



FLETCHER BUILDING  
ANNUAL REPORT

20  
02



# 20 02

## RESULTS

PERIOD ENDED	12 MONTHS	PRO FORMA
NZSM	JUNE 2002	12 MONTHS
		JUNE 2001
Operating revenue	2,966	2,273
Operating profit (EBIT) before unusual items	205	94
Cash flow from operations	187	251
Net earnings before unusual items	88	34
Net earnings	93	(272)

## HIGHLIGHTS

### RESULTS EVIDENCE IMPROVING FINANCIAL RETURNS WITH:

- EXCELLENT OPERATING EARNINGS AND RETURN ON CAPITAL
- IMPROVED OPERATING MARGINS ASSISTED BY STRONGER DEMAND
- LOWER OVERHEADS
- NET DEBT AND CAPITAL NOTES REDUCED BY \$126 MILLION
- IMPROVED INTEREST COVER
- INCREASED DIVIDEND - FULLY TAX CREDITED

### EARNINGS RISK REDUCED WITH:

- SALE OF THE AUSTRALIAN CONSTRUCTION AND CO-GENERATION BUSINESSES
- SALE OF THE BOLIVIAN CONCRETE BUSINESS

### CREATING:

- A STRONGLY PERFORMING COMPANY
- THE FOUNDATION FOR OUR ACQUISITION OF THE LAMINEX GROUP

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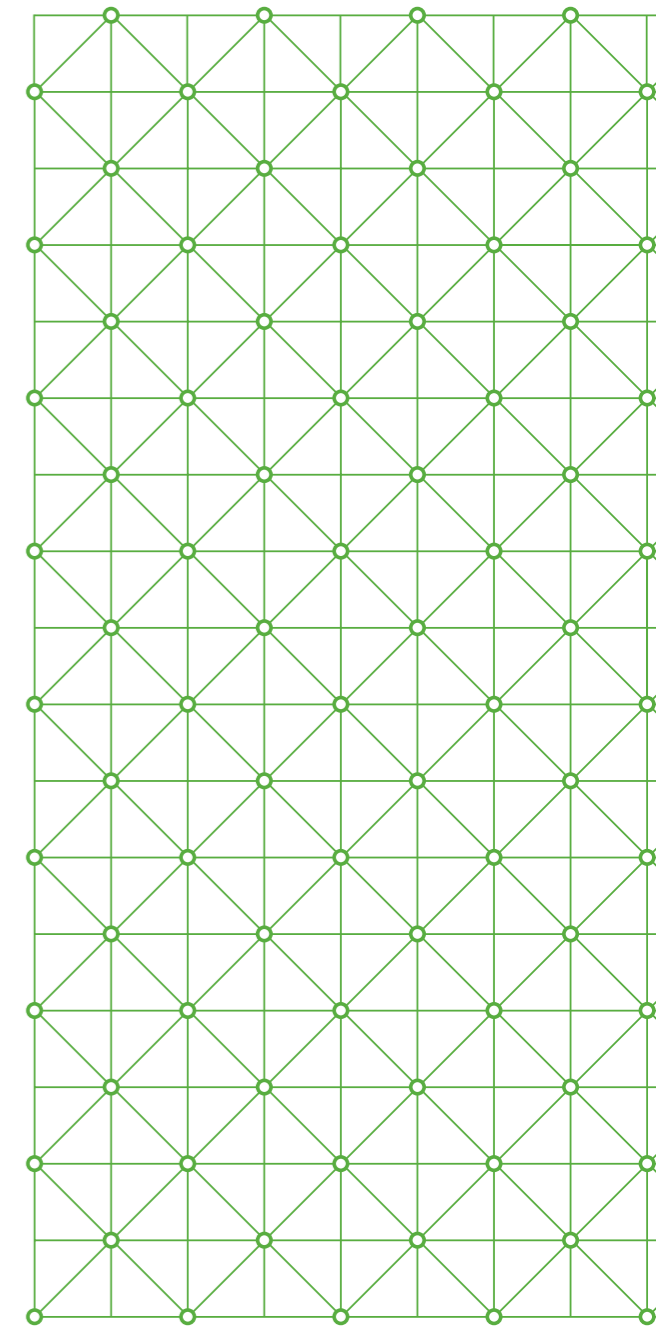
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# WE HAVE STRONG FOUNDATIONS, HIGH EXPECTATIONS AND A GROWING SENSE OF OPPORTUNITY



Roderick Deane Chairman

Ralph Waters Chief Executive

## CHAIRMAN'S & CHIEF EXECUTIVE'S REVIEW

IN ITS FIRST FULL YEAR AS AN INDEPENDENT COMPANY, FLETCHER BUILDING REPORTED A PROFIT AFTER TAX AND BEFORE UNUSUAL ITEMS OF \$88 MILLION REPRESENTING A SUBSTANTIAL IMPROVEMENT ON THE PREVIOUS YEAR. AFTER AN UNUSUAL GAIN OF \$5 MILLION THE NET PROFIT WAS \$93 MILLION, COMPARED TO THE PREVIOUS FULL YEAR LOSS OF \$288 MILLION ON A COMPARABLE BASIS, WHICH INCLUDED THE COSTS OF SEPARATION FROM FLETCHER CHALLENGE LIMITED. SINCE BALANCE DATE, THE COMPANY HAS ANNOUNCED A MAJOR STRATEGIC GROWTH INITIATIVE WITH THE PROPOSED PURCHASE OF THE LAMINEX GROUP, PLACED 43.7 MILLION NEW SHARES AT A PREMIUM TO THE THEN MARKET PRICE, AND ADVISED OF FURTHER EARNINGS IMPROVEMENTS FOR THE CURRENT FINANCIAL YEAR.

### RESULTS

The year ended 30 June 2002 brought a pleasing start to life as an independent company, and our earnings were in line with the near-term potential assessed by directors when the decision was made to list Fletcher Building as a stand-alone entity. However, much change was necessary to ensure the company reached that potential. This has been achieved by management earlier than expected.

Strong demand, particularly in the second half, contributed significantly to the results being better than the market's expectations; however, results benefited throughout the year from cost reductions, efficiency improvements and price movements. These will continue to benefit the company in future years.

All divisions lifted their operational earnings substantially. Building Products' earnings before interest and tax were \$85 million, up from \$58 million in the prior year. Concrete earned \$60 million, up from \$31 million. Construction earned \$30 million, up from \$5 million, and Distribution \$34 million, up from \$18 million. The biggest improvers within these divisions were Concrete's South American operations, Building Products' upstream steel business, Construction's Residential homes and Distribution's PlaceMakers. Between them, these units delivered more than \$45 million of the company's year-on-year operating earnings improvement.

Following a change to the company's accounting policy, these results are after expensing the interest costs on capital notes to the earnings statement. These costs were previously treated as a distribution along with dividends. There is no accounting standard that requires us to report capital notes this way, but we have done so to provide better visibility of the company's debt servicing costs.

Detailed operational reviews follow, and highlight some excellent individual business unit performances.

### DIVIDEND

Directors declared a final dividend of 8 cents per share, payable on 14 November 2002. Coupled with the interim dividend of 6 cents, the total payout is 14 cents per share, and this tax credited dividend represents a pre-tax yield of around 7.6 percent based on the share price of \$2.75 at 30 June 2002.

Non-resident shareholders are paid an additional cash amount, which is the partial refund of the Dividend Withholding Payment tax credit. Their final cash dividend, net of New Zealand tax, is 10.15 cents per share.

### IMPROVED RETURNS ON INVESTMENT

Along with the drive for earnings improvements has been a focus on achieving higher returns on investment. Earnings before interest and tax of \$210 million represents a 23.1 percent return on average total capital employed well ahead of the company's pre-tax cost of capital, which is around 15 percent. The after-tax result represented a 16.9 percent return on equity. These returns are above average for industrial companies of our size.

### ASSET SALES

The continued concentration of the business portfolio through the sale of under-performing or non-strategic business has been an important driver of this improvement in returns. During the year the company has sold Cyclone Wire, Fletcher Construction Australia and the Victorian co-generation power plant in Australia. Since balance date, contracts have also been signed for the sale of the Australian distribution assets of Fletcher Aluminium and the sale of the Bolivian cement, concrete and aggregates businesses. More asset disposals are possible in the year ahead.

The sale of the Victorian co-generation assets, which were acquired in March 2001 as a result of a dispute with the then owner Axa Corporation, resulted in an after-tax gain of \$14 million.

As part of the sale process for the South American businesses, a full current valuation has been conducted and the businesses written down to our assessment of their net realisable value. This has resulted in a reduction in the revaluation reserve of \$11 million, which is attributable to the decrease in the value of assets, and a further charge of \$11 million to the earnings statement, which is our assessment of the discount required to achieve a clean sale.

### UNUSUAL GAINS

The unusual items include the gains from the sale of the Lunn Avenue quarry and the Victorian co-generation assets, together with the additional income from the extra three months' earnings at PlaceMakers that are a consequence of consolidating the results of the PlaceMakers' joint ventures and a move from a 31 March to a 30 June balance date. These gains were partly offset by a reduction in asset values for the South American assets, and the sale costs of the Australian Construction business.

### SHARE PRICE

In a difficult year for sharemarkets, we delivered a total shareholder return (that is, the increase in share price plus gross dividends, including the value of tax credits) of 25 percent. From its starting point at \$2.33 on the day of listing 26 March 2001, the share price traded as high as \$3.14 before the start of Reserve Bank interest rate rises which, as is normal, then affected the prices of cyclical stocks. At 30 June 2002, the share price was \$2.75.

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**BUSINESS STRATEGY**

From July last year, the company was reorganised into four divisions Building Products, Concrete, Construction and Distribution. In a normal year, Building Products and Concrete will account for most of Fletcher Building's earnings, as we are primarily a building products and materials company. Nevertheless, the Construction and Distribution divisions are strategically vital to our success. Each is a channel to market for our products and materials. Construction, the industry leader and a strongly profitable business in its own right, is a major user of concrete, aggregates, infrastructure products, steel, wallboards and wood panels, and our businesses are the predominant suppliers for these products. Distribution, through the PlaceMakers chain of 46 stores, is also the industry leader, is strongly profitable and is a cost-effective composite distributor for many of the company's products.

This combination of divisions is rather unusual, but it is an ideal solution for the New Zealand market. The market is relatively small yet still has a challenging geographic spread across which customers expect good service. The presence of PlaceMakers obviates the need for some of our other businesses to have dedicated distribution networks. The Construction pull-through of company products is key to Fletcher Building having leading market shares in most product categories, which is a necessity if we are to ensure we have appropriate volumes for competitive production.

Although profitable, Fletcher Construction's Australian business had little strategic relevance to this model. It was not a user of Fletcher Building products, and, as a relatively small business, its potential profit was insufficient to justify the risks associated with construction. As a consequence the business was sold.

Our future expansion will be in compatible building products manufacturing or through expanding our role in distribution. Construction will not be undertaken outside the home markets of New Zealand and the Pacific Islands.

**GROWTH STRATEGY**

The New Zealand economy is small and has in the past often experienced lower growth rates than a number of other western economies, particularly that of Australia. That coupled with the high market shares we already have for many product markets in New Zealand, means that remaining wholly reliant on New Zealand will limit the future growth of earnings unless we can continue to expand our range of New Zealand businesses.

While there are some potential opportunities in New Zealand they are few, so identifying and acquiring a meaningfully sized, strategically appropriate business outside New Zealand has been a goal. We also believe the most sensible market would be Australia rather than more remote, culturally different countries where the risks may be too high. In such context the board was pleased to announce on 18 September 2002, agreement to purchase The Laminex Group, Australia's leading manufacturer and marketer of decorative laminates and decorated woodpanels for use in commercial and residential applications.

The Board believes this is an excellent opportunity to acquire a company in an industry that we know well through our own participation, a company that has lead a significant rationalisation of the industry, has performed very strongly in recent years, and is now well positioned to achieve future benefits from the industry restructure and export growth.

The proposal to purchase The Laminex Group will be submitted for approval at the annual shareholders' meeting. A detailed explanatory memorandum will be circulated for your consideration in advance of the meeting. We commend this opportunity to you and seek your support for it.

**OTHER PROJECTS**

**Kyoto:** We are one of New Zealand's major energy users and thus have the potential to incur significantly increased costs if a carbon tax is introduced. A cross-divisional team has kept abreast of developments in this area of policy. We will seek to establish a Negotiated Greenhouse Agreement, as set out in relevant government policy for businesses classified as "at risk" of competition from countries that do not intend signing the Kyoto Protocol on greenhouse gas emissions. The proposed legislation is a pragmatic approach to the Kyoto obligations, and our detailed understanding of the issues and proactive approach to address them should leave us in a reasonable position.

**Risk Analysis:** During the year, the senior executive team undertook a comprehensive risk analysis of the company in conjunction with our auditors. The exercise highlighted the major risks to business continuity and profitability, leading to improvements in disaster recovery, standby and insurance plans.

**Employee Share Scheme:** We announced in August 2002 the establishment of an employee share ownership plan available to all New Zealand-based employees. The aim of this plan is to build a greater degree of identification amongst our workforce with the interests of shareholders, and to enable them to share in the company's growth and prosperity. The offer was limited to 1000 shares and was made pursuant to the provisions of section DF 7 of the Income Tax Act 1994. Further details are available in the Regulatory Disclosure section of this report.

- Share Register Changes:** The costs of listing on stock exchanges, meeting the attendant compliance and disclosure obligations, maintaining share register information and providing shareholder reports are significant for any company. Where these costs are disproportionate to the level of investment, we have sought to facilitate the consolidation of shareholdings through assistance to small shareholders to either sell or acquire further shares in the company. To this end we implemented three initiatives during the year:
- delisting of the company's American depositary shares from the New York Stock Exchange and termination of the American Depositary Receipt programme;
  - the Fletcher Building 1000 Share Plan to facilitate the consolidation of small holdings; and
  - the compulsory sale of all holdings of less than a minimum holding as defined in the New Zealand Stock Exchange rules, being less than 100 shares.

All of these initiatives have been received well by shareholders.

**AUDIT INDEPENDENCE**

To ensure that auditor independence continues to be maintained, both in practice and in public perception, the Audit Committee has revisited its audit policy to ensure that it reflects current thinking in a range of areas. These include such matters as rotation of audit personnel and the clear separation of audit and non-audit functions. The revised policy limits the ability of Fletcher Building's external auditors to provide non-audit services.

**HEALTH AND SAFETY**

The deaths in early July 2002 of two subcontractors, from an industrial accident on one of our sites, was a tragedy that clouded the many successes of the year. It highlighted the extreme vigilance that is needed to safety issues, as the Pacific Steel site had been one of our successes, having recently won an award acknowledging its much improved safety procedures and practices, and the low level of recorded incidents.

With some 8500 employees in Fletcher Building and many of our activities among the more hazardous industries, the company will always be at risk of incurring a share of those industrial accidents that do occur. Nevertheless, for this and subsequent years a key objective for all senior managers, with a direct link to their variable remuneration, is the need for significant improvements in our safety record. To assist in this, we recently made an appointment to a new high-level occupational health and safety role for the company.

An improved safety record will require new attitudes and heightened awareness of risks from employees as well as management but above all, a joint commitment to ensuring a far safer workplace.

**SUPPORT**

By most measures, this was a successful year for the company. While conditions were favourable, the level of success could not have been achieved without the loyalty of our customers, the quality and reliability of our suppliers and the wholehearted and professional commitment of all of our staff. On behalf of the board, we extend our thanks to all of these stakeholders for their valuable contributions.

**OUTLOOK**

Given reasonable trading conditions and the many improvements achieved last year, the board expects this to be another satisfactory year for your company.

Roderick Deane  
Chairman

Ralph Waters  
Chief Executive Officer

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## THE BOARD OF DIRECTORS



### Roderick Sheldon Deane

PhD, LLD (Hon), BCom (Hons), FACA, FCIS, FNZIM  
Chairman of Directors

Dr Deane, 61, has had a career in business and in the executive branch of government. He is currently chairman of several organisations in addition to Fletcher Building, including Telecom New Zealand (having retired as Chief Executive in 1999), ANZ Banking Group (New Zealand), Te Papa Tongarewa (the Museum of New Zealand), and the New Zealand Seed Fund.

Dr Deane is a director of TransAlta Corporation of Canada, Australia and New Zealand Banking Group and Woolworths, both Australian companies. He is a 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 of New Zealand, 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, 52, has an extensive background in financial and strategic management and as a director. He is a director of Comalco New Zealand, Gough Gough and Hamer, Greenstone Fund, the Reserve Bank of New Zealand, Telecom New Zealand and Wrightson.

Mr Baines was previously a director of Fletcher Challenge. He was also Chief Executive Officer of CS First Boston New Zealand from 1990 until 1993, and prior to that held a number of senior positions in the sharebroking and investment banking firm Jarden & Co.

### Hugh Alasdair Fletcher

MCom (Hons), MBA (Stanford), BSc  
Non-Executive Director  
Member of the Audit Committee

Mr Fletcher, 54, has had extensive management experience and now holds a number of directorships and advisory positions. He is chairman of New Zealand Insurance and CGNU Insurance Australia. He is a director of VCU Technology, the Reserve Bank of New Zealand, Rubicon, Ports of Auckland and is 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 Investment Committee of No 8 Ventures and the Council of the University of Auckland. Mr Fletcher was previously a director of Fletcher Challenge, and was 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, 53, is Chief Executive Officer and Managing Director of Air New Zealand, having been appointed in February 2002 after the New Zealand Government-led reorganisation of that company.

Before taking up his executive role at Air New Zealand, Mr Norris was Head of International Financial Services for the Commonwealth Bank Group, responsible for operations in New Zealand, the Pacific and Asia; and Managing Director and Chief Executive Officer of ASB Group. He was also Chairman of Sovereign Assurance and the New Zealand Business Roundtable, and Deputy Chairman of the New Zealand Bankers Association. He is now a director of Team New Zealand Defence 2003, and a consultant to the Commonwealth Bank.

### Sir Dryden Spring

DSc (Hon)  
Non-Executive Director  
Chairman of the Remuneration Committee

Sir Dryden, 62, has had a career in management and directorship, with involvement in a range of industries. He has also been deeply involved in New Zealand and international forums relating to agriculture and trade policy issues.

Sir Dryden is chairman of WEL Energy Group, Fletcher Challenge Forests, the New Zealand APEC Business Advisory Council, the Asia 2000 Foundation of New Zealand 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.

He is a member of the New Zealand Business and Parliament Trust. 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.

### Kerrin Margaret Vautier

CMG, BA  
Non-Executive Director  
Member of the Audit Committee

Mrs Vautier, 57, is a research economist specialising in competition law and economics, and has an academic and business background with long-standing experience in directorship. She is chair of the Advisory Board of the New Zealand Asia Institute, and a director of Deloitte Touche Tohmatsu (NZ) and Independent News & Media (NZ) Ltd.

Mrs Vautier is a lay member of the High Court under the Commerce Act, an External Monetary Policy Advisor to the Reserve Bank of New Zealand, a senior part-time lecturer in the Department of Commercial Law at the University of Auckland, and a member of the International Advisory Group of PECC's Trade Forum. She was previously a director of Fletcher Challenge, and 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 previously held the chair of NZPECC and the New Zealand Institute of Economic Research.

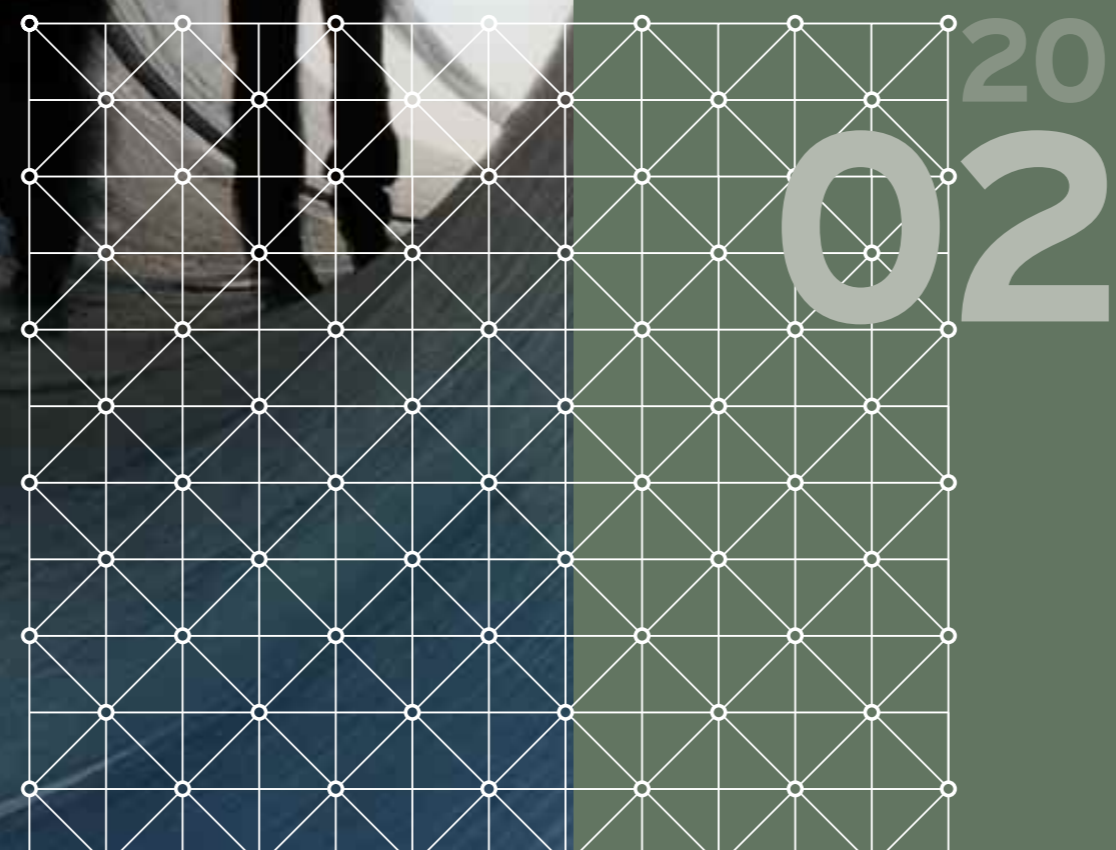
### Ralph Graham Waters

CP Eng, FIE Aust, M Bus  
Managing Director

Mr Waters, 53, was recruited as Chief Executive Officer in May 2001 and was appointed to the board in July 2001. Prior to joining Fletcher Building, Mr Waters 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, Group General Manager Major Appliances, and finally Managing Director from 1998. Mr Waters is also a director of Fisher and Paykel Appliances Holdings.



# OPERATIONAL OVERVIEW



# BUILDING PRODUCTS

THE MUCH-HERALDED INCREASE IN RESIDENTIAL CONSTRUCTION HAD NO MATERIAL IMPACT ON THE BUILDING PRODUCTS' GROUP NEW ZEALAND REVENUES UNTIL THE LAST QUARTER. IT THEN CONTRIBUTED SIGNIFICANTLY TO THE IMPROVEMENT IN OPERATING EARNINGS WHICH WERE 28 PERCENT AHEAD OF THE PREVIOUS YEAR TO THE END OF MARCH BUT 47 PERCENT AHEAD AT THE END OF THE YEAR.

These results were tempered by increased insurance costs, and unusually high electricity costs in the early part of the year.

Demand for plasterboard was strong, with New Zealand volumes 5 percent ahead of those for the previous year. This increase in volume, coupled with a price increase and good cost control, resulted in a 17 percent rise in operating earnings.

Wood products revenues were ahead of those for the previous year in all markets, but significant increases in input costs reduced gross margins by around 1.5 percent. Tight overhead control resulted in a similar profit performance to that for the 2001 year. The Plyco Doors operation was integrated with the wood panels operation, bringing some savings in overheads.

The panel and hardware distribution business had a very successful year in an increasingly competitive environment, growing revenue by 1 percent to a record \$100 million and operating earnings by nearly 15 percent.

A new management team was inducted into Fletcher Aluminium during the year and has achieved a positive impact on operations. The shapes distribution business in Australia was sold effective from 1 August 2002, leaving Fletcher Aluminium free to concentrate on maintaining its New Zealand shapes business and growing its windows and doors business.

The upstream steel operations, comprising scrap collection, the smelter, rolling mill and wire-drawing operations, achieved record production and sales volumes. Increased sales and better margin management resulted in a \$13 million improvement in operating profit. Results from the wire operations were affected by competition from imported products sold at unsustainably low prices, and the Ministry of Economic Development commenced an investigation into whether imports of South African wire are being dumped into the New Zealand market.

Downstream steel operations had a mixed year, with disappointing results from the distribution, and roofing and cladding operations; however, actions taken during the year should result in significantly improved performance during 2003. The continuous paint coating plant had a good year, with volumes up 18 percent, primarily from export markets.

### FOCUS AND OUTLOOK FOR THE 2003 YEAR

Sales volumes are expected to remain buoyant in the first half of the current financial year, but some easing of demand is expected in the second half. This implies that volumes should exceed those for this year; however, some pricing pressure can be expected owing to the rising New Zealand dollar with its impact on export revenues, and through import competitive domestic pricing.

Further benefits from the focus on productivity improvements will flow through this year, albeit at a reduced rate when compared to 2002.



With the significant improvement in the performance of the upstream steel business, there is no imperative to divest these assets, although the company would evaluate any opportunity to participate in an Australasian industry restructuring.



### RESULTS

SM	JUNE 2002 12 MONTHS	PRO FORMA JUNE 2001 12 MONTHS	CHANGE
Revenue	820	840	-2%
Operating profit (EBIT)	85	58	+47%
Margin	10.4%	6.9%	+51%
Funds	433	450	-4%
Return on funds	19.6%	12.9%	+52%

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# CONCRETE

WITH STRONG MARKET CONDITIONS AND TIGHTER COST CONTROL, OPERATING PROFIT WAS DOUBLE THAT FOR THE PREVIOUS YEAR.

Activity in rural areas was strong through the full 12 months, while increased activity in most major urban markets in the second half of the year was the major reason for further growth in earnings in that period. For most products, prices and volumes were ahead of last year. Overheads were reduced substantially. Tighter control over capital expenditure and better working capital management assisted in improving significantly the free cash flow.

Domestic cement sales reached the highest volume on record due mainly to improving residential construction markets. Sales into export markets were also above the previous record. For the first time in some years domestic cement prices increased, while production costs were reduced through operational improvements.

The aggregates operations recorded a strong improvement in earnings. Quarry volumes were 4 percent higher, but revenues were 3 percent lower due to changes in customer and product mix following the closure of the Lunn Avenue quarry. Production costs were lower due to the closure of loss-making sites and ongoing reconfiguration of the Auckland quarry resource. A flatter management structure assisted in considerably reducing overheads.

Earnings from the readymix and concrete products businesses were significantly higher than in the previous year. Record readymix volumes were achieved, and the overall contribution per cubic metre was the best in three years. Concrete masonry product revenues were similar to those for the previous year. Stresscrete's result, following a period of significant restructuring, was the best for a number of years.

The Humes group generated good earnings and strong cashflow. Overall revenues were ahead of last year due to increased penetration in rural markets and a buoyant Southern region. Concrete pipe, precast and plastic pipeline product sales all increased. Production costs were lower, but margins were similar to last year as competitive pressures remained intense. Humes undertook significant change during the year, and this should have a positive impact on earnings over the next 24 months.

Despite very difficult trading conditions in both Peru and Bolivia, these substantially reshaped businesses recorded a major turnaround in operating earnings and generated positive cashflow. Since balance date the company has announced the sale of its operations in Bolivia. The Indian joint venture generated a small profit, but the Fijian operations experienced very difficult market conditions and recorded a loss for the period.

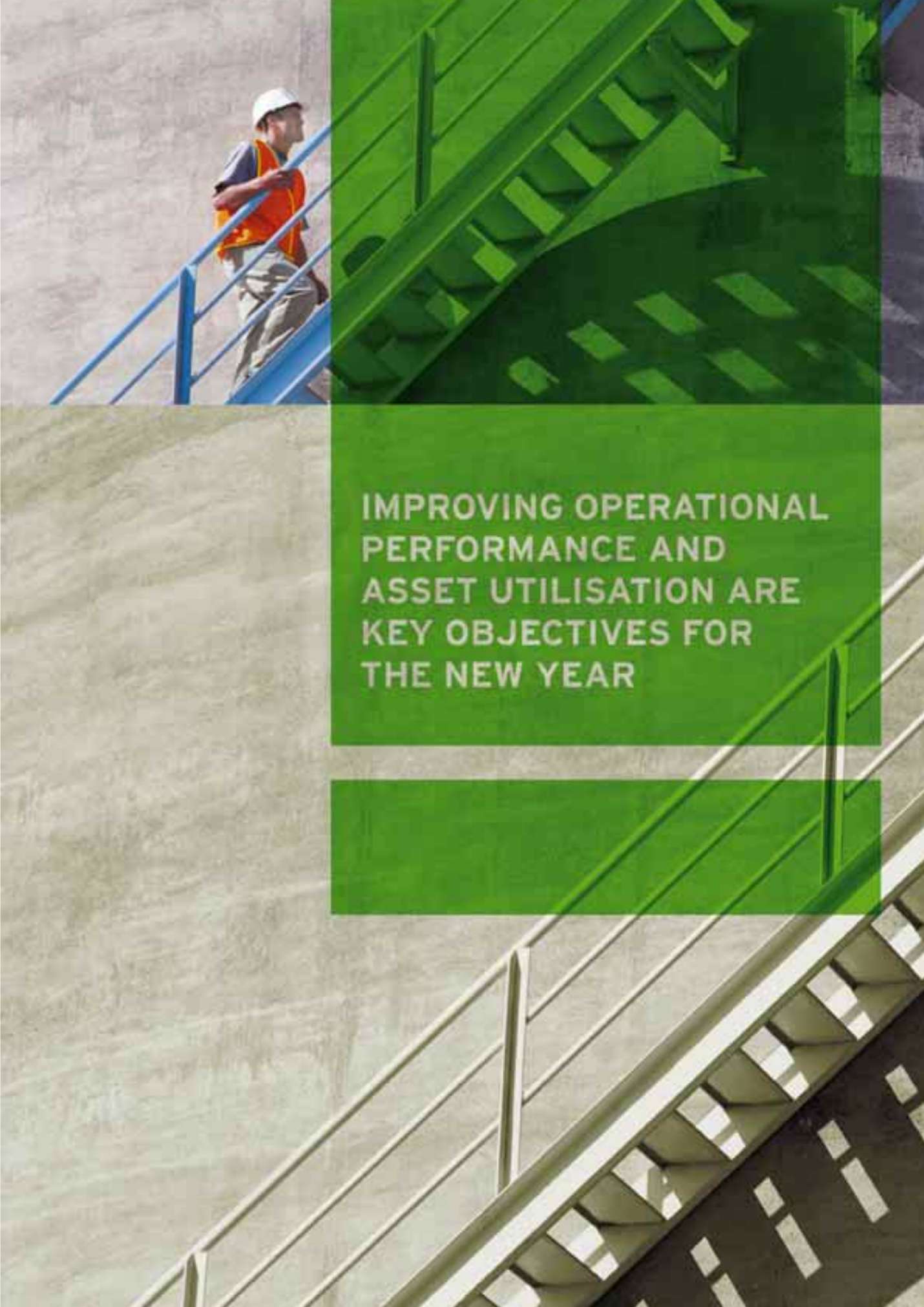
**FOCUS AND OUTLOOK FOR THE 2003 YEAR**

A continuing focus will be on improving operational performance, with a particular emphasis on improved asset utilisation and cost control. The company will continue to seek performance enhancement in the international businesses, and determine their longer-term role in the company.

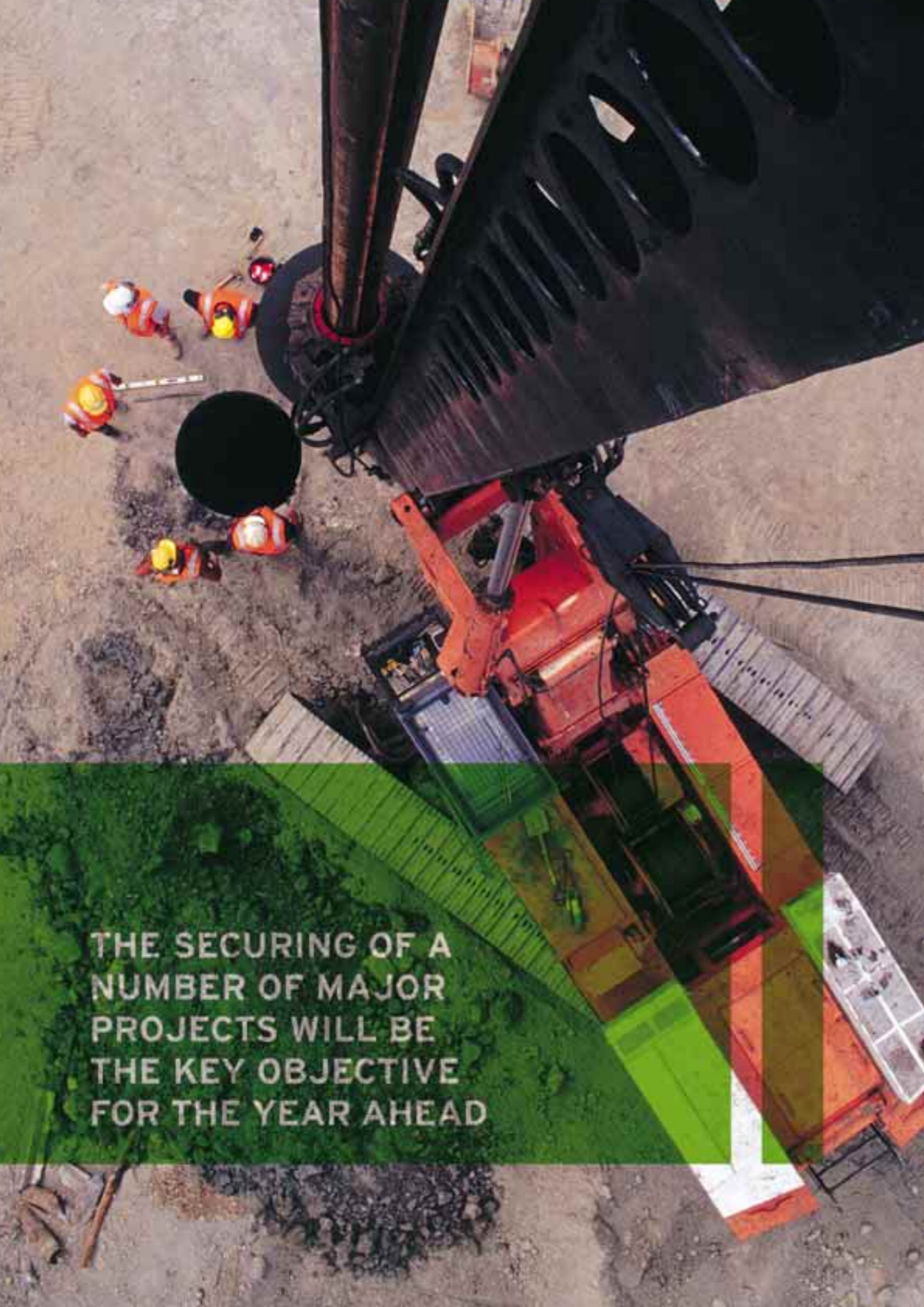
**RESULTS**

SM	JUNE 2002 12 MONTHS	PRO FORMA JUNE 2001 12 MONTHS	CHANGE
Revenue	470	454	+4%
Operating profit (EBIT)	60	31	+94%
Margin	12.8%	6.8%	+88%
Funds	416	485	-14%
Return on funds	14.4%	6.4%	+130%

IMPROVING OPERATIONAL PERFORMANCE AND ASSET UTILISATION ARE KEY OBJECTIVES FOR THE NEW YEAR







THE SECURING OF A NUMBER OF MAJOR PROJECTS WILL BE THE KEY OBJECTIVE FOR THE YEAR AHEAD

# CONSTRUCTION

**STRONG TRADING CONDITIONS RESULTED IN A SIGNIFICANT INCREASE IN EARNINGS, AND ALSO SECURED A GOOD VOLUME OF QUALITY FUTURE WORK.**

Construction operations traded well, with some milestone operational achievements. With a number of high-value projects complete, the construction businesses successfully sought replacement turnover, and the buoyant infrastructure and health sectors drove a strong rise in backlog to around \$400 million as at 30 June 2002.

New Zealand residential sales were ahead of those for the previous year particularly in Auckland, assisted by increased immigration. Fletcher Residential benefited from increased prices, lower overheads, reduced landholdings and the closure of non-performing branches to produce a standout performance.

The sale of the company's Australian commercial construction operations concluded the international withdrawal that commenced in 1996. The A\$140 million Global Switch commercial contract in Sydney was completed successfully after the sale, and there is one more major contract to be completed on the company's behalf.

In Auckland, the PricewaterhouseCoopers Tower was delivered early to considerable acclaim by the tenants and owner. Other significant projects completed by the commercial building division included Lambton Towers in Wellington, Waikato Stadium and the new grandstand at Jade Stadium in Christchurch. Major works in progress include the new Auckland City Hospital (\$200 million), the Sky City Conference Centre and the Southland Hospital (in joint venture).

The engineering division had a very strong result. The Manapouri Tailrace Tunnel was handed over ahead of the rescheduled completion date, and there was broad industry recognition of the project as a world-class engineering feat and an award-winning example of environmental management. The largest work in progress remains the Manukau Wastewater project (\$400 million). This project is progressing well and will be substantially complete in 2003. The Grafton Gully roading project is also progressing well, and further Auckland motorway work dominates prospects for the coming year.

The South Pacific's relatively small profit contribution was a reflection of tight market conditions. It is expected that improvements in the Fiji economy will flow through to a turnaround for the operation there.

The result for the year included several amounts, totalling \$11 million, that will not be repeated. These include earnings from the Victorian co-generation assets which as non-core assets were sold during the year, and the finalisation of payment for a long since completed project in Hawaii.

## FOCUS AND OUTLOOK FOR THE 2003 YEAR

Delivering on the contracts secured around New Zealand and throughout the improving South Pacific market will remain a key focus. People development initiatives have focused on better utilisation of resources across geographies and business units.

## RESULTS

SM	JUNE 2002 12 MONTHS	PRO FORMA JUNE 2001 12 MONTHS	CHANGE
Revenue	871	808	+8%
Operating profit (EBIT)	30	5	+500%
Funds	-95	-59	-61%

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# DISTRIBUTION

BUOYANT MARKET CONDITIONS LED TO INCREASED REVENUE AND A BIG LIFT IN EARNINGS, PARTICULARLY IN THE SECOND HALF OF THE FINANCIAL YEAR. AT YEAR END TOTAL REVENUE WAS UP 8 PERCENT AND EARNINGS UP 89 PERCENT.

PlaceMakers had an excellent year, with strong gains in both trade and retail sales. While the increase in revenue was significant, there were also substantial gains in productivity and margins achieved through an ongoing profit improvement project. A new store design was introduced in the new Whakatane store, and this has provided a basis for a more significant store development programme in the coming year.

The joint venture partnership structure remains a source of strength in local markets. The national position was enhanced during the year through the establishment of new joint ventures in Invercargill, Taupo, Rotorua and West Auckland. Four branches were returned to 100 percent ownership. The largest of these, Mt Wellington, is the focus of major development plans. With the combination of joint venture partnerships in local markets and extensive national scale, PlaceMakers has a strong competitive position. The company is seeking to further strengthen this position through a number of new initiatives designed to benefit trade customers.

The Building Depot is focused on the DIY retail segment, with particular emphasis on affordable kitchens and bathrooms. It achieved a strong sales increase of 16 percent above the previous year. In this light, the profit outcome was disappointing, reflecting the difficulties of previously inadequate systems to effectively manage the business. A new information technology system installed in the latter part of the year is already delivering encouraging improvements in margin.

Hire A Hubby steadily grew its base of franchisees throughout the country. The growing strength of the Hire A Hubby franchise was recognised by a number of awards from the Franchise Association of New Zealand.

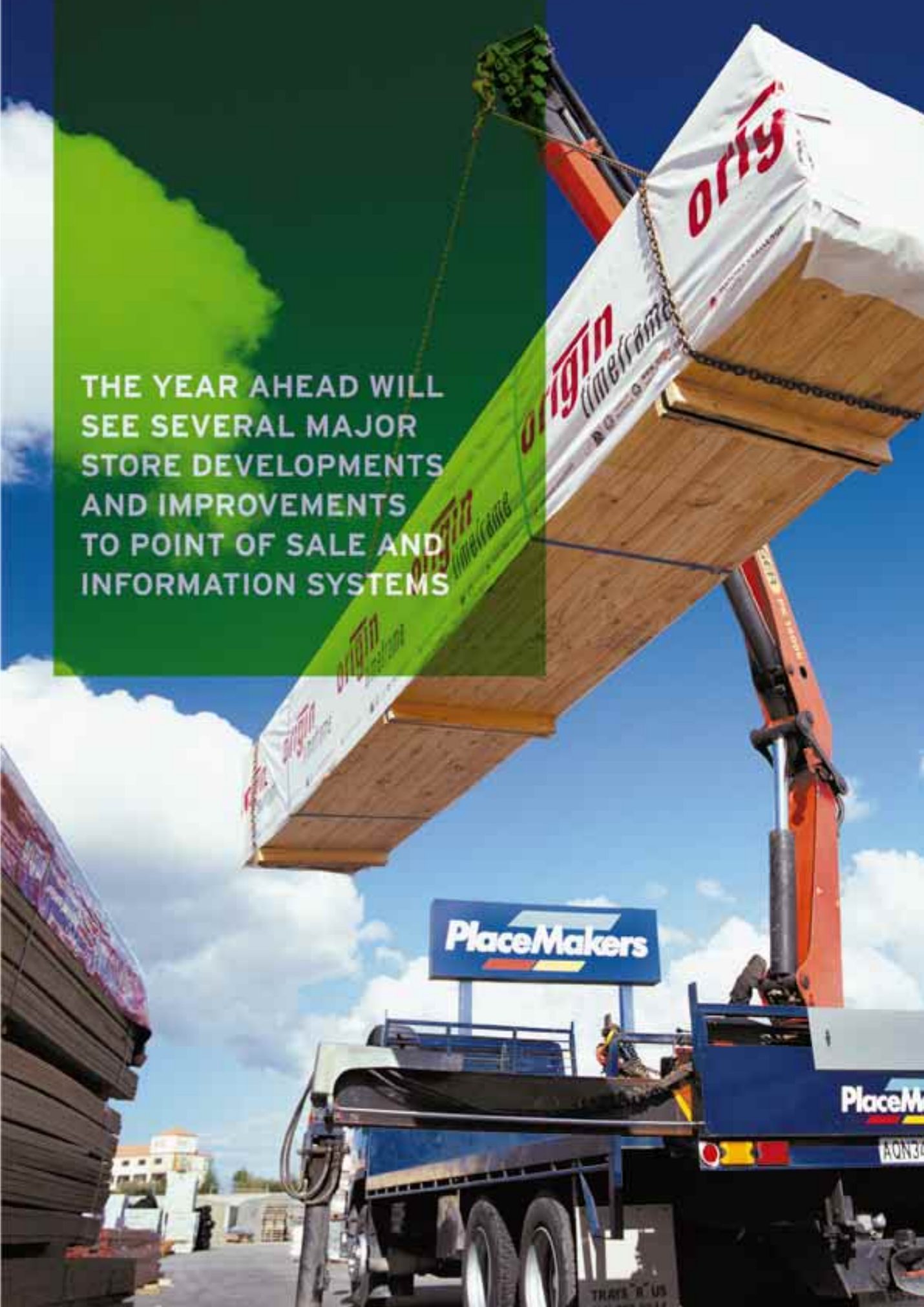
### FOCUS AND OUTLOOK FOR THE 2003 YEAR

The short-term outlook remains positive, but the possibility of a market slowdown, together with intensifying competition, means that the latter part of the current year could present some challenges. Development of the division's brands, initiatives to strengthen trade focus, upgrading information systems and store development programmes should ensure that Distribution is well placed to meet these challenges.

## RESULTS

SM	JUNE 2002* 12 MONTHS	PRO FORMA JUNE 2001* 12 MONTHS	CHANGE
Revenue	686	638	+8%
Operating profit (EBIT)	34	18	+89%
Margin	5%	2.8%	+79%
Funds	101	92	+10%
Return on funds	33.7%	19.6%	+72%

\*Restated to incorporate changes to accounting treatment on a comparable twelve month basis.



THE YEAR AHEAD WILL SEE SEVERAL MAJOR STORE DEVELOPMENTS AND IMPROVEMENTS TO POINT OF SALE AND INFORMATION SYSTEMS

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## FLETCHER BUILDING'S PROFILE

### BUILDING PRODUCTS

#### MAJOR PRODUCTS

Plasterboard  
Compounds and plasters  
Medium density fibreboard  
Low pressure Melamine  
Hardboard/softboard  
Particleboard  
Doors  
Aluminium windows  
Aluminium extruded shapes  
Long and flat steel  
Reinforcing bar  
Merchant bar  
Wire rod  
Pipe  
Painted coil  
Wire  
Long run metal roofing and cladding  
Rollformed structural products

#### KEY OPERATING STATISTICS

**Plasterboard and Building Papers**  
34 million m2 plasterboard capacity (2 plants)  
1 building papers production facility

#### Wood Panels & Doors

130,000 m3 particleboard capacity (2 plants)  
160,000 m3 medium density fibreboard capacity (1 plant)  
4 million m2 hardboard/softboard capacity (1 plant)  
2 laminating operations  
1 door manufacturing plant and 4 prehanging plants  
13 company-owned distribution outlets

#### Aluminium

9000 tonnes capacity in 2 extrusion presses  
6500 tonnes capacity in the remelt facility  
90 franchised fabricators

#### Upstream Steel

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

#### Downstream Steel

A 13-branch steel merchandising business nationwide  
2 metal processing and 5 reinforcing fabrication facilities  
1 continuous paint coating plant  
An 11-branch roofing business nationwide  
2 galvanising plants  
2 structural products rollforming factories

#### COMPETITIVE STRENGTHS

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

#### KEY OBJECTIVES THIS YEAR

Maintain emphasis on productivity improvements  
Continue with margin enhancing product differentiation strategies where appropriate  
Ensure the focus on organic growth is maintained  
Improve people reviews and development processes  
Further improve the group's safety and environmental performance.

### CONCRETE

#### MAJOR PRODUCTS

Aggregates - building  
Aggregates - roading  
Cement  
Readymix concrete  
Concrete and plastic pipes and fittings

#### KEY OPERATING STATISTICS

**Aggregates**  
More than 100 million m3 of proven plus indicated reserves (more than 30 years supply)  
18 hard rock quarries, 7 shingle plants  
5 sand plants, 1 scoria pit  
2 hard rock quarries (Fiji)  
3 alluvial aggregate plants (Bolivia)  
2 hard rock quarries (Peru)

#### Cement

A 600,000 tonnes dry kiln cement plant  
1 bulk cement vessel serving 6 customer service centres  
35 years' supply of cement rock and limestone resource  
A 130,000 tonnes cement plant (Bolivia)  
A 120,000 tonnes cement plant (Fiji) (25% owned)

#### Concrete Products

47 fixed plants, 2 mobile plants,  
7 joint venture plants  
241 trucks and 18 mobile pumps  
2 bagging plants  
6 concrete pipe/castings plants  
6 fixed joint venture plants (Fiji)

#### COMPETITIVE STRENGTHS

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

#### KEY OBJECTIVES THIS YEAR

Continue operational improvement  
Improve return on funds employed

### CONSTRUCTION

#### MAJOR PRODUCTS

Commercial construction  
Industrial construction  
Engineering  
Marine construction  
Interior fitouts  
Refurbishments  
New Zealand residential housing

#### KEY OPERATING STATISTICS

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

#### Housing

Land bank of:  
463 developed lots  
269 undeveloped potential lots  
Housing activities in:  
Auckland, Napier

#### COMPETITIVE STRENGTHS

Established track record in New Zealand and South Pacific  
Unrivalled experience at managing large-scale projects in New Zealand

#### KEY OBJECTIVES THIS YEAR

Secure further major infrastructure projects

### DISTRIBUTION

#### MAJOR PRODUCTS

Timber  
Panels  
Plumbing  
Roofing  
Concrete and Masonry  
Hardware  
Paint

#### KEY OPERATING STATISTICS

**PlaceMakers**  
40 outlets owned in joint venture with owner/operators  
6 company-owned outlets

#### The Building Depot

10 company-owned outlets  
**Hire A Hubby**  
124 franchises

#### COMPETITIVE STRENGTHS

Strong brands  
National coverage  
Economies of scale  
Franchise structure

#### KEY OBJECTIVES THIS YEAR

Develop PlaceMakers' trade focus with a number of trade-based initiatives  
Several major store developments  
Improve point of sale and information systems

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# PEOPLE

THE COMPANY RECOGNISES THAT ITS EMPLOYEES ARE CRITICAL TO ITS SUCCESS. IT STRIVES TO BE REGARDED AS A GOOD EMPLOYER, KNOWING THAT THIS WILL HELP IT TO ATTRACT AND RETAIN AN EXCELLENT WORKFORCE, ENHANCING ITS ABILITY TO SERVE ITS CUSTOMERS AND DELIVER SHAREHOLDER VALUE.

At 30 June 2002, Fletcher Building employed around 8500 people, with 7000 in New Zealand, making it one of the country's largest employers. The company accepts that the cornerstones of business success are leadership excellence, competitive, balanced and safe employment conditions, customer focus and good corporate citizenship.

These attributes are endorsed in the company's new Code of Values, and reflected in its programmes to develop its business unit leaders and emerging talent, its range of employee benefits and its focus on workplace safety.

### HEALTH AND SAFETY

The company takes workplace safety extremely seriously. Given the hazardous nature of the industries in which it operates, high standards of occupational health and safety are key priorities and the need for vigilance is constant.

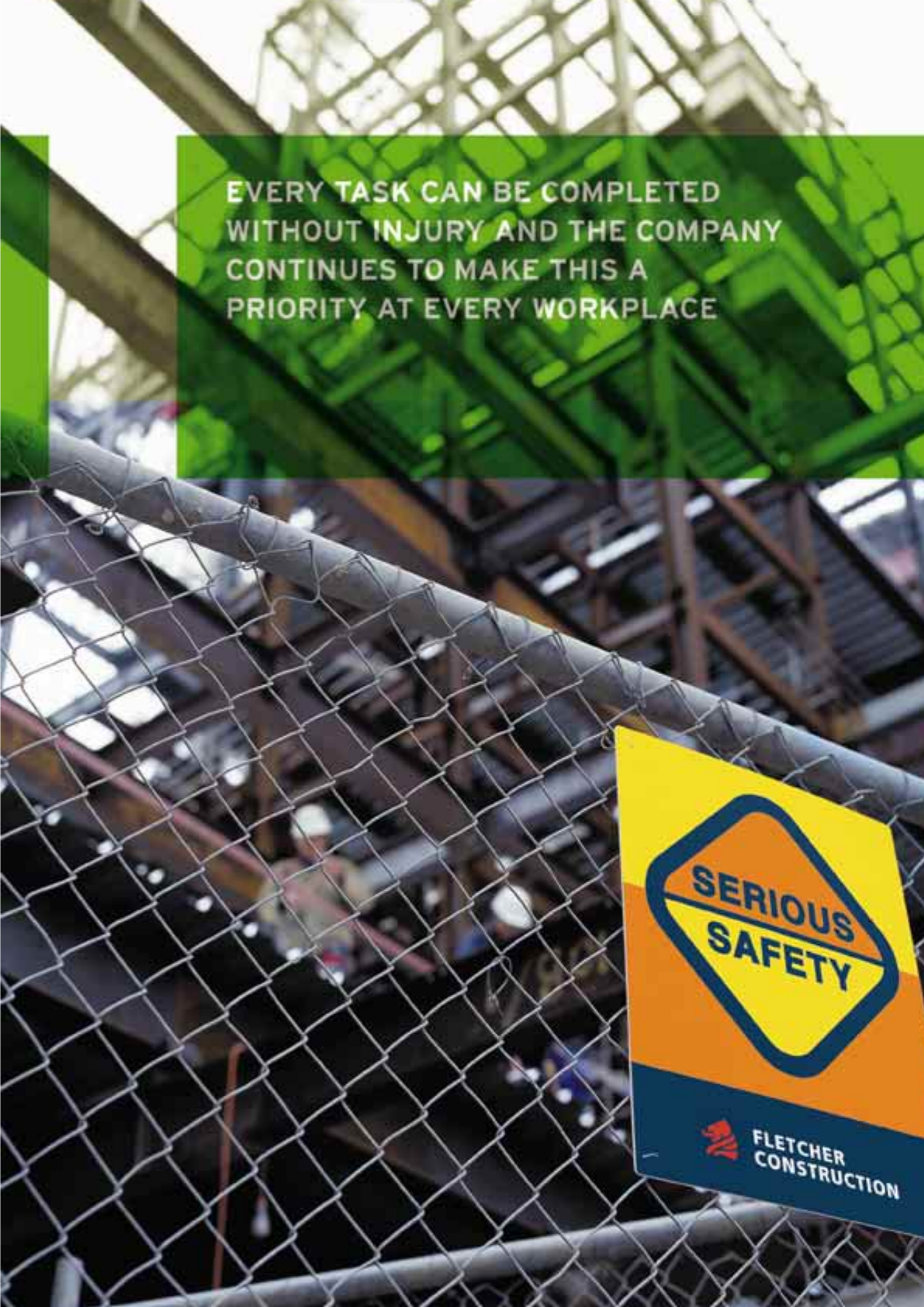
Tragically however, in July of this year two people lost their lives at a Fletcher Building work site. The company recognises its duty to ensure safe working practices throughout its business and regards workplace fatalities as completely unacceptable. It is determined to eliminate or minimise hazards by continually strengthening standards of safety company-wide in the year ahead. It is believed that every task and every project can be completed without injury, and the company continues to make this a priority focus at every workplace.

The company achieved a 25 percent reduction in lost-time injuries this year. While this rate of improvement fell short of target, it is pleasing that its safety and return-to-work programmes are continuing to have a worthwhile impact. Many Fletcher Building business units are leaders in occupational health and safety practice in their industries.

The Construction Group has continued to lead efforts to increase the standard of safety in the construction sector. The Site Safe initiative provides a standard training package targeting workplace safety on construction sites. Employees, contractors and subcontractors are not permitted to enter participating work sites without a Site Safe Passport, which proves that they have completed the necessary training. The programme was extended in 2002 by the introduction of Supervisor Gold Card Health and Safety Training, which provides a more in-depth programme for those who have responsibilities for supervising the work of others.

Equally, dedicated attention to safety practices has continued to pay off in the Concrete Group. With 800 employees and 70 sites, the readymixed concrete business has a large challenge deploying health and safety programmes. Great success has been achieved in reducing injuries amongst truck drivers, using a sustained awareness campaign and a customised ergonomic education programme.

Within the Building Products Group, a business unit received the Forest Industries' Training Company of the Year Award for its occupational health and safety training achievements. The Steel group was awarded the Manukau Business Excellence Award for its "Smartsite" safety programme, currently used in all Steel business units.



EVERY TASK CAN BE COMPLETED WITHOUT INJURY AND THE COMPANY CONTINUES TO MAKE THIS A PRIORITY AT EVERY WORKPLACE



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Health and safety in the Distribution Group has also improved significantly. Lost-time injury rates are down more than 60 percent on the previous year, a reflection of the good work being done in training and in follow-up and communication after accidents and incidents.

In July 2000, the Accident Compensation Corporation (ACC) accepted Fletcher Building into the primary level of its Partnership Programme following an audit of health and safety management practices, including injury claims and case management. This three-level programme recognises the extent to which a company has the capacity and the systems to self-manage injury claims and rehabilitation, allowing it to self-insure for these rather than take mandatory cover from ACC. In 2001 an independent audit confirmed further improvements in company-wide health and safety standards, gaining the company admission to the secondary level of self-insurance and affording substantial further premium savings.

**LEADERSHIP DEVELOPMENT**

Recognising the critical impact of leadership on business performance, the company has launched a programme to identify and develop current and emerging business leaders. While this initiative is still in its infancy, much of the groundwork is complete and the company has high expectations of it.

**EQUAL OPPORTUNITY AND DIVERSITY**

Fletcher Building is an equal opportunity employer. At present, the company's workforce is a microcosm of New Zealand, reflecting a wide spread of ethnicity and age but an imbalance in gender - a consequence of historic employment practices in our industrial and construction businesses. Management is committed to developing a working culture that promotes business strength through diversity.

**LABOUR RELATIONS**

Many of Fletcher Building's employees belong to labour unions. The company is proud of its industrial relations record and continues to enjoy a constructive working relationship with the union movement, built on partnership and mutual respect.

**WORK-LIFE BALANCE**

The company has several options to help its employees balance their work and home lives. Staff in the many business units near the Penrose head office have access to the Fletcher Building Health and Fitness Centre a facility which offers all employees the opportunity to manage general health issues at affordable rates through a range of programmes and services.

A programme of voluntary individual health assessments commenced during the year and will be a key focus in the future. This programme provides employees with an accurate assessment of their risk factors in relation to cardiovascular disease, and highlights the modifiable lifestyle choices that will deliver most benefit for each individual.

Parents in the Auckland workforce have access to Kimba Corner, Fletcher Building's corporate child-care centre. Catering to parents of children aged six weeks to five years, this crèche is a model of its kind. So also is our fully supervised school holiday programme for children. Approved by the National Association of Out of School Care & Recreation, this initiative is now in its eighth year of operation.

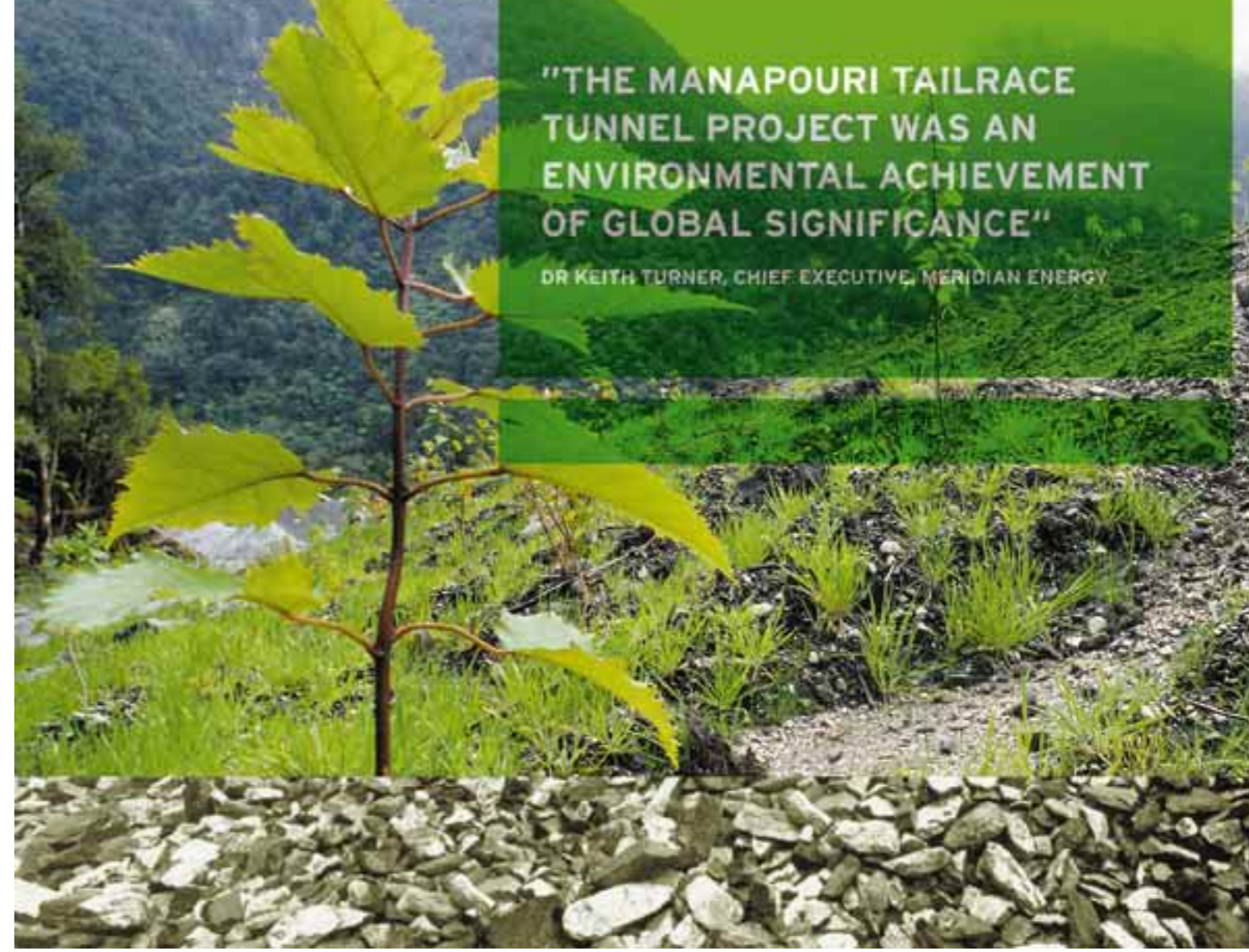
Special benefits lend support to Fletcher Building employees in time of need. Free professional and confidential counselling is available to all employees through an independent employee assistance service. The company recognises that everyone faces personal and work-related problems at times, and that it is helpful to both the individual and the employer if guidance can be given to resolve problems and maintain wellbeing and work performance.

Two unique independently-governed trust funds stand ready to assist all permanent Fletcher Building employees. The Fletcher Building Employee Educational Fund recognises, encourages and financially supports vocational learning among staff and their families; while the Fletcher Building Employee Welfare Fund provides immediate support to employees suffering financial difficulty in times of unexpected personal hardship.

**TECHNOLOGY**

During the year the company extended its central shared services payroll, and developed and launched an electronic human resources information system. Once complete, this will provide a broad range of employee-related information and services to managers' desktops.

The initiatives outlined above reflect the importance which the company places on its people - its most important asset. A number of challenges and performance targets remain, and so "people issues" will retain a high level of focus and commitment from the board and management in the coming year.



**"THE MANAPOURI TAILRACE TUNNEL PROJECT WAS AN ENVIRONMENTAL ACHIEVEMENT OF GLOBAL SIGNIFICANCE"**

**DR KEITH TURNER, CHIEF EXECUTIVE, MERIDIAN ENERGY**

# ENVIRONMENT

**ACHIEVING A HIGH STANDARD OF ENVIRONMENTAL PERFORMANCE IS A MATTER REQUIRING CONSTANT VIGILANCE. WITH THE NATURE AND SCALE OF ITS BUSINESSES, FLETCHER BUILDING IS CONTINUOUSLY EXPOSED TO A RANGE OF ENVIRONMENTAL ISSUES AT AN OPERATIONAL LEVEL.**

We have a deep interest in managing these issues responsibly, and try to do so conscientiously through an ongoing review and improvement programme. Regrettably, in the latest year our performance in this area was below our expectations.

There were a number of environmental non-compliance incidents during the year, and in four business units this resulted in court action and fines. These incidents related to discharges of wastewater to stormwater systems or local waterways. Humes' Papakura site incurred fines totalling \$29,000, and Firth's Henderson site was fined \$23,000. In addition, Fletcher Wood Panels were fined \$1000 by the regulatory authority at both its Penrose and Kumeu sites for odour emission incidents, and Fletcher Aluminium were fined \$750 for a caustic spill. To ensure that these unacceptable incidents are not repeated, rigorous reviews of environmental systems and procedures at these sites have been undertaken by business unit management. These reviews, and the remedial actions identified, are being subjected to external audit for additional overview.

Within New Zealand, our operations span 22 business units at more than 300 sites around the country, with 7000 employees. There are numerous national and local laws and regulations governing these

72 operations from an environmental viewpoint. Management monitors the company's overall environmental  
71 performance regularly, and strives to improve it. We believe that, ultimately, good environmental  
70 management is a matter not just of compliance, but of strategic importance.  
69

68 In keeping with this belief, a company-wide Environmental Management Strategy was launched this year,  
67 beginning with an external review of all business units carried out by URS New Zealand Ltd. URS' preliminary  
66 findings indicate that all Fletcher Building operations are continuing to make progress towards improving  
65 their environmental performance, and there are adequate management systems in place at business unit  
64 level to enable compliance with environmental legislation. However, several business units are challenged  
63 to improve their environmental performances next year through implementation of specific environmental  
62 improvement programmes.  
61

60 Our approach to environmental management also includes engaging in issues existing at the national or  
59 even international level with potential to affect the company. One such issue is that of greenhouse gas  
58 emissions, which has been the focus of intense policy activity by the New Zealand Government. Since the  
57 decision by the Government that it will ratify the Kyoto Protocol on greenhouse gas emissions this year,  
56 we have instigated discussions on a negotiated greenhouse agreement to take into account factors essential  
55 to maintaining a competitive international position in the industries in which we operate. This process  
54 is currently unclear, but we are hopeful we will have substantial progress to report within the current  
53 financial year.  
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48 There are many examples of positive outcomes from proactive environmental management throughout  
47 the company. We have chosen to present just three in this report, to indicate the commitment of Fletcher  
46 Building and its people to achieving satisfying results in this area.  
45

#### 44 **MANAPOURI TAILRACE TUNNEL**

43 Our construction division was commended for its environmental management of the 10 kilometres, \$200  
42 million Manapouri Tailrace Tunnel, completed by the Fletcher Dillingham Ilbau (FDI) joint venture during the  
41 year. Meridian Energy Chief Executive Dr Keith Turner commented that the project was "an environmental  
40 achievement of global significance. It was conducted in a UN World Heritage Area where preservation of the  
39 unique and fragile environment has been of paramount concern throughout the project."  
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36 The largest environmental task was incorporating 1 million cubic metres of excavated rock back into the  
35 environment at Deep Cove, Fiordland. This involved careful soil management and contouring to blend in  
34 with the slip-modified glacial landscape, and planting of more than 150,000 plants. All water from the site  
33 flowed through a specially designed treatment system prior to discharging into the tailrace free of unnatural  
32 sediment levels that would have been disastrous for the marine ecology.  
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29 The FDI project team was commended by the Department of Conservation, which found its "environmental  
28 management to be well resourced and of a consistently high standard. All issues have been dealt with in  
27 a consultative and expedient manner."  
26

#### 25 **PACIFIC WIRE MECHANICAL DE-SCALING**

24 An example of innovative thinking from our business units was demonstrated at Pacific Wire, whose  
23 location close to the Manukau Harbour in Auckland raises its environmental profile. Pacific Wire installed  
22 the first of four machines for mechanical de-scaling of rod prior to wire drawing and galvanizing, and an  
21 effluent treatment plant for trade wastes. Mechanical de-scaling removes the need to use the traditional  
20 acid bath process.  
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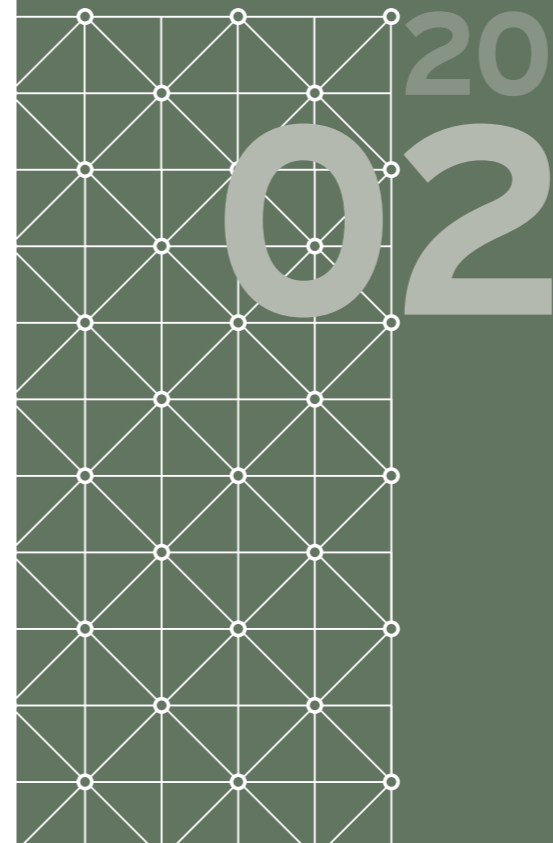
17 When complete, the mechanical system will essentially eliminate the risks of on-site bulk storage of acid  
16 and caustic chemicals, produce cleaner effluent, and significantly reduce production of sludge in the  
15 effluent treatment plant. Pacific Wire's Manukau Harbour environment will be better protected as a result.  
14

#### 13 **PENROSE SITE ENHANCEMENTS**

12 Employees at Fletcher Wood Panels displayed great initiative in improving the visual and physical  
11 environment of their 1940s site in Penrose, Auckland. Through a sponsorship link with the Manukau  
10 Institute of Technology horticulture department, they arranged for the factory's street frontage of 280  
9 metres to be landscape-designed and planted by the Institute's students, using trees and shrubs native  
8 to the area. The renewed and environmentally friendly site will be a more appropriate backdrop to the  
7 production of reconstituted fibreboard panels, composed, as they are, of recycled waste wood.  
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4 Air quality in the Penrose area also benefited this year from the installation of a \$630,000 bag filter  
3 plant for the CSP Galvanizing business.  
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# FINANCIALS



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## FINANCIAL REVIEW

### REDUCED DEBT FROM STRONG CASHFLOWS

#### ACCOUNTING POLICY CHANGES

There are three changes in accounting treatment for the current year:

- the consolidation of all PlaceMakers Joint Venture branches, which were previously equity accounted
- the inclusion of capital notes interest in the earnings statement, whereas it was previously treated as a distribution along with dividends
- the expensing of the cost of options to the earnings statement.

Whilst the accounting standards restrict the changing of comparative data, this report attempts to clarify the impact of these changes where appropriate.

#### RESULTS

On a comparative basis, trading revenue increased by 4 percent to \$2.8 billion. Earnings before interest, tax and unusual items more than doubled, to \$205 million. Net profit after tax and minorities was \$88 million before unusual items and \$93 million after unusual items.

Earnings per share increased to 27.0 cents after unusual items, representing a return on average equity of 16.9 percent, and a return on average funds employed of 23.1 percent.

#### CASHFLOW AND CAPITAL EXPENDITURE

Cash from operations was \$187 million, reflecting good control over working capital and the improved operating result. Capital expenditure, at \$51 million, was well below depreciation and amortisation of \$89 million. Divestment proceeds of \$54 million included proceeds from the sale of Cyclone, Fletcher Construction Australia and the Victorian co-generation assets.

After the payment of dividends and minority distributions, internally generated cash was used to repay net debt of \$126 million, including \$20 million of capital notes.

#### BALANCE SHEET

Total net debt, including capital notes, reduced by \$126 million to \$398 million.

Gearing (the ratio of net debt including capital notes to equity plus net debt plus capital notes) improved from 49 percent to 40 percent, reflecting the company's strong cashflow.

Interest cover (the ratio of EBITDA to interest paid on net debt) improved to 5.8 times, and the gearing ratio (net debt to EBITDA) improved to 1.4 times. At year end, the group had available undrawn debt facilities of \$385 million.

The total dividend for the year was increased by 2 cents to 14 cents per share, with full tax credits available.

#### RISK MANAGEMENT

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

#### REVALUATION

The directors have adopted a policy to revalue land, buildings and plant and machinery in accordance with accounting standard FRS3. During the year in review, the carrying values of the assets in South America were adjusted by \$11 million to reflect lower valuation levels determined by independent valuation.

#### PENSION PLAN

The company operates a defined benefit pension plan for its employees, which has been closed to new members for some years. This scheme is accounted for in accordance with United States accounting standard FAS-87 which has the effect of smoothing the volatility in the returns earned by the scheme by amortising the difference between expected returns and actual returns over the remaining working life of the employees. At balance date some \$32 million of net losses are to be expensed in future periods. The scheme is currently fully funded to 115 percent of projected benefit obligations, and no contributions were made by the company in the current year.

## RESULTS

\$M	JUNE 2002 12 MONTHS	PRO FORMA JUNE 2001 12 MONTHS
Operating cashflow	187	251
Return on average capital employed (%)	23	9
Gearing (%)	40	49
Interest cover (times)	5.8	3.1

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**STATEMENT OF FINANCIAL PERFORMANCE** FOR THE YEAR ENDED 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
		YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
		NZ\$M	NZ\$M	NZ\$M	NZ\$M
Operating revenue	2, 4	2,966	2,273	62	28
Operating expenses		(2,756)	(2,360)	(2)	(8)
Operating earnings	3, 4	210	(87)	60	20
Funding costs	5	(51)	(36)	(46)	(9)
Earnings before taxation		159	(123)	14	11
Taxation expense	6	(54)	(148)	10	3
Earnings after taxation		105	(271)	24	14
Minority interest		(12)	(1)		
<b>Net earnings</b>		<b>93</b>	<b>(272)</b>	<b>24</b>	<b>14</b>
Net earnings per share (cents)	8				
Basic		27.0	(83.7)		
Diluted		25.1	(83.7)		
Weighted average number of shares outstanding (millions of shares)	8				
Basic		345	344		
Diluted		430	344		
Dividends declared per share (cents)		14.00	12.00		

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

**STATEMENT OF MOVEMENTS IN EQUITY** FOR THE YEAR ENDED 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
		YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
		NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>Total equity and capital funds</b>					
At the beginning of the year		790	969	788	
Net earnings - parent interest		93	(272)	24	14
Net earnings - minority interest	13	12	1		
Revaluation of investments	11			34	83
Revaluation of fixed assets	11	(11)	91		
Taxation on revaluation of fixed assets	11, 22	(5)	(18)		
Movement in currency translation reserve	11	(19)	30		
Total recognised revenues and expenses for the year		70	(168)	58	97
Movement in minority equity	13	13			
Movement in reported capital	10	6	3	6	449
Movement in capital notes	23	(20)	59	(20)	250
Restatement of capital notes as debt	23	(230)		(230)	
Dividends and distributions	9	(38)	(73)	(38)	(8)
<b>Total equity and capital funds</b>		<b>591</b>	<b>790</b>	<b>564</b>	<b>788</b>

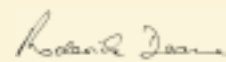
The accompanying notes form part of and are to be read in conjunction with these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
		JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
<b>Assets</b>					
Current assets:					
Cash and liquid deposits	14	59	132	9	32
Stocks	15	318	298		
Debtors	16	410	420	6	3
Contracts	17	(86)	(79)		
<b>Total current assets</b>		<b>701</b>	<b>771</b>	<b>15</b>	<b>35</b>
Non current assets:					
Fixed assets	18	669	759		
Investments	19	72	90	1,019	985
Provision for deferred taxation	22	96	136	1	
Advances to subsidiaries				290	341
<b>Total non current assets</b>		<b>837</b>	<b>985</b>	<b>1,310</b>	<b>1,326</b>
<b>Total assets</b>		<b>1,538</b>	<b>1,756</b>	<b>1,325</b>	<b>1,361</b>
<b>Liabilities</b>					
Current liabilities:					
Short-term loans		3	2	2	2
Accruals and provisions	20	101	98	3	
Creditors	21	401	463	8	16
Provision for current taxation	22	(12)	(1)	(6)	(5)
Capital notes	23	53		53	
<b>Total current liabilities</b>		<b>546</b>	<b>562</b>	<b>60</b>	<b>13</b>
Non current liabilities:					
Capital notes	23	177		177	
Term debt	24	224	404	190	390
Advances from subsidiaries				334	170
<b>Total non current liabilities</b>		<b>401</b>	<b>404</b>	<b>701</b>	<b>560</b>
<b>Total liabilities</b>		<b>947</b>	<b>966</b>	<b>761</b>	<b>573</b>
<b>Equity</b>					
Reported capital	10	455	449	455	449
Revenue reserves	12	66	11	(8)	6
Other reserves	12	43	78	117	83
Shareholders funds		564	538	564	538
Capital notes	23		250		250
Minority equity	13	27	2		
<b>Total equity</b>		<b>591</b>	<b>790</b>	<b>564</b>	<b>788</b>
<b>Total liabilities and equity</b>		<b>1,538</b>	<b>1,756</b>	<b>1,325</b>	<b>1,361</b>

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

On behalf of the Board, 14 August 2002



Roderick Deane  
Chairman of Directors



Ralph Waters  
Managing Director

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
<b>Cashflow from operating activities</b>				
Receipts from customers	2,972	2,270	4	
Dividends received	12	12	41	20
Interest received	2	3	19	8
<b>Total received</b>	<b>2,986</b>	<b>2,285</b>	<b>64</b>	<b>28</b>
Payments to suppliers, employees and other	2,723	1,983	13	8
Interest paid	53	45	48	7
Income tax paid	23	6		
<b>Total applied</b>	<b>2,799</b>	<b>2,034</b>	<b>61</b>	<b>15</b>
<b>Net cash from operating activities</b>	<b>187</b>	<b>251</b>	<b>3</b>	<b>13</b>
<b>Cashflow from investing activities</b>				
Sale of fixed assets	12	14		
Sale of investments		17		
Sale of subsidiaries	42			
<b>Total received</b>	<b>54</b>	<b>31</b>		
Purchase of fixed assets	50	84		
Purchase of investments	1	3		
Purchase of subsidiaries		50		509
Net debt in subsidiaries acquired	14	9		
<b>Total applied</b>	<b>65</b>	<b>146</b>		<b>509</b>
<b>Net cash from investing activities</b>	<b>(11)</b>	<b>(115)</b>		<b>(509)</b>
<b>Cashflow from financing activities</b>				
Net debt settlements	(179)	(151)	(200)	392
Sale of taxation benefits to other Fletcher Challenge divisions		99		
Advances from subsidiaries			226	167
Issue of capital notes		185		2
<b>Total received</b>	<b>(179)</b>	<b>133</b>	<b>26</b>	<b>561</b>
Repurchase of capital notes	20	126	20	
Distribution to minority shareholders	14			
Dividends and distributions paid to stakeholders	32	77	32	33
<b>Total applied</b>	<b>66</b>	<b>203</b>	<b>52</b>	<b>33</b>
<b>Net cash from financing activities</b>	<b>(245)</b>	<b>(70)</b>	<b>(26)</b>	<b>528</b>
Net movement in cash held	(69)	66	(23)	32
Add opening cash and liquid deposits	132	64	32	
Effect of exchange rate changes on net cash	(4)	2		
<b>Closing cash and liquid deposits</b>	<b>59</b>	<b>132</b>	<b>9</b>	<b>32</b>

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

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
<b>Analysis of subsidiaries disposed<sup>1</sup></b>				
Proceeds from sale of subsidiaries	42			
Fixed assets	17			
Current assets	22			
Term liabilities				
Current liabilities	(3)			
Minority interest				
<b>Net assets of subsidiaries disposed</b>	<b>36</b>			
Gain on disposal of subsidiaries	6			
<b>Analysis of subsidiaries acquired<sup>2</sup></b>				
Fixed assets		63		
Goodwill on acquisition				
Term liabilities		(27)		
Cash acquired		18		
Current liabilities		(4)		
<b>Net assets of subsidiaries acquired</b>		<b>50</b>		

<sup>1</sup> Subsidiaries disposed were Varnsdorf Pty Limited for a profit of \$14 million, the rural business of Cyclone, a division of Fletcher Steel Limited, at book value, and the construction activities in Australia upon which a loss of \$8 million was provided.

<sup>2</sup> Cash outflow on purchase of subsidiaries includes \$50 million for Varnsdorf Pty Limited 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\$42 million in cash. The acquisition cost was then charged to earnings and provisions were reversed.

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

## RECONCILIATION OF NET EARNINGS TO NET CASH FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
<b>Cash was received from:</b>				
Net earnings	93	(272)	24	14
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	93	224	(3)	
Taxation	31	142	(10)	(3)
Minority interest in earnings of subsidiaries	12	1		
<b>Non cash adjustments</b>	<b>136</b>	<b>367</b>	<b>(13)</b>	<b>(3)</b>
<b>Cashflow from operations<sup>1</sup></b>	<b>229</b>	<b>95</b>	<b>11</b>	<b>11</b>
Less (gain)/loss on disposal of affiliates and fixed assets	(16)	1		
<b>Cashflow from operations before net working capital movements</b>	<b>213</b>	<b>96</b>	<b>11</b>	<b>11</b>
<b>Net working capital movements</b>	<b>(26)</b>	<b>155</b>	<b>(8)</b>	<b>2</b>
<b>Net cash from operating activities<sup>2</sup></b>	<b>187</b>	<b>251</b>	<b>3</b>	<b>13</b>
<b>Net working capital movements:</b>				
Debtors	54	38	(3)	
Stocks	19	73		
Contracts	7			
Creditors	(106)	44	(5)	2
<b>Net working capital movements</b>	<b>(26)</b>	<b>155</b>	<b>(8)</b>	<b>2</b>

<sup>1</sup> Includes loss on disposal of affiliates and fixed assets.

<sup>2</sup> As per the Statement of Cashflows.

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

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

### 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 comprise statements of the following: financial performance, movements in equity, financial position, cashflows and significant accounting policies, as well as the notes to these financial 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 Fletcher Building group are for the period 1 July 2001 to 30 June 2002. 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. For the period ended 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.

The results of Fletcher Building Limited are for the period 1 July 2001 to 30 June 2002. The results for the period ended June 2001 are for the period 24 March 2001 to 30 June 2001.

### 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 (GAAP) in New Zealand. 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 1, 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

FOR THE YEAR ENDED 30 JUNE 2002

### 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 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 the 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 percent, the share of the net assets and liabilities and earnings of the investment is included on an equity basis. If the interest does give rise to a controlling interest in excess of 50 percent, the investment is consolidated.

Joint ventures in which the ownership interest is directly in the assets and liabilities rather than the net residue are included in proportion to the group's interest in the assets, liabilities and earnings.

### FOREIGN CURRENCY

#### Translation of the Financial Statements of Foreign Operations

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

#### Exchange Differences

Monetary assets and liabilities in foreign currencies at balance date, not covered by forward exchange contracts, are translated at the rates of exchange ruling at balance date.

Monetary assets and liabilities in foreign currencies at balance date, covered by forward exchange contracts, are translated at the exchange rates specified in those contracts.

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined. If a foreign currency liability is designated as a hedge of a foreign currency non-monetary asset (or vice versa), both the asset and the liability are translated at the closing rate and the exchange difference taken to the currency translation reserve.

### VALUATION OF ASSETS

#### Land, Buildings, Plant and Machinery, Fixtures and Equipment

##### Initial recording

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

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

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

### Revaluations

Land, buildings, plant and machinery are revalued by independent registered valuers on the basis of fair value. 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 stated 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 or net realisable value determined principally on the first-in-first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels.

### 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.

### 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 cashflows arising from the ownership of the asset. Future net cashflows 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 cashflows that are largely independent of the cashflows 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 and 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.

## STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2002

### 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.

#### 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
Leased assets capitalised	10 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.

#### Share Options Granted

Share options have been granted under a senior executive option scheme. The fair value of the option is recognised as an expense over the restricted period of the senior executive option scheme and a corresponding amount is recognised in shareholders' funds.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Changes in accounting policies

Financial Reporting Standard (FRS) 36, Accounting for Acquisitions Resulting in Combinations of Entities or Operations, FRS 37, Consolidating Investments in Subsidiaries, and FRS 38, Accounting for Investments in Associates, have been issued with a mandatory implementation date for accounting periods ending on or after 31 December 2002. The directors elected to comply with the requirements of FRS 36, 37 and 38 prior to their mandatory implementation date. There has been no material impact on the financial statements in complying with FRS 36 and 38.

#### (a) Capital notes

Capital notes are long-term, fixed rate, unsecured subordinated notes. At each election date the coupon and term to the next election date of that series of notes is reset. Holders may then choose either to keep their capital notes on the new terms or to convert the notes to shares. Fletcher Building Limited may, at its option, purchase or redeem the capital notes for cash. Capital notes have previously been accounted for as a component of equity. The directors have reviewed this accounting treatment and have concluded that the capital notes are more fairly reflected if accounted for as debt. This change has been made for the year ended 30 June 2002.

As a result of this reclassification, interest on the capital notes is recorded as funding costs within the Statement of Financial Performance and in cashflow from operations within the Statement of Cashflows, rather than as a distribution from equity.

In accordance with the requirements of FRS 2, Presentation of Financial Reports, the comparative balances have not been restated.

#### (b) Share options

The company has changed how it accounts for share options. Previously no expense was recognised for these.

The company now accounts for the fair value of the options at their grant date, and recognises this as an expense over the restricted period provided by the scheme. A corresponding amount is recognised in shareholders' funds.

For the year ended 30 June 2002 an amount of \$256,000 has been expensed. There is no material impact on the Statement of Financial Position or the Statement of Cashflows.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Changes in accounting policies continued

#### (c) Consolidation of PlaceMakers

As a result of FRS 37 the group has changed how it accounts for the PlaceMakers joint ventures comprising 42 legal entities. Previously these were equity accounted, however for the year ended 30 June 2002, they have been consolidated.

The effect of the change is as per the following table.

	15 MONTHS TO JUNE 2002 NZ\$M
Operating revenue	670
Operating expenses	(644)
Operating earnings	26
Funding costs	(3)
Earnings before taxation	23
Taxation expense	(9)
Earnings after taxation	14
Minority interest	(12)
Net earnings	2
Total current assets	113
Investments	(21)
Fixed assets	10
Total assets	102
Total current liabilities	51
Term liabilities	22
Total liabilities	73
Shareholders funds	3
Minority equity	26
Total equity	29
Total liabilities and equity	102
Net cash from operating activities	(1)
Net cash from investing activities	(5)
Net cash from financing activities	6
Net movement in cash held	0

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Changes in accounting policies continued

#### (d) PlaceMakers change in balance date

Changes in the ownership percentage for the PlaceMakers joint ventures now make it appropriate to recognise earnings on a consistent basis with the rest of the group. Previously income was recognised on an April to March year, in line with the joint venture companies balance date. This period's earnings include 15 months of the joint ventures earnings from 1 April 2001 to 30 June 2002.

The earnings from 1 April 2001 to 30 June 2001 are stated in the following table.

	THREE MONTHS ENDED JUNE 2001 NZ\$M
Operating revenue	119
Operating expenses	(115)
Operating earnings	4
Funding costs	
Earnings before taxation	4
Taxation expense	(1)
Earnings after taxation	3
Minority interest	(1)
Net earnings	2

These operating earnings have been disclosed as unusual income in note 3.

#### (e) Restatement of results

In the segmental analysis in note 34 the comparative balances have been restated for Distribution for operating revenue, operating earnings and total assets. Previously the results for 30 June 2001 were for twelve months on an equity accounting basis, and the results for 30 June 2002 are for fifteen months on a consolidated basis. To ensure comparability the results of Distribution have been restated for both years on a twelve month consolidated basis.

Certain comparatives have been restated to conform with the current year's presentation.

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

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
<b>2 Operating revenue</b>				
Operating revenue includes:				
Trading sales to external customers	2,955	2,249	2	
Equity earnings	11	11		
Dividends		1	41	20
Interest			19	8
Income from joint ventures		12		
	<b>2,966</b>	<b>2,273</b>	<b>62</b>	<b>28</b>

### 3 Operating earnings

Operating earnings includes:

Net gains on disposal of fixed assets	(2)			
Amortisation of goodwill and intangibles	7	9		
Depreciation and depletions:				
Buildings	5	6		
Plant and machinery	56	67		
Fixtures and equipment	20	7		
Resource extraction assets	1	1		
Total depreciation and depletions	82	81		
Net periodic pension cost/(benefit)	(8)	(6)		
Unusual items:				
Restructuring and separation costs <sup>1</sup>		43		
Impairment <sup>2</sup>	11	101		
Other (gains)/losses <sup>3</sup>	(12)	37		
PlaceMakers joint ventures three month income to 30 June 2001 <sup>4</sup>	(4)			
Research and development	2	3		
Bad debts written off	7	8		
Directors' fees	1			
Donations	1	1		
Maintenance and repairs	54	59		
Operating lease expense	38	34		
Auditors' fees and expenses payable for:				
Statutory audit	1	1		
Other services <sup>5</sup>	1	5		

<sup>1</sup> Restructuring and separation costs relate to costs of \$43 million in June 2001 arising from the separation of the Fletcher Challenge targeted share structure.

<sup>2</sup> The impairment relates to the overseas concrete operations of \$11 million in June 2002 and \$70 million in June 2001. In addition June 2001 includes impairment to the concrete operations in New Zealand of \$17 million and the group's owned properties in Auckland of \$14 million.

<sup>3</sup> Other gains in June 2002 relate to the \$14 million profit on sale of Varnsdorf Pty Limited, a gain on sale of land at Lunn Avenue of \$6 million, and a loss of \$8 million relating to the sale of the construction activities in Australia. Other losses of \$37 million in June 2001 relate to the settlement of a dispute over the construction of co-generation plants in Australia.

<sup>4</sup> Refer note 1 (d).

<sup>5</sup> Fees paid to the auditors for other services in 2002 consist mainly of the half annual review and taxation work in overseas jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Discontinued operations

During the year, Fletcher Building Limited disposed of the following business operations by way of sale: Varnsdorf Pty Limited, an Australian co-generation power business, the Australian construction business, and the rural business of Cyclone, a division of Fletcher Steel Limited.

The impact on the 2002 financial year of the discontinued operations is shown below.

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>Operating revenue</b>				
Discontinued operations	272			
Continuing operations	2,694	2,273	62	28
<b>Total group</b>	<b>2,966</b>	<b>2,273</b>	<b>62</b>	<b>28</b>
<b>Operating earnings</b>				
Discontinued operations	5			
Continuing operations	205	(87)	60	20
<b>Total group</b>	<b>210</b>	<b>(87)</b>	<b>60</b>	<b>20</b>
<b>5 Funding costs</b>				
Interest payable on:				
Term debt	28	10	24	9
Attributed debt		26		
Short term loans and bank overdrafts	3	2		
Capital notes interest	22		22	
Income from short term deposits	(2)	(3)		
	51	35	46	9
Plus share registry and issue expenses		1		
	51	36	46	9

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>6 Taxation expense</b>				
Earnings before taxation:				
Domestic	154	2	14	11
Foreign	5	(125)		
	159	(123)	14	11
Taxation at 33 cents per dollar	52	(40)	5	4
Adjusted for:				
Impairment	4	23		
Restructuring and separation costs		10		
Non assessable income	(9)		(15)	(7)
Non deductible expenses	4			
Taxation charge from overseas jurisdictions	2			
Other permanent differences	1	12		
Unusual tax items:				
Attributed taxation benefits lost upon separation		133		
Permanent differences		3		
Taxation in respect of prior periods		7		
	54	148	(10)	(3)
Taxation expense on earnings before unusuals	54	23	(10)	(3)
Taxation expense/(benefit) on unusual items		(18)		
Unusual tax expense arising upon separation		143		
	54	148	(10)	(3)
<b>Current taxation</b>				
New Zealand	44	(3)	(9)	(3)
Non New Zealand	5	8		
<b>Deferred taxation</b>				
New Zealand	3	99	(1)	
Non New Zealand	2	44		
	54	148	(10)	(3)



## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
<b>7 Shareholder tax credits</b>				
<b>Imputation credit account</b>				
Imputation credits at the beginning of the year		2		
Imputation credits received	1			
Imputation credits lost upon separation		(2)		
	<u>1</u>			
Imputation credits available to Shareholders at year end are:				
Subsidiaries	1			
	<u>1</u>			
<b>Dividend withholding payment credit account</b>				
Dividend withholding payment credits at the beginning of the year	(7)	(7)	(7)	
Dividend withholding payment credits received	20	14	20	
Transfer to conduit tax relief account	(7)		(7)	
Dividend withholding payment credits attached to dividends paid	(16)	(14)	(16)	(7)
	<u>(10)</u>	<u>(7)</u>	<u>(10)</u>	<u>(7)</u>
Dividend withholding payment credits available to Shareholders at year end are:				
Parent company	(10)	(7)	(10)	(7)
	<u>(10)</u>	<u>(7)</u>	<u>(10)</u>	<u>(7)</u>
<b>Conduit tax relief account</b>				
Conduit tax relief credits at the beginning of the year	(3)	(7)	(3)	
Conduit tax relief credits received		12		
Conduit tax relief lost upon separation		1		
Transfer from dividend withholding payment credit account	7		7	
Conduit tax relief credits attached to dividends paid	(4)	(9)	(4)	(3)
		<u>(3)</u>		<u>(3)</u>
Conduit tax relief credits available to Shareholders at year end are:				
Parent company		(3)		(3)
		<u>(3)</u>		<u>(3)</u>

Fletcher Building Limited has until March 2003 to fund any deficiency in its dividend withholding payment credit account.

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
<b>8 Net earnings per share</b>				
Diluted net earnings per share applies the weighted average number of shares used for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the company's shares, and are therefore considered dilutive securities for diluted net earnings per share.				
<b>Numerator</b>				
Net earnings	93	(272)		
Capital note distributions		(16)		
Numerator for basic earnings per share	93	(288)		
Dilutive capital notes distribution	15			
<b>Numerator for diluted net earnings per share</b>	<b>108</b>	<b>(288)</b>		
<b>Denominator (millions of shares)</b>				
Denominator for basic net earnings per share	345	344		
Conversion of dilutive capital notes	85			
<b>Denominator for diluted net earnings per share</b>	<b>430</b>	<b>344</b>		
<b>9 Dividends and distributions</b>				
Dividends and distributions paid to holders of:				
Shares <sup>1</sup>	41	48	41	
Conduit tax relief paid	4	9	4	3
Refund of conduit tax relief	(7)		(7)	
Capital notes <sup>2</sup>		16		5
	<u>38</u>	<u>73</u>	<u>38</u>	<u>8</u>
<b>10 Capital</b>				
Reported capital:				
Reported capital at the beginning of the year	449	500	449	
Issue of shares	6	3	6	449
Adjustment to reserves required on issue of shares on separation		(54)		
<b>Reported capital</b>	<b>455</b>	<b>449</b>	<b>455</b>	<b>449</b>

<sup>1</sup> No final dividend for June 2002 was provided for in the June 2002 financial statements. On 14 August 2002, the directors declared a final dividend for the 2002 year of eight cents per share. This will be paid on 14 November 2002.

<sup>2</sup> For the year ended 30 June 2002, capital notes have been reclassified as debt. Interest paid on these notes is classified as interest within the Statement of Financial Performance.

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		
<b>10 Capital continued</b>				
<b>Shares:</b>				
Number of shares at the beginning of the year	344,540,655	342,632,401	344,540,655	
Issue of shares		2		344,540,655
Shares issued under the dividend reinvestment plan	2,020,171	1,908,252	2,020,171	
<b>Shares on issue</b>	<b>346,560,826</b>	<b>344,540,655</b>	<b>346,560,826</b>	<b>344,540,655</b>

### 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.

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		
<b>11 Reserve movements</b>				
Reserves at the beginning of the year	89	277	89	
Net earnings	93	(272)	24	14
Investment revaluation			34	83
Asset revaluation	(16)	73		
Net currency translations	(19)	30		
Adjustment to capital required on issue of shares on separation		54		
Dividends and distributions paid <sup>1</sup>	(38)	(73)	(38)	(8)
<b>Total reserves</b>	<b>109</b>	<b>89</b>	<b>109</b>	<b>89</b>
<sup>1</sup> refer note 9				
<b>12 Reserve balances</b>				
Reserves comprise:				
Revenue reserves	66	11	(8)	6
Asset revaluation - land and buildings	13	15		
Asset revaluation - plant and machinery	44	58		
Investment revaluation			117	83
Net currency translation	(14)	5		
<b>Total reserves</b>	<b>109</b>	<b>89</b>	<b>109</b>	<b>89</b>

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002		JUNE 2001	
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>13 Minority equity</b>				
Share capital	21			
Reserves	6	2		
	<b>27</b>	<b>2</b>		
<b>14 Cash and liquid deposits</b>				
Cash and bank balances	51	100	1	1
Short term deposits	8	32	8	31
	<b>59</b>	<b>132</b>	<b>9</b>	<b>32</b>

\$2 million of the cash at 30 June 2002 (June 2001 \$18 million) represents cash held by the group on behalf of former divisions of the Fletcher Challenge Limited Group. The obligation to these other parties is included within other liabilities in creditors.

### 15 Stocks

Raw materials	45	48		
Work in progress	20	21		
Finished goods	247	210		
Consumable stores and spare parts	6	19		
	<b>318</b>	<b>298</b>		

### 16 Debtors

Trade debtors	298	259		
Contract debtors	75	118		
Less provision for doubtful debts	(14)	(22)		
	<b>359</b>	<b>355</b>		
Other receivables	51	65	6	3
	<b>410</b>	<b>420</b>	<b>6</b>	<b>3</b>

### 17 Contracts

Gross construction work in progress	793	614		
Progress billings	(879)	(693)		
<b>Work in progress</b>	<b>(86)</b>	<b>(79)</b>		

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
<b>18 Fixed assets</b>				
<b>Valuation</b>				
Land	55	61		
Buildings	79	75		
Plant and machinery	513	545		
<b>Cost</b>				
Fixtures and equipment	175	117		
Resource extraction assets	5	4		
Leased assets capitalised	18	17		
<b>Total cost or valuation</b>	<b>845</b>	<b>819</b>		
<b>Accumulated depreciation</b>				
Buildings	(5)			
Plant and machinery	(51)			
Fixtures and equipment	(116)	(62)		
Leased assets capitalised	(7)	(5)		
<b>Total accumulated depreciation</b>	<b>(179)</b>	<b>(67)</b>		
<b>Net book value</b>				
Land	55	61		
Buildings	74	75		
Plant and machinery	462	545		
Fixtures and equipment	59	55		
Resource extraction assets	5	4		
Leased assets capitalised	11	12		
<b>Total net book value</b>	<b>666</b>	<b>752</b>		
Goodwill	3	7		
<b>Total fixed assets</b>	<b>669</b>	<b>759</b>		

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

Assets held in South America were revalued at 30 June 2002 by independent valuers and \$11 million has been written off to the asset revaluation reserve. The directors then wrote down the value of the assets by a further \$8 million to recognise the impairment on assets available for sale. These assets have a total net book value of \$33 million.

During the year \$2 million was capitalised to the cost of fixed assets. This represents employment and overhead costs arising from the construction activities undertaken by The Fletcher Construction Company Limited for another group subsidiary. No interest costs were capitalised.

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
<b>19 Investments</b>				
Investment in associates	17	21		
Investment in other companies	1	1		
Joint ventures		21		
Pension plan surplus <sup>1</sup>	53	45		
Other investments	1	2		
Investment in subsidiary companies <sup>2</sup>			1,019	985
<b>Carrying amount of associates</b>	<b>72</b>	<b>90</b>	<b>1,019</b>	<b>985</b>
Carrying amount at the beginning of the year	21	21		
Equity accounted earnings of associate	11	11		
Impairment of overseas assets	(3)			
Dividends from associates	(12)	(11)		
<b>Carrying amount at the end of the year</b>	<b>17</b>	<b>21</b>		
Equity accounted earnings comprise				
Surplus before taxation	11	11		
Taxation				
<b>Net surplus</b>	<b>11</b>	<b>11</b>		
<sup>1</sup> refer note 33				
<sup>2</sup> refer note 32				
<b>20 Accruals and provisions</b>				
Employee entitlements	39	36		
Construction, property and product warranty claims	47	52		
Other liabilities	15	10	3	
<b>Total</b>	<b>101</b>	<b>98</b>	<b>3</b>	
The group has provided for various construction claims, onerous property contracts and product warranty obligations. During the year \$5 million was charged to earnings, \$4 million was settled, \$3 million was utilised and \$3 million released to earnings. The provisions are expected to be utilised over the next seven years.				
<b>21 Creditors</b>				
Trade creditors	359	419		
Accrued interest	6	6	6	6
Other liabilities	36	38	2	10
<b>Total</b>	<b>401</b>	<b>463</b>	<b>8</b>	<b>16</b>
<b>22 Taxation assets</b>				
Current taxation	12	1	6	5
Deferred taxation	96	136	1	
Provision for taxation	108	137	7	5
Provision for deferred taxation:				
Provisions	31	36	1	
Provision for doubtful debts	5	7		
Depreciation and amortisation	58	88		
Other	2	5		
<b>Provision for deferred taxation</b>	<b>96</b>	<b>136</b>	<b>1</b>	

## NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	YEAR ENDED	PRO FORMA	YEAR ENDED	PERIOD ENDED
	JUNE 2002	YEAR ENDED	JUNE 2002	JUNE 2001
	NZ\$M	JUNE 2001	NZ\$M	NZ\$M
<b>22 Taxation assets continued</b>				
Provision for current taxation:				
Opening provision for taxation	1		5	
Taxation in the Statement of Financial Performance	(49)	(5)	9	3
Transfer from deferred taxation	29			
Consolidation of PlaceMakers	2			
Minority share of taxation expense	7			
Intercompany payment			(6)	
Taxation in reserves	(1)	6	(2)	2
Net taxation payments	23			
Provision for current taxation	12	1	6	5
Provision for deferred taxation:				
Opening provision for taxation	136	359		
Taxation in the Statement of Financial Performance	(5)	(143)	1	
Transfer to current taxation	(29)			
Sale of losses to other Fletcher Challenge divisions		(99)		
Taxation on asset revaluation	(5)	(18)		
Net taxation payments		15		
Taxation in reserves	(1)	22		
Provision for deferred taxation	96	136	1	

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002	JUNE 2001	JUNE 2002	JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>23 Capital notes</b>				
<b>Capital notes</b>	<b>Coupon</b>	<b>Election date</b>		
Series 2001	12.75%	31 October 2001		36
Series 2002	11.75%	15 December 2002	28	28
Series 2003	8.55%	15 June 2003	25	25
Series 2003	10.80%	30 November 2003	17	17
Series 2004	8.50%	15 April 2004	43	43
Series 2005	10.50%	30 April 2005	68	68
Series 2006	8.75%	15 March 2006	33	33
Series 2006	7.90%	31 October 2006	16	16
Capital notes of Fletcher Building	230	250	230	250
Capital notes due for election within 12 months	53	36	53	36
Capital notes due for election after 12 months	177	214	177	214
Capital notes of Fletcher Building	230	250	230	250

During the year the company repurchased \$20 million of capital notes. In the prior year \$59 million were issued.

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Capital notes continued

Capital notes are long-term fixed rate unsecured subordinated notes. On each election date, the coupon rate and term to the next election date of that series of the capital notes 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 or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.

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

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

If the principal amount of the capital notes were to be converted to shares, 85 million shares would be issued at the share price as at 30 June 2002, of \$2.75.

### 24 Term debt

#### 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 2002, 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

At 30 June 2002, the group had \$614 million of committed facilities of which \$385 million was undrawn.

At 30 June 2001, there were \$639 million committed facilities of which \$235 million was undrawn.

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002	JUNE 2001	JUNE 2002	JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Floating loans	84	332	84	332
Fixed loans	106	58	106	58
Loans not subject to the negative pledge - floating	22			
Loans not subject to the negative pledge - fixed	12	14		
Term debt	224	404	190	390

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Term debt continued

#### Summary of repayment terms and interest rates by repayment period

	FLETCHER BUILDING GROUP			
	JUNE 2002 NZ\$M	JUNE 2002 INT. RATE %	JUNE 2001 NZ\$M	JUNE 2001 INT. RATE %
Due for repayment:				
within one year	25	8.1	3	9.9
two years	2	10.6	3	10.2
three years	2	10.6	3	10.2
four years	192	7.0	2	10.1
five years	1	10.5	391	6.8
after five years	2	10.5	2	10.0
<b>Term debt</b>	<b>224</b>	<b>7.2</b>	<b>404</b>	<b>6.9</b>

The amount due for repayment within one year relates to the PlaceMakers joint ventures. This facility is reviewed annually.

#### Summary of repayment terms and interest rates by repayment period

	FLETCHER BUILDING LIMITED			
	JUNE 2002 NZ\$M	JUNE 2002 INT. RATE %	JUNE 2001 NZ\$M	JUNE 2001 INT. RATE %
Term debt due for repayment within four years	190	7.0		
Term debt due for repayment within five years			390	6.8

### 25 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. The group's policies are:

#### Currency balance sheet risk

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. Net assets in South America at 30 June 2002 total \$30 million.

#### Currency trade risk

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, forward rate agreements and options are entered into to eliminate the exposure.

#### Interest rate risk

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

#### Commodity price risk

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 derivatives markets.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial instruments continued

#### 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 AMOUNT	JUNE 2002	JUNE 2001
	NZ\$M	NZ\$M
Foreign currency forward exchange contracts		
To pay	106	112
To receive	(107)	(113)
	(1)	(1)
Foreign currency options purchased		3
Foreign currency options sold		1
Interest rate swaps	109	63
Electricity price swaps	13	16

The cash settlement amounts of these instruments, if they had settled on 30 June 2002, 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.

#### Credit risk

To the extent the group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. 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 2002 NZ\$M	JUNE 2002 INT. RATE %	JUNE 2001 NZ\$M	JUNE 2001 INT. RATE %
	Interest rate repriced:			
within one year	218	7.9	371	7.2
two years	63	9.2	114	9.3
three years	70	10.5	63	9.2
four years	84	7.5	70	10.5
five years	17	8.0	34	8.8
after five years	2	10.0	2	10.0
	454	8.4	654	8.2

The net effective interest rate for cash and liquid deposits and bank overdrafts as at 30 June 2002 is 2 percent. Debtors and creditors are not interest rate sensitive.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 Financial instruments continued

#### Fair values

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

	JUNE 2002 CARRYING VALUE NZ\$M	JUNE 2002 FAIR VALUE NZ\$M	JUNE 2001 CARRYING VALUE NZ\$M	JUNE 2001 FAIR VALUE NZ\$M
Currency forward exchange contracts		1		
Currency options				
Interest rate swaps				(2)
Electricity price swaps		(1)		9
				<u>7</u>

The carrying values in the fair value table include interest accruals which are included within current assets and current liabilities. Term debt of \$224 million (refer note 24) includes cross-currency and interest rate swaps and currency forward exchange contracts.

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

### 26 Capital expenditure commitments

	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Approved by the directors but uncommitted at period end	10	6
Committed at period end	11	8
	<u>21</u>	<u>14</u>

### 27 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 30 June are as follows:

within one year	37	31
two years	34	27
three years	27	24
four years	24	23
five years	22	21
after five years	38	72
	<u>182</u>	<u>198</u>

Operating lease commitments relate mainly to occupancy leases of buildings.

### 28 Contingent liabilities

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as are considered remote. Contingent liabilities arise in respect of the following categories:

Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	158	123
Letters of credit	5	6

## NOTES TO THE FINANCIAL STATEMENTS

### 29 Environment

It is group 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 group's activities are in compliance in all material respects with applicable environmental laws and regulations.

### 30 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 \$10 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 2002:

	LOSS INSURED FOR EACH EVENT NZ\$M
Public and product liability	100
Loss or damage to group property including business interruption	100
Marine public liability	50
Public and product liability resulting from construction activities	50
Property in the course of construction	<u>50</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 31 Related party transactions

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
<b>Fletcher Building Group</b>				
Purchase of lumber and wood products from Fletcher Challenge Forests <sup>1</sup>		47		
Purchase of scrap metal from Sims Pacific Metals Limited	46	41		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited and included within creditors	3			
<b>Fletcher Building Limited</b>				
Interest income received from subsidiary companies			19	8
Dividend received from subsidiary companies			41	20
Term receivable owing from subsidiary companies <sup>2</sup>			290	341
Term liability owing to subsidiary companies <sup>2</sup>			(334)	(170)

<sup>1</sup> 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.

<sup>2</sup> These advances are for no fixed term but represent long term funding advances, and bear interest at 7.5 percent. The principal subsidiaries included within investment in subsidiary companies are disclosed in note 32, Principal operations.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 Principal operations

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2002, are outlined below:

	COUNTRY OF DOMICILE	% HOLDING	PRINCIPAL ACTIVITY
<b>Principal subsidiaries</b>			
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
PlaceMakers subsidiaries	NZ	50.1	Retail
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 Projects Pty Limited	Australia	100	Construction
Fletcher Building (Australia) Pty Limited	Australia	100	Holding company
Fletcher Aluminium Pty Limited	Australia	100	Aluminium extrusion
Fletcher Construction (Solomon Islands) Limited	Solomon Is.	100	Construction
Fletcher Morobe Construction Pty Limited	PNG	100	Construction
Fletcher Building Netherlands BV	Netherlands	100	Finance
Tasman Investments (NA) NV	Neth. Antilles	100	Finance
<b>Associates</b>			
Fletcher Pioneer Mauritius Limited	India	50	Readymix
Sims Pacific Metals Limited	NZ	50	Metal recycling

### 33 Pension plan

Fletcher Building Limited is the principal sponsoring company of a defined benefit pension plan covering certain employees. Membership to the plan has been closed for a number of years. This plan is accounted for in accordance with Statement of Financial Accounting Standard (FAS) 87, Employers Accounting for Pensions. This has the effect of smoothing the volatility in the returns earned by the plan through amortising gains and losses over the life of the plan. At balance date \$32 million of net losses are to be expensed in future periods.

If the funding ratio of the plan falls below 115 percent at any two consecutive annual actuarial valuations, Fletcher Building Limited has an obligation to ensure that the value of the assets is re-established to at least 115 percent of the plan's accrued actuarial liability, as calculated by the plan's actuary. This calculation is done on the plan's funding basis which differs from the calculation under FAS 87. At 31 March 2002, being the plan's balance date and the date of the actuarial assessment, the value of the assets exceeded 115 percent of the actuarial liability and no contributions have been made by the company in this period.

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Pension plan continued

The benefits are based on years of service and the employees' compensation during that service. 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, equity and fixed income securities.

	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
<b>Assets of the plan</b>		
Assets of plan at fair value	268	304
Total projected benefit obligation	(247)	(267)
Funded surplus	21	37
Projected unrecognised funded (surplus)/obligation consists of:		
Prior service costs	1	1
Net (gain)/loss <sup>1</sup>	50	35
Transition asset <sup>2</sup>	(19)	(28)
Projected unrecognised funded (surplus)/obligation	32	8
Recognised funded surplus <sup>3</sup>	53	45

<sup>1</sup> The unrecognised net loss is being amortised over ten years.

<sup>2</sup> The net transition asset is being amortised over two years as per the requirements of FAS 87.

<sup>3</sup> Recognised funded surplus included within note 19, Investments.

### Net periodic pension cost

Service cost earned during the year	(3)	(3)
Interest cost on projected benefit obligation	(12)	(9)
Actual return on assets	2	7
Net amortisation of:		
Transition asset	9	6
Amortisation of net (gain)/loss	(4)	
Difference between expected and actual return on assets	16	5
Net periodic pension (cost)/benefit	8	6

### Assumptions used

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

	2002 %	2001 %
Assumed discount rate on benefit obligations	4.75	4.8
Expected long term rate of return on plan assets	5.5	6.0
Rate of increase in future compensation levels	3.5	4.0

## NOTES TO THE FINANCIAL STATEMENTS

### 34 Segmental information

NZ\$M	PRO FORMA		PRO FORMA		JUNE 2002 TOTAL ASSETS	JUNE 2001 TOTAL ASSETS
	JUNE 2002 OPERATING REVENUE	JUNE 2001 OPERATING REVENUE	JUNE 2002 OPERATING EARNINGS (EBIT)	JUNE 2001 OPERATING EARNINGS (EBIT)		
<b>Industry Segments</b>						
Building Products	820	840	85	58	571	583
Distribution	686	638	34	18	180	169
Concrete	470	454	60	31	479	562
Construction	871	808	30	5	123	254
Other			(4)	(6)	185	266
	2,847	2,740	205	106	1,538	1,834
Adjustment for						
Distribution <sup>1</sup>	119 <sup>2</sup>	(467) <sup>3</sup>	4 <sup>2</sup>	(12) <sup>3</sup>		(78) <sup>3</sup>
Other unusual items			1	(181)		
Group	2,966	2,273	210	(87)	1,538	1,756

<sup>1</sup> In the segmental analysis the comparative balances have been restated for Distribution for operating revenue, operating earnings and total assets. Previously the results for 30 June 2001 were for twelve months on an equity accounting basis, and the results for 30 June 2002 are for 15 months on a consolidated basis. To ensure comparability, the results for Distribution have been restated for both years on a twelve months consolidated basis.

<sup>2</sup> Additional three months results recognised in June 2002.

<sup>3</sup> Adjustments required to remove the impact of consolidating PlaceMakers in the comparative results.

NZ\$M	PRO FORMA		PRO FORMA		JUNE 2002 TOTAL ASSETS	JUNE 2001 TOTAL ASSETS
	JUNE 2002 OPERATING REVENUE BY ORIGIN	JUNE 2001 OPERATING REVENUE BY ORIGIN	JUNE 2002 OPERATING EARNINGS (EBIT)	JUNE 2001 OPERATING EARNINGS (EBIT)		
<b>Geographical segments</b>						
Australia	315	272	4	(43)	39	83
New Zealand	2,513	1,870	210	41	1,420	1,504
Other	138	131	(4)	(85)	79	169
Group	2,966	2,273	210	(87)	1,538	1,756





## AUDIT REPORT

### TO THE SHAREHOLDERS OF FLETCHER BUILDING LIMITED

We have audited the financial statements on pages 28 to 59. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 34 to 37.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2002 and the results of their operations and cashflows for the year ended on that date.

### AUDITORS' RESPONSIBILITIES

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

### BASIS OF OPINION

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

- the significant estimates and judgements made by the directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards 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 financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain subsidiaries in relation to taxation and general accounting services. A related firm, KPMG Legal has provided legal services to the company and certain subsidiaries. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

### UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 28 to 59:
  - 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 2002 and the results of their operations and cashflows for the year ended on that date.

Our audit was completed on 14 August 2002 and our unqualified opinion is expressed as at that date.

KPMG  
Auckland, New Zealand

## CORPORATE GOVERNANCE

Fletcher Building Limited is a New Zealand based building materials manufacturer whose securities are listed on the New Zealand and Australian stock exchanges. In accordance with the requirement by these exchanges for formal adoption by boards of directors of approved corporate governance practices, the board of the company confirms 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 is exercised through delegation to the Chief Executive Officer (CEO), who is charged with the day-to-day leadership and management of the company. To strengthen its governance processes, the board approved revised delegations to the CEO, and the operating delegations by the CEO, during the year.

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

The board evaluates annually the performance of the CEO and the CEO's direct reports. The evaluation is based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and of 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 WORK OF DIRECTORS

All directors attended at least 9 of the 10 scheduled meetings throughout the year. Six company site visits were undertaken during board meetings as part of the review of operations. There were also three special purpose meetings of directors. The board programme includes a strategic retreat session with senior management.

The directors receive comprehensive information on the company's operations before each meeting and have unrestricted access to any other information or records. In addition, senior management is available at each meeting to address queries, and to assist in developing the board's understanding of the issues facing the company and the performance of its businesses.

Other corporate governance initiatives undertaken during the year included the establishment of a new policy on auditor independence, addressing the extent to which the auditors may undertake non-audit engagements with the company; and the completion of a strategic business risk assessment programme. In addition, the board has adopted a number of policies, including those on health and safety, trading in the company's shares, senior executive remuneration, and a governance programme for the company's retirement plan. Under the delegations by the board to management, authority limits are in place to minimise risk relating to foreign currencies, commodity prices and interest rates, and to preclude speculative financial transactions.

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, decisions of the board are made as a group, after taking each perspective into account and in the best interests of the company as a whole.

The constitution provides that the appropriate size for the board is between three and nine members, and the board has determined that seven is an appropriate number at this time. 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. With the exception of the CEO all directors are independent, although H A Fletcher was CEO of Fletcher Challenge Limited until 1997.

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. There has been no change in the directors since the release of the previous annual report.

## 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. These meet when necessary and consist entirely of non-executive directors. The board does not have a formal nominations committee as all non-executive directors are involved in the appointment of new directors. From time to time the board may create ad hoc committees to examine specific issues on its behalf.

The Audit Committee has reviewed during the year the company's practices with respect to auditor independence. KPMG have been the company's auditors since incorporation on 19 December 2000, and pursuant to New Zealand law their appointment is required to be approved by shareholders at the annual shareholders' meeting. The company requires that KPMG comply with the International Federation of Accountants Code of Ethics on Independence. KPMG have confirmed their independence. In addition, the company has agreed with KPMG that the audit personnel on the group and major operating subsidiaries will be rotated off the audits every seven years.

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

## NON-EXECUTIVE DIRECTORS' REMUNERATION

The aggregate amount of fees paid to non-executive directors for services in their capacity as directors during the year ended 30 June 2002 were:

NEW ZEALAND DOLLARS	BASE FEE	COMMITTEE CHAIR	TOTAL
R S Deane	180,000		180,000
P E A Baines	60,000	12,500	72,500
H A Fletcher	60,000		60,000
R J Norris	60,000		60,000
Sir D Spring	60,000	12,500	72,500
K M Vautier	60,000		60,000
TOTAL	480,000	25,000	505,000

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

## EXECUTIVE DIRECTOR'S REMUNERATION

Mr Waters' remuneration for the year ended 30 June 2002 comprised an annual salary of \$800,000 and incentive remuneration of \$596,640.

Incentive remuneration was based on achieving a minimum level of profitability and specific goals related to the establishment and performance of the company.

Mr Waters' appointment as CEO is for indefinite duration, subject to the company's standard criteria for cessation of employment. In terms of that contract he has been issued 1,000,000 options over the ordinary shares of the company, at an exercise price of \$2.28 per option. This price was the weighted average selling price of the company's shares in the 10 trading days prior to 16 May 2001, being the date of announcement of his appointment as CEO. The options have a term of six years. The fair value of these options have been determined as at the date granted at \$0.71 per option, by using the modified Black-Scholes option pricing model. The cost of the options has been charged to the earnings statement as required by Statement of Financial Accounting Standard 123, Accounting for Stock Based Compensation.

An executive director does not receive remuneration as a director of Fletcher Building Limited or group subsidiaries.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

The company has arranged a programme of directors' and officers' liability insurance covering directors, executives and employees in managerial positions acting on behalf of the company. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed whilst acting for the company. The types of acts that are not covered are dishonest, fraudulent, malicious acts or omissions; wilful breach of statute, regulations or duty to the company; improper use of information to the detriment of the company; and 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 contained in 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. The company supplements this by requiring that anyone designated as having the opportunity to access price sensitive information can transact in the company's securities only with the prior approval of the Company Secretary.

## SHARE DEALINGS BY DIRECTORS

During the year, directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of shares as follows:

DIRECTOR	NUMBER OF SHARES ACQUIRED	NUMBER OF SHARES DISPOSED	CONSIDERATION PAID/RECEIVED \$	DATE
P E A Baines	10,000		26,765	24/08/01
R J Norris	20,000		54,000	31/08/01
D T Spring	17,000		45,050	24/08/01
K M Vautier	777		2,097	27/11/01
	747		2,144	10/04/02
R G Waters	75,000		210,050	28/08/01
	3,398		8,936	11/09/01
	2,211		5,968	27/11/01
	2,138		6,136	10/04/02

## DIRECTORS' HOLDINGS OF EQUITY SECURITIES AT 30 JUNE 2002:

### DIRECTORS' INTERESTS REGISTER

DIRECTOR	ORDINARY SHARES		OPTIONS	CAPITAL NOTES	
	BENEFICIAL	ASSOCIATED PERSONS		BENEFICIAL	ASSOCIATED PERSONS
P E A Baines	22,115				25,000
R S Deane	1,295	50,000			
H A Fletcher	150,186	383,283			
R J Norris	20,000				
D T Spring	20,550				
K M Vautier	36,485	12,025		9,000	
R G Waters		82,747	1,000,000		
TOTAL	250,631	528,055	1,000,000	9,000	25,000

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

In accordance with Section 140(2) of the Companies Act 1993, directors have advised changes in their interests during the year of:

<b>H A Fletcher</b>			
Reserve Bank of New Zealand	16/05/02	Appointed Director	
Infrastructure Auckland	30/06/02	Resigned as Director	
<b>R J Norris</b>			
ASB Group Limited	30/09/01	Resigned as CEO/Managing Director	
Sovereign Assurance Limited	30/09/01	Resigned as Chairman	
Commonwealth Bank Group Limited	30/09/01	Resigned as Head of Int'l Financial Services	
Air New Zealand	18/02/02	Appointed CEO/Managing Director	
<b>Sir Dryden Spring</b>			
Waikato Medical Research Foundation	01/11/01	Resigned as Trustee	
Asia 2000 Foundation	01/11/01	Appointed Chairman	
Goodman Fielder Limited	02/11/01	Appointed Acting Chairman	
Goodman Fielder Limited	01/03/02	Appointed Deputy Chairman on resignation as Acting Chairman	
<b>K M Vautier</b>			
Reserve Bank of New Zealand	06/09/01	Appointed External Monetary Policy Adviser	
NZPECC	07/03/02	Resigned as Chair	
Wilson & Horton Limited	07/03/02	Resigned as Director	
Independent News & Media (NZ) Limited	07/03/02	Appointed Director	
Advisory Board of the New Zealand Asia Institute	01/07/02	Appointed Chair	
<b>R G Waters</b>			
Fisher & Paykel Appliances Holdings Limited	12/11/01	Appointed Director	

## REGULATORY DISCLOSURES

### SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the New Zealand Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors and particulars of entries in the interests registers made during the year ended 30 June 2002.

Apart from some overseas subsidiaries which have independent directors or are required to have a specific number of local residents as directors, no wholly owned subsidiary has directors who are not full-time employees of the group.

No employee of Fletcher Building Limited appointed as a director of Fletcher Building Limited or its subsidiaries receives or retains any remuneration or other benefits as a director.

The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed below under Employee Remuneration.

Except where shown below, no other director of any subsidiary company within the group receives director's fees or other benefits as a director.

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

<b>Aickin Timber Limited</b> O Lyttleton, R Scott, D Worley, R de Raat, V Avery (R)	<b>Delcon Holdings (No. 1) Limited</b> M Binns, M Farrell, A Reding, W Roest
<b>Alan Milne Building Supplies Limited</b> A Milne, D Worley, R de Raat (A), L Dixon (A), V Avery (R)	<b>Delcon Holdings (No. 2) Limited</b> M Binns, M Farrell, A Reding, W Roest
<b>Amies Building Supplies Limited</b> J Amies, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)	<b>Delcon Holdings (No. 3) Limited</b> M Binns, M Farrell, A Reding, W Roest
<b>Anson Building Supplies Limited</b> A Anson, D Worley, R de Raat (A), L Dixon (A), V Avery (R)	<b>Delcon Holdings (No. 4) Limited</b> M Binns, M Farrell, A Reding, W Roest
<b>Aramis Investments Limited</b> M Binns, M Farrell, A Reding, W Roest	<b>Dial A Hubby Limited</b> O Lyttleton, R Scott, L Stickland, R de Raat
<b>Auckland Frame and Truss Supplies Limited</b> S Blakemore, O Lyttleton, D Worley	<b>Duroid Pty Limited</b> G Kirk, C Wickham
<b>Bandelle Pty Limited</b> M Binns, C Wickham, G Taylor (R)	<b>Evans Building Supplies Limited</b> M Evans, D Worley, R de Raat (A), L Dixon (A), V Avery (R), P Flay (A R)
<b>Bowen Building Supplies Limited</b> B Bowen, D Worley, R de Raat (A), P Flay (A), V Avery (R)	<b>Express Building Systems Limited</b> M Binns, M Farrell, A Reding, W Roest,
<b>Bramley Building Supplies Limited</b> P Bramley, D Worley, R de Raat (A), L Dixon (A), V Avery (R)	<b>FDCC California Inc</b> M Binns, K Kupchak, C Munkowits
<b>Building Choices Limited</b> D Close, D Worley, R de Raat (A), L Dixon (A), V Avery (R)	<b>FDL No. 6 Limited</b> D Worley
<b>BVP No. 1 Limited</b> M Binns, M Farrell, A Reding, W Roest	<b>FDL No. 7 Limited</b> D Worley
<b>BVP No. 3 Limited</b> M Binns, M Farrell, A Reding, W Roest	<b>FDL No. 8 Limited</b> D Worley
<b>Cemac (Hong Kong) Limited</b> C Wing Shum, D Thomas, N Gunn (R)	<b>FDL No. 9 Limited</b> D Worley
<b>Collier Building Supplies Limited</b> C Collier, A Ellis, D Worley, R de Raat (A), V Avery (R), L Dixon (R)	<b>FDL No. 10 Limited</b> D Worley
<b>Cotter &amp; Thomas Building Supplies</b> A Ellis, D Worley, R de Raat, V Avery (R), L Dixon (R), G Cotter (R)	<b>Fernhill Realty Limited</b> S Boroughs, C Loughlin
<b>Craig Building Supplies Limited</b> A Ellis, D Worley, R de Raat (A)	<b>Firth Industries Peru S.A.</b> M Binns, K Cowie, R Silva-Rodriguez Bonazzi
<b>Cullen Building Supplies Limited</b> R Cullen, D Worley, R de Raat (A), A Ellis (A), V Avery (R), L Dixon (R)	<b>Fletcher Aluminium Pty Limited</b> G Kirk, C Wickham, M Eglington (R)
<b>Davis &amp; Casey Building Supplies Limited</b> T Davis, D Worley, R de Raat (A), L Dixon (A), V Avery (R)	<b>Fletcher Building (Australia) Pty Limited</b> M Binns, M Hope, G Taylor, C Wickham

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**Fletcher Building (Australia) Finance Pty Limited**  
M Binns, M Hope, C Wickham

**Fletcher Building Holdings Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Building Netherlands B.V.**  
M Farrell, W Roest, P Ruoff, A Van de Werken

**Fletcher Building Products Limited**  
M Binns, M Farrell, A Reding, W Roest

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

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

**Fletcher Challenge Concrete Industries (Fiji) Limited**  
R Frost, F Leslie

**Fletcher Challenge Finance Investments Limited**  
M Binns, M Farrell, A Reding, W Roest

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

**Fletcher Challenge Industries S.A.**  
M Gibson, D Lloyd, K Rose

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

**Fletcher Challenge Investments Overseas Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Challenge Overseas Holdings Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Challenge Steel (Fiji) Limited**  
D Hargovind (NZ\$2,481), A Pearson, A Reding, W Roest, K Howard (R), B Wignall (R)

**Fletcher Challenge Steel Products (Australia) Pty Limited**  
A Pearson, C Wickham

**Fletcher Concrete & Infrastructure Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Construction (Malaysia) SDN BHD**  
C Lum, S Ehsan, G Ogilvie, B Bandaraya

**Fletcher Construction (Nouvelle Calédonie) Limited**  
A Brown

**Fletcher Construction (Singapore) PTE Limited**  
G Davies, A Jones, Kay Lee

**Fletcher Construction (Solomon Islands) Limited**  
A Brown, R Gibson

**Fletcher Construction Australia Limited**  
M Binns, C Munkowits, C Wickham, G Taylor (R)

**Fletcher Construction Company (Fiji) Limited**  
A Brown, R Gibson, R Maginnity, P Watts

**Fletcher Construction Limited**  
M Binns, C Munkowits, C Wickham, G Taylor (R)

**Fletcher Construction Company North America Inc**  
A Brown, K Kupchak, C Munkowits

**Fletcher Distribution Limited**  
M Binns, M Farrell, A Reding, W Roest, D Worley

**Fletcher Marketing Pty Limited**  
M Binns, M Stone, C Wickham, G Taylor (R)

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

**Fletcher Paynter Profiles Limited**  
S Broome, R Linton, A Reding, W Farmer

**Fletcher Projects Pty Limited**  
M Binns, M Stone, C Wickham, G Taylor (R)

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

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

**Fletcher Property Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Residential Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Resorts Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Steel Limited**  
M Binns, M Farrell, A Reding, W Roest

**Fletcher Wood Panels (Australia) Pty Limited**  
J Brendan, H Dolan, R Linton, A Reding

**Fletcher Wood Panels Building Technologies Limited**  
S Broome, R Linton, A Reding, W Roest

**Fletcher Challenge Materials De Construcao Limitada**  
D Kenderdine (NZ\$6,126), J Wisniewski

**FML No. 23 Limited**  
L Dixon, A Ellis, D Worley, R de Raat, V Avery (R)

**Furnz Inc**  
S Donoghue-Cox, R Johnson

**Geoff Brown Building Supplies Limited**  
L Dixon, G Brown, D Worley, R de Raat (A), V Avery (R), A Ellis (A R)

**Graeme Joy Building Supplies Limited**  
L Dixon, G Joy, D Worley, R de Raat (A), V Avery (R), A Ellis (R), P Flay (A R)

**Grant McLeod Building Supplies Limited**  
D Worley, V Avery (R), R de Raat (A R), A Anson (R)

**Hedges Building Supplies Limited**  
R Hedges, D Worley, R de Raat (A), A Ellis (A), V Avery (R)

**Hilson Building Supplies Limited**  
C Hilson, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Hire A Hubby (NZ) Limited**  
O Lyttleton, R Scott, D Worley, R de Raat (A), V Avery (R)

**Hooper Building Supplies Limited**  
G Hooper, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Hudson Building Supplies Limited**  
L Dixon, A Ellis, D Worley, R de Raat, V Avery (R), M Hudson (R)

**Inventure Limited**  
M Binns, M Farrell, A Reding, W Roest

**John Cockburn Building Supplies Limited**  
J Cockburn, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Ken Jones Building Supplies Limited**  
K Jones, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Kenna Building Supplies Limited**  
L Kenna, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Kevin Jarvis Building Supplies Limited**  
K Jarvis, D Worley, R de Raat (A), A Ellis (A), V Avery (R)

**Key Building Supplies Limited**  
A Ellis, D Worley, R de Raat (A), S Blakemore (A), V Avery (R), L Dixon (A R), G Key (R)

**Langford-Lee Building Supplies Limited**  
M Langford-Lee, D Worley, R de Raat (A), P Flay (A), V Avery (R)

**Laracy Building Supplies Limited**  
K Laracy, D Worley, R de Raat (A), S Blakemore (A), V Avery (R), L Dixon (A R)

**M Wong Building Supplies Limited**  
M Wong, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**McDonald Building Supplies Limited**  
L Dixon, I McDonald, D Worley, R de Raat, V Avery (R)

**McGill Building Supplies Limited**  
J McGill, P Flay, D Worley, R de Raat, V Avery (R), L Dixon (R)

**McGrory Building Supplies Limited**  
A Ellis, C Gray, D Worley, R de Raat, V Avery (R), W McGrory (R)

**McLaughlan Building Supplies Limited**  
K McLaughlan, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Mecon Hawaii Limited**  
J Caldwell, D Hastert, K Kupchak

**Meleccio Enterprises Limited**  
M Binns, M Farrell, A Reding, W Roest, P Duffy (R), J Larkin (R), C Loughlin (R)

**Metromix Concrete Company Limited**  
R Frost, F Leslie

**Mike Mattin Building Supplies Limited**  
M Mattin, D Worley, R de Raat (A), P Flay (A), V Avery (R)

**Minnell Building Supplies Limited**  
S Blakemore, D Minnell, D Worley, R de Raat (A), V Avery (R), L Dixon (A R), C Gray (R)

**Mount Timber & Hardware Limited**  
O Lyttleton, R Scott, D Worley, R de Raat, V Avery (R)

**Neil Thomson Building Supplies Limited**  
N Thomson, D Worley, R de Raat (A), P Flay (A)

**Nick Letica Building Supplies Limited**  
N Letica, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Nock Building Supplies Limited**  
A Ellis, M Darwin, D Worley, R de Raat (A), V Avery (R), L Dixon (A R)

**Pacific Trade & Export Limited**  
M Binns, M Farrell, A Reding, W Roest

**Peter Flay Building Supplies Limited**  
L Dixon, A Ellis, D Worley, R de Raat, V Avery (R)

**PlaceMakers Limited**  
D Worley, V Avery (R)

**Precast Concrete Structure Limited**  
R Bradford, T Shearer,

**Raoul Holdings Limited**  
M Binns, M Farrell, A Reding, W Roest, A Wildman (R)

**Residential Advances Limited**  
M Binns, D Halsey, B Nixon (R)

**Residential Mortgages Limited**  
M Binns, D Halsey, B Nixon (R)

**Residential Mortgage Investments Limited**  
M Binns, D Halsey, B Nixon (R)

**Seabar Holdings (No. 16) Limited**  
M Binns, M Farrell, A Reding, W Roest

**Servicios Y Administraciones Apoquindo Limitada**  
C Eyzaguirre

**Shunde Cemac Building Material Company Limited**  
E Keung Leung, J Shum, D Thomas, N Gunn (R)

**Southbound Building Supplies Limited**  
A Rance, D Worley, R de Raat (A), L Dixon (A), V Avery (R)

**Steven Marshall Building Supplies Limited**  
S Marshall, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Stichbury Building Supplies Limited**  
S Stichbury, D Worley, R de Raat (A), S Blakemore (A), V Avery (R), L Dixon (A R)

**Stickland Building Supplies Limited**  
L Stickland, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Sullivan & Armstrong Building Supplies Limited**  
J Sullivan, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Tasman Investments (Netherlands Antilles) N.V.**  
E Rakers (NZ\$3,063), T Mol (NZ\$3,063), M Farrell, W Roest, A Van de Werken

**Ted Harper Building Supplies Limited**  
E Harper, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R)

**Terrace Insurance (PCC) Limited**  
M Eades (NZ\$6,244), J Stuart, J McDonald (NZ\$6,244), J Parkinson (NZ\$6,244), I Maynard (R)

**Terrace Insurances Limited**  
M Eades, J Stuart, J McDonald, J Parkinson, I Maynard (R)

**Terry Mellsop Building Supplies Limited**  
T Mellsop, D Worley, R de Raat (A), A Ellis (A), V Avery (R), L Dixon (A R)

**The Fletcher Construction Co (PNG) Limited**  
A Brown, R Gibson, Les Gray , L Mathias

**The Fletcher Construction Company Cook Islands Limited**  
A Brown, R Gibson

**The Fletcher Construction Company Limited**  
M Binns, M Farrell, A Reding, W Roest

**The Fletcher Organsiation (Vanuata) Limited**  
A Brown, R Gibson

**The Fletcher Trust and Investment Company Limited**  
M Binns, C Munkowits

**Trade Mart Limited**  
A Ellis, O Lyttleton, D Worley, R de Raat, R Scott, V Avery (R)

**Trademates Limited**  
O Lyttleton, R Scott, D Worley, V Avery (R), L Stickland (R)

**Trevor Cockburn Building Supplies Limited**  
L Dixon, T Cockburn, D Worley, R de Raat, V Avery (R)

**Van Der Vossen Building Supplies Limited**  
A Ellis, D Worley, R de Raat (A), V Avery (R), L Dixon (A R), P Flay (A R), C Gray (R)

**Varoy Building Supplies Limited**  
A Ellis, J Varoy, D Worley, R de Raat (A), P Flay (A), V Avery (R), L Dixon (A R), C Gray (R)

**Warren Smith Building Supplies Limited**  
A Ellis, W Smith, D Worley, R de Raat (A), V Avery (R), L Dixon (A R)

**Waterman Building Supplies Limited**  
M Waterman, D Worley, R de Raat (A), P Flay (A), V Avery (R)

**Winstone Investments Limited - Hong Kong**  
C Wing Shum, N Gunn (R)

**Winstone Limited**  
M Binns, M Farrell, A Reding, W Roest

**Winstone Wallboards Limited**  
M Binns, M Farrell, A Reding, W Roest

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## EMPLOYEE REMUNERATION

An employee share scheme has been established recently to assist all employees of the company and its subsidiaries to acquire up to 1000 shares in the company. The scheme, which complies with the terms of section DF7 of the Income Tax Act 1994 (the Act), is at a market price after allowing for a discount for the three-year restriction before vesting. As provided by the Act, an interest-free loan has been made, and dividends paid during the three-year restricted period are for the benefit of the employee shareholder. No director of the company can participate in this share scheme.

Section 211(1)(g) of the Companies Act 1993 requires disclosure of remuneration and other benefits, including redundancy and other payments made on termination of employment, in excess of \$100,000 per year, paid by the company or any of its subsidiaries worldwide to any employees who are not directors of the company. To give more appropriate information on total employees' remuneration, where there is a contractual commitment to provide incentive remuneration in respect of the year ended 30 June 2002, the amount accrued as at that date has also been included in the total remuneration disclosed below.

SNZ	NEW ZEALAND BUSINESS ACTIVITIES	INTERNATIONAL BUSINESS ACTIVITIES
100,000 - 110,000	89	21
110,000 - 120,000	74	8
120,000 - 130,000	44	4
130,000 - 140,000	23	2
140,000 - 150,000	21	6
150,000 - 160,000	15	5
160,000 - 170,000	14	5
170,000 - 180,000	14	1
180,000 - 190,000	3	1
190,000 - 200,000	3	3
200,000 - 210,000	4	1
210,000 - 220,000	8	1
220,000 - 230,000	3	
230,000 - 240,000	1	
240,000 - 250,000	4	
250,000 - 260,000	2	1
260,000 - 270,000	4	1
270,000 - 280,000	4	
280,000 - 290,000		1
290,000 - 300,000	2	3
300,000 - 310,000	1	1
310,000 - 320,000	2	
350,000 - 360,000	1	
360,000 - 370,000		1
380,000 - 390,000		1
390,000 - 400,000	1	
420,000 - 430,000	1	
440,000 - 450,000	1	

SNZ	NEW ZEALAND BUSINESS ACTIVITIES	INTERNATIONAL BUSINESS ACTIVITIES
460,000 - 470,000		1
510,000 - 520,000	1	
580,000 - 590,000	1	1
620,000 - 630,000	1	
700,000 - 710,000	1	
730,000 - 740,000	1	
750,000 - 760,000	1	

## STOCK EXCHANGE LISTINGS

The company's shares are listed on the New Zealand (NZSE) and Australian (ASX) stock exchanges. With effect from 1 July 2002, the company's shares were accepted for full listing, rather than a foreign exempt listing, by the ASX. The listing on the New York Stock Exchange was terminated on 14 June 2002.

## 20 LARGEST SHAREHOLDERS AS AT 31 AUGUST 2002

NAME	NUMBER OF SHARES	% OF SHARES
New Zealand Central Securities Depository Limited	197,959,382	57.12
RBC Global Services Australia Nominees Pty Limited	5,165,085	1.49
Queensland Investment Corporation	5,000,000	1.44
National Nominees Limited	2,603,430	0.75
Citicorp Nominees Pty Limited	2,504,490	0.72
Peter Hanbury Masfen & Joanna Alison Masfen	2,017,611	0.58
Fletcher Challenge Building Trust Nominees Limited	2,002,765	0.57
MLC Limited	1,673,467	0.48
J P Morgan Nominees Australia Limited	1,297,850	0.37
Guardian Assurance Limited	1,064,300	0.30
Asset Custodian Nominees Limited	844,778	0.24
Yarrow Consulting Limited	832,151	0.24
Investment Custodial Services Limited	778,750	0.22
Westpac Custodian Nominees Limited	657,222	0.18
Tower Trust (NSW) Limited	600,000	0.17
RBC Global Services Australia Nominees Pty Limited	516,727	0.14
Robin MacDonald Smith	500,000	0.14
Victor Hugh Bedford	450,692	0.13
Forbar Custodians Limited	419,565	0.12
Tecity Management Pte Limited	404,708	0.11

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

NAME	NUMBER OF SHARES	% OF SHARES
National Nominees New Zealand Limited	75,438,404	21.76
Westpac Banking Corporation	22,105,109	6.37
Citibank Nominees (New Zealand) Limited	16,335,519	4.71
National Mutual Life Ass of Australasia Limited	11,479,426	3.31
The Trustee Executors & Agency Company of New Zealand Limited	10,408,918	3.00
Accident Compensation Corporation	8,079,000	2.33
ANZ Nominees Limited	4,971,969	1.43
AMP Life Limited	4,855,371	1.40
Premier Nominees Limited	3,662,437	1.05
HSBC Nominees (New Zealand) Limited	3,616,230	1.04

#### SUBSTANTIAL SECURITY HOLDERS

According to notices given to the company under the Securities Amendment Act 1988, as at 31 August 2002 the following were substantial security holders in the company through having relevant interests as below:

The total number of issued voting securities of Fletcher Building Limited as at that date was 346,560,826.

SUBSTANTIAL SECURITY HOLDER	NUMBER OF VOTING SECURITIES	DATE OF NOTICE
AXA Asia Pacific Holdings Limited	22,705,776	25/07/02
Tower Asset Management Limited	17,183,702	27/08/02

#### DISTRIBUTION OF SHAREHOLDER AND HOLDINGS AS AT 31 AUGUST 2002

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1-999	10,387	31.25	3,900,467	1.13
1,000-4,999	17,375	52.28	34,126,605	9.85
5,000-9,999	2,944	8.86	19,273,617	5.56
10,000-49,999	2,301	6.92	38,962,126	11.24
50,000-99,999	133	0.40	8,645,414	2.49
100,000-499,999	80	0.24	15,634,589	4.51
500,000 and over	17	0.05	226,018,008	65.22

GEOGRAPHIC DISTRIBUTION	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
New Zealand	31,221	93.95	321,285,338	92.72
United States of America	136	0.41	394,539	0.11
Australia	1,228	3.69	22,850,071	6.59
Rest of World	652	1.95	2,030,878	0.58

All shares issued are fully paid and have full voting rights. The number of shareholders holding less than the marketable parcel of A\$500 under the listing rules of the ASX is 3331.

The other equity securities on issue are 229,806,000 capital notes, which can convert to ordinary shares of the company on the basis of 98 percent of the then current value of the shares. There were 14,540 holders of the capital notes at 31 August 2002. These equity securities are only quoted on the NZSE.

#### LIMITATIONS ON THE ACQUISITION OF THE COMPANY'S SECURITIES

As the company is incorporated in New Zealand, it is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares such as substantial holdings and takeovers. Limitations on acquisition of the securities are, however, imposed on the company under New Zealand law:

(i) Securities in the company are in general freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(ii) The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20 percent of the voting rights in the company or the increase of an existing holding of 20 percent or more of the voting rights in the company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90 percent or more of the shares in the company.

(iii) The New Zealand Overseas Investment Act and Overseas Investment Regulations regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Commission is likely to be required where an "overseas person" acquires shares or an interest in shares in the company that amount to more than 25 percent of the shares issued by the company or, if the overseas person already holds 25 percent or more, the acquisition increases that holding.

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

#### NEW ZEALAND STOCK EXCHANGE WAIVERS

##### (i) Capital notes

On 18 September 2001, the Market Surveillance Panel of the NZSE granted the company a waiver from Listing Rule 7.6.1 (prohibition on acquisition of an Equity Security of the company) with respect to the repurchase of \$20 million of capital notes. This waiver was necessary because the capital notes are equity securities by virtue of a term of their issue allowing a holder on certain dates to elect to have the capital notes convert to shares of the company. If the holder so elects, the company can either redeem or repurchase the capital notes for cash at par. A repurchase would be a technical breach of Listing Rule 7.6.1 even though the company's option to purchase is expressly provided in the original terms of issue and those terms were fully disclosed to holders.

##### (ii) Dual NZSE / ASX listed companies

On 14 June 2001, the NZSE granted two general waivers to companies that have dual listing on the NZSE and the ASX. These will apply to the company from 1 July 2002. Firstly, Listing Rule 10.2.3(d), which requires all public releases to be given to the NZSE at least 30 minutes prior to its public release, has been waived so that simultaneous releases can be made to the two exchanges. Secondly, a waiver from Listing Rules 11.1.1 and 11.1.4 was granted to allow compliance with the ASX rules prohibiting the transfer of restricted securities during an escrow period.

## 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 12 November 2002.

### DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan, under which they have the opportunity to reinvest their dividends in additional shares. To participate, please contact the share registry.

### 1000 SHARE PLAN

The 1000 Share Plan was instituted during the year to facilitate shareholders with small holdings to either increase or sell their shares, as part of a programme to reducing the administrative costs to the company. This plan closed on 15 August 2002, with around 47 percent of eligible shareholders with less than 1000 shares participating in the offer.

### ON-LINE TRADING AND FINANCIAL INFORMATION

Details on Fletcher Building and its operations for the year ended 30 June 2002 can be viewed at the Fletcher Building website, at [www.fletcherbuilding.com](http://www.fletcherbuilding.com).

This website contains all news releases to the NZSE and other financial presentations made by the company.

### ELECTRONIC COMMUNICATIONS

The Electronic Transactions Bill 2000 is expected to become law this year. If enacted, it will allow various forms of information disclosure, including the annual report, to be provided electronically where the shareholder so agrees. In the expectation that the company will be able to provide some information electronically in future, a consent form advising an email address is enclosed with the annual report.

### TERMINATION OF NYSE LISTING

The company has terminated its American Depositary Receipt (ADR) programme and the associated New York Stock Exchange listing with effect from 14 June 2002. This step was taken because the combined costs of maintaining the ADR programme and the listing, and ensuring United States regulatory compliance, had become disproportionate to the number of shares being held through that programme rather than directly on the NZSE.

Any person still holding an ADR is advised to contact the Depository, Citibank NA, by telephone 1-800-308-7887 or email [citibank@em.fcncd.com](mailto:citibank@em.fcncd.com).

### FINAL DIVIDEND INFORMATION

NZ cents per share	NZ residents	Non-residents
Dividend declared	8.0000	8.0000
Tax credits	3.9402	
Dividend withholding payment refund		3.9402
<b>Gross dividend</b>	<b>11.9402</b>	<b>11.9402</b>
NZ tax (33%)	3.9402	
Non-resident withholding tax (15%)		1.7910
<b>Net cash dividend to shareholders</b>	<b>8.0000</b>	<b>10.1492</b>
Record date	25 October 2002	25 October 2002
Payment date	14 November 2002	14 November 2002

As individual shareholders' circumstances may differ, these New Zealand tax and non-resident withholding tax calculations are for guidance only.

### SHARE REGISTRIES

Details of the company's share registries are given in the Directory on the back cover of this report.

Shareholders with enquiries about share transactions, changes of address or dividend payments should contact the share registry in the country in which their shares are registered.

## DIRECTORY

### EXECUTIVE COMMITTEE

Ralph Waters	Chief Executive Officer and Managing Director
Mark Binns	Chief Executive, Construction Group
Mark Binns	Chief Executive, Concrete Group
Andrew Reding	Chief Executive, Building Products Group
David Worley	Chief Executive, Distribution Group
Bill Roest	Chief Financial Officer
Martin Farrell	Company Secretary
Malcolm Hope	General Manager, Planning & Corporate Support
Peter Merry	General Manager, Human Resources

### REGISTERED OFFICES

#### New Zealand

Fletcher Building Limited  
Private Bag 92 114  
Auckland  
Fletcher House  
810 Great South Road  
Penrose, Auckland, New Zealand  
Telephone: 64-9-525 9000

#### Australia

Fletcher Building Limited  
PO Box 667  
Hamilton  
Queensland 4007  
Building 31, Lane 14  
Hedley Avenue, Hendra  
Brisbane, Queensland 4011, Australia  
Telephone: 61-7-3632 2700  
ARBN 096 046 936

### SHAREHOLDER ENQUIRIES

Shareholders with enquiries about share transactions or changes of address should contact the Share Registrar in the country in which their shares are registered.

### REGISTRIES

#### New Zealand

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

#### Australia

Computershare Investor  
Services Pty Limited  
GPO Box 7045  
Sydney, NSW 1115, Australia  
Level 3, 60 Carrington St  
Sydney, NSW 2000, Australia  
Telephone: 61-2-8234 5000  
Facsimile: 61-2-8234 5050

### OTHER INVESTOR ENQUIRIES

Fletcher Building Limited  
Private Bag 92 114  
Auckland  
New Zealand  
Telephone: 64-9-525 9000  
Facsimile: 64-9-525 9032  
Email: [moreinfo@fb.co.nz](mailto:moreinfo@fb.co.nz)  
Website: [www.fletcherbuilding.com](http://www.fletcherbuilding.com)