2001
ANNUAL REPORT

FletcherBuilding

the separation is behind us

there are many opportunities to enhance returns

our prime focus is operational improvement

FletcherBuilding

Contents

www.fletcherbuilding.com

Fletcher Building is committed to a high level of customer service. As part of this commitment, we recently launched a significantly upgraded internet site. The new site displays information on Fletcher Building's operations and highlights our well established, powerful brands.

Chairman’s review

A new beginning As your Chairman, I am pleased to report, on behalf of the Board of Directors, on the results and progress of our new company – Fletcher Building Limited.

On 23 March this year, Fletcher Building Limited acquired the operations, assets and liabilities previously attributed to Fletcher Challenge Limited – Building Operations, completed the separation process from the former parent company and began a new stand-alone corporate existence.

This resolved an extended period of uncertainty about the future of the business. During this time, its future ownership and the value that might be achieved were very much in question, and much forbearance was asked of the shareholders. The Directors of Fletcher Building are very conscious of the faith shareholders have invested in them and the company, and will use their best endeavours to ensure that the investment is justified.

Thus the results for this new company are only for the period 24 March to 30 June, which will be the normal year end for Fletcher Building. In that limited trading period, improved operating performance and some recovery in demand led to significant increases in earnings and cash flow when compared to the approximately nine months period prior to separation.

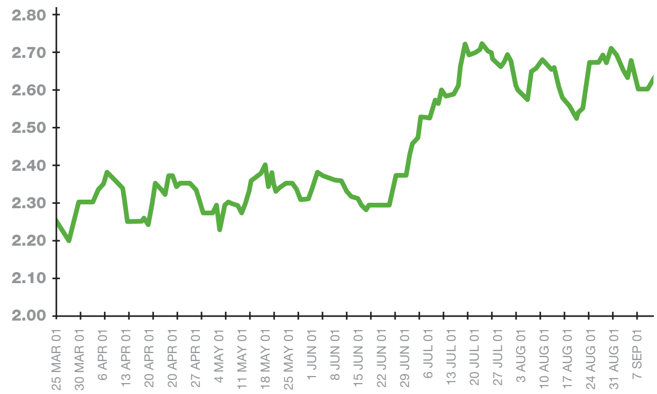
Net earnings before unusual items were $22 million in the June period (compared to $12 million for the rest of the year), and cash flow from operations was $159 million in the June period ($92 million in the rest of the year). This strong recent improvement stands the company in good stead as we move into the current year.

A difficult full year

It has been a complex year for Fletcher Building. Not only was demand sharply down compared to the previous year, but the process of separation from Fletcher Challenge was very disruptive. Initially, the Fletcher Challenge Board of Directors was prepared to consider a sale of Fletcher Building as an alternative to transferring it to existing Fletcher Challenge shareholders. This necessitated a number of potential acquirers conducting due diligence to enable them to formulate offers, and this was demanding and distracting for management. In the end, the Fletcher Challenge Board rejected the sale option, believing that higher value would be created if Fletcher Building was transferred to shareholders. In that context, it is particularly pleasing to note the recent lift in operating performance and the improved share

Fletcher Building Share Price

23 March to 11 September 2001



price since the establishment of Fletcher Building as a stand-alone company – although the share price has been affected by the recent catastrophic events in the United States.

It is also appropriate to note at this point that the separation process made considerable demands on the management and staff of the company. I would like to record the warmest appreciation of the Board for their efforts and loyalty during this exacting period.

The results for the nine months prior to separation are relevant to shareholders for two reasons – firstly because, along with adjustments to the carrying values of assets, they directly affected the values at which Fletcher Building acquired assets from Fletcher Challenge; and secondly because trading in that period influenced the initial Fletcher Building share price. Further, it is important to report the 12 months period so that year-on-year comparisons can be made. Thus pro forma accounts for the 12 months have been prepared and these are reported beside those for the period 24 March to 30 June.

Revenues for the year were $2,273 million, a reduction of 4 per cent on the previous 12 months. Net profit after tax and minorities was $34 million before unusual items, and a loss of $272 million after unusual items. This result was affected by $181 million of unusual items, plus the write-off of tax benefits of $125 million. Some of these changes were associated with the separation from the old Fletcher Challenge Group, while others resulted from a comprehensive review of the carrying values of the assets. Full details are included in the financial section of this report.

The way ahead

When the company commenced business on 24 March 2001, Michael Andrews, the former Fletcher Challenge Chief Executive, was the Acting Chief Executive of Fletcher Building. We informed you in the separation Information Memorandum that the Board's first key task was to identify and appoint a suitable full time Chief Executive. After an international search, the Board appointed Ralph Waters on 1 June. Ralph was previously the Managing Director of Email Limited, a major Australian diversified industrial company where he had held senior positions over his 18 years of service. Ralph's long experience in highly competitive industrial markets will be invaluable, and considerable progress in lifting operating performance is already evident.

I am confident your new Board, whose sole focus is Fletcher Building, and a substantially renewed management team, will together not only improve results in the short term, but also shape the company so as to ensure better results are sustainable for the coming years.

I believe the Board we have assembled for Fletcher Building has the right combination of commercial acumen, experience, fresh perspective and familiarity with the business to take the company forward.

There are seven directors – Ralph Norris and Ralph Waters are new to the company, Sir Dryden Spring who was a relatively recent appointment to the Fletcher Challenge Board and Paul Baines, Hugh Fletcher, Kerrin Vautier and I who are longer-standing members of the Fletcher Challenge Board and thus have a considerable knowledge of the Fletcher Building operations.

Outlook

With the separation process behind us and the senior management team now in place, the primary focus for the year ahead will be operational improvement. There are still many challenges. Demand remains subdued, especially in our major market of Auckland, there are underperforming assets in South America and in Steel where solutions will not be easily found, and there are energy supply and pricing concerns. However, the core of Fletcher Building is a range of excellent businesses with strong market positions and their recent performance gives the Board confidence about the immediate future.

R S Deane
Chairman

Chief executive's review

Operations summary The pro forma results for the 2001 year have been reported for each of the major segments in which Fletcher Building conducts business. These are Building Products, Concrete, Construction and Distribution.

These business segments have clear New Zealand market leadership in one or more of their activities. Winstone Wallboards, Golden Bay Cement, Firth's readymixed concrete, Winstone Aggregates, Fletcher Construction, Pacific Coil Coaters, and PlaceMakers are the major examples.

Although demand did not favour any of the businesses, there were good results from some business units – for example, the full year results from Golden Bay Cement and Winstone Wallboards, and much improved last quarters from Fletcher Construction, Fletcher Residential and PlaceMakers. Wood Panels, Aluminium, Firth and Winstone Aggregates all reported profits well down on the previous year through lower demand and a range of cost issues. Some of these were one-time costs such as those resulting from our exit of the Lunn Avenue quarry while others, including fuel increases in the transport intensive businesses and resin in Wood Panels, continue into the new year. The Steel business units were affected by poor domestic demand, competitive pricing and difficulties relating to the implementation of a new information technology system. The South American businesses incurred significant losses.

The operational review that follows covers all of the company's businesses. Whilst the full year results are quite unsatisfactory, the results of Fletcher Building Limited since trading commenced on 24 March 2001 are an encouraging indication of what shareholders might expect of the company going forward. Also, resolution of some long-running disputes in construction projects in Australia and New Zealand has removed further uncertainty from forward prospects.

Cash flow during the year was strong – particularly in the last quarter, where a $159 million inflow resulted in a year-end net debt of $274 million, compared to $485 million a year earlier. Thus we have entered the new financial year with improving earnings, a strong balance sheet and all major disputes now resolved, providing a sound base for our first full year of trading as a stand-alone company.

Operational improvements

To achieve its earnings potential, Fletcher Building will have to commit to a continuous improvement programme that will affect all facets of the business. There are a number of areas where changes have been made to improve performance.

Organisation

The company has now been organised around four separate operating groups. Each is headed by a chief executive overseeing a range of businesses with a common discipline at its core. The broader, flatter organisation structure should allow each chief executive more time to devote to new initiatives such as new products, new processes, new technologies, or new complementary business activities. The broader structure did not require the creation of new positions; it simply required some existing positions to report directly to the Fletcher Building CEO, rather than through an additional level.

Management

The senior management team has been substantially changed from that in place prior to separation from Fletcher Challenge. The Executive Committee comprises the seven most senior executives of the company. Only two of the present committee were also members of the senior executive team prior to separation.

Reporting to the operating group chief executives are business unit general managers, and a number of these positions have also undergone or are undergoing change. It is vital that for all general management positions and above there be a greater degree of ownership of, and accountability for, their results than might have been the case in the past.

Remuneration

Incentive arrangements have been changed to link all performance-based remuneration to the achievement of a satisfactory level of earnings. This replaced a scheme that rewarded improvement on the prior year.

Thus, while incentive remuneration entitlements are low given the poor earnings for the 2001 financial year, the previous scheme would, in the 2002 financial year, have rewarded improvement from this low base.

Costs

A hard-headed approach to all costs is vital. Fletcher Building's head office team has been substantially reduced and major service providers have also been subjected to a competitive pricing process that has achieved valuable savings. Rather than use its size to achieve better commercial terms, there is clear evidence that the reverse had occurred in too many areas. Fletcher Building participates in very competitive markets. It must be vigilant in ensuring it is achieving the lowest supplier cost and operating its businesses with best practice overhead levels. There is still much to be done in these areas.

Consultants

A greater level of self-sufficiency will result in a substantial reduction in consultants' costs. Despite an over-reliance on external advice in the past, there is too little success to show for it.

Capital Expenditure

A disciplined review process for all capital expenditure is an imperative of well-run businesses. Management's delegated authority level has been reduced from previous arrangements to ensure Directors are more fully informed of investments and their implications. It is difficult not to conclude, given the large scale of write-downs on previous capital projects, that the review, approval, monitoring and post-implementation audit processes were not operating effectively.

Initiative

It is insufficient to operate in a disciplined and cost-effective manner. Markets are dynamic and products and processes are made obsolete by new developments, new technologies and other innovations. Business units will be measured on their initiative and innovation, as these are vital ingredients in maintaining market leadership.

The strategic agenda

The earnings of Fletcher Building are built on a foundation of leading market positions for a number of the company's businesses. However, the full potential of these leading positions is compromised by unsatisfactory results from a number of other involvements.

The strategic priority for the company is to assess whether these under-performing businesses can be improved under Fletcher Building's ownership, or whether they should be divested. Other businesses also warrant review because of industry structure, size, or relevance to Fletcher Building's core portfolio.

The major problems are easily identified, but finding a satisfactory solution will be the greater challenge. To sell an under-performing business at a satisfactory price, an opportunity for industry rationalisation is usually required. Where no such opportunity exists, the company faces the decision of whether to incur further write-offs to effect a sale, or be more patient with the underperforming business. If the outlook is for continuing losses, action will be taken even if this results in under-realisation of asset values.

As a consequence, there are likely to be further asset sales in the year ahead. Since balance date, an aluminium distribution business and our interest in the Lunn Avenue quarry have been sold.

VALE

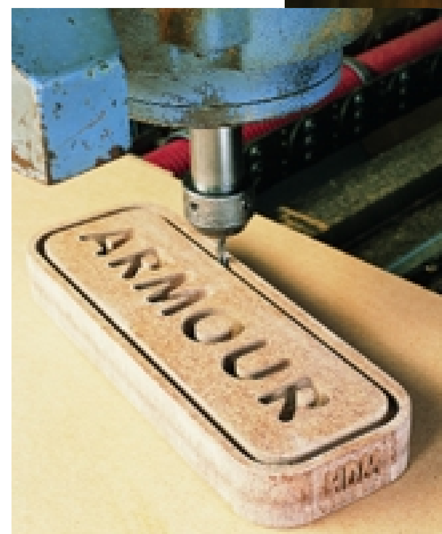
It is with deep regret that we advise of the death of Neil Gunn on 17 August 2001. Neil was a long-serving senior executive of the Company and the General Manager of Winstone Wallboards from 1990 to 2001. Winstone Wallboards has long been one of Fletcher Building's most successful businesses and Neil's extraordinary passion for excellence and innovation was a key part of that success.

Ralph Waters
Chief Executive Officer

Building Products

An integrated business providing customer solutions based on wood-based panels, gypsum plasterboard, aluminium windows, building papers, doors, steel and steel products

Earnings reduced by slump in residential activity



Armour HDM is the latest innovation from Fletcher Wood Panels – it's virtually indestructible and highly versatile, which makes it ideal for security applications and high impact surfaces (bank teller counter pictured).

BUILDING PRODUCTS	24 MARCH TO 30 JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2000 $ M
Operating revenue	232	840	852
EBITDA(1)	26	96	120
EBIT(2)	16	58	87
Total funds employed	450	450	510
Capital expenditure	4	24	29

(1) Earnings before interest, tax, depreciation, amortisation and unusual items

(2) Earnings before interest, tax and unusual items

Results were affected by the drop in residential construction activity in New Zealand and Australia, and increased costs flowing from a weaker New Zealand dollar. In the last three months of the year, results improved in line with increased activity, particularly in the commercial sector, offset by increased energy costs.

Domestic demand for plasterboard declined, with sales volumes down by 12%. EBIT was approximately 10% lower than that for the previous year. Product prices were higher and performance board volumes improved from the previous year; however, the cost of imported raw material increased because of the weak New Zealand dollar.

Wood products sales volumes were lower in both the New Zealand and Australian markets. Whilst the weaker New Zealand dollar had a positive impact on export revenues, resin and shipping costs increased.

The aluminium operations experienced a significant downturn in New Zealand, with sales volumes to franchisees 19% below those for the same period in the previous year. Export sales, particularly to Australia, also fell. This was due largely to the sale of the Hamilton plant, which extruded shapes for export to Australia, in April 2000. In July 2001, the assets of the Fletcher Aluminium Solution Centres, which distributed rolled and other aluminium products within New Zealand, were sold to the Ullrich Aluminium Company. Our core business, comprising the windows and doors operations, has been retained.

Our panel and hardware distribution operations maintained their revenues and EBIT in what was a difficult year. In door manufacturing, our volumes were down 9% and average prices also fell, while raw material costs increased.

Steel volumes were at a record high as export orders increased, aided by the lower New Zealand dollar. Domestic prices were weak however, and extraordinarily high energy prices in the last quarter of the year had an adverse impact on margins, especially in steel manufacturing. Overall steel revenues increased by 3%, while EBIT declined by 55%.

In steel manufacturing, domestic demand for most products continued to weaken throughout the year and domestic sales prices were on average $41 per tonne lower than last year. Production was diverted to lower margin export markets. Production costs per tonne increased by approximately 20%, primarily due to higher scrap prices and electricity charges.

Increased competition and weaker demand in steel distribution and roofing led sales and margins to decline and restructuring costs of $1 million were incurred. Our continuous paint coating plant maintained its sales volumes in the domestic market, but saw a sharp decline in its export markets during the year. These operations also experienced difficulties with the implementation of their new information technology systems which adversely affected customer service, margins and administration costs.

An increase in scrap metal prices, together with an increase in throughput, led to a higher dividend for the year from our joint venture partner, Sims Pacific Metal Industries.

Focus and outlook for the 2002 year
Although conditions in the residential market are expected to improve, this will be steady rather than strong growth. We are well placed to take advantage of any such upturns in the market. In addition, a number of new products should provide increased returns. On the negative side international markets, particularly in Asia, have begun the year on a quiet note.

Domestic and international steel prices are expected to decrease during this year, and our focus will be on improving the operational performance of the business. As a priority, we will also be seeking to determine the best outcome for the steel business in any restructuring of the Australasian steel industry.

Concrete

An integrated business supplying aggregates, cement, readymix concrete and a range of manufactured products, primarily to the New Zealand infrastructure and construction markets

Softer demand for aggregates and concrete pipes, along with increased costs

CONCRETE	24 MARCH TO 30 JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2000 $ M
Operating revenue	142	454	438
EBITDA(1)	26	70	95
EBIT(2)	15	31	56
Total funds employed	485	485	480
Capital expenditure	8	51	70

(1) Earnings before interest, tax, depreciation, amortisation and unusual items
(2) Earnings before interest, tax and unusual items

New Zealand operations
Revenues were up by 3%, however there were sharp regional discrepancies, with rural areas performing strongly and the Auckland market weak in all product groups. EBIT before unusual items declined by 30 per cent, due primarily to softer demand for aggregates and concrete pipes, increased costs associated with a change in the quarry mix in the Auckland market, and higher energy, marketing and transportation costs.

Domestic cement sales were 2% higher than those for the previous year, and the highest volume on record. This was particularly pleasing in view of the low residential and flat commercial activity in Auckland. Sales to export markets were down by 7% from the record 100,000 tonnes achieved in the previous year. Domestic prices were similar to those for the 2000 year, while export prices were down 10% in the second half as a result of competitor activity in offshore markets. Cement prices to the domestic market have been increased approximately 4% with effect from 1 September 2001. Cash costs of production were approximately 3% higher due to increased spot prices for electricity, increased coal consumption and reduced kiln run times. Shipping and distribution costs rose due to the impact of higher fuel costs and change in the regional mix of sales. Overheads were similar to those for the previous year.

The aggregates operations had a difficult year. First half earnings were affected by delayed commissioning of plant upgrades at the Hunua and Pukekawa quarries. The resultant shortage of capacity forced increased production at high extraction costs from the Lunn Avenue quarry. With the commissioning of the new plants and improved control on spending, second half earnings improved significantly. Production costs were higher, but there was a downward trend throughout the second half of the year as the benefits of higher activity, strict cost control and the changing quarry mix were realised. Subsequent to balance date, the Lunn Avenue quarry, in which the Company had a 50% interest, was sold for $38 million.

Sales of readymix, concrete masonry and associated products were at similar levels to those for the previous year. Operational expenses – particularly for transport, marketing, restoration work and environmental compliance – were higher.

Stresscrete's timely production and delivery of pre-cast products was a crucial factor in meeting the challenging construction timetable – one floor per week – for the PricewaterhouseCoopers Tower project, in Auckland.

Tighter control on costs should improve earnings in the current financial year. The pre-stressed concrete products operations recorded a loss, but have made significant progress in improving their underlying performance.

Earnings from concrete pipes were reduced by a 20-30% fall in North Island infrastructure and pipeline activity. This meant our plants ran significantly below capacity, resulting in higher manufacturing costs per tonne, while prices came under pressure from increased competition.

International operations
Weaker than expected market conditions in Peru and Bolivia resulted in a loss at the EBIT level. In addition, assets were written down by $70 million as the company recognised that the more recent and prolonged earnings and economic downturns warranted a reassessment of the carrying value of the assets in both countries. The businesses are currently under intense review. Both management teams have been strengthened and capital expenditure is being held to a minimum.

In Peru, the economy has not seen any improvement in activity as a consequence of the recent elections, but some improvement is forecast over the course of the year. In Bolivia, the outlook is less promising, with activity levels unlikely to improve until the next financial year at the earliest. Overall, the South American activities plan to generate positive cash flow next year.

In India, our 50% joint venture operations in Bangalore and Hyderabad continued to experience a growing market for readymix concrete and recorded a small profit at the EBIT level.

Focus and outlook for the 2002 year
Particular emphasis will be on achieving a more robust performance in the key Auckland market, particularly with respect to aggregates and readymix concrete. This will be sought through tighter cost control, improved asset utilisation and better market penetration.

In offshore markets, the emphasis will be on obtaining better performance from our South American assets, while simultaneously establishing the longer-term position of these businesses.

Construction

The largest construction contractor in New Zealand and the South Pacific and a mid-sized operator in Australia. New Zealand's largest residential builder

The PricewaterhouseCoopers Tower represents a treble success for the Company. All three of the latest office towers in the country are being erected by Fletcher Construction teams.

EBIT reduced by soft market conditions

CONSTRUCTION	24 MARCH TO 30 JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2000 $ M
Operating revenue	277	808	858
EBITDA(1)	11	12	23
EBIT(2)	9	5	18
Total funds employed	(59)	(59)	29
Capital expenditure	1	55	5

(1) Earnings before interest, tax, depreciation, amortisation and unusual items

(2) Earnings before interest, tax and unusual items

Construction operations in New Zealand, Australia and the South Pacific all traded profitably despite soft market conditions. The construction business has recently secured a number of quality contracts, and its total backlog as at 30 June 2001 was very strong at $887 million.

New Zealand residential sales volumes and margins were down about 4% on those for the previous year. The last quarter saw a lift in market activity that has been sustained into the new financial year.

Good progress was made in selling the remainder of the company's surplus property portfolio, with $18 million of cash flow generated during the year. The book value of the property portfolio stood at $32 million at 30 June 2001.

Two important disputes in the construction business were resolved. The dispute relating to ground conditions on the Manapouri Tailrace Tunnel project, in New Zealand, was settled after balance date, following protracted discussions, and the project is currently on schedule for completion in April 2002. In Australia, the dispute relating to the Victorian Hospitals Co-generation Project was resolved, but at a loss of $37 million which is recorded as an unusual item. As part of the settlement, the company acquired seven co-generation plants in Victoria at a cost of $50 million.

Focus and outlook for the 2002 year

Maintaining growth of quality backlog in the New Zealand market will be essential. A number of significant infrastructure projects will be tendered during the 2002 year.

Distribution

Building materials distribution throughout New Zealand, to the commercial and residential construction, alterations, additions and DIY markets

A solid performance in a difficult year

DISTRIBUTION	24 MARCH TO 30 JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2001 $ M	PRO FORMA 12 MONTHS JUNE 2000 $ M
Operating revenue of owned stores(1)	45	171	223
EBITDA(2)	5	13	15
EBIT(3)	4	6	8
Total funds employed	56	56	70
Capital expenditure		5	3

(1) This does not include the Group's interest in the joint venture stores
(2) Earnings before interest, tax, depreciation, amortisation and unusual items
(3) Earnings before interest, tax and unusual items

Customer service in action at The Building Depot, Mt Wellington.

Total revenues, including gross joint venture revenue, from the branded stores PlaceMakers and The Building Depot were at 95% of the previous year's level, assisted by a small overall increase in cash sales. This was a solid performance in what was a difficult year in both residential and commercial construction.

Margins improved slightly through internal efficiency measures, which are expected to bring further gains in the coming year.

Focus and outlook for the 2002 year
The focus will be on further gains from performance improvement measures, which are already having a positive impact on operations.

"Border control" to Fletcher Construction sites now involves a check that all workers on site possess a current SiteSafe Passport, indicating that they have undergone a training programme on safe work practices. On the Courtney Central site in Wellington, the Fletcher Construction gatehouse has been embellished with domestic touches as a counterpoint to the solemnity of the hazards board.

People & safety

Building safety into the business
The building industry in New Zealand has had a poor safety record. Because so many separate groups of people work in close proximity in potentially hazardous situations, it requires a concerted effort by all parties to achieve safe sites. Pan-industry safety improvements have only begun to occur as leading players have demonstrated the necessary leadership.

SiteSafe is an initiative that Fletcher Building has embraced and supported both financially and with executive support. Through its subsidiary Fletcher Construction, the Company provided seed funding, an inaugural chairman and subsequent board members and safety specialists.

A key campaign has been the SiteSafe Passport, whereby complying sites allow employees of contractors and subcontractors to work on site only if they have attended an in-depth safety programme and been issued with the "passport" document. The construction industry has, as a result of this increased safety focus, experienced a dramatic reduction in work fatalities, down from 17 last year to 9 this year. Fletcher Building's commercial and residential businesses are actively promoting the SiteSafe campaign on their sites. The focus is on general awareness, identification of specific hazards and practical steps to be taken to manage the risk.

Fletcher Building is looking to facilitate efficient sharing of best practice across the business and the development of common core safety standards. Safety champions are meeting monthly and are currently establishing a peer review procedure for investigating any serious incident.

The Accident Compensation Corporation (ACC) Partnership Programme is another way that Fletcher Building is driving change. By self-managing all work-related safety issues and providing self-cover for costs, we not only benefit from a rigorous external audit, but reduced premiums provide tangible endorsement of our sound safety management practices. The most recent ACC review elevated Fletcher Building's accreditation status and complimented the Company on the very high level of employee involvement in the safety assessment process.

Other initiatives are also underway. Fletcher Steel is utilising both subjective and objective measures in its SmartSite programme. As well as work-related health management, there are also initiatives for personal health assessments and seminars under the "Safe & Well" programme which is provided with the support of the Fletcher Building Employee Welfare Fund and the Fletcher Building Educational Fund.

The Fletcher Building Employee Educational Fund (EEF) has been established to recognise, encourage and financially support vocational learning, and the sharing of learning, amongst Fletcher Building's employees and their families.

The EEF is independent of Fletcher Building, but is an exciting and innovative platform for assisting in the development of the people who are responsible for Fletcher Building's reputation today and encouraging the people who will shape the Company for tomorrow. If employees or their dependants have an education opportunity and some assistance is needed to progress it, the EEF may be able to provide financial assistance for training including literacy, vocation, personal skills development or extramural education.

Another important initiative is the availability of a special fund, the Fletcher Building Employee Welfare Fund, to help employees and their families in the event of an unexpected loss such as personal accident, sickness, death, disability or subsequent financial hardship. While this Fund is also independent of Fletcher Building, it assists in creating a supportive working environment for our employees in New Zealand.

Environment & community

Surface irrigation of waste water from the Fletcher Wood Panels Taupo plant has enabled a neighbouring farmer to establish a dairy herd that has achieved production above expectation.

Fletcher Building's operations include natural resource development and extraction, waste recycling, manufacturing and distribution. Our key areas of environmental focus are:

- Securing resource consents for operations
- Managing operations to meet appropriate environmental standards
- Innovative business planning to identify and implement sustainable solutions
- Participation in regulatory processes to promote effective and practicable environmental controls.

Fletcher Building regards environmental performance as a key element of sustainable value creation. Our operating units are required to comply with environmental legislation and regulations, and to report regularly on their performance in this regard. This reporting is supplemented from time to time by external audits. We have made significant investments in plant and equipment in order to maintain compliance.

Our operations are subject to numerous national and local regulatory regimes for environmental performance. In some operating arenas outside New Zealand, these are at a relatively early stage of development. Where this is the case, rather than operating only to local standards we apply a uniform risk management approach that requires the identification of appropriate measures and controls to achieve environmentally responsible outcomes. We believe that, in general, our international operations have environmental performance levels higher than those of locally-owned companies in the countries in which they operate.

Fletcher Building is monitoring closely the potential implications of the New Zealand Government's commitment to ratify the Kyoto Protocol on climate change and greenhouse gas emissions. While we support the drive to reduce emissions, and our operations have provided tangible backing in recent years through the implementation of voluntary reduction agreements, we are concerned to ensure that this aim is achieved in a manner that is equitable for all sectors and stakeholders in the New Zealand economy. The issues in terms of international trade and an appropriate domestic policy mix are far from simple, and informed debate is essential.

Wherever possible, we seek to resolve environmental issues in ways that benefit the community and the company. One example of this approach is at Fletcher Wood Panels' Taupo site, where wastewater and stormwater have been diverted for irrigation, enabling an iwi trust to establish a thriving dairy farm.

The Wood Panels site, which uses 250,000 cubic metres of water annually, had spent 10 years piping process water 10 kilometres to soak holes in forest plantations. With surface irrigation becoming the disposal method preferred by environmental authorities, the Company looked to neighbouring farmland owned by the Tauhara North 3B Trust. A successful trial led to a joint venture between the company and the trust. Eventually, consent was gained from Environment Waikato to irrigate for 30 years over 170 hectares.

Irrigation has enabled the trust to establish a 500 cow dairy herd (eventually to be expanded to 1000), which delivered above-budget production in its first six months of operation. The farm stands out not only for its performance, but also for its appearance. While neighbouring properties wear a sunburnt look in summer, its pastures remain consistently green.

Fletcher Building's relationship with Tangaroa College, in the Auckland suburb of Otara, continued into its sixth year. This involvement provides ongoing administrative and strategic support for the school, along with a mentoring programme for senior students. Other support is provided according to need, but has at times included training programmes for teaching and other staff, and advice on human resources, finance, planning and other administrative functions.

Fletcher Building's profile

For the 12 months pro forma period ending 30 June 2001

Building Products

Major products

Plasterboard
Medium density fibreboard
Particleboard
Building papers & foils
Doors – interior
Aluminium windows & doors

Reinforcing bar
Merchant bar
Wire rod
Pipe
Painted coil
Wire
Long run metal roofing & cladding
Roll formed structural products

Sales by destination

Sales by destination	%
New Zealand	78
Australia	9
Asia/Pacific	10
North America	3

Competitive strengths

Low cost position in NZ board/panel markets
Respected brands
Trading skills & customer relationships in Asia
Broad distribution network
NZ's only producer of long steel products
NZ's only integrated producer of wire & wire products
Ability to supply a large range of products within competitive lead times

Key operating statistics

Plasterboard & Building Papers
34 million m^2 of plasterboard capacity (2 plants)
A building paper production facility

Wood Panels & Doors
130,000m^3 of particleboard capacity (2 plants)
160,000 m^3 of medium density fibreboard capacity (1 plant)
4 million m^2 of hardboard/softboard capacity (1 plant)
2 laminating operations
A door manufacturing plant & 4 prehanging plants
12 company owned outlets

Aluminium
9,000 tonne capacity in 2 extrusion presses
6,500 tonne capacity remelt facility
90 franchised fabricators

Upstream Steel
300,000 tonne capacity mini-mill steel plant
340,000 tonne capacity rolling mill (200,000 bar and 140,000 rod)
A fully integrated wire mill/wire products plant
A ferrous & non-ferrous scrap facility (50% owned)

Downstream Steel
12 branch steel merchandising business nationwide
2 metal processing & 5 reinforcing fabrication facilities
A continuous paint coating plant
11 branch roofing businesses nationwide
A steel framed house design & fabrication plant
2 galvanising plants
2 structural products rollforming factories

Concrete

Major products

Aggregates – building
Aggregates – roading
Cement
Readymix concrete
Concrete & plastic pipes & fittings

Key operating statistics

Aggregates
Over 120 million m³ of proven plus indicated reserves (over 30 years supply)
18 hard rock quarries, 7 shingle plants
5 sand plants, 1 scoria pit
2 hard rock quarries (Fiji)
4 alluvial aggregate plants (Bolivia)
2 hard rock quarries (Peru)

Cement
600,000 tonne dry kiln cement plant
A bulk cement vessel serving 6 customer service centres
35 years supply of cement rock & limestone resource
130,000 tonne cement plant (Bolivia)
120,000 tonne cement plant (Fiji) – 25% owned

Concrete Products
48 fixed plants, 2 mobile plants, 7 JV plants
244 trucks & 18 mobile pumps
2 bagging plants
6 concrete pipe/castings plants
6 fixed JV plants (Fiji)

Sales by destination	%
New Zealand	78
Asia/Pacific	5
South America	17

Competitive strengths

Location & size of aggregate deposits
World-class dry process cement plant
Nationwide distribution network
Modern central mix readymix plants using computer controlled batching systems
Cement & limestone resource

Construction

Major products

Commercial construction
Industrial construction
Engineering
Marine construction
Interior fitouts
Refurbishments
NZ residential housing

Key operating statistics

Construction
Largest contractor in the key markets of New Zealand and South Pacific

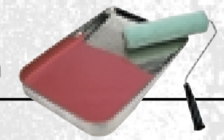
Housing
Land bank of:
– 662 developed lots,
– 432 undeveloped potential lots
Housing activities in:
Auckland, Christchurch, Mt Maunganui, Napier, Tauranga

Sales by destination	%
New Zealand	65
Australia	28
Asia/Pacific	7

Competitive strengths

Established track record in NZ & South Pacific
Unrivalled experience at managing large scale projects in NZ

Distribution



Major products

Panels
Plumbing
Roofing
Concrete
Hardware
Timber

Key operating statistics

PlaceMakers
40 outlets owned in joint venture with owner/operators
7 company owned outlets
Turnover of $585 million (100% of all outlets)

Building Depot
10 company owned outlets
Turnover of $51 million

Sales by destination	%
New Zealand	100

Competitive strengths

Strong brands
National coverage
Economies of scale

The Board of Directors

Roderick Sheldon Deane
PhD, LLD (Hon), BCom (Hons), FACA, FCIS, FNZIM

Chairman of Directors

Dr Deane, 60, is Chairman of Telecom New Zealand, having retired as Chief Executive of that company in 1999. He is also Chairman of ANZ Banking Group (NZ), Te Papa Tongarewa (the Museum of New Zealand), New Zealand Seed Fund Management and New Zealand Seed Fund Partnership.
Dr Deane is a director of TransAlta Corporation (of Canada), Australia and New Zealand Banking Group and Woolworths (both Australian companies). He is Professor of Economics and Management at Victoria University of Wellington and is on the Board of Governance of IHC Inc.
Dr Deane has previously been Chief Executive of the Electricity Corporation of New Zealand, Chairman of Fletcher Challenge and the State Services Commission, Deputy Governor of the Reserve Bank of New Zealand, and Alternate Executive Director of the International Monetary Fund.

Paul Edward Alex Baines
BCA, CA, MPP

Non-Executive Director
Chairman of the Audit Committee

Mr Baines, 51, is Chairman of Tower Managed Funds and a Director of Comalco New Zealand, Gough, Gough and Hamer, Greenstone Fund, the Reserve Bank of New Zealand, Telecom New Zealand and Wrightson, and is a member of the P A Consulting Group Advisory Board. He was previously a director of Fletcher Challenge, New Zealand Post and South Eastern Utilities, and Chief Executive Officer of CS First Boston New Zealand from 1990 until 1993. Prior to that he held a number of senior positions in the sharebroking and investment banking firm of Jarden & Co.

Hugh Alasdair Fletcher
MCom (Hons), MBA (Stanford), BSc

Non-Executive Director
Member of the Audit Committee

Mr Fletcher, 53, is Chairman of New Zealand Insurance, CGNU Insurance Australia, a Director of VCU Technology, Infrastructure Auckland and Rubicon, a member of the Asia Pacific Advisory Committee of the New York Stock Exchange, the Business Advisory Council of the United Nations Office for Project Services, the Tertiary Education Advisory Commission, the Investment Committee of No 8 Ventures, and the University of Auckland Council. Mr Fletcher was previously a director of Fletcher Challenge and its Chief Executive Officer from 1987 until his retirement in 1997.

Ralph James Norris
FNZCS, FNZIM

Non-Executive Director
Member of the Remuneration Committee

Mr Norris, 52, is Head of International Financial Services for the Commonwealth Bank Group, a role responsible for the Group's operations in New Zealand, the Pacific and Asia and is Managing Director and CEO of ASB Group. He is also Chairman of Sovereign Assurance and the New Zealand Business Roundtable, Deputy Chairman of the New Zealand Bankers Association, a Director of Air New Zealand, Ansett Holdings and New Zealand's America's Cup defence company. He is also a trustee of the Woolf Fisher Trust, Northern Lifeguard Services and the Starship Children's Hospital Foundation.

Sir Dryden Spring
DSc (Hon)

Non-Executive Director
Chairman of the Remuneration Committee

Sir Dryden, 61, is Chairman of WEL Energy Group, Fletcher Challenge Forests, the New Zealand APEC Business Advisory Council and Ericsson Communications. He is Deputy Chairman of Goodman Fielder and a Director of Nufarm, the National Bank of New Zealand, Ericsson Synergy and Maersk New Zealand. Sir Dryden is a member of the New Zealand Business and Parliament Trust and the Waikato Medical Research Foundation and is Deputy Chairman of the Asia 2000 Foundation. He is a Distinguished Fellow of the Institute of Directors and a member of the Washington DC based International Policy Council on Agriculture, Food and Trade.

Sir Dryden was Chairman of the New Zealand Dairy Board from 1989 to 1998, having been a Director since 1983. He has also served on the Boards of the Rural Banking and Finance Corporation, Ports of Auckland and AFFCO New Zealand.

Kerrin Margaret Vautier
CMG, BA

Non-Executive Director
Member of the Audit Committee

Mrs Vautier, 56, is a research economist specialising in competition law and economics. She is the Chair of the New Zealand Committee of the Pacific Economic Co-operation Council, and a director of Wilson & Horton Holdings and Deloitte Touche Tohmatsu (NZ), a lay member of the High Court under the Commerce Act, and a senior part-time lecturer in the Departments of Commercial Law and International Business at the University of Auckland. She was previously a director of Fletcher Challenge, Norwich Union Holdings (NZ) and its subsidiary, State Insurance. She is a former member of the New Zealand Commerce Commission and the Board of Trustees of the Asia 2000 Foundation, and was Chairman of the New Zealand Institute of Economic Research from 1992-1998.

Ralph Graham Waters
CP Eng, FIE Aust, M Bus

Managing Director

Since the year end Mr Waters, 52, the Chief Executive Officer and Managing Director of the Company has been appointed to the Board. Prior to joining Fletcher Building, he was Managing Director of Email Limited, a major Australian industrial company. In his 18 years with Email, he was General Manager Planning, Group Manager Industrial Products and Group General Manager Major Appliances before becoming Managing Director in 1998.

Mr Waters has agreed to become a Director of Fisher and Paykel Appliances Holdings if the court approved plan of arrangement is approved by shareholders on 12 November 2001.

Michael John Andrews ceased to hold office as a Director of the Company during the financial period.

From left to right: Paul Baines, Ralph Norris, Hugh Fletcher, Roderick Deane, Ralph Waters, Kerrin Vautier, Sir Dryden Spring.

Corporate Governance

Governance
Fletcher Building Limited is a New Zealand based building materials manufacturer whose securities are listed on the New Zealand, New York and Australian stock exchanges. In accordance with the generally accepted requirement by the three exchanges for formal adoption by boards of directors of approved corporate governance practices, the Board advises that it is committed to the highest standards of behaviour and accountability, and has adopted the following policies and procedures:

Role of the Board
The Board has statutory responsibility for the activities of the Company, which in practice is exercised through delegation to the Company's Chief Executive Officer (CEO) who is charged with the day-to-day leadership and management of the Company. The CEO also has special responsibility to manage the interfaces between the Company and the public, and to act as the principal representative for the Company.

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

The Board evaluates the performance of the CEO and the CEO's direct reports annually. The evaluation is based on criteria which include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.

The Board supports the concept of the separation of the role of Chairman from that of the CEO. The Chairman's role is to manage the Board effectively, to provide leadership to the Board, and to interface with the CEO.

The Board expects to meet formally at least ten times during the year for a full day including time allocated to on-site review of operations.

The Board believes that the Code of Practice it applies is consistent with that of the Institute of Directors in New Zealand (Incorporated).

Board composition
Although Directors are elected by the shareholders to bring special expertise or perspectives to Board deliberations, the best interests of the Company must be paramount at all times.

The constitution provides that the appropriate size for the Board is between three and nine members. One third of all Directors stand for election every year. The Directors who retire in each year are those who have been longest in office since their last election. The Directors at the commencement of trading of the Company on 24 March 2001 are all considered to have taken office at the same time, and may agree a basis for determining those Directors standing for re-election.

The terms of reference for the Board, the Chairman, the Committees and the CEO are reviewed annually by the Board. The Chairman assesses the composition and effectiveness of the Board and its Committees annually.

Board committees
Committees established by the Board review and analyse policies and strategies, usually developed by Management, which are within their terms of reference. They examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.

The current Committees of the Board are Audit and Remuneration, which meet when necessary and consist entirely of non-executive Directors. The Remuneration Committee has been established as of 13 August 2001, before which all Directors were involved in remuneration matters. The Board does not have a formal nominations committee as all non-executive Directors are involved in the appointment of new Directors. A Due Diligence Committee operated until 30 June 2001, when it ceased to be a standing committee. From time to time the Board may create ad hoc committees to examine specific issues on behalf of the Board.

A Committee or individual Director may engage separate independent counsel at the expense of the Company in appropriate circumstances, with the approval of the Chairman of the Board.

Contracts

Subject to the Company's standard cessation of employment criteria, R G Waters' appointment as Chief Executive Officer is for indefinite duration. As a term of that contract he has been issued 1,000,000 options over the ordinary shares of the Company, at an exercise price calculated as the weighted average selling price of the Company's shares in the 10 trading days prior to 16 May 2001 (being $2.28 per option). The options have a term of six years.

Directors' and officers' indemnification and insurance

The Company has arranged a programme of directors' and officers' liability insurance covering Directors, executives and employees in managerial positions acting on behalf of the Company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed whilst acting for the Company. The types of acts that are not covered are dishonest, fraudulent, malicious acts or omissions, wilful breach of statute or regulations, or duty to the Company, improper use of information to the detriment of the Company or breach of professional duty. This is supplemented by indemnification by the Company, but excluding liability for criminal acts.

Dealing in company securities

The Company's Securities Trading Code of Conduct for insider trading supplements the New Zealand legislation containing the Insider Trading (Approved Procedure for Company Officers) Notice 1996. That legislation and the Securities Trading Code of Conduct prevent short-term trading and dealing in the Company's securities whilst Directors and senior executives are in possession of non-public material and relevant information.

During the financial year Directors disclosed in respect of Section 148(2) of the Companies Act 1993, the details scheduled on page 57.

Directors' interests register

Directors' certificates to cover entries in the Interests Register in respect of remuneration, dealing in the Company's securities, insurance and other interests have been disclosed as required by the Companies Act 1993, and are scheduled on page 58.

The initial Directors of the Company on incorporation on 19 December 2000, were John McDonald and Alexander Töldte, who resigned with effect from 23 January 2001 and 24 January 2001 respectively. During this period no trading activities were undertaken and no disclosures of interests were considered necessary.

Non-executive Directors' remuneration

The aggregate amount of fees paid to non-executive Directors for services in their capacity as Directors during the three month period ended 30 June 2001 were:

NZ DOLLARS	BASE FEE	COMMITTEE CHAIR	TOTAL FEE
R S Deane	45,000		45,000
P E A Baines	15,000	3,125	18,125
H A Fletcher	15,000		15,000
R G Norris(1)	12,329		12,329
Sir D Spring	15,000		15,000
K M Vautier	15,000	3,125	18,125
TOTAL	117,329	6,250	123,579

(1) Appointed by the Board on 17 April 2001

Executive Director's remuneration

NZ DOLLARS	SALARY	REMUNERATION INCENTIVE	TOTAL
M J Andrews	195,000	113,230	308,230

Remuneration is for the three month period ended 30 June 2001, when Mr M J Andrews retired from the role of Interim Chief Executive Officer. No remuneration was provided by the Company prior to 1 April 2001. Incentive remuneration was based on achieving specific goals related to the establishment and performance of the Company.

Executive Directors do not receive remuneration as Directors of Fletcher Building Limited or Group subsidiaries.

Mr R G Waters did not join the Board until 10 July 2001.

Corporate Governance continued

Stock Exchange Disclosures
On 14 March 2001 the Market Surveillance Panel of the New Zealand Stock Exchange granted the Company a waiver from Listing Rules 3.4.3 (interested directors not voting) and 9.2.1 (material transactions involving related parties) in relation to a finance facility established with several banks including ANZ Banking Group (NZ) Limited in connection with the separation process. This waiver was necessary because, at the time the financing facility was arranged, Dr Roderick Deane was deemed to be an interested director for the purposes of Listing Rule 3.4.3 and ANZ Banking Group (NZ) Limited was deemed to be a related party of the Company for the purposes of Listing Rule 9.2.1, as Dr Roderick Deane was a director of Fletcher Building Limited and a director of ANZ Banking Group (NZ) Limited.

On 10 May 2001 the Market Surveillance Panel of the New Zealand Stock Exchange granted the Company a waiver from Listing Rule 9.2.1 (material transactions involving related parties) in relation to a finance facility established with The National Bank of New Zealand Limited. This waiver was necessary because, at the time the financing facility was arranged, The National Bank of New Zealand Limited was deemed to be a related party of the Company for the purposes of Listing Rule 9.2.1, as Sir Dryden Spring was a director of Fletcher Building Limited and a director of The National Bank of New Zealand Limited.

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 period ended 30 June 2001.

Accordingly, the Company discloses that at 30 June 2001 the Company had 101 subsidiaries worldwide, the Directors of which numbered 95. Apart from some overseas subsidiaries which have independent Directors or are required to have a specific number of local residents as Directors, no subsidiary has Directors who are not full-time employees of the Group.

No employee of the Fletcher Building Group 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, where the remuneration and other benefits totalled $100,000 or more during the period ended 30 June 2001 were:

	NZ BUSINESS ACTIVITIES	INTERNATIONAL BUSINESS ACTIVITIES
NZ$100,000 to $110,000	1	
NZ$110,000 to $120,000	1	1
NZ$120,000 to $130,000	1	
NZ$130,000 to $140,000	1	
NZ$140,000 to $150,000	2	
NZ$150,000 to $160,000	2	1
NZ$260,000 to $270,000	1	
NZ$270,000 to $280,000	1	
NZ$690,000 to $700,000	1	
	11	2

Management

Executive Committee

Chief Executive Officer and Managing Director
Ralph Waters

Company Secretary
Martin Farrell

Chief Financial Officer
Bill Roest

Chief Executive – Concrete
Mark Binns

Chief Executive – Construction
Mark Binns

Chief Executive – Building Products
Andrew Reding

Chief Executive – Distribution
Appointment pending

General Manager – Planning & Corporate Support
Malcolm Hope

From left to right: Martin Farrell, Bill Roest, Malcolm Hope, Ralph Waters, Mark Binns, Andrew Reding.

Senior Management Team

Building Products

Fletcher Wood Panels
Bob Linton

Scott Panel & Hardware
Joan Young (acting GM)

Winstone Wallboards
David Thomas

Fletcher Aluminium
Alec Mandis

Plyco Doors
Jo Clayton

Fletcher EasySteel
John Beveridge

Dimond
To be appointed

CSP Galvanizing
Shane Mitchell

Pacific Coilcoaters
Rob Hartley

Fletcher Reinforcing
Robert Sim

Pacific Steel
Pacific Wire
Steel Shared Services
Alan Pearson

Cyclone
Scott Paterson

Distribution

PlaceMakers
Keith Avery

Building Depot
Garry Stone

Hire A Hubby
Warren Powell

Construction

Chief Financial Officer
Carl Munkowits

NZ Upper North & South Island
Peter Neven

NZ Wellington & Lower North Island
Bob Hall

Australia
Graham Taylor

Engineering
Graham Darlow

Fletcher Residential
Bruce Nixon

Concrete

Golden Bay Cement
Ross Harper

Firth Industries
Chris Badger

Stresscrete
Robert Gibbes

Winstone Aggregates
Chris Ellis

Humes Pipeline Systems
John Williamson

Peru
Roberto Silva

Bolivia
Ken Cowie

Corporate

Treasury
Sara Ellis

Chief Information Officer
Paul Knight

Financial Controller
John Hames

Fletcher Property
David Wood

Procurement
Ian Maynard

Financial Review

The initial trading period produced significant increases in both earnings and cash flow.

Fletcher Building Limited commenced trading as a stand-alone entity on 24 March 2001, following the acquisition of the operations, assets and liabilities previously attributed to Fletcher Challenge Limited – Building Operations, as part of the Fletcher Challenge Group separation process. The Annual Report is for the period since incorporation on 19 December 2000 but as no trading was undertaken until 24 March 2001, this Report records the financial results for the "Trading Period," being the period 24 March 2001 to 30 June 2001.

For comparative purposes, pro forma accounts have been prepared. The pro forma results include the earnings of all businesses as if the operations, assets and liabilities previously attributed to Fletcher Challenge Limited – Building Operations were part of Fletcher Building Limited from 1 July 2000. Comparative figures for the previous corresponding year have been prepared on a similar basis.

Revenues for the "Trading Period" ended 30 June 2001 were $696 million and reflect external sales only. Earnings before interest, tax and unusual items in the same period were $42 million. Compared to the $94 million for the 12 months period, the "Trading Period" result showed a marked improvement through better operational performance and some recovery in demand. Net profit after tax and minorities was $22 million before unusual items, and $19 million after unusual items.

Pro forma net profit after tax and minorities was $34 million before unusual items, compared to $106 million for the corresponding period. After unusual items a loss of $272 million resulted, compared to a profit of $63 million last year.

Despite the difficult trading year, cash generation through working capital reductions, construction progress payments and improved earnings in the "Trading Period" was encouraging.

The strong cash flow is reflected in Fletcher Building's ratio of debt to total capitalisation (debt to debt plus equity and capital funds at book value) reducing to 25.8% from 33.4%, the equivalent ratio at June 2000. Interest cover (EBITDA before unusual items / interest paid) for the "Trading Period" was 7.4 times, in line with that achieved at June 2000. At year end Fletcher Building had available undrawn facilities of $235 million.

The return on permanent capital (excluding unusual items) for the "Trading Period" was 17% on an annualised basis. This compares with the return for the 12 months ended June 2001 and June 2000 of 10% and 16% respectively. Based on the pro forma 12 months accounts, about 45% of the year's earnings at the EBIT level, and 63% of the year's cash flow, were generated in the "Trading Period" of just over three months.

While there was a net loss after tax and minorities for the 12 months ended 30 June 2001 of $272 million, this result was affected by a number of adverse adjustments:

	$ MILLION
Restructuring and separation costs	43
Permanent impairment	101
Victorian co-generation settlement	37
Unusual items	**181**
Taxation adjustments	125
Total adjustments	**306**

Risk management

The Company has an integrated programme to manage risks associated with interest rate, commodity price and exchange rate movements. This hedge programme aims to assure a base level of profitability and reduce volatility in earnings.

Revaluation

Following the acquisition of the assets of Fletcher Challenge Limited – Building Operations, the Directors have adopted a policy to revalue land, buildings and plant and machinery in accordance with Financial Reporting Standard No 3 "Accounting for Property, Plant and Equipment." These valuations have been prepared by independent and suitably qualified valuers and have resulted in an uplift of $91 million in the value of these assets, a net transfer to the revaluation reserve of $73 million and a reduction in the deferred tax asset of $18 million.

Capital notes

The Company will consider replacing capital notes with normal debt funding as the opportunity arises, and the terms for the October 2001 noteholders' election reflect this.

In Summary

Results

PERIOD ENDED NZ$ MILLION	PERIOD ENDED JUNE 2001	PRO FORMA 12 MONTHS JUNE 2001	PRO FORMA 12 MONTHS JUNE 2000
Operating revenue	696	2,273	2,380
EBIT before unusual items	42	94	170
Cash flow from operations	159	251	133
Net earnings before unusual items	22	34	106
Net earnings	19	(272)	63

Results evidence improving financial returns with:

Strong cash flow from operations

Improving return on permanent capital (excluding unusual items)

Net debt reducing from $485 million to $274 million

Interest cover improving

Earnings risk reduced with:

Settlement of the Victorian co-generation claim

Settlement of the Manapouri tunnel claim

Dividend

The Directors have declared a final dividend of 6 cents per share, bringing total dividends for the year to 12 cents per share. The dividend will carry full tax credits.

In addition, capital notes interest after tax of $5 million was paid during the "Trading Period," and $16 million for the full year.

Operating cash flow

$ Million

Return on capital

%

* annualised

Gearing

%

Interest cover

Times

Financials

Statement of Financial Performance

for the period ended 30 June 2001

	NOTE	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
Operating revenue	3	**696**	2,273	2,380	28
Operating expenses		**(659)**	(2,360)	(2,253)	(8)
Operating earnings	4	**37**	(87)	127	20
Funding costs	5	**(9)**	(36)	(34)	(9)
Earnings before taxation		**28**	(123)	93	11
Taxation expense	6	**(8)**	(148)	(31)	3
Earnings after taxation		**20**	(271)	62	14
Minority interest		**(1)**	(1)	1	
Net earnings		**19**	(272)	63	14
Net earnings per share	9				
(annualised cents)					
Basic		**15.0**	(83.7)	14.5	
Diluted		**15.0**	(83.7)	14.1	
Weighted average number of shares outstanding	9				
(millions of shares)					
Basic		**345**	344	331	
Diluted		**345**	344	340	
Dividends declared per share (cents)		**6.00**	12.00	16.00	

On 23 March 2001, Fletcher Challenge Limited – Building Operations, a targeted share of Fletcher Challenge Limited, became a stand-alone publicly listed company called Fletcher Building Limited under a court approved arrangement. Fletcher Building Limited was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited – Building Operations on 23 March 2001. The Company and the Fletcher Building Group (the Group) therefore began trading on 24 March 2001.

The results of the Group are for the period 24 March 2001 to 30 June 2001. The pro forma results for the twelve months ended 30 June 2001 consist of the results of Fletcher Challenge Limited – Building Operations for the period 1 July 2000 to 23 March 2001 and the results of the Group for the period 24 March 2001 to 30 June 2001.

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

Statement of Movements in Equity

for the period ended 30 June 2001

		FLETCHER BUILDING GROUP			FLETCHER BUILDING LIMITED
	NOTE	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	PERIOD ENDED JUNE 2001 NZ$M
Total equity and capital funds					
At the beginning of the period			969	938	
Net earnings		**19**	(272)	63	14
Revaluation of investments	12			(3)	83
Revaluation of fixed assets	2,12	**73**	73		
Movement in currency translation reserve	12	**5**	30	9	
Total recognised revenues and expenses for the period		**97**	(169)	69	97
Movement in minority equity	14	**2**	1	(9)	
Movement in reported capital	11	**449**	3	38	449
Movement in capital funds	11	**250**	59	(14)	250
Dividends and distributions	10	**(8)**	(73)	(53)	(8)
Total equity and capital funds		**790**	790	969	788

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

Statement of Financial Position

as at 30 June 2001

	NOTE	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M
Assets				
Current assets:				
Cash and liquid deposits	15	**132**	64	32
Stocks	16	**298**	368	
Debtors	17	**302**	346	3
Contracts	18	**39**	36	
Total current assets		**771**	814	35
Term assets:				
Fixed assets	19	**759**	712	
Investments	20	**90**	86	1,156
Provision for deferred taxation	22	**136**	359	
Total assets		**1,756**	1,971	1,191
Liabilities				
Current liabilities:				
Short-term loans		**2**	42	2
Creditors	21	**557**	450	12
Provision for distributions on capital funds		**4**	3	4
Provision for current taxation	22	**(1)**		(5)
Total current liabilities		**562**	495	13
Term liabilities:				
Term debt	23	**404**	507	390
Total liabilities		**966**	1,002	403
Equity				
Reported capital	11	**449**	500	449
Revenue reserves	12 & 13	**11**	282	6
Other reserves	12 & 13	**78**	(5)	83
Equity		**538**	777	538
Capital funds	11	**250**	191	250
Equity and capital funds		**788**	968	788
Minority equity	14	**2**	1	
Total equity and capital funds		**790**	969	788
Total liabilities and equity		**1,756**	1,971	1,191

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

On behalf of the Board
22 August 2001

Roderick Deane
Chairman of Directors

Ralph Waters
Managing Director

Statement of Cash Flows

for the period ended 30 June 2001

		FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	PERIOD ENDED JUNE 2001 NZ$M
Cash flow from operating activities				
Receipts from customers	**743**	2,270	2,388	
Dividends received	**4**	12	10	20
Interest received		3	5	8
Total received	**747**	2,285	2,403	28
Payments to suppliers, employees and other	**579**	1,983	2,225	8
Interest paid	**9**	45	40	7
Income tax paid		6	5	
Total applied	**588**	2,034	2,270	15
Net cash from operating activities	**159**	251	133	13
Cash flow from investing activities				
Sale of fixed assets	**9**	14	38	
Sale of investments	**15**	17	6	
Less cash in subsidiaries disposed			(14)	
Total received	**24**	31	30	
Purchase of fixed assets	**13**	84	91	
Cash acquired upon acquisition of subsidiaries	**(140)**			
Purchase of investments	**1**	3	8	
Purchase of subsidiaries		50	2	509
Net debt in subsidiaries acquired		9		
Purchase of minority equity			14	
Total applied	**(126)**	146	115	509
Net cash from investing activities	**150**	(115)	(85)	(509)
Cash flow from financing activities				
Net debt drawdowns / (settlements)	**(146)**	(151)		392
Issue of shares			1	
Sale of taxation benefits to other Fletcher Challenge divisions		99		
Issue of capital funds	**2**	185		2
Advances from subsidiaries				167
Total received	**(144)**	133	1	561
Purchase of capital funds		126	14	
Dividends and distributions paid to stakeholders	**33**	77	70	33
Total applied	**33**	203	84	33
Net cash from financing activities	**(177)**	(70)	(83)	528
Net movement in cash held	**132**	66	(35)	32
Add opening cash and liquid deposits		64	95	
Effect of exchange rate changes on net cash		2	4	
Closing cash and liquid deposits	**132**	132	64	32

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

Statement of Cash Flows continued

for the period ended 30 June 2001

	FLETCHER BUILDING GROUP			FLETCHER BUILDING LIMITED
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	PERIOD ENDED JUNE 2001 NZ$M
Analysis of subsidiary disposed[1]				
Fixed assets			8	
Current assets			14	
Current liabilities			(22)	
Net assets of subsidiary disposed				
Gain on disposal of subsidiary				
Analysis of subsidiaries acquired[2]				
Fixed assets		63		
Goodwill on acquisition			2	
Term liabilities		(27)		
Cash acquired		18		
Current liabilities		(4)		
Net assets of subsidiaries acquired		50	2	

(1) Subsidiary disposed was Fletcher Pacific at book value.

(2) Cash outflow on purchase of subsidiaries includes $50 million for Varnsdorf in March 2001. Fletcher Construction was involved in an arbitration in Australia, concerning a project known as the Victorian Hospitals Co-generation Project. Under the arbitration settlement agreement, Fletcher Challenge Limited – Building Operations purchased Varnsdorf Pty Limited, the owner of the project for A$41.85 million in cash. The acquisition cost was then charged to earnings and provisions were reversed.

Cash outflow on purchase of subsidiaries in June 2000 includes $1 million for Hire A Hubby Limited and $1 million for Fletcher Aluminium Pty Limited.

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 period ended 30 June 2001

	FLETCHER BUILDING GROUP			FLETCHER BUILDING LIMITED
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	PERIOD ENDED JUNE 2001 NZ$M
Cash was received from:				
Net earnings	**19**	(272)	63	14
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	**18**	224	57	
Taxation	**8**	142	26	(3)
Minority interest in earnings of subsidiaries	**1**	1	(1)	
Non cash adjustments	**27**	367	82	(3)
Cash flow from operations(1)	**46**	95	145	11
Less (gain) / loss on disposal of affiliates and fixed assets		1	27	
Cash flow from operations before net working capital movements	**46**	96	172	11
Net working capital movements	**113**	155	(39)	2
Net cash from operating activities(2)	**159**	251	133	13
Net working capital movements:				
Debtors	**47**	41	(92)	
Stocks	**49**	73	(13)	
Contracts		(3)	55	
Creditors	**17**	44	11	2
	113	155	(39)	2

(1) Includes loss on disposal of affiliates and fixed assets.

(2) As per statement of cash flows.

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

Statement of Accounting Policies

for the period ended 30 June 2001

Basis of presentation

The financial statements presented are those of Fletcher Building Limited (the "Company") and its subsidiaries (the "Group"). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The financial statements are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993.

The financial statements comprise statements of the following: financial performance, movements in equity, financial position, cash flows, significant accounting policies, as well as the notes to these statements.

On 23 March 2001, Fletcher Challenge Limited – Building Operations, a targeted share of Fletcher Challenge Limited, became a stand-alone publicly listed company called Fletcher Building Limited under a court approved arrangement. Fletcher Building Limited was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited – Building Operations on 23 March 2001. The Company and Group therefore began trading on 24 March 2001.

The results of the Fletcher Building Group are for the period 24 March 2001 to 30 June 2001. The pro forma results for the twelve months ended 30 June 2001 consist of the results of Fletcher Challenge Limited – Building Operations for the period 1 July 2000 to 23 March 2001 and the results of the Fletcher Building Group for the period 24 March 2001 to 30 June 2001.

Fletcher Challenge Limited – Building Operations financial statements for the year ended 30 June 2000 have been provided for comparative purposes. For the year ended 30 June 2000 and for the period up to 23 March 2001, Fletcher Challenge Limited – Building Operations was a division and targeted share of Fletcher Challenge Limited. As the financial statements of Fletcher Challenge Limited – Building Operations are derived from the financial statements of Fletcher Challenge Limited, they should at all times be read in conjunction with the financial statements of Fletcher Challenge Limited and in particular with the basis of attributing assets, liabilities, income and expenses to the then divisions of Fletcher Challenge Limited as set out in the statement of adopted policies.

Accounting convention

The financial statements are based on the general principles of historical cost accounting with the exception of investments and specific fixed assets as noted below. These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (GAAP). Where no financial reporting standard or statement of standard accounting practice exists in New Zealand in relation to a particular issue, the accounting policies adopted have been determined having regard to authoritative support. These policies have been applied on a consistent basis except as disclosed in note 2, changes in accounting policies.

Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries, and the Group's interest in associates, partnerships and joint ventures. Inter-company transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries

Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation, except for the acquisition of the assets and liabilities of Fletcher Challenge Limited – Building Operations, which were at book value. The Company has revalued its investment in subsidiaries to net asset backing.

Associates

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

Statement of Accounting Policies continued

for the period ended 30 June 2001

Goodwill on acquisition
Fair values are assigned to the assets and liabilities of subsidiaries and associates of the Group at the date they are acquired. Goodwill arises to the extent that the fair value is determined to be less than the purchase cost and this goodwill is amortised to earnings on a systematic basis over the period in which it is believed benefits will arise.

The period of amortisation will generally be five years or less; however, in individual cases it may be up to twenty years. The period of amortisation of any goodwill is regularly reviewed and, if it is believed that the amount remaining to be amortised will not be recovered by future benefits to be realised, the unrecoverable amount is written off to earnings and the balance amortised over the period it is believed benefits will be realised. Negative goodwill on acquisition arises to the extent that fair value is determined to exceed the purchase cost and this surplus is applied to reduce the book value of non-monetary assets acquired and, to the extent there are insufficient non-monetary assets, taken to earnings.

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

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

Currency translation
Statements of financial position in foreign currencies are translated into New Zealand currency at the rates of exchange ruling at balance date. Statements of financial performance in foreign currencies are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising from translation are held in the currency translation reserve.

Valuation of assets

Land, buildings, plant and machinery, fixtures and equipment
Land, buildings, and plant and machinery are revalued by independent registered valuers on the basis of fair value. The revaluations are conducted on a systematic basis across the Group so that each asset is revalued at least every five years.

The values are reviewed annually to ensure that no asset is held at a value materially different from fair value. Fixtures and equipment are valued at cost. Land, buildings, plant and machinery, fixtures and equipment are stated at cost or valuation, less accumulated depreciation.

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

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

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. 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.

Debtors
Debtors are valued at estimated net realisable value. The valuation is net of a 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.

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

Statement of Accounting Policies continued

for the period ended 30 June 2001

Impairment

Impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined to be the sum of expected future discounted net cash flows arising from the ownership of the asset. Future net cash flows take into account 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 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 an impairment loss arises, the impairment is measured as the amount by which the book value exceeds the recoverable amount of the asset.

Valuation of liabilities

Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, interest rate swaps, currency swaps, options, forward rate agreements and electricity 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 derivative financial instruments are held to hedge risk on underlying assets, liabilities, sales and purchases. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed.

Derivative financial instruments are reported in the financial statements on a basis consistent with the underlying hedged item. The fair value of derivative financial instruments, as disclosed in the financial instrument note, is estimated based upon quoted market prices.

The Group holds 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.

Taxation

The provision for current tax is the estimated amount due for payment in the next 12 months by the Group. The provision for deferred tax of the Group is the liability for taxation that has been deferred because of timing differences less taxation benefits which will offset the deferred liability as it arises. The provision for deferred taxation of the Group has been calculated by applying the liability method.

In the Group, the future tax benefit of past and current tax losses, to the extent they exceed related deferred taxation liabilities, is not recognised unless recovery is considered certain.

Finance leases

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

Income determination

Revenue recognition

Operating revenue is recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer.

Investment revenue

Interest income is taken to earnings when received or accrued in respect of the period for which it was earned. Dividends and distributions are taken to earnings when received or accrued where declared prior to balance date.

Foreign currency items

Foreign currency monetary items are recorded at the rates of exchange ruling at balance date. Losses or gains are written off to earnings. Foreign currency non-monetary items are translated at the exchange rates in effect when the amounts of these items were determined. If a foreign currency liability is designated as a hedge of a foreign currency non monetary asset, the items are translated at the closing rate and the exchange difference taken to the currency translation reserve. Foreign currency items subject to a forward exchange hedge contract are recorded at the contract rate.

Statement of Accounting Policies continued

for the period ended 30 June 2001

Depreciation

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

Buildings	30 years
Plant and machinery	13 years
Fixtures and equipment	5 years

Leasing commitments

Expenditure arising from operating leasing commitments is written off to earnings in the period incurred. Purchased head leases are valued at cost and amortised over the unexpired period of the lease.

Pension plan expense

The actuarial cost of providing pension plan benefits in respect of services provided by pension plan members to the Group is expensed as it accrues over the service life of the employees, taking account of the income earned by the income generating assets owned by the plan. Any over or under accrual of expenses or income from previous periods is amortised to earnings over a maximum period of the remaining average service life of plan members employed by the Group.

Notes to the Financial Statements

1. Acquisition of Fletcher Challenge Limited – Building Operations

The separation transaction has been accounted for using the book values of Fletcher Challenge Limited – Building Operations net assets at 23 March 2001 as follows.

	FLETCHER CHALLENGE LIMITED – BUILDING OPERATIONS NZ$M
Current assets	**873**
Fixed assets	**680**
Investments	**97**
Provision for deferred taxation	**159**
Total assets	**1,809**
Current liabilities	**545**
Term liabilities	**566**
Reported capital	**449**
Capital funds	**248**
Minority equity	**1**
Total liabilities and group equity	**1,809**

2. Changes in accounting policies

Fletcher Building Limited was incorporated on 19 December 2000 and adopted the accounting policies as per the statement of accounting policies, which were amended as follows:

On 30 June 2001 the Group adopted a policy of revaluing land, buildings, and plant and machinery. Previously these had been held at depreciated historic cost. The effect of this change in accounting policy resulted in an increase in equity of $73 million, an increase in fixed assets of $91 million and a decrease in the provision for deferred taxation of $18 million. There was no change in the statement of financial performance or the statement of cash flows.

The revaluation of land, buildings, and plant and machinery was in accordance with Financial Reporting Standard No 3 (FRS 3), Accounting for Property, Plant and Equipment. The Directors elected to comply with the requirements of FRS 3 prior to its mandatory implementation date.

There were no other changes in accounting policies during the period.

Notes to the Financial Statements continued

3. Operating revenue

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
Operating revenue from continuing operations includes:				
Sales				
Trading sales to external customers	**687**	2,249	2,345	
Inter-divisional trading sales			11	
	687	2,249	2,356	
Investment revenue				
Dividends	**4**	12	10	20
Interest			1	8
Income from joint ventures	**5**	12	13	
	696	2,273	2,380	28

4. Operating earnings

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
Operating earnings from continuing operations includes:				
Net gains on disposal of fixed assets	**1**		3	
Amortisation of goodwill and intangibles	**2**	9	6	
Depreciation and depletions:				
Buildings	**2**	6	5	
Plant and machinery	**19**	67	63	
Fixtures and equipment	**1**	7	7	
Resource extraction assets		1	1	
Total depreciation and depletions	**22**	81	76	
Unusual items:				
Restructuring and separation costs[1]	**4**	43	33	
Impairment[2]	**1**	101	10	
Other losses[3]		37		
Research and development	**1**	3	5	
Bad debts written off	**2**	8	6	
Donations		1		
Maintenance and repairs	**15**	59	63	
Operating lease expense	**11**	34	33	
Auditors' fees and expenses payable for:				
Statutory audit	**1**	1	2	
Other services		5	1	

(1) Restructuring and separation costs of $43 million in June 2001 and $3 million in June 2000 arise from the separation of the Fletcher Challenge targeted share structure. The write-off of $30 million in June 2000 was upon the re-organisation of the Fletcher Challenge Employee Educational Fund.

(2) The impairment in June 2001 relates to the concrete operations in New Zealand of $17 million, the Group's owned properties in Auckland of $14 million and the concrete operations in South America of $70 million. The impairment of $10 million in June 2000 relates to the Fijian operations.

(3) Other losses of $37 million in June 2001 relate to the settlement of a dispute over the construction of co-generation plants in Australia.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M

5. Funding costs

Interest payable on:				
Term debt	**9**	10		9
Attributed debt		26	32	
Short term loans and bank overdrafts		2	5	
Income from short term deposits		(3)	(4)	
	9	35	33	9
Plus share registry and issue expenses		1	1	
	9	36	34	9

6. Taxation expense

Earnings before taxation:				
Domestic	**26**	2	111	11
Foreign	**2**	(125)	(18)	
	28	(123)	93	11
Taxation at 33 cents per dollar	**9**	(40)	31	4
Adjusted for:				
Impairment		23	3	
Restructuring and separation costs		10	11	
Other permanent differences	**(1)**	12		(7)
Conduit tax relief			(12)	
Rates other than 33 cents			(2)	
Unusual tax items:				
Attributed taxation benefits lost upon separation		133		
Permanent differences		3		
Taxation in respect of prior periods		7		
	8	148	31	(3)
Taxation expense on earnings before unusual items	**10**	23	31	(3)
Taxation benefit on unusual items	**(2)**	(18)		
Unusual tax expense arising upon separation		143		
	8	148	31	(3)
Current taxation				
New Zealand	**(3)**	(3)		(3)
Non New Zealand	**2**	8	5	
Deferred taxation				
New Zealand	**13**	99	37	
Non New Zealand	**(4)**	44	(11)	
	8	148	31	(3)

Notes to the Financial Statements continued

7. Shareholder tax credits

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
Imputation credit account				
Imputation credits at the beginning of the period		2	2	
Imputation credits lost upon separation		(2)		
			2	
Imputation credits directly and indirectly available to Shareholders at period end are:				
Parent Company				
Subsidiaries			2	
			2	
Dividend withholding payment credit account				
Dividend withholding payment credits at the beginning of the period		(7)	(4)	
Dividend withholding payment credits received		14	8	
Transfer from conduit tax relief account			1	
Dividend withholding payment credits attached to dividends paid	**(7)**	(14)	(12)	(7)
	(7)	(7)	(7)	(7)
Dividend withholding payment credits directly and indirectly available to shareholders at period end are:				
Parent Company	**(7)**	(7)	(7)	(7)
Subsidiaries				
	(7)	(7)	(7)	(7)
Conduit tax relief account				
Conduit tax relief credits at the beginning of the period		(7)	(5)	
Conduit tax relief credits received		12	12	
Conduit tax relief lost upon separation		1		
Transfer to dividend withholding payment credit account			(1)	
Conduit tax relief credits attached to dividends paid	**(3)**	(9)	(13)	(3)
	(3)	(3)	(7)	(3)
Conduit tax relief credits directly and indirectly available to Shareholders at period end are:				
Parent Company	**(3)**	(3)	(7)	(3)
Subsidiaries				
	(3)	(3)	(7)	(3)

Fletcher Building has until 31 March 2002 to fund any deficiency in the imputation credit, dividend witholding payment credit and conduit tax relief accounts.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP		
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M

8. Equity earnings

Fletcher Building's share of the earnings of associates is:

Operating revenue	**18**	58	49
Operating expenses	**(14)**	(47)	(39)
Net earnings	**4**	11	10
Less dividends received from associates	**(4)**	(11)	(10)
Equity earnings			

9. Net earnings per share

When calculating the earnings available to shareholders for the purpose of calculating basic net earnings per share, capital notes distributions have been deducted from net earnings.

Diluted net earnings per share uses the weighted average number of shares used for basic net earnings per share, adjusted for dilutive securities. While capital notes and options are convertible into the Company's shares, and are therefore considered dilutive securities for diluted net earnings per share, they have not been adjusted as the conversion of capital notes is at 98% of the then current value of those shares. As such, the conversion of the capital notes and options will not have a material dilutive effect.

Numerator			
Net earnings	**19**	(272)	63
Capital note distributions	**(5)**	(16)	(15)
Numerator for basic and diluted net earnings per share	**14**	(288)	48
Denominator (millions of shares)			
Denominator for basic net earnings per share	**345**	344	331
Shares held by the Employee Educational Fund			9
Denominator for diluted net earnings per share	**345**	344	340

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M

10. Dividends and distributions

Dividends and distributions paid to holders of:				
Shares[1]	**3**	57	39	3
Capital notes	**5**	16	15	5
	8	73	54	8
Less dividends on shares held by the Employee Educational Fund accounted for under the treasury stock method			(1)	
	8	73	53	8

(1) No final dividend for June 2001 was provided for in the June 2001 financial statements. On 22 August 2001 the Directors declared a final dividend of 6 cents per share to shareholders totalling $21 million, as detailed on page 61.

11. Capital

Reported capital:				
Reported capital at the beginning of the period		500	462	
Issue of shares	**449**	3	11	449
Adjustment to reserves required on issue of shares on separation		(54)		
Movement in shares held by the Employee Educational Fund accounted for under the treasury stock method			27	
Reported capital	**449**	449	500	449

Shares issued following incorporation of Fletcher Building Limited were valued at the net assets of Fletcher Challenge Limited – Building Operations, excluding capital notes, at the date of acquisition (see note 1).

Shares (number of shares):				
Number of shares at the beginning of the period		342,632,401	325,362,696	
Issue of shares	**344,540,655**		359,178	344,540,655
Shares issued under the dividend reinvestment plan		1,908,252	4,605,102	
Net movement in shares accounted for under the treasury stock method			12,305,425	
	344,540,655	344,540,653	342,632,401	344,540,655

Notes to the Financial Statements continued

11. Capital continued

Capital funds	Coupon	Election date	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M
Series 2001 capital notes	12.75%	31 October 2001	**36**		36
Series 2002 capital notes	11.75%	15 December 2002	**28**		28
Series 2003 capital notes	8.55%	15 June 2003	**25**		25
Series 2003 capital notes	10.80%	30 November 2003	**17**		17
Series 2004 capital notes	8.50%	15 April 2004	**43**		43
Series 2005 capital notes	10.50%	30 April 2005	**68**		68
Series 2006 capital notes	8.75%	15 March 2006	**33**		33
			250		250
Capital funds attributed to Fletcher Challenge Limited – Building Operations				191	

As part of the separation process, the Company assumed the obligations of Fletcher Challenge Limited and Fletcher Challenge Industries Limited in respect of 35 per cent of the existing capital notes, increasing the interest rate by 0.50 per cent. Comparatives are not appropriate as previously Fletcher Challenge Limited – Building Operations was attributed a portion of the total capital notes issued by the Fletcher Challenge Group.

Capital notes are long-term fixed rate unsecured subordinated notes. On each election date, the interest rate and term to the next election date of that series of the capital notes will be reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any accrued but unpaid interest into shares, in the prescribed ratio at approximately the current market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase the capital notes for cash at the principal amount plus any accrued but unpaid interest.

Non-payment of interest is not an act of default, although unpaid interest is accrued and is interest bearing at the same rate as the principal of the capital notes. Fletcher Building Limited has covenanted not to pay dividends to its shareholders while interest that is due and payable on capital notes has not been paid.

The capital notes do not carry voting rights. The capital notes do not participate in any change in value of the issued shares of Fletcher Building Limited.

If the principal amount of the capital notes were to be converted to shares, 107,637,992 shares would be issued at the share price as at 30 June 2001, of $2.37.

Share options:

On 13 June 2001, the Company issued 1,000,000 share options under the executive option scheme. The exercise price of the share options is $2.28. The restrictive period is until 16 May 2004 and the final exercise date is 13 June 2007.

At 30 June 2000, there were options outstanding in respect of 7,704,517 Fletcher Challenge Building shares. Pursuant to the separation process, a payment of $2 million was made to effect the lapse of these options. This cost is included in the statement of financial performance for the year.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA YEAR ENDED JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
12. Reserve movements				
Reserves at the beginning of the period		277	261	
Net earnings	**19**	(272)	63	14
Investment revaluation			(3)	83
Asset revaluation	**73**	73		
Net currency translations	**5**	30	9	
Adjustment to capital required on issue of shares on separation		54		
Dividends and distributions paid and proposed (refer note 10)	**(8)**	(73)	(53)	(8)
Total reserves	**89**	89	277	89

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M
13. Reserve balances			
Reserves comprise:			
Revenue reserves	**11**	282	6
Asset revaluation – land and buildings	**15**		
Asset revaluation – plant and machinery	**58**		
Retained earnings in associates		(2)	
Investment revaluation			83
Net currency translation	**5**	(3)	
Total reserves	**89**	277	89
14. Minority equity			
Reserves	**2**	1	
	2	1	

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M

15. Cash and liquid deposits

Cash and bank balances	**100**	61	1
Short term deposits	**32**	3	31
	132	64	32

$18 million of the cash at 30 June 2001 represents cash held by the Group on behalf of former divisions of the Fletcher Challenge Limited Group. The liability to these other parties is included within other liabilities in creditors.

16. Stocks

Raw materials and work in progress	**69**	100	
Finished goods	**210**	237	
Consumable stores and spare parts	**19**	31	
	298	368	

17. Debtors

Trade debtors	**259**	277	
Less provision for doubtful debts	**(22)**	(16)	
	237	261	
Other receivables	**65**	85	3
	302	346	3

18. Contracts

Gross construction work in progress	**614**	889	
Progress billings	**(693)**	(968)	
Work in progress	**(79)**	(79)	
Contract debtors	**118**	115	
	39	36	

Included within the carrying value of contracts are the expected outcomes of outstanding claims which have not yet been finally agreed with the client.

Although this is accepted accounting practice within the construction industry, there is inherent uncertainty as to the eventual outcome, especially when legal proceedings may be required to achieve resolution. Claim recoverability is assessed on a claim-by-claim basis and included in the contract carrying value at the expected recoverable amount. At 30 June 2001, the total outstanding claim amount included was $5 million. At 30 June 2000, the total outstanding claim amount was $16 million.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M
19. Fixed assets			
Valuation			
Land	**61**	55	
Buildings	**75**	116	
Plant and machinery	**545**	997	
Cost			
Fixtures and equipment	**117**	110	
Resource extraction assets	**4**	7	
Total cost or valuation	**802**	1,285	
Accumulated depreciation			
Buildings		(47)	
Plant and machinery		(502)	
Fixtures and equipment	**(62)**	(59)	
Total accumulated depreciation	**(62)**	(608)	
Net book value			
Land	**61**	55	
Buildings	**75**	69	
Plant and machinery	**545**	495	
Fixtures and equipment	**55**	51	
Resource extraction assets	**4**	7	
Total net book value	**740**	677	
Goodwill	**7**	22	
Leased assets capitalised	**12**	13	
Total fixed assets	**759**	712	

All land, buildings, plant and machinery was revalued to fair value at 30 June 2001. The values were determined by independent registered valuers, Beca Valuations Ltd, registered and chartered engineers and a member of the New Zealand Institute of Valuers.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M

20. Investments

	JUNE 2001 NZ$M	PRO FORMA JUNE 2000 NZ$M	LIMITED JUNE 2001 NZ$M
Investment in associates	**21**	21	
Investment in other companies	**1**	4	
Joint ventures	**21**	30	
Pension plan surplus (refer note 32)	**45**	28	
Other investments	**2**	3	
Net investment in subsidiary companies (refer note 31)			1,156
	90	86	1,156

Combined associates' statement of financial position			
Current assets	**21**	15	
Term assets	**35**	42	
Total assets	**56**	57	
Current liabilities	**(14)**	(8)	
Term liabilities		(7)	
Total liabilities	**(14)**	(15)	
Net assets	**42**	42	
Interests held by third parties	**(21)**	(21)	
Investment in associates	**21**	21	

21. Creditors

	JUNE 2001 NZ$M	PRO FORMA JUNE 2000 NZ$M	LIMITED JUNE 2001 NZ$M
Trade creditors	**422**	339	12
Inter-divisional creditors (refer note 30)		6	
Accrued interest	**3**	9	
Accrued employee benefits	**31**	29	
Other liabilities	**101**	67	
	557	450	12

Notes to the Financial Statements continued

22. Taxation

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M
Provision for deferred taxation			
Timing differences:			
Deferred taxation assets:			
Net operating loss carryforwards		412	
Provisions	**36**		
Provision for doubtful debts	**7**	4	
Depreciation and amortisation	**88**	(40)	
Other	**5**	20	
Total deferred taxation assets	**136**	396	
Valuation allowance		(37)	
Provision for deferred taxation	**136**	359	
Current taxation	**1**		5
Deferred taxation	**136**	359	
Provision for taxation	**137**	359	5

	FLETCHER BUILDING GROUP PERIOD ENDED JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA YEAR ENDED JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA YEAR ENDED JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED PERIOD ENDED JUNE 2001 NZ$M
Provision for deferred taxation:				
Opening provision for taxation		359	354	
Taxation upon acquisition of subsidiaries	**159**			
Taxation in the statement of financial performance	**(9)**	(143)	(26)	
Divestments			9	
Taxation in reserves (refer note 12)	**(14)**	4	14	
Sale of losses to other Fletcher Challenge divisions		(99)		
Net taxation payments		15	8	
Provision for deferred taxation	**136**	136	359	

23. Term debt

Prior to separation, the funding of the Group's operations was predominantly managed by the Fletcher Challenge Group on a centralised basis. The debt attributed to Fletcher Challenge Limited – Building Operations as at 30 June 2000 was $487 million. Upon separation, the Company has entered into new borrowing facilities.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	FLETCHER BUILDING GROUP PRO FORMA JUNE 2000 NZ$M	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M

23. Term debt continued

Loans subject to the negative pledge

The Group borrows funds based on covenants and a negative pledge arrangement. The principal borrowing covenants relate to gearing, interest cover and minimum net tangible assets and at 30 June 2001, the Group was in compliance with all its covenants. The negative pledge ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances.

Loans not subject to the negative pledge

Loans not having the benefit of the negative pledge are secured against the subsidiaries' own statement of financial position or specific assets.

Unused committed lines of credit

As at 30 June 2001, the Group had $639 million of committed facilities of which $235 million were undrawn.

	GROUP JUNE 2001 NZ$M	GROUP PRO FORMA JUNE 2000 NZ$M	LIMITED JUNE 2001 NZ$M
Floating loans	**332**		332
Fixed loans	**58**		58
Loans not subject to the negative pledge	**14**	20	
Fletcher Challenge attributed debt		487	
Term debt	**404**	507	390

Summary of repayment terms and interest rates by repayment period

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	JUNE 2001 INT. RATE%	PRO FORMA JUNE 2000 NZ$M	PRO FORMA JUNE 2000 INT. RATE%
Due for repayment:				
within one year	**3**	**9.9**	4	10.0
two years	**3**	**10.2**	5	10.4
three years	**3**	**10.2**	3	10.0
four years	**2**	**10.1**	3	9.2
five years	**391**	**6.8**	2	8.1
after five years	**2**	**10.0**	3	8.0
Term debt	**404**	**6.9**	20	9.5

Summary of repayment terms and interest rates by repayment period

	FLETCHER BUILDING LIMITED JUNE 2001 NZ$M	JUNE 2001 INT. RATE%
Term debt due for repayment within 5 years	**390**	**6.8**

Notes to the Financial Statements continued

24. Financial instruments

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

Management policies

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

Currency balance sheet risk

It is Group policy to manage foreign exchange exposure to balance sheet currency risk by utilising currency swaps. The only significant unhedged assets are in South America where it is not practical to manage the currency exposures.

Currency trade risk

It is Group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on trade transactions. When exposures are incurred by operations in currencies other than their functional currency, currency forwards, swaps and options are entered into to eliminate the exposure.

Interest rate risk

It is Group policy to manage the fixed interest rate ratio on its debt and capital notes portfolio within the range of 40% to 60%. The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Interest rate swaps and options are entered into to manage this position.

Commodity price risk

It is Group policy to use commodity price swaps and options to manage the market price risk of a commodity. The Group manages its commodity price risk depending on the underlying exposures, economic conditions, and access to active derivative markets.

Off balance sheet risk

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

PRINCIPAL OR CONTRACT AMOUNTS	JUNE 2001 NZ$M	PRO FORMA JUNE 2000 NZ$M
Foreign exchange		
Currency forward exchange contracts		
– To pay	**112**	114
– To receive	**(113)**	(110)
	(1)	4
Currency options purchased	**3**	6
Currency options sold	**1**	
Interest rate		
Interest rate swaps	**63**	7
Electricity price swaps	**16**	3

The cash settlement amounts of these instruments, if they had settled on 30 June 2001, approximates the principal or contract amounts, except for interest rate swaps, currency options and commodity price swaps for which the cash settlement is limited to the fair value, as detailed on the following page.

Notes to the Financial Statements continued

24. Financial instruments continued

Credit risk

To the extent that the Group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. At balance date there were no significant concentrations of credit risks in respect of trade receivables. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of financial instruments.

Interest rate repricing

The following table sets out the interest rate repricing profile and weighted average interest rate of the Group's term debt, capital notes and interest rate hedges:

		JUNE 2001 NZ$M	JUNE 2001 %	PRO FORMA JUNE 2000 NZ$M	PRO FORMA JUNE 2000 %
Interest rate repriced: (including average interest rate)					
within	one year	**371**	**7.2**	8	11.6
	two years	**114**	**9.3**	2	8.0
	three years	**63**	**9.2**	2	8.0
	four years	**70**	**10.5**	2	8.0
	five years	**34**	**8.8**	2	8.0
after	five years	**2**	**10.0**	4	8.0
		654	**8.2**	20	9.5

The net effective interest rate for cash and liquid deposits and bank overdrafts as at 30 June 2001 is 6 per cent. Debtors and creditors are not interest rate sensitive.

Fair values

The estimated fair values of the Group's financial assets and liabilities which differ from their carrying values are as follows:

	JUNE 2001 CARRYING VALUE NZ$M	JUNE 2001 FAIR VALUE NZ$M	PRO FORMA JUNE 2000 CARRYING VALUE NZ$M	PRO FORMA JUNE 2000 FAIR VALUE NZ$M
Currency forward exchange contracts				(1)
Interest rate swaps		**(2)**		
Electricity price swaps		**9**		
		7		(1)

The carrying values in the fair value table include interest accruals which are included within current assets and current liabilities. Term debt of $404 million (refer note 23) includes cross-currency and interest rate swaps and currency forward exchange contracts.

Derivative financial instruments

The fair value of derivative financial instruments is estimated based on the quoted or estimated market prices of those instruments.

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP JUNE 2001 NZ$M	PRO FORMA JUNE 2000 NZ$M

25. Capital expenditure commitments

Approved by the Directors but uncommitted at period end	**6**	4
Committed at period end	**8**	36
For expenditure within one year	**14**	40

26. Lease commitments

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

within	one year	**31**	26
	two years	**27**	23
	three years	**24**	20
	four years	**23**	18
	five years	**21**	16
after	five years	**72**	52
		198	155

Operating lease commitments relate mainly to occupancy leases of buildings.

27. 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 cannot presently be reliably measured. Contingent liabilities, capable of estimation, arise in respect of the following categories:

Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	**123**	263
Letters of credit	**6**	4

No loss is expected in respect of these transactions. Reference should be made to note 18 which discusses construction claim recoverability of outstanding claims which have not yet been finally agreed with the client.

Notes to the Financial Statements continued

28. Environment

It is Company policy to monitor environmental performance on an ongoing basis and to require that all of its operations comply with applicable environmental regulatory requirements. As part of this policy, management is required to report regularly to the Board of Directors on current and future environmental performance. The Group also commissions regular independent reports with respect to environmental management systems and the implementation of this policy.

The Group is subject to numerous national and local environmental laws and regulations concerning its products, operations and other activities. Failure to comply with these laws and regulations may result in orders being issued that could cause certain of the Group's operations to cease or be curtailed or may require installation of additional equipment at substantial cost. Violators may be required to compensate those suffering loss or damage by reason of violations and may be fined if convicted of an offence under such legislation.

Management believes that the Group's activities are in compliance in all material respects with applicable environmental laws and regulations.

29. Self insurance

The Company has completed an analysis of its capacity to retain otherwise insurable loss. The Directors believe that the Group's risk management programmes are adequate to protect its assets and earnings against losses incurred, within the self insurance level of NZ$10 million, reduced from US$25 million.

Based on past experience, the Directors do not anticipate that future losses within these levels would have a significant impact on the Group's financial position or performance.

In certain circumstances, where required by law or where management considers it appropriate, insurance may be arranged for exposures within the self insurance levels.

In general terms, subject to the self insurance levels, the Group remains insured with insurers of high credit quality for the following risks at 30 June 2001:

	LOSS INSURED FOR EACH EVENT NZ$M
Public and product liability	**250**
Loss or damage to Group property including business interruption	**250**
Marine public liability	**100**
Public and product liability resulting from construction activities	**100**
Property in the course of construction	**100**

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

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP			FLETCHER BUILDING LIMITED
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M	PERIOD ENDED JUNE 2001 NZ$M

30. Related party transactions

Fletcher Building Group				
Trading activities with other Fletcher Challenge divisions[1]				
Intercompany sales to other Fletcher Challenge divisions			11	
Purchase of lumber and wood products from Fletcher Challenge Forests		47	70	
Amounts owing relating to the purchase of lumber and wood products from Fletcher Challenge Forests, and included within creditors			6	
Trading activities with related parties				
Purchase of scrap metal from Sims Pacific Metals Limited	**10**	41	33	
Fletcher Building Limited				
Interest income received from subsidiary companies				8
Dividend received from subsidiary companies				20
Net term receivable owing from subsidiary companies included within net investment in subsidiary companies[2]				171

(1) All trading activities with other Fletcher Challenge divisions were carried out on a commercial and arm's length basis and relate to the period prior to the separation of the Fletcher Challenge Group.

(2) These advances are for no fixed term but represent long term funding advances, and bear interest at 8%. The principal subsidiaries included within net investment in subsidiary companies are disclosed in note 31, principal operations.

Notes to the Financial Statements continued

31. Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building Group. The principal subsidiaries and associates, as at 30 June 2001, are outlined below:

	COUNTRY OF DOMICILE	% HOLDING	PRINCIPAL ACTIVITY
Principal subsidiaries			
Fletcher Building Holdings Limited	NZ	100	Holding company
Fletcher Building Products Limited	NZ	100	Building products
Fletcher Concrete and Infrastructure Limited	NZ	100	Concrete products
Fletcher Distribution Limited	NZ	100	Merchandising
Fletcher Steel Limited	NZ	100	Steel production
Fletcher Residential Limited	NZ	100	Housing
The Fletcher Construction Company Limited	NZ	100	Construction
Winstone Wallboards Limited	NZ	100	Gypsum plasterboards
Fletcher Property Limited	NZ	100	Property management
Firth Industries Peru S.A.	Peru	100	Concrete products
Fletcher Challenge Industries S.A.	Bolivia	100	Concrete products
Fletcher Challenge Building Bolivia S.A.	Bolivia	100	Holding company
Cemac (Hong Kong) Limited	Hong Kong	100	Wall partitions & ceiling systems
Fletcher Construction Company (Fiji) Limited	Fiji	100	Construction
Fletcher Challenge Concrete Industries (Fiji) Limited	Fiji	100	Quarrying
Metromix Concrete Company Limited	Fiji	100	Concrete products
Fletcher Construction Australia Limited	Australia	100	Construction
Fletcher Projects Pty Limited	Australia	100	Construction
Fletcher Challenge Building Australia Pty Limited	Australia	100	Holding company
Fletcher Aluminium Pty Limited	Australia	100	Aluminium extrusion
Varnsdorf Pty Limited	Australia	100	Electricity generation
Fletcher Construction (Solomon Islands) Limited	Solomon Is.	100	Construction
Fletcher Morobe Construction Pty Limited	PNG	100	Construction
Associates			
Fletcher Pioneer Mauritius Limited	India	50	Readymix
Sims Pacific Metals Limited	NZ	50	Metal recycling

Notes to the Financial Statements continued

32. Pension plan

Fletcher Building Limited is the principal sponsoring company of a defined benefit pension plan covering certain employees, including employees of the then Fletcher Challenge Limited divisions. This plan was transferred on separation from the Fletcher Challenge Group. Fletcher Challenge Limited was the previous principal sponsoring company.

If the funding ratio of the plan falls below 115% at any two consecutive annual actuarial valuations, Fletcher Building Limited has an obligation to ensure that the value of the assets exceeds 115% of the plan's accrued actuarial liability, as calculated by the plan's actuary. At 30 June 2001, the value of assets exceeded 115% of the actuarial liability.

The benefits are based on years of service and the employees' compensation during their years of employment. The Group's funding policy is to contribute to the plans to the extent that the service and interest cost of the plans are not covered by the return on the plan assets and net amortisation and deferrals. 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.

Plan assets consist primarily of property, equities and fixed income securities.

	FLETCHER BUILDING GROUP	
		PRO FORMA
	JUNE 2001	JUNE 2000
	NZ$M	NZ$M
Total projected benefit obligation	**(267)**	(247)
Assets of plans at fair value	**304**	275
Funded surplus	**37**	28
Less funded surplus recognised		
in earnings in current year – periodic cost	**6**	7
in earnings in current year – unusual item	**11**	
in earnings in previous years	**28**	21
Recognised funded surplus	**45**	28
Projected unrecognised funded surplus / (obligation)	**(8)**	

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:

	2001	2000
	%	%
Assumed discount rate on benefit obligations	**4.8**	4.8
Expected long term rate of return on plan assets	**6.0**	6.0
Rate of increase in future compensation levels	**4.0**	4.0

Notes to the Financial Statements continued

	FLETCHER BUILDING GROUP		
	PERIOD ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2001 NZ$M	PRO FORMA YEAR ENDED JUNE 2000 NZ$M

33. Segmental information

Industry segments

Operating revenue			
Building Products	**232**	840	852
Distribution	**45**	171	223
Concrete	**142**	454	438
Construction	**277**	808	858
Other			9
Group	**696**	2,273	2,380
Operating earnings (EBIT)			
Building Products	**16**	58	79
Distribution	**4**	6	8
Concrete	**14**	(57)	54
Construction	**8**	(45)	18
Other	**(5)**	(49)	(32)
Group	**37**	(87)	127
Total assets			
Building Products	**583**	583	639
Distribution	**91**	91	98
Concrete	**562**	562	541
Construction	**254**	254	266
Other	**266**	266	427
Group	**1,756**	1,756	1,971

Geographical segments

Operating revenue by origin			
Australia	**107**	272	177
New Zealand	**548**	1,870	1,881
Other	**41**	131	322
Group	**696**	2,273	2,380
Operating earnings (EBIT)			
Australia	**2**	(43)	(8)
New Zealand	**37**	41	151
Other	**(2)**	(85)	(16)
Group	**37**	(87)	127
Total assets			
Australia	**83**	83	56
New Zealand	**1,504**	1,504	1,313
Other	**169**	169	602
Group	**1,756**	1,756	1,971

The Group has adopted a segmental reporting structure of four divisions – Building Products, Distribution, Concrete, and Construction. This segmentation differs from that of the previous year and the comparative numbers have been adjusted accordingly.

Revenue is shown net of inter-segment trading, which is conducted on an arm's length basis.

Audit report

To the shareholders of Fletcher Building Limited
We have audited the statutory financial statements and pro forma financial statements on pages 25 to 55.

On 23 March 2001, under a court approved arrangement. Fletcher Building Limited acquired the operations, assets and liabilities attributed to Fletcher Challenge Limited – Building Operations, a division of Fletcher Challenge Limited. Although Fletcher Building Limited was incorporated on 19 December 2000, the Company and Group commenced trading on 24 March 2001.

The statutory financial statements provide information about the past financial performance and financial position of Fletcher Building Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 31 to 34.

The pro forma financial statements have been prepared by the Directors, for illustrative purposes only, to provide information to the readers of the financial statements about the financial performance of Fletcher Challenge Limited – Building Operations for the nine month period ended 23 March 2001, combined with the financial performance of the Group for the three month period ended 30 June 2001, together the pro forma combined financial performance for the year ended 30 June 2001.

Directors' responsibilities
The Directors are responsible for the preparation of statutory financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2001 and the results of their operations and cash flows for the period ended on that date.

The Directors are also responsible for the preparation of the pro forma financial statements which give a true and fair view of the pro forma combined financial performance of Fletcher Challenge Limited – Building Operations and the group for the year ended 30 June 2001.

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

The Directors have also asked us to express an independent opinion on the pro forma combined financial performance of Fletcher Challenge Limited – Building Operations and the Group for the year ended 30 June 2001 and report our opinion to you.

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

- the significant estimates and judgements made by the Directors in the preparation of the statutory financial statements and the pro forma financial statements;
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the statutory financial statements and the pro forma financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the statutory financial statements and the pro forma financial statements.

Our firm carries out other assignments for the Company and certain of its subsidiaries in the area of taxation advice and special consultancy projects. 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. The firm has no other interest in the Company or any of its subsidiaries.

In forming our unqualified opinion in relation to the year ended 30 June 2001 we have considered the inclusion of the pro forma Fletcher Challenge Limited – Building Operations financial statements for the year ended 30 June 2000. The pro forma Fletcher Challenge Limited – Building Operations financial statements have been extracted from the audited financial statements of Fletcher Challenge Limited – Building Operations for the year ended 30 June 2000. For the year ended 30 June 2000 and for the period up to 23 March 2001 Fletcher Challenge Limited – Building Operations was a division of Fletcher Challenge Limited. As the financial statements of Fletcher Challenge Limited – Building Operations for the year ended 30 June 2000 are derived from the financial statements of Fletcher Challenge Limited, they should at all times be read in conjunction with the financial statements of Fletcher Challenge Limited for the year ended 30 June 2000 and in particular with the basis of attributing assets, liabilities, income and expenses to the then divisions of Fletcher Challenge Limited as set out in the statement of adopted policies in the financial statements of Fletcher Challenge Limited for the year ended 30 June 2000.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records;
- the statutory financial statements on pages 25 to 55:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company and Group as at 30 June 2001 and the results of their operations and cash flows for the period ended on that date;
- the pro forma financial statements on pages 25 to 55 give a true and fair view of the combined financial performance of Fletcher Challenge Limited – Building Operations and the Group for the year ended 30 June 2001.

Our audit was completed on 22 August 2001 and our unqualified opinion is expressed as at that date.

KPMG
Auckland, New Zealand

Statutory disclosure

Directors' holdings – equity securities

	30 JUNE 2001			
	BENEFICIAL	ASSOCIATED PERSONS	OPTIONS	CAPITAL NOTES
P E A Baines	12,115			
R S Deane	1,295	50,000		
H A Fletcher	150,186	383,283		
R J Norris				
D T Spring	3,550			
K M Vautier	34,961	11,523		9,000
R G Waters			1,000,000	
	202,107	444,806	1,000,000	9,000

Subsequent to the Company's results announcement on 22 August 2001, further shares in the Company have been acquired by Directors; namely:

DIRECTOR	NUMBER OF SHARES ACQUIRED
P E A Baines	10,000
R J Norris	20,000
D T Spring	17,000
R G Waters	78,398

Share dealings by Directors

During the year, Directors acquired or disposed of shares as follows:

DIRECTOR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES DISPOSED	CONSIDERATION PAID/RECEIVED	DATE
M J Andrews	60		(1)	23/03/01
P E A Baines	12,115		(1)	23/03/01
R S Deane	1,295		(1)	23/03/01
H A Fletcher	150,186		(1)	23/03/01
R J Norris				
D T Spring	7,100		(1)	23/03/01
D T Spring		3,550	$8,165	30/03/01
K M Vautier	34,961		(1)	23/03/01
	205,717	3,550	$8,165	

(1) Acquired in exchange for each Fletcher Challenge Building share pursuant to the Court-approved separation of Fletcher Challenge Limited.

Statutory disclosure continued

Directors' interests

In accord with Section 140(2) of the Companies Act 1993, Directors of the Company during the period have advised their initial interests and changes thereof:

R S Deane	as at 30 June 2001		
Telecom Corporation of New Zealand Limited	23/03/01	Chairman	
Centre for Independent Studies Limited	23/03/01	Director	
Australia & New Zealand Banking Group Limited	23/03/01	Director	
Board of Governance IHC New Zealand Inc	23/03/01	Patron/Member	
IHC Mortgages Limited	23/03/01	Director	
New Zealand Business Roundtable Limited	23/03/01	Director	
City Gallery Wellington Foundation	23/03/01	Chairman	
ANZ Banking Group (NZ) Limited	23/03/01	Chairman	
Cordyline Limited	23/03/01	Director	
Woolworths Limited	23/03/01	Director	
TransAlta Corporation Limited	23/03/01	Director	
New Zealand Seed Fund Management Limited	23/03/01	Chairman	
New Zealand Seed Fund Partnership Limited	23/03/01	Chairman	
Te Papa Tongarewa (The Museum of New Zealand)	23/03/01	Chairman	
Institute of Policy Studies at Victoria University (Wellington)	23/03/01	Member	
Board of Advisors for the International Institute of Modern Letters	23/03/01	Member	
Te Mai Mai Trust	23/03/01	Trustee	
Deane Endowment Trust	23/03/01	Trustee	
Upland A Trust	23/03/01	Trustee	
Upland B Trust	23/03/01	Trustee	
eVentures NZ Limited	24/05/01	Chairman	R
Fletcher Challenge Limited	17/04/01	Chairman	R

P E A Baines			
Tower Managed Funds	23/03/01	Chairman	
Comalco New Zealand Limited	23/03/01	Director	
Gough, Gough and Hamer Limited	23/03/01	Director	
Greenstone Fund	23/03/01	Director	
Reserve Bank of New Zealand	23/03/01	Director	
Telecom New Zealand Limited	23/03/01	Director	
Wrightson Limited	23/03/01	Director	
NZ Post Limited	31/03/01	Director	R
Upstart Capital Limited	15/05/01	Director	A
Fletcher Challenge Limited	17/04/01	Director	R
PA Consulting Group Advisor Board	30/05/01	Member	A

Sir Dryden Spring			
WEL Energy Group Limited	23/03/01	Chairman	
Ericsson Communications Limited	23/03/01	Chairman	
Fletcher Challenge Forests Limited	23/03/01	Chairman	
Goodman Fielder Limited	23/03/01	Dep Chairman	
Nufarm Limited	23/03/01	Director	
The National Bank of New Zealand Limited	23/03/01	Director	
Ericsson Synergy Limited	23/03/01	Director	
Maersk New Zealand Limited	23/03/01	Director	
NZ Business and Parliament Trust	23/03/01	Trustee	
Waikato Medical Research Foundation	23/03/01	Trustee	
Asia 2000 Foundation	23/03/01	Dep Chairman	
International Policy Council on Agriculture, Food and Trade	23/03/01	Member	
NZ APEC Business Advisory Council	23/03/01	Chairman	
APEC Business Advisory Council	23/03/01	Member	
Apec CEO Summit Inc	23/03/01	Director	

H A Fletcher	as at 30 June 2001		
Rubicon Limited	23/03/01	Director	
VCU Technology Limited	23/03/01	Director	
CGNU Australia Holdings Limited	23/03/01	Chairman	
New Zealand Insurance Limited	23/03/01	Chairman	
Infrastructure Auckland	23/03/01	Director	
Council of, and Trustee of Charitable Trust of, The University of Auckland	23/03/01	Member	
Asia and Pacific Advisory Committee of the NYSE	23/03/01	Member	
Business Advisory Council of the UN Office for Project Services	23/03/01	Member	
Tertiary Education Advisory Commission	23/03/01	Member	
Investment Committee of No 8 Ventures	23/03/01	Member	
Fletcher Challenge Limited	17/04/01	Director	R

K M Vautier			
New Zealand Committee of the Pacific Economic Cooperation Council	23/03/01	Chairman	
Wilson & Horton Holdings Limited	23/03/01	Director	
Deloitte Touche Tohmatsu (NZ)	23/03/01	Director	
Asia 2000	31/03/01	Director	R
Fletcher Challenge Limited	17/04/01	Director	R
State Insurance Limited	31/03/01	Director	R

R J Norris			
Commonwealth Bank Group Limited	17/04/01	Head of International Financial Services	
ASB Group Limited	17/04/01	Managing Director & CEO	
Sovereign Assurance Limited	17/04/01	Chairman	
Air New Zealand Limited	17/04/01	Director	
Ansett Holdings Limited	17/04/01	Director	
Defence 2003 Trustee Limited	17/04/01	Director	
Northern Lifeguard Services	17/04/01	Trustee	
Starship Foundation	17/04/01	Trustee	
Woolf Fisher Trust	17/04/01	Trustee	

M J Andrews			
Rubicon Limited	23/03/01	Chairman	
New Zealand Wool Board Implementation Project Team	23/03/01	Chairman	
Fletcher Challenge Forests Limited	23/03/01	Director	
Industry New Zealand	23/03/01	Chairman	
Fletcher Building Limited	30/06/01	Executive	R

KEY
R Resigned
A Appointed

Shareholder information

Stock exchange listing

The Company's shares are listed on the New Zealand, Australian and New York Stock Exchanges.

Twenty largest shareholders as at 31 August 2001

NAME	NO OF SHARES	% OF SHARES
New Zealand Central Securities Depository Ltd	198,033,543	57.48
Fletcher Challenge Building Trust Nominees Limited	6,924,774	2.00
Citicorp Nominees Pty Limited	2,472,609	0.72
Peter Hanbury Masfen & Joanna Alison Masfen	1,837,502	0.53
Yarrow Consulting Limited	1,555,988	0.45
Fletcher Challenge Forests Trust Nominees Limited	1,471,497	0.43
Investment Custodial Services Limited	1,038,180	0.30
Westpac Custodian Nominees Limited	921,774	0.27
Commonwealth Custodial Services Limited	915,200	0.27
Credit Suisse First Boston NZ Custodians Limited	728,208	0.21
Tecity Management Pte Limited	681,248	0.19
Guardian Assurance Limited	613,201	0.18
Victor Hugo Bedford	450,692	0.13
Fletcher Brothers Limited	381,688	0.10
Syrna Holdings Limited	360,000	0.10
Custodial Services Limited	358,000	0.10
Forbar Custodians Limited	355,954	0.10
Salomon Smith Barney New Zealand Limited	351,741	0.10
Fletcher Challenge Trust	350,000	0.10
Athene Nominees Limited	340,802	0.10

New Zealand Central Securities Depository Limited provides a custodial depository service which allows electronic securities to its members and does not have a beneficial interest in these shares. Its major holders are:

	NO OF SHARES	% OF SHARES
National Nominees New Zealand Limited	67,382,936	19.56
Westpac Banking Corporation	31,022,092	9.00
Citibank Nominees (New Zealand) Limited	19,063,685	5.53
AMP Life Limited	6,413,819	1.86
The Trustees Executors and Agency Company of New Zealand Limited	6,269,070	1.82
ANZ Nominees Limited	5,659,158	1.64
National Mutual Life Assurance of Australiasia Limited	5,615,732	1.63
Premier Nominees Limited	5,217,409	1.51
HSBC Nominees (New Zealand) Limited	5,131,410	1.49
Accident Rehabilitation and Compensation Insurance Corp	3,755,902	1.09

Shareholder information continued

Distribution of shareholder and holdings as at 31 August 2001

SIZE OF HOLDING	SHAREHOLDERS		SECURITIES	
	NUMBER	%	MILLION	%
1-999	18,938	47.7	8	2.2
1,000-4,999	15,068	37.9	32	9.4
5,000-9,999	3,031	7.6	20	5.7
10,000-49,999	2,458	6.2	42	12.2
50,000 and over	251	0.6	243	70.5
	39,746	100	345	100

Domicile of registered beneficial owners

	SHARES	
	MILLIONS	%
New Zealand	225	65.2
United States of America	69	20.0
Australia	7	2.0
United Kingdom / Europe	30	8.7
Canada	2	0.6
Asia / Japan	10	2.9
Other	2	0.6
	345	100.0

Substantial security holders

According to notices given to the Company under the Securities Amendment Act 1988, as at 31 August 2001 the following were substantial security holders in the Company through having a relevant interest as below:

SUBSTANTIAL SECURITY HOLDER	NUMBER OF VOTING SECURITIES	DATE OF NOTE
AMP Henderson Global Investors (New Zealand) Limited	17,335,103	27/03/01

The total number of issued voting securities of Fletcher Building Limited as at that date was 344,540,655.

Investor information

Annual shareholders' meeting
The Annual Shareholders' Meeting of Fletcher Building Limited will be held at the Sheraton Auckland Hotel & Towers, 83 Symonds Street, Auckland, New Zealand, at 2.00pm on Tuesday 13 November 2001.

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.

Forward looking statements
Except to the extent that they relate to historical information, there are statements included in this document which are "forward-looking statements" as defined in the U.S. Private Securities Litigation Reform Act of 1995, and they are included herein in reliance upon the safe harbours created by that Act. As forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to Fletcher Building, its operations, the markets in which it competes and other factors, some of which are beyond the control of Fletcher Building. As a result of the foregoing, actual results and conditions may differ materially from those expressed or implied by such statements.

In particular Fletcher Building's operations and results are significantly influenced by the level of building activity in New Zealand. Fluctuations in industrial output, commercial and residential construction activity, public sector spending on infrastructure, relative exchange rates, and interest rates in New Zealand and its major trading partners, can have a substantial impact on Fletcher Building's results of operations and financial condition. Other risks include competitor product development and pricing.

Dividend reinvestment plan
Fletcher Building shareholders can participate in a Dividend Reinvestment Plan under which they have the opportunity to reinvest their dividends in additional shares except for holders of shares in jurisdictions where overseas laws do not allow the issue of shares to be made. To participate, please complete the Participation Notice enclosed in the annual report package, or contact the share registry in the country in which the shares are listed.

Registries
In New Zealand
Computershare Registry Services Limited, Private Bag 92 119
Auckland 1020, New Zealand
Level 2, 159 Hurstmere Rd
Takapuna, North Shore City
Telephone: 64-9-488 8777
Facsimile: 64-9-488 8787

In Australia
Computershare Investor Services Pty Limited, GPO Box 7045
Sydney, NSW 1115, Australia
Level 3, 60 Carrington St
Sydney, NSW 2000
Telephone: 61-2-8234 5478
Facsimile: 61-2-8234 5190

In North America
Citibank N.A. Depositary Receipts
20th Floor, 111 Wall St
New York, NY 10043, USA
Telephone in USA or Canada:
1-877-CITI-ADR (or)
1-877-248 4237 (toll free)
Email: citibank@em.fcnbd.com

Other investor enquiries
In New Zealand
Fletcher Building Limited
Private Bag 92 114
Auckland, New Zealand
Telephone: 64-9-525 9000
Facsimile: 64-9-525 9023
In North America
Telephone in USA or Canada:
1-800-361 0800 (toll free)

Final dividend information

NZ CENTS PER SHARE	NZ RESIDENTS	NON RESIDENTS	ADR HOLDERS
Dividend declared	6.0000	6.0000	60.000
Tax credits	2.9552		
Conduit tax relief additional dividend		2.9552	29.552
Gross dividend	8.9552	8.9552	89.552
NZ tax	2.9552		
Non resident withholding tax (15%)		1.3433	13.433
Net dividend to shareholders	6.0000	7.6119	76.119
Record date	9 Nov 2001	9 Nov 2001	9 Nov 2001
Payment date	27 Nov 2001	27 Nov 2001	28 Nov 2001

As individual shareholders' circumstances may differ, these NZ tax and non resident withholding tax calculations are guides only.

Details on Fletcher Building and its operations for the year ended 30 June 2001 can be viewed at the Fletcher Building website, at www.fletcherbuilding.com