-	-	-	-	-	-
Antony Carter	10	9	-	-	3	3	3	3
Alan Jackson	10	9	-	-	(C) 3	3	3	3
John Judge	10	10	(C) 4	4	-	-	3	3
Sir Ralph Norris	3	3	-	-	-	-	-	-
Kathryn Spargo	10	10	4	4	-	-	3	3
Cecilia Tarrant	10	10	4	4	-	-	3	3
Gene Tilbrook	10	10	4	3	-	-	3	3

(C) denotes chairman

* Health and safety committee meetings have run concurrently with board meetings in FY14.

Committees

The current standing 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. The board has created a health and safety committee to review onsite safety practices.

Committees do not take action or make decisions on behalf of the board unless specifically mandated by prior board authority to do so.

The composition and terms of reference for the board, the chairman, committees and the chief executive officer are reviewed annually by the board. The chairman annually assesses the effectiveness of the board and its committees, directly and in consultation with committee chairmen. A performance evaluation was undertaken by the chairman in the current year in accordance with this process.

The above committee meetings may be attended by other directors from time to time.

Promoting ethical and responsible decision-making

The company has a written code of conduct with which all employees are required to comply. 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 various policies and procedures, which are incorporated into the employment terms of all employees. The company's policies are reinforced with promotional programmes and training for employees.

The company provides a FairCall confidential telephone hotline to enable reporting of inappropriate behaviour. The FairCall line is operated by an independent party and the outcomes of all matters raised are reported to the board.

The company is committed to creating a diverse and inclusive working environment at all levels, including senior management and the board of directors. The remuneration committee annually

reviews progress against diversity objectives and initiatives developed by the company to deliver outcomes against the diversity policy. The board is satisfied with the initiatives being implemented by the company and its performance with respect to its diversity policy. The directors were particularly pleased to see that over the past two years the number of women senior leaders has increased from 14% to 24%, an increase of 10%. There will be a continued focus to ensure that this trend continues.

	2014		2013	
	Women	Men	Women	Men
Board of directors	22%	78%	25%	75%
Executive committee	9%	91%	11%	89%
Senior management ⁽¹⁾	24%	76%	16%	84%
All employees ⁽²⁾	21%	79%		

(1) Senior management for these purposes includes any person who reports to a member of the executive committee.

(2) Historical information not available across all employees.

Safeguarding integrity in financial reporting

The board has formed an audit and risk committee, which is subject to a formal charter available on the company’s website. The charter sets out the roles and responsibilities of the audit and risk committee.

The audit and risk committee has four members, whose names and qualifications are presented with directors under ‘Our Company’. The committee is chaired by John Judge and all members are non-executive, independent directors. The audit and risk committee held four meetings during the year and attendance at those meetings is recorded under the heading ‘Director attendance’ above.

The company has an Auditor Independence Policy, which includes requirements for the selection and appointment of the external auditor and for the rotation of external audit engagement partners. The Auditor Independence Policy is available at www.fbu.com/investor-centre/governance. Auditor’s fees and expenses paid to KPMG are presented within note 3 of the group financial statements included in this annual report. The other work performed by the external auditor beyond the statutory audit, is not considered to compromise auditor independence because it is work that flows from, and is ancillary to, the statutory audit and does not constitute material sums of money.

Making timely and balanced disclosure

The company has in place a Market Disclosure Policy 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; and
- company announcements are factual and presented in a clear and balanced way.

The company secretary is accountable for compliance with this policy. The Market Disclosure Policy is available at www.fbu.com/investor-centre/governance.

Respecting the rights of shareholders

Fletcher Building seeks to ensure its shareholders are appropriately informed on its operations and results with the delivery of timely and focused communication and the holding of shareholder meetings in a manner conducive to achieving shareholder participation. The company has a Shareholder Communication Policy, which addresses these goals and is available at www.fbu.com/investor-centre/governance.

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. The risk register is reviewed regularly, including as part of the internal audit reviews.

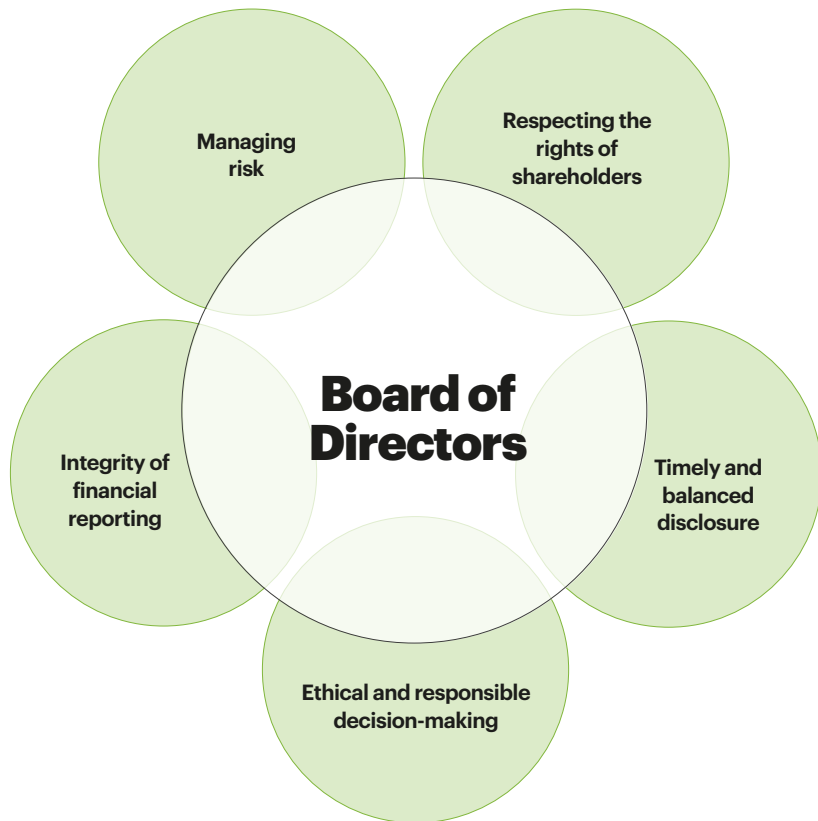
During FY14 management has reported to the board on the effectiveness of the company’s management of its material business risks. The chief executive officer and the chief financial officer have provided the board with assurances in connection with the financial statements, including that they have been founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Director tenure



- 1 year
- 2 years
- 3-4 years
- More than 5 years

Board governance



Remuneration.

The company seeks to ensure that it remunerates directors and executives fairly and responsibly. Remuneration policies are designed to attract and retain talented and motivated directors and executives as a way of enhancing the performance of the company and aligning their interests with the creation of value for shareholders.

Non-executive directors' remuneration.

The remuneration scale for non-executive directors over the year was as follows:

	Member per annum	Chairman ⁽¹⁾ per annum
Board of directors – July – December 2013	\$154,000	\$410,000
Board of directors – January – June 2014	\$159,000	\$422,500
Audit and risk committee – July 2013 – June 2014	\$23,000	\$34,500
Remuneration committee – July 2013 – June 2014	\$17,500	\$26,500
Nominations committee – July 2013 – June 2014	\$10,000	
Travel allowance – Australian residents – July 2013 – June 2014	\$18,000	

(1) The chairman's amounts are not additional to the corresponding member amounts.

All non-executive directors were also paid a non-voucherable expense reimbursement allowance of \$5,000 per annum. Where an ad hoc committee is convened, such as for due diligence, additional remuneration may be payable at \$1,200 per half day. However, no payments for ad hoc committees were made in the current year. Directors do not receive any further remuneration for also being directors of Fletcher Building Industries Limited, the NZX listed issuer of the group's capital notes.

The maximum aggregate remuneration able to be provided to all non-executive directors was set at \$2,000,000 at the 2011 annual shareholders' meeting. The remuneration paid to non-executive directors in the year ended 30 June 2014 was as follows:

	Remuneration paid
Antony Carter	\$184,000
Alan Jackson	\$193,000
John Judge	\$201,000
Sir Ralph Norris	\$42,250
Kathryn Spargo	\$207,500
Cecilia Tarrant	\$189,500
Gene Tilbrook	\$207,500
Ralph Waters	\$434,250
Total	\$1,659,000

Non-executive directors do not participate in any company share or option plan. However, non-executive directors (or their associates) are required to hold at least 20,000 shares in the company to demonstrate their commitment and alignment with the company. There are no schemes for retirement benefits for non-executive directors.

Directors' and officers' indemnification and insurance

The company has arranged a programme of directors' and officers' liability insurance covering directors, executives and employees acting on behalf of the company. Cover is for damages, judgments, 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 an indemnity from the company, but not for criminal acts.

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

Total remuneration for senior executives and senior management comprises:

- fixed remuneration, including the value of base remuneration and any other benefits;
- a short-term variable incentive in the form of an annual performance-related bonus; and
- participation in the Executive Long-Term Share Scheme or Executive Long-Term Incentive Scheme.

For the purposes of determining total remuneration within the senior executive and senior management group, it is assumed that senior executives and senior management will achieve on average 75% of their potential variable remuneration over time, such percentage to be reassessed periodically in the light of actual remuneration achieved over the business cycle.

Fixed remuneration

It is the company's policy to pay fixed remuneration comparable to the median and total remuneration comparable to the upper quartile for equivalent roles in the country or region in which the incumbent is located.

Participation in defined benefit and defined contribution retirement savings plans is made available to executives as required by remuneration practices in relevant jurisdictions.

Short-term variable incentive

Short-term variable incentives are available to recognise the contribution of senior executives and senior management to company performance objectives. Short-term variable incentive targets are expressed as a percentage of base remuneration and can be up to 120% of the base remuneration for the chief executive

officer, 82.5% of the base remuneration for the direct reports to the chief executive officer and up to 55% of the base remuneration for all other executives.

Participation in the short-term incentive plan and the payment of any incentive opportunity available for any given financial year is at the sole discretion of the company. Participation in the plan is by annual invitation, at which time the target incentive is established. The target will include a financial target and several challenging, measurable personal objectives for the financial year. The financial targets relate to operating earnings and funds employed for the applicable division or business unit or economic value added (EVA) for corporate executives. The financial component is set at three different levels: threshold, target and maximum. No short-term incentive will be payable against either the financial component or the personal component unless the threshold financial performance is achieved.

Executive Long-Term Share Scheme and Executive Long-Term Incentive Scheme

The company has implemented a long-term performance incentive scheme in the form of an Executive Long-Term Share Scheme (ELSS), targeted at around 90 executives most able to influence financial results. In circumstances where shares cannot be acquired under applicable securities legislation in certain jurisdictions, equivalent economic entitlements are conveyed by way of cash bonus entitlements under an Executive Long-Term Incentive Scheme (ELIS). Participation in any year is by invitation, renewable annually and at the complete discretion of the company.

Under the ELSS 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. The shares are held by a trustee on behalf of participants until the end of a restrictive period. Provided certain performance criteria are met and participants remain employed with the company throughout the restrictive period, a cash bonus will be paid to meet the repayment of the interest-free loan and legal title in the shares will be transferred to the participants. If the performance criteria are not met or the participant ceases to be employed by the company, the shares will be forfeited and proceeds used to repay the interest-free loan.

The performance criteria under the ELSS and ELIS are split into two components as follows:

- 50% of the shares are linked to the total shareholder return (TSR) relative to a comparator group of New Zealand and Australian companies over a minimum three-year restrictive period, which may be extended by one year. The comparator group used for the 2013 offer comprises Adelaide Brighton, Amcor, Arrium, BlueScope, Boral, Brickworks, CSR, Downer EDI, GWA International, James Hardie, Leighton Holdings, Nuplex, Reece, Sims Group and Steel & Tube.

- 50% of the shares are linked to an earnings per share (EPS) target over a three year restrictive period. For the 2013 offer, the target is for EPS for the year ended 30 June 2013 to increase by a minimum of 5% per annum. This tranche of shares will fully vest if the EPS increases by 10% or more per annum.

The company does not currently have a policy that prohibits entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

FBuShare

FBuShare is an employee share plan whereby employees can acquire shares in the company and, if they continue to be employed after a three year qualification period, will be entitled to receive one award share for every two shares purchased in the first year of the qualification period and still owned at the end of that period. FBuShare has a maximum contribution rate of \$5,000 per annum (or the equivalent currency in other countries). Employees in certain countries are invited to participate in the Phantom Scheme, which replicates the benefits of FBuShare. FBuShare does not have any performance criteria but employees will only be entitled to award shares if they continue to be employed and still own the shares at the end of the qualification period.

2012 Share Options Plan – chief executive officer

Shareholders approved the issue of up to 1,000,000 options to acquire ordinary shares in the company to Mr Adamson at the annual shareholders' meeting on 20 November 2012, pursuant to NZX Listing Rule 7.3.1 and ASX Listing Rule 10.14. Each option was issued for no cash consideration. Mr Adamson is the only eligible recipient under the 2012 Share Options Plan.

An initial issue of 500,000 options was made with effect from 1 October 2012 with an exercise price of \$6.22, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the announcement of Mr Adamson's appointment on 18 June 2012. The exercise price for any additional options issued will be the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the date the options are issued. The exercise price is adjusted annually, with effect from the date of grant, by the company's cost of capital, less any dividends actually paid. There is a restrictive period of three years from the date of grant during which the options may not be exercised. Subject to the company's rules on the trading of securities, options may be exercised at any time between the third and sixth anniversary of the date of grant.

A further issue of up to 500,000 options may be made to Mr Adamson at the discretion of the board during the period from 1 October 2015 to 20 November 2015.

Chief executive officer’s remuneration.

Mr Adamson’s current base salary is \$1,800,000. The remuneration actually received during the current year comprised:

Base remuneration	\$1,725,000
Short-term variable incentive FY13 – paid September 2013	\$1,538,250
Executive Long-Term Incentive Scheme 2010 – paid October 2013	\$467,429

Mr Adamson was granted 152,017 shares under the 2013 ELSS with a face value of \$1,447,202 which remains at risk for a period of three years. The 2013 ELSS is based on a share price of \$9.52, being the volume weighted average price for the five business days ended 30 September 2013 and is charged to the income statement over the vesting period.

The short-term variable incentive for FY14 accrued and payable in September 2014 is \$2,151,900.

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

Holding the company’s securities

A standard term in the executive employment contract is a requirement that, over time, executives must acquire and maintain a holding in the company’s ordinary shares until such time as the greater of the sum invested or the market value of their shareholding exceeds 50% of their base remuneration. In meeting this obligation, senior executives may not sell any shares which vest under the ELSS, or any similar scheme, until the shareholding equals or exceeds the shareholding threshold. For senior executives who are domiciled outside New Zealand or Australia, any net after-tax payments

made under the ELIS, or any similar scheme, are to be used to acquire shares on or before 31 March of the following financial year (i.e. 31 March immediately following the payment from the scheme) until the shareholding equals or exceeds the shareholding threshold. In addition, for members of the executive committee who are domiciled in New Zealand or Australia, if at the time of appointment to a senior executive role, the greater of the market value or cost of the individual shareholding is less than the value of 10% of nominal base remuneration, the executive is required to apply no less than 25% of the after-tax value of any short-term incentive payment to acquire Fletcher Building Limited shares on or before 31 March of the following financial year (i.e. 31 March immediately following the short-term incentive payment). This requirement applies for the first two years of employment as a senior executive unless the shareholding equals or exceeds the shareholding threshold.

The company believes this shareholding strengthens the alignment of executives with the interests of shareholders and puts their own remuneration at risk to long-term company performance. Directors may, in any year at their discretion, ease the share investment percentage required in respect of any incentive payment arising in that year.

Shares issued to executives under the ELSS, but still subject to the restrictive period, do not count towards the required minimum shareholding. The company does, however, allow New Zealand-based executives to include 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.

Employee remuneration

Section 211(1)(g) of the New Zealand Companies Act 1993 requires disclosure of the number of employees or former employees of the company, not being directors of the company, whose remuneration and any other benefits received by them during the year in their capacity as employees, were equal to or exceeded \$100,000 per annum and to state the number of such employees or former employees in brackets of \$10,000. These amounts are included in the table on the following page and include all applicable employees or former employees of Fletcher Building worldwide. The remuneration amounts include all monetary amounts and benefits actually paid during the year, including redundancies and the value of long-term incentives vested. Amounts paid to the chief executive officer which are presented in the table above are not included in the disclosure on the following page.

Employee remuneration

From NZ\$	-	To NZ\$	International business activities	New Zealand business activities	Total
100,000	-	110,000	475	419	894
110,000	-	120,000	355	247	602
120,000	-	130,000	229	181	410
130,000	-	140,000	193	137	330
140,000	-	150,000	108	103	211
150,000	-	160,000	100	72	172
160,000	-	170,000	81	59	140
170,000	-	180,000	60	42	102
180,000	-	190,000	42	41	83
190,000	-	200,000	30	37	67
200,000	-	210,000	40	29	69
210,000	-	220,000	32	22	54
220,000	-	230,000	23	17	40
230,000	-	240,000	16	14	30
240,000	-	250,000	14	21	35
250,000	-	260,000	13	12	25
260,000	-	270,000	9	18	27
270,000	-	280,000	11	11	22
280,000	-	290,000	12	9	21
290,000	-	300,000	11	5	16
300,000	-	310,000	8	5	13
310,000	-	320,000	7	3	10
320,000	-	330,000	13	2	15
330,000	-	340,000	9	2	11
340,000	-	350,000	7	5	12
350,000	-	360,000	9	4	13
360,000	-	370,000	3	4	7
370,000	-	380,000	2	3	5
380,000	-	390,000	2	1	3
390,000	-	400,000	4	2	6
400,000	-	410,000	1	3	4
410,000	-	420,000	3	1	4
420,000	-	430,000	3	1	4
430,000	-	440,000	2	1	3

From NZ\$	-	To NZ\$	International business activities	New Zealand business activities	Total
440,000	-	450,000	2	3	5
450,000	-	460,000	2	2	4
460,000	-	470,000	4	2	6
470,000	-	480,000		2	2
480,000	-	490,000		4	4
490,000	-	500,000	1	2	3
500,000	-	510,000	3		3
510,000	-	520,000	1	1	2
520,000	-	530,000	2		2
530,000	-	540,000	1		1
540,000	-	550,000		2	2
550,000	-	560,000	4		4
560,000	-	570,000	1		1
580,000	-	590,000	1	1	2
610,000	-	620,000		1	1
650,000	-	660,000	2	1	3
680,000	-	690,000	1		1
690,000	-	700,000	1		1
710,000	-	720,000		2	2
750,000	-	760,000	1		1
770,000	-	780,000		1	1
830,000	-	840,000	3	1	4
890,000	-	900,000		1	1
900,000	-	910,000		1	1
970,000	-	980,000		1	1
1,000,000	-	1,010,000		1	1
1,080,000	-	1,090,000		1	1
1,210,000	-	1,220,000		1	1
1,240,000	-	1,250,000		1	1
1,300,000	-	1,310,000	1		1
1,340,000	-	1,350,000	1		1
1,440,000	-	1,450,000		1	1
1,790,000	-	1,800,000		1	1
			1,959	1,567	3,526

Regulatory disclosures.

Directors' relevant interests in equity securities at 30 June 2014

	Ordinary shares	Capital notes
Mark Adamson ⁽¹⁾	887,435	
Antony Carter	32,409	150,000
Alan Jackson	20,000	
John Judge	58,135	200,000
Sir Ralph Norris	26,429	
Kathryn Spargo	25,000	
Cecilia Tarrant	20,355	
Gene Tilbrook	18,000	
Ralph Waters	500,093	
Total	1,587,856	350,000

(1) Includes 500,000 options over ordinary shares

Directors' interests register

Directors have advised changes in their interests during the year ended 30 June 2014 of:

	Disclosure of directors' interests
Antony Carter	Appointed as chairman of Blues LLP Appointed as director and shareholder of Avonhead Mall Resigned as co-chairman of the NZ Initiative
Alan Jackson	Appointed as chairman of Thorough Vision Pty
Kathryn Spargo	Resigned from the Australian Accounting Professional and Ethical Standards Board Resigned as a director of Investec Bank
Cecilia Tarrant	Appointed as a director of Annuitas Management Appointed a member of The University of Auckland Council
Ralph Waters	Ceased to be a director of Fonterra Co-operative Group Appointed as chairman of the organising committee of ICC Cricket World Cup 2015

Securities dealings by directors

Directors have advised changes in their interests during the year ended 30 June 2014 of:

	Relevant interests in shares			
	Transaction	Class	Number	Consideration
Mark Adamson	Purchase	Ordinary shares	1,455	\$13,872
	Purchase	Ordinary shares	152,017	\$1,447,202
John Judge	Purchase	Ordinary shares	23	\$219
	Sale ⁽¹⁾	Ordinary shares	1,500	\$14,700
	Sale ⁽¹⁾	Ordinary shares	15,000	\$144,475
	Sale ⁽¹⁾	Ordinary shares	15,113	\$143,309
	Purchase ⁽¹⁾	Ordinary shares	1,450	\$13,224
Cecilia Tarrant	Purchase ⁽¹⁾	Ordinary shares	303	\$2,889
Ralph Waters	Sale	Ordinary shares	500,000	\$4,661,705

(1) Non-beneficial interest

Stock exchange listings

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

20 largest shareholdings as at 31 July 2014

Name	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	312,838,522	45.48
JP Morgan Nominees Australia Limited	55,206,872	8.02
National Nominees Limited	36,665,296	5.33
RBC Investor Services Australia Nominees Pty Limited	20,667,485	3.00
HSBC Custody Nominees (Australia) Limited	19,506,822	2.83
Citicorp Nominees Pty Limited	13,709,731	1.99
BNP Paribas Nominees Pty Limited	10,708,113	1.55
Custodial Services Limited	7,247,081	1.05
FNZ Custodians Limited	6,585,152	0.95
Southern Steel Group Pty Limited	3,876,365	0.56
Custodial Services Limited	2,946,095	0.42
Investment Custodial Services Limited	2,902,022	0.42
RBC Investor Services Australia Nominees Pty Limited	2,821,051	0.41
Forsyth Barr Custodians Limited	2,537,682	0.36
RBC Investor Services Australia Nominees Pty Limited	2,362,115	0.34
Custodial Services Limited	2,227,790	0.32
Custodial Services Limited	2,199,233	0.31
Masfen Securities Limited	2,137,898	0.31
Fletcher Building Educational Fund Limited	2,069,462	0.30
HSBC Custody Nominees (Australia) Limited	1,840,769	0.26

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 holdings of Fletcher Building shares are:

Name	Number of Shares	% of Shares
JP Morgan Chase Bank NA	80,739,303	11.74
HSBC Nominees (New Zealand) Limited	52,519,171	7.64
HSBC Nominees (New Zealand) Limited	34,760,879	5.05
Citibank Nominees (New Zealand) Limited	27,602,039	4.01
Accident Compensation Corporation	20,411,127	2.97
National Nominees New Zealand Limited	20,324,058	2.95
BNP Paribas Nominees (NZ) Limited	18,082,387	2.63
TEA Custodians Limited	14,709,409	2.14
New Zealand Superannuation Fund Nominees Limited	14,496,765	2.11
ANZ Wholesale Australasian Share Fund	8,137,395	1.18

Substantial security holders

According to notices given to the company under the Securities Markets Act 1988, as at 31 July 2014 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 687,854,788.

Name	Number of voting securities	Date of notice
Perpetual Limited	47,300,570	11 July 2014

Distribution of holdings as at 31 July 2014

Size of holdings	Ordinary shares		Capital notes	
	Number of holders	%	Number of holders	%
1 to 1,000	16,425	38.26	0	0
1,001 to 5,000	19,616	45.69	1,071	14.12
5,001 to 10,000	4,128	9.61	1,269	16.73
10,001 to 100,000	2,619	6.10	4,769	62.87
100,000 and over	147	0.34	476	6.28
Total	42,935	100.00	7,585	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 was 995 as at 31 July 2014. There is no current on-market buy-back of shares.

Fletcher Building Industries Limited has 531 million capital notes on issue, which can convert to Fletcher Building Limited ordinary shares on the basis of 98% of the then current value of the shares. Unless the capital notes convert into Fletcher Building Limited ordinary shares, they carry no voting rights in Fletcher Building Limited. There were 7,585 holders of the capital notes at 31 July 2014. Fletcher Building Holdings Limited held 131,478,168 million capital notes at 31 July 2014. The capital notes are quoted on the NZX but are not quoted on the ASX.

ASX waivers

The terms of the company's admission to the ASX and ongoing listing require disclosure that the company is incorporated in New Zealand and 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). 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, as follows:

- (a) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in the company or the increase of an existing holding of 20% 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% or more of the shares in the company.

- (b) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 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% of the shares issued by the company or, if the overseas person already holds 25% or more, the acquisition increases that holding.

- (c) 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.

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 the 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 2014 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.

NZX waivers

The company has been granted a waiver from NZX Listing Rule 7.6.6(a) to allow its chief executive officer and managing director, Mr Adamson, to participate in the Fletcher Building Limited Executive Long-Term Share Scheme (the Scheme) and to receive financial assistance as part of that Scheme, for as long as Mr Adamson remains an employee of the company and a participant in the Scheme.

This waiver was granted subject to the following conditions:

- (a) the company obtained shareholder approval for the provision of financial assistance to Mr Adamson in connection with his participation in the Scheme at its annual shareholders' meeting; and
- (b) the notice of meeting contained the precise terms and conditions of Mr Adamson's participation in the Scheme, and a description of the waiver and its implications, being that financial assistance may continue to be provided to Mr Adamson for the period for which he is a participant in the Scheme, which may be beyond 36 months.

Approval in accordance with these conditions was given at the annual shareholders' meeting on 20 November 2012.

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 2014.

No employee of Fletcher Building 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 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.

Alternate directors are indicated by the letter (A) after their name.

Directors who retired during the year are indicated by the letter (R) after their name.

AHI Roofing (Malaysia) SDN BHD I Bin Harun, T Richards, P Lamb, P Wilson (R)	Associated Water Equipment Pty. Limited N Olson, L Mayne	Caravan Components Pty Limited D Le Quesne, L Huynh	Creeks Metal Industries Pty Limited D Le Quesne, L Huynh	Delcon Holdings (No. 2) Limited P Zuckerman, N Olson	Fletcher Building (Australia) Pty Limited D Le Quesne, N Olson, L Huynh, C Bolt, M Farrell (R)
AHI Roofing (Middle East) Limited T Richards, N Olson	Austral Bronze Crane Copper Limited S Robertson, N Olson, L Mayne, R McLeod	Charmac Industries Proprietary Limited N Olson, L Mayne	Crevet Limited R McLeod, N Olson, L Mayne	Delcon Holdings (No. 3) Limited A Cadman, N Olson	Fletcher Building (Fiji) Limited A Kumar, C White, A Brown, M Malpass
AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelősségű Társaság M Adamson, O Pascutiu, P Wilson	Australian Construction Products Pty Limited S Baker, M Malpass	Cleaver Building Supplies Limited M Cleaver, D Fradgley, J Beveridge (R), V Grant (A) (R)	Crevet Pipelines Pty Limited R McLeod, N Olson, L Mayne	Delcon Holdings (No. 8) Limited T Richards, N Olson	Fletcher Building Holdings Limited N Olson, C Bolt, M Farrell (R)
AHI Roofing Limited T Richards, N Olson	Australian Fibre Glass Pty Limited D Le Quesne, L Huynh	Cloudguard No 96 Pty Limited N Olson, L Mayne	CTCI Pty Limited D Surveyor, E Woldhuis, N Olson, A Webster (A)	Delcon Holdings (No. 11) Limited N Olson, C Bolt, M Farrell (R)	Fletcher Building Holdings New Zealand Limited M Adamson, N Olson, C Bolt, M Farrell (R)
AHI Roofing Proizvodnja In Distribucija Stresnih Sistemov D.O.O. T Richards, O Pascutiu, P Wilson	Bandelle Pty Limited D Le Quesne, L Huynh	Consort Laminates Limited P Hall, N Mason	Cullen Building Supplies Limited R Cullen, D Fradgley, J Beveridge (R), V Grant (A) (R)	Delcon Holdings (No. 15) Limited G Darlow, N Olson	Fletcher Building Holdings USA Inc. M Quint, N Olson
AHI Roofing Pty Limited D Le Quesne, T Richards	Baron Insulation Pty Ltd T Richards, C Zeitlyn	Crane Distribution Limited L Mayne, N Olson, T Hickey	Cullity Timber Holdings Pty Limited D Surveyor, N Olson, P Zuckerman	EE-Fit Pty Limited T Richards, C Zeitlyn	Fletcher Building Industries Limited A Carter, A Jackson, J Judge, K Spargo, C Tarrant, G Tilbrook, R Waters, R Norris, M Adamson
Amatek Holdings Limited M Farrell, D Le Quesne, N Olson, L Huynh	Boden Building Supplies Limited P Boden, D Fradgley, J Beveridge (R), V Grant (A) (R)	Crane Distribution NZ Limited N Olson, D Fradgley, M Farrell (R)	Dale King Building Supplies Limited D King, D Fradgley, J Beveridge (R), V Grant (A) (R)	EFA Technologies Pty Limited D Le Quesne, M Malpass	Fletcher Building Netherlands Antilles B.V. E Rakers (US \$3,865), N Olson, J Mol-Rozema, D Le Quesne, M Farrell (R)
Amatek Industries Pty Limited D Le Quesne, N Olson, L Huynh	Building Choices Limited D Close, D Fradgley, J Beveridge (R), V Grant (A) (R)	Crane Distribution Properties Limited N Olson, C Bolt, M Farrell (R)	Davis & Casey Building Supplies Limited T Davis, D Fradgley, J Beveridge (R), V Grant (A) (R)	Evans Building Supplies Limited M Evans, D Fradgley, J Beveridge (R), V Grant (A) (R)	Fletcher Building Netherlands Antilles B.V. E Rakers (US \$3,865), N Olson, J Mol-Rozema, D Le Quesne, M Farrell (R)
Amatek Investments Limited D Le Quesne, N Olson, L Huynh, M Farrell (R)	Building Prefabrication Solutions Limited N Olson, D Fradgley, J Beveridge (R)	Crane Employee Services Pty Limited N Olson, L Mayne	Decra Roofing Systems, Inc. W Hudson, T Richards, N Olson	FBHS (Aust) Pty Limited T Richards, M Negri	Fletcher Building Netherlands B.V. N Olson, D Slob, C Bolt, A Van De Werken (EUR 2,500), M Farrell (R)
Amtel Pty Limited T Richards, M Negri	Building Products Superannuation Fund Pty Limited S Hart, L Box	Crane Enfield Metals Pty Limited N Olson, L Mayne	Delcon Holdings (No. 1) Limited P Zuckerman, N Olson	FBSOL Pty Limited T Richards, M Negri	Fletcher Building Netherlands B.V. N Olson, D Slob, C Bolt, A Van De Werken (EUR 2,500), M Farrell (R)
Andy Sellar Building Supplies Limited A Sellar, D Fradgley, J Beveridge (R), V Grant (A) (R)	Cameron Building Supplies Limited D Cameron, D Fradgley, J Beveridge (R), V Grant (A) (R)	Crane Group Limited D Le Quesne, N Olson, L Mayne		FDL No. 30 Limited D Fradgley, J Beveridge (R)	Fletcher Building Nominees Limited J McDonald (\$24,500), G Niccol, M Farrell (\$5,250), C Munkowits, K Daly, N Olson

Fletcher Building Products Limited	Fletcher Construction Pty Limited	Forman Commercial Interiors Limited	Formica Decorative Materials (China) Co., Limited	Formica Middle East B.V.	Graeme Joy Building Supplies Limited
T Richards, N Olson	C Munkowits, L Huynh	T Richards, N Olson		M Adamson	G Joy, D Fradgley, J Beveridge (R), V Grant (A) (R)
Fletcher Building Share Schemes Limited	Fletcher Distribution Limited	Forman Group Limited	C Rawlinson, P Wilson, P List, C Wang (R), C Kao (R), C Gray (R)	Formica Norge A/S	Gravure et Polissage de Surfaces Metalliques
G Niccol, J McDonald	N Olson, D Fradgley, J Beveridge (R)	T Richards, N Olson		I Delen, U Hector	M Adamson, P Hall, N Mason,
Fletcher Challenge Building Bolivia S.A.	Fletcher Insulation (Vic) Pty Limited	Forman Insulation Limited	Formica Finance Limited	Formica PSM Limited	Homapal GmbH
M Binns, K Cowie, H Ritchie	T Richards, C Zeitlyn	T Richards, N Olson	P Hall, N Mason, R Pollington	P Hall, N Mason	T Ruhnke
Fletcher Challenge Building UK Limited	Fletcher Insulation Pty Limited	Forman Manufacturing Limited	Formica Global LLC	Formica S.A. (Spain)	Home&Dry Limited
J Ollard, D Wood (R)	T Richards, C Zeitlyn	T Richards, N Olson	L Box, M Quint, B Strobel, R Rosado Jr, M Vernon (R)	P Hall, H Ruloffs, P Zuckerman	T Richards, N Olson
Fletcher Challenge Finance Investments Limited	Fletcher Morobe Construction Limited	Formica (Asia) Limited	Formica Holdco UK Limited	Formica S.A.S (France)	Hudson Building Supplies Pty Limited
N Olson, C Bolt, M Farrell (R)	A Brown, K Fletcher, L Gray, L Mathias	C Rawlinson, P Wilson, C Wang (R), D Wang (R)	P Hall, N Mason, R Pollington	N Mason, P Zuckerman, J M de Pater, R Pollington (R)	N Olson, L Mayne
Fletcher Challenge Forest Industries Limited	Fletcher Property Developments UK Limited	Formica (China) Trading Co. Limited	Formica Holding Corp.	Formica Skandinavien AB	Icon Industries National Administration Pty Limited
M August, J Ollard, D Wood (R)	M August, J Ollard, D Wood (R)	C Rawlinson, P Wilson, P List, C Wang (R), C Kao (R), C Gray (R)	L Box, M Quint, P Zuckerman, N Olson	I Delen, R Pollington	N Olson, L Mayne
Fletcher Challenge Industries S.A.	Fletcher Property Investments UK Limited	Formica (Malaysia) Sdn. Bhd.	Formica Holding GmbH	Formica SP.zo.O.	Insulation Solutions Holdings Pty Limited
M Binns, K Cowie, H Ritchie	M August, J Ollard, D Wood (R)	J Yang, C Chiu, C Rawlinson, P Wilson, K Leong (R), C Wang (R)	M Adamson, E Hoernisch, T Ruhnke	N Mason	D Le Quesne, L Huynh
Fletcher Challenge Overseas Holdings Limited	Fletcher Property Limited	Formica (N.Z.) Limited	Formica Holdings Limited	Formica Taiwan Corporation	Iplex Pipelines Australia Pty Limited
N Olson, C Bolt, M Farrell (R)	G Darlow, N Olson	N Olson, P Zuckerman	P Hall, N Mason, R Pollington	T Ren, C Rawlinson, P Wilson, C Wang (R), DH Wang (R)	R McLeod, N Olson, L Mayne
Fletcher Concrete (Fiji) Limited	Fletcher Residential Limited	Formica (Nederland) B.V.	Formica II Corporation	Gatic Pty Limited	Iplex Pipelines NZ Limited
A Kumar, A Brown, M Malpass, C White	G Darlow, N Olson	J M de Pater, N Mason	L Box, M Quint, P Zuckerman, N Olson	R McLeod, N Olson, L Mayne	N Olson, C Bolt, M Farrell (R)
Fletcher Concrete & Infrastructure Limited	Fletcher Steel Limited	Formica (Singapore) Pte. Limited	Formica Iki Oy	G E Crane Investments Pty Limited	Iplex Properties Pty Limited
M Malpass, N Olson	M Malpass, T Richards, N Olson	C Chang, C Rawlinson, P Wilson, C Wang (R), DH Wang (R)	I Delen, R Pollington, P Zuckerman	N Olson, L Mayne	R McLeod, N Olson, L Mayne
Fletcher Construction (Nouvelle Calédonie) S.A.R.L	Fletcher Wood Panels (Australia) Pty Limited	Formica (Thailand) Co., Limited	Formica International LLC	G E Crane Securities Pty Limited	John Cockburn Building Supplies Limited
A Brown	D Surveyor, N Olson, P Zuckerman	W Kunanantakul, S Mahacharoenkeat, C Rawlinson, P Wilson, C Wang (R), DH Wang (R)	L Box, M Quint, B Strobel, R Rosado Jr, M Vernon (R)	N Olson, L Mayne	J Cockburn, D Fradgley, J Beveridge (R), V Grant (A) (R)
Fletcher Construction (Solomon Islands) Limited	FM Holdings Inc.	Formica (Thailand) Co., Limited	Formica Korea Corporation	G. E. Crane N.Z. Holdings Limited	Ken Jones Building Supplies Limited
A Brown, L Gray	L Box, M Quint, P Zuckerman, N Olson		T Ren, C Rawlinson, P Wilson, C Wang (R)	N Olson, C Bolt, M Farrell (R)	K Jones, D Fradgley, J Beveridge (R), V Grant (A) (R)
Fletcher Construction Australia Pty Limited	FMB Comércio Importação e Exportação de Laminados Decorativos Ltda	Formica Corporation	Formica Laminates (India) Private Limited	G. E. Crane N.Z. Limited	Kenna Building Supplies Limited
C Munkowits, L Huynh	G Pikielny	M Adamson, L Box, M Quint, N Olson	S Badri, L Box, N Mason, R Pollington, P Zuckerman	N Olson, C Bolt, M Farrell (R)	L Kenna, D Fradgley, J Beveridge (R), V Grant (A) (R)
Fletcher Construction Company (Fiji) Limited	Forman Building Systems Limited	Formica Danmark A/S	Formica Limited	Geraldton Independant Building Supplies Pty Limited	Key Plastics Distribution Pty Limited
A Brown, L Gray, J Matthews	T Richards, N Olson	I Delen, U Hector, R Pollington	L Box, P Foreman, P Hall, N Mason, R Pollington, P Zuckerman, N Olson, J M De Pater, D Pallas (R)	D Surveyor, N Olson, P Zuckerman	N Olson, L Mayne
	Forman Building Systems Pty Limited	Formica de Mexico SA DE CV	Formica LLC		
	T Richards, C Zeitlyn	L Box, M Quint, B Strobel	I Delen, N Mason, R Pollington, A Tsvetov		

<p>Key Plastics Pty Limited.</p> <p>R McLeod, N Olson, L Mayne</p>	<p>Laminex Overseas Holdings Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>PinkFit Limited</p> <p>T Richards, N Olson, C Bolt</p>	<p>Shanghai Fletcher Building Materials Trading Company Limited</p> <p>C Wang, M Osborne, T Richards</p>	<p>Tasman Building Products Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>Unidur GmbH</p> <p>T Ruhnke, M Adamson (R)</p>
<p>KH Consolidated Industries (Canberra) Pty Limited</p> <p>D Le Quesne, T Richards</p>	<p>Laminex US Holdings Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>Placemakers Limited</p> <p>N Olson, D Fradgley, J Beveridge (R)</p>	<p>Shanghai Formica Decorative Material Co., Limited</p> <p>J Hu, C Rawlinson, P Wilson, P List, C Wang (R), C Kao (R), C Gray (R)</p>	<p>Tasman Insulation New Zealand Limited</p> <p>T Richards, N Olson</p>	<p>Wesfi Limited</p> <p>D Surveyor, N Olson, P Zuckerman</p>
<p>Kimura Building Supplies Limited</p> <p>J Kimura, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Macready Building Supplies Limited</p> <p>J Macready, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Polymer Fusion Education Pty Limited</p> <p>R McLeod, N Olson, L Mayne</p>	<p>Shed Boss NZ Limited</p> <p>N Olson, C Bolt, M Farrell (R)</p>	<p>Tasman Sinkware North America, Inc.</p> <p>N Olson</p>	<p>Wesfi Manufacturing Pty Limited</p> <p>D Surveyor, N Olson, P Zuckerman</p>
<p>Kingston Bridge Engineering Pty Limited</p> <p>R McLeod, N Olson, L Mayne</p>	<p>Milnes-Gatic Pty Limited</p> <p>N Olson, L Mayne</p>	<p>Rocla Australia Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Sisalation Pty Limited</p> <p>T Richards, C Zeitlyn</p>	<p>Tasman Sinkware Pty Limited</p> <p>T Richards, L Mayne, J Bayer (R)</p>	<p>Winstone Wallboards Limited</p> <p>T Richards, N Olson</p>
<p>Kinsey Kydd Building Supplies Limited</p> <p>S Kinsey, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Milnes Holdings Limited</p> <p>R McLeod, N Olson, L Mayne</p>	<p>Rocla Concrete Pipes Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Southbound Building Supplies Limited</p> <p>A Rance, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>TBP Group Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>Companies Amalgamated during the year</p>
<p>Koning Building Supplies Limited</p> <p>J Koning, D Fradgley, J Beveridge (R)</p>	<p>Minnell Building Supplies Limited</p> <p>D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Rocla Drilling Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Steven Marshall Building Supplies Limited</p> <p>S Marshall, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Tenedora Formica Mexico, S.A. de C.V.</p> <p>L Box, M Quint, B Strobel</p>	<p>Fletcher Building (New Zealand) Limited</p> <p>N Olson, C Bolt, M Farrell (R)</p>
<p>Kusabs Building Supplies Limited</p> <p>G Kusabs, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Monday Company Limited</p> <p>D Hargovind (FJ\$2,500), I Jones, A Kumar, P Zuckerman (R)</p>	<p>Rocla Group Superannuation Fund Pty Limited</p> <p>J Gardiner, L Box</p>	<p>Stickland Building Supplies Limited</p> <p>L Stickland, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Terrace Insurances (PCC) Limited</p> <p>J Crowder, M Eades (£2,500), N Olson, C Bolt, M Farrell (R)</p>	<p>Fletcher Challenge Investments Overseas Limited</p> <p>N Olson, C Bolt, M Farrell (R)</p>
<p>Laminates Acquisition Co.</p> <p>L Box, M Quint, P Zuckerman, N Olson</p>	<p>Morinda Australia Pty Limited</p> <p>T Richards, M Negri</p>	<p>Rocla Industries Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>Stramit (Preston) Pty Limited</p> <p>D Le Quesne, T Richards</p>	<p>The Diller Corporation</p> <p>L Box, M Quint, P Zuckerman, N Olson</p>	<p>NZ Insulation Services Limited</p> <p>T Richards, N Olson</p>
<p>Laminates Holdings Pty Limited</p> <p>D Surveyor, N Olson, P Zuckerman</p>	<p>New Zealand Ceiling & Drywall Supplies Limited</p> <p>D Jones</p>	<p>Rocla Masonry Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Stramit Corporation Pty Limited</p> <p>T Richards, M Negri</p>	<p>The Fletcher Construction Company Cook Islands Limited</p> <p>A Brown, L Gray</p>	<p>Pacific Trade & Export Limited</p> <p>G Darlow, N Olson</p>
<p>Laminex (Australia) Pty Limited.</p> <p>D Surveyor, N Olson, P Zuckerman</p>	<p>Ngapo-Kimura Building Supplies Limited</p> <p>J Ngapo-Kimura, D Fradgley, J Beveridge (R)</p>	<p>Rocla Materials Pty Limited</p> <p>M Malpass, A Pidcock, D Cilento (R)</p>	<p>Stramit Pty Limited</p> <p>D Le Quesne, T Richards</p>	<p>The Fletcher Construction Company Limited</p> <p>G Darlow, N Olson</p>	<p>Raoul Holdings Limited</p> <p>M Malpass, N Olson</p>
<p>Laminex Finance Pty Limited</p> <p>D Le Quesne, L Huynh</p>	<p>Nick Letica Building Supplies Limited</p> <p>N Letica, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>Rocla NSW Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Sullivan & Armstrong Building Supplies Limited</p> <p>J Sullivan, D Fradgley, J Beveridge (R), V Grant (A) (R)</p>	<p>The Fletcher Organisation (Vanuatu) Limited</p> <p>A Brown, L Gray, Direct Limited, Lotim Limited</p>	<p>Tasman Investments (Netherlands Antilles) N.V.</p> <p>E Rakers (US\$3,675), J Mol-Rozema, N Olson, D Le Quesne, M Farrell (R)</p>
<p>Laminex Group (N.Z.) Limited</p> <p>N Olson, P Zuckerman</p>	<p>Northern Iron and Brass Foundry Pty. Limited</p> <p>R McLeod, N Olson, L Mayne</p>	<p>Rocla Pty Limited</p> <p>S Baker, M Malpass, A Pidcock, D Cilento (R)</p>	<p>TAF Building Systems Pty Limited</p> <p>D Le Quesne, T Richards</p>	<p>The Fletcher Trust and Investment Company Limited</p> <p>G Darlow, N Olson</p>	<p>Trade Mart Limited</p> <p>N Olson, D Fradgley, J Beveridge (R)</p>
<p>Laminex Group Pty Limited</p> <p>D Surveyor, N Olson, P Zuckerman</p>	<p>Perstorp Warerite Limited</p> <p>P Hall, N Mason</p>	<p>Rocla SA Pty Limited</p> <p>D Le Quesne, M Malpass</p>	<p>Tasman Australia Pty Limited</p> <p>D Le Quesne, L Huynh</p>		
		<p>S Cubed Pty Limited</p> <p>T Richards, M Negri</p>			
		<p>Seabar Holdings (No 16) Limited</p> <p>G Darlow, N Olson</p>			
		<p>Servicios Formica de Mexico SA DE CV</p> <p>L Box, M Quint, B Strobel</p>			

Investor information

Annual shareholders' meeting

The annual shareholders' meeting of Fletcher Building Limited will be held in the Level 4 Lounge, South Stand, Eden Park, Reimers Avenue, Auckland, at 10.30am on Tuesday 21 October 2014.

Final dividend information

The company has declared a final dividend for the year of 18 cents per share payable on 15 October 2014. This is in addition to the interim dividend of 18 cents per share paid on 16 April 2014. The final dividend has imputation credits attached at a 28% 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. The Dividend Reinvestment Plan will not operate for the FY14 final dividend.

Further information online

Details on Fletcher Building, its governance policies and its operations for the year ended 30 June 2014 can be viewed on the Fletcher Building website at fbu.com. This website contains all recent announcements to NZX and ASX and 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, unless shareholders have requested a printed copy. Instead, Fletcher Building sends an annual review, which is a summary of the company's operational and financial activities for the year. Shareholders can view the annual report and half year review on the company's website.

Direct crediting of interest and dividends

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

Share registries

Details of the company's share registries are given in the Directory below.

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

Shareholder enquiries

Changes of address, payment instructions and investment portfolios can be viewed and updated online:

investorcentre.com/nz

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, Auckland 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 3001, Australia

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

Other investor enquiries

Fletcher Building Limited
Private Bag 92 114
Auckland 1142, New Zealand
T. +64 9 525 9000
E. moreinfo@fbu.com

Other information
fbu.com

Fletcher Building

fbu.com



Appendix 4E (rule 4.3A.)

Annual Report

Fletcher Building Limited

Year ended 30 June 2014
ARBN - 002 232 368

- 1 Preliminary annual report on results for the year ended 30 June 2014 (including the comparative results for the year ended 30 June 2013) in accordance with Listing Rule 4.3A.

The amounts as presented have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZIFRS). They also comply with International Financial Reporting Standards. The amounts presented give a true and fair view of the matters to which the report relates and are based on audited accounts.

The Listed Issuer (Fletcher Building Limited) has a formally constituted Audit Committee of the Board of Directors.

2 Results for Announcement to the Market

NZm	30 June 2014	Up / (Down)	30 June 2013
2.1 Revenues from ordinary activities	8,401	(1%)	8,517
2.2 Profit (loss) from ordinary activities after tax attributable to members	339	4%	326
2.3 Net Profit (loss) after tax attributable to members	339	4%	326

2.4-2.5 Dividends (distributions)		Amount per security	Franked amount per security
Current year; final dividend payable 15 October 2014		NZ 18.0 c	nil
<p>Tax credits of NZ 7.0000 cps are attached to the dividend from the current year. Non New Zealand resident shareholders can benefit from New Zealand tax credits as outlined in the Press Release and Management Commentary.</p> <p>There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.</p> <p>The record date for determining entitlement to the current year dividend is 26 September 2014.</p>			
Interim dividend paid 16 April 2014		NZ 18.0 c	nil
<p>No New Zealand tax credits were attached to this dividend.</p> <p>No Australian franking credits were attached to this dividend.</p> <p>The record date for determining entitlement to the dividend was 28 March 2014.</p>			

- 3 **Income Statement**
Refer to the Financial Statements.

- 4 **Balance Sheet**
Refer to the Financial Statements.

- 5 **Statement of Cash Flows**
Refer to the Financial Statements.

- 6 **Statement of Comprehensive Income and Movements in Equity**
Refer to the Financial Statements.

7	Dividends															
	Details of the final dividend for the 2014 financial year are provided in Section 2 above.															
		<table border="1"> <thead> <tr> <th style="width: 60%;">\$NZ millions</th> <th style="width: 40%;">NZ Cents per share</th> </tr> </thead> <tbody> <tr> <td>Distributions recognised</td> <td></td> </tr> <tr> <td>Final dividend for 2013 financial year on Ordinary shares</td> <td style="text-align: center;">17</td> </tr> <tr> <td>Interim dividend for 2014 financial year on Ordinary shares</td> <td style="text-align: center;">18</td> </tr> <tr> <td>Distributions paid</td> <td></td> </tr> <tr> <td>Final dividend for 2013 financial year on Ordinary shares</td> <td style="text-align: center;">17</td> </tr> <tr> <td>Interim dividend for 2014 financial year on Ordinary shares</td> <td style="text-align: center;">18</td> </tr> </tbody> </table>	\$NZ millions	NZ Cents per share	Distributions recognised		Final dividend for 2013 financial year on Ordinary shares	17	Interim dividend for 2014 financial year on Ordinary shares	18	Distributions paid		Final dividend for 2013 financial year on Ordinary shares	17	Interim dividend for 2014 financial year on Ordinary shares	18
\$NZ millions	NZ Cents per share															
Distributions recognised																
Final dividend for 2013 financial year on Ordinary shares	17															
Interim dividend for 2014 financial year on Ordinary shares	18															
Distributions paid																
Final dividend for 2013 financial year on Ordinary shares	17															
Interim dividend for 2014 financial year on Ordinary shares	18															

8 Dividend Reinvestment Plan
The Dividend Reinvestment Plan will not be operative for this dividend payment.

9	Net Tangible assets per security NZ\$	30 June 2014	Up / (Down)	30 June 2013
		2.65	2%	2.61

10	Control of Entities gained or lost during year	
	Control gained	
	Name of subsidiary or group of subsidiaries	Minor acquisitions totalling \$4 million
	Contribution to operating earnings for the period	-
	Date from which such contribution has been calculated	-
	Control Lost	
	Name of subsidiary or group of subsidiaries	None
	Contribution to net profit for the year attributable to members	N/A

11 Associates and Joint Ventures
Refer to the Financial Statements.

12 Other Significant information to assess entity's financial performance and financial position
Refer Press Release and Management Commentary.

13 Accounting Standards
Refer to the Financial Statements.

14 Commentary on results of the year

14.1. Details of basic and diluted EPS: NZ cents	30 June 2014	30 June 2013
Basic EPS	49.3	47.6
Diluted EPS	49.2	47.5
<p>Diluted net earnings per share uses the weighted average number of shares used for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the Company's shares, and may therefore result in dilutive securities for purposes of determining diluted net earnings per share.</p>		
Numerator	30 June 2014	30 June 2013
Net earnings	339	326
Numerator for basic earnings per share	339	326
Dilutive capital notes distribution	12	12
Numerator for diluted net earnings per share	351	338
Denominator (millions of shares)	30 June 2014	30 June 2013
Denominator for basic net earnings per share	687	685
Conversion of dilutive capital notes	27	26
Denominator for diluted net earnings per share	714	711

14.2 Returns to Shareholders including distributions and buy backs.

Refer to item 7 for details of dividend distributions. Refer to Management Commentary.

14.3 Significant features of operating performance

Refer to Press Release and Management Commentary.

14.4 Segment results

Refer to the Financial Statements and Management Commentary for industry and geographic segment information.

14.5 Trends

Refer to Press Release and Management Commentary.

14.6 Any other factors which have affected the results in the year, or which are likely to affect results in the future

Refer to Press Release and Management Commentary.

15 This report is based on audited accounts.

16 Audit: dispute of qualification

Nil