Fletcher Building
Annual Report 2017

Building communities, building lives.

Fletcher Building

Connecting communities

The MacKay's to Peka Peka expressway separates local and highway traffic and enables safer and shorter trips to and through the Kāpiti Coast.

Helping people into housing

The Kowhai Ridge development in Auckland includes a range of housing solutions from open-market stand-alone homes to 30% housing solutions designed to meet the needs of Community Housing Providers.

We are proud of the real differences we make to the lives of the people in the communities we work in. From the houses they live in, the roads they drive on, the buildings they work in, to the schools and hospitals that serve them. We get behind many of the causes, activities and initiatives that matter to people who live in our communities.

Customer first

Ensuring our customers around the world have what they need, when they need it – if not before.

Impacting individuals, their families and the wider community and helping build better lives.

Contents

The directors are responsible for preparing the annual report, including the financial statements and ensuring that the financial statements comply with generally accepted accounting practices. The directors believe that proper accounting records have been kept that allow for the determination of the group's financial position with reasonable accuracy and that the financial statements comply with the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013. The financial statements have been independently audited, and the auditor has issued an unqualified audit report.

When used in this annual report, references to the 'company' are references to Fletcher Building Limited. References to 'Fletcher Building' or the 'group' are to Fletcher Building Limited, together with its subsidiaries and its interests in associates and joint ventures. All references to financial years (e.g. FY16 and FY17) in this annual report are to the financial year ended 30 June. References to $ and NZ$ are to New Zealand dollars unless otherwise stated.

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

You can obtain an electronic copy of this annual report at **http://www.fbu.com/investor-centre/reports-and-presentation/**

The annual report is dated 16 August 2017 and is signed on behalf of the board by:

Sir Ralph Norris
Chairman of Board of Directors

John Judge
Director

Business overview

Driving value

Inputs

Brand and product portfolio

Innovation

Customer experiences

Raw materials

Plant and machinery

IP and technology

Distribution channels

Investor capital

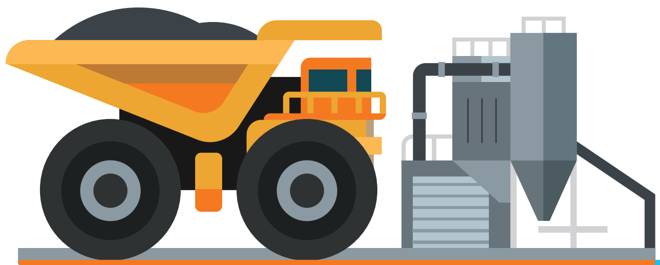
21,000+ skilled people globally

Value creation

VISION AND VALUES

SHARED VISION: Building Better, Together

SHARED VALUES: Be Bold | Better Every Day



Source and Manufacture

- GBC Winstone
- Rocla
- Iplex
- Roof Tile Group
- Winstone Wallboards
- Formica
- Tasman Insulation NZ
- Fletcher Insulation
- Firth
- Humes
- Laminex

People — Customers —

STRATEGIC PRIORITIES

Outputs

Customer Leading **Play Fair**

Distribute

- PlaceMakers
- Mico
- Steel Distribution
- Tradelink
- Stramit
- Tasman Sinkware

Build

- Infrastructure
- Higgins
- Building + Interiors
- South Pacific
- Fletcher Living
- Land Development

Efficiencies — **Profitable growth**

Outputs:

- Returns for shareholders
- Customer engagement
- Safe working conditions and rewarding careers for staff
- Support for families and communities
- Roads, tunnels and other public infrastructure and amenities that drive economies
- A more sustainable business
- Housing for New Zealand
- Employment and investment in local economies

Business overview

Where we work

These numbers include all head and national offices; sales, manufacturing and distribution sites; branches; showrooms; showhomes; and sites that are a combination of these. The numbers do not include office, project, and construction sites from the Construction division.

With more than 21,000 people across hundreds of sites globally, the Fletcher Building family is a diverse group of people who use all their experience, skills and individuality in contributing to the company. We are committed to working together to deliver for our customers and supporting our communities.

21,000+ People

Business overview

What we do

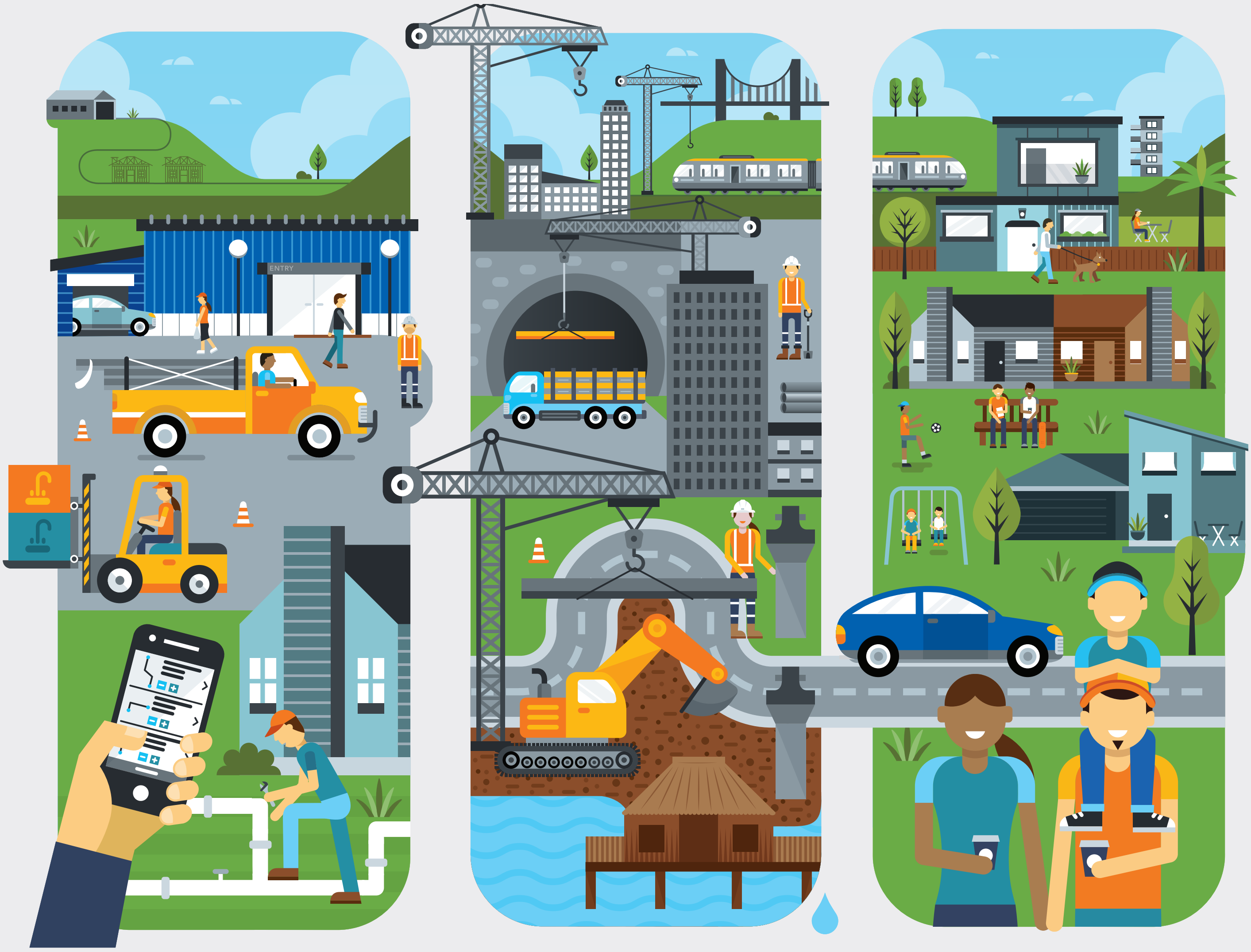
At Fletcher Building our vision is Building Better, Together – and this is exactly what our 21,000+ people across the globe are delivering every day. We manufacture and distribute high-quality building products and we build and deliver homes, communities, commercial buildings and major infrastructure projects. At every step our business starts and ends with the customer, and we take great pride in the work we achieve together.

BUILDING PRODUCTS

From our quarry operations to manufacturing plants, we source and manufacture trusted, high-quality building products.

INTERNATIONAL

Our family of internationally recognised brands features in built environments that range from kitchens to commercial buildings.



DISTRIBUTION

Our network delivers essential building, plumbing and steel products throughout New Zealand and Australia, from frame and truss timber to blocks and fastenings.

CONSTRUCTION

We have more than 100 years' experience leading commercial and infrastructure projects across New Zealand and the South Pacific – keeping people moving, businesses thriving and cities and economies growing.

RESIDENTIAL AND LAND DEVELOPMENT

We are creating desirable communities for a growing Auckland and transforming the heart of Christchurch.

Chairman's report

Sir Ralph Norris CHAIRMAN

As a multinational company employing over 21,000 people across hundreds of sites globally, we interact with a diverse group of communities both at home and afar.

Cash flow from operating activities **$m**

$243

2016: 660 ▼ 63%

Revenue **$m**

$9,399

2016: 9,004 ▲ 4%

Net earnings **$m**

$94

2016: 462 ▼ 80%

Operating earnings before significant items **$m**

$525

2016: 682 ▼ 23%

Dear Shareholders,

During the 2017 financial year (FY17) Fletcher Building continued to progress its strategy, with a focus on people and culture, portfolio management, targeted investment, our turnaround capability, and ultimately, shareholder value.

Despite the majority of our businesses performing to or above plan, total company performance was materially impacted by losses of $292 million reported in our Building + Interiors (B+I) business, part of the Construction division. This was incredibly disappointing for the board, executive and all Fletcher Building people, and there is now an acute focus on ensuring the issues that led to these losses are addressed through improved project governance, on-site project management, process and bid strategy.

Recognising the challenging year the business had faced, the board believed the start of the new financial year marked an appropriate time for chief executive officer (CEO) and managing director Mark Adamson to leave the company, to allow a new CEO to lead Fletcher Building through this period and into the next phase of its strategy.

With this departure taking place in July 2017, and the appointment of a new CEO pending, the strategy will undergo review during FY18.

In executing the strategy over the past year we have been particularly focused on the following initiatives:

- Executing our growth agenda and leveraging the strong macro-economic environment in New Zealand through expansion of activities in our distribution, building products and infrastructure businesses
- Reviewing and improving the management and governance of the Construction division
- Growing the scale and scope of the residential development business and building a pipeline of land development opportunities
- Absorbing the economic weakness in Western Australia and improving the Australian businesses
- Continuing the momentum in Formica
- Leveraging the Accelerate programme to deliver operational efficiencies across manufacturing sites, lowering corporate overheads, managing costs and delivering above inflation revenue growth

- Continuing to build our people capability through ongoing recruitment and employee development and by entrenching the values we launched in 2015

As we continue to progress our strategy we recognise that we do so only with the support of the communities in which we operate.

As we seek to grow our business and deliver value to our shareholders we must also ensure we are delivering value to our communities. And as a company that employs over 21,000 people across hundreds of sites globally, we interact with a diverse group of communities both at home and afar.

We are in the business of building. We make and distribute building products and we build homes, commercial buildings and major infrastructure projects – but through that work we build so much more.

Through our investment in local manufacturing we support employment and economic growth in our home markets. Through our investment in people and diversity we are developing the next generation of leaders. And by thinking globally and acting locally, our individual businesses contribute to the communities they work in every day with their investments, time and resources.

In this year's annual report we share our financial results and review our business operations for the year, while also celebrating our role in the community and sharing some of the individual stories our businesses have to tell.

We hope to build on this contribution in the year to come, and deliver improved value for our shareholders.

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

Net earnings for the year ended 30 June 2017 were $94 million, compared with $462 million in the prior year. This year's result included a large operating loss in the Construction division and significant items totalling $252 million. Net earnings before significant items were $321 million, 23% lower than the comparable figure of $418 million recorded in the 2016 financial year.

Operating earnings (earnings before interest and tax) excluding significant items were $525 million, compared with $682 million in the prior year, reflecting a $204 million loss in the Construction division which more than offset strong growth in each of the other four operating divisions. The Construction losses were due mainly to two large and highly complex contracts in the B+I business while the Infrastructure, South Pacific and Higgins businesses all performed well.

In New Zealand, earnings benefited from continued demand across the residential building and infrastructure sectors which translated to improved Building Products and Distribution earnings alongside improved operational performance in specific business units. Excluding the results of the B+I business, earnings were up approximately 30% on the prior year.

In Australia, market conditions were mixed, with strong activity in Eastern states offset by ongoing challenging trading conditions in Western Australia. Operating earnings before significant items were flat, once adjusted for divested businesses and the one-off net property gain in Tradelink in the prior year.

In the Rest of World, operating earnings before significant items in local currency increased 73% driven by strong performances in Formica's Asian operations, alongside the Construction South Pacific business and contributions from the Higgins Fiji operations acquired in July 2016.

LEVERAGING THE STRONG NEW ZEALAND MACRO-ECONOMIC ENVIRONMENT

Throughout FY17 we have benefited from elevated levels of building activity in the commercial, residential and infrastructure sectors in New Zealand.

The Building Products division has seen volumes of selected manufactured goods increase year-on-year due to greater demand for cement, aggregate, concrete, concrete pipes and plasterboard. This has led to high capacity utilisation levels at some manufacturing sites and a very busy period for our sales people. After adjusting for the businesses sold in FY16 revenues were similar to last year and operating earnings before significant items grew 6%.

Following a strong year in FY16, our Distribution division has continued to thrive, with PlaceMakers, Mico and Steel Distribution all achieving record operating earnings. These businesses have prospered in New Zealand due to heightened levels of national building activity, a conscious effort to grow revenues, and careful management of costs.

In the Construction division our Infrastructure business has been working on a number of large roading contracts including the Waterview tunnel, which was opened to traffic in July 2017, and the rebuild of State Highway 1 north of Kaikoura following the November 2016 earthquake, as part of a consortium. Future roading contracts to be funded by the New Zealand Government are likely to further boost our infrastructure project pipeline, although given the size and time to build, some projects will not contribute to earnings until FY19.

MANAGING RISK AROUND COMMERCIAL CONSTRUCTION PROJECTS

In the current environment it is very disappointing to report an operating loss of $204 million in our Construction division. This loss is the result of the performance of the B+I business unit.

B+I losses of $292 million have been primarily driven by underperformance in the management of two key contracts: one in Christchurch and one in Auckland. In both cases the issues we experienced included complex design issues, substandard project management and stretched resourcing in a capacity-constrained New Zealand construction market.

The project in Christchurch is now very close to being finished, meaning the losses included in the 2017 result are unlikely to be extended into FY18. In March 2017 a provision was taken on the Auckland project to cover losses that were expected over the lifetime of the contract. In July 2017 it was announced that this provision was to be extended as further review of the project pointed to the need to extend the construction period, bringing with it additional cost.

We have reviewed and made significant changes and improvements to governance within B+I and appointed new personnel where appropriate to better manage the risk around commercial construction projects. The criteria for bidding on major construction projects have been made more stringent, and internal review processes for proposed and existing projects have also been strengthened.

B+I is now benefiting from new leadership, with David Kennedy appointed general manager in May 2017. David brings with him over 30 years' international experience in the construction industry across multiple markets. This follows the appointment in March 2017 of Michele Kernahan as chief executive of the Construction division.

Chairman's report

In the Construction division more broadly our businesses performed well. The acquisition of Higgins at the start of the financial year has complemented our Infrastructure business to build on the extensive pipeline of projects in New Zealand. The South Pacific construction business has also had a very strong year completing some significant projects across the region.

GROWING THE SCALE AND SCOPE OF THE RESIDENTIAL AND LAND DEVELOPMENT DIVISION

We are pleased with the performance of Fletcher Living in the 2017 financial year, which sold 499 units and reported operating earnings of $76 million, up 3% on last year. The division had planned to build and sell more dwellings, however, delays in accessing available land, constraints around building consents, poor weather and a cooling in the Auckland market near the end of the financial year impacted the quantity ultimately sold. The reduction in volumes versus our target was offset by higher-than-expected margins, as pricing remained robust on key housing developments.

Funds invested in the Residential and Land Development businesses have now reached $541 million, providing a platform for future growth. This investment represents 3,842 lots on the balance sheet, with commitments for a further 2,227. The availability and consenting of land has to date been one of the key constraints on the business.

Where it makes economic sense we will pursue opportunities to undertake social housing projects and work with state funded entities, such as Ōtākaro in Christchurch. We believe we have capacity to build an additional 500 houses per annum in state-funded housing projects.

The Land Development business continues to be a significant contributor to earnings. In the past year we developed and sold five properties that were surplus to the portfolio and generated $54 million of operating earnings, up $44 million on last year and driven mainly by the sale of a large property in Auckland. Whilst this business is inherently variable given it is reliant on the number of properties that become available each year, we believe our pipeline will earn at least $25 million per annum over the next five years.

IMPROVING THE PERFORMANCE OF OUR AUSTRALIAN BUSINESSES

The past year has seen some contrasting economic and demographic trends in the Australian building and construction industry. The states of Victoria, New South Wales and Queensland have proven to be relatively resilient while Western Australia has been weaker and is only now showing signs of stabilising. In local currency, revenues in Western Australia were 21% lower than a year ago, while total revenues in Australia were down 4%. The reduction in revenues primarily reflected the performance of Iplex Australia, Laminex Australia and Fletcher Insulation. While stand-alone housing construction, plus alterations and additions activity, remained robust, the multi-family dwelling market started to fall after a sustained period of growth. Only recently have state-funded projects seen some return in infrastructure activity following the negative impact of the slowdown in investment in the mining and resources sectors.

For the first time since 2014 Iplex Australia reported positive operating earnings reflecting a considerable turnaround from the $27 million loss reported in FY15.

We have started to see some encouraging signs in the turnaround of Tradelink. The business has been focused on expanding its store footprint, increasing profitability, implementing a service guarantee oriented around the core requirements of the trade plumber and reducing the number of loss-making legacy stores.

As part of the regular review of the value of the businesses held on the balance sheet the decision was taken to write down the carrying value of Tradelink and Iplex Australia by $222 million collectively. This reflects the fact that large goodwill balances were recognised following the acquisition of these businesses from Crane in 2011 and the belief that it is likely both of these businesses will take longer to return to mid-cycle earnings than previously expected.

Stramit has continued its steady improvement and achieved excellent operating earnings growth. The improvements have been delivered through a combination of improved steel pricing, improved demand in key sales channels and successful execution of site-specific initiatives.

CONTINUING THE MOMENTUM IN FORMICA

The Formica businesses performed well during the year, building on the momentum that has grown over the past three years. Operating earnings were up 42% with North American operations steady, Formica Asia growing 35% year-on-year and Formica Europe executing a $21 million turnaround from a loss in FY16 to a position of profitability in FY17.

The performance in the European business has been particularly pleasing, benefiting from investment in its North Shields site and, as the only high pressure laminate manufacturer in Britain, a strong competitive position in Britain and mainland Europe post the announcement of Brexit. We have seen the European business modestly increase its market share but believe there is more upside to come.

We continue to believe there is also more growth to come in Asia as Formica looks to further leverage capacity of its Jiujiang plant and increase production efficiencies in Malaysia and Taiwan.

LEVERAGING THE ACCELERATE PROGRAMME

The Accelerate programme is about driving performance improvement in the business by ensuring good ideas and initiatives are acted on quickly and receive the necessary investment. We have further extended the reach of Accelerate into the business by starting to transition some of our programme managers from the central team into specific businesses. This has served to embed Accelerate practices into the culture of the business and gives us confidence that we are on track to deliver the targeted benefits. This result is likely to be driven by higher revenue growth, market share gain, improved gross margins and lower operating costs. Accelerate is complemented by the capability that we have built in key functional areas, particularly around procurement, property management, information technology, manufacturing and supply chain, and sales and marketing.

BUILDING OUR PEOPLE CAPABILITY

Continuing to invest in our people and capability is central to better serving our customers and growing returns to our shareholders. These efforts have continued in the last year as we look to improve the health and safety environment for our people, invest in developing talent from within the employee base, build capability across the workforce and foster an environment that encourages people to perform at their highest level.

In the second half of the year we undertook our fifth annual company-wide employee survey, FBuSay. We were pleased to see participation in the survey at record levels (92.1%) and overall group engagement levels increase year-on-year.

DIVIDEND

The total dividend for the year is 39 cents per share, in line with the total dividend last year, despite the reduction in net earnings for the year. This corresponds to a pay-out ratio of 84% of net earnings before significant items, which compares to the target pay-out range of 50 to 75%, in light of the Construction losses being considered as one-off and with a view to our expected positive outlook for the company in FY18.

The dividend will be fully imputed for New Zealand taxation purposes. For FY18, on the basis of current estimates, we expect to be able to fully impute both the interim and final dividends for New Zealand taxation purposes. At this stage we do not have sufficient franking credits to be able to frank the dividend for Australian tax purposes.

TOTAL SHAREHOLDER RETURNS

There was a nil return to shareholders for the year to 30 June 2017 representing a combination of negative share price movement over the year offsetting the dividends paid. Despite gains in the share price early in the year, the expectation of losses in the Construction division drove the share price lower post the interim results in February 2017 and the earnings guidance update in March 2017.

BALANCE SHEET

Maintaining a strong financial position at all times has been a priority in FY17 given the challenges experienced during the year. Investment in the Residential and Land Development division, the acquisition of Higgins, losses incurred in the Construction division and higher levels of working capital have accounted for a significant amount of outward cash flow and subsequently increased the company's level of debt. This has been offset to some degree by the strength in trading of the Distribution, Building Products and International divisions, which are highly cash-generative businesses.

While net debt of $1.953 billion at 30 June 2017 was higher than that expected at the start of the year, Fletcher Building remains well within its debt covenants. We continue to believe that these targets are consistent with an investment grade credit rating and in line with our industry peers.

As at our balance date of 30 June 2017, gearing (measured by the ratio of net debt to net debt plus equity) was at 35% compared with a target range of 30 to 40%. The ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) was 2.7 times, compared with a target range of 2.0 times to 2.5 times.

Operating cash flows are expected to improve significantly in FY18, despite being impacted by negative cash flows on major B+I projects. Gearing is expected to remain stable at around the mid-point of the 30 to 40% target range while improved EBITDA will see leverage return to within the target range of 2.0 times to 2.5 times.

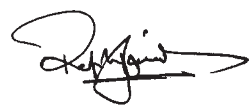
OUTLOOK

In New Zealand, levels of activity are expected to be maintained in the residential construction market, given the current shortage of housing in Auckland and the sustained high levels of migration underpinning demand for new homes, especially in Auckland. Increases in mortgage rates and home loan restrictions put in place by major lenders have recently taken some of the heat out of price increases in the Auckland housing market, but demand is expected to remain strong over the medium-term given the strong economic and demographic fundamentals. Infrastructure work is expected to remain at elevated levels in New Zealand in 2018 and beyond, due to the significant pipeline of state-funded projects, particularly in the transport sector.

The Australian multi-family dwelling market has already shown signs of slowing and is only partially being offset by resilience in the stand-alone housing market in the Eastern Seaboard. We expect the worst to have passed in the Western Australian economy and are positioned to benefit from infrastructure activity from recently announced state and federal-funded projects.

The Asian market for laminates and decorative surfaces is expected to continue to grow, but at a lower rate of around 3 to 4%, with China, Thailand and Malaysia at levels higher than Singapore, Taiwan, Hong Kong and Korea. Growing manufacturing overcapacities in some Asian geographies are expected to result in high competitive intensity. The North American and European markets for laminates are expected to grow only at very modest rates in local currency terms.

I would like to end by thanking all Fletcher Building employees for their efforts over the last twelve months through what has been a difficult period. Although the results are disappointing we still have a very strong culture of engaged and motivated people who are doing their very best to improve returns for our shareholders.



Sir Ralph Norris
Chairman

Business review

Building Products

The Building Products division brings together the group's interests in the manufacture of building products, which are supplied to a broad range of industries across Australasia.

The division comprises Firth, CSP Pacific, Humes, GBC Winstone, Iplex Pipelines, Winstone Wallboards and Tasman Insulation in New Zealand and Rocla Products, Iplex Pipelines and Fletcher Insulation in Australia. Altus and Sims Pacific Metals are both joint ventures in this division.

HIGHLIGHTS

The New Zealand businesses continued to perform strongly with most achieving high single-digit year-on-year profit growth. We continued to defend our strong market position in the concrete value chain and benefited from strong market conditions across all key New Zealand market segments. Many of our businesses delivered all-time record production.

This year Golden Bay Cement's Portland plant celebrated 100 years of operation and the completion of a significant multi-year project to enhance its national cement supply chain. This concluded with the successful commissioning of a new 9,000 tonne cement ship and the upgrade of ship loading infrastructure nationally – giving Golden Bay Cement a strong and cost-effective supply capability across all regions in New Zealand. Golden Bay Cement also welcomed a $13.6 million commitment from the New Zealand Government to help upgrade the Portland plant and enable the use of tyre-derived fuel – an innovative use of waste tyre material as both a fuel and ingredient in the manufacture of cement.

Additional highlights include successfully defending or growing market share in all our New Zealand businesses and the formation of the Altus aluminium products joint venture.

In Australia the division has been focused on improving profitability in a challenging market. Whilst Iplex Australia did return to profitability for the first time in three years, performance in the remaining Australian businesses was undermined by internal operating factors, including a protracted three-month strike at Fletcher Insulation's Dandenong factory. Employees accepted a new enterprise agreement in May 2017, enabling management to improve site flexibility and efficiency, and in turn long-term competitiveness.

FUTURE FOCUS

In New Zealand we will focus on consolidating our market positions and optimising price and margin, whilst de-risking our supply chains to meet peak market volumes cost-effectively with a superior customer experience.

Across the division we continue to build commercial excellence and drive customer service improvements including through digital solutions.

We have made a significant investment in a new Firth masonry production facility, which is currently under construction in Hunua Auckland and will be operational towards the end of 2017. This investment will enable a more sustainable business and better support customer needs.

In Australia we will continue to improve the performance of our turnaround businesses, leveraging the significant improvements made in operating cost structures and delivering superior customer value propositions and service to grow market share. We now believe we have a much stronger platform for broader growth in these businesses in the coming years.

Gross revenue

$2.3b

EBIT*

$267m

PEOPLE

3,925

* EBIT excluding significant items

ROCLA PRODUCTS / Rocla is a supplier of concrete pipe, precast concrete, culverts, water quality, precast bridges, sleepers and poles.

GBC WINSTONE / The Portland cement plant celebrated 100 years of operation in 2017.

Business review

International

The International division is made up of Formica, Laminex and Roof Tile Group.

Formica produces a range of laminate and surface products for both commercial and residential spaces and manufactures its products in Europe, Asia and North America.

Laminex is an Australian and New Zealand manufacturer and distributor of decorative wood panels and laminate, particle board, medium-density fibreboard and other decorative products.

Roof Tile Group is a supplier of pressed metal roof tiles in North America, Europe, New Zealand, Africa and Asia.

HIGHLIGHTS

During the financial year the International division delivered significant improvements in the financial performance of both Formica Europe and Formica Asia compared with the previous year.

This was achieved with a focus on developing customer-centric, innovative products that seek to keep our businesses at the forefront of a competitive and cost-conscious market. A range of new products was launched during the financial year, including Infiniti, an ultra-matte anti-fingerprint laminate, and a state-of-the-art Laminex Australia HIVE showroom was opened in Sydney. Initial results and feedback on the showroom have been very promising.

After 18 months of planning design and refurbishments, the North Shields manufacturing operations and Formica Europe's head office and sales teams are now all housed together on one site. The business held an open day with customers, suppliers, and key stakeholders on site to celebrate the completion – over 400 family and friends took a tour of the shop floor and learnt how Formica laminate is produced.

The International division continued its programme of manufacturing and supply chain excellence across its global manufacturing sites. This has resulted in significant efficiency improvements at the high-pressure laminate sites in North Shields and Jiujiang in China, a new capacity upgrade at the Roof Tile Group's Corona site in California and performance improvements at the particle board site at Dardanup in Western Australia.

During the year the business continued to improve customer service measures, with a focus on lifting customer engagement while investing to improve product performance, through innovation and development.

FUTURE FOCUS

The International division will continue to focus on driving growth through innovation, supported by high levels of customer service and supply chain excellence. This, together with our drive to improve our safety performance and employee engagement, will be key drivers for our businesses.

The business is focused on making capital investment and system improvements to enhance competitiveness and also capture market opportunities. Digital and ERP capability will continue to be a focus area for the business.

From an operational perspective we will continue our investment and upgrade plans at our North Shields laminate facility and leverage capacity in China to support sales growth. Generating cash from working capital improvements remains a key focus. Improvement of our supply chain to fuel our growth ambitions will be reinforced to achieve our cash-generating targets.

Gross revenue

$2.0b

EBIT

$169m

PEOPLE

5,531

FORMICA / Formica Infiniti™ Laminate features a soft-to-the-touch matte finish, resists fingerprints, has thermal healing capabilities and built-in antimicrobial surface protection. This technology stops the growth of mildew and mould, which can cause stains and odours.

VOLUNTEERING / Teams in Cincinnati volunteered at the Ronald McDonald House preparing dinner for critically ill children and families staying at the home.

Business review

Distribution

The Distribution division is a Trans Tasman portfolio of businesses, incorporating over 440 locations.

PlaceMakers, Mico, and Steel Distribution operate in New Zealand, with Tradelink, Stramit and Tasman Sinkware operating in Australia.

HIGHLIGHTS

The Distribution division achieved record volumes and double-digit operating earnings growth across its PlaceMakers, Mico and Steel Distribution businesses. This strong trading was supported by a continued focus on, and improvements in, customer satisfaction scores and employee engagement.

With the Australian businesses now in year two of the Trans Tasman divisional strategy, we also saw double-digit growth in the operating earnings of Stramit, as well as a market share recovery in Tradelink's small to medium customer segment base during the second half. The investment in 20 new Tradelink branches during the year and with plans for another 20 new branches in FY18 reinforces our focus on bringing customer service back into the heart of Tradelink and meeting our customers' needs.

A highlight in the year was the Steel Distribution businesses' market share gains through innovative customer leading services and solutions, evidenced in strong topline and earnings performance, achieved in categories such as special steels and reinforcing, as well as successful growth in engineering and roofing channels. Our customer service focus was also seen in PlaceMakers, with continued year-on-year growth in the Group Home Builder and SME segments of the market, along with market share gains in Mico's bathroom category offerings, including leveraging our own-branded products of Raymor and Adesso.

During the year the Distribution division acquired the Calder Stewart Roofing business, further expanding our existing roofing offerings within Steel Distribution. Our customer leading focus on value-added installed solutions was also highlighted when PlaceMakers acquired Raylight Aluminium in Christchurch, expanding our offerings in the windows category. The focus over the last two years to grow PlaceMakers' installed solutions has delivered robust growth in roof installations in Auckland, Waikato and the Bay of Plenty – with fewer than 100 roofs in FY15 growing to over 1,000 roofs per annum at June 2017.

Our continued focus on operating efficiency has over 20 co-located sites across the New Zealand network, along with over $10 million invested in the current year on machinery automation for our frame and truss and reinforcing businesses. We also successfully relocated Easysteel Christchurch and Fletcher Reinforcing in Auckland to newer and improved facilities, along with a number of other branch refurbishments across our businesses. These improvements across our portfolio will reduce our carbon footprint, with the use of more modern machinery and improving energy efficiency in new and co-located sites.

With customer service being a key focus, we continue to deploy and finesse our differentiated customer service offerings, including improving our customer engagement, core stock availability and key service metrics.

Gross revenue

$3.3b

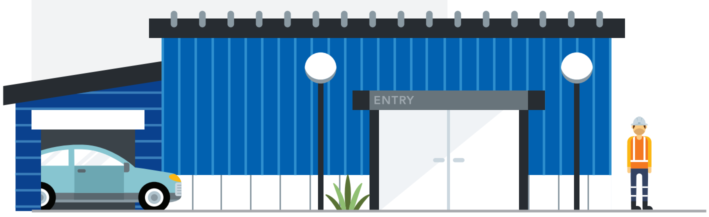
EBIT*

$193m

PEOPLE

6,183

* EBIT excluding significant items



STEEL DISTRIBUTION / Calder Stewart Roofing, a New Zealand rollforming business, was acquired in March 2017. It complements our existing roofing offering and sells a unique range of roofing, architectural cladding and solar roofing products across New Zealand to farmers, builders and homeowners.

FUTURE FOCUS

The Distribution division will continue to focus on being customer leading, while investing in new branches, especially for Tradelink. Category expansions in heating and fastenings in New Zealand, and shed and door offerings by Stramit in Australia, offer opportunities for further growth, along with additional e-commerce and digital offerings being deployed over the coming year. While the Australian businesses expect to be trading in a declining market, our focus on efficiency and profitable market share gains will continue.

"I am an ex-inmate from Wiri Prison. Whilst I was serving, I was given an opportunity of a full-time job in the building industry. I took hold of this opportunity knowing I needed a positive change in my life. Thanks to PlaceMakers they helped make this possible. I have now been an employee of PlaceMakers for six months. It has been a privilege and an honour to be a part of this team/family. Without their help and support I would not be here. I would like to thank everyone from Wiri Prison and PlaceMakers."

PLACEMAKERS / In conjunction with Serco, PlaceMakers is helping change lives through providing carpentry training and work placements following release.

Business review

Construction

The Construction division is a builder of commercial buildings and infrastructure across New Zealand and the South Pacific. Projects range from New Zealand's largest transport and commercial building projects through to small interior works and road improvements.

The Construction division comprises:

- Infrastructure, including Brian Perry Civil, Seovic, Pipeworks and Piletech
- Building + Interiors (B+I)
- South Pacific, operating in Fiji, Samoa, Tonga, American Samoa, Vanuatu, the Solomon Islands and Papua New Guinea
- Higgins, a road contracting business acquired in July 2016 operating in New Zealand and Fiji.

The Infrastructure, Higgins and South Pacific businesses all recorded strong operating and trading performances in 2017. However, significant losses were incurred in the Building + Interiors (B+I) business unit.

A review of the B+I business during the year led to the introduction of new management and governance processes. A new financial management reporting system has also been implemented.

Regrettably there was a deterioration during the year on major projects in the B+I business unit which was due to:

- A major project requiring increased project resourcing and therefore cost as it neared completion
- A second major project where construction timelines and the likely completion date have been extended
- Reduced profit expectations on a number of smaller projects in the remainder of the B+I portfolio.

It is disappointing to have recorded losses in the B+I business when other parts of the Construction division performed so strongly during the year.

During the year the Construction division made significant changes to the governance of the B+I business. In addition, the criteria for bidding on major construction projects have been made more stringent, and internal review processes for projects and existing projects have also been strengthened.

PROJECT DELIVERY

The Waterview Connection was successfully opened on 14 June, delivered for the NZ Transport Agency (NZTA) by the Well-Connected Alliance, which included Fletcher Construction and Higgins. After huge public interest in walking through the 2.4 kilometre tunnels, the last piece of the Western Ring Route was opened to vehicles on 2 July, offering better traffic connections between Manukau, Auckland CBD, West Auckland and the North Shore. During the year the South Pacific business completed two significant projects in Fiji, the five-star Marriott-branded hotel and the Cogeloa Bridge project for the Fijian Roads Authority, which was completed on budget and five months ahead of schedule.

The Construction division has begun work on two major infrastructure projects:

- The Peka Peka to Otaki section of the Kāpiti Expressway following the successful completion of the MacKay's to Peka Peka alliance project with the NZTA
- The new route from Pūhoi to Warkworth, which is the Public Private Partnership continuation of the Northern Motorway.

On the Pūhoi to Warkworth project, Fletcher Building is an investor in the Special Purpose Vehicle that has contracted with the NZTA to design, build, finance, operate and maintain the 18.5 kilometre motorway for 25 years.

Higgins is involved in both the construction and operations phases of the contract. Higgins was chosen as one of four contractors to repair infrastructure damaged in the Kaikoura earthquake.

A strong team has been mobilised, supported with resources from the Infrastructure business unit.

Gross revenue

$2.2b

EBIT

($204m)

PEOPLE

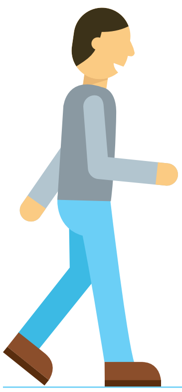
4,473

SOUTH PACIFIC / Holiday makers are now enjoying the five-star Marriott-branded Momi Bay Resort in Fiji after its completion in early 2017. The resort includes 114 free-standing bures and 136 standard rooms, three restaurants, two swimming pools, fitness and recreation centres, gift shops, tennis courts and a spa with eight treatment rooms.

Under the leadership of Michele Kernahan the Construction division continues to focus on customers, including New Zealand's key infrastructure providers from the central and local government sectors, health and education providers, utilities and commercial property owners.

We expect that the new governance framework, financial systems, and project controls will continue to drive improved performance and better project management across all Construction businesses in the coming year.

In the Construction division more broadly our businesses continue to perform well. The acquisition of Higgins at the start of the financial year has complemented our Infrastructure business to build on the extensive pipeline of projects in New Zealand.



60,000

INFRASTRUCTURE / Over 60,000 Aucklanders enjoyed walking or cycling through the Waterview tunnels before they were opened to traffic. We delivered the project as part of the Well-Connected Alliance, completing the Western Ring Route.

Business review

Residential and Land Development

The Residential and Land Development division comprises two business units – Fletcher Living and Land Development.

Fletcher Living specialises in building master-planned residential communities in Auckland and Christchurch, encompassing design through to sales.

Land Development's business comprises a combination of residential and commercial land developments for on-sale to its own residential business or to third parties.

The division also expanded its responsibilities during the financial year to include the group's property and innovation functions.

HIGHLIGHTS

This was a year in which the Fletcher Living business laid the foundations for future success. In Auckland the first homes were sold at the new developments of Swanson, Whenuapai, Red Beach and Tatua on Eden and we concluded the successful Greenhithe development. In addition, the business established a third Auckland branch in Central Auckland. This branch will initially focus on Stonefields and Three Kings but also positions the business to capitalise on a number of exciting opportunities.

At the Waiata Shores development in South Auckland, the old Manukau Golf Course site, works are well under way to produce in excess of 650 low and medium-density homes.

The Moire Road development in West Auckland is a joint venture between Fletcher Living and Ngāti Whātua Ōrākei, conducted in partnership with the Crown. This is our first partnership development with the Crown in Auckland, and will see 196 new dwellings built, including 59 homes below the Government's affordability threshold that will be made available initially for Community Housing Provider housing. We are nearing the completion of the first of three phases in this development.

During the financial year Fletcher Living signed an agreement with a number of local stakeholder groups that will enable construction to begin on its Three Kings housing development. The first stage of the Special Housing Area has been delivered, with the full development set to deliver up to 1,500 homes and community amenities, including a town square, two grass and sand all-weather playing fields, a village green for picnics and recreation and a wetland park.

In Christchurch, we continued to progress a number of developments in partnership with the Government. At Awatea we sold 61 homes during the year, including 26 affordable homes to first home buyers and 10 homes to charitable housing providers for use as intermediate housing. Our Atlas Quarter development is nearing completion, with the first sales expected in late 2017. Construction is also under way in East Frame, with the first 20 terrace homes due for completion in 2018. Atlas, East Frame and our Colombo projects will help to transform the heart of Christchurch.

The innovation team remains focused on product innovation across the business and progressed the development and implementation of a unique panelisation solution for the Fletcher Living business. The first panelised duplex home was delivered at the Fletcher Living Hobsonville development during the year, reducing average on-site build time for duplex houses from 22 weeks to seven. The team continues to work on refining the designs and methodology in this area.

Gross revenue

$420m

EBIT

$130m

PEOPLE

156

INNOVATION / Building homes faster and more efficiently led to the innovation and successful trial of a panelised home in Hobsonville.

The property team has had a successful year completing a number of transactions that have realised value and reduced the ongoing rent expense of the group.

FUTURE FOCUS

Creating desirable communities is the vision that drives Fletcher Living. We believe that communities should start with shared spaces for active and passive recreation, community facilities including schools and health centres, as well as retail and commercial facilities.

We continue to see strong demand for quality homes in great communities in both Auckland and Christchurch and believe we have the experience, size and reputation to deliver more than just homes for New Zealanders. The group has around 6,000 lots either on balance sheet or under unconditional agreements, to be delivered over the next five years. This is in support of a business that delivers around 1,000 dwellings per year. The business has the flexibility to manage these levels depending on market conditions and outlook.

We also see our business continuing to be at the forefront of the market, whether that be through different home typologies, as we move from stand-alone homes into terrace housing, or through continued innovation to allow a scaling of the business to continue.

FLETCHER LIVING / Community and shared spaces for recreation are at the heart of our developments. At Awatea Green children enjoy the playground and community days.

Focus areas

Our communities

Fletcher Building takes an 'act local' approach to supporting community and social programmes in the communities in which we operate. As a group, we support a wide range of community, cultural, educational, environmental and health organisations and initiatives.

Each individual business is encouraged to work with community partners and address needs that make a positive difference to people's lives. Our local business managers take leadership roles, where appropriate, and take part in many business and industry organisations.

In the Building Products division, teams from Firth in Auckland volunteered their time, and using their own products, built retaining walls and pathways at Kokako Lodge, a not-for-profit organisation that helps support young people in developing leadership and team work through outdoor education.

In FY17 GBC Winstone has supported more than 25 community programmes across New Zealand and also operates local sponsorship programmes.

In Construction, the Piletech and Brian Perry Civil teams dedicated time, resource and skills to New Zealand charity Sustainable Coastlines helping build its flagship education centre in downtown Auckland. The centre is an education and training space that brings a wide range of sustainability-focused activities to the area. "We ended up utilising a wide range of Piletech skills and contacts. We were able to do some welding, grinding, painting, and helping out with general labouring, as well as moving their water filter system into place," says Piletech National Operations Manager Daniel Breukelaar. The Auckland-based team for South Pacific also helped Sustainable Coastlines with Motutapu Island beach and Ambury Farm cleanups.

Internationally, the Formica teams across the world also support education, youth development and environmental clean ups. In North America the Cincinnati team helped raise money to send more than 300 youth to Boy Scouts of America summer camps through a dodge ball challenge and the teams in Asia participated in multiple coastal cleanups.

Fletcher Living is active in the communities it works in through a variety of activities. In Auckland we have renewed our sponsorship of the Three Kings United Football Club for another year to 2021 and provided Swanson School with spare materials from our site which they use in their 'tinkering shed' for students.
In Christchurch one activity was responding to the needs in the community. Fletcher Living Canterbury staff dropped off water and food supplies to the Civil Defence Emergency drop-in centre at Te Hāpaua Halswell, in support of the hundreds of families who were evacuated from or lost their homes owing to the fires in the Christchurch Port Hills.

The Distribution division believes that changing individual lives changes communities. This is most evident through the PlaceMakers Auckland Frame and Truss team which has been working in conjunction with Serco Kohuora Auckland South Corrections Facility (Wiri Prison) to train and upskill prison inmates and offer employment opportunities once they have been released.

Tradelink has aligned with Legacy, a charity that provides care for the families of Australians who have given their lives or whose health has suffered during or after service to their country.

Prior to Tradelink's involvement, Legacy was restricted in how many backyard makeovers it could do owing to lack of resource. The Tradelink team has now completed seven 'Backyard Blitz' days across Queensland. Each of the Backyard Blitz days takes about 6-8 hours of physical work to complete, with Tradelink providing tools, equipment and labour. Tradelink employees have also raised more than $16,000 for the organisation through various fundraising activities.

Our environment

From coastal cleanups, to supporting charities such as Sustainable Coastlines, issues that are important to our communities are important to us.

Act local

From supporting Boy Scouts of America through dodge ball tournaments to lighting up the local BMX track at Pakuranga, we look to support community projects wherever we operate.

Focus areas

Our people

Our people strategy is focused on building leadership capability, identifying and developing talent across all levels of the company and ensuring that our workplace culture respects diversity and inclusion and is engaging for our employees.

LEADERSHIP, CAPABILITY AND TALENT

Our leadership framework delivered award-winning programmes to over 700 global leaders during the last year and we continue to see our leaders develop. Our Leaders' Edge programme provides a beneficial environment for our business unit leadership teams to work on strategic business initiatives to support growth in their business units. In addition to our core leadership curriculum we successfully expanded Whakatupu, which is a leadership programme for Māori leaders, to two cohorts for the year.

Over the past year we have provided structured learning opportunities for over 10,000 employees. Our key areas of focus were on the launch of our new safety programme 'Protect', implementation of our Sales Learning Pathway and learning modules for specific business units to support their growth. In New Zealand, over 530 of our employees who work in our manufacturing operations received a National Certificate in Competitive Manufacturing and Supply Chain.

We have taken our third intake of graduates and continue to focus on talent identification, assessment and development to ensure we are providing employees who have aspirations to progress within the company, with every opportunity to do so.

DIVERSITY

Fletcher Building is a diverse company employing people in multiple countries and from many ethnicities. Diversity at Fletcher Building means much more than gender or ethnic considerations to recruitment or talent development.

Diversity also means employing and utilising a wide range of skill sets and being inclusive of different thinking.

Fletcher Building's diversity strategy focuses on developing a strong pipeline of diverse talent, creating an inclusive workplace and working with community and government organisations to provide employment opportunities to young people.

MĀORI AND PASIFIKA LEADERSHIP

Ethnic diversity is a critical component of Fletcher Building's diversity strategy and we believe it is important for our workforce to be representative of our society. While we employ a significant amount of Māori and Pasifika people in New Zealand, these groups remain under-represented at management levels and accordingly, we are investing to develop a deeper talent pipeline of Māori and Pasifika leaders.

Our Whakatupu leadership programme is in its second year and we have delivered programmes to three cohorts over the two years.

Over the past year we have also joined TupuToa as a foundation partner. This organisation provides internship opportunities to Māori and Pasifika undergraduates. The first year of the programme has seen four interns gaining employment opportunities across four companies with a further 11 interns due to start in November.

INVESTING IN OUR FUTURE THROUGH YOUTH

Fletcher Building is committed to providing employment opportunities, targeting unemployed youth and school leavers, particularly in the Auckland region.

In January and February 2017 Fletcher Building welcomed 50 summer interns and 59 graduates as part of our one-year graduate programme. Now in its third year, the programme has been a success. The graduates and interns were based all around New Zealand and worked in a variety of Fletcher Building businesses, the corporate centre and on construction projects such as Commercial Bay, Auckland Prison, Auckland Airport and the Waikato Expressway. This year the programme has been broadened to include graduates based in Australia.

FB PRIDE

Fletcher Building was a principal sponsor of the Auckland Pride Festival and the company's commitment to diversity has special resonance for employees in the LGBTI community:

"Having the Rainbow Tick shows that Fletcher Building is committed to being a great place to work where everyone can be their authentic selves. I'm immensely proud of our landmark of being New Zealand's first construction and building materials company to get the Rainbow Tick. For me the Rainbow Tick shows that at Fletcher Building we see our diversity as strength and we're all included here."

JACOB TONER
Quality Assurance and Risk Specialist

OVER RECENT YEARS WE HAVE SIGNIFICANTLY INCREASED THE NUMBER OF WOMEN EMPLOYEES AND IN PARTICULAR THE NUMBER OF WOMEN IN LEADERSHIP ROLES.

GENDER DIVERSITY

Fletcher Building strongly believes that diversity of ways of thinking is essential to business success. Over recent years we have significantly increased the number of women employees and in particular the number of women in leadership roles. As a principal partner with the Global Women network, we have actively launched a range of development opportunities and initiatives for female leaders across the entire organisation including programmes like Women in Plumbing, Women in Sales, Women in Construction and the FAB Women breakfast series. A new initiative Fletcher Building supported in 2017 was the Destination Trades pilot course 'Nailing It' designed specifically for women, that aims to give them a stepping stone into apprenticeships and industry roles.

EMPLOYEE ENGAGEMENT

Fletcher Building believes high engagement of its employees is one indicator of a high-performance culture. Participation in this year's FBuSay global staff engagement programme was a record breaking 92.1%. This was a 6.2% increase on last year's response rate and the highest participation rate on record (90% in 2014). The participation rate was well above the 85% goal that is considered best practice globally for engagement survey response rates. In 2017 our engagement score rose by one to 67%. The Fletcher Building group score reflects the individual engagement scores of each business unit and function across the group.

92%

PARTICIPATION IN FBUSAY GLOBAL STAFF ENGAGEMENT PROGRAMME, A 6.2% INCREASE ON LAST YEAR

FLETCHER BUILDING EDUCATIONAL FUND

The Employee Educational Fund provides funding assistance to ensure the overall enhancement of education across Australia and New Zealand.

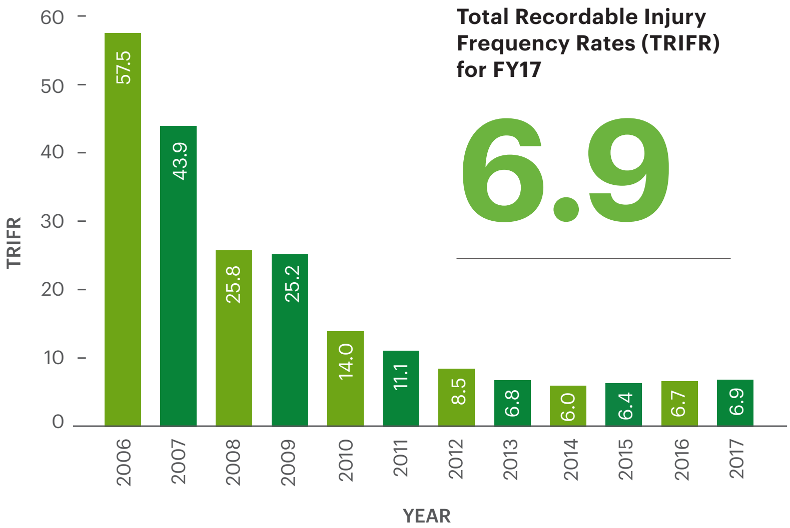
Over the past financial year, the fund has provided financial support to 134 employees to gain further qualifications. Our employees benefited from attending a range of programmes, including the Executive Harvard Programme, and Bachelor and Diploma courses that are offered in local countries.

One of the special aspects of the fund is that it also provides financial assistance to our employees' families for their studies. 517 spouses and children received funding to help them on their journey to higher education and learning.

Focus areas

Health and safety

The safety of our employees, contractors and communities in which we operate always comes first. Our working environments by their nature expose our employees and contractors to risk. It is therefore critical that we have best practice systems and training in place to identify those risks and implement controls.



TRIFR YEAR ENDED 30 JUNE

Total Recordable Injury Frequency Rates (TRIFR) for FY17

6.9

Although the company's total recordable injury frequency rate (TRIFR) has decreased in recent years, too many people are getting hurt at our sites around the world. In the 2017 financial year 33 people were seriously injured at work.

To further improve our safety culture, in June 2017 Fletcher Building launched a new safety management framework called 'Protect'. This programme is being rolled out to every business within the group and provides an opportunity to reset and refocus on the primary importance of getting home safe, every day.

Protect will build on the centres of safety excellence that already exist within the business and share them globally. It encompasses a new set of safety rules and standards for all, new digital tools, simplified documentation, standardised learning and a common safety language.

The Protect framework includes:

- Consistent activities across the group
- Global minimum requirements in Environment, Health and Safety standards
- 10 standard safety rules based on the analysis of data from Fletcher Building's high-risk incidents.

10

The Protect framework includes 10 standard safety rules based on the analysis of data from Fletcher Building's high risk incidents.

Protect's comprehensive learning and training programme is designed for the wide variety of responsibilities, skills, literacy levels and languages throughout the company. Protect documentation is being translated into at least 14 languages to suit Fletcher Building employees and country operations.

Health and safety practitioner of the year

M2PP / Sarah McDonald, third from right, and the M2PP Safety team

Sarah McDonald, a Fletcher Construction Health and Safety Advisor, was named New Zealand's Health and Safety Practitioner of the Year at the 2017 Health and Safety Workplace Awards. Sarah was the health and safety advisor for the MacKay's to Peka Peka expressway construction project (M2PP).

The citation for the award said she positively influenced health and safety thinking in the wider Wellington region and described her as "...a key player in forging a consistent approach out of the different cultures of the seven Alliance members and 5,000 individual contractors."

Sarah said the most important thing about the M2PP safety formula was that it wasn't just she who had to push safety.

"It's not just me. It's the thousands of contractors who believed in it and who wanted to get home safely and return safe in the morning." Sarah says the project had great leadership from the Alliance but also got buy-in from the ground.

> A lot of people say 'let's change the culture'. It's an easy thing to say but harder to achieve without buy-in from the grass roots. We had our systems come from the grass roots and from the contractors. Accomplishing it was amazing."

SARAH McDONALD
Fletcher Construction
Health and Safety Advisor

5,000

INDIVIDUAL CONTRACTORS

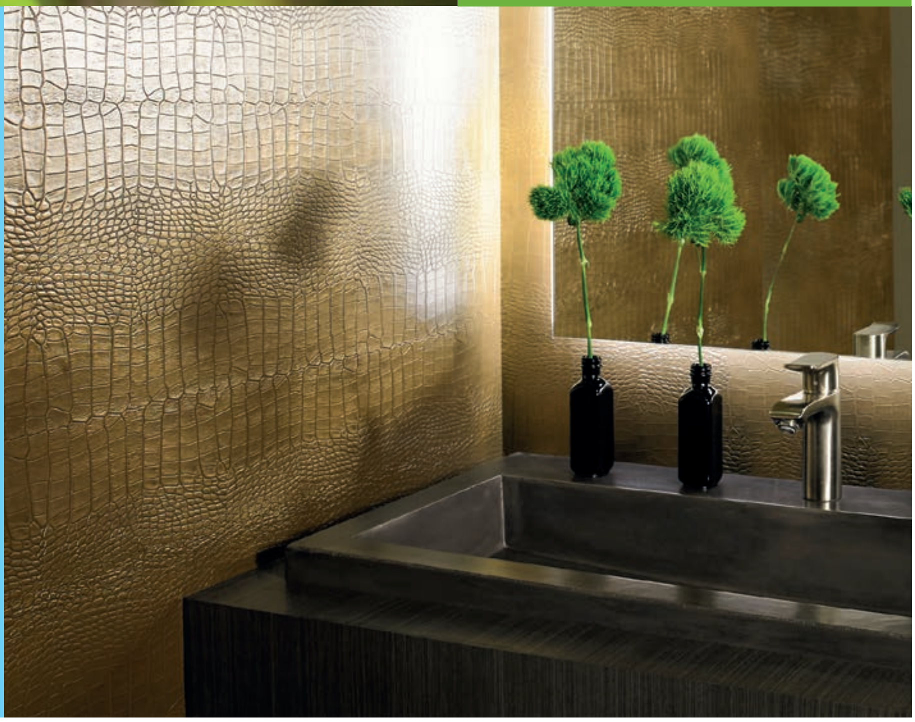
Focus areas

Sustainability and environment

We are committed to reducing our impact on the environment. When it comes to environmental management, Fletcher Building thinks globally and acts locally.

GBC WINSTONE / Environmental initiatives include extensive planting and habitat enhancement at Hunua Quarry in Auckland and the relocation of a native gecko population at Belmont Quarry in Wellington for which GBC Winstone was awarded the 2017 gold MIMICO award for Environmental Excellence.

FORMICA NORTH AMERICA / Using recycled leather car seats and other leather offcuts creates a more sustainable new laminate product



Together we strive to be better every day by proactively responding to environmental and sustainability issues. We recognise that sustainability practices need to be embedded into how we work – in our business strategies and plans, in our focus on quality and in our focus on our people. By doing this, we seek to operate a sustainably responsible business.

Our businesses regularly review their social, environmental and economic impacts and risks and assess sustainability trends and issues to determine the influence or impact that their businesses could have. We engage with our employees, stakeholders, communities, customers and suppliers to understand their needs as well as explain the key role that each has in the success of the organisation.

RISK AND INCIDENT MANAGEMENT

As part of the Protect programme outlined in the Health and Safety section on page 28, we have invested in a new Risk and Incident Management Tool (RIMT). The RIMT will offer an improved system for staff – no matter where they work – to log risks or incidents, providing more detailed reporting and improved management of risks and controls. Once the RIMT is in full operation, it will provide Fletcher Building with the ability to better identify, assess and manage a wide variety of risks, including strategic, operational, financial, reputational, environmental, health and safety, and compliance risks.

The investment in RIMT supports our commitment to understand and manage our risks, as well as reduce our impact on the environment. We have a central Environmental, Health and Safety team which supports our businesses, providing direction, education and focus on sustainability but it's our 30 business units who have the biggest impact. Environmental initiatives are identified, developed and managed by local business leaders and employees so that they are appropriate for the communities and conditions.

GBC WINSTONE / New cement bulk carrier, the MV Aotearoa Chief carries the equivalent of 350 road tankers

350

REDUCING EMISSIONS

Fletcher Building continues to enter and track greenhouse gas emissions in its central database. This analysis provides a tool for determining where our efforts to reduce emissions should be focused.

Cement production accounts for approximately 35% of Fletcher Building's total emissions. We introduced new fuels to reduce reliance on high-emitting fossil fuels and this trend is expected to continue.

Reducing carbon emissions is an important target for all Fletcher Building businesses, including Distribution, which is making advances at its PlaceMakers and Mico sites. Emissions initiatives in this division have resulted in a carbon reduction of more than 650 tonnes so far.

EFFICIENT DISTRIBUTION

GBC Winstone's new cement bulk carrier, the MV Aotearoa Chief, carries the equivalent of 350 road tankers, diverting a substantial amount of cement transportation from the roads to coastal sea routes. The ship has a 'best in class' propulsion system with an optimised energy efficiency design and an advanced flexible fuel injection system.

Close to 50,000 kilometres of truck movements per year have been avoided by Iplex Australia, by thinking smarter about how trucks are loaded with plastic pipes. The new loading technique was previously only used in Queensland but the company is now expanding it to other sites around the country.

Fletcher Building is focused on:

- Working together to protect the environment
- Reducing the environmental impacts associated with our manufacturing, construction and extraction operations
- Reducing the environmental impacts associated with the distribution and use of our building materials
- Building leadership capability
- Supporting and investing in the communities in which we operate
- Managing health and safety risks across our business
- Working collaboratively with central and local government stakeholders to facilitate employment or training opportunities for disadvantaged youth
- Having workplaces that strive to provide development opportunities for our people, focused on high engagement and high performance.

Governance

CORPORATE GOVERNANCE STATEMENT

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

FRAMEWORK

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

Fletcher Building has been granted ASX Foreign Exempt Listing status, with effect from 6 May 2016. As such its disclosure obligations are as required by the NZX Listing Rules and otherwise in accordance with New Zealand law. ASX Foreign Exempt Listed companies are not required to comply with the ASX Corporate Governance Council's Principles and Recommendations.

Fletcher Building has followed the NZX Corporate Governance Best Practice Code (applicable as at 30 June 2017). Fletcher Building's corporate governance framework is currently being reviewed in light of the new NZX Corporate Governance Code, which will apply from 1 October 2017.

Shareholders should also refer to details of the board of directors in Board Profiles on pages 36 to 37 and the Remuneration Report on pages 38 to 43. Further information is also available on the company's website at http://www.fbu.com/investor-centre/corporate-governance/

This Corporate Governance Statement is current as at 31 July 2017 and has been approved by the board.

ETHICAL BEHAVIOUR

Code of Conduct

The company has a written Code of Conduct with which all directors, senior executives and employees are required to comply. The Code of Conduct documents minimum standards of ethical behaviour and the company's expectations on loyalty and conflicts of interest, insider trading, holding of offices in another company or public office, intellectual property and misconduct.

The company also has an internal policy on dealing in the company's securities by directors and employees.

The Code of Conduct is available on the company's website.

Anti-bribery and corruption

The company has a written Anti-bribery and Corruption Policy, which provides for a zero-tolerance approach to bribery and corruption, whether in the private or public sector anywhere in the world.

The policy also sets out expectations around giving and receiving gifts, political and charitable donations and dealings with business partners.

Fletcher Building has a free phone and online service ('FByourCall') that can be used by any Fletcher Building staff member to report unacceptable, unethical or illegal behaviour in the workplace. This service is operated by external providers, who act as an independent third party to ensure calls are kept anonymous.

Related parties

Fletcher Building does not have any significant related parties with which it does material business.

Government relations

The company engages with Government in New Zealand and Australia in relation to the industries that it operates in and seeks insight and advice on government policy when required. Political donations can only be made with the authority of the board. No political donations were made in the year ended 30 June 2017.

BOARD COMPOSITION AND PERFORMANCE

Roles and responsibilities

The board's roles and responsibilities are formalised in a Board Charter, which is available on the company's website. The Board Charter sets out those functions that are delegated to management and those that are reserved for the board. It appoints the company secretary as secretary of the board, accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

Nominations committee

The nominations committee makes recommendations to the board in respect of board and committee composition and, when required, identifies individuals believed to be qualified to become board members. The chairman of the board is the chairman of the nominations committee and all members of the nominations committee are independent directors. The roles and responsibilities are set out in a Nominations Committee Charter, which is available on the company's website.

Appointment

Before a person is appointed to the board, checks as to the person's character, experience, education, criminal record and bankruptcy history are conducted. All material information in the company's possession relevant to whether or not to elect new directors or re-elect those directors who resign by rotation is included in the notice of meeting for the next annual shareholders' meeting.

Each director has a letter of appointment setting out the terms of his or her appointment. Each senior executive is a party to an employment agreement setting out the terms of his or her employment, including duties, responsibilities and remuneration. Further details of the terms of employment for Mark Adamson (whose employment as chief executive ceased on 20 July 2017) were provided to the NZX and ASX on 18 June 2012.

Director independence

Information on the skills, experience and expertise of current directors and their independence status is contained under 'Board Profiles'. The company follows recommendations that the chairman be an independent director who is not the same person as the chief executive officer and that a majority of the board are independent directors. The board considers all directors to be independent, with the exception of Mark Adamson (who ceased to be a director on 19 July 2017).

Diversity Policy

Fletcher Building has a Diversity Policy, which is available on the company's website. The remuneration committee reviews progress against diversity objectives and initiatives developed by the company to deliver outcomes against the diversity policy. The board is satisfied with the initiatives being implemented by the company and its performance with respect to the Diversity Policy. Further information on diversity initiatives can be found in the Our People section on pages 26 to 27.

The numbers and proportion of women and men within Fletcher Building as at 30 June 2017 are set out in the table below.

	2017		2016	
	WOMEN	MEN	WOMEN	MEN
Board of directors	2 (22%)	7 (78%)	2 (25%)	6 (75%)
Executive committee	2 (20%)	8 (80%)	1 (10%)	9 (90%)
Senior management[1]	16 (26%)	45 (74%)	20 (27%)	53 (73%)
All employees	22%	78%	21%	79%

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

Board Skills Matrix

The board has adopted a Board Skills Matrix which takes account of the breadth of the company's business interests and the nature of the company's strategic focus. Skills and diversity that are relatively underweight are considered in making appointments to the board.

INDUSTRY	GEOGRAPHY	EXPERTISE	DIVERSITY
Building products industry	Australian business experience	Strategy	Gender
Construction industry	International business experience	Management	
Distribution industry		Finance/Accounting	
		Legal/Governance	
		Marketing	
		Information technology	
		Supply chain	

Director induction and professional development

The board conducts induction and continuing professional development for directors, which includes visits to specific company operations and briefings from key executives and industry experts. Directors are provided with material health and safety information relevant to the business and attend site visits.

Performance

The board carried out a review of its performance and of the committees in mid-2016, with the assistance of an independent consultant. The review process included an online survey, a range of director and management team interviews, an observation of a board meeting, a review of board packs and a board discussion and feedback session.

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

BOARD COMMITTEES

There are currently four standing committees of the board:

- audit and risk
- remuneration
- nominations and
- safety, health, environment and sustainability.

From time to time, the board may create ad hoc committees to examine specific issues on its behalf.

Each committee is governed by a charter setting out its roles and responsibilities. The charter for each committee is available on the company's website. Committees do not take action or make decisions on behalf of the board unless specifically mandated by prior board authority to do so. Employees only attend meetings of the audit and risk committee and remuneration committee at the invitation of the particular committee.

Governance

The table below shows director membership and attendance at board and committee meetings during the year to 30 June 2017 (both the number of meetings convened at a time when a director was a member of the board or committee and the number of meetings actually attended).

	Board		Audit and Risk		Remuneration		Nominations		Safety, Health Environment and Sustainability	
	MEMBER	ATTENDED	MEMBER	ATTENDED	MEMBER	ATTENDED	MEMBER	ATTENDED	MEMBER	ATTENDED
Norris	12(C)	12	–	4	–	4	2(C)	2	–	3
Adamson	12	12	–	4	–	4	–	–	–	3
Carter	12	11	–	–	4	4	2	2	–	–
Hassall	6	7	1	2	–	–	2	2	–	–
Jackson	12	12	–	–	4(C)	4	2	2	3	3
Judge	12	11	4(C)	4	–	–	2	2	–	–
Spargo	12	12	4	3	–	–	2	2	3(C)	3
Tarrant	12	12	4	4	–	–	2	2	3	3
Vamos	12	12	4	4	3	3	2	2	–	1

(C) denotes chairman at 30 June 2017

Takeover protocols

The board has established detailed protocols that set out the procedure to be followed if there is a takeover offer for the company, including any communication between company insiders and the bidder.

REPORTING AND DISCLOSURE

Continuous disclosure

The company has in place a Market Disclosure Policy designed to ensure compliance with its continuous disclosure requirements under NZX Listing Rules. The Market Disclosure Policy is available on the company's website.

Disclosure of codes and charters

The company discloses applicable codes, charters and policies on its website at www.fbu.com/investor-centre

Safeguarding integrity in financial reporting

Prior to approving the full year financial statements, the board received from the chief financial officer a declaration that, in his opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

Sustainability

The Sustainability and Environment section on pages 30 to 31 discusses economic, environmental and social sustainability risks and how those risks are managed. Further sustainability information can be found on the company's website at www.fbu.com

REMUNERATION

Remuneration committee

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

The remuneration committee has three members, whose names and qualifications are presented with directors under 'Board Profiles'. The committee is chaired by Alan Jackson and all members are non-executive, independent directors. The remuneration committee held four meetings during the year and attendance at those meetings is recorded under the heading 'Board Committees' above.

Remuneration Policies

The company has adopted policies for senior executive remuneration, senior manager remuneration and general remuneration.

Remuneration Report

The company's policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives are included in the Remuneration Report. The Remuneration Report also includes a discussion of the operation of, and policy for, equity based remuneration.

RISK MANAGEMENT

Risk

Fletcher Building has a group-wide risk management framework that supports the risk management policy of the group.

The purpose of the risk management framework at Fletcher Building is to ensure that the key risks faced are identified, assessed, controlled, monitored and reported so that the company can achieve its objectives and protect its people, customers and reputation.

The audit and risk committee of the board is responsible for overseeing the risk management framework and to regularly review the risks of Fletcher Building. As part of that responsibility, the audit and risk committee receives regular reports of the material, emerging and existing key risks, the current and target risk ratings, and the measures in place to mitigate the risks.

Fletcher Building has adopted a consistent framework for the management of risk, ensuring the alignment with strategy, business processes, corporate knowledge and technology. The company's approach aligns with the international risk management framework as established under the International Organisation for Standardisation (ISO) ISO31000:2009 Risk Management – Principles and Guidelines.

Health and safety

The safety, health, environment and sustainability committee of the board is responsible for overseeing the health and safety risk management framework and regularly reviews the health and safety risks within the business.

Fletcher Building launched a new health and safety management framework in 2017 called Protect. Management of health and safety risks are discussed in more detail on page 28.

AUDITORS

The audit and risk committee performs an annual performance assessment of the external auditor to ensure ongoing quality and effectiveness. EY was appointed as external auditor, following a competitive tender process during FY15.

The Auditor Independence Policy includes requirements for the rotation of external audit engagement partners. The Auditor Independence Policy is available at http://www.fbu.com/investor-centre/corporate-governance/. In addition, the policy covers the provision of non-audit services by the company's auditor. Auditor's fees and expenses paid to EY are presented within note 27 of the group financial statements included in this annual report. The other work performed by the external auditor beyond the statutory audit was pre-approved in accordance with the Auditor Independence Policy and is not considered to compromise independence as the services did not constitute material sums of money.

The company's external auditor attends the annual shareholders' meeting and is available to answer questions from security holders relevant to the audit.

Internal audit

Fletcher Building has an internal audit function, which evaluates and improves the effectiveness of key risk management, control and governance processes. Internal audit develops an annual internal audit plan for approval by the audit and risk committee and is accountable for its implementation. To provide for the independence of the internal audit function, internal audit reports functionally to the audit and risk committee and administratively to the chief financial officer.

SHAREHOLDERS' RIGHTS AND RELATIONS

Informed shareholders

Fletcher Building maintains a website, that includes information about Fletcher Building's financial performance, operational activities, corporate governance and other information of specific relevance to investors and stakeholders. Core policies on communicating with shareholders are formalised in a Shareholder Communication Policy, which is available on the website.

The company operates an investor relations programme, which includes scheduled interactions with institutional investors, analysts and other market commentators. Presentations are also disclosed on the company's website and the NZX and ASX announcement platforms. The chairman meets with major shareholders of the company in New Zealand and Australia on an annual basis. The chief executive officer and chief financial officer attend an analysts' and investors' call after release of the interim and full year results and answer questions raised by analysts and investors. The board also obtains annually, research on the perceptions that the New Zealand and Australian investment community have on the company, management and performance.

Electronic communications

Shareholders have the option to receive communications from, and send communications to, Fletcher Building electronically. Shareholders are actively encouraged to take up this option.

Shareholder voting

There have been no major decisions made during the year that would change the nature of Fletcher Building and that would require shareholder approval.

Capital allocation

Significant capital expenditure during the period included:

Initiative	FY17 Capex
Firth – North Island masonry consolidation	$22m
GBC Winstone – South Island strategy	$21m
Formica Europe – UK development plan	$12m
GBC Winstone – Hunua Quarry new pit development	$11m

Board profiles

DIRECTORS

FROM TOP

Sir Ralph Norris
Antony Carter
Bruce Hassall
Dr Alan Jackson
John Judge
Kathryn Spargo
Cecilia Tarrant
Steven Vamos

SIR RALPH NORRIS

FNZIM, HFIITP, KNZM, Hon.DBus
(University of New South Wales)

Independent Chairman

Chairman of the Nominations Committee

FIRST APPOINTED 1 APRIL 2014

Sir Ralph Norris retired as managing director and chief executive officer of the Commonwealth Bank of Australia in November 2011 following a 40-year career in the banking sector in Australia and New Zealand, including as chief executive officer of ASB Bank. He is a former chief executive officer of Air New Zealand. Sir Ralph is chairman of Contact and RANQX Holdings and a director of SouthPark Corporation, the Advisory Board of New Zealand Treasury and Fletcher Building Industries. He is a member of the NZ Olympic Advisory Committee, the Juvenile Diabetes Research Foundation Advisory Board, The University of Auckland Council and trustee of Business Mentors New Zealand. He also served as an independent non-executive director of Fletcher Building from 2001 to 2005.

ANTONY CARTER

BE (Hons), ME, MPhil (Loughborough)

Independent Non-executive Director

Member of the Remuneration and Nominations Committees

FIRST APPOINTED 1 SEPTEMBER 2010

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

BRUCE HASSALL
BCom, FCA (CAANZ)

Independent Non-executive Director

Member of Audit and Risk and Nominations Committees

FIRST APPOINTED 1 MARCH 2017

Bruce Hassall was the CEO and a senior partner of PwC New Zealand until September 2016 when he ended his 30-year career with them. He was responsible for the executive leadership of PwC New Zealand, including the determination and execution of its strategy in New Zealand and was on PwC's AsiaPac leadership team.

Mr Hassall has considerable experience with both major public and private companies and in a range of industries, including retail, travel, communications, technology, forestry and entertainment sectors. He has M&A, IPO and capital raising experience.

He is an independent non-executive director of the Bank of New Zealand, chairman of The Farmers Trading Company and non-executive director of Prolife Foods and Fletcher Building Industries Limited. He serves as a member of the Advisory Board at The University of Auckland Business School and was a founding board member of the New Zealand China Council. He is a Chartered Accountant and Fellow of CAANZ.

DR ALAN JACKSON
BEng (Hons), PhD (Auckland)
MBA (IMD Management Institute)

Independent Non-executive Director

Chairman of the Remuneration Committee and member of the Safety, Health, Environment and Sustainability and Nominations Committees

FIRST APPOINTED 1 SEPTEMBER 2009

Dr Alan Jackson was until 2009 chairman Australasia, senior vice president and director of The Boston Consulting Group. He has been an international management consultant since 1987 with The Boston Consulting Group and has proven experience at the most senior levels of international and government business. Alan has worked across a range of industries, including resources, diversified industrials, building products and construction sectors, including as chairman of Housing Corporation New Zealand. Alan is a fellow of the Institution of Professional Engineers. He is a director of Delegat's Group and Fletcher Building Industries and chairman of New Zealand Thoroughbred Racing.

JOHN JUDGE
BCom, FCA, FInstD

Independent Non-executive Director

Chairman of the Audit and Risk Committee and member of the Nominations Committee

FIRST APPOINTED 9 JUNE 2008

John Judge has considerable experience in Australasian business and brings financial and analytical knowledge to the board. His career includes various roles within Ernst & Young culminating in the position of chief executive of Ernst & Young New Zealand. He is chairman of ANZ Bank New Zealand and the Auckland Arts Festival Trust, a director of Fletcher Building Industries and The New Zealand Initiative and a member of the Otago Business School Board of Advisors.

John Judge retires from the boards of Fletcher Building and Fletcher Building Industries at the conclusion of the 2017 annual shareholders' meeting.

KATHRYN SPARGO
LLB (Hons), BA

Independent Non-executive Director

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

FIRST APPOINTED 1 MARCH 2012

Kate Spargo has extensive business experience from advisory roles on strategic and governance issues, following a career in legal practice in both the public and private sectors. She is a director of Adairs, Sigma Pharmaceuticals, Sonic Healthcare, SMEC Holdings (Australia), Xenith IP and Fletcher Building Industries. She is also a member of the Geelong Football Club board and CoINVEST. Kate is a fellow of the Australian Institute of Company Directors.

CECILIA TARRANT
BA, LLB (Hons), LLM (Berkeley)

Independent Non-executive Director

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

FIRST APPOINTED 10 OCTOBER 2011

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

STEVEN VAMOS
BE (Hons)

Independent Non-executive Director

Member of the Audit and Risk, Remuneration and Nominations Committees

FIRST APPOINTED 6 JULY 2015

Steve Vamos has more than 30 years' experience in the information technology and online media industry. His previous executive roles include, vice president, Worldwide Sales and International Operations for Microsoft Corporation Online Services Group, chief executive officer of Microsoft Australia and New Zealand, chief executive officer of Ninemsn and senior executive roles at Apple and IBM. He is a non-executive director of Telstra and Fletcher Building Industries and is a member of the Advisory Board of the University of Technology Sydney Business School.

Remuneration report

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

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION

The company's remuneration strategy aims to attract, retain and motivate high calibre employees at all levels of the organisation, and thereby drive performance and sustained growth in shareholder value. The company's remuneration committee is kept appraised of relevant market information and best practice, obtaining advice from external advisors when necessary. Remuneration levels are reviewed annually for market competitiveness and alignment with strategic and performance priorities.

The remuneration committee engaged PwC to provide remuneration benchmark data for the chief executive officer and other executive committee roles during the year. The peer group consisted of New Zealand and Australian listed companies of comparable size, complexity and industry to Fletcher Building. An additional global peer group was considered in respect of the chief executive officer role, which included comparable companies from other regions where Fletcher Building has operations.

Total remuneration for executives and senior management comprises:

- fixed remuneration, including the value of base remuneration and any other benefits;
- a short term variable incentive in the form of an annual performance-related cash bonus; and
- participation in the long-term share-based incentive scheme.

For the purposes of determining total remuneration within the executive and senior management group, it is assumed that executives and senior management will on average, achieve their target short-term incentive and 75% of their long-term potential incentives over time, such percentages to be reassessed periodically in the light of the actual earnings achieved over the business cycle.

Fixed remuneration

It is the company's policy to pay fixed remuneration comparable to the median but total remuneration comparable to the upper quartile for equivalent roles in the country or region in which the employee is located. The New Zealand and Australian peer group data compiled by PwC was used for this comparison for executives based in New Zealand and Australia.

Participation in retirement savings plans is made available to employees as required by remuneration practices in relevant jurisdictions.

Short-term variable incentive

Short-term variable incentives (STI) are designed to incentivise growth in earnings and operating cash by rewarding employees' performance against financial and personal objectives. Short-term variable incentive targets are expressed as a percentage of base remuneration. Participation in the plan is by annual invitation at the discretion of the company, at which time financial targets and personal objectives are established.

Financial component: For the chief executive officer, corporate executives and senior management, the financial target is based on the group EBIT and operating cash. All operating executives and senior management have a proportion of the financial target based on the group EBIT and operating cash. For operating executives, the greater proportion of the financial target is based on division EBIT and operating cash, while for senior management the greater proportion of the financial target is based on the EBIT and funds employed and operating cash for the applicable business unit. The financial targets allow normalisation adjustments as agreed by the remuneration committee in advance for acquisitions, divestments and significant items, such as impairments. Financial targets are set at three levels; a threshold level, which must be met before any STI is paid, a target level and a maximum level, above which the STI paid will remain constant. For FY17, the financial threshold is set at achieving 90% of target. The maximum financial level is set at achieving 110% of target for the chief executive officer, executives and corporate senior management and 120% of target for operating senior management. Achievement of the maximum financial level results in a payment of 150% of the STI for all executives and senior management.

Personal component: Personal objectives comprise several challenging, measurable personal objectives. Objectives are aligned to, and support, the company strategy and are cascaded through the management team according to role. The objectives change from time to time to reinforce company priorities. Mark Adamson's objectives included employee engagement, safety and business unit performance improvement measures and were approved directly by the chairman. Payment for the personal component is calculated by reference to the individual performance against the personal objectives for the financial year. The maximum uplift for the personal component is set at 150% for all executives. If the threshold financial level of the EBIT-related measure is not met, no personal component of the STI is payable.

The components of STI by role are as follows:

		Financial component		Total STI		
	Personal component	GROUP EBIT/ CASH TARGET	EBIT/FUNDS AND CASH TARGET	THRESHOLD %	TARGET %	MAXIMUM %[2]
CEO	20	80		0	100	150
Corporate executives	12	48		0	60	90
Operating executives[1]	12 – 16	18 – 24	30 – 40	0	60 – 80	90 – 120
Senior management[1]	4 – 8	8 – 32	0 – 24	0	20 – 40	30 – 60

[1] Varies depending on role
[2] After maximum 150% uplift

In the event of a fatality or serious injury, the board retains the discretion to adjust any or all of the STI payment where it considers it reasonable to do so, having regard to the outcome of the established review process.

The board also has the discretion to require repayment of an employee's STI for a period of up to three years where the company's reported financial statements are subsequently restated or there is misconduct that causes a financial trading loss that has not been taken into account in the STI calculations.

Senior executives are contractually required to build and maintain share ownership of 50% of base remuneration or other percentage as notified by the company from time to time (refer to 'Holding the Company's Securities').

Long-term share scheme

Long-term performance incentives are designed to align employee remuneration with financial outcomes for shareholders over the longer term. The company has implemented a long-term share scheme (ELSS), targeted at the employees most able to influence financial results. The scheme is a share-based scheme except in circumstances where, owing to regulatory requirements, employees cannot participate fully or at all by way of shares. In such circumstances, the employee receives an equivalent economic entitlement which is paid partially or fully by way of a cash bonus entitlement. Participation in any year is by annual invitation at the discretion of the company.

Under the ELSS, participants purchase shares in the company at the offer price with an interest-free loan. The offer price is established at market value at the time of offer. The shares are held by a trustee on behalf of participants until the end of a restrictive period. If certain performance criteria are met and participants remain employed with the company throughout the restrictive period, a cash bonus is paid to meet the repayment of the interest-free loan and legal title in the shares is then transferred to the participants. To the extent that the performance criteria are not met or the participant ceases to be employed by the company, the shares will be forfeited and proceeds used to repay the interest-free loan.

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

- **Total shareholder return (TSR) – 50% of shares**

The TSR of the group for the period is compared with the total market cap-weighted TSR performance for the same period of a comparator group (excluding the two outliers within the comparator group). The 2016 offer is for the period 1 July 2016 to 30 June 2019, which may be extended for up to one more year until 30 June 2020. The comparator group used for the 2016 offer comprises Adelaide Brighton, Amcor, BlueScope, Boral, Brickworks, CSR, Downer EDI, GWA International, James Hardie, CIMIC, Reece, Sims Group, Spark and Steel & Tube. The entitlement to the TSR tranche is determined as follows:

TSR performance (%)	Percentage entitlement %
< 50	nil
50	50
50 – 75	50 – 100 linear pro-rata
> 75	100

- **Earnings per share (EPS) – 50% of shares**

An EPS target for the year ending 30 June 2019 is set based on a required increase from the year ended 30 June 2016. The EPS for the year ended 30 June 2016, excluding significant items, was 60.6 cents and is required to increase by a minimum of 5% per annum before any of the EPS tranche will vest. The EPS tranche will fully vest if the EPS increases by 8% or more per annum. The entitlement to the EPS tranche over each of the year periods still subject to hurdles is determined as follows:

EPS for year ended 30 June 2019[1]	Percentage entitlement %
< 70.1 cents	Nil
70.1 cents per share	50
between 70.1 –76.3 cents per share	50 – 100 linear pro-rata
> 76.3 cents per share	100

[1] EPS will be adjusted to exclude significant items

Remuneration report

The board has retained its discretion to determine the extent to which any shares held in the ELSS should be transferred in any takeover, merger or corporate reconstruction.

The vesting and forfeiture of shares (due to failure to meet performance criteria) relating to the grant under the ELSS over the last six years are as follows:

Date of grant	Shares granted	Shares vested	Shares forfeited	EPS Target
October 2016	905,211			70.1 – 76.3
October 2015	3,208,083			67.1 – 73.1
October 2014	815,164			61.0 – 66.4
October 2013	771,038	50.0%	0.0%[1]	55.1 – 63.4
October 2012	1,542,549	50.0%	50.0%	31.5 – 36.2

[1] The October 2013 EPS tranche vested in 2016 and the TSR tranche was extended to 30 September 2017.

FBuShare

FBuShare is a broad-based employee share plan that aims to promote employee engagement and retention. Employees acquire shares in the company and, if they continue to be employed after a three-year qualification period, they become entitled to receive one award share for every two shares purchased in the first year of the qualification period and still owned at the end of that period. FBuShare does not require any performance criteria to be met. FBuShare has a maximum contribution rate of NZ$5,000 per annum (or the equivalent currency in other countries). Employees in certain countries are invited to participate in an equivalent plan, which replicates the benefits of FBuShare. Directors are not eligible to participate in FBuShare.

CHIEF EXECUTIVE OFFICER'S REMUNERATION

Mark Adamson's base salary as at 30 June 2017 was $ 2,024,375. The remuneration he received in that year comprised:

Base remuneration	$2,024,375
Short-term variable incentive (STI) relating to FY16 – paid September 2016	$2,198,959
Long-term share scheme (ELSS) 2013 – paid October 2016	$1,080,008
Other benefits*	$69,392

Refer above under 'Executive and Senior Management Remuneration' for details of the STI and ELSS.

* Includes medical insurance premium and an annual return flight to his home country (the UK) for himself and his immediate family.

No short-term variable incentive was accrued or will be payable to Mark Adamson in respect of the year to 30 June 2017.

Mark Adamson was granted the following long-term incentive during the year. All of his long-term incentives were forfeited upon his employment as chief executive officer ceasing on 20 July 2017.

Long-term share scheme (ELSS) 2016	197,285 shares	$ 2,093,194[1]

Refer above under 'Executive and Senior Management Remuneration' for details of the ELSS.

[1] Based on a share price of $10.61, being the volume weighted average price for the five business days ended 30 September 2016

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

2012 Share Options Plan – chief executive officer

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

An initial issue of 500,000 options was made with effect on 1 October 2012 with an initial exercise price of $6.22, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the announcement of Mark Adamson's appointment on 18 June 2012. A further issue of 500,000 options was made with effect on 1 October 2015 with an initial exercise price of $6.89, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding 30 September 2015. The exercise price of the options adjusts annually, with effect from the date of grant, by the company's cost of capital less any dividends actually paid.

None of these options was exercised by Mark Adamson and all 1,000,000 options were forfeited upon his employment as chief executive officer ceasing on 20 July 2017.

Cessation of employment

Mark Adamson's employment as chief executive officer ceased on 20 July 2017 in accordance with the severance terms of his employment agreement. Since the commencement of FY18, Mark Adamson was paid his fixed remuneration for the period to 20 July 2017. Upon cessation of his employment, Mark Adamson was paid an amount in accordance with the severance terms in his employment agreement which was equivalent to his fixed remuneration entitlement for a combined period comprising a three-month notice period plus 12 months' severance and any leave entitlement due to him, such aggregate amount being $2,936,387. The long-term incentives that were forfeited on cessation of his employment had a loan value of $8,014,105.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

	2017 Calendar Year		2016 Calendar Year	
	MEMBER PER ANNUM	CHAIRMAN[1] PER ANNUM	MEMBER PER ANNUM	CHAIRMAN[1] PER ANNUM
Board of directors	$166,000	$440,000	$162,000	$430,000
Audit and risk committee	$23,000	$46,000	$23,000	$46,000
Remuneration committee	$17,500	$35,000	$17,500	$35,000
Nominations committee	$10,000		$10,000	
Safety, health, environment and sustainability	$17,500	$35,000	$17,500	$35,000
Travel allowance – Australian residents	$18,000		$18,000	

[1] The chairmen's amounts are not additional to the corresponding member amounts.

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

Director fees are reviewed annually in the last quarter of the calendar year.

The maximum aggregate remuneration able to be provided to all non-executive directors was set at $2,000,000 at the 2011 annual shareholders' meeting. The remuneration paid to non-executive directors in the year ended 30 June 2017 was as follows:

Non-executive director	Remuneration paid
A J Carter	$191,500
A T Jackson	$226,500
J F Judge	$220,000
R J Norris	$435,000
K D Spargo	$250,000
C Tarrant	$214,500
S M Vamos	$229,583
B R Hassall[1]	$66,333
Total	**$1,833,416**

1 Bruce Hassall became a director on 1 March 2017. He is an additional director appointed in anticipation of the retirement of John Judge at the conclusion of the 2017 annual shareholders' meeting.

Non-executive directors do not participate in any company share or option plan. However, the Board Charter requires non-executive directors (or their associates) to hold at least 20,000 shares in the company to demonstrate their commitment and alignment with the company. This shareholding can be acquired at any time prior to the annual shareholders' meeting at which they are first subject to re-election. There are no schemes for retirement benefits for non-executive directors.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

The company has arranged a programme of directors' and officers' liability insurance covering directors, executives and employees acting on behalf of the company. Cover is for damages, judgments, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed whilst acting for the company. Actions not covered include dishonest, fraudulent or malicious acts or omissions, wilful breach of a statute, regulation or a duty to the company, improper use of information to the detriment of the company and breach of professional duty.

The insurance cover is supplemented by an indemnity from the company. However, the indemnity does not cover liabilities that cannot be indemnified under the Companies Act 1993 or other statutes, including liability arising from criminal acts or a failure to act in good faith and in the best interests of the company.

Remuneration report

HOLDING THE COMPANY'S SECURITIES

A standard term in the executive and senior management employment contract is a requirement that, over time, executives and senior managers must acquire and maintain a holding in the company's ordinary shares until such time as the greater of the sum invested or the market value of their shareholding exceeds 50% of their base remuneration. In meeting this obligation, executives and senior managers may not sell any shares that vest under the ELSS until the shareholding equals or exceeds the shareholding threshold. For executives or senior managers who are domiciled outside New Zealand or Australia, any net after-tax payments made under the ELSS are to be used to acquire shares on or before 31 March of the following financial year (i.e. 31 March immediately following the payment from the scheme) until the shareholding equals or exceeds the shareholding threshold. In addition, for members of the executive committee who are domiciled in New Zealand or Australia, if at the time of appointment to an executive role, the greater of the market value or cost of the individual shareholding is less than the value of 10% of nominal base remuneration, the executive is required to apply no less than 25% of the after-tax value of any short-term incentive payment to acquire Fletcher Building Limited shares on or before 31 March of the following financial year (i.e. 31 March immediately following the short-term incentive payment). This requirement applies for the first two years of employment as an executive unless the shareholding equals or exceeds the shareholding threshold.

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

Shares issued to executives and senior management under the ELSS, but still subject to the restrictive period, do not count towards the required minimum shareholding. The company does, however, allow New Zealand-based executives or senior management to include an economic exposure to the shares through a defined contribution investment account in the Fletcher Building Retirement Plan, the value of which is calculated by reference to the Fletcher Building share price.

The company has a policy that prohibits entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

EMPLOYEE REMUNERATION

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

EMPLOYEE REMUNERATION

From NZ$ to NZ$	International business activities	New Zealand business activities	Total
100,000 – 110,000	482	430	912
110,000 – 120,000	355	359	714
120,000 – 130,000	234	262	496
130,000 – 140,000	181	202	383
140,000 – 150,000	128	146	274
150,000 – 160,000	107	133	240
160,000 – 170,000	82	92	174
170,000 – 180,000	57	65	122
180,000 – 190,000	72	59	131
190,000 – 200,000	57	49	106
200,000 – 210,000	43	48	91
210,000 – 220,000	37	47	84
220,000 – 230,000	34	35	69
230,000 – 240,000	23	27	50
240,000 – 250,000	14	21	35
250,000 – 260,000	20	22	42
260,000 – 270,000	12	17	29
270,000 – 280,000	11	12	23
280,000 – 290,000	14	14	28
290,000 – 300,000	11	7	18
300,000 – 310,000	6	10	16
310,000 – 320,000	11	14	25
320,000 – 330,000	8	4	12
330,000 – 340,000	2	3	5
340,000 – 350,000	1	1	2
350,000 – 360,000	2	6	8
360,000 – 370,000	4	4	8
370,000 – 380,000	6	4	10
380,000 – 390,000	5	2	7
390,000 – 400,000	3	5	8
400,000 – 410,000	3	6	9
410,000 – 420,000	7	3	10
420,000 – 430,000	6	2	8
430,000 – 440,000	2	1	3
440,000 – 450,000	5	1	6
450,000 – 460,000	2	2	4
460,000 – 470,000	4	2	6
470,000 – 480,000	3	1	4
480,000 – 490,000		1	1
490,000 – 500,000		1	1
500,000 – 510,000	3	1	4
510,000 – 520,000		1	1
520,000 – 530,000	1	3	4
530,000 – 540,000	2	1	3
540,000 – 550,000	3	1	4
550,000 – 560,000		2	2
560,000 – 570,000	2		2
570,000 – 580,000	1		1
600,000 – 610,000	1	2	3
610,000 – 620,000	2	1	3
620,000 – 630,000	1	1	2
630,000 – 640,000		1	1
640,000 – 650,000		1	1
660,000 – 670,000		2	2
680,000 – 690,000	1		1
700,000 – 710,000		1	1
710,000 – 720,000	2		2
720,000 – 730,000		2	2
780,000 – 790,000		1	1
830,000 – 840,000		1	1
860,000 – 870,000		1	1
900,000 – 910,000	1		1
940,000 – 950,000	1		1
970,000 – 980,000		1	1
1,020,000 – 1,030,000		1	1
1,060,000 – 1,070,000		1	1
1,090,000 – 1,100,000		1	1
1,100,000 – 1,110,000		1	1
1,140,000 – 1,150,000		1	1
1,150,000 – 1,160,000	1	1	2
1,380,000 – 1,390,000		1	1
1,470,000 – 1,480,000		1	1
3,270,000 – 3,280,000	1		1
	2,077	**2,152**	**4,229**

Financial review 2017

Fletcher Building posts underlying operating earnings of $525 million

Reported results $m (except where noted)	Year ended 30 June 2017	Year ended 30 June 2016	Change %
Total revenue	**9,399**	**9,004**	**4**
Operating earnings before significant items[1]	**525**	**682**	**(23)**
Significant items[2]	(252)	37	NM
Operating earnings (EBIT)	**273**	**719**	**(62)**
Funding costs	(111)	(115)	(3)
Earnings before tax	**162**	**604**	**(73)**
Tax expense	(57)	(131)	(56)
Earnings after tax	**105**	**473**	**(78)**
Non-controlling interests	(11)	(11)	0
Net earnings	**94**	**462**	**(80)**
Net earnings before significant items	**321**	**418**	**(23)**
Earnings per share before significant items (cents)	**46.3**	**60.6**	**(24)**
Earnings per share (cents)	**13.5**	**67.0**	**(80)**
Dividends declared per share (cents)	**39.0**	**39.0**	**0**
Capital expenditure	**319**	**300**	**6**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017.

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

	Revenue		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
Building Products	2,270	2,449	(7)
International	2,017	2,128	(5)
Distribution	3,287	3,184	3
Residential and Land Development	420	343	22
Construction	2,246	1,648	36
Other	9	9	0
Gross revenue	**10,249**	**9,761**	**5**
less intercompany sales	(850)	(757)	12
Group external revenue	**9,399**	**9,004**	**4**

	Reported operating earnings			Operating earnings before significant items[1]		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
Building Products	169	353	(52)	267	274	(3)
International	169	103	64	169	133	27
Distribution	40	175	(77)	193	176	10
Residential and Land Development	130	84	55	130	84	55
Construction	(204)	78	NM	(204)	78	NM
Corporate	(31)	(74)	58	(30)	(63)	52
Total	**273**	**719**	**(62)**	**525**	**682**	**(23)**
Funding costs	(111)	(115)	(3)	(111)	(115)	(3)
Earnings before tax	**162**	**604**	**(73)**	**414**	**567**	**(27)**
Tax expense	(57)	(131)	(56)	(82)	(138)	(41)
Earnings after tax	**105**	**473**	**(78)**	**332**	**429**	**(23)**
Non-controlling interests	(11)	(11)	0	(11)	(11)	0
Net earnings	**94**	**462**	**(80)**	**321**	**418**	**(23)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017. Details of significant items can be found in note 4 of the group's financial statements.

Geographic segments

	Gross revenue			External revenue		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
New Zealand	6,126	5,438	13	5,381	4,797	12
Australia	2,853	3,055	(7)	2,766	2,959	(7)
Rest of World	1,270	1,268	0	1,252	1,248	0
Total	**10,249**	**9,761**	**5**	**9,399**	**9,004**	**4**

	Operating earnings before significant items[1]		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
New Zealand	282	452	(38)
Australia	120	154	(22)
Rest of World	123	76	62
Total	**525**	**682**	**(23)**

Financial review 2017

Geographic segments in local currency

	Gross revenue			External revenue		
	Year ended 30 June 2017	Year ended 30 June 2016	Change %	Year ended 30 June 2017	Year ended 30 June 2016	Change %
Australia (A$m)	2,701	2,809	(4)	2,619	2,721	(4)
Rest of World (US$m)	905	850	6	892	837	7

	Operating earnings before significant items[1]		
	Year ended 30 June 2017	Year ended 30 June 2016	Change %
Australia (A$m)	114	142	(20)
Rest of World (US$m)	88	51	73

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017. Details of significant items can be found in note 4 of the group's financial statements.

- External revenue of $9,399 million was $395 million or 4% higher than the prior year. New Zealand revenue increased by $584 million, but was offset by lower revenue in Australia (primarily due to the divestment of Rocla Quarries). In local currencies, revenue increased by 12% in New Zealand, declined by 4% in Australia and increased by 7% in the Rest of World.
- Reported operating earnings before interest and tax of $273 million were 62% lower than the prior year.
- Reported operating earnings include significant items of $252 million relating to:
  - $222 million of goodwill and intangible assets have been impaired in the year, with $69 million relating to Iplex Australia and $153 million relating to Tradelink;
  - Costs of $17 million relating to site closures in Fletcher Insulation and Rocla Products;
  - $12 million relating to the costs associated with prolonged industrial action, which has now been resolved, at one of Fletcher Insulation's manufacturing sites; and
  - Costs of $1 million associated with the acquisition of the Higgins business which was completed during the year.
- Operating earnings before significant items were $525 million, 23% lower than the prior year, primarily due to losses recognised in the B+I business. When adjusting for the impact of these losses, earnings increased approximately 20%.
- In **New Zealand**, earnings benefited from continued demand across the residential building and infrastructure sectors which translated to improved Building Products, Residential and Distribution earnings alongside improved operational performance in specific business units. Excluding the results of the B+I business, New Zealand earnings were up approximately 30% on the prior year.
- In **Australia**, market conditions were mixed, with robust activity in Eastern states offset by challenging trading conditions in Western Australia where local currency revenue for the group decreased 21% compared to the prior year. Operating earnings before significant items were flat, once adjusted for divested businesses and the one-off property gain in Tradelink in the prior year.
- In the **Rest of World**, earnings in local currency increased 73% driven by strong performances in Formica's Asian operations, and significant year-on-year improvement in Formica Europe, alongside the Construction South Pacific business and contributions from the Higgins Fiji operations acquired in July 2016.
- Funding costs of $111 million were 3% lower than the prior year. Whilst increased interest costs resulted from higher debt levels at the end of the year these were more than offset by the impact of derivative valuation changes in the year.
- The tax expense of $57 million represents an effective tax rate for the year of 35% (2016: 22%) which has been influenced by the significant items reported during the year. Excluding significant items the effective tax rate was 20% and is expected to return to normal levels in FY18.
- Earnings per share were 13.5 cents, a decrease from 67.0 cents per share in the prior year.
- Earnings per share before significant items were 46.3 cents, a decrease from 60.6 cents in the prior year.
- Cash from operations of $243 million, compared with $660 million in the prior year, reflected lower operating earnings, continued investment in residential land and increased working capital across the group as activity levels increased.

The following sections provide commentary on individual division results for the year ended 30 June 2017.

Building Products

Concrete Pipes & Products, Cement & Aggregates; Building Materials; Plastic Pipes

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m	Change %
Gross revenue	2,270	2,449	(179)	(7)
External revenue	1,783	1,969	(186)	(9)
Operating earnings before significant items[1]	267	274	(7)	(3)
Significant items[2]	(98)	79	(177)	NM
Operating earnings	169	353	(184)	(52)
Funds	1,666	1,581	85	5

	Operating earnings before significant items[1]		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
Concrete Pipes & Products	60	59	2
Cement & Aggregates	74	68	9
Building Materials	102	93	10
Plastic Pipes	20	14	43
JV Earnings and other	11	18	(39)
Subtotal	**267**	**252**	**6**
Divested businesses	**0**	**22**	**NM**
Total	**267**	**274**	**(3)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017.

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

The Building Products division reported gross revenue of $2,270 million compared with $2,449 million in the prior year, a reduction of 7%. Adjusting for divested businesses (Pacific Steel and Rocla Quarries), and changes in Joint Venture accounting (Altus), revenue was flat year-on-year.

Operating earnings before significant items were $267 million, 3% lower than $274 million in the prior year, however, adjusting for divested businesses, operating earnings increased 6% with a number of New Zealand businesses recording record volumes.

Operating earnings before significant items for Concrete Pipes & Products were $60 million, compared to $59 million in the prior year, a 2% increase. The result included a gain from a property sale in New Zealand of $12 million. Excluding the property gain, the New Zealand concrete products business increased earnings by 15%, with ready-mix concrete volumes increasing 3%. New Zealand concrete pipe volumes increased 9%, however, earnings were down $3 million due to margin compression. Concrete pipe volumes in Australia were flat year-on-year, however operating earnings decreased $12 million from the prior year, negatively impacted by lower pricing and operational issues at a key manufacturing site. Interventions to lay foundations for performance improvements in FY18 have been made.

Operating earnings for Cement and Aggregates were $74 million, compared to $68 million in the prior year, a 9% increase. This was primarily driven by New Zealand aggregates volumes which were 29% higher than prior year and a modest increase in cement volumes of 4%, combined with a favourable change in the mix of regional quarrying volumes.

Operating earnings before significant items for the Building Materials businesses were $102 million, compared to $93 million in the prior year, a 10% increase. Plasterboard volumes were up 6% overall, with volumes of performance boards increasing 2%. Whilst New Zealand glasswool volumes remained flat compared to the prior year, the operating earnings of the New Zealand insulation business more than doubled primarily as a result of price increase initiatives and production improvements. Earnings from the Australian insulation business declined $2 million versus the prior year, due mainly to costs associated with key transformation initiatives, including the recommissioning of the Rooty Hill plant in Sydney.

The Plastic Pipes businesses reported $20 million operating earnings before significant items, a $6 million improvement on the prior year. Operating earnings in the New Zealand plastic pipes business increased by $2 million as a result of higher plumbing and civil volumes, favourable product mix and operational efficiencies. In Australia, the plastic pipes business returned to profitability with operating earnings before significant items increasing by $4 million from the prior year. Operating efficiencies and market share gains in the plumbing segment more than offset reduced volumes, which decreased by 1% due to softening demand particularly in the irrigation and mining segments, as well as continued reduction in demand from coal seam gas projects.

Significant items of $98 million reported in the year comprise the impairment of Iplex Australia intangible assets ($69 million), costs relating to the closure of three sites in Australia ($17 million) and costs incurred in Fletcher Insulation as a result of prolonged industrial action at one of the business's manufacturing sites ($12 million). This compared to a net gain of $79 million in the prior year which was primarily attributable to the sale of Rocla Quarries.

Financial review 2017

International

Laminex; Formica; Roof Tile Group

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m	Change %
Gross revenue	2,017	2,128	(111)	(5)
External revenue	1,999	2,106	(107)	(5)
Operating earnings before significant items[1]	169	133	36	27
Significant items[2]	0	(30)	30	NM
Operating earnings	169	103	66	64
Funds	1,938	1,902	36	2

	Operating earnings before significant items[1]		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
Laminex	90	80	13
Formica	88	62	42
Roof Tile Group	13	14	(7)
International divisional costs	(22)	(23)	(4)
Total	**169**	**133**	**27**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017.

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

Operating earnings before significant items for the International division increased 27% to $169 million from $133 million in the prior year. This was primarily driven by the turnaround of Formica Europe and improvement of the Laminex businesses.

Laminex's operating earnings increased by 13% to $90 million compared to $80 million in the prior year.

Operating earnings in Laminex Australia were $76 million, up 6% on the prior year. Gross revenue in Australia decreased by 4% in Australian dollars terms, due largely to continuing weaknesses in the Western Australia residential sector offset by growth in the Eastern states. Operating earnings were positively impacted by optimised pricing, operational efficiency improvements plus continued reductions in overheads, offset in part by increasing energy prices which negatively impacted production costs.

Operating earnings excluding significant items in Laminex New Zealand increased from $8 million to $14 million. Gross revenue in New Zealand increased by 6%. The year-on-year earnings growth was due to strengthening margins, improved share in the decorated board business, as well as improvements in operational efficiency.

Operating earnings excluding significant items for Formica were $88 million, an increase of 42% on the prior year. In local currencies, overall gross revenue was up by 3% on last year.

In North America, operating earnings were $53 million, down by 5% on the prior year. Operating earnings in local currency were in line with the prior year as strong operational performance of the manufacturing plants in the US and Canada was partially offset by unfavourable product and market mix. Gross revenue in local currency increased by 1% on the prior year, supported by volume growth of 3%.

In Asia, operating earnings increased 35% to $31 million driven largely by revenue growth, lower raw material prices and improved manufacturing efficiencies across all four factories in Asia. Gross revenue in local currency was up by 6% on the prior year. The key markets of ASEAN, China and Taiwan generated revenue growth of 13%, 6% and 1% respectively.

In Europe, operating earnings excluding significant items of $4 million was a $21 million improvement on the loss of $17 million in the prior year. This was attributable to a local currency gross revenue increase of 2%, significant improvements in operational performance at the main UK manufacturing plant and continued overhead cost reductions across the business.

Operating earnings in the Roof Tile Group were down by $1 million to $13 million. Gross revenue in local currencies was down by 5% on the prior year driven predominantly by deteriorating economic conditions in Africa, where volumes fell by 31%, with a resulting $5 million decrease in operating earnings. Elsewhere in the core markets of the Americas, Asia and Europe, volumes increased by 8%, 4% and 4% respectively.

Distribution

NZ Building Supplies; NZ Steel Distribution; Australian Building Supplies; Australian Steel Distribution

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m	Change %
Gross revenue	3,287	3,184	103	3
External revenue	3,112	3,026	86	3
Operating earnings before significant items[1]	193	176	17	10
Significant items[2]	(153)	(1)	(152)	NM
Operating earnings	40	175	(135)	(77)
Funds	935	1,001	(66)	(7)

	Operating earnings before significant items[1]		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
NZ Building Supplies	104	85	22
NZ Steel Distribution	54	44	23
Australian Building Supplies	10	27	(63)
Australian Steel Distribution	25	20	25
Total	**193**	**176**	**10**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017.

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

The Distribution division reported operating earnings of $40 million, compared with $175 million in the prior year.

This result includes significant items of $153 million relating to the impairment of intangible assets in the Tradelink business.

Operating earnings before significant items for the year were $193 million, an increase of 10% on the prior year. Year-on-year earnings growth was delivered from an increase in local currency gross revenue of 7% in New Zealand and 1% in Australia, alongside both gross margin and operating cost efficiencies.

The New Zealand Building Supplies businesses reported increased operating earnings of 22%. This was achieved through revenue growth of 6% including market share gains, improved gross margins and controlled operating costs, including benefits from ongoing branch co-locations and operating leverage. Continued growth was seen across the NZ regions, with the exception of the Canterbury market which contracted year-on-year as the market resets from the highs of the residential rebuild.

PlaceMakers gross revenue of $1.2 billion was up 6% on the prior year, reflecting growth in core categories such as timber, frame and truss, and insulation, as well as in targeted categories such as fastenings, doors and windows. Mico's gross revenue also increased by 6% to $250 million, with market share gains in both the bathroom segment and plumbing supplies.

The New Zealand Steel Distribution businesses grew operating earnings before significant items by 23% to $54 million, reflecting profitable market share gains across all business groupings. These gains, along with improved margins and cost control led to the double-digit growth in operating earnings.

In Australian Building Supplies, Tradelink's operating earnings before significant items were $5 million, $17 million lower than the prior year. The prior year result included a $14 million net gain from property sales offset by one-off costs. The recessionary effects in Western Australia affected the underlying performance of the business, with local currency gross revenue flat despite traction in both new stores and in the small and medium enterprise customer segment.

Australian Steel Distribution's focus on efficiency and cost control increased operating earnings by 25% alongside growth in key target market segments, including sheds, residential and commercial projects.

Across the division, a focus on targeted growth and operating improvements during the year saw 20 new Tradelink branches open in Australia and significant refurbishment and reinvestment in over 20 branches across the NZ business units.

Financial review 2017

Residential and Land Development

NZ Residential; Land Development

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m	Change %
Gross revenue	420	343	77	22
External revenue	420	343	77	22
Operating earnings	130	84	46	55
Funds	541	355	186	52

	Operating earnings		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
NZ Residential	76	74	3
Land Development	54	10	NM
Total	**130**	**84**	**55**

The Residential and Land Development division reported operating earnings of $130 million, a 55% increase on the prior year.

Gross revenue for the year was $420 million, up from $343 million in the prior year.

NZ Residential operating earnings were $76 million, 3% higher than the prior year. There was an increase in the volumes of units sold to 499 in FY17. This reflected a higher number of sales in the new developments of Swanson, Whenuapai, Beachlands and Red Beach offsetting a decrease in volumes sold at the highly successful developments of Greenhithe and Stonefields.

The Christchurch business continued to progress a number of developments in partnership with the Crown. At Awatea, 60 homes were sold during the year, including 26 affordable homes to first home buyers and 10 homes to charitable housing providers for use as intermediate housing. In addition, we sold a number of units at the private developments of Longhurst and Farringdon.

Overall, NZ Residential sales volumes were behind expectations due to the delayed delivery of land. Average margins, however, were ahead of expectations, driven by continued strong Auckland pricing. The rate of increase in the residential market has slowed since January, signalling a return to more normal market conditions.

Land Development operating earnings were $54 million. This business comprises a combination of residential and commercial land developments for on sale to third parties. This included the sale of the final lot at the James Fletcher Drive development and the sale of the first lot at the Wiri North development.

Whilst Land Development earnings will be irregular in nature, it is anticipated that the business will earn at least $25 million per annum over the next five years.

At year end there were 3,842 lots on balance sheet with a further 2,227 lots under unconditional agreements, to be delivered over the next five years.

Funds employed increased to $541 million from $355 million in the prior year. This was driven by a combination of development work on previously acquired residential sites; an increase in work in progress as the business builds its volumes, in particular in medium-rise apartment delivery, and the settlement of lots purchased from other developers in Beachlands, Penihana, Hobsonville and Whenuapai.

Construction

Construction New Zealand; Construction South Pacific

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m	Change %
Gross revenue	2,246	1,648	598	36
External revenue	2,085	1,560	525	34
Operating earnings	(204)	78	(282)	NM
Funds	174	(18)	192	NM

	Operating earnings		
	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change %
Construction New Zealand	(241)	58	NM
Construction South Pacific	37	20	85
Total	**(204)**	**78**	**NM**

The Construction division reported an operating loss of $204 million compared with operating earnings of $78 million in the prior year. The result includes a positive contribution of $39 million from the Higgins contracting business which was acquired in July 2016.

The Infrastructure, Higgins and South Pacific businesses all recorded strong operating and trading performances in 2017. However, the Building and Interiors (B+I) business unit recorded an operating loss of $292 million, due to losses identified on two large and highly complex projects, and a number of smaller construction jobs.

During the year, following the identification of losses on one major project, a thorough review of the B+I business was undertaken and led to the introduction of new management and governance processes along with the implementation of a new financial management reporting system. These new governance processes along with ongoing project reviews, have indicated significantly higher costs to complete projects across the portfolio, and have also enabled improved quantification of remaining risks. In addition, the detailed review by new management has led to downward revisions in expected profits on a number of smaller projects.

The Infrastructure business reported operating earnings of $31 million, compared with $35 million in the prior year. Work on two major road contracts, the Waterview tunnel in Auckland and the MacKay's to Peka Peka project north of Wellington, reached practical completion during the year. Financial close was achieved on the 18.5 kilometres Pūhoi to Warkworth motorway to extend Auckland's Northern Motorway, with completion scheduled for late 2021. This project, which has been procured as a PPP (Private Public Partnership), has a total value across all partners of $710 million. The project partners comprise Fletcher Construction, Higgins and Acciona. Work also started on the design and construct continuation of the Kāpiti Expressway, from Peka Peka to Otaki.

Higgins recorded operating earnings of $39 million from its New Zealand and Fiji operations, which was ahead of forecasts established during the acquisition process. Higgins has been fully integrated into the Construction division and has continued to operate very successfully under existing management while leveraging Fletcher Building's scale and structure. In late November 2016, Higgins was one of four parties asked to join the North Canterbury Transport Infrastructure Rebuild Alliance (NCTIR) to perform recovery works in response to the Kaikoura earthquakes. A strong team has been mobilised, supported with resources from the Infrastructure business unit, and significant progress has been made in restoring road and rail connections in the upper South Island region.

Construction South Pacific reported operating earnings of $37 million, an increase from $20 million in the prior year. The increase in earnings includes a contribution from Higgins Fijian operations, together with the declaration of final margins on several key projects in Papua New Guinea and American Samoa as these reached the end of their defects liability periods. In Fiji, work on the Momi Bay Resort was completed, while further work was undertaken on a hotel development in Papua New Guinea.

Financial review 2017

Group Cash Flow

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m
Operating earnings before significant items[1]	**525**	**682**	**(157)**
Depreciation and amortisation	203	194	9
Less cash tax paid	(99)	(97)	(2)
Less interest paid	(125)	(118)	(7)
Provisions, significant items and other	(85)	(99)	14
Results from operations before working capital movements	**419**	**562**	**(143)**
Land and developments	(99)	(66)	(33)
Other working capital movements	(77)	164	(241)
Cash flows from operating activities	**243**	**660**	**(417)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2017. Details of significant items can be found in note 4 of the group's financial statements.

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

Cash flows from operating activities of $243 million were 63% lower than the prior year. Cash flows from operations before working capital movements were $419 million, down from $562 million due to lower earnings resulting from the construction losses. The working capital movement was also adverse, with continued investment in residential land ($99 million) and increased inventory and debtors balances ($165 million), resulting from higher activity levels along with large receivables in our Residential and Developments business at year end. Contracts cash flow was positive reflecting the losses recognised but not incurred as cash in the Construction business.

Capital expenditure

	Year ended 30 June 2017 NZ$m	Year ended 30 June 2016 NZ$m	Change NZ$m
Capital expenditure	319	300	19

Capital expenditure was $319 million, compared with $300 million in the prior year. Of this total, $182 million was for stay-in-business capital projects and $137 million related to new growth initiatives. The increased capital expenditure in FY17 was due principally to investment in the Formica UK manufacturing site and the Cement and Aggregates business, especially quarry stripping and the Golden Bay Cement supply chain.

For 2018, capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 30 June 2017 was $2,666 million. Of this, $536 million was undrawn and there was an additional $219 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $198 million and a further $71 million of capital notes are subject to interest rate and term reset.

The group's gearing[1] at 30 June 2017 was 35.3% compared with 27.3% at 30 June 2016. Gearing has returned to the target range following completion of the Higgins acquisition.

The group's leverage[2] at 30 June 2017 was 2.7 times compared with 1.6 times at 30 June 2016. Whilst just outside the target range of 2.0–2.5 times, the expectation is that this will return to within the range in 2018.

The average maturity of the debt is 4.7 years and the hedged currency split is 34% Australian dollar; 49% New Zealand dollar; 10% US dollar; and 7% spread over various other currencies.

Approximately 44% of all borrowings have fixed interest rates with an average duration of 3.8 years and a rate of 5.9%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 4.8%.

Interest coverage[3] at 30 June 2017 was 4.7 times compared with 5.9 times at 30 June 2016.

1 Interest bearing net debt (including capital notes) to interest bearing net debt (including capital notes) and equity.
2 Interest bearing net debt (including capital notes) to EBITDA before significant items.
3 EBIT before significant items to total interest paid including capital notes interest.

Dividend

The 2017 final dividend is 19 cents per share. In line with the group's tax crediting policy announced in August 2016, the final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.3889 cents.

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

The dividend will be paid on 11 October 2017 to holders registered as at 5.00 pm Friday 22 September 2017 (NZT). The shares will be quoted on an ex dividend basis from 21 September 2017 on the NZX and ASX.

The interim dividend of 20 cents per share was paid on 12 April 2017 and the inputed amount per share on the interim dividend was 7.7778 cents.

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 ("the Plan"), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Monday 25 September 2017. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex dividend date of 21 September 2017. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 11 October 2017.

Dividend Policy

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

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

Fletcher Building's policy on franking and imputation is to fully impute both the interim and final dividend with New Zealand tax credits each year (or to the maximum extent possible) and fully frank the final dividend with Australian tax credits where possible.

Fletcher Building expects to be able to impute both interim and final dividends for at least the next two years, subject to the overall financial performance of the group.

Trend statement

	June 2017	June 2016	June 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008
NOTES	8					3	2			1
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Financial performance – Reported										
Operating sales/revenue	**9,399**	9,004	8,661	8,401	8,517	8,839	7,416	6,799	7,103	7,091
Earnings before interest and taxation (EBIT)	**273**	719	503	592	569	403	492	521	159	768
Net earnings	**94**	462	270	339	326	185	283	272	(46)	467
Cash flow from operations	**243**	660	575	489	559	448	402	522	533	434
Earnings per share – basic (cents per share)	**13.5**	67.0	39.2	49.3	47.6	27.2	45.0	44.9	(8.7)	93.2
Dividends for the period (cents per share)	**39.0**	39.0	37.0	36.0	34.0	34.0	33.0	29.0	38.0	48.5
Financial performance – before significant items										
Earnings before interest and taxation (EBIT)	**525**	682	653	624	569	556	596	521	558	768
Net earnings	**321**	418	399	362	326	317	359	301	314	467
Earnings per share – basic (cents per share)	**46.3**	60.6	58.0	52.7	47.6	46.5	57.1	49.7	59.7	93.2
Dividends for the period (cents per share)	**39.0**	39.0	37.0	36.0	34.0	34.0	33.0	29.0	38.0	48.5
Balance sheet										
Current assets	**3,419**	3,222	3,272	2,958	2,868	3,112	3,104	2,317	2,255	2,549
Non-current assets	**4,254**	4,045	4,229	3,983	4,257	4,367	4,388	3,397	3,550	3,686
Total assets	**7,673**	7,267	7,501	6,941	7,125	7,479	7,492	5,714	5,805	6,235
Current liabilities	**1,996**	1,997	1,947	1,596	1,557	1,936	1,700	1,384	1,313	1,436
Non-current liabilities	**2,097**	1,557	1,844	1,891	2,014	2,091	2,092	1,307	1,508	2,043
Total liabilities	**4,093**	3,554	3,791	3,487	3,571	4,027	3,792	2,691	2,821	3,479
Capital	**2,678**	2,650	2,633	2,624	2,606	2,582	2,553	1,912	1,895	1,364
Reserves	**878**	1,041	1,050	795	913	838	1,113	1,077	1,057	1,351
Minority equity	**24**	22	27	35	35	32	34	34	32	41
Total equity	**3,580**	3,713	3,710	3,454	3,554	3,452	3,700	3,023	2,984	2,756
Total liabilities and equity	**7,673**	7,267	7,501	6,941	7,125	7,479	7,492	5,714	5,805	6,235
Other financial data										
Return on average funds (%)[4]	**4.9**	13.4	9.6	11.7	10.8	7.4	10.6	12.7	3.4	19.0
Return on average equity (%)[5]	**2.5**	12.4	7.7	9.9	9.4	5.2	8.2	9.1	(1.6)	19.0
Return on average funds - before significant items (%)[4]	**9.4**	12.7	12.5	12.3	10.8	10.2	12.8	12.7	11.9	19
Return on average equity - before significant items (%)[5]	**8.7**	11.6	11.3	10.5	9.4	9.0	10.4	10	10.8	19
Gearing (%)[6]	**35.3**	27.3	31.8	32.3	33.5	37.4	34.3	26.8	31.1	40.1
Net tangible assets per share ($)	**2.70**	2.87	2.80	2.60	2.61	2.65	2.71	2.90	2.80	2.90
Market capitalisation (NZ$m)	**5,561**	5,942	5,593	6,060	5,784	4,009	5,850	4,763	3,967	3,197
Total shareholders' return (%)[7]	**0**	11	(3)	9	51	(27)	14	24	14	(43)

1 The Formica Corporation group was acquired on 2 July 2007.
2 The Crane group was acquired with an effective acquisition date of 28 March 2011.
3 The June 2012 balance sheet has been restated following revisions to IAS 19 Employee Benefits adopted by the group.
4 EBIT to average funds (net debt and equity less deferred tax asset).
5 Net earnings to average shareholders' funds.
6 Net debt (borrowings less cash and deposits) to net debt and equity.
7 Share price movement in year and gross dividend received, to opening share price.
8 Higgins Group Holdings Limited was acquired on 29 July 2016.

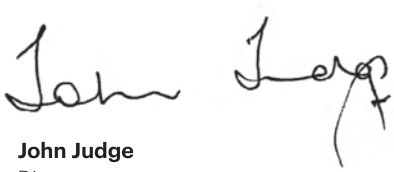
Financial statements 2017

Income statement
For the year ended 30 June 2017

Fletcher Building Group	NOTES	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Sales		**9,399**	9,004
Cost of goods sold		**(7,319)**	(6,767)
Gross margin		**2,080**	2,237
Selling and marketing expenses		**(903)**	(933)
Administration expenses		**(680)**	(636)
Share of profits of associates and joint ventures	25	**20**	12
Other gains and losses	3	**8**	2
Significant items	4	**(252)**	37
Earnings before interest and taxation (EBIT)		**273**	719
Funding costs	14	**(111)**	(115)
Earnings before taxation		**162**	604
Taxation expense	28	**(57)**	(131)
Earnings after taxation		**105**	473
Earnings attributable to non-controlling interests		**(11)**	(11)
Net earnings attributable to the shareholders		**94**	462
Net earnings per share (cents)	6		
Basic		**13.5**	67.0
Diluted		**13.5**	65.4
Weighted average number of shares outstanding (millions of shares)	6		
Basic		**694**	690
Diluted		**694**	736
Dividends declared per share (cents)	7	**39.0**	39.0

On behalf of the Board, 16 August 2017

Sir Ralph Norris
Chairman of Directors



John Judge
Director

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

Financial statements 2017

Statement of comprehensive income

For the year ended 30 June 2017

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Net earnings – parent interest	**94**	462
Net earnings – non-controlling interests	**11**	11
Net earnings	**105**	473
Other comprehensive income		
Items that do not subsequently get reclassified to profit or loss:		
Movement in pension reserve	**44**	(36)
	44	(36)
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedge reserve	**(7)**	15
Movement in currency translation reserve	**(17)**	(186)
	(24)	(171)
Other comprehensive income	**20**	(207)
Total comprehensive income for the year	**125**	266

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 2017

Fletcher Building Group	NOTES	Share capital NZ$M	Retained earnings NZ$M	Share-based payments reserve NZ$M	Cash flow hedge reserve NZ$M	Currency translation reserve NZ$M	Pension reserve NZ$M	Total NZ$M	Non-controlling interests NZ$M	Total equity NZ$M
Total equity at 30 June 2015		2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the year			462		15	(186)	(36)	255	11	266
Movement in non-controlling interests									(16)	(16)
Issue of shares	23	27						27		27
Dividends paid to shareholders of the parent	7		(262)					(262)		(262)
Movement in share-based payment reserve				(2)				(2)		(2)
Movement in treasury stock	23	(10)						(10)		(10)
Total equity at 30 June 2016		2,650	1,399	13	5	(269)	(107)	3,691	22	3,713
Total comprehensive income for the year			94		(7)	(17)	44	114	11	**125**
Movement in non-controlling interests									(9)	**(9)**
Issue of shares	23	31						31		**31**
Dividends paid to shareholders of the parent	7		(277)					(277)		**(277)**
Movement in share-based payment reserve										
Movement in treasury stock	23	(3)						(3)		**(3)**
Total equity at 30 June 2017		**2,678**	**1,216**	**13**	**(2)**	**(286)**	**(63)**	**3,556**	**24**	**3,580**

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

Financial statements 2017

Balance sheet

As at 30 June 2017

Fletcher Building Group	NOTES	June 2017 NZ$M	June 2016 NZ$M
Assets			
Current assets:			
Cash and deposits	8	219	356
Current tax assets	28	15	2
Derivatives	16	8	23
Debtors	9	1,525	1,362
Inventories	10	1,652	1,479
Total current assets		3,419	3,222
Non-current assets:			
Property, plant and equipment	20	2,214	1,972
Goodwill	21	1,069	1,083
Intangible assets	22	609	632
Investments in associates and joint ventures	25	146	135
Retirement plan assets	29	71	41
Other investments		2	2
Derivatives	16	91	156
Deferred tax assets	28	52	24
Total non-current assets		4,254	4,045
Total assets		7,673	7,267
Liabilities			
Current liabilities:			
Creditors and accruals	11	1,406	1,342
Provisions	12	70	67
Current tax liabilities	28	30	26
Derivatives	16	7	21
Construction contracts	13	214	128
Borrowings	15	269	413
Total current liabilities		1,996	1,997
Non-current liabilities:			
Creditors and accruals	11	36	37
Provisions	12	25	24
Retirement plan liabilities	29	38	73
Deferred tax liabilities	28	47	58
Derivatives	16	48	26
Borrowings	15	1,903	1,339
Total non-current liabilities		2,097	1,557
Total liabilities		4,093	3,554
Equity			
Capital	23	2,678	2,650
Reserves		878	1,041
Shareholders' funds		3,556	3,691
Non-controlling interests	24	24	22
Total equity		3,580	3,713
Total liabilities and equity		7,673	7,267

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

Statement of cash flows

For the year ended 30 June 2017

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Cash flow from operating activities		
Receipts from customers	9,303	9,056
Dividends received	11	10
Total received	9,314	9,066
Payments to suppliers, employees and others	8,847	8,191
Interest paid	125	118
Income tax paid	99	97
Total applied	9,071	8,406
Net cash from operating activities	**243**	660
Cash flow from investing activities		
Sale of property, plant and equipment	26	53
Sale of investments	3	1
Sale of subsidiaries/businesses		205
Total received	29	259
Purchase of property, plant and equipment	319	300
Purchase of subsidiaries/businesses	321	7
(Cash)/debt in subsidiaries acquired	(4)	
Total applied	636	307
Net cash from investing activities	**(607)**	(48)
Cash flow from financing activities		
Net debt draw down	476	
Issue of capital notes	35	10
Total received	511	10
Net debt repayment		196
Repurchase of capital notes	19	15
Treasury stock purchased	3	16
Distribution to non-controlling interests	14	18
Dividends	246	235
Total applied	282	480
Net cash from financing activities	**229**	(470)
Net movement in cash held	(135)	142
Add opening cash deposits	356	228
Effect of exchange rate changes on net cash	(2)	(14)
Closing cash and liquid deposits	**219**	356

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

Financial statements 2017

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2017

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Cash was received from:		
Net earnings	**94**	462
Earnings attributable to non-controlling interests	**11**	11
	105	473
Adjustment for items not involving cash:		
Depreciation, depletions and amortisation	**203**	194
Significant items	**232**	(57)
Provisions and other adjustments	**(66)**	(54)
Taxation	**(42)**	34
Gain on disposal of businesses and property, plant and equipment	**(13)**	(28)
Non-cash adjustments	**314**	89
Cash flow from operations before net working capital movements	**419**	562
Net working capital movements	**(176)**	98
Net cash from operating activities	**243**	660
Net working capital movements		
Debtors	**(103)**	72
Inventories	**(62)**	17
Land and developments	**(99)**	(66)
Contracts	**74**	(22)
Creditors	**14**	97
	(176)	98

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

Notes to the financial statements 2017

1. Statement of accounting policies

General information

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

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

The company is registered under the Companies Act 1993 and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The group is a profit-oriented entity.

Basis of presentation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand, which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

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

The financial statements comprise the income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows, and statement of accounting policies, as well as the notes to these financial statements.

Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that certain financial assets and liabilities, as described below are stated at their fair value.

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

Accounting policies are disclosed within each of the applicable notes to the financial statements and are marked with this icon.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

The estimates and judgements that are critical to the determination of the amounts reported in the financial statements have been disclosed with the relevant notes in the financial statements and are marked with this icon or where applied to the financial statements as a whole, are detailed below.

Basis of consolidation

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

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation, from the date control commences until the date control ceases.

Translation of the financial statements of foreign operations

The assets and liabilities of the group's overseas operations are translated into New Zealand currency at the rates of exchange ruling at balance date. The revenue and expenditure of these entities are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising on the translation of these entities and other currency instruments designated as hedges of such investments are recognised directly in the currency translation reserve. The cumulative exchange variations would be reclassified subsequently to earnings if the overseas operation to which the reserve relates were to be sold or otherwise disposed of.

Foreign currency transactions

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

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

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

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined.

Revenue recognition policy

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For most sales, the transfer usually occurs when the product is delivered to the customer; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return.

Notes to the financial statements 2017

1. Statement of accounting policies continued

Construction Contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. Earnings are not recognised until the outcome of the contract can be reliably estimated. The group uses its professional judgement to assess both the physical completion and the forecast financial result of the contract. When a contract is identified as loss-making, a provision is made for estimated future foreseeable losses on the entire contract.

Changes in accounting policies

The following sets out the new accounting standards and amendments to standards that were applicable to the group from 1 July 2016.

No new standards have been adopted in the year to 30 June 2017, however, certain comparatives have been restated to conform with the current year's presentation.

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

NZ IFRS 9 *Financial Instruments*, was issued on 4 September 2014 and addresses the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The group intends to adopt NZ IFRS 9 from 1 July 2017, which is one year earlier than required.

Management has completed an assessment of the impact of this standard and no significant changes are expected as a result of the classification, measurement and impairment requirements of NZ IFRS 9.

NZ IFRS 15 *Revenue from Contracts with Customers*, was issued on 3 July 2014 and addresses recognition and measurement of revenue. It replaces the separate models for goods, services and construction contracts currently included in *IAS 11 Construction Contracts* and *IAS 18 Revenue*. It is required to be adopted by the group in the financial statements for the year ending 30 June 2019.

Management is currently completing an assessment of the impact of this standard and does not plan to early adopt NZ IFRS 15 at present. It is expected that our Construction and Residential & Land Development divisions will be most impacted by the new standard owing to the significant number and variety of customer contracts they have.

NZ IFRS 16 *Leases*, was issued on 11 February 2016 and requires all leases to be recognised on the balance sheet. Currently, under *IAS 17 Leases* only those leases categorised as finance leases are required to be recognised on the balance sheet. NZ IFRS 16 is required to be adopted by the group in the financial statements for the year ending 30 June 2020.

Management is currently conducting an assessment of the impact of this standard. As the majority of businesses in the group have leases, the impact of NZ IFRS 16 on the group financial statements is expected to be significant.

The notes to the financial statements have been grouped into the following sections to allow related notes to be viewed together.

Note	Note description
Financial Performance	
Note 2	Segmental information
Note 3	Other gains and losses
Note 4	Significant items
Note 5	Acquisition of subsidiaries
Note 6	Net earnings per share
Note 7	Dividends and shareholder tax credits
Working Capital Management	
Note 8	Cash and deposits
Note 9	Debtors
Note 10	Inventories, including land and developments
Note 11	Creditors, accruals and other liabilities
Note 12	Provisions
Note 13	Construction contracts
Funding & Risk Management	
Note 14	Funding costs / (income)
Note 15	Borrowings
Note 16	Financial instruments
Note 17	Capital expenditure commitments
Note 18	Lease commitments
Note 19	Contingent liabilities
Long-term Investments	
Note 20	Property, plant and equipment
Note 21	Goodwill
Note 22	Intangible assets
Group Structure & Related Parties	
Note 23	Capital
Note 24	Non-controlling interests
Note 25	Investments in associates and joint ventures
Note 26	Related party disclosures
Other information	
Note 27	Income statement disclosures
Note 28	Taxation
Note 29	Retirement plans
Note 30	Share-based payments

Financial Performance

This section explains the results and performance of the group, including the segmental analysis, details of significant items, earnings per share and dividends.

2. Segmental information

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

Industry segments

Year ended	June 2017 NZ$M Gross sales	June 2016 NZ$M Gross sales	June 2017 NZ$M External sales	June 2016 NZ$M External sales
Building Products	**2,270**	2,449	**1,783**	1,969
International	**2,017**	2,128	**1,999**	2,106
Distribution	**3,287**	3,184	**3,112**	3,026
Residential & Land Development	**420**	343	**420**	343
Construction	**2,246**	1,648	**2,085**	1,560
Other	**9**	9		
Group	**10,249**	9,761	**9,399**	9,004
less intercompany sales	**(850)**	(757)		
Group external sales	**9,399**	9,004	**9,399**	9,004

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (Note 4)	Significant items in EBIT (Note 4)
Building Products	**267**	274	**(98)**	79
International	**169**	133		(30)
Distribution	**193**	176	**(153)**	(1)
Residential & Land Development	**130**	84		
Construction	**(204)**	78		
Other	**(30)**	(63)	**(1)**	(11)
Group	**525**	682	**(252)**	37
Significant items (note 4)	**(252)**	37		
Earnings before interest and taxation (EBIT) per income statement	**273**	719		

	Depreciation, depletion and amortisation expense	Depreciation, depletion and amortisation expense	Capital expenditure	Capital expenditure
Building Products	**77**	80	**129**	100
International	**65**	67	**86**	86
Distribution	**27**	29	**56**	52
Residential & Land Development				
Construction	**20**	8	**28**	25
Other	**14**	10	**20**	37
Group	**203**	194	**319**	300

	Funds*	Funds*
Building Products	**1,666**	1,581
International	**1,938**	1,902
Distribution	**935**	1,001
Residential & Land Development	**541**	355
Construction	**174**	(18)
Other (including debt and taxation)	**(1,674)**	(1,108)
Group	**3,580**	3,713

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

Notes to the financial statements 2017

2. Segmental information continued

Geographic segments

Year ended	June 2017 NZ$M External sales	June 2016 NZ$M External sales	June 2017 NZ$M Funds*	June 2016 NZ$M Funds*
New Zealand	**5,381**	4,797	**2,428**	2,001
Australia	**2,766**	2,959	**1,787**	1,962
North America	**459**	479	**306**	292
Asia	**296**	299	**466**	484
Europe	**300**	323	**354**	318
Other jurisdictions	**197**	147	**61**	(41)
Debt and taxation			**(1,822)**	(1,303)
Group	**9,399**	9,004	**3,580**	3,713

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (Note 4)	Significant items in EBIT (Note 4)
New Zealand	**282**	452	**(1)**	(9)
Australia	**120**	154	**(251)**	73
North America	**48**	53		
Asia	**38**	29		
Europe		(26)		(27)
Other	**37**	20		
Group	**525**	682	**(252)**	37
Significant items (note 4)	**(252)**	37		
Earnings before interest and taxation (EBIT) per income statement	**273**	719		

	Non-current assets+	Non-current assets+
New Zealand	**1,577**	1,183
Australia	**1,426**	1,630
North America	**298**	312
Asia	**425**	435
Europe	**271**	252
Other	**43**	12
Group	**4,040**	3,824

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

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

Description of industry segments

Building Products	The Building Products division is a manufacturer, distributor and marketer of building products used both commercially and in residential markets primarily in New Zealand and Australia.
International	The International division includes laminates and panels businesses that manufacture and distribute decorative surface laminates in Australia, New Zealand, North America, Europe and Asia, and roof tiling businesses that operate in New Zealand, Asia, Europe and USA.
Distribution	The Distribution division consists of building, plumbing, pipeline and steel distribution businesses in Australia and New Zealand.
Residential & Land Development	The Residential & Land Development division operates in New Zealand and is both a residential home builder and develops land holdings for both residential and commercial use.
Construction	The Construction division is a builder and maintainer of commercial buildings and infrastructure across New Zealand and the South Pacific.

3. Other gains and losses

Other gains and losses includes gains from sale of assets, redundancy and restructuring costs and other gains and losses other than those disclosed in note 4 *Significant Items*.

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Other gains and (losses) include the following:		
Gain on sale of assets	**13**	28
Redundancies and restructuring costs	**(8)**	(20)
Other	**3**	(6)
	8	2

4. Significant items

Transactions are classified as significant items when they meet certain criteria approved by the group's Audit and Risk Committee. Significant items are determined in accordance with the principles of consistency, relevance and clarity. Transactions considered for classification as significant items include acquisition and disposal costs; impairment or reversal of impairment of assets; business integration; and transactions or events outside of the group's ongoing operations that have a significant impact on reported profit.

Fletcher Building Group – June 2017	Business acquisition expenses (1) NZ$M	Site closure costs (2) NZ$M	Impairments (3) NZ$M	Other (4) NZ$M	Total NZ$M
Building Products		(17)	(69)	(12)	(98)
Distribution			(153)		(153)
Corporate	(1)				(1)
Total significant items before taxation	(1)	(17)	(222)	(12)	(252)
Tax benefit / (charge) on above items		5	16	4	25
Total significant items after taxation	(1)	(12)	(206)	(8)	(227)

2017

(1) On 29 July 2016 the group acquired the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business. Costs of $1 million associated with the transaction were incurred in the year. Refer note 5 for further details.

(2) The group has recognised a charge of $17 million for costs associated with site closures (this includes $4 million of impairments of plant and machinery):

- $10 million relating to the closure of Fletcher Insulation's Homebush site in Australia announced in December 2016;
- $7 million relating to two site closures in the Rocla Products business.

(3) During the year the group has recognised a $222 million impairment charge, relating to businesses where the carrying amount exceeded the recoverable amount:

- $153 million relating to Tradelink where goodwill and other intangibles have been impaired;
- $69 million relating to Iplex Australia where goodwill and brands have been impaired. Offsetting the impairment of brands is an $11 million reversal of the associated deferred tax liability through tax expense.

(4) The group has recognised a charge of $12 million relating to the costs associated with prolonged industrial action during the year at a Fletcher Insulation site in Australia.

Notes to the financial statements 2017

4. Significant items continued

Fletcher Building Group – June 2016	Business acquisition / disposal income and expenses (1) NZ$M	Site closure costs (2) NZ$M	Impairments (3) NZ$M	Other (4) NZ$M	Total NZ$M
Building Products	90	(11)			79
International		(4)	(26)		(30)
Distribution		(1)			(1)
Corporate	(5)			(6)	(11)
Total significant items before taxation	85	(16)	(26)	(6)	37
Tax benefit / (charge) on above items	(1)	5	1	2	7
Total significant items after taxation	84	(11)	(25)	(4)	44

2016

(1) On 18 August 2015, the group entered into an agreement to sell the operations of Rocla Quarry Products to Hanson Construction Materials Pty Limited. The transaction, which had been subject to ACCC clearance, completed on 29 January 2016.

The aggregate consideration received for the entire Rocla Quarry Products business was $212 million, and $205 million after transaction costs. The gain on sale after tax amounted to $80 million.

On 2 February 2016, the group entered into an agreement to acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business. At 30 June 2016, the transaction remained conditional on regulatory approval and the transaction completed on 29 July 2016.

During the year ended 30 June 2016, expenses associated with the transaction were incurred amounting to $5 million.

On 17 February 2016, the group entered into an agreement to create a 50-50 joint venture between its Fletcher Aluminium windows and doors business and NALCO, the new entity being Altus NZ Limited (previously known as Fanalco Limited). The transaction completed on 30 June 2016. As a result a $5 million gain before tax arose on divestment of the Fletcher Aluminium business to the joint venture.

(2) The group recognised a charge of $16 million for costs associated with closing a number of sites across the group.

(3) A strategic review of the Formica India manufacturing business was completed during the year ended 30 June 2016. The review identified that medium-term earnings prospects had deteriorated and the group has recorded an impairment expense of $26 million, comprising write-offs of goodwill, property, plant and equipment and working capital to estimated recoverable values.

(4) The group incurred total expenses of $6 million during the year ended 30 June 2016 investigating and resolving certain payroll system issues in the group related to the calculation of bereavement leave, alternative holidays, public holidays and sick leave.

5. Acquisition of subsidiaries

On 29 July 2016, the group acquired the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business.

The acquisition will deliver a stronger proposition and level of capability in the roading and infrastructure market, and provide further benefit for a number of group businesses through operational synergies.

In the 11 months to 30 June 2017, the acquired Higgins businesses have contributed $475 million of revenue and $43 million of EBIT to the group. This is materially the same as the proforma 12-month contribution.

The fair value exercise for Higgins has now been completed. The following are the values recognised in the financial statements:

	Provisional value at acquisition date NZ$M	Fair value adjustments NZ$M	Fair value recognised in the financial statements NZ$M
Assets			
Property, plant and equipment	123	(12)	111
Intangible assets		21	21
Cash	4		4
Trade and other receivables	59		59
Inventories	12	(1)	11
	198	8	206
Liabilities			
Trade and other payables	43		43
Deferred tax liabilities		7	7
	43	7	50
Total identifiable net assets at fair value	155	1	156
Non-controlling interest of a specific investment held by Higgins	(1)		(1)
Goodwill arising on acquisition	157	(1)	156
Purchase consideration transferred	311		311
Analysis of cash flow on acquisition:			
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4		4
Cash paid	(311)		(311)
Net cash flow on acquisition	(307)		(307)

Acquisition related costs

The group incurred acquisition related costs of $1 million in the current period. These costs have been included within significant items (note 4) (June 2016: $5 million).

Other acquisitions

During the year the group also completed three smaller separate acquisitions. The aggregate total identifiable net assets at fair value was $7 million with a total aggregate cash consideration paid of $10 million, resulting in $3 million of goodwill.

Notes to the financial statements 2017

6. Net earnings per share

Earnings per share is the portion of a company's profit allocated to each outstanding ordinary share and is calculated by dividing the earnings attributable to shareholders by the weighted average of ordinary shares on issue during the year excluding treasury stock. Earnings per share serves as an indicator of the group's profitability.

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

Fletcher Building Group	Year ended June 2017	Year ended June 2016
Net earnings per share (cents)		
Basic	**13.5**	67.0
Diluted	**13.5**	65.4

	NZ$M	NZ$M
Numerator		
Net earnings	**94**	462
Numerator for basic earnings per share	**94**	462
Dilutive capital notes distribution		19
Numerator for diluted net earnings per share	**94**	481
Denominator (millions of shares)		
Denominator for basic net earnings per share	**694**	690
Conversion of dilutive capital notes		46
Denominator for diluted net earnings per share	**694**	736
The effect of significant items (note 4) on earnings per share is as follows:		
Net earnings per income statement	**94**	462
Significant items (note 4)	**227**	(44)
Net earnings before significant items	**321**	418
Basic earnings per share before significant items (cents)	**46.3**	60.6

7. Dividends and shareholder tax credits

Dividends

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Dividends of 20 cents per share paid to shareholders in October 2016 (October 2015: 19 cents per share)	**139**	131
Dividends of 20 cents per share paid to shareholders in April 2017 (April 2016: 19 cents per share)	**139**	131
	278	262

Subsequent to the balance sheet date, on 16 August 2017, the directors declared a dividend in respect of the year ended 30 June 2017 of 19.0 cents per share, payable on 11 October 2017. These financial statements do not reflect this dividend declared. This results in total dividends declared for the financial year of 39.0 cents per share.

Shareholder tax credits

Imputation and franking credits allow the company to transfer the benefit from the tax it has paid in New Zealand and Australia respectively to its shareholders when it pays dividends.

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Imputation credit account		
Imputation credits at the beginning of the year	**29**	1
Taxation paid	**53**	65
Imputation credits attached to dividends paid	**(78)**	(37)
	4	29

	A$M	A$M
Franking credit account		
Franking credits at the beginning of the year	**26**	26
Taxation paid	**(2)**	(5)
Franking credits received	**3**	5
	27	26

Notes to the financial statements 2017

Working Capital Management

This section provides details of the key elements of working capital which includes cash, receivables, inventories and short term liabilities.

8. Cash and deposits

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Cash and bank balances	**206**	147
Short-term deposits	**13**	209
Cash and deposits	**219**	356

Cash and deposits include the group's share of amounts held by joint operations of $28 million (2016: $16 million). At 30 June 2017, approximately $19 million (2016: $35 million) of total cash and deposits were held in subsidiaries that operate in countries where exchange controls and other legal restrictions apply and are not immediately available for general use by the group.

9. Debtors

Debtors are valued at estimated net realisable value. The valuation is net of a specific provision maintained for doubtful debts. All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable. Trade debtors normally have 30 to 90 day terms.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Trade debtors	**1,100**	969
Contract debtors	**221**	181
Contract retentions	**25**	28
Less provision for doubtful debts	**(19)**	(21)
Trade and contract debtors	**1,327**	1,157
Other receivables	**198**	205
	1,525	1,362
Current	**1,107**	970
0 – 30 days over standard terms	**165**	134
31 – 60 days over standard terms	**26**	24
61+ days over standard terms	**48**	50
Provision	**(19)**	(21)
Trade and contract debtors	**1,327**	1,157

10. Inventories, including land and developments

Inventories are valued at the lower of cost or net realisable value, determined principally on the first-in, first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels.

Included in inventories are land and developments which are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition and development. Costs incurred after completion of development are expensed as incurred.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Raw materials	478	517
Work in progress	283	171
Finished goods	849	746
Consumable stores and spare parts	42	45
	1,652	1,479
Inventories held at cost	1,524	1,332
Inventories held at net realisable value	128	147
	1,652	1,479

Land and developments to the value of $540 million are included above (June 2016: $441 million) of which $198 million is expected to be held for greater than 12 months (June 2016: $256 million). The group also has conditional commitments for the purchase of land to be used for residential construction totalling $254 million (June 2016: $281 million), of which $100 million is expected to be delivered in the year to 30 June 2018.

11. Creditors, accruals and other liabilities

Trade creditors and other liabilities are stated at cost or estimated liability where accrued.
Employee entitlements include annual leave which is recognised on an accrual basis and the liability for long service leave which is measured as the present value of expected future payments to be made in respect of services provided by employees.

Assumptions in determining long service leave relate to the discount rate, estimates relating to the expected future long service leave entitlements, future salary increases, attrition rates and mortality.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Trade creditors	994	944
Contract retentions	46	40
Accrued interest	32	30
Other liabilities	152	138
Employee entitlements	206	215
Workers' compensation schemes	12	12
	1,442	1,379
Current portion	1,406	1,342
Non-current portion	36	37
Carrying amount at the end of the year	1,442	1,379

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

Notes to the financial statements 2017

12. Provisions

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

The following are the significant categories of provisions held by the group:

Restructuring
Restructuring provisions are recognised when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to restructure a business or site. Costs relating to ongoing activities are not provided for.

Warranty and environmental
Warranty provisions represent an estimate of potential liability for future rectification work in respect of products sold and services provided. Environmental provisions represent an estimate for future liabilities relating to environmental obligations.

Other
Other provisions relate to various miscellaneous matters, across the group, none of which are individually material.

Management consults with legal counsel on matters related to litigation. In respect of all claims and litigation, the group provides for anticipated costs in line with the accounting policy stated above. Reference should also be made to note 19.

Fletcher Building Group	Restructuring NZ$M	Warranty and environmental NZ$M	Other NZ$M	Total NZ$M
June 2017				
Carrying amount at the beginning of the year	**13**	**28**	**50**	**91**
Currency translation				
Charged to earnings	**10**	**17**	**26**	**42**
Settled or utilised	**(14)**	**(11)**	**(21)**	**(35)**
Released to earnings	**(1)**		**(2)**	**(3)**
	8	**34**	**53**	**95**
June 2016				
Carrying amount at the beginning of the year	14	34	68	116
Currency translation	(1)	(2)		(3)
Charged to earnings	7	14	25	46
Settled or utilised	(7)	(17)	(41)	(65)
Released to earnings		(1)	(2)	(3)
	13	28	50	91

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Current portion	**70**	67
Non-current portion	**25**	24
Carrying amount at the end of the year	**95**	91

During the year the group utilised $14 million (30 June 2016: $7 million) in respect of restructuring obligations at certain businesses. The remaining balance is expected to be utilised in the next year.

Warranty and environmental provisions are expected to be utilised over the next three years.

13. Construction contracts

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

Estimates and judgements are made relating to a number of factors when assessing Construction Contracts. These include recovery of pre-contract costs, assessment of future costs following changes in the scope of work, contract programmes, maintenance and defects liabilities, performance bonuses or penalties and changes in costs in determining the amount of revenue and margin to be recognised at each reporting date. Recognition of additional revenues that flow from contract variations and claims, that at reporting date may have not yet been presented to or accepted and approved by customers, also requires significant judgement.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Gross construction work in progress plus margin/loss to date	**5,877**	3,695
Progress billings	**(6,091)**	(3,823)
	(214)	(128)
Construction contracts with net work in progress	**62**	48
Construction contracts with billing in advance of cost and margin or provisions for future foreseeable losses	**(276)**	(176)
Carrying amount at the end of the year	**(214)**	(128)

Included in sales is $2,081 million of contract revenue (June 2016: $1,546 million).

Notes to the financial statements 2017

Funding and Risk Management

This section includes details on the group's funding and outlines the market, credit and liquidity risks that the group is exposed to and how these risks are managed, including the use of derivative financial instruments.

14. Funding costs/(income)

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

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Interest expense		
Loans and derivatives	**85**	72
Capital notes	**24**	26
Other	**(5)**	10
Interest income		
Cash and deposits	**(2)**	(1)
	102	107
Bank fees, registry and issue expenses	**9**	8
Funding costs	**111**	115

Included in interest expense is the net settlement of the group's interest derivatives. This consisted of $37 million of interest income and $40 million of interest expense (2016: $43 million interest income; $44 million interest expense). For items applying fair value hedges, the gains or losses on the hedging instrument and on the hedged item net to zero.

15. Borrowings

Interest-bearing borrowings are initially recognised at fair value on transaction date, less directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Private placements	**139**	272
Other loans	**59**	73
Capital notes	**71**	68
Current borrowings	**269**	413
Bank loans	**389**	119
Private placements	**1,123**	896
Other loans	**62**	8
Capital notes	**329**	316
Non-current borrowings	**1,903**	1,339
Carrying value of borrowings (as per balance sheet)	**2,172**	1,752
Less impact of debt hedging activities (included within derivatives)	**(42)**	(84)
Borrowings after impact of hedging activities	**2,130**	1,668
Less fair value adjustment included in borrowings		(52)
Borrowings excluding derivative adjustments	**2,130**	1,616
Total available funding	**2,666**	2,224
Unutilised banking facilities	**536**	608

The undrawn facilities have a weighted average maturity of 3.0 years (June 2016: 2.4 years).

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Net Debt		
Cash and cash equivalents	**219**	356
Current borrowings	**(269)**	(413)
Non-current borrowings	**(1,903)**	(1,339)
Net debt	**(1,953)**	(1,396)

Bank loans

At 30 June 2017 the group had a syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis, with ANZ Bank New Zealand Limited, The Bank of Tokyo-Mitsubishi UFJ Ltd, Bank of New Zealand, Commonwealth Bank of Australia, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited and Westpac New Zealand Limited. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2017, and throughout the year, the group was in compliance with the covenants.

Private placements

The group has borrowed funds from private investors (primarily US & Japanese based) on an unsecured, negative pledge and borrowing covenant basis. These borrowings comprise A$231 million, US$582 million, C$15 million, EUR41 million, GBP10 million and YEN10,000 million with maturities between 2017 and 2028. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2017, and throughout the year, the group was in compliance with the covenants.

Other loans

At 30 June 2017 the group had $1 million (June 2016: $1 million) of loans that are secured against the subsidiaries' own balance sheet or against specific assets and had unsecured loans at 30 June 2017 of $120 million (June 2016: $80 million) some of which were subject to the negative pledge. Other loans include bank overdrafts, short-term loans, working capital facilities, financial leases and amortising loans.

Capital notes

Capital notes are long-term fixed rate unsecured subordinated debt instruments. On each election date the coupon rate and term to the next election date of that series of the capital notes are reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any interest into shares, at approximately 98% of the current market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any interest.

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

The capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building Limited. If the principal amount of the capital notes held at 30 June 2017 were to be converted to Fletcher Building shares, 50 million (June 2016: 45 million) would be issued at a share price as at 30 June 2017 of $7.99 (June 2016: $8.58).

As at 30 June 2017 the group held $100 million (30 June 2016: $116 million) of its own capital notes.

Fair value adjustment included in borrowings

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

Credit rating

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

Negative pledge

The group borrows certain funds based on a negative pledge arrangement. The negative pledge includes a cross guarantee between a number of wholly-owned subsidiaries and ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances. At 30 June 2017 the group had debt subject to the negative pledge of $1,650 million (June 2016: $1,163 million).

Notes to the financial statements 2017

16. Financial instruments

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Reconciliation of derivatives to the balance sheet:		
Derivatives classified as current assets in the balance sheet	**8**	23
Derivatives classified as non-current assets in the balance sheet	**91**	156
Derivatives classified as current liabilities in the balance sheet	**(7)**	(21)
Derivatives classified as non-current liabilities in the balance sheet	**(48)**	(26)
Net derivatives	**44**	132

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate swaps, foreign currency swaps, cross currency interest rate swaps, options, forward rate agreements and commodity price swaps are utilised to reduce exposure to market risks.

Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All the group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed trading and funding transactions.

The fair values of derivative financial instruments are determined by applying quoted market prices, where available, or by using inputs that are observable for the asset or liability. Further information is included in note 16(g).

The group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability that the instrument hedges no longer exists, in which case early termination occurs.

Derivative financial instruments are initially recorded at fair value and are then revalued to fair value at balance date. The gain or loss on revaluation is recorded either in earnings or equity depending on whether the instruments qualify for hedge accounting and the nature of the item being hedged. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with, and effective as a hedge of the underlying risk being managed. This relationship must be documented from inception.

Non-derivative financial instruments

Non-derivative financial instruments comprise borrowings, trade and other payables, cash and cash equivalents, and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Financial risk management overview

Exposures to credit, liquidity, currency, interest rate and commodity price risks arise in the normal course of the group's business. The principles under which these risks are managed are set out in policy documents approved under board delegated authority by the CEO. The policy documents identify the risks and set out the group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the group's businesses. Risk management is carried out in conjunction with the group's central treasury function, which ensures compliance with the risk management policies and procedures.

Risks and mitigation

(a) Credit risk

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

(i) Trade receivables

The group has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the group reviews the customer's financial statements, trade references, bankers' references and/or credit agencies' reports to assess credit worthiness. These limits are reviewed on a regular basis. Owing to the group's industry and geographical spread at balance date, there were no significant concentrations of credit risks in respect of trade receivables. Refer to note 9 for debtor ageing analysis.

Most goods are sold subject to retention of title clauses, so that in the event of non-payment the group may have a secured claim. Credit risks may be further mitigated by registering an interest in the goods sold and the proceeds arising from that supply. The group does not otherwise require collateral in respect of trade receivables.

(ii) Derivative financial instruments and the investment of cash

The group enters into derivative financial instruments and invests cash with various counterparties in accordance with established limits as to credit rating and dollar value but does not require collateral or other security except in limited circumstances. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of the financial instruments and no loss is expected.

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

(b) Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial commitments as they fall due. The group manages its liquidity risk by maintaining a target level of undrawn committed credit facilities and a spread of the maturity dates of the group's debt facilities. The group reviews its liquidity requirements on an ongoing basis.

The following maturity analysis table sets out the remaining contractual undiscounted cash flows, including estimated interest payments for non-derivative financial liabilities and derivative financial instruments. Creditors and accruals are excluded from this analysis as they are not part of the group's assessment of liquidity risk because these are offset by debtors with similar payment terms.

Fletcher Building Group – June 2017	Contractual cash flows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Bank loans	389		374	15	
Capital notes	400	71	98	231	
Private placements	1,262	139		363	760
Other loans	121	59	3	19	40
Non-derivative financial liabilities – principal cash flows	2,172	269	475	628	800
Gross settled derivatives – to pay	1,041			60	981
Gross settled derivatives – to receive	(1,083)			(80)	(1,003)
Debt derivatives financial instruments – principal cash flows	(42)			(20)	(22)
Total principal cash flows	2,130	269	475	608	778
Contractual interest cash flows	542	100	87	178	177
Total contractual cash flows	2,672	369	562	786	955

Fletcher Building Group – June 2016	Contractual cash flows NZ$M	Up to 1 Year NZ$M	1-2 Years NZ$M	2-5 Years NZ$M	Over 5 Years NZ$M
Bank loans	119			119	
Capital notes	384	68	66	250	
Private placements	1,168	272	138	202	556
Other loans	81	73	2	6	
Non-derivative financial liabilities – principal cash flows	1,752	413	206	577	556
Gross settled derivatives – to pay	1,096	761			335
Gross settled derivatives – to receive	(1,180)	(763)			(417)
Debt derivatives financial instruments – principal cash flows	(84)	(2)			(82)
Total principal cash flows	1,668	411	206	577	474
Contractual interest cash flows	328	77	63	52	136
Total contractual cash flows	1,996	488	269	629	610

Notes to the financial statements 2017

16. Financial instruments continued

(c) Foreign currency risk

(i) Currency translation risk

Currency translation risk arises from net investments in foreign operations. It is the group's policy to hedge this foreign currency translation risk by borrowing in the currency of the asset in proportion to the group's long-term debt to debt plus equity ratio. This reduces the variability in the debt to debt plus equity ratio due to currency translation. Where the underlying debt in any currency does not equate to the required proportion of total debt, debt derivatives, such as foreign exchange forwards, swaps and cross currency interest rate swaps are entered into for up to 11 years. Net investment, cash flow and fair value hedge accounting is applied to these instruments.

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Australian dollar	**729**	753
Euro	**68**	70
British pound	**36**	22
United States dollar	**221**	221
Indian rupee	**11**	12
Canadian dollar	**16**	16
Fijian dollar	**13**	
Currency translation risk – Foreign currency borrowings	**1,094**	1,094
New Zealand dollar	**1,036**	522
	2,130	1,616

(ii) Currency transaction risk

Currency transaction risk arises from committed or highly probable trade and capital expenditure transactions that are denominated in currencies other than the operation's functional currency. The objective in managing this risk is to reduce the variability from changes in currency exchange rates on the operation's income and cash flow to acceptable parameters. It is group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed transactions.

When exposures are incurred by operations in currencies other than their functional currency, foreign exchange forwards and swaps are entered into to eliminate the exposure. The majority of these transactions have maturities of less than one year. Cash flow hedge accounting is applied to forecast transactions. The main currencies hedged are the Australian dollar, the United States dollar, the Japanese yen, the Euro and the British pound. The gross value of these foreign exchange derivatives at 30 June 2017 was $434 million (June 2016: $744 million).

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will change due to changes in market interest rates and arises primarily from the group's interest bearing borrowings. The group manages the fixed interest rate component of its debt and capital notes obligations and aims to maintain this ratio between 40 to 70% and at 30 June 2017 the group was within the range at 44% fixed (June 2016: 61% fixed). The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency interest rate swaps, interest rate swaps, forward rate agreements and options are entered into to manage this position. The financial instruments entered into are in Australian dollars, United States dollars, Japanese Yen and New Zealand dollars and will mature over the next 12 years.

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

Interest rate repricing

The following tables set out the interest rate repricing profile of interest bearing financial assets and liabilities. The group's overall weighted average interest rate excluding fees is 4.76% (June 2016: 5.4%).

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Floating	**1,192**	623
Fixed up to 1 year	**100**	330
Fixed 1-2 years	**237**	95
Fixed 2-5 years	**462**	464
Fixed over 5 years	**139**	104
Total financial liabilities	**2,130**	1,616
Floating financial assets	**(219)**	(356)

(e) Commodity price risk

Commodity price risk arises from committed or highly probable trade and capital expenditure transactions that are linked to traded commodities. Where possible the group manages its commodity price risks through negotiated supply contracts and, for certain commodities, by using commodity price swaps and options. The group manages its commodity price risk depending on the underlying exposures, economic conditions and access to active derivatives markets. Currently the group's guideline is to hedge up to 50% of certain New Zealand business units' electricity requirements for up to 12 months. Cash flow hedge accounting is applied to commodity derivative contracts.

At balance date, the notional value of fixed electricity exposure was $4 million, the fair value was as follows:

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Fixed up to 1 year	1	
Total	**1**	
	NZ$/MWh	NZ$/MWh
Average hedge price	77	82

(f) Sensitivity analysis

The numbers in the sensitivity analysis for foreign currency risk, interest rate risk and commodity price risk have not been adjusted for tax and are based only on the group's financial instruments held at balance date and assume that all other variables remain constant, except for the change in the chosen risk variable.

(i) Foreign currency risk

It is estimated a 10% weakening of the New Zealand dollar against the major foreign currencies the group is exposed to on the net assets of its foreign operations would result in an increase to equity of approximately $190 million (June 2016: $220 million) and no material impact on earnings.

(ii) Interest rate risk

It is estimated a 100 basis point increase in interest rates would result in an increase in the group's interest costs in a year by approximately $11.9 million on the group's debt portfolio exposed to floating rates at balance date (June 2016: $6.2 million).

(iii) Commodity price risk

It is estimated a 10% increase in the New Zealand electricity spot price at balance date would not materially impact the group's earnings or equity position.

(g) Fair values

Fair value hedges

Where a derivative financial instrument is designated as a hedge of a recognised asset or liability, or of a firm commitment, any gain or loss is recognised directly in earnings, together with any changes in the fair value of the hedged risk.

Cash flow hedges

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

Net investment hedges

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for on the same basis as cash flow hedges through the currency translation reserve within equity. There are no outstanding hedges as at 30 June 2017.

Derivatives that do not qualify for hedge accounting

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

Notes to the financial statements 2017

16. Financial instruments continued

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

Fletcher Building Group		June 2017		June 2016	
	Classification	Carrying value NZ$M	Fair value NZ$M	Carrying value NZ$M	Fair value NZ$M
Bank loans	Amortised cost	**389**	**389**	119	119
Private placements	Amortised cost	**1,262**	**1,322**	1,168	1,239
Other loans	Amortised cost	**121**	**121**	81	81
Capital notes	Amortised cost	**400**	**411**	384	402
Borrowings		**2,172**	**2,243**	1,752	1,841
Forward exchange contracts – fair value hedge	Fair value through P&L			1	1
Forward exchange contracts – net investment hedge	Fair value through Equity			(4)	(4)
Forward exchange contracts – cash flow hedge	Fair value through Equity			6	6
Cross currency interest rate swaps – cash flow hedge	Fair value through Equity	**1**	**1**	(22)	(22)
Cross currency interest rate swaps – fair value hedge	Fair value through P&L	**(41)**	**(41)**	(108)	(108)
Interest rate swaps – fair value hedge	Fair value through P&L	**(9)**	**(9)**	(17)	(17)
Interest rate swaps – cash flow hedge	Fair value through Equity	**6**	**6**	12	12
Electricity price swaps – cash flow hedge	Fair value through Equity	**(1)**	**(1)**		
Net derivatives		**(44)**	**(44)**	(132)	(132)
Creditors and accruals	Amortised cost	**1,442**	**1,442**	1,380	1,380
Debtors	Loans and receivables	**(1,525)**	**(1,525)**	(1,362)	(1,362)
Cash and liquid deposits	Cash	**(219)**	**(219)**	(356)	(356)
Total financial instruments		**1,826**	**1,897**	1,282	1,371

Fair value measurement

E

All of the group's derivatives are in designated hedge relationships and are measured and recognised at fair value.

All derivatives are level 2 valuations based on accepted valuation methodologies. Forward exchange fair value is calculated using quoted forward exchange rates and discounted using yield curves derived from quoted interest rates matching maturity of the contract. The fair value of electricity price swaps is measured using a derived forward curve and discounted using yield curves derived from quoted interest rates matching the maturity of the contract.

Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

(Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

Fair value disclosures

The fair values of borrowings used for disclosure are measured under level 2, by discounting future principal and interest cash flows at the current market interest rate plus an estimated credit margin that is available for similar financial instruments with a similar credit profile to the group.

The interest rates across all currencies used to discount future principal and interest cash flows are between 1.69% and 9.98% (June 2016: 1.42% and 8.79%) including margins, for both accounting and disclosure purposes.

(h) Capital risk management

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

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

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

17. Capital expenditure commitments

Capital expenditure commitments are those where future expenditure has either been committed or has received board approval at year end, but not provided for in the financial statements.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Committed at year end	79	404
Approved by the directors but uncommitted at year end	64	40
	143	444

18. Lease commitments

Leases under which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received) are recognised as an expense in the Statement of Financial Performance on a straight-line basis over the term of the lease. Expenditure arising from operating leasing commitments is written off to earnings in the period in which it is incurred.

Expected future minimum lease payments on non-cancellable leases:

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Within one year	183	171
Within two years	135	138
Within three years	111	105
Within four years	96	81
Within five years	75	65
After five years	199	226
	799	786

Operating lease commitments relate mainly to occupancy leases of buildings.

19. Contingent liabilities

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

Provision has been made in the ordinary course of business for all known and probable future claims. Contingent liabilities arise in respect of the following categories:

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	389	289
Letters of credit	9	2

Long-term Investments

This section details the long-term assets of the group, including property, plant and equipment and intangible assets.

20. Property, plant and equipment

Property, plant and equipment comprise the following categories:

- Land
- Buildings
- Plant and machinery
- Fixtures and equipment
- Resource extraction
- Leased assets (leased under a finance lease arrangement).

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

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 that have been incurred in bringing the assets to the location and the condition necessary for their intended service, including subsequent expenditure.

The costs of self-constructed assets include, where appropriate, the costs of all materials used in construction, direct labour on the project, site preparation and installation costs, costs of obtaining resource consents, financing costs attributable to the project, variable and fixed overheads and unrecovered operating costs incurred during planned commissioning. Costs cease to be capitalised as soon as the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. All feasibility costs are expensed as incurred.

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

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

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

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

Finance leases are capitalised to reflect the borrowings incurred and the cost of the asset acquired. Such obligations are classified within borrowings. The finance cost portion of lease payments is expensed to the income statement over the lease period. The leased asset is depreciated on a straight line basis over the estimated useful life of the asset with regard to residual values.

Depreciation of property, plant and equipment and amortisation of definite lived intangible assets are calculated on the straight line method. Expected useful lives, which are regularly reviewed, typically range between:

Buildings	30-50 years
Plant and machinery	5-15 years
Fixtures and equipment	2-7 years
Leased assets capitalised	3-30 years
Intangible assets, including software (note 22)	5-15 years

Fletcher Building Group	Land NZ$M	Buildings NZ$M	Plant & machinery NZ$M	Fixtures & equipment NZ$M	Resource extraction NZ$M	Leased assets NZ$M	Total NZ$M
Gross value at 1 July 2016	**272**	**469**	**2,419**	**470**	**67**	**1**	**3,698**
Additions		**24**	**192**	**55**	**22**	**42**	**335**
Acquisitions	**6**	**4**	**91**	**3**	**11**		**115**
Disposals	**(3)**	**(11)**	**(52)**	**(31)**	**(5)**		**(102)**
Currency translation	**1**	**(3)**	**(8)**	**1**			**(9)**
Gross value at 30 June 2017	**276**	**483**	**2,642**	**498**	**95**	**43**	**4,037**
Accumulated depreciation at 1 July 2016		**(155)**	**(1,244)**	**(315)**	**(11)**	**(1)**	**(1,726)**
Disposals		**8**	**52**	**25**	**3**		**88**
Impairments in the income statement (note 4)			**(4)**				**(4)**
Depreciation expense		**(16)**	**(135)**	**(30)**	**(5)**		**(186)**
Currency translation		**1**	**3**	**1**			**5**
Accumulated depreciation at 30 June 2017		**(162)**	**(1,328)**	**(319)**	**(13)**	**(1)**	**(1,823)**
Net book value at 30 June 2017	**276**	**321**	**1,314**	**179**	**82**	**42**	**2,214**
Gross value at 1 July 2015	310	520	2,548	478	116	2	3,974
Additions	3	6	165	65	17		256
Disposals	(18)	(29)	(180)	(56)	(64)	(1)	(348)
Transfer of land assets to inventory	(6)						(6)
Currency translation	(17)	(28)	(114)	(17)	(2)		(178)
Gross value at 30 June 2016	272	469	2,419	470	67	1	3,698
Accumulated depreciation at 1 July 2015		(165)	(1,291)	(344)	(14)	(2)	(1,816)
Disposals		22	134	48	7	1	212
Impairments in the income statement (note 4)		(3)	(12)				(15)
Depreciation expense		(17)	(130)	(29)	(4)		(180)
Currency translation		8	55	10			73
Accumulated depreciation at 30 June 2016		(155)	(1,244)	(315)	(11)	(1)	(1,726)
Net book value at 30 June 2016	272	314	1,175	155	56		1,972

As at 30 June 2017 property, plant and equipment includes $226 million of assets under construction that are not depreciated until they are commissioned and brought into use (June 2016: $164 million).

Notes to the financial statements 2017

21. Goodwill

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

Goodwill, which has an indefinite life, is stated at cost, less any impairment losses. Goodwill is allocated to cash-generating units (CGUs) and is not amortised but is tested annually for impairment, and when an indication of impairment exists. Goodwill in respect of associates is included in the carrying amount of associates. Any discount on acquisition is recognised directly in earnings.

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

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

Assessing the carrying value of goodwill requires management to estimate future cash flows to be generated by the related cash-generating unit. The key assumptions used in the value-in-use models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply.

Goodwill was tested for impairment in June 2017. Each CGU that carries goodwill is valued on a value-in-use or fair value less costs of disposal basis using a discounted cash flow model. Management has used its past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine their expectations for the future. These cash flow projections are principally based on the group's three-year strategic plan approved by the directors, which has been extended for a further two years. Cash flows beyond five years have been extrapolated using estimated terminal growth rates, which do not exceed the long-term average growth rate for the industries and countries in which the business units operate. The terminal growth rates used range from 2.5% to 3.0% (2016: 2.5% to 3.0%), with the majority of the business units using 2.5% (2016: 2.5%).

The cash flows are discounted using a nominal rate after tax of 9.5% (2016: 9.5%) for New Zealand, 8.5% (2016: 8.5%) for Australia, 7.0% (2016: 7.0%) for Europe, 8.0% (2016: 8.0%) for North America and 9.0% (2016: 9.0%) for Asia, reflecting the risk profile of each business and for the regions in which the CGUs operate. The valuation models used are most sensitive to changes in the terminal year earnings and cash flows.

Sensitivity to reasonably possible changes in assumptions

The group has identified two business units that face particular challenges: Tradelink and Iplex Australia. In particular the Australian economy has experienced mixed market conditions in the past year and faces uncertain growth in the short-term, making it difficult to predict future profitability. Management's previous expectations of improvement in earnings of these business units justified the prior carrying values. Given the uncertain outlook for the Australian economy, management has revised its expectations as to the business units' sustainable mid-cycle earnings, as well as the time now expected to attain the required improvement in earnings. This has led to a reduction of the value-in-use of each business unit, based on an 8.5% nominal, after tax discount rate. Intangible assets of $153 million and $69 million have been impaired within the Tradelink and Iplex Australia business units respectively. Management has identified a number of strategies and initiatives to achieve an appropriate improvement in their EBIT. If this improvement does not eventuate, there may be a need for further impairment.

The impairment assessment confirmed that, for all other business units, the recoverable amounts exceed carrying values as at 30 June 2017. With the exception of Formica Europe and Formica Asia, management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.

For Formica Asia, which has goodwill of $250 million and brands of $nil, a reduction of 15% in the expected level of terminal EBIT, a 0.8% increase in the post-tax discount rate, or a 1.0% decrease in terminal growth rate would result in the elimination of the $60 million excess of recoverable amount over carrying amount. For Formica Europe, which has goodwill of $83 million, and brands of $13 million, a 28% reduction in the expected level of terminal EBIT or a 1.7% increase in the post-tax discount rate would result in the elimination of the $135 million excess of recoverable amount over carrying amount. For Rocla Products, which has goodwill of $10 million and brands of $21 million, a reduction of 26% in the expected level of terminal EBIT, or a 1.6% increase in the post-tax discount rate would result in the elimination of the $61 million excess of recoverable amount over carrying amount.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Goodwill acquired at cost	**1,526**	1,367
Accumulated currency translation	**(32)**	(30)
Accumulated impairment	**(425)**	(254)
Goodwill at the end of the year	**1,069**	1,083
Goodwill at the beginning of the year	**1,083**	1,131
Acquired during the year (note 5)	**159**	
Impairments in the income statement (note 4)	**(171)**	(3)
Currency translation	**(2)**	(45)
	1,069	1,083

Goodwill by significant cash-generating units (CGUs)

The goodwill allocated to significant CGUs accounts for 68% (2016: 66%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 25 (2016: 23) in total, are each less than 8% of total carrying value (2016: 8%).

	June 2017 NZ$M	June 2016 NZ$M
Formica Asia	**250**	256
Higgins Construction	**144**	
Laminex Australia	**154**	153
Iplex New Zealand	**105**	105
Tradelink	**60**	196
Other	**356**	373
	1,069	1,083

22. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, either individually or at the CGU level. Definite lived intangible assets are amortised on a straight-line basis.

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Brands	**461**	478
Other intangible assets	**148**	154
	609	632

Notes to the financial statements 2017

22. Intangible assets continued

Brands

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

Brands are considered to have an indefinite useful life as there are no factors that indicate that there is a limit on their capacity to generate foreseeable cash flows. Factors considered before arriving at this conclusion are whether the businesses that own the brands are going concerns, whether there is any evidence of obsolescence due to changes in either technology or regulatory conditions, whether the businesses are trading profitably and whether there are any other market-based indications.

Assessing the carrying value of indefinite life brands requires management to estimate future cash flows to be generated by the related brand. The key assumptions used in the value-in-use models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply.

Brands	June 2017 NZ$M	June 2016 NZ$M
Brands at the beginning of the year	**478**	503
Acquired during the year (note 5)	**21**	
Impairments in the income statement (note 4)	**(36)**	
Currency translation	**(2)**	(25)
	461	478

	June 2017 NZ$M	June 2016 NZ$M
Formica	**134**	138
Laminex Australia	**120**	119
Tradelink	**51**	50
Other	**156**	171
	461	478

Brands have been tested for impairment in June 2017. Each CGU that carries a brand value, and is determined to be not separately identifiable, has prepared a discounted cash flow of the CGU on a value-in-use or fair value less costs of disposal basis as described in note 21. The impairment review confirmed that, for all intangible assets (excluding certain goodwill, brands and other intangible assets for which impairments are disclosed in this note and note 21), the recoverable amounts exceeded carrying values as at 30 June 2017.

Sensitivity analysis was performed on the key assumptions used in the value-in-use and fair value less costs of disposal calculations and further disclosure has been made for certain CGUs in note 21.

The following significant brand assets account for 66% (2016: 64%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 9% of total carrying value (2016: 8%).

Other intangible assets	June 2017 NZ$M	June 2016 NZ$M
Other intangible assets at cost	**256**	230
Currency translation	**(8)**	(8)
Accumulated amortisation	**(100)**	(68)
Other intangible assets at the end of the year	**148**	154
Other intangible assets at the beginning of the year	**154**	129
Additions	**26**	44
Impairments in the income statement (note 4)	**(15)**	
Amortisation expense	**(17)**	(14)
Currency translation		(5)
	148	154

As at 30 June 2017 other intangible assets includes $22 million of assets being developed (June 2016: $23 million).

Group Structure and Related Parties

This section details the group's capital, non-controlling interest of subsidiaries, investments in associates and joint ventures and information relating to transactions with other group entities.

23. Capital

Ordinary shares are classified as shareholders' funds. Costs directly attributable to the issue of new shares or options are shown in shareholders' funds as a reduction from the proceeds. Where a member of the group purchases the company's share capital, the consideration paid is deducted from shareholders' funds. Acquired shares are classified as treasury stock and presented as a deduction from share capital under the treasury stock method, as if the shares were cancelled, until they are reissued or otherwise disposed of.

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Reported capital at the beginning of the year, including treasury stock	**2,680**	2,653
Issue of shares	**31**	27
Reported capital at the end of the year, including treasury stock	**2,711**	2,680
Treasury stock	**(33)**	(30)
Capital	**2,678**	2,650

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Number of ordinary shares:		
Number of shares on issue at the beginning of the year	**692,501,249**	688,763,361
Shares issued under the dividend reinvestment plan	**3,419,925**	3,737,888
Total number of shares on issue	**695,921,174**	692,501,249
Less shares accounted for as treasury stock	**(4,129,695)**	(4,232,334)
	691,791,479	688,268,915

24. Non-controlling interests

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Share capital	**13**	13
Reserves	**11**	9
Non-controlling interests	**24**	22

Notes to the financial statements 2017

25. Investments in associates and joint ventures

Investments in associates are measured using the equity method. The equity method has been used for associate entities over which the group has significant influence but not control.

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

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

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

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Carrying amount of associates/joint ventures:		
Carrying amount at the beginning of the year	**135**	98
New investment in associates/joint ventures	**2**	59
Share of profits of associates/joint ventures	**20**	12
Sale of investment in associates/joint ventures	**(1)**	(19)
Currency translation	**1**	(5)
Distributions from associates/joint ventures	**(11)**	(10)
Investment in associates and joint ventures	**146**	135
Investment by associate/joint venture:		
Wespine Industries Pty Limited	**45**	43
Hexion Australia Pty Ltd	**19**	17
Altus NZ Limited	**56**	49
Other	**26**	26
	146	135
Associate and joint venture information:		
Balance sheet information for associates and joint ventures – 100%		
Assets	**314**	319
Liabilities	**(126)**	(127)
Equity	**188**	192
Equity – Fletcher Building share	**89**	90
Goodwill acquired at cost	**53**	43
Loans to associates and joint ventures	**4**	2
Investment in associates and joint ventures	**146**	135
Equity-accounted earnings comprise:		
Sales – 100%	**249**	252
Earnings before taxation – 100%	**37**	35
Earnings before taxation – Fletcher Building share	**22**	17
Taxation expense	**(2)**	(5)
Earnings after taxation – Fletcher Building share	**20**	12

26. Related party disclosures

The disclosures below set out transactions and outstanding balances that group companies and other related parties have with each other. Transactions with related parties are conducted on normal business terms.

Key management personnel are defined as the executive committee and Board of Directors.

Trading activities with related parties	Sales to related parties NZ$M	Purchases from related parties NZ$M	Amounts owing from related parties (included within debtors) NZ$M	Amounts owing to related parties (included within creditors) NZ$M
Fletcher Building Group – 2017				
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		**36**		**12**
Dongwha New Zealand Limited		**15**		**1**
Fletcher Construction Alliances	**72**		**2**	
Fletcher Building Group – 2016				
Sims Pacific Metals Limited		26		
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		34		7
Dongwha New Zealand Limited		15		1
Fletcher Construction Alliances	105		5	

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Key management personnel compensation		
Directors' fees	**2**	2
Executive committee remuneration paid, payable or provided for:		
Short-term employee benefits	**13**	17
Termination benefits		2
Share-based payments	**3**	1

Fletcher Building Retirement Plan

As at 30 June 2017, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $2,600,000 of shares and $15,000,000 of capital notes in Fletcher Building (June 2016: $4,200,000 of shares; $18,500,000 of capital notes).

Notes to the financial statements 2017

Other information

This section provides additional disclosures required that are not covered in the previous sections.

27. Income statement disclosures

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
The following items are specific disclosures required to be made and are included within the income statement:		
Net periodic pension cost	**10**	10
Employee-related short-term costs(1)	**1,728**	1,648
Other long-term employee-related benefits	**66**	71
Research and development expenditure	**3**	1
Amortisation of intangibles	**17**	14
Bad debts written off	**4**	6
Donations(2) and sponsorships	**2**	1
Maintenance and repairs	**149**	142
Operating lease expense	**183**	197

(1) Short-term employee benefits for the executive committee included in the above is disclosed in note 26.

(2) The group made no political donations during the year.

Auditor's fees

	NZ$000's	NZ$000's
Auditor's fees and expenses payable for:		
Audit and review of the financial statements – EY	**3,689**	3,266
All other services performed – EY(3)	**572**	854

(3) Fees paid to the auditor during the year for other services are mainly with respect to tax advisory services.

28. Taxation

Taxation expense

Income tax expense comprises current and deferred tax.

The provision for current tax is the estimated amount due for payment by the group during the next 12 months. The provision for deferred tax has been calculated using the balance sheet liability method.

Deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities and their taxable value except for when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are not recognised on temporary differences and tax losses unless recovery is considered probable. There are no significant deferred tax liabilities in respect of the undistributed profits of subsidiaries and associates.

Judgements are required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectation, which may impact the amount of current and deferred tax assets and liabilities recognised in the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Below is the reconciliation of earnings before taxation to taxation expense:

Fletcher Building Group	Year ended June 2017 NZ$M	Year ended June 2016 NZ$M
Earnings before taxation	**162**	604
Taxation at 28 cents per dollar	**45**	169
Adjusted for:		
Lower tax rate in overseas jurisdictions	**(4)**	
Non-assessable income	**(20)**	(15)
Non-deductible expenses	**50**	14
Tax losses for which no deferred tax asset was recognised	**5**	14
Utilisation of previous unrecognised tax losses		(34)
Tax in respect of prior years	**(1)**	7
Other permanent differences	**(18)**	(24)
	57	131
Tax on earnings before significant items	**82**	138
Tax benefit on significant items	**(25)**	(7)
	57	131
Total current taxation expense	**56**	135
Total deferred taxation expense/(benefit)	**1**	(4)
	57	131

Notes to the financial statements 2017

28. Taxation continued

Taxation balances

Below is a reconciliation of the current tax balances:

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Current tax assets/(liabilities)		
Included within the balance sheet as follows:		
Current tax assets	**15**	2
Current tax liabilities	**(30)**	(26)
	(15)	(24)
Opening provision for current tax assets/(liabilities)	**(24)**	(5)
Currency translation		
Taxation expense	**(56)**	(135)
Transfer (from) / to deferred taxation	**(42)**	10
Non-controlling interest share of taxation expense	**4**	4
Tax recognised directly in reserves	**4**	5
Net tax payments	**99**	97
	(15)	(24)
Provision for deferred tax assets/(liabilities)		
Included within the balance sheet as follows:		
Deferred tax assets	**52**	24
Deferred tax liabilities	**(47)**	(58)
	5	(34)
Opening provision for deferred tax assets/(liabilities)	**(34)**	(25)
Taxation (expense)/benefit	**(1)**	4
Deferred tax on acquisitions	**(7)**	
Transfer (from)/to current tax	**42**	(10)
Tax recognised directly in reserves	**5**	(3)
	5	(34)
Composed of:		
Provisions	**154**	112
Inventories	**18**	20
Debtors	**4**	5
Property, plant and equipment	**(74)**	(68)
Brands	**(138)**	(148)
Tax losses	**40**	27
Pensions	**(1)**	7
Other	**2**	11
	5	(34)

The group has recognised certain tax losses available in Australia, USA and Germany on the basis that the respective companies will have future assessable income. The tax losses have been recognised on the basis of the forecast earnings set out in the companies' strategic plans. The group reviews future loss utilisations at each reporting period.

The group has unrecognised tax losses in France, Spain, Sweden, UK, India and China of $124 million representing $445 million of gross tax losses (June 2016: $116 million, $419 million gross tax losses).

29. Retirement plans

Fletcher Building Limited is the principal sponsoring company of a plan that provides retirement and other benefits to employees of the group in New Zealand. Participation in this plan has been closed for a number of years, although defined contribution savings plans have been made available. Various defined benefit and defined contribution plans exist in Australia following the acquisition of Crane, Amatek, Tasman Building Products, and the Laminex groups which companies contribute to on behalf of their employees. Various defined benefit plans and medical plans exist in other countries as a result of the acquisition of the Formica group, which companies contribute to on behalf of their employees. Where the plans have a deficit in their funded status, the companies are making additional contributions, as recommended by the trustees of the plans, to improve the funded status.

The group's plan assets and liabilities in respect of individual retirement plans are calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The value of the asset recognised cannot exceed the present value of any future refunds from the plans or reductions in future contributions to the plans, unless a constructive right to a refund of the surplus exists, in which case the amount to be refunded is recognised as an asset. In the group's balance sheet, plans that are in a surplus position are not offset with plans that are in a liability position.

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

All retirement plan related actuarial gains or losses are recognised in other comprehensive income in the pension reserve in the year in which they arise.

Principal assumptions made in the actuarial calculation of the defined benefit obligation relate to the discount rate, rate of salary inflation and life expectancy.

The calculation of the defined benefit obligations are based on years of service and the employees' compensation during their years of employment. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. These obligations are accounted for in accordance with NZ IAS 19 Employee Benefits, which has the effect of recognising the volatility in the returns earned by the plans in the pension reserve.

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

	2017 %	2016 %
Assumed discount rate on benefit obligations	**2.79**	2.80
Annual rate of increase in future compensation levels	**2.43**	2.68

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

During the year the group contributed $nil (2016: $1 million) in respect of its Australian defined benefit plans and $29 million (2016: $21 million) in respect of its Formica defined benefit and medical plans. It contributed $48 million (2016: $48 million) in respect of its defined contribution plans worldwide, including KiwiSaver.

Fletcher Building Limited has an obligation to ensure that the funding ratio of the New Zealand plan's assets is at least 115% of the plan's actuarial liability. This is based upon any two consecutive annual actuarial valuations as calculated by the plan's actuary. This calculation is done on the plan's funding basis, which is completed in accordance with NZ IAS 26 *Retirement Benefit Plans*. At 31 March 2017, the value of the plan assets was 146% of the actuarial liability and the funded surplus was $88 million (31 March 2016: 140%, $78 million).

The group expects to contribute at least $22 million to its overseas defined benefit plans during the year to 30 June 2018.

Notes to the financial statements 2017

29. Retirement plans continued

Fletcher Building Group	June 2017 NZ$M	June 2016 NZ$M
Net periodic pension cost		
Service cost	**8**	9
Net interest cost	**2**	1
Net periodic pension cost – recognised in earnings before interest and taxation	**10**	10
Recognised net asset/(liability)		
Assets of plans	**827**	783
Projected benefit obligation	**(793)**	(812)
Funded surplus/(obligation)	**34**	(29)
Asset ceiling effect	**(1)**	(3)
Recognised net asset/(liability)	**33**	(32)
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	**54**	30
Australian plans	**17**	11
Retirement plan assets – recognised within non-current assets	**71**	41
Other overseas plans	**(38)**	(73)
Retirement plan liabilities – recognised within non-current liabilities	**(38)**	(73)
Recognised net asset/(liability)	**33**	(32)
Movement in recognised net asset/(liability)		
Recognised net liability at the beginning of the year	**(32)**	(3)
Currency translation	**2**	6
Actuarial movements for the year	**44**	(46)
Net periodic pension cost	**(10)**	(10)
Employer contributions	**29**	21
Recognised net asset/(liability)	**33**	(32)
Assets of the plans		
Assets of plans at the beginning of the year	**783**	851
Actual return on assets	**87**	34
Total contributions	**32**	24
Benefit payments	**(59)**	(63)
Currency translation	**(16)**	(63)
	827	783
Assets of the plans consist of:		
Australasian equities	**65**	80
International equities	**311**	344
Property	**35**	38
Bonds	**314**	263
Cash and short-term deposits	**55**	48
Other assets	**47**	10
	827	783
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(812)**	(845)
Service cost	**(10)**	(9)
Interest cost	**(22)**	(29)
Member contributions	**(3)**	(3)
Actuarial loss arising on changes in demographic assumptions	**10**	
Actuarial loss arising on changes in financial assumptions	**(26)**	(66)
Actuarial gain arising on other assumptions – experience adjustments	**(6)**	9
Benefit payments	**59**	63
Currency translation	**17**	68
	(793)	(812)

30. Share-based payments

Long-term share scheme

The group has a long-term share-based performance incentive scheme targeted at selected employees (invited to participate at the discretion of the company) most able to influence the results of the group.

The long-term share scheme introduced in 2008 allows scheme participants to acquire shares in the company at market price, funded by an interest-free loan from the group. The scheme participants are entitled to vote on the shares and to receive cash dividends, the proceeds of which are used to reduce the loans. The shares are held in trust for scheme participants by the trustee, Fletcher Building Share Schemes Limited. Payment of half of any entitlement under the long-term share scheme is dependent upon the group's total shareholder return (TSR) achieving or exceeding 50% of the total market cap-weighted TSR performance of a comparative group of companies over a three-year restricted period.

Payment of the other half of any entitlement is dependent upon the group achieving an earnings per share target. Additionally, in respect of the entitlement that is dependent on the group's TSR, the three-year restrictive period is automatically extended for up to one year if the group's TSR is less than 50% of the total market cap-weighted TSR performance of the comparator group. Scheme participants can elect to extend the restrictive period for up to one year if the group's TSR is between the 51st and 75th percentile. No extension is permitted for the entitlement that is dependent upon achieving an earnings per share target.

At the end of the restrictive period or any extension, the group will pay a bonus to the scheme participants to the extent that performance targets have been met, the after-tax amount of which will be generally sufficient for the scheme participants to repay the balance of the loan in respect of the shares that are to be transferred. Owing to the integrated nature of the scheme, for accounting purposes the group accounts for the incentive scheme as being equity-settled. If the performance obligations are not met or are only partially met, the trustee will acquire the beneficial interest in some or all of the relevant shares. The loan provided in respect of those shares that do not transfer to the scheme participants (the forfeited shares) will be novated to the trustee and will be fully repaid by the transfer of the forfeited shares.

The group will recognise an expense in earnings, with a corresponding increase in the share-based payments reserve, over the restrictive period. If the performance targets based on total shareholder return are not met and the legal ownership of the shares does not transfer to the scheme participants, the amount in the share-based payments reserve will remain in equity and will not be released to earnings. If the performance targets based on earnings per share are not met and the shares do not transfer, the amount in the share-based payments reserve will be released to earnings.

The group accounts for the share schemes under the treasury stock method. The receivable owing from scheme participants, representing the shares in the company held by the trustee, is deducted from the group's paid up capital. The shares are deducted from equity until the end of the restrictive period, at which point they transfer to scheme participants or beneficial ownership of the shares transfers to the trustee.

The following are details with regard to the scheme:

	2016 Award	2015 Award	2014 Award	2013 Award
Grant date	1 October 2016	1 October 2015	1 October 2014	1 October 2013
Number of shares granted	905,211	3,208,083	815,164	771,038
Market price per share at grant date	$10.61	$6.89	$8.79	$9.52
Total value at grant date	$9,604,289	$22,103,692	$7,165,291	$7,340,282
Vesting date	30 September 2019	30 September 2018	30 September 2017	30 September 2016
Number of shares:				
Number of shares originally granted	905,211	3,208,083	815,164	771,038
Less forfeited over life of scheme	(51,346)	(586,343)	(300,722)	(384,770)
Less vested over life of scheme	(906)	(20,501)	(17,479)	(207,734)
Number of shares held at 30 June 2017	**852,959**	**2,601,239**	**496,963**	**178,534**

	June 2017 NZ$M	June 2016 NZ$M
Total fair value expense in year for executive performance share scheme	**12**	15
Amount recognised at year end for related bonus payable	**20**	22

Fair value has been determined using Monte Carlo valuation methodology.

Notes to the financial statements 2017

30. Share-based payments continued

Share options

On 1 October 2012 the company issued 500,000 options under the executive option scheme to Mark Adamson. At 30 June 2017 the exercise price of these share options was $7.14. The restrictive period ended on 1 October 2015 and the final exercise date was to be 1 October 2018.

On 1 October 2015 the company issued a further 500,000 options under the executive option scheme to Mark Adamson. At 30 June 2017 the exercise price of these share options was $7.22. The restrictive period ends on 1 October 2018 and the final exercise date was to be 1 October 2021.

None of these options have been exercised by Mark Adamson and all 1,000,000 options were forfeited upon his employment as chief executive officer ceasing on 20 July 2017.

Employee share purchase scheme – FBuShare

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

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

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

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

Building a better working world

Chartered Accountants

Independent Auditor's Report
To the Shareholders of Fletcher Building Limited

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Fletcher Building Limited and its subsidiaries (together "the group"), on pages 55 to 96, which comprise the balance sheet of the group as at 30 June 2017, and the income statement, statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended of the group, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 55 to 96 present fairly, in all material respects, the financial position of the group as at 30 June 2017 and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

EY has provided tax advisory, tax compliance and other assurance services to the group. We have no other relationship with, or interest in, Fletcher Building Limited or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent auditor's report

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td colspan="2">RECOGNITION OF CONSTRUCTION CONTRACT REVENUE</td></tr>
<tr><td>A substantial amount of the group’s revenue relates to revenue from construction contracts. Where these contracts have a long-term duration, revenue and margin are recognised based on the stage of completion of individual contracts. This is calculated on the proportion of total costs incurred at the reporting date compared to the group’s estimation of total costs of the contract. We focused on these types of contracts due to the high level of estimation involved, in particular relating to:

• forecasting total cost to complete at initiation of the contract, including the estimation of cost contingencies for contracting risks;
• revisions to total forecast costs for certain events or conditions that occur during the performance of the contract, or are expected to occur to complete the contract; and
• the recognition of variations and claims, based on an assessment by the group as to whether it is probable that the amount will be approved by the customer and therefore recovered.

Refer to note 13 ‘Construction contracts’.</td><td>In performing our audit procedures we:

• understood the group’s design of relevant controls in respect of the recognition of revenue from construction. As part of this process we identified controls including:
– the preparation, review and authorisation of monthly valuation reports for construction contracts; and
– the comprehensive project reviews that are undertaken by group management.
• attended a sample of site visits across the group’s sites to enhance our understanding of the group’s contracting processes, the consistency of their application, and to discuss directly with project management the risks and opportunities in relation to individual contracts.
• selected a sample of contracts for testing based on a number of quantitative and qualitative factors which may indicate that a greater level of judgement is required in recognising revenue, including:
– history of issues identified;
– significant unapproved changes; variations and claims;
– delay risk;
– high potential impact and high likelihood of risk events;
– material new contracts;
– high value contracts; and
– loss making contracts.
• For the sample of contracts selected the following procedures were performed:
– obtained an understanding of the contract terms and conditions to evaluate whether these were reflected in the group’s estimate of forecast costs and revenue;
– tested a sample of costs incurred to date and agreed these to supporting documentation;
– assessed the forecast costs to complete through enquiries with project managers and finance personnel;
– tested contractual entitlement for changes, variations and claims recognised within contract revenue to supporting documentation and by reference to the underlying contract;
– evaluated significant exposures to liquidated damages for late delivery of contract works;
– evaluated the probability of recovery of outstanding amounts by reference to the status of contract negotiations, historical recoveries and other supporting documentation; and
– evaluated contract performance in the period since year end to audit opinion date to confirm the group’s year end revenue recognition judgements.</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td colspan="2">GOODWILL AND OTHER INTANGIBLE ASSETS IMPAIRMENT ASSESSMENTS</td></tr>
<tr><td>The group holds goodwill and other intangible assets which are carried at $1.7 billion at 30 June 2017.

The recoverable amount of goodwill and other intangible assets is determined each reporting period by reference to valuations prepared using discounted cash flow models ('DCF models').

DCF models contain significant judgement and estimation in respect of future cash flow forecast, discount rate and terminal growth rate assumptions. Changes in certain assumptions can lead to significant changes in the assessment of the recoverable amount.

Notes 21 and 22 of the financial statements disclose the key assumptions adopted and the sensitivity to reasonable changes in key assumptions which would reduce the recoverable amount and/or create additional impairments at certain cash generating units ('CGUs').</td><td>In performing our audit procedures we:
• understood the group's goodwill impairment assessment process and identified controls;
• assessed the group's determination of CGUs based on our understanding of the nature of the group's business units;
• obtained the group's DCF models and agreed amounts to a combination of the board approved FY18 budget and the FY19- FY20 strategic plan;
• assessed key inputs to the DCF models including forecast revenue, costs, capital expenditure, discount rates and terminal growth rates;
• assessed the accuracy of previous group forecasting to inform our evaluation of forecasts included in the DCF models;
• involved our valuation specialists, for those CGUs with a higher risk of impairment, to recalculate the group's discount rates. Valuation specialists were also involved in assessing the DCF models for valuation methodology, including the treatment of assumptions for capital expenditure, working capital, terminal value and the net present value calculation; and
• performed sensitivity analysis on higher risk CGUs in two main areas being the discount rate and forecast earnings.</td></tr>
<tr><td colspan="2">TREASURY – DERIVATIVE VALUATION AND HEDGE ACCOUNTING</td></tr>
<tr><td>The group manages its economic risks through the use of derivative financial instruments ('derivatives') which primarily consist of interest rate swaps, foreign exchange contracts and cross currency interest rate swaps.

Fair value movements in the derivatives are driven by movement in the financial markets.

These complex transactions may have a significant economic effect and have extensive accounting and reporting obligations.

Note 16 of the financial statements discloses the fair value of the group's derivative assets and liabilities outstanding at balance date.</td><td>In performing our audit procedures we:
• understood the group's processes and identified its controls for recording, managing and reporting the terms and conditions of its derivatives;
• involved our treasury specialists to evaluate the accuracy with which the group revalues derivatives;
• confirmed the existence of derivatives directly with counterparties at balance date;
• tested the calculation of fair value movements on derivatives during the period to assess whether these movements were appropriately recognised in the Income Statement, the Statement of Comprehensive Income or deferred in accordance with the group's accounting policy; and
• performed hedge effectiveness testing across a sample of the hedged portfolio to confirm the group's hedging documentation is in place, accurate and appropriate to support the hedge designation.</td></tr>
</table>

Independent auditor's report

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Simon O'Connor.

Ernst & Young
Auckland

16 August 2017

Regulatory disclosures

Directors' relevant interests in equity securities at 30 June 2017

	Relevant interests at 30 June 2017	
	ORDINARY SHARES	CAPITAL NOTES
M D Adamson[1]	3,108,278	
A J Carter	54,744	150,000
A T Jackson	20,000	
J F Judge	58,278	200,000
R J Norris	26,753	
K D Spargo	25,000	
C Tarrant	24,571	
S M Vamos	5,500	
Total	**3,323,124**	**350,000**

[1] Includes 1,000,000 options over ordinary shares, and an interest in 1,061,652 shares under the long-term share scheme, all of which were forfeited upon the end of Mark Adamson's employment with the company on 20 July 2017.

DIRECTORS' INTERESTS REGISTER

Directors disclosed, pursuant to section 140 of the Companies Act, the following changes in their interests during the year ended 30 June 2017:

Director	Interests disclosed
A J Carter	Appointed advisory board member – Capital Training Limited Appointed director of Foodstuffs Protection Trust
B R Hassall	Chairman of The Farmers' Trading Company Ltd Director of Bank of New Zealand Ltd Director of BNZ Insurance Services Ltd Director of BNZ Life Insurance Ltd Director of Prolife Foods Ltd Member of Advisory Board at the University of Auckland Business School
A T Jackson	Resigned as director of MBA Partnerships Limited
R J Norris	Appointed director of The Parenting Place
K D Spargo	Appointed director of ColNVEST Limited (not for profit) Appointed director of Xenith IP Limited Resigned as director of UGL Limited
C Tarrant	Resigned as director of SCA Property Group Trustee NZ Limited Appointed director of Payments NZ Limited Appointed director of Seeka Limited Appointed chairman of Government Superannuation Fund Authority
S M Vamos	Appointed director of Divvy Parking Limited

Regulatory disclosures

Directors disclosed, pursuant to section 148 of the Companies Act, the following acquisitions and dispositions of relevant interests in Fletcher Building shares during the year ended 30 June 2017:

Name	Relevant interests in shares			
	DATE	TRANSACTION	NUMBER	CONSIDERATION
M D Adamson	12 Oct 2016	Acquisition under DRP	16,405	$173,155
	14 Oct 2016	Forfeiture of beneficial interest under share scheme	73,144	502,499
	30 Nov 2016	Acquisition of beneficial interest under share scheme	197,285	$2,093,194
	12 April 2017	Acquisition under DRP	23,828	$190,386
J F Judge	12 Oct 2016	Acquisition under DRP [1]	26	$279
	12 April 2017	Acquisition under DRP[1]	36	$284
R J Norris	12 Oct 2016	Acquisition under DRP[1]	60	$633
	12 April 2016	Acquisition under DRP[1]	81	$642
C Tarrant	12 Oct 2016	Acquisition under DRP	374	$3,944
	12 Oct 2016	Acquisition under DRP[1]	43	$446
	12 April 2017	Acquisition under DRP	502	$4,013
	12 April 2017	Acquisition under DRP[1]	57	$455

[1] Includes non-beneficial interests

Directors disclosed, for the purposes of sections 161 and 162 (as applicable) of the Companies Act, the following interests:

Director	Nature of interest
All directors	Directors' and officers' insurance effected for the period 1 July 2017 – 30 June 2018.
Non-executive directors	Payment of director fees to non-executive directors to increase from 1 January 2017. Base director fees to increase to $166,000 and chairman's remuneration to continue to be paid at a ratio of 2.5 times that of the base fee for non-executive directors, inclusive of the nominations committee fee.

STOCK EXCHANGE LISTINGS

The company's shares are listed on the Main Board of NZX Limited (NZX) and on the ASX. Fletcher Building changed its listing category on ASX to ASX Foreign Exempt Listing, effective 6 May 2016. Fletcher Building must comply with the NZX Listing Rules but is exempt from almost all of ASX Listing Rules. In accordance with ASX Listing Rule 1.15.3, Fletcher Building confirms that it has complied with the NZX Listing Rules during FY17.

20 LARGEST SHAREHOLDINGS AS AT 31 JULY 2017

Name	Number of Shares	% of Shares
New Zealand Central Securities Depository Limited	341,158,752	49.02
HSBC Custody Nominees (Australia) Limited	68,398,002	9.82
JPMorgan Nominees Australia Limited	31,902,251	4.58
National Nominees Limited	25,977,216	3.73
Citicorp Nominees Pty Limited	16,504,052	2.37
FNZ Custodians Limited	10,892,583	1.56
JBWere (NZ) Nominees Limited	6,883,668	0.98
BNP Paribas Nominees Pty Ltd	6,548,040	0.94
Custodial Services Limited	4,697,052	0.67
Citicorp Nominees Pty Limited	4,533,748	0.65
BNP Paribas Noms Pty Ltd	4,241,715	0.60
Southern Steel Group Pty Limited	3,876,365	0.55
New Zealand Depository Nominee Limited	3,199,182	0.45
Forsyth Barr Custodians Limited	2,862,126	0.41
Fletcher Building Share Schemes Limited	2,697,000	0.38
UBS Nominees Pty Limited	2,649,024	0.38
Custodial Services Limited	2,609,522	0.37
Investment Custodial Services Limited	2,335,322	0.33
Navigator Australia Ltd	2,281,746	0.32
PT (Booster Investments) Nominees Limited	2,110,992	0.30

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

Name	Number of Shares	% of Shares
HSBC Nominees (New Zealand) Limited	81,667,090	11.74
HSBC Nominees (New Zealand) Limited A/C State Street	67,690,301	9.73
JPMorgan Chase Bank Na NZ Branch-Segregated Clients Acct	54,433,529	7.82
Citibank Nominees (New Zealand) Limited	43,696,822	6.28
Accident Compensation Corporation	18,680,115	2.68
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	12,530,577	1.80
BNP Paribas Nominees (NZ) Limited	11,708,775	1.68
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	8,742,344	1.26
ANZ Wholesale Australasian Share Fund	8,032,845	1.15
BNP Paribas Nominees (NZ) Limited	7,573,148	1.09
TEA Custodians Limited Client Property Trust Account	6,180,006	0.89
ANZ Custodial Services New Zealand Limited	5,237,873	0.75
National Nominees New Zealand Limited	4,689,174	0.67
BNP Paribas Nominees (NZ) Limited	3,083,285	0.44
BNP Paribas Nominees (NZ) Limited	2,230,723	0.32

Regulatory disclosures

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the company under the Financial Markets Conduct Act 2013, as at 30 June 2017, the substantial product holders in the company and their relevant interests are noted below. The total number of issued voting securities of Fletcher Building Limited as at that date was 694,437,136. All of these voting securities were ordinary shares.

Substantial Product Holder	Number and class of voting securities	Date of notice	Percentage of voting securities on issue[1]
Blackrock, Inc	41,859,058 ordinary shares	25 October 2016	6.03%

[1] Based on issued share capital of 694,437,136 ordinary shares as at 30 June 2017

FLETCHER BUILDING LIMITED (FBU) ANALYSIS OF SHAREHOLDING AS AT 31 JULY 2017

SIZE OF HOLDINGS	NUMBER OF HOLDERS	% OF HOLDERS	NUMBER OF SHARES	HOLDING QUANTITY %
1 to 1,000	17,000	45.00	7,657,648	1.10
1,001 to 5,000	15,451	40.90	36,969,990	5.31
5,001 to 10,000	3,225	8.54	22,762,892	3.27
10,001 to 100,000	1,979	5.24	42,941,680	6.17
100,001 and over	119	0.32	585,588,964	84.15
Total	**37,774**	**100.00**	**695,921,174**	**100.00**

All shares issued are fully paid ordinary shares and have full voting rights. There is no current on-market buy-back of shares.

DISTRIBUTION OF HOLDINGS OF CAPITAL NOTES AS AT 31 JULY 2017

Fletcher Building Industries Limited has 500 million capital notes on issue, which can convert to Fletcher Building Limited ordinary shares on the basis of 98% of the then current value of the shares. Unless the capital notes convert into Fletcher Building Limited ordinary shares, they carry no voting rights in Fletcher Building Limited. There were 6,081 holders of capital notes at 31 July 2017. Fletcher Building Holdings Limited held 99,876,918 capital notes at 31 July 2017. The capital notes are quoted on the NZX but are not quoted on the ASX.

FLETCHER BUILDING INDUSTRIES LIMITED (FBI) ANALYSIS OF NOTEHOLDINGS AS AT 31 JULY 2017

HOLDING RANGE	NUMBER OF HOLDERS	% OF HOLDERS	HOLDING QUANTITY	HOLDING QUANTITY %
1 to 1,000	1	0.02	1,000	0.00
1,001 to 5,000	1,210	19.90	4,359,666	0.87
5,001 to 10,000	1,327	21.82	11,528,666	2.31
10,001 to 100,000	3,292	54.13	109,567,500	21.91
100,001 and over	251	4.13	374,543,168	74.91
Total	**6,081**	**100.00**	**500,000,000**	**100.00**

NZX WAIVERS

The company was granted a waiver from NZX Listing Rule 7.6.6(a), to allow its then chief executive officer and managing director, Mark Adamson, to participate in the Fletcher Building Limited long-term share scheme (referred to page 39 of the Remuneration Report) and to receive financial assistance as part of that scheme for as long as Mark Adamson remained an employee of the company and a participant in the scheme.

This waiver was granted subject to the following conditions:

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

Approval in accordance with these conditions was given at the annual shareholders' meeting on 20 November 2012. Mark Adamson ceased to be an employee of the company on 20 July 2017 and all of his interests in the long-term share scheme were forfeited on that date. Mark Adamson is no longer a participant in the long-term share scheme.

Company and subsidiary directors and company ownership interests

SUBSIDIARIES

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 2017.

No employee of Fletcher Building appointed as a director of Fletcher Building Limited or its subsidiaries receives or retains any remuneration or other benefits, as a director. The remuneration and other benefits of such employees, received as employees, are included in the relevant bandings for remuneration disclosed under Employee Remuneration.

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

The persons listed below respectively held office as directors of Fletcher Building Limited and its subsidiary companies as at 30 June 2017 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.

Except where shown below, Fletcher Building's indirect ownership interest as at 30 June 2017 was 100%.

Fletcher Building Limited
A Carter
A Jackson
J Judge
K Spargo
C Tarrant
R Norris
M Adamson
S Vamos
B Hassall

AHI Roofing (Malaysia) SDN BHD
I Bin Harun
C Bolt
R Aaron
D Schulz

AHI Roofing (Middle East) Limited
G Bollman (R)
C Bolt
F Irazusta
B McKenzie

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
O Pascutiu (R)
C Bolt
D Schulz

AHI Roofing Limited
G Bollman (R)
C Bolt
F Irazusta
B McKenzie

AHI Roofing Proizvodnja In Distribucija Stresnih Sistemov D.O.O.
O Pascutiu (R)
C Bolt
K Szekeres

Amatek Holdings Pty Limited
D Le Quesne (R)
G Bollman (R)
S Lo Ricco
B McKenzie

Amatek Industries Pty Limited
D Le Quesne (R)
G Bollman (R)
S Lo Ricco
B McKenzie

Amatek Investments Pty Limited
D Le Quesne (R)
G Bollman (R)
S Lo Ricco
B McKenzie

Approach Signs Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Austral Bronze Crane Copper Pty Limited
G Bollman (R)
S Lo Ricco
N Sumich (R)
B McKenzie

Australian Construction Products Pty Limited
C Bolt
M Lukban (R)
B Nicholson

Australian Fibre Glass Pty Limited
D Le Quesne
S Lo Ricco

Bandelle Pty Limited
D Le Quesne
S Lo Ricco

Baron Insulation Pty Ltd
G Bollman (R)
J Hollis
B McKenzie

Boden Building Supplies Limited (65%)
P Boden
D Fradgley
B McEwen

Building Choices Limited (75%)
D Close
D Fradgley
B McEwen

Building Prefabrication Solutions Limited
G Bollman (R)
D Fradgley
B McKenzie

Cameron Building Supplies Limited (75%)
D Cameron
D Fradgley
B McEwen

Caravan Components Pty Limited
D Le Quesne
S Lo Ricco

Cleaver Building Supplies Limited (60%)
M Cleaver
D Fradgley
B McEwen

Consort Laminates Limited
P Hall (R)
N Mason
P Rush

Crane Enfield Metals Pty Limited
G Bollman (R)
S Lo Ricco
B McKenzie

Crane Group Pty Limited
D Le Quesne (R)
G Bollman (R)
S Lo Ricco
B McKenzie

Crevet Pty Ltd
G Bollman (R)
S Lo Ricco
N Sumich (R)
B McKenzie

Crevet Pipelines Pty Ltd
G Bollman (R)
N Sumich
B McKenzie

CTCI Pty Limited (80%)
E Woldhuis
G Bollman (R)
A Webster
M Kernahan (R)
B McKenzie
G Andrew (A)

Cullen Building Supplies Limited
R Cullen (R)
D Fradgley

Davis & Casey Building Supplies Limited (65%)
T Davis
D Fradgley
B McEwen

Decra Roofing Systems, Inc.
G Bollman (R)
C Bolt (R)
D Schulz
B McKenzie
F Irazusta

Delcon Holdings (No. 1) Limited
G Bollman (R)
C Bolt
B McKenzie

Delcon Holdings (No. 2) Limited
G Bollman (R)
C Bolt
B McKenzie

Delcon Holdings (No. 3) Limited
G Bollman (R)
C Bolt
B McKenzie

Delcon Holdings (No. 8) Limited
G Bollman (R)
C Bolt
M Crockett
B McKenzie

Delcon Holdings (No. 11) Limited
G Bollman (R)
C Bolt
D Fradgley
B McKenzie

ee-Fit Pty Limited
G Bollman (R)
J Hollis
B McKenzie

EFA Technologies Pty Limited
C Bolt
S Lo Ricco

Evans Building Supplies Limited
M Evans (R)
D Fradgley

Company and subsidiary directors

FBHS (Aust) Pty Limited
G Bollman (R)
P Tudor
B McKenzie

FBII (Puhoi) Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

FBII (Schools 3) Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

FBSOL Pty Limited
G Bollman (R)
P Tudor
B McKenzie

Fletcher Building (Australia) Pty Limited
D Le Quesne
G Bollman (R)
C Bolt
S Lo Ricco
B McKenzie

Fletcher Building (Fiji) Limited
A Kumar
C White
A Brown (R)
C Bolt
B Leach

Fletcher Building Holdings Limited
G Bollman (R)
C Bolt
B McKenzie

Fletcher Building Holdings New Zealand Limited
G Bollman (R)
C Bolt
B McKenzie

Fletcher Building Holdings USA Inc.
M Quint
G Bollman (R)
B McKenzie

Fletcher Building Industries Limited
A Carter
A Jackson
J Judge
K Spargo
C Tarrant
R Norris
M Adamson
S Vamos
B Hassall

Fletcher Building Infrastructure Investments Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Fletcher Building Nominees Limited
J McDonald
G Niccol
M Farrell
C Munkowits
J Chapman
P Demarie-Crook
H McKenzie

Fletcher Building Products Limited
G Bollman (R)
C Bolt
M Crockett
B McKenzie

Fletcher Building Products Australia Pty Limited
G Bollman (R)
S Lo Ricco
B McKenzie

Fletcher Building Share Schemes Limited
G Niccol
J McDonald

Fletcher Building Trading (Shanghai) Company Limited
C Rawlinson (R)
P Wilson (R)
G Bollman (R)
C Bolt
L Finney
P Kreutz
S Lewis

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

Fletcher Challenge Building UK Limited
J Ollard (R)
N Mason
P Foreman

Fletcher Challenge Finance Investments Limited
C Bolt
G Bollman (R)
B McKenzie

Fletcher Challenge Forest Industries Limited
M August (R)
J Ollard (R)
N Mason
P Foreman

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

Fletcher Concrete (Fiji) Limited
A Kumar
A Brown (R)
C White
C Bolt
B Leach

Fletcher Concrete and Infrastructure Limited
G Bollman (R)
C Bolt
M Crockett
B McKenzie

Fletcher Construction (Nouvelle Caledonie) S.A.R.L.
A Brown

Fletcher Construction (Solomon Islands) Limited
A Brown
C White

Fletcher Construction Company (Fiji) Limited
A Brown (R)
J Matthews
B Leach

Fletcher Distribution Limited
C Bolt
D Fradgley
G Bollman (R)
B McEwen
B McKenzie

Fletcher Insulation Pty Limited
J Hollis
G Bollman (R)
B McKenzie

Fletcher Morobe Construction Limited
A Brown
K Fletcher
L Mathias

Fletcher Property Developments UK Limited
M August (R)
J Ollard (R)
N Mason
P Foreman

Fletcher Property Investments UK Limited
M August (R)
J Ollard (R)
N Mason
P Foreman

Fletcher Property Limited
G Bollman (R)
C Bolt
B McKenzie

Fletcher Residential Limited
G Bollman (R)
C Bolt
S Evans
B McKenzie

Fletcher Steel Limited
G Bollman (R)
C Bolt
D Fradgley
B McKenzie

FM Holdings Inc.
L Box
M Quint
G Bollman (R)
F Irazusta
B McKenzie

Forman Building Systems Limited
G Bollman (R)
C Bolt
D Fradgley
B McKenzie

Forman Group Limited
G Bollman (R)
C Bolt
D Fradgley
G Darlow (R)
B McKenzie
M Kernahan

Forman Manufacturing Limited
G Bollman (R)
C Bolt
D Fradgley
B McKenzie

Formica (Asia) Ltd
C Rawlinson (R)
P Wilson (R)
D Ren
M Khan
J Michel

Formica (China) Trading Co., Ltd
C Rawlinson (R)
P Wilson (R)
P List
M Khan
J Michel

Formica (Malaysia) Sdn. Bhd.
J Yang (R)
C Chiu (R)
C Rawlinson (R)
P Wilson (R)
S Muangmek (R)
CH Heng
J Michel
D Wong
M Khan

Formica (Singapore) Pte. Ltd
C Chang (R)
C Rawlinson (R)
P Wilson (R)
N Tay
C Chen(R)
M Khan
J Michel
D Wong

Formica (Thailand) Co., Ltd (94.99%)
W Kunanantakul
S Mahacharoenkeat
C Rawlinson (R)
P Wilson (R)
M Khan
J Michel

Formica Canada Inc.
L Box
C Sarrazin
M Quint

Formica Corporation
M Adamson
L Box
M Quint
G Bollman (R)
B McKenzie
F Irazusta

Formica Danmark A/S
I Delen
N Mason
P Foreman

Formica de Mexico SA DE CV
L Box
M Quint
B Strobel

Formica Decorative Materials (China) Co. Ltd
C Rawlinson (R)
P Wilson (R)
P List
M Khan
J Michel

Formica Finance Limited
P Hall (R)
N Mason
R Pollington
P Rush

Formica Global LLC
L Box
M Quint
B Strobel
R Rosado Jr.

Formica Holdco UK Limited
P Hall (R)
N Mason
R Pollington
P Rush

Formica Holdings B.V.
L Box
S Lo Ricco

Formica Holding Corp.
L Box
M Quint
G Bollman (R)
F Irazusta
B McKenzie

Formica Holding GmbH
H Bender
K Vollmer

Formica Holdings Limited
P Hall (R)
N Mason
R Pollington
P Rush

Formica II Corporation
L Box
M Quint
G Bollman (R)
F Irazusta
B McKenzie

Formica Iki Oy
R Pollington
N Mason
L Box
P Foreman

Formica International LLC
L Box
M Quint
B Strobel
R Rosado Jr.

Formica Korea Corporation
T Ren
C Rawlinson (R)
P Wilson

Formica Laminates (India) Private Limited
L Box
N Mason
R Pollington
S Bidani

Formica Limited
L Box
P Foreman
P Hall (R)
N Mason
R Pollington
G Bollman (R)
B McKenzie
P Rush

Formica B.V. (previously Formica Middle East B.V.)
N Mason
P Foreman

Formica Norge A/S
I Delen
N Mason

Formica PSM Limited
P Hall (R)
N Mason
P Rush

Formica S.A. (Spain)
P Hall (R)
H Ruloffs
N Mason

Formica S.A.S (France) (99.99%)
N Mason
P Foreman
F Irazusta

Formica Skandinavien AB
I Delen
N Mason

Formica SP.zo.O.
N Mason
P Foreman

Formica Taiwan Corporation
T Ren
C Rawlinson (R)
P Wilson (R)
M Khan
J Michel

Gatic Pty Limited
G Bollman (R)
N Sumich
B McKenzie

Geoff Brown Building Supplies Limited (75%)
G Brown
D Fradgley
B McEwen

Geraldton Independant Building Supplies Pty Limited
G Bollman (R)
M Kernahan (R)
A Webster (R)
B McKenzie
J Burgess

Graeme Joy Building Supplies Limited (65%)
G Joy
D Fradgley
B McEwen

Gravure et Polissage de Surfaces Metalliques (99.88%)
N Mason
P Foreman

Higgins Contractors Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Higgins Group Holdings Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Homapal GmbH
H Bender

Home&Dry Limited
G Bollman (R)
C Bolt
M Crockett
M McKenzie

Iplex Pipelines Australia Pty Limited
G Bollman (R)
N Sumich
B McKenzie

Iplex Pipelines NZ Limited
C Bolt
G Bollman (R)
M Crockett
B McKenzie

Iplex Properties Pty. Limited
G Bollman (R)
N Sumich
B McKenzie

Jeffcoats Building Supplies Ltd (83%)
B McEwen
D Fradgley
R Jeffcoat

John Cockburn Building Supplies Limited
J Cockburn (R)
D Fradgley
B McEwen

Kemsley Fields Limited (56.8%)
D Gibson
J Ollard (R)
R Smothers
N Mason

Ken Jones Building Supplies Limited
K Jones (R)
D Fradgley
B McEwen

Kenna Building Supplies Limited (75%)
L Kenna
D Fradgley
B McEwen

Key Plastics Pty. Ltd.
G Bollman (R)
N Sumich
B McKenzie

Kimura Building Supplies (2016) Limited (75%)
J Kimura
D Fradgley
B McEwen

Kingston Bridge Engineering Pty Ltd
G Bollman (R)
N Sumich
B McKenzie

Kinsey Kydd Building Supplies Limited (75%)
S Kinsey
D Fradgley
B McEwen

Koning Building Supplies Limited (75%)
J Koning
D Fradgley
B McEwen

Kusabs Building Supplies Limited (75%)
G Kusabs
D Fradgley
B McEwen

Laminates Acquisition Co.
L Box
M Quint
G Bollman (R)
F Irazusta
B McKenzie

Laminates Holdings Pty Limited
G Bollman (R)
M Kernahan (R)
A Webster (R)
J Burgess
B McKenzie

Laminex Finance Pty Limited
D Le Quesne
S Lo Ricco

Laminex Group (N.Z.) Limited
G Bollman (R)
C Bolt
F Irazusta
B McKenzie

Laminex Group Pty Limited
G Bollman (R)
M Kernahan (R)
B McKenzie
A Webster (R)
J Burgess

Laminex Overseas Holdings Pty Limited
D Le Quesne
S Lo Ricco

Laminex US Holdings Pty Limited
D Le Quesne
S Lo Ricco

Leary Building Supplies Limited (75%)
B Leary
D Fradgley
B McEwen

Macready Building Supplies Limited (60%)
J Macready
D Fradgley
B McEwen

Master Roads and Services Limited (51%)
G Darlow (R)
M Kernahan
K Lotu-liga
D Geor
M Hall
T Heyward

Matt Orr Building Supplies Limited (75%)
M Orr
D Fradgley
B McEwen

Mico New Zealand Limited
D Fradgley
G Bollman (R)
C Bolt
B McKenzie

Milnes Holdings Limited
G Bollman (R)
N Sumich (R)
S Lo Ricco
B McKenzie

Monday Company Limited
D Hargovind (FJ$2,500)
I Jones
A Kumar

Morinda Australia Pty Limited
G Bollman (R)
P Tudor
B McKenzie

New Zealand Ceiling & Drywall Supplies Limited (90%)
D Thomas
C Bolt

Ngapo-Kimura Building Supplies Limited
J Ngapo-Kimura (R)
D Fradgley
B McEwen

Company and subsidiary directors

Northern Iron and Brass Foundry Pty. Ltd.
G Bollman (R)
N Sumich
B McKenzie

Paul Robinson Building Supplies Limited (75%)
D Fradgley
P Robinson
B McEwen

Pavement Technology Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Penny Engineering Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Perstorp Warerite Limited
P Hall (R)
N Mason
P Rush

PinkFit Limited
C Bolt
G Bollman (R)
M Crockett
B McKenzie

PlaceMakers Limited
D Fradgley
B McEwen
G Bollman (R)
C Bolt
B McKenzie

PlaceMakers Supply, Fix & Install Limited (75%)
B McEwen
G Close
D Fradgley

Polymer Fusion Education Pty Ltd
G Bollman (R)
N Sumich
B McKenzie

Raylight Aluminium Limited (75%)
D Fradgley
B McEwen
M Ellis
G Close (A)

Rex Bisman Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Rocla Australia Pty Limited
C Bolt
S Lo Ricco

Rocla Concrete Pipes Pty Limited
C Bolt
S Lo Ricco

Rocla Drilling Pty Limited
C Bolt
S Lo Ricco

Rocla Industries Pty Limited
D Le Quesne
S Lo Ricco

Rocla Masonry Pty Limited
C Bolt
S Lo Ricco

Rocla NSW Pty Limited
C Bolt
S Lo Ricco

Rocla Pty Limited
C Bolt
M Lukban (R)
B Nicholson

Rocla SA Pty Limited
C Bolt
S Lo Ricco

Rocla Vic Pty Limited
D Le Quesne
S Lo Ricco

S Cubed Pty Limited
G Bollman (R)
P Tudor
B McKenzie

Seabar Holdings (No 16) Limited
G Bollman (R)
C Bolt
D Fradgley
B McKenzie

Selwyn Quarries Limited
C Bolt
B McKenzie
M Crockett

Servicios Formica de Mexico SA DE CV
L Box
M Quint
B Strobel

Shanghai Formica Decorative Material Co., Ltd
J Hu
C Rawlinson (R)
P Wilson (R)
P List
M Khan
J Michel

Shed Boss NZ Limited
C Bolt
G Bollman (R)
D Fradgley
B McKenzie

Southbound Building Supplies Limited (75%)
A Rance
D Fradgley
B McEwen

Stanley Building Supplies Limited (75%)
B Stanley-Joblin
D Fradgley
B McEwen

Steven Marshall Building Supplies Limited (65%)
S Marshall
D Fradgley
B McEwen

Stickland Building Supplies Limited (75%)
D Fradgley
B McEwen

Stramit Corporation Pty Limited
G Bollman (R)
P Tudor
B McKenzie

Sullivan & Armstrong Building Supplies Limited (65%)
J Sullivan
D Fradgley
B McEwen

Tasman Australia Pty Limited
D Le Quesne
S Lo Ricco

Tasman Building Products Pty Limited
D Le Quesne
S Lo Ricco

Tasman Insulation New Zealand Limited
G Bollman (R)
C Bolt
M Crockett
B McKenzie

Tasman Sinkware North America, Inc.
C Bolt

Tasman Sinkware Pty Limited
M Watters (R)
G Bollman (R)
B McKenzie
T Broxham

TBP Group Pty Limited
D Le Quesne
S Lo Ricco

Tenedora Formica Mexico, S.A. de C.V.
L Box
M Quint
B Strobel

Terrace Insurances (PCC) Limited
M Eades (£2,500)
C Bolt
G Bollman (R)
K Carten
B McKenzie

The Diller Corporation
L Box
M Quint
G Bollman (R)
F Irazusta
B McKenzie

The Fletcher Construction Company Cook Islands Limited
A Brown
G Bollman (R)
G Darlow (R)
B McKenzie
M Kernahan

The Fletcher Construction Company (Fanshawe Street) Limited
G Darlow (R)
G Bollman (R)
C Bolt
B McKenzie
M Kernahan

The Fletcher Construction Company Limited
G Darlow (R)
G Bollman (R)
C Bolt
B McKenzie
M Kernahan

The Fletcher Organisation (Vanuatu) Limited
A Brown
Diract Limited
Lotim Limited

The Fletcher Trust and Investment Company Limited
G Darlow (R)
G Bollman (R)
C Bolt
B McKenzie
M Kernahan

Thomas Street Pty Limited
C Bolt
S Lo Ricco

Tradelink Pty Ltd (previously Crane Distribution Pty Limited)
G Bollman (R)
S Lo Ricco (R)
D Fradgley (R)
A Ball (R)
B McKenzie
T Broxham

Trade Mart Limited
D Fradgley
G Bollman (R)
B McEwen
C Bolt
B McKenzie

Unidur GmbH
H Bender

Winstone Wallboards Limited
G Bollman (R)
C Bolt
M Crockett
B McKenzie

Companies Liquidated:

Fletcher Building Netherlands B.V.
C Bolt
G Bollman

Consolidated Extrusions Management Pty Limited
G Bollman
S Lo Ricco

Consolidated Extrusions Pty Limited
G Bollman
S Lo Ricco

Formica LLC
I Delen
N Mason
R Pollington
A Tsvetov

Companies Amalgamated:

P.E.R.T.H Concrete Limited
F Leslie

HomaTrade GmbH
R Henkel

Pavements Asphalt Limited
C Bolt
B McKenzie
G Darlow (R)
M Kernahan

Associates and joint ventures

As at 30 June 2017, Fletcher Building held an indirect ownership interest in the following associates and joint ventures

COMPANY NAME	OWNERSHIP %
Altera Apartments General Partner Ltd	50%
Altus NZ Ltd	50%
Bellus Apartments General Partner Ltd	50%
Byfords Readi-Mix Ltd	50%
Cromwell Certified Concrete Ltd	50%
Dongwha New Zealand Ltd	50%
Greenraft Ltd	33%
Hexion Australia Pty Ltd	50%
Ilico Apartments General Partner Ltd	50%
Interpipe Holdings Limited	50%
JFC Pumps Ltd	50%

COMPANY NAME	OWNERSHIP %
Kaipara Water Transport Ltd	25%
Oamaru Shingle Supplies Ltd	33%
Rangitikei Aggregates Ltd	50%
Regional Resources NW Pty Ltd	50%
Rodney Aggregates Supplies Ltd	50%
Saltus Apartments General Partner Ltd	50%
Sims Pacific Metals Ltd	50%
South Pacific Cement Limited	14.85%
Trench Shoring New Zealand Ltd	50%
Verto Apartments General Partner Ltd	50%
Wespine Industries Pty Ltd	50%

Investor information

ANNUAL SHAREHOLDERS' MEETING

The annual shareholders' meeting of Fletcher Building Limited will be held at the Auckland War Memorial Museum, Event Centre, Level 3, at 10.30am on Wednesday 25 October 2017.

FINAL DIVIDEND INFORMATION

The company has declared a final dividend for the year of 19 cents per share payable on 11 October 2017. This is in addition to the interim dividend of 20 cents per share paid on 12 April 2017. The final dividend has imputation credits attached at a 28% tax rate. There are no Australian franking credits attached.

DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan, under which they have the opportunity to reinvest their dividends in additional shares. To participate, please contact the share registry. The Dividend Reinvestment Plan will operate for the FY17 final dividend. Your election notice must be received by the share registry by no later than 25 September 2017 in order to participate in the Dividend Reinvestment Plan in respect of the FY17 final dividend.

FURTHER INFORMATION ONLINE

Details on Fletcher Building, its governance policies, and its operations for the year ended 30 June 2017 can be viewed on the Fletcher Building website at fbu.com. This website contains all announcements to NZX and ASX and financial presentations made by the company.

SHAREHOLDER COMMUNICATIONS

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

DIRECT CREDITING OF DIVIDENDS

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

SHARE REGISTRIES

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

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

Directory

Registered offices

Fletcher Building Limited

In New Zealand:
Fletcher Building Limited
Private Bag 92 114
Auckland 1142
New Zealand

Fletcher House
810 Great South Road
Penrose, Auckland 1061
New Zealand
T. +64 9 525 9000

In Australia:
Locked Bag 3501
North Ryde BC
NSW 1670, Australia

Level 4
68 Waterloo Road
Macquarie Park, NSW 2113, Australia
T. +61 2 8986 0900
ARBN 096 046 936

Shareholder enquiries

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

New Zealand
Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

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

Australia
Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia
T. 1800 501 366 (within Australia)
T. +61 3 9415 4083 (outside Australia)
F. +61 3 9473 2500

Other investor enquiries

Fletcher Building Limited
Private Bag 92 114
Auckland 1142, New Zealand
T. +64 9 525 9000
E. moreinfo@fbu.com

Company secretary
Charles Bolt

Other information
fbu.com

Fletcher Building