FOCUS

Fletcher Building Limited
Annual Report 2018

Building a stronger, more focussed Fletcher Building.

Fletcher Building is currently one of the most diversified building materials companies in the world. In FY18 we announced a new strategy to improve our performance by focussing and simplifying our business.

New strategic focus

Our vision is to be the undisputed leader in New Zealand and Australian building solutions with products and distribution at our core.

1. Refocus on the core
2. Stabilise Construction
3. Strengthen Australia
4. Exit non-core businesses

Enabled and driven by:

- Highly engaged and capable people who deliver results for our customers.
- A simpler and leaner decentralised operating model.
- An increased focus on innovation, to achieve continuous improvement and take advantage of global trends.
- Disciplined performance improvements in safety, sustainability, procurement and operations.
- Capital directed behind strategically important, high-return businesses that align with our vision.
- Targeted acquisitions and organic growth to fill gaps in our supply chain or move into adjacent categories.

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 in accordance with the requirements of the Financial Markets Conduct Act 2013, and these accounting records enable Fletcher Building to ensure that the Company's 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 EY 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. FY17 and FY18) in this annual report are to the financial year ended 30 June. References to $ and NZ$ are to New Zealand dollars unless otherwise stated.

In certain sections of this report the Group has chosen to present certain financial information exclusive of the impact of Significant Items and / or the results of the Building + Interiors (B+I) business unit, consistent with previous market guidance. Where such information is presented, it is clearly described and marked with an appropriate footnote. This allows the readers of this report to better understand the underlying operations and performance of the Group.

Any reference 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.

An electronic copy of this annual report is available to view on our website www.fletcherbuilding.com

The Annual Report is dated 22 August 2018 and is signed on behalf of the board by:

Sir Ralph Norris
Chairman

Bruce Hassall
Director

Results at a Glance

Revenue

$9,471m

2017 $9,399m ▲ 1%

Net earnings/(loss) – reported

$(190)m

2017 $94m

EBIT – reported

$(118)m

2017 $273m

EBIT (excluding B+I) before significant items[1]

$710m

2017 $817m ▼ 13%

Trading cash (excluding B+I)[1]

$924m

2017 $635m ▲ 46%

EBIT % (excluding B+I) before significant items[1]

7.5%

2017 8.7% ▼ 1 ppts

ROFE (excluding B+I)[1]

12.6%

2017 14.6% ▼ 2 ppts

Capital expenditure

$304m

2017 $319m ▼ 5%

Safety TRIFR[2]

5.1

2017 6.9 ▼ 26%

Employee engagement

70%

2017 67% ▲ 3 ppts

Customer NPS[3]

33

2017 26 ▲ 7 ppts

1 Measures (excluding B+I) before significant items are non-GAAP measures used by management to assess the performance of the business and have been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2018.

2 Total recordable injury frequency rate. Measured by the total number of recordable injuries per million hours worked.

3 Net Promoter Score is a measure of how satisfied our customers are with our business.

Chairman's Report

Sir Ralph Norris CHAIRMAN

The theme of this year's annual report is focus. This is fitting for a year that was completed with the launch of a new, focussed strategy and the announcement of a refreshed board, ready to support Fletcher Building as the new strategy is implemented.

Dear Shareholders,

FY18 was a very challenging year for Fletcher Building, characterised by the deteriorating performance of the Building + Interiors (B+I) business of our Construction division. As I described at our last annual shareholders' meeting (ASM), we had taken on too many large-scale and complex projects too quickly, in a hot market, and experienced failings within the core capabilities of the business across a range of projects.

At the same meeting I announced the appointment of Ross Taylor as chief executive officer (CEO), who then started with the business in November 2017. Ross is a proven performer who has led business turnarounds and improved performance and shareholder returns for businesses that operate in Fletcher Building's core sectors – including housing, manufacturing and construction.

Since his appointment Ross has embedded himself in the business quickly, undertaking further reviews of the B+I business and implementing a comprehensive review of the Group strategy.

The B+I review resulted in an additional large provision for losses announced on 14 February 2018. Understanding that shareholders expect accountability from the board for all aspects of the Company's performance, I thought it was appropriate to announce that I would stand down as chairman no later than the 2018 ASM.

This would allow me to first ensure I supported Ross as he led the finalisation of a new strategy for the Company, while also providing an orderly transition of the board.

As the Group strategy was progressed, the board and executive undertook a full review of our capital structure, which resulted in the decision to undertake an equity raising. The $750 million entitlement offer was successfully completed in May 2018, and served to strengthen our financial position and allow us to more effectively execute our new Group strategy.

On 21 June 2018 a new Group strategy was announced to the market, which focusses Fletcher Building's operations on the New Zealand and Australian markets, and in particular, its core operations of building products and distribution.

With this new focus, divestment processes have commenced for Formica and Roof Tile Group.

The new strategy sets a very clear path for the business, leveraging our strengths to deliver more value for our customers and improved returns for our shareholders.

BOARD APPOINTMENTS

On 22 June 2018 I announced Bruce Hassall as my successor and the appointment of four new directors, effective 1 September 2018.

Barbara Chapman, Rob McDonald, Doug McKay and Cathy Quinn are high calibre individuals, who bring a mix of commercial, operational and governance expertise, which will greatly enhance the experience and diversity of the board.

Dr Alan Jackson will retire at the conclusion of the 2018 annual shareholders' meeting, following nine years of service. In addition, Cecilia Tarrant made the decision to resign from the board effective 1 September 2018, following seven years' service.

I would like to thank Alan and Cecilia for their considerable contributions to Fletcher Building and wish them every success in the future.

To finalise the board refresh it is expected that another director from Australia will be appointed in the near term.

DIVIDEND

Fletcher Building's dividend policy is to pay dividends in the range of 50%–75% of net earnings before significant items, with consideration of available cash flow in the same period. Given the financial performance of the Company in FY18, and in line with this policy, the board has resolved not to declare a final dividend.

The board expects, subject to satisfactory trading performance, to be in a position to resume dividends in respect of FY19.

TOTAL SHAREHOLDER RETURNS

In the last 12 months total shareholder returns for Fletcher Building have been disappointing, reflecting the market's reaction to the downgrades made through the year, and the curtailment of dividend payments

Encouragingly, in the last three months of the financial year the Fletcher Building share price increased 20%, as the market reacted positively to our equity raising, debt restructure and the announcement of our new strategy. We believe these initiatives will hold the Company in good stead and, as the new strategy is executed, our improved performance will be reflected in returns to shareholders.

It has been a privilege to serve as chairman of the Fletcher Building board and in departing I offer my sincere thanks to our shareholders for their support during my tenure. While the last financial year has been a difficult one for the Company, the underlying performance of the business remains strong and with new leadership and a clear strategy, I am confident Fletcher Building will reach its full potential and deliver the returns our shareholders deserve.

Thank you for your support and my best wishes to you, the Company and its people.

Sir Ralph Norris
Chairman

“It has been a privilege to serve as chairman of the Fletcher Building board and in departing I offer my sincere thanks to our shareholders for their support during my tenure.

Sir Ralph Norris

CEO's Report

Ross Taylor CEO

I was delighted to join Fletcher Building as CEO in November 2017. While the year has not been without its challenges, we have completed FY18 meeting our earnings guidance, while containing our B+I losses within the provisions we announced to the market in February 2018.

We have strengthened the business by refocussing our Construction division on project completion, undertaking a capital raising that has significantly strengthened our balance sheet, and launching a new Group strategy.

As a result, we have started FY19 on strong foundations and with clear priorities.

- **Refocussing the Construction division**

  A detailed analysis of all B+I projects in February this year resulted in a $486 million increase in our provisioning and ultimately, a total B+I loss of $660 million in FY18.

  Subsequently we decided to cease bidding in the vertical construction sector to reduce future risk to the business from the current market dynamics.

  While it was not an easy decision to make, we believe that it was the right course of action to provide more certainty for our shareholders and the business as a whole.

  We have committed to completing our remaining B+I projects within these new provisions, while refocussing our bidding on lower-risk, higher-margin sectors such as infrastructure and roading.

- **Review of capital structure and equity raising**

  The increase in B+I provisioning resulted in breaches of our debt covenants and triggered a full review of our capital structure.

  On 17 April 2018 we announced a 1 for 4.46 accelerated entitlement offer to both institutional and retail investors for $750 million, and a new standby loan facility with three of the banks in our commercial lending syndicate.

  The offer was very well received by investors, with a 98% acceptance of entitlements by institutional shareholders and a 56% acceptance by retail shareholders. In both cases shareholders who did not take up their entitlements, or were not eligible to do so, received a significant premium to the offer price for the shares sold on their behalf – ensuring all shareholders were treated equitably.

As a result of the equity raising, our balance sheet has been strengthened; we have agreed a permanent solution with our banking syndicate in relation to the breaches of the covenants; and we confirmed our US private placement (USPP) debt facilities in line with our target terms, with no redemption required.

- **Launch of new Group strategy**

  We announced a new Group strategy to the market on 21 June 2018.

  Our vision is for Fletcher Building to be the undisputed leader in New Zealand and Australian building solutions – with products and distribution at our core.

  In New Zealand we will grow our building products and distribution businesses and leverage our strong positions in the concrete value chain and residential construction. Alongside this we will return Construction to sound operating performance by completing the remaining B+I projects within provisions and profitably growing our infrastructure and roading businesses.

  In Australia our focus is on improving the operating and financial performance of our current businesses. In time, we will seek to grow our market share and expand our portfolio as we have done in New Zealand through targeted acquisitions.

  As a result of our decision to focus on the New Zealand and Australian markets, it was logical to then begin a process to divest our international businesses, Formica and Roof Tile Group. We expect to complete both of these transactions during FY19.

  With our strategy decided we then implemented a new operating model, which has reduced corporate costs by $30 million per annum. The new operating model included a new divisional structure and the reorganisation of our individual businesses into seven divisions. It went live on 1 July 2018.

FY18 PERFORMANCE

During a year of significant change, our divisions and businesses remained focussed on delivering on their commitments.

In FY18 we reported total revenues of $9,471 million, a 1% increase on FY17. Group operating earnings before interest and tax (EBIT) excluding B+I and significant items was $710 million, in the top half of our guidance range of $680 million to $720 million. B+I losses were contained to the projected $660 million announced in February 2018.

In New Zealand our Residential and Development division performed strongly, growing revenue and earnings and significantly increasing the volume of units sold. We also realised revenue gains in Distribution, Building Products, Concrete and Steel; however, this was offset in certain areas by input cost pressures and the need to invest in our supply chain ahead of planned timelines to meet increased market demand. In Construction, outside B+I, while we saw continued strong earnings growth in Higgins, the timing of major projects in the Infrastructure and South Pacific businesses reduced earnings across the division.

In Australia market conditions were mixed. The residential market softened, while the Eastern Seaboard infrastructure pipeline grew. While many of our Australian businesses made progress against their turnaround strategies, particularly Iplex Australia and Tradelink, earnings across the division were impacted by increased input costs, particularly in energy and resins.

Internationally, a positive performance by Formica in North America and Asia was offset by difficult trading conditions in Formica Europe and a number of our Roof Tile Group export markets.

OUR BALANCED SCORECARD

Beyond our financial performance we remain focussed on continuous improvement across our balanced scorecard.

Safety

The health and safety of our people is paramount, so it was pleasing to see that our total recordable injury frequency rate (TRIFR) reduced from 6.9 in FY17 to 5.1 in FY18 and serious incidents reduced from 33 in FY17 to 21 in FY18. This is an encouraging trend but still too high. We remain focussed on driving TRIFR below five across all our businesses and we have made good headway, with the ongoing implementation of our Protect safety programme and the introduction of a new real-time risk and incident management tool, RADAR.

People engagement

In FY18 we were pleased to see an increase in our people engagement score from 67% to 70%, which is on-par with our peer group. In future years we will seek to drive engagement above 80%, which will put us in the upper quartile of our industry.

Customer satisfaction

It was pleasing to see an increase in our Net Promoter Score (NPS) over the last year, which is a measure of how satisfied our customers are with our business, from 26 in 2017 to 33 in 2018. Our aim for future years is to drive to a best-in-class NPS of greater than 55.

Sustainability and Innovation

We see sustainability and innovation as critical drivers of our performance and through the next financial year we will refine our strategies and targets in both areas, to provide more detailed reporting on our year-on-year progress in the future.

OUTLOOK

As we outlined at the launch of our new strategy in June 2018, we expect Group earnings to be stable in FY19 and then growing from FY20.

In FY19 we will remain focussed on our building materials and distribution businesses; divesting Formica and Roof Tile Group; stabilising the Construction division, by progressively closing out our remaining B+I projects; and embedding our new strategy and structure in Australia, while continuing our turnaround momentum.

We expect to provide detailed FY19 guidance at the 2018 annual shareholders' meeting.

I thank our shareholders, people, customers and suppliers for their continued support of Fletcher Building and I look forward to updating you on our progress during FY19 and beyond.

Ross Taylor
CEO

Strategy
FOCUS

On 21 June 2018 we announced a new strategy and operating model to our shareholders.

Fletcher Building is one of the most diversified building materials companies globally, with operations across multiple geographies, sectors, value chains and product lines. While our performance in New Zealand has been strong across our core building products and distribution businesses, this has been offset by recent losses in the B+I business unit of our Construction division. Improving the performance of Formica has been slow and capital intensive, while our performance in Australia and the progress of our turnaround strategies have been mixed. This has led to share price underperformance versus our peers, which is something other highly diversified companies around the world have experienced.

It was clear that continuing to manage multiple platforms across multiple geographies from both a capital and capability perspective was unlikely to be successful. This is why we have introduced a more focussed strategy, which will help Fletcher Building reach its full potential.

The first strategic decision we made was to refocus the business on our core markets of New Zealand and Australia and divest Formica and Roof Tile Group.

With this decided, our strategy is then defined by four key principles:

1.

Refocus on the core

Our new vision is to be the undisputed leader in New Zealand and Australian building solutions with products and distribution at our core.

We will defend and grow our New Zealand building products and distribution businesses and leverage our positions in concrete and residential, which are complementary to our core and strong performers in their own right.

With only a 15% share of the New Zealand market,[1] there is plenty of opportunity to deliver more from our existing operations, and grow into adjacent sectors.

2.

Stabilise Construction

We will stabilise the Construction division by closing out our remaining B+I projects within our provisions and then growing our infrastructure and roading businesses. We have already made progress here, with seven of our 16 key loss making B+I projects now completed.

3.

Strengthen Australia

In Australia, we are targeting a significant improvement in the operating and financial performance of our existing businesses. We have just a 1% share[1] of the Australian market and the majority of our businesses hold number one or two market positions – therefore we have a strong base to build from and we do not believe there are any structural reasons that will prevent us from getting our portfolio performing. In time, we will seek to expand our portfolio as we have done in New Zealand through targeted acquisitions.

4.

Exit non-core businesses

With a new vision and focus, we will exit non-core businesses and divest Formica and Roof Tile Group.

1 Sources: FBU Management estimates, Infometrics WPIP, BIS Oxford Economics (Residential, Non-Residential Work Done), ABS (Value of Engineering Work Commenced).

To support the strategy we have also made changes to how we work and are now very clear on the enablers of successful execution.

There are six key enablers of our strategy:

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1. We will continue to increase the engagement and capability of our people to deliver results for our customers.
2. We have introduced a simpler and leaner decentralised operating model.
3. We will increase our focus on innovation, to achieve continuous improvement and take advantage of global trends.
4. We will seek disciplined performance improvements in safety, sustainability, procurement and our operations.
5. We will direct our capital into strategically important, high-returning businesses that align with our vision and what we're trying to achieve.
6. We will fill gaps in our portfolio or move into adjacent categories both organically and through acquisition.

Our new operating model was announced on 21 June and has been effective since 1 July 2018. It will reduce overheads across the Group by $30 million per annum, empower businesses at the frontline and the new divisional structure aligns businesses to our new strategy.

This new structure includes seven divisions, each with its own chief executive who reports to our CEO Ross Taylor. This structure reflects a logical grouping of our businesses in New Zealand and establishes a new stand-alone division in Australia. The Australian division groups all our Australian businesses together for the first time, under one chief executive Dean Fradgley who will be based in the country. This will provide more focus, integration and capability sharing, better positioning us to achieve our turnarounds, identify and pursue cost-efficiencies and take advantage of customer and market opportunities.

Formica and Roof Tile Group will continue to operate as a separate division, under the leadership of chief executive Francisco Irazusta, as the assets are prepared for divestment.

In terms of innovation, we will have a dual focus on continuous improvement, which is in line with our Fletcher Building value of 'better every day', and taking advantage of global trends influencing our markets.

Our continuous improvement activities will be moved closer to the businesses to improve accountability, drive manufacturing excellence, reduce procurement costs, enhance customer service and support a culture of innovation.

Right across our portfolio we will be looking at how our business can respond to, and lead, global trends in our local markets. Some key trends currently influencing our industries are product innovation (particularly around the sustainability of our products), service and channel innovation (which speaks to how we serve our customers), labour productivity and the global shift to offsite manufacturing, and global supply chains, including lower-cost country sourcing for certain inputs.

The strategy will be delivered over three broad stages. In FY19 the focus is on stabilising the go-forward businesses and exiting non-core businesses. Done well this should set us up for a solid FY20, with momentum building so that in FY21 and beyond we achieve above market growth.

With clear strategic focus areas in place, and a new operating model to support our aspirations, we are in a stronger position to grow in the coming years. But no business can grow without strong foundations in safety, people engagement, sustainability and customer engagement – and we will remain focussed on growing our performance across these fundamentals.

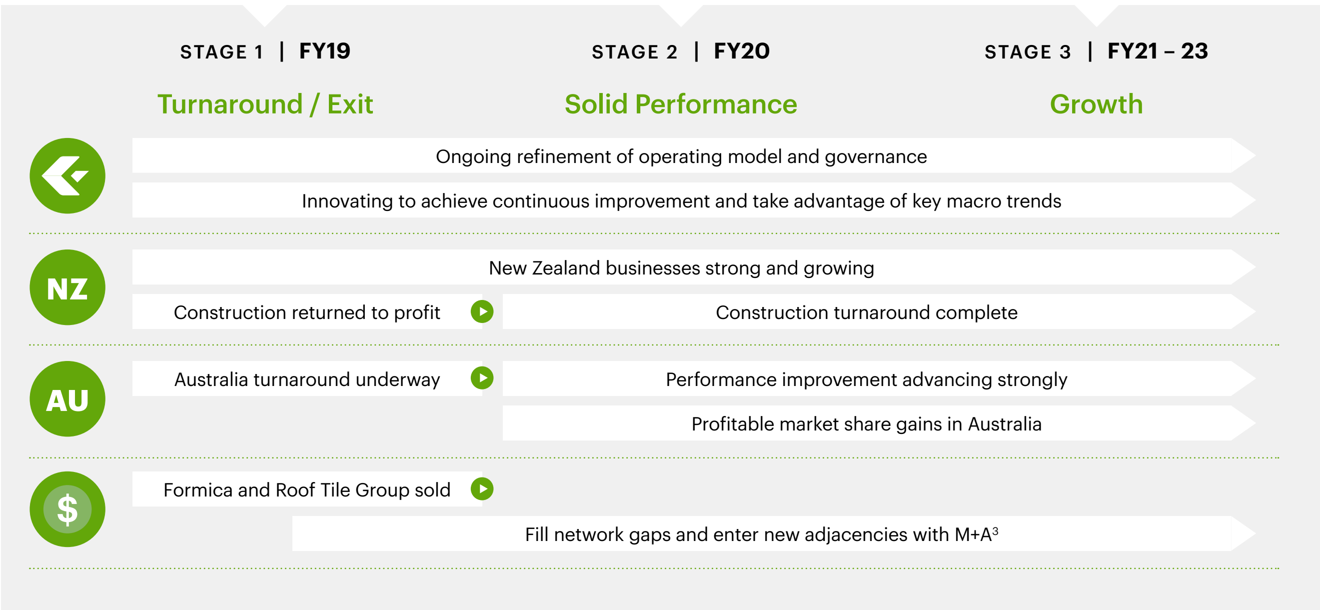
In safety, we will drive TRIFR[2] below five across all businesses and pivot our focus onto managing and removing serious and high-potential incidents from our day to day activities.

We want to lead in sustainability and will look to embed sustainability measures and outcomes into our products and practices.

We want our employees to remain engaged and we will aim to get all businesses performing in the top quartile. We continue to head in the right direction, with our FY18 people engagement score for the total business increasing to 70%.

Finally, we will assess everything we do through a customer lens, ensuring our businesses embed transparent and measurable customer service promises that differentiate us from the competition and drive high levels of customer satisfaction.

We believe the new Fletcher Building strategy is focussed, clear and uncomplicated and will ultimately better enable us to deliver more value for our shareholders.



2 Total recordable injury frequency rate. Measured by the total number of recordable injuries per million hours worked.

3 Mergers and acquisitions.

Our Board

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

Chairman and Independent Non-Executive Director

Term of office

Appointed director 1 April 2014, last re-elected 2016 annual meeting

Board committees

Chairman of the Nominations Committee

Sir Ralph Norris has over 40 years' business and banking experience, having led large organisations through transformational changes in both New Zealand and Australia. During his career, he has held a number of senior executive roles, including managing director and chief executive officer of Commonwealth Bank of Australia and chief executive officer of Air New Zealand Limited and ASB Bank. Sir Ralph is the chairman of Contact Energy Limited and a director of RANQX Holdings Limited.

As previously announced, Sir Ralph Norris will step down from the board effective 1 September 2018.

ANTONY CARTER
BE (Hons), ME, MPhil (Loughborough)

Independent Non-Executive Director

Term of office

Appointed director 1 September 2010, last re-elected 2016 annual meeting

Board committees

Member of the Audit and Risk Committee, Member of the Nominations Committee and Member of the Remuneration Committee

Tony Carter has extensive experience in retail management having served as managing director of Foodstuffs (Auckland) and Foodstuffs (New Zealand), New Zealand's largest retail organisation. Prior to this he owned and operated several Mitre 10 hardware stores, later serving as a director and chairman of Mitre 10 New Zealand Limited. Tony is the chairman of Air New Zealand Limited and Fisher & Paykel Healthcare Corporation Limited, a director of ANZ Bank New Zealand Limited and Avonhead Mall Limited and a trustee of the Maurice Carter Charitable Trust.

BRUCE HASSALL
BCom, FCA (CAANZ)

Independent Non-Executive Director

Term of office

Appointed director 1 March 2017, last elected 2017 annual meeting

Board committees

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

Bruce Hassall has had a distinguished career with broad and deep commercial and strategic experience and connections across the New Zealand economy, including in the small medium enterprise (SME), commercial, government and export sectors. As former senior partner and chief executive officer of PwC New Zealand he has extensive advisory background and knowledge of the corporate environment. Bruce is the chairman of The Farmers' Trading Company Limited and Prolife Foods Limited and is a director of Bank of New Zealand and Fonterra Co-operative Group Limited.

Bruce Hassall assumes the role of chairman of Fletcher Building Limited effective 1 September 2018.

NEW BOARD MEMBERS EFFECTIVE 1 SEPTEMBER 2018

BARBARA CHAPMAN, BCom

Barbara Chapman has had an impressive executive career, serving most recently as managing director and chief executive officer of ASB Bank for seven years and previously as group executive Human Resources and group services for the Commonwealth Bank of Australia. Barbara recently joined the boards of Genesis Energy and NZME as an independent director.

ROBERT McDONALD, BCom, FCA

Rob McDonald has a strong track record in financial and risk management, developed over two decades with Air New Zealand Limited and most recently as the airline's chief financial officer. Rob currently serves as an independent director of Contact Energy Limited, taking up the role of chairman on 1 September 2018, and is a director of the Chartered Accountants of Australia and New Zealand. Rob will assume the role of chairman of the audit and risk committee upon appointment as a director of Fletcher Building.

DOUGLAS McKAY, BA, ONZM, CMinstD

Doug McKay has considerable business leadership and commercial experience, as the former chief executive of major manufacturing and distribution businesses in New Zealand and Australia, such as Lion Nathan Limited, Carter Holt Harvey Limited, Goodman Fielder Limited, Sealord and Independent Liquor. As chief executive of Auckland Council, he led the amalgamation of eight territorial authorities into the one

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

Independent Non-Executive Director

Term of office
Appointed director 1 September 2009, last re-elected 2016 annual meeting

Board committees
Chairman of the Remuneration Committee, Member of the Nominations Committee and Member of the Safety, Health, Environment and Sustainability Committee

Dr Alan Jackson has over 35 years' international business experience across a wide spectrum of industries and disciplines. He has worked across a range of industries, including the resources, diversified industrials, building products and construction sectors. Alan is the chairman of New Zealand Thoroughbred Racing Inc. and a director of Delegat Group Limited and Aurora Vineyard Limited. He has served as managing partner and subsequently chairman of The Boston Consulting Group Australasia and on the global executive committee of The Boston Consulting Group and has also chaired Housing Corporation of New Zealand.

Dr Alan Jackson retires at the conclusion of the 2018 annual shareholders' meeting following nine years' service.

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

Independent Non-Executive Director

Term of office
Appointed director 10 October 2011, last re-elected 2017 annual meeting

Board committees
Chairman of the Safety, Health, Environment and Sustainability Committee, Member of the Audit and Risk Committee and Member of the Nominations Committee

Cecilia Tarrant is a professional company director. She has over 20 years' experience in international banking and finance, having worked as a lawyer and an investment banker in the USA and Europe. Cecilia is the chairman of the Government Superannuation Fund Authority, a director of Annuitas Management Limited, Payments NZ Limited and Seeka Limited and a trustee of The University of Auckland Foundation. She previously held a number of senior management positions with Credit Suisse First Boston and Morgan Stanley in New York and London.

Cecilia Tarrant resigns from the board effective 1 September 2018 following seven years' service.

STEVE VAMOS
BE (Hons)

Independent Non-Executive Director

Term of office
Appointed director 6 July 2015, last elected 2015 annual meeting

Board committees
Member of the Audit and Risk Committee, Member of the Nominations Committee and Member of the Remuneration Committee

Steve Vamos has more than 30 years' experience in the information technology, internet and online media industries. He is the chief executive officer of Xero Limited, a global online platform providing accounting software for businesses and their advisors. Steve is a member of the Advisory Board of the University of Technology Sydney Business School, as well as a director of Telstra Corporation Limited (although will retire from the Telstra board on 16 October 2018). He has held senior management roles at IBM, Apple Computers, ninemsn in Australia and Microsoft Corporation in Australia and the USA.

'super city' it is today. He is the chair of the Bank of New Zealand and Eden Park Trust and serves as an independent director on the boards of Genesis Energy, IAG New Zealand and National Australia Bank.

CATHY QUINN, LLB, ONZM

Cathy Quinn is one of New Zealand's foremost commercial and corporate lawyers. She leads the mergers and acquisitions and private equity teams and the China practice at MinterEllisonRuddWatts, and served as chairman of the firm for eight years. Cathy is currently a director of Tourism Holdings Limited, and a board member of New Zealand Treasury and the New Zealand China Council.

Executive Team

FOCUS

A simpler, leaner decentralised operating model was introduced on 1 July 2018. This included a new divisional structure that aligned our individual businesses to our new strategic priorities.

These changes resulted in a number of new appointments to the Fletcher Building executive team, which were also effective from 1 July 2018. The executive team is comprised of proven performers with deep experience in their industries and functional disciplines and will provide strong leadership as we progress our new strategy.

“Our plan is clear, it has improved our focus as a business, and we are now putting it into action.

Ross Taylor

ROSS TAYLOR

Chief Executive Officer

Ross Taylor joined Fletcher Building as CEO on 22 November 2017. Previously, Ross was CEO of UGL, an international engineering, services, construction and product manufacturing business, operating across the rail, transport and technology systems, power, resources, water and defence sectors, and headquartered in Australia.

Prior to this he was managing director and CEO of Tenix, a privately held engineering and construction services company and held senior leadership roles at Lendlease across a 23-year period.

Ross has proven experience leading business turnarounds and improving performance and shareholder returns and has direct experience across a range of Fletcher Building’s core sectors, including housing, manufacturing and construction.

Ross holds a Bachelor of Engineering from the University of Queensland.

BEVAN MCKENZIE

Chief Financial Officer

Bevan McKenzie was appointed chief financial officer in November 2016, having joined Fletcher Building as general manager of Group Strategy in January 2014.

Bevan has led several significant portfolio changes, including completion of the Higgins acquisition. Prior to this, he worked for the Boston Consulting Group in Australia and New Zealand and for Roquette Frères in France. At Roquette Frères, Bevan’s roles included head of mergers and acquisitions and responsibility for the rest-of-world commercial team.

Bevan holds a Masters of Business Administration from the International Institute for Management Development in Lausanne, Switzerland and a Master of Arts (Hons) in Political Science from the University of Auckland.

CLAIRE CARROLL

Chief People and Communications Officer

Claire Carroll was appointed chief people and communications officer in July 2018. Claire joined Fletcher Building in 2013 as the general manager of Human Resources (HR) for the Construction division and was general manager People and Performance for the Building Products division between 2015 and 2017. She has previously held head of HR positions for the Product and Technology and Wholesale divisions of Spark New Zealand, the National Bank of New Zealand and Deutsche Bank and NatWest Markets in the United Kingdom.

Claire holds a Bachelor of Commerce from The University of Auckland.

CHARLES BOLT

Group General Counsel and Company Secretary

Charles Bolt was appointed to his current role in October 2013, having joined Fletcher Building as corporate legal counsel in 2002. He has been closely involved in the Company's corporate initiatives in that time, in particular major acquisitions and divestments, and the establishment of the global employee share schemes. He was also instrumental in the establishment of the Fletcher Building Legal and Fletcher Building Property teams. Prior to this, he spent eight years at Bell Gully working on mergers and acquisitions, capital markets and managed funds matters.

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

DAVID THOMAS

Chief Executive Building Products

David Thomas was appointed the interim chief executive of the Building Products division in 2017.

He has over 40 years' experience in the building industry and has led several key business units within Fletcher Building. Most recently he was general manager of Winstone Wallboards, a position he held for 17 years, where he consistently delivered strong business results and maintained high levels of engagement with his people and customers.

David is currently on the board of directors of Watercare, is a director of Altus New Zealand Limited and chairman of Ngati Whakaue Tribal Lands Incorporated.

As announced on 16 July 2018, David will return to his role as general manager Winstone Wallboards effective November 2018.

JOHN BELL

Chief Information Officer

John Bell joined Fletcher Building as chief information officer in 2015. John has more than 30 years' business consulting experience and has held a variety of leadership roles and worked in Canada, Southeast Asia, Australia and New Zealand across both the private and public sectors, including leading the Technology Advisory practice at Deloitte Consulting in Auckland. Since joining Fletcher Building, John has driven significant transformation of Group Technology bringing together 20 teams into a shared service and improving service delivery across 900 locations.

John holds a Bachelor in Business Studies and Information Systems and a Diploma of Business Administration, both from Massey University. He is a Chartered Accountant and a member of both Chartered Accountants ANZ and the Institute of Management Consultants.

WENDI CROFT

Global Head Environment Health and Safety (EHS)

Wendi Croft was appointed the interim Global Head Environment Health and Safety in July 2018, having joined Fletcher Building at the beginning of 2018 as EHS global programmes and governance manager. Wendi has nearly 20 years' experience in EHS across a variety of industries, including manufacturing, transport, construction and utilities. Prior to Fletcher Building, Wendi held director and global general manager-level roles for Compac and Massey University, in addition to 15 years with AECOM in North America and Asia Pacific.

Wendi holds a Bachelor of Science from the University of British Columbia and is a Certified Member of the Board of Canadian Registered Safety Professionals.

BRUCE McEWEN

Chief Executive Distribution

Bruce McEwen was appointed to chief executive of the Distribution division in July 2018. He joined the Company in 2014 as general manager of Strategy and Commercial Distribution and was part of the team that established the former Distribution division. He became general manager of PlaceMakers in 2015. Between 2009 and 2013, he was the chief financial officer of Coca-Cola Amatil New Zealand responsible for New Zealand and Fiji; and prior to this the chief operating officer for Bendon, during which time he transformed the domestic business into a global export brand. He has also worked for Compaq, Hewlett Packard and Unisys.

Bruce holds a Bachelor of Commerce from the University of Canterbury, is a Chartered Accountant and has completed an Advanced Management Course at Babson College in the USA.

Executive Team continued

HAMISH McBEATH

Chief Executive Steel

Hamish Mcbeath was appointed chief executive of the Steel division in July 2018. He joined Fletcher Building in May 2002, rising from shift manager to general manager of Pacific Coilcoaters in November 2010. He has held several senior roles within the Company since then and was chairman of Sims Pacific Metals, a joint venture between Fletcher Building and Sims Metal Management Group sold in June 2018. Hamish has driven significant growth for Fletcher Steel, with the group almost doubling in size in the past four years.

Hamish holds a Master of Business Administration and a Post Graduate Diploma of Operations Management from the University of Auckland and has completed the Mount Eliza Advanced Mergers and Acquisitions Programme.

IAN JONES

Chief Executive Concrete

Ian Jones was appointed chief executive of the Concrete division in July 2018. His experience within the Company totals 27 years, including roles as general manager of Golden Bay Cement (GBC) and Winstone Aggregates and general manager and manufacturing manager for Pacific Steel.

His accomplishments include resetting GBC's distribution model (including a $90 million investment in shipping, storage and South Island distribution), integrating Higgins quarries into Winstone Aggregates, and successfully divesting Pacific Steel to enable the development of James Fletcher Drive.

Ian has Diplomas in Business Management and Operations Management from the University of Auckland.

STEVE EVANS

Chief Executive Residential and Development

Steve Evans joined Fletcher Building in 2013 as the chief operating officer for housing in the Construction division and was appointed chief executive Residential and Land Development in 2015.

Prior to Fletcher Building, Steve spent more than 12 years in director roles in the development industry for Heron International and First Base. He has worked on landmark projects, including Heron Tower and the Heron, Stratford Olympic Village, East Greenwich Hospital and Old London Park Hotel. His earlier career with Lendlease spanned Australia, Singapore, Taiwan, China and the UK, where he worked on the construction of major residential and commercial developments.

Steve was one of the founding directors of an urban regeneration business in London that worked with Government to address affordable, state and key worker housing needs and is leading the development of a new high-tech, fast house-building panelisation factory in Auckland.

New Organisational Structure

CEO – Ross Taylor

Building Products – David Thomas[1]
- Winstone Wallboards
- Laminex NZ
- Tasman Insulation
- Humes
- Iplex NZ
- CSP Pacific
- Altus (JV)

Distribution – Bruce McEwen
- PlaceMakers
- Mico
- Forman Building Systems
- Snappy

Steel – Hamish Mcbeath
- Pacific Coilcoaters
- Easysteel
- Dimond Roofing and Dimond Structural
- Fletcher Reinforcing
- Fletcher Wire Products

Concrete – Ian Jones
- Winstone Aggregates
- Golden Bay Cement
- Firth

Residential and Development – Steve Evans
- Residential
- Land Development
- Property
- Innovation
- Panelisation

Construction – Michele Kernahan
- Building + Interiors
- Infrastructure
- Brian Perry Civil
- Higgins
- South Pacific

Australia – Dean Fradgley
- Laminex AU
- Iplex AU
- Fletcher Insulation
- Tradelink
- Tasman Sinkware
- Stramit
- Rocla

MICHELE KERNAHAN

Chief Executive Construction

Michele Kernahan joined Fletcher Building in 1998 and was appointed chief executive of the Construction division in 2017. Michele has previously held several general management roles in Fletcher Building, including Laminex Australia, GBC and Fletcher Earthquake Recovery (EQR), where she led the team managing the rebuild efforts in Christchurch.

Michele has a Master of Business Administration from the University of Canterbury and has graduated from leadership and management programmes at the Wharton Business School, Stanford University Graduate School of Business and Harvard Business School.

As announced on 16 July 2018, Peter Reidy has been appointed chief executive Construction and Michele Kernahan will move into the role of chief executive Building Products, effective November 2018.

DEAN FRADGLEY

Chief Executive Australia

Dean Fradgley was appointed chief executive of the Australian division in July 2018. He joined Fletcher Building in 2013 as chief executive New Zealand Distribution and became chief executive of the Trans Tasman Distribution division in 2015.

Prior to joining Fletcher Building, he worked for Wolseley UK in several senior positions, including managing director of its commercial and industrial division and prior to that as commercial director. Dean has also worked with a number of blue chip companies, including J Sainsbury, Kingfisher and as Head of Trade for B&Q.

Dean has completed studies in Business Management and Strategy through IMD in Switzerland.

FRANCISCO IRAZUSTA

Chief Executive Formica and Roof Tile Group

Francisco Irazusta joined Fletcher Building in March 2015 as the chief executive of the Light Building Products division and became chief executive of the International division in March 2016. He was Fletcher Building interim chief executive officer from July to November 2017.

Francisco has an impressive background, bringing together broad experience across manufacturing, supply chain and sales and marketing, gained from a range of senior leadership roles for global building products companies in North America, Asia, Africa, Middle East and Europe.

Francisco holds a Master of Science, Industrial Engineering and Innovation and a Bachelor of Science in Ceramic Engineering, both from the State University of New York.

Formica and Roof Tile Group
Francisco Irazusta

- Formica NA
- Formica Asia
- Formica EU
- Homapal
- Roof Tile Group

Finance
Bevan McKenzie

People
Claire Carroll

Technology
John Bell

EHS
Wendi Croft[1]

Legal
Charles Bolt

Operating Divisions

Exits

Supporting Functions

1 Interim position

Group Performance

Fletcher Building posted underlying operating earnings of $710 million[1]

Reported results	Year ended 30 June 2018 NZ$m	Year ended 30 June 2017 NZ$m	Change %
Total revenue	**9,471**	**9,399**	**1%**
Operating earnings before significant items[1]	**50**	**525**	**(90%)**
Significant items	(168)	(252)	(33%)
Operating earnings (EBIT)	**(118)**	**273**	**NM**
Funding costs	(157)	(111)	41%
Earnings/(loss) before tax	**(275)**	**162**	**NM**
Tax benefit/(expense)	96	(57)	NM
Earnings/(loss) after tax	**(179)**	**105**	**NM**
Non-controlling interests	(11)	(11)	0%
Net earnings/(loss)	**(190)**	**94**	**NM**
Net earnings/(loss) before significant items[1]	**(60)**	**321**	**NM**
Basic earnings/(loss) per share (cents)	**(25.5)**	**13.5**	**NM**
Dividends declared per share (cents)	**0.0**	**39.0**	**NM**
Cash flows from operating activities	**396**	**243**	**63%**
Capital expenditure	**304**	**319**	**(5%)**
Operating earnings before significant items[1]	**50**	**525**	**(90%)**
B+I	**(660)**	**(292)**	**NM**
Operating earnings (excluding B+I) before significant items[1]	**710**	**817**	**(13%)**

1 Measures (excluding B+I) before significant items are non-GAAP measures used by management to assess the performance of the business and have been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2018.

	Revenue		
	Year ended 30 June 2018 NZ$m	Year ended 30 June 2017 NZ$m	Change %
Building Products	764	745	3%
Distribution	1,530	1,519	1%
Steel	532	491	8%
Concrete	812	781	4%
Residential and Development	575	420	37%
Construction	1,685	2,246	(25%)
Australia	3,076	2,858	8%
Formica and Roof Tile Group	1,177	1,120	5%
Divested businesses	108	78	38%
Other	8	9	(11%)
Gross revenue	**10,267**	**10,267**	**0%**
Less intercompany sales	(796)	(868)	(9%)
Group external revenue	**9,471**	**9,399**	**1%**

Building Products
EBIT 2018
$132m
2017 $152m ▼ 13%

Distribution
EBIT* 2018
$104m
2017 $104m

Steel
EBIT* 2018
$49m
2017 $54m ▼ 9%

Concrete
EBIT* 2018
$90m
2017 $113m ▼ 20%

Residential and Development
EBIT 2018
$136m
2017 $130m ▲ 5%

Construction
EBIT[+] 2018
$52m
2017 $88m ▼ 41%

Australia
EBIT* 2018
$114m
2017 $119m ▼ 4%

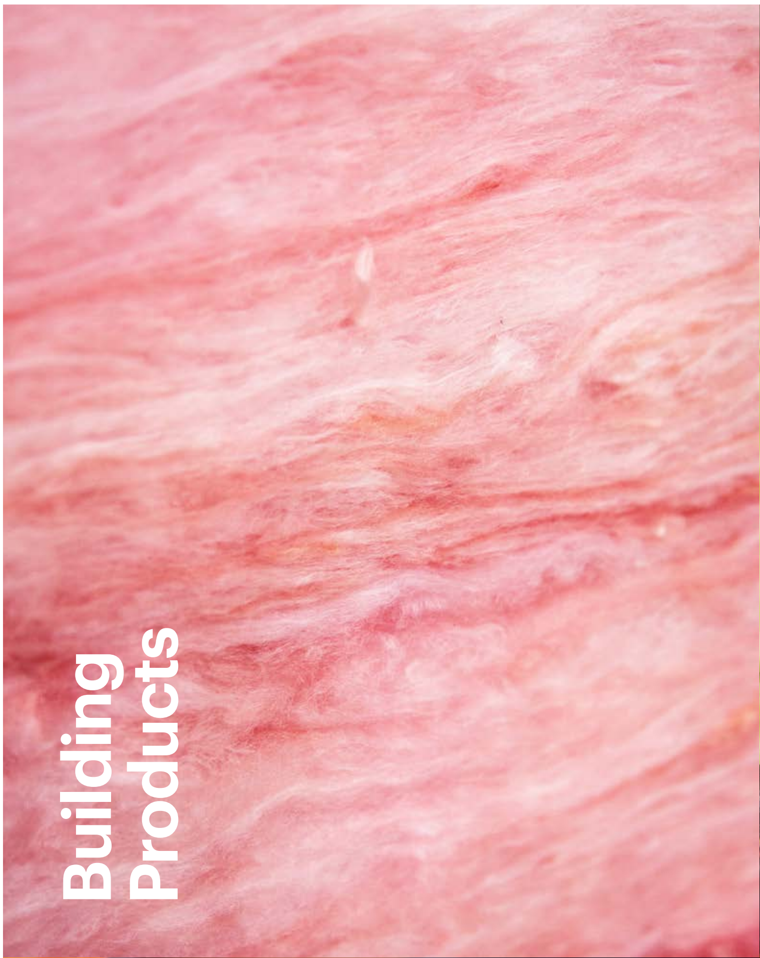
Formica and Roof Tile Group
EBIT* 2018
$65m
2017 $79m ▼ 18%

* EBIT before significant items
[+] EBIT (excluding B+I) before significant items

	Reported operating earnings			Operating earnings (excluding B+I) before significant items[1]		
	Year ended 30 June 2018 NZ$m	Year ended 30 June 2017 NZ$m	Change %	**Year ended 30 June 2018 NZ$m**	Year ended 30 June 2017 NZ$m	Change %
Building Products	132	152	(13%)	132	152	(13%)
Distribution	101	104	(3%)	104	104	0%
Steel	41	54	(24%)	49	54	(9%)
Concrete	73	113	(35%)	90	113	(20%)
Residential and Development	136	130	5%	136	130	5%
Construction	(613)	(204)	NM	52	88	(41%)
Australia	65	(132)	NM	114	119	(4%)
Formica and Roof Tile Group	8	79	(90%)	65	79	(18%)
Corporate	(111)	(31)	NM	(45)	(30)	50%
Divested businesses	50	8	NM	13	8	63%
Total	**(118)**	**273**	**NM**	**710**	**817**	**(13%)**
Funding costs	(157)	(111)	41%	(157)	(111)	41%
Earnings/(loss) before tax	**(275)**	**162**	**NM**	**553**	**706**	**(22%)**
Tax benefit/(expense)	96	(57)	NM	(127)	(164)	(23%)
Earnings/(loss) after tax	**(179)**	**105**	**NM**	**426**	**542**	**(21%)**
Non-controlling interests	(11)	(11)	0%	(11)	(11)	0%
Net earnings/(loss)	**(190)**	**94**	**NM**	**415**	**531**	**(22%)**

1 Measures (excluding B+I) before significant items are non-GAAP measures used by management to assess the performance of the business and has been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2018.

Divisions


Building Products


Distribution
PlaceMakers
DANGER
DANGER


Residential and Development


Construction


Steel


Concrete


Australia


Formica and
Roof Tile Group

Building Products

1,400+ 7

Gross Revenue

$764m

2017 $745m ▲ 3%

EBIT

$132m

2017 $152m ▼ 13%

EBIT %

17%

2017 20% ▼ 3ppts

The Building Products division brings together Fletcher Building's manufacturing businesses, which supply into the building and construction sector in New Zealand.

- **Winstone Wallboards** is New Zealand's largest manufacturer and distributor of plasterboard and drywall systems under the well-known GIB® brand.
- **Laminex New Zealand** is a manufacturer and distributor of particle board and laminate surfaces.
- **Tasman Insulation** manufactures and distributes the renowned Pink® Batts® brand.
- **Humes** manufactures and distributes concrete pipes and other drainage products and solutions.
- **Iplex New Zealand** is the largest manufacturer of plastic pipes in the country, offering a broad range of products and solutions.
- **CSP Pacific** supplies metal lamp posts and barrier solutions.
- **Altus** is a joint venture that develops and manufactures premium aluminium extrusions for an extensive range of industries.

DIVISIONAL PERFORMANCE OVERVIEW

The Building Products division reported gross revenue of $764 million, an increase of 3% from FY17, as the majority of businesses achieved price increases and benefited from elevated demand.

This was led by Winstone Wallboards, which experienced a volume increase of 2% in its value added plasterboard, and modest volume growth and market share increases for Iplex New Zealand. Demand was consistent across all sectors of the market, however, regional performance was mixed as the rate of growth in Auckland slowed and demand in Christchurch continued to rebase following higher activity levels during the earthquake rebuild period.

While revenues increased, operating earnings before significant items decreased 13% to $132 million due to the highly competitive market, increasing input costs, one-off costs due to natural events, provisions for obsolete stock and historical claims and the need for businesses to invest in their supply chains ahead of planned timelines to meet higher than expected demand.

Energy and raw material cost increases were experienced most acutely in Iplex New Zealand and Winstone Wallboards, while supply chain investments included a new Winstone Wallboards freight initiative to relieve capacity constraints. During the year a number of businesses also experienced one-off costs including $2 million of repairs and raw material delay at the Winstone Wallboards manufacturing facility and $3 million following a fire at the Humes Penrose site.

The division spent $19 million of capital expenditure during the year, continuing to invest in its key operations to improve performance and realise cost-efficiencies. This included new extruder and pipe coilers, along with digital enhancements, at Iplex New Zealand; deployment of a new Enterprise Resource Planning (ERP) system at Humes; new plant robotics at Winstone Wallboards; a new packaging plant for Tasman Insulation; and the relocation of a treater at Laminex New Zealand's Hamilton factory.

The division also continued its focus on customer satisfaction and innovation. Customer satisfaction improved in the majority of Building Products business during the year.

Several new products were launched, including Winstone Wallboards' new GIB® Barrierline® intertenancy wallboard solution, which is cost effective, lightweight, robust and fast to install with high noise control and fire performance, and Laminex New Zealand's roll out of new and refreshed product ranges, such as Melteca Acrylic soft touch panels and additional colours in the melamine portfolio.

The New Zealand Government's revisions of the Residential Tenancy Act 1986 on retrofit insulation also continued to stimulate demand for Tasman Insulation's products and its network of insulation installers.

FUTURE FOCUS

The division remains focussed on delivering customer-leading products and solutions, increasing customer engagement and improving cost efficiency, operational excellence and resilience in the supply chain to support increasing market demand.

A significant capital investment project is planned for Winstone Wallboards, with a new state-of-the-art manufacturing facility to be built to meet future capacity requirements and improve efficiencies by bringing manufacturing and four distribution sites together into one Auckland location.

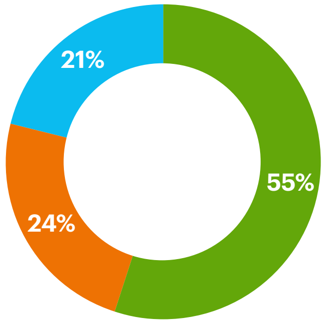
Operating efficiencies will also be pursued in Humes, including relocating manufacturing to meet demand in high-growth regions and improving supply chain efficiencies.

During FY18 Winstone Wallboards was the recipient of 'The Global Gypsum Company of the Year 2017' award from the 17th Global Gypsum conference.

Building Products
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	764	745	19	3%
External revenue	613	589	24	4%
EBIT	132	152	(20)	(13%)
Funds	494	489	5	1%
Trading cashflow	142	143	(1)	(1%)

Building Products
FY18 Revenue Weighted Sector Exposure



Residential Non-residential
Infrastructure/other

> We deliver results because we meet our customers' needs, in a cost-effective manner, better than anyone else.

David Thomas
Chief Executive
Building Products

Recycled glass is melted down at Tasman Insulation to make Pink® Batts®

Distribution

3,000+ 4

Gross Revenue

$1,530m

2017 $1,519m ▲ 1%

EBIT before significant items

$104m

2017 $104m

EBIT %

7%

2017 7%

“

We can’t be complacent – we must continue to evolve the business, raising the bar to deliver ever-increasing levels of service and solutions for our customers.

Bruce McEwen
Chief Executive
Distribution

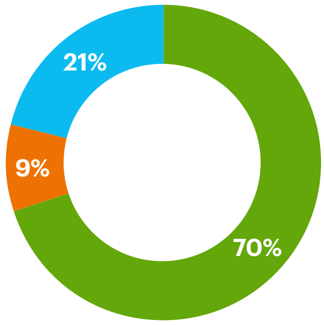
PlaceMakers Mt Wellington

Distribution
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	1,530	1,519	11	1%
External revenue	1,490	1,470	20	1%
EBIT before significant items[1]	104	104	0	0%
Funds	264	256	8	3%
Trading cashflow	112	93	19	20%

1 EBIT 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 financial statements for the year ended 30 June 2018.

Distribution
FY18 Revenue Weighted Sector Exposure



Residential | Non-residential | Infrastructure/other

The Distribution division employs over 3,000 people throughout New Zealand who work across its retail trade stores and supply building, plumbing and bathroom products to the market.

- **PlaceMakers** has served all parts of the building industry in New Zealand for over 35 years. It operates as New Zealand's largest trade supplier of building materials and hardware, selling over 100,000 product lines, from concrete to paint and plasterboard. PlaceMakers has a branch network with 62 locations nationwide, a frame and truss business that produces over 7,000 house lots across eight sites every year and a supply, fix and install team delivering customer solutions.
- **Mico** has 70 years of experience in providing plumbing and bathroom products throughout New Zealand, with 65 stores nationwide including nine sites co-located with PlaceMakers.
- **Forman Building Systems** distributes ceilings and interior wall systems, thermal and acoustic insulation and passive fire protection products.
- **Snappy** was launched during FY18 and is an online-only hardware seller aimed at tradespeople and industrious DIYers. Snappy uses smart, simple technology to help customers find what they want and deliver it in as little as two hours.

DIVISIONAL PERFORMANCE OVERVIEW

The Distribution division reported gross revenue of $1,530 million, an increase of 1% from FY17, as it benefited from increased housing investment across the country and market share gains in the small-medium enterprise (SME) sector.

PlaceMakers experienced growth in specialty timber, fastenings and power tools, as well as its installed solutions business, which provides custom-made kitchens, bathrooms, foundations, roofs and windows. Mico achieved greater penetration of its owned bathroom range brands Raymor and Adesso and sustained growth in back-of-wall product categories. Both businesses experienced the strongest growth in the regions, particularly Central Otago, while Auckland and Christchurch slowed; with the latter continuing to rebase following the earthquake rebuild.

Operating earnings before significant items were consistent year-on-year at $104 million. This result included earnings growth of 1% in PlaceMakers and 11% in Mico, as both businesses benefited from purchasing synergies and a mix shift to higher-margin categories.

During the year the division continued its longer-term focus on customer and employee engagement, maintaining high performance across both measures.

During the year the division spent $20 million of capital expenditure, increasing its investment in digital, to take advantage of emerging customer purchasing trends and improve competitiveness. This included the launch of a new e-commerce platform, Snappy, an online-only hardware seller aimed at tradespeople and DIY enthusiasts. The start-up operating cost investment in Snappy was $2 million and initial trading shows encouraging margins and low operating costs.

PlaceMakers automated a number of manual processes during the year, including the development of a new general ledger system that will be live in the first half of FY19.

Across the division investments in the branch network continued, with 14 PlaceMakers branches refurbished, one new greenfield PlaceMakers branch opened and two new Mico branches opened.

FUTURE FOCUS

The division will continue to digitally enhance the customer experience, and further improve customer satisfaction, through continual improvement initiatives in PlaceMakers and Mico and by increasing sales through the new e-commerce platform Snappy.

Innovation through category expansion will also remain a focus, with a particular emphasis on high-margin categories, owned-brands and product ranges and solutions in core building and plumbing materials.

PlaceMakers

Divisions

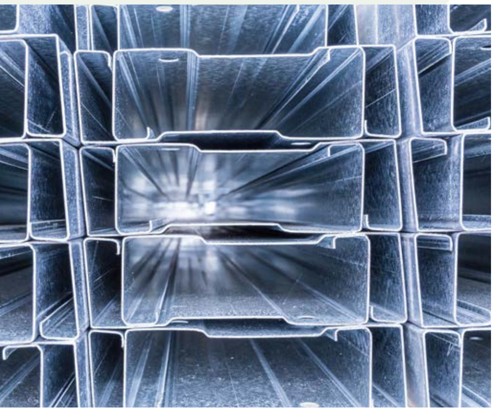
Steel

750+ 6

Under the umbrella of Fletcher Steel, the Steel division operates through six brands, with more than 750 people working across operations that span New Zealand.

- **Easysteel** is a steel products distributor and provider of related services.
- **Pacific Coilcoaters** operates a paint line that distributes pre-painted steel and aluminium for roofing and cladding. It sells products through the ColorCote® brand.
- **Dimond Roofing** and **Dimond Structural** are roofing, cladding, structural and rainwater specialists.
- **Fletcher Reinforcing** supplies the construction sector with reinforcing-related products and also manages the onsite installation of reinforcing.
- **Fletcher Wire Products** provides fencing wire and finished fencing products (Cyclone Wire, NZ Wire and Eclipse) to rural merchants.

Dimond Structural



Gross Revenue

$532m

2017 $491m ▲ 8%

EBIT before significant items

$49m

2017 $54m ▼ 9%

EBIT %

9%

2017 11% ▼ 2ppts

DIVISIONAL PERFORMANCE OVERVIEW

The Steel division reported gross revenue of $532 million, an increase of 8% from FY17, as it benefited from strong demand within the construction and infrastructure markets.

Easysteel achieved revenue growth of 15%, due to the full-year impact of the acquisition of the Calder Stewart Roofing business and a 3% increase in core structural steel volumes. Pacific Coilcoaters and Fletcher Reinforcing maintained stable revenues, with plants operating at high capacity levels to meet strong demand.

Operating earnings before significant items were down 9% to $49 million, primarily driven by global steel prices and margin contraction in Fletcher Reinforcing.

Steel prices have continued an upward trend year-on-year and are 220% up from the most recent low in 2016 of US$280 per tonne.

In addition, during the year $8 million of significant items were incurred including $7 million relating to the integration of the Calder Stewart Roofing business into the division, site consolidations and co-locations across the country.

During the year the division invested $14 million in its distribution and manufacturing operations and systems to improve cost-efficiencies and enable future growth. This included new state-of-the-art facilities in Dunedin, that brings Fletcher Reinforcing, Easysteel and Dimond under one roof, and a new Enterprise Resource Planning (ERP) system for Fletcher Reinforcing, which went live in the last quarter of the financial year and delivered immediate improvements in inventory, operating efficiencies and pricing.

The division also maintained its focus on customer satisfaction, with Easysteel launching a new customer service promise that includes a commitment to steel-origin traceability – a first-of-its-kind initiative in New Zealand, which will enhance competitiveness in light of recent challenges within the broader industry regarding imported steel quality.

FUTURE FOCUS

The division will remain focussed on improving the efficiency of its site footprint, to reduce overheads as a percentage of sales and support future earnings growth.

Following the successful integration of Calder Stewart Roofing into Dimond, and the rebranding of the combined business to Dimond Roofing, the division will continue to focus on growing its roofing revenue, while embedding customer service promises across all businesses, to support higher levels of customer engagement.

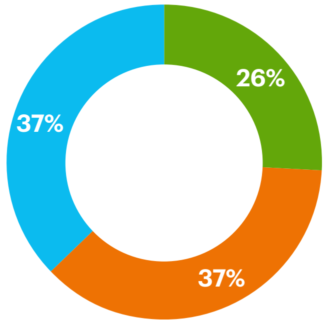
> “Our focus is on delivering superior quality project and service innovation so we remain the preferred choice for our customers.
>
> **Hamish Mcbeath**
> Chief Executive
> Steel

Steel
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	532	491	41	8%
External revenue	411	378	33	9%
EBIT before significant items[1]	49	54	(5)	(9%)
Funds	184	184	0	0%
Trading cashflow	55	35	20	57%

1 EBIT 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 financial statements for the year ended 30 June 2018.

Steel
FY18 Revenue Weighted Sector Exposure




Fletcher Reinforcing


Easysteel


Fletcher Reinforcing

Concrete

1,300+ 3

Gross Revenue

$812m

2017 $781m ▲ 4%

EBIT before significant items

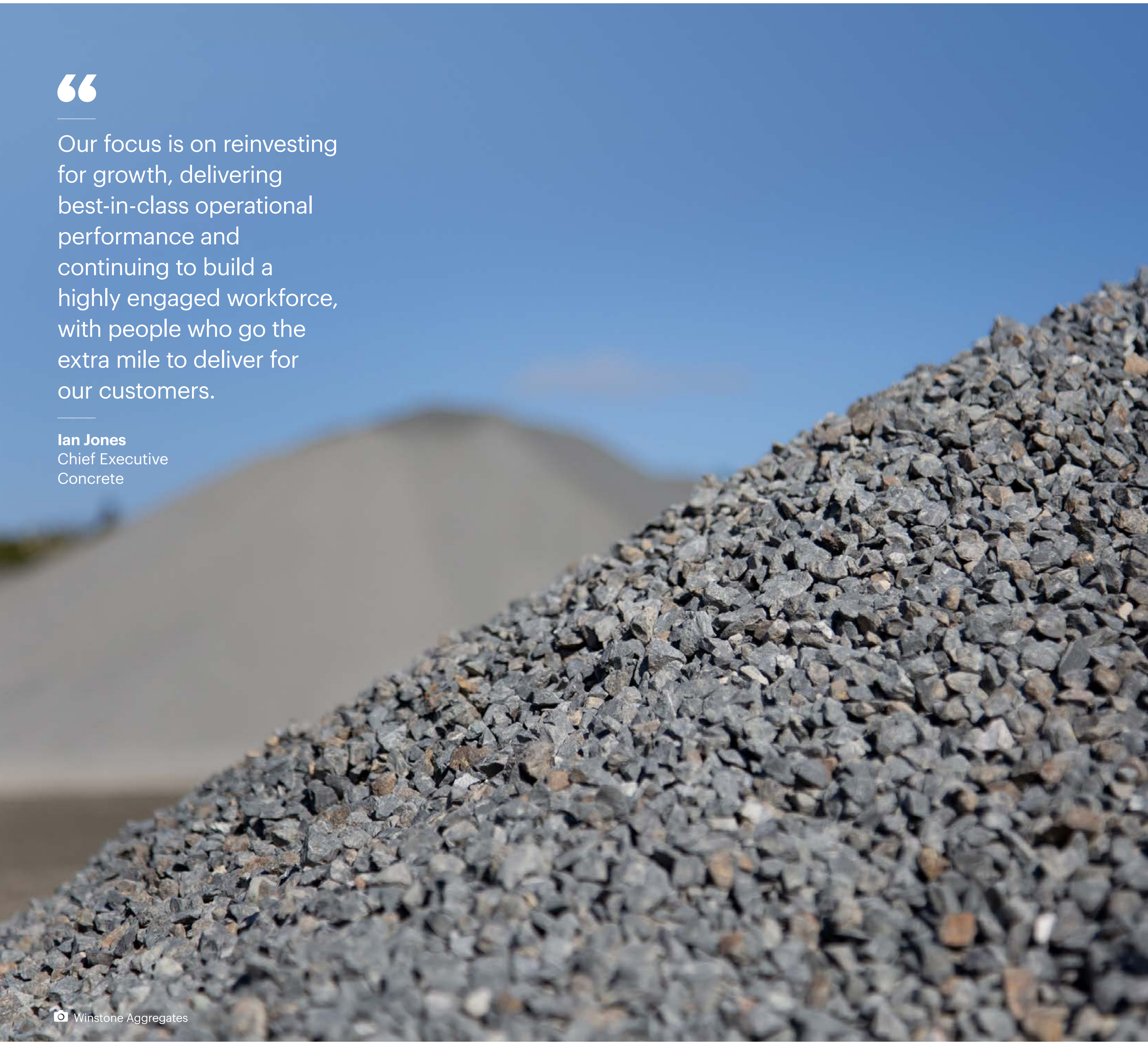
$90m

2017 $113m ▼ 20%

EBIT %

11%

2017 14% ▼ 3ppts



"Our focus is on reinvesting for growth, delivering best-in-class operational performance and continuing to build a highly engaged workforce, with people who go the extra mile to deliver for our customers.

Ian Jones
Chief Executive
Concrete

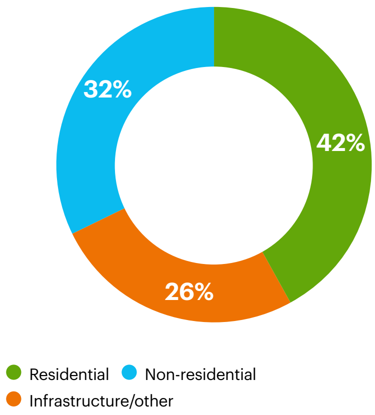
Winstone Aggregates

Concrete
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	812	781	31	4%
External revenue	545	507	38	7%
EBIT before significant items[1]	90	113	(23)	(20%)
Funds	628	621	7	1%
Trading cashflow	128	142	(14)	(10%)

1 EBIT 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 financial statements for the year ended 30 June 2018.

Concrete
FY18 Revenue Weighted Sector Exposure



The Concrete division comprises Fletcher Building's aggregate, cement and concrete businesses. These businesses have a proud history of serving the New Zealand construction and infrastructure markets, some for more than 100 years.

- **Winstone Aggregates** has over 150 years' experience in manufacturing and supplying aggregates, and operates 18 quarries nationally. This includes a mixture of hard rock, alluvial (a mixture of sand, gravel and sediments) and sand quarries supplying nearly eight million tonnes into the ready-mix, roading and general contracting markets.
- **Golden Bay Cement** (GBC) is over 100 years old and is New Zealand's only manufacturer of clinker and cement. With national distribution capabilities, GBC supplies over 900,000 tonnes per year for domestic and export markets. A short supply chain provides full control of the end-to-end process, from the cement rock quarries, manufacturing and multi-modal distribution into customer silos.
- **Firth Industries** is comprised of three major businesses: Certified Concrete (readymix), masonry (concrete blocks and pavers) and Dricon (bagged dry concrete). It operates 70 concrete plants, eight masonry plants and two dry bagged product plants. This comprehensive nationwide network allows Firth to supply its products into all segments of the construction industry.

DIVISIONAL PERFORMANCE OVERVIEW

The Concrete division reported gross revenue of $812 million compared with $781 million in the prior year. The 4% increase has resulted from improved sales volumes across all business units.

Aggregates revenue grew through a mix of pricing and volume growth, albeit weighted towards a lower margin product mix. Investment continued to develop the existing quarry footprint to meet current and future demand.

Cement revenue was consistent with the prior year driven by domestic sales where volumes grew 4% on the prior year. This was supported by a 3% increase in manufacturing volumes to set a new production record, and market share continued to be strong.

While the ready-mix market was flat during the year, revenue increased by 6% on FY17, driven by a 2% increase in sales volumes and pricing gains. Ready-mix market share is estimated to have grown 1% in the period.

Operating earnings before significant items were $90 million, down 20% from FY17. When excluding the prior year gain of $12 million on the sale of a Firth property, divisional earnings reduced by 11%, which was driven by a contraction in gross margin.

The contraction in gross margin was caused by increased energy and supply chain costs across all businesses, particularly in GBC and Firth. Strong price competition prevented these cost increases from being fully passed on. Costs associated with commissioning the new Firth ready-mix and masonry plants and higher-than-anticipated demand for aggregates led to additional costs incurred to alleviate capacity constraints and support the increased volumes.

The division recognised a $17 million charge to significant items during the year, as a strategic review identified an impairment of a previously mothballed quarry.

During the year the division invested $62 million across its businesses. This included investment to improve customer service and competitiveness, including the launch of new digital applications for order tracking in Firth, the opening of a new $30 million Firth masonry plant in Auckland, a new Firth ready-mix plant in Manukau and substantial quarry development projects, including further development of the Hunua quarry, south of Auckland.

FUTURE FOCUS

The division remains focussed on investing in its core assets and customer engagement to position its businesses to meet increasing demand for aggregates and cement off the back of sustained infrastructure investment across the country.

The division will also pursue improvements in the sustainability and efficiency of its operations. GBC is progressing an alternative fuels strategy, and planning a new project that is jointly funded by the Ministry for the Environment, aimed at substituting a further 20% of GBC's coal requirement through the use of end-of-life tyres. If successful, this project will help to address a major waste problem in New Zealand, while improving the sustainability of GBC's energy sources.

As part of the project GBC would reuse up to 3.1 million disposed tyres per annum, which is up to half of New Zealand's annual tyre waste, excluding stockpile.

Firth

Divisions

Residential and Development

175+ 5

Residential and Development undertakes both residential and commercial land developments for on-sale and is responsible for Group Innovation projects including panelisation.

- **Residential** (trading as Fletcher Living) specialises in building master-planned residential communities in Auckland and Christchurch, encompassing design through to sales.
- **Land Development** sells brownfield sites transferred from elsewhere in the Fletcher Building portfolio to commercial customers.
- **Property** manages Fletcher Building's property portfolio.
- **Innovation** is a central hub that partners with Fletcher Building businesses to develop and commercialise innovation.
- **Panelisation** will be an offsite manufacturer of house panels that will supply Fletcher Living and potentially third parties in the future.

Homes delivered in FY18

714

DIVISIONAL PERFORMANCE OVERVIEW

The Residential and Development division reported gross revenue of $575 million, an increase of 37% from FY17, driven by higher unit sales in Auckland and Christchurch and several significant land sales. This translated to operating earnings of $136 million, an increase of 5% from FY17.

Funds employed in the division increased to $604 million in FY18, from $547 million at 30 June 2017, reflecting an increase in work-in-progress in both the Residential and Land Development businesses.

Residential operating earnings were $85 million, an increase of 12% from FY17. This was driven by an increase in completed homes sold, from 499 in FY17 to 714 in FY18. Unit sales came from both the established subdivisions of Swanson, Whenuapai and Red Beach, which are now operating at sustainable levels, and new subdivisions, including Waiata Shores, Kowhai Ridge and Totara Heights in Auckland and Atlas Quarter in Christchurch.

In Auckland demand was strongest for homes priced between $600,000 and $900,000, while demand softened for large standalone homes priced at $1,000,000 or greater.

In Christchurch, after significant preparatory work and resource consenting, work commenced on 112 units at One Central, formerly known as East Frame. The next anticipated stage will include a further 59 terrace homes.

Gross Revenue

$575m

2017 $420m ▲ 37%

EBIT

$136m

2017 $130m ▲ 5%

EBIT %

24%

2017 31% ▼ 7ppts

During the year the division recognised a $12 million provision for a forecast loss on the Christchurch Atlas Quarter project. This reflects anticipated lower selling prices and cost escalations, mainly due to seismic requirements and higher than forecast construction market rates. Excluding the impact of this provision, Residential earnings were up 28% from FY17.

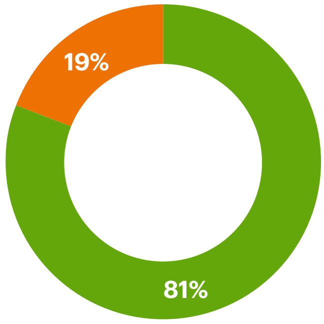
Land Development operating earnings were $51 million. The most significant sale in FY18 was a 10 hectare site at the Wiri North development. It is anticipated that Land Development will earn at least $25 million per annum over the next five years, while recognising that Land Development earnings will be irregular in nature.

The Innovation business completed testing of a rigid air barrier product for Winstone Wallboards and finalised trials of panelised homes for Fletcher Living, to prove the concept for commercialisation. The panelisation solution reduces duplex construction time from 22 weeks to nine weeks. These innovations will be introduced to the market in FY19 and FY20.

Residential and Development
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	575	420	155	37%
External revenue	575	420	155	37%
EBIT	136	130	6	5%
Funds	604	547	57	10%
Trading cashflow	109	(49)	158	NM

Residential and Development
FY18 Revenue Weighted Sector Exposure



> We will leverage our end-to-end relationship with other Fletcher Building businesses, our proven ability to innovate and our unique position as both a residential and land developer to deliver housing and community solutions that set us apart from our competitors.

Steve Evans
Chief Executive
Residential and Development


Fletcher Living Whenuapai

FUTURE FOCUS

The division's vertically integrated model continues to enable it to effectively source and develop land in desirable locations, providing a good pipeline of developments to bring to market. Its aim is to deliver 1,000 dwellings a year, subject to market conditions.

Residential continues to see strong demand for quality homes, at the right price point, and has 3,707 units on its balance sheet, with a further 1,272 units under unconditional agreements, to be delivered over the next five years.

As one of the largest home builders in New Zealand, the division can make a significant contribution to the Government's KiwiBuild programme and will continue to engage with Government on opportunities to support implementation during FY19.

Following successful trials in FY18, a new panelisation plant in Auckland will be commissioned, which will allow Fletcher Living to deliver homes more efficiently in a supply constrained market. It is anticipated that the new plant will initially deliver an additional 300 homes per year to support Fletcher Living's pipeline, with the opportunity to then extend supply to Government agencies and other group home builders.

Construction

3,500+ 5

The Construction division is a leading general contractor operating throughout New Zealand and the South Pacific. Every day thousands of New Zealanders use roads and infrastructure the division has built, and live or work in buildings it has constructed. The division comprises five business units:

- **Fletcher Infrastructure** delivers transport and infrastructure projects within New Zealand including regional and national roads, bridges, wharves, railway and bus connection stations, water and wastewater services plants, industrial plants and upgrades.
- **Higgins** designs, builds and maintains roads and manufactures roading products with a team of more than 1,600 people across New Zealand and Fiji. As a specialist roading company Higgins has the expertise and resources to deliver a fully integrated range of services.
- **South Pacific** is a full service contractor providing vertical and horizontal infrastructure, with bases in seven island nations and its head office in Auckland.
- **Brian Perry Civil (BPC)** is a specialist contractor in foundation and groundworks, complex civil, three waters and marine projects. The business includes Piletech, PipeWorks and Seovic.
- **Building and Interiors (B+I)** remains a national contractor completing commercial, retail, health, education and other buildings.

DIVISIONAL PERFORMANCE OVERVIEW

The division reported gross revenue of $1,685 million, down 25% on the previous year. FY18 has followed a year of high activity in which a number of major projects have come to completion.

Operating earnings before significant items were a loss of $608 million, compared with a loss of $204 million in FY17. This includes a loss in B+I of $660 million, which reflects provisions taken on a number of major projects during the year, offset by the earnings for the rest of the division.

Excluding B+I, operating earnings before significant items were $52 million, down 41% from FY17 largely reflecting the timing of major contracts completed in the prior year and the early stage of current multi-year contracts.

A strong performer has been Higgins with operating earnings increasing 8% from FY17. During the year Higgins was awarded several new maintenance contracts including its first in the South Island with the Christchurch City Council, a maintenance contract for the Kapiti District Council and another covering 530 kilometres of highways in the Hauraki Plains and Coromandel Peninsula.

Higgins also benefits from participation in the North Canterbury Transport Infrastructure Recovery Alliance and the ongoing response to the Kaikōura earthquakes. In Fiji, Higgins successfully completed the Nadi2 capital roading project.

South Pacific and Infrastructure reported reduced earnings from FY17 as a number of major projects had completed in the prior period including the Waterview Connection in Auckland; the Mackays to Peka Peka expressway and significant projects in Fiji and Papua New Guinea.

Gross Revenue (including B+I)

$1,685m

2017 $2,246m ▼ 25%

EBIT before significant items

$(608)m

2017 $(204)m

EBIT (excluding B+I) before significant items

$52m

2017 $88m ▼ 41%

“

The key to achieving any strategy starts and ends with people. We need to continue to recruit and retain the best talent and create an environment where they can achieve and thrive.

Michele Kernahan
Chief Executive
Construction

The addressable pipeline for both South Pacific and Infrastructure is robust. For Infrastructure, work underway through FY21 includes the Pūhoi to Warkworth motorway, the Hamilton section of the Waikato expressway and Peka Peka to Ōtaki expressway.

Risks and forecast cost increases have been identified on Pūhoi to Warkworth, associated principally with earthworks and aggregate supply. The project is a joint venture between Fletcher Construction and Acciona, and the partners are working on a range of options to mitigate the risks. The division is reporting a nil margin for the project currently as these options are worked through.

B+I, including Forman Commercial Interiors, has had a primary focus on project delivery and completion since February 2018 when the business unit ceased bidding for new projects due to unfavourable market conditions in the sector.

Construction
Financial Summary

	As reported				Excluding B+I			
	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	1,685	2,246	(561)	(25%)	1,053	1,196	(143)	(12%)
External revenue	1,605	2,085	(480)	(23%)	1,000	1,103	(103)	(9%)
EBIT before significant items[1]	(608)	(204)	(404)	NM	52	88	(36)	(41%)
Funds	(238)	174	(412)	NM	274	306	(32)	(10%)
Trading cashflow	(172)	(103)	(69)	67%	113	65	48	74%

1 EBIT 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 financial statements for the year ended 30 June 2018.

Of the 16 key loss-making B+I projects ongoing at the start of FY18, seven were completed as at 30 June 2018, including the Justice and Emergency Services Precinct in Christchurch, Auckland University's Engineering, Design and Technology building, Victoria University's Gateway Building and Auckland East Prison. A further three projects are forecast for completion by 31 December 2018.

At year end, contracted work underway for the division was valued at $1,784 million.

FUTURE FOCUS

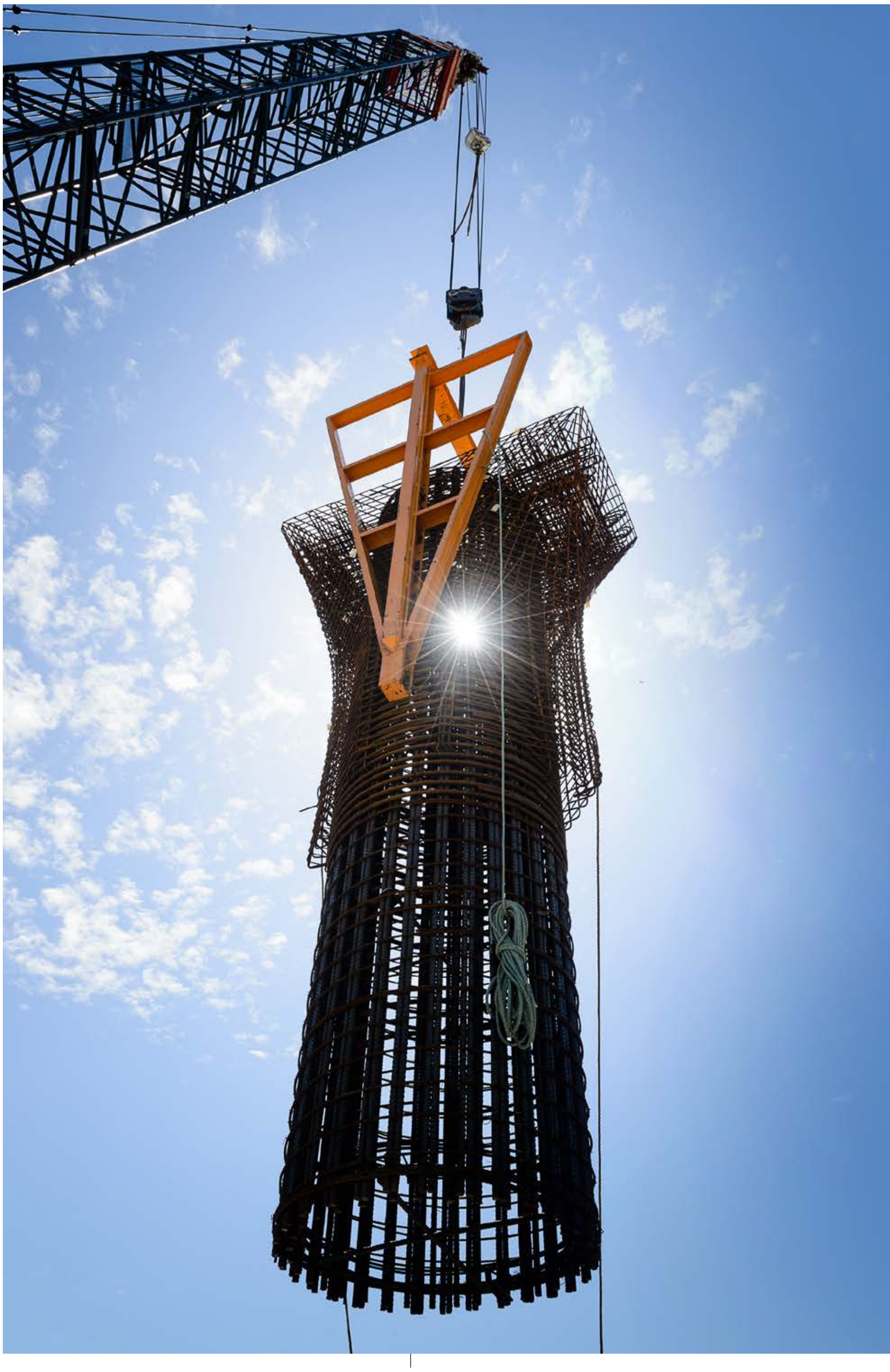
As outlined in Fletcher Building's strategy, the division will focus on stabilising its performance by completing B+I projects and refocussing the division on more profitable sectors such as infrastructure and roading.

The New Zealand Government is planning significant investment in infrastructure in the coming years, which will support these plans.

Brian Perry Civil, including Piletech, PipeWorks and Seovic, became a standalone business unit from 1 July 2018 – separated from the broader Infrastructure business unit to capitalise on future growth opportunities in groundwork, three waters and marine projects.

During FY19 the division will re-invest to sustain future growth, with new piling equipment for Brian Perry Civil and two new asphalt plants to be commissioned to grow Higgins' Auckland business.

A central Project Management Office was established in March 2018, which will continue to build capability and help ensure consistent best practice across all the Construction businesses.



Divisions

Australia

5,600+ 7

Gross Revenue

$3,076m

2017 $2,858 ▲ 8%

EBIT before significant items

$114m

2017 $119m ▼ 4%

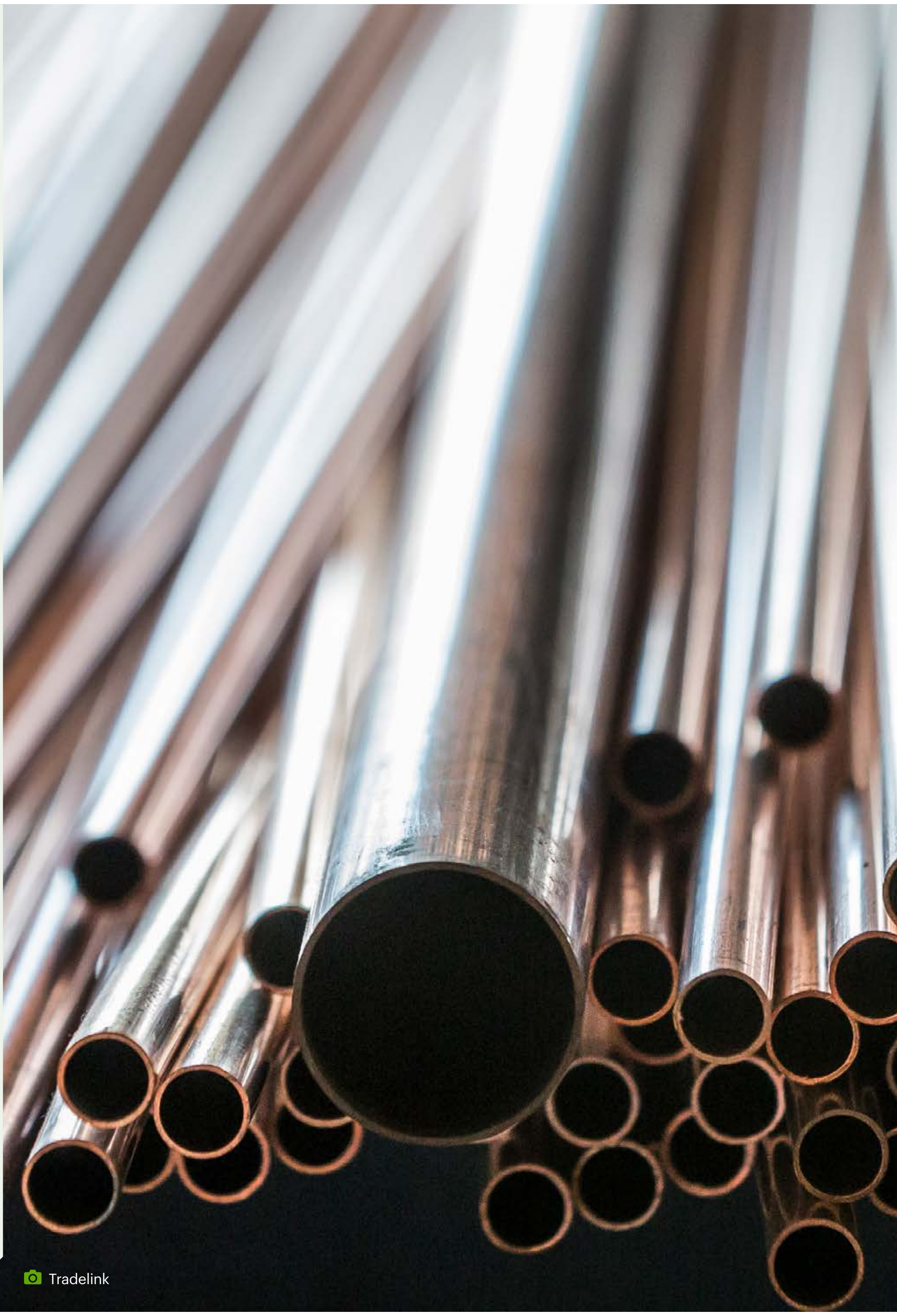
EBIT %

4%

2017 4%

The Australian division brings together the Group's interests in the manufacture and distribution of building materials across Australia which are grouped into the following segments:

- **Building Products Australia comprises:**
  - **Laminex Australia** is a manufacturer and distributor of decorative wood panels and laminate, particle board, fibreboard and other products.
  - **Iplex Australia** is a manufacturer and supplier of pipeline systems servicing the water infrastructure, irrigation, telecommunications, plumbing, electrical, gas and civil construction sectors.
  - **Rocla** manufactures concrete infrastructure products for civil contractors, developers, local governments, water and other authorities.
  - **Fletcher Insulation** is an insulation manufacturer, with facilities in Melbourne and Sydney supplying Pink® Batts® insulation, Sisalation® foil and Permastop® building blanket to residential, commercial and industrial markets.
- **Distribution Australia comprises:**
  - **Tradelink** is a plumbing merchant with over 230 stores nationwide, and specialises in the supply of products to the residential and commercial sectors.
  - **Tasman Sinkware**, manufacturer of the Oliveri brand, is an Adelaide-based sink manufacturer and master distributor.
- **Steel Australia comprises:**
  - **Stramit** supplies steel roof and wall cladding, guttering, fascia, purlins, flooring, structural formwork, insulated panels and sheds to the residential and commercial building markets.



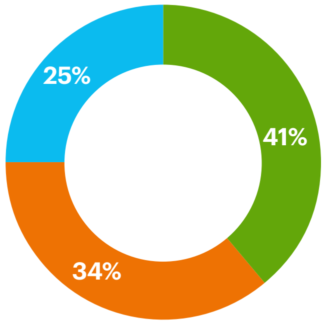
Tradelink

Australia
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	3,076	2,858	218	8%
External revenue	2,973	2,771	202	7%
EBIT before significant items[1]	114	119	(5)	(4%)
Funds	1,804	1,778	26	1%
Trading cashflow	146	143	3	2%

1 EBIT 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 financial statements for the year ended 30 June 2018.

Australia
FY18 Revenue Weighted Sector Exposure



Residential Non-residential
Infrastructure/other

DIVISIONAL PERFORMANCE OVERVIEW

The Australian division reported gross revenue of $3,076 million, an increase of 8% from FY17. All businesses achieved positive sales growth, while the turnaround of Iplex Australia and Tradelink gathered momentum, with both businesses experiencing market share gains. Operating earnings before significant items were $114 million, a decrease of 4% on the prior year and largely driven by increased input costs.

Building Products Australia delivered gross revenue growth of 9% from FY17, driven by strong performances from Laminex Australia, Iplex Australia and Fletcher Insulation. Rocla continued to underperform owing to operational issues. The forecast for industry demand in the pipe and precast segment is strong and the recent merger of the Iplex Australia and Rocla businesses is expected to accelerate the turnaround of Rocla.

Despite this positive sales growth, Building Products Australia's operating earnings before significant items decreased by 10%. Laminex Australia and Iplex Australia experienced sizeable increases in energy and raw material input costs, which we were not able to fully recover, while Fletcher Insulation incurred a $5 million charge as a result of its structural reorganisation and associated redundancy payments.

Distribution Australia recorded gross revenue growth of 8% from FY17, with Tradelink growing sales in a declining market through 19 new store openings and relocations, and positive growth in the small to medium network customer market segment. Tasman Sinkware also grew revenue as it made a strategic shift to become both a manufacturer and master distributor of products.

Distribution Australia's operating earnings before significant items grew 30% from FY17, as Tradelink successfully delivered on procurement strategies and controlled operating costs.

With a strong focus on delivering consistently high customer service levels, Steel Australia reported gross revenue increases of 3% from FY17, while operating earnings before significant items were stable year-on-year.

Significant items of $49 million primarily comprised an impairment charge against the carrying value of the Rocla business, following a revision of expected medium-term earnings.

The division invested $79 million during the year including $8 million on Tradelink stores and showrooms, Laminex Press Refurbishment ($8 million) and a new Laminex digital platform ($5 million). In addition, there were a very large number of other capital expenditure projects of less than $5 million during the year.

FUTURE FOCUS

While the majority of the Australian businesses expect to be trading in flat or slightly declining markets, the newly formed division will focus on accelerating individual business unit strategies to deliver manufacturing, distribution and overhead efficiencies and increase its share of the Australian residential and commercial markets.

To position the division for increased growth, a number of site network investments will be made or finalised in FY19. Iplex Australia opened a dedicated civil service centre in Melbourne in May, and will open service centres in Sydney and Brisbane in the first half of FY19. Tradelink plans to open a further 15 branches in FY19, while a site consolidation programme completed within Stramit in late FY18 will reduce property costs in both Victoria and Queensland and deliver further efficiency gains in the coming years.

> We need to make Fletcher Building Australia greater than the sum of its parts, build a customer-leading obsession, innovate, take number one positions and deliver above market growth.

Dean Fradgley
Chief Executive
Australia

Stramit

Formica and Roof Tile Group

3,800+ 5

The Formica and Roof Tile Group division employs over 3,800 people, designing, manufacturing and supplying laminates and other decorative surfaces and supplying pressed metal roof tiles.

- **Formica North America** is based in the USA, Canada and Mexico and has two manufacturing sites and seven distribution centres.
- **Formica Asia** is based in China, Taiwan and Thailand and sells high pressure laminate and Compact through four manufacturing sites and two distribution centres and 13 branches.
- **Formica Europe** has an extensive presence across the region through five manufacturing sites and two distribution centres and a pan-European sales team supported by a local office network.
- **Homapal** is based in Germany and provides metallic and decorative laminates used in furniture and public settings, such as hotels and showrooms. It supplies Germany, Austria and Switzerland directly; Formica and Laminex globally and also operates through a network of independent third party distributors.
- **Roof Tile Group** is a supplier of pressed metal roof tiles in North America, Europe, New Zealand, Africa and Asia.

Gross Revenue

$1,177m

2017 $1,120m ▲ 5%

EBIT before significant items

$65m

2017 $79m ▼ 18%

EBIT %

6%

2017 7% ▼ 1ppts

DIVISIONAL PERFORMANCE OVERVIEW

The Formica and Roof Tile Group division reported gross revenue of $1,177 million, an increase of 5% from FY17, which was driven by positive performances from Formica in North America and Asia.

This was offset by difficult trading conditions in Formica Europe and a number of Roof Tile Group export markets, with operating earnings before significant items down 18% from FY17 to $65 million.

Formica achieved gross revenue of $1,030 million, an increase of 8% from FY17, which translates to an increase of 4% in domestic currencies. Formica's operating earnings before significant items were up by 1% to $75 million.

Formica North America grew revenue in local currencies by 3% from FY17 through successful new product development, including the launch of anti-finger print laminate. Operating earnings excluding significant items were also up 3%, driven by continued improvements in operational efficiencies.

In Formica Asia gross revenue in local currencies was up 8% from FY17, driven by strong growth in China, with the business benefiting from a focus on customer service, reliability and new product development. Revenue in the Association of Southeast Asian Nations (ASEAN) and Taiwan was flat year-on-year. Operating earnings excluding significant items increased by 24%, driven by revenue growth and improved manufacturing efficiencies, especially at the two manufacturing facilities in China.

In Formica Europe, gross revenue in domestic currency was up by 1% from FY17, with Germany up 18% as the business continued to expand in the local market. Gross revenue in the UK was up by 4% as the business grew market share in the face of a declining construction market, while Spain grew by 6% as economic conditions continued to improve. These benefits were offset by Benelux and France, which were down by 6% and 5% respectively as activity slowed in these markets. Operating earnings excluding significant items were lower than the prior year and attributable to adverse mix, market conditions and increased investment in sales capability.

Homapal continued to grow from FY17, especially in Asia and North America.

Roof Tile Group's gross revenue in local currencies decreased by 15% compared with FY17. This was due to continued soft economic conditions in Africa, volume declines in Japan, as a key customer moved to dual supply, poor weather, resulting in reduced activity in the USA, and softening demand in New Zealand.

The division incurred $52 million of significant items related to the impairment of the carrying value of Roof Tile Group, following a review of the recoverable value as part of the divestment process.

The division invested $61 million including $21 million in Formica Europe for the UK Redevelopment programme.

FUTURE FOCUS

In line with the new Fletcher Building strategy, we expect to divest Formica and Roof Tile Group during FY19. In the meantime, both businesses continue to operate under the leadership of chief executive Francisco Irazusta.

Formica will continue to deliver cost-efficiency initiatives, particularly in Europe, as the investment in the UK redevelopment programme is completed in FY19. Formica (including Homapal) will also continue to focus on delivering profitable growth through innovation and new product development.

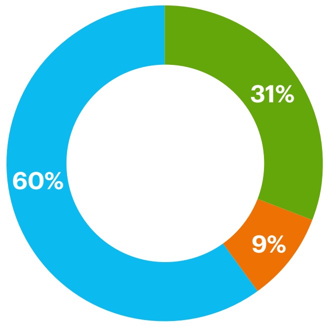
Roof Tile Group will focus on improving its earnings by driving higher volume through its operating assets.

Formica and Roof Tile Group
Financial Summary

Year ended 30 June	2018 NZ$m	2017 NZ$m	Change NZ$m	Change %
Gross revenue	1,177	1,120	57	5%
External revenue	1,151	1,101	50	5%
EBIT before significant items[1]	65	79	(14)	(18%)
Funds	1,244	1,174	70	6%
Trading cashflow	110	90	20	22%

1 EBIT 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 financial statements for the year ended 30 June 2018.

Formica and Roof Tile Group
FY18 Revenue Weighted Sector Exposure



Residential Non-residential
Infrastructure/other

> We are focussed on driving our growth plans and maximising value for Fletcher Building and Formica. Formica created its categories – innovation is in our DNA, and will continue to be key to our success.

Francisco Irazusta
Chief Executive
Formica and Roof Tile Group

Formica 180fx Carrera Marble

Firth – Auckland

OUR PEOPLE STRATEGY

At Fletcher Building our people are the reason we are able to do what we do – from delivering roads, bridges, buildings and houses to making and distributing insulation, pipes, concrete, plasterboard and many other building products.

We need good people to do this well, and enabling our people to be their best is what our people strategy is all about. Our strategy is focussed on creating a culture that encourages teamwork and innovation and places the utmost importance on safety.

FLETCHER BUILDING'S VALUES

Our values guide our people's behaviour and shape our culture, but this past year has brought a lot of change. We wanted to take stock, so as part of the broader strategy development process, we reviewed our four values – Be Bold, Play Fair, Better Every Day and Customer Leading. In doing so we found that they continue to bring our people together and reflect a culture our people want to be part of. But we also found something was missing – and that was a value that spoke to how we can achieve more together, as Fletcher Building, than we can as individual businesses. A value that spoke to our commitment to work together as a team. For this reason, we decided to add a fifth value – Better Together.

Be Bold

We innovate and take calculated risks to drive business for our shareholders, customers, communities and employees.

Play Fair

We are honest and respectful in our relationships with fellow employees, customers and the community.

Better Every Day

We seize opportunities to improve regardless of how big or small they may seem.

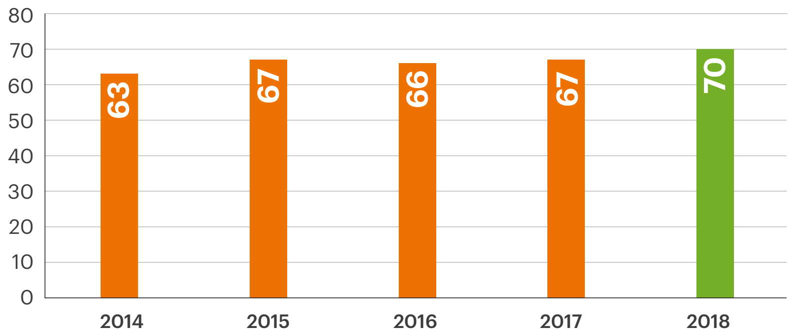
Customer Leading

Without customers and clients, we don't have a business – it's as simple as that. Customer leading is about being ahead of the game for our customers, every single day.

Better Together

We harness our diversity, collaborate and share. We think and act as Fletcher Building teams.

FBuSay Employee Engagement



TRAINING, TALENT AND LEADERSHIP

We aim to attract, retain and develop diverse talent and our capability programmes are an important part of how we achieve this. We offer world-class programmes in leadership, health and safety, salesforce effectiveness, operational excellence, and customer excellence.

In FY18, participants through our courses reached a new record of over 38,000 – with many people attending more than one training programme during the year.

Through our Learning Academy we offer five tailored leadership programmes for our emerging leaders and to upskill those already in leadership positions. During the course of the year a total of 953 employees completed these programmes.

Our online safety training module, Protect Fundamentals, launched this year and was successfully delivered to approximately 19,500 of our people around the world. Other Protect training modules, such as leadership and compliance, were delivered to more than 11,000 employees.

In line with our Customer Leading value, the Learning Academy provided targeted programmes in sales and customer service excellence, which were completed by 610 and 882 people, respectively.

Additionally, 550 people in our manufacturing and supply chain operations are working on their National Certificate in Competitive Manufacturing and Supply Chain.

We strive to provide equal opportunity learning and as such, many of our courses are available in multiple languages, including Te Reo.

EMPLOYEE ENGAGEMENT

We run a confidential employee engagement survey, FBuSay, across our whole business. The survey is undertaken annually, with the most recent one carried out in March 2018. Participation this year was 92%, on par with the previous year and significantly higher than the global best practice response rate of 85%.

Our Group engagement score improved three percentage points from last year to 70%, which is on par with our industry peers for this type of survey (70% for a composite of manufacturing, heavy building products and retail sectors). This continues the improvement in engagement we have experienced from a score of 63% for the inaugural company-wide survey in 2014. Specifically, this year's results showed increases in people finding a sense of achievement in their work and in our focus on safety, an area that has been a particular focus with the launch of the Protect programme.

In future, we aim to drive engagement over 80%, which will put us in the top quartile for our industry.

Employee engagement Survey – FBuSay 2018 – participation rate

92%

EMPLOYEE EDUCATION AND WELFARE FUNDS

Fletcher Building employees have access to financial support through the Fletcher Trust Emergency Welfare and Education Funds. Between 1 April 2017 and 31 March 2018, 632 Fletcher employees received support to advance their education. A special aspect of the fund is that employees' families are eligible to apply for this fund – in FY18, 182 were grateful to receive financial support towards their learning aspirations and qualifications.

632

Fletcher employees received support to advance their education

DIVERSITY

We recognise the importance of diversity. Diversity drives creativity and innovation, better decisions, employee attraction and engagement and helps us better understand our customers. Ultimately, diversity is good for financial performance too.

We are focussing our efforts in four areas: developing and supporting Māori leadership, female employees, people entering the workforce for the first time and the LGBTIQ+ (lesbian, gay, bisexual, transgender, intersex, queer-plus equals inclusive) community.

“

Through the support of Fletcher Building I can truly say I am proud to be part of such a diverse, inclusive, forward looking organisation. I am now a much more confident, happier employee who looks forward to coming to work everyday.

Allan Lennie
Firth Certified Cadet

Whakatupu

While we employ a significant number of Māori people overall, they are underrepresented in management positions. Our Whakatupu programme was introduced to specifically address this and improve the progression of Māori into leadership roles. The programme supports Māori to explore their heritage and develop their leadership potential. Throughout the year 54 people completed the programme in Auckland and Wellington. There is high demand for places in the programme, with a waitlist of participants for the next intake.

Whakatupu received a highly commended in the Emerging Diversity and Inclusion category at the 2017 Diversity Awards NZ.

54 Māori completed the Whakatupu programme exploring their heritage and developing their leadership potential.

Fletcher Reinforcing, Levin

Women

Facilitating an inclusive and motivating working environment for women is important to us. Ultimately, we want to create a culture in which gender diversity in management and our industry is the norm. For this reason we provide targeted development for high-performing women within the business. Fletcher Building is also a principal supporter of Global Women and runs a 'FAB' Women programme, an internal series of guest speakers to inspire, equip and train women from all levels of the business.

Youth and new graduates

We have a number of initiatives aimed at recruiting and supporting younger workers and those new to the workforce.

In FY18 we launched Switch Up which is a game-changing online platform specifically designed to capture and support the recruitment of people transitioning from secondary school or unemployment. It does away with the traditional cover letter and CV based process and instead establishes applicants' suitability for employment through an easy-to-complete profile, activity-based questions, and an open day with business leaders. Since the initiative launched, 12 people have been successfully recruited into our businesses, including roles with Humes, Fletcher Steel, Laminex New Zealand, PlaceMakers, Winstone Aggregates and Iplex New Zealand.

Our Connect Youth programme creates a community of young people who are new to Fletcher Building to help them ease into the business faster. These new employees connect through group learning modules and sessions and are further supported by mentors within the business.

We have been running a graduate programme for four years. In FY18, we successfully placed 50 graduates into permanent positions within the company.

In partnership with the First Foundation, we provide work experience and mentoring for high-potential students from low-decile schools. The programme gives preference to Year 12 students

AUCKLAND COUNCIL YOUNG AT HEART AWARDS X 4

Innovative Youth Employer

Youth Employment Programme

Youth Induction and Development

Jobfest Exhibitor 2017

'Pride of the fleet' Firth truck, the Fletcher team and special guests

who are often the first in their immediate families to attend university, have a proven academic record and demonstrate leadership qualities. In FY18, Fletcher Building supported 15 students from schools in Auckland.

We also run mentoring and development programmes for young people through the Ministry of Social Development and Te Puni Kōkiri and TupuToa, which focus on Māori and Pasifika career development pathways.

LGBTIQ+

Our business takes great pride in its commitment to a safe and supportive workplace for LGBTIQ+ employees. Our pride network was formed in 2015 and has grown significantly in the three years since. Pride month is a much anticipated event in Fletcher Building's calendar.

This year's activities included:

- Principal sponsor of the Auckland Pride Festival.
- Ongoing accreditation from Rainbow Tick.
- Two show-stopping mirror ball and rainbow-wrapped Firth concrete trucks in the Auckland Pride Parade, with the latter delivering concrete throughout Auckland in February. Around 200 of our people marched in the parade.
- An open day for our people to learn about Fletcher Building Pride and the Rainbow Tick.

Our Communities

Fletcher Building is committed to looking after the communities in which we operate. As an organisation with operations around the globe, our local managers take leadership roles in community investment and activities to make a positive impact. Activities range from cultural to educational, environmental to health-focussed and often involve partnerships with third parties.

Fletcher South Pacific with donated roofing iron from Dimond Roofing

DONATIONS AND VOLUNTEERING

Fletcher Building donated over $2 million to various community organisations or initiatives around the world this financial year. Recipient organisations included local city missions, mental and physical health organisations, community park and beach clean ups, mentoring programmes and local community sports clubs, as well as in-kind donations of food, personal and household supplies and blankets as part of our annual internal appeals. We also supported our communities through employee volunteering days.

In response to the devastating cyclone Gita, several of our New Zealand businesses including Dimond Roofing and PlaceMakers worked together to donate building products to help rebuild the homes of people in the communities hardest hit in Tonga.

COMMUNITY ENGAGEMENT

Engaging and consulting with our communities, iwi and indigenous people to build relationships and a better understanding of needs on both sides are important for our business operations. We work closely with iwi on joint housing development ventures, roading projects and quarry operations.

Across the business we are taking positive steps forward through cultural training sessions, language lessons and diversity programmes and engaging outside counsel to advise and facilitate workshops where appropriate. As part of our usual operations, our projects, residential developments and manufacturing sites regularly host community open days and stakeholder engagement meetings.

Over $2 million in donations to various community organisations or initiatives across our global footprint in FY18

$2m

Health and Safety

We are committed to protecting our people, and the people we work with, from harm, and promoting a healthy and safe working environment and culture. Our fundamental belief is that all work-related injuries and illnesses are preventable. To achieve this we are creating best-in-class systems and processes, while enabling our businesses and leaders to continually improve and find simple and effective solutions to reduce the risks we face.

PROTECT

Since our new safety programme Protect was launched in June 2017, approximately 19,500 employees have been through the Protect Fundamentals course and 1,000 leaders have been through a two day safety leadership training course. 17 Global Foundation and Risk Standards and 10 Golden Rules have been released to the businesses. Protect continues to be fully embedded in all business operations through our Leadership Walks and Share Meetings.

Radar, our new Risk and Environment, Health and Safety reporting tool, launched in FY18 to complement Protect. The launch of Radar included over 500 hours of administrator training, in addition to the local training and support that was provided to all employees, from Fletcher Building directors to frontline shift managers. Radar now helps us manage and monitor our risks, incidents, walks, observations, inspections, audits and associated actions through the tracking of over 100,000 records per year.

Radar helps us manage and monitor our risks, incidents, inspections, walks, observations, inspections, audits and associated actions through the tracking of over 100,000 records per year.

19,500

Employees have been through the Protect Fundamentals course since its launch in June 2017

Winstone Aggregates Hunua

Total Recordable Injury Frequency Rate (TRIFR)

5.1

2017 6.9 ▼ 26%

Serious Injury Frequency Rate

0.328

2017 0.510 ▼ 36%

SERIOUS AND RECORDABLE INJURIES

A highlight for the year was a significant reduction in serious injuries and recordable injuries. In FY18, we reversed our injury trends and achieved significant reductions across all of our divisions. Our Serious Injury Frequency Rate decreased by 36% to 0.328 and our Total Recordable Injury Frequency Rate (TRIFR) decreased by 26% to 5.1.

All of our people deserve to go home safe at the end of every day and there are further improvements we can make to ensure this is the case.

One area we are working to improve within the Group, and across the construction industry, is the approach to temporary works. It is a challenging area that requires collaboration and shared learning between designers, contractors and suppliers to create safe work environments.

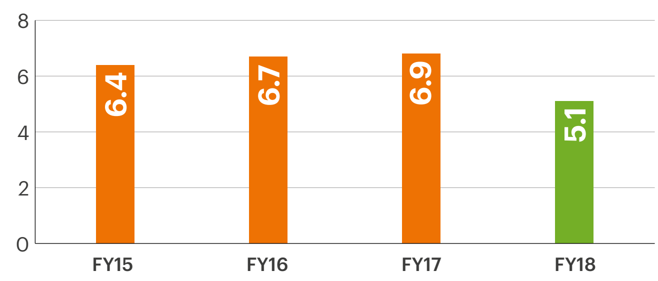
A subcontractor on one of our sites was injured by the collapse of a temporary wall following a high-rain event and investigations found the risks in the works had not been fully recognised.

As a result an Enforceable Undertaking was agreed with WorkSafe New Zealand in April 2018 and we are developing a new procedure for temporary works that will apply to all our sites from March 2019. We are also working to help establish new national guidelines.

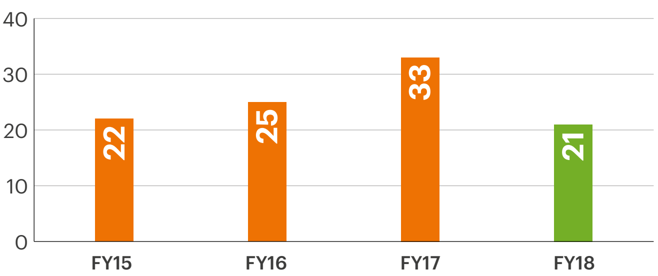
The learnings from this incident are reflected in our long-term strategy to improve our whole-of-life health and safety outcomes through our product and infrastructure designs.

Our strategy for FY19 will include a focus on our critical safety risks and the development and implementation of greater oversight, direction and planning to prevent occupational illness and promote the health and wellbeing of our people. The final piece to our strategy is a renewed focus on simplifying and streamlining our systems and processes while continuing to build our leadership and engagement with our people on the frontline.

TRIFR[1]



Serious Injuries[2]



1 Total recordable injury frequency rate. Measured by the total number of recordable injuries per million hours worked.

2 Serious Injury includes immediate treatment as an in-patient at hospital for more than 24 hours or immediate treatment for a serious injury or illness as defined by Safe Work Australia.

Fletcher Building Excellence Awards

SAFETY EXCELLENCE

At the Fletcher Building Excellence Awards, the Individual Contribution to Safety Improvement and Safety Team awards winners were Andrew Holt from Firth and Iplex Australia health and safety team.

Andrew Holt, in conjunction with our truck GPS suppliers, developed and installed a safety alert system for handbrakes and seatbelts on our 400+ fleet of certified trucks. Alerts for both handbrake and seatbelts are delivered by an in-cab voice-over-audio for the driver, his or her immediate supervisor receives a text alert of the breach and the incident is recorded against that driver, along with any other health and safety alerts, including speeding, harsh braking and excessive tilts.

The Iplex Australia safety team has supported the business to deliver some outstanding safety results reducing TRIFR by 53% and Long Term Injuries (LTI) from eight to one compared with FY16. The cost of workers compensation claims has also dropped as a result.

Some of the initiatives rolled out by the business included Riskmindful training, a risk management guide to clarify which safety tools to use and when, and Lock Out and Tag Out modules.

Individual Contribution
To Safety Improvement

Andrew Holt – Firth

Safety Team Award

Iplex Australia H&S Team

Iplex Australia

Environment

Our commitment is to protect the environment we work in and increase the use of environmentally sustainable practices across all of our operations, from extraction and manufacturing through to residential development and distribution.

We have dedicated sustainability and environmental managers within many of our businesses, who regularly review the environmental impacts and risks of our businesses and progress mitigation and innovation initiatives to reduce our impact.

Issues that are important to society are important to us. As such, we consult with our employees, stakeholders, communities, customers and suppliers to understand their needs and work with them to improve our environmental performance.

In FY19 we will recruit a head of environment, who will lead the development and execution of a Fletcher Building-wide environmental strategy, to improve our performance across the Group. In doing so an important focus area will be the development of life-cycle goals, to ensure that for any change we make the overall impact is positive and that we are not simply moving the impact up or down the supply chain.

EMISSIONS AND CLIMATE CHANGE

Addressing climate change is one of the biggest challenges of this century. The board recognises that Fletcher Building needs an overarching sustainability strategy to inform how we work with Government, industry and the community to reduce emissions and support the transition to low-emissions economies in the markets in which we operate. The development of this strategy will be a focus in FY19, with the recruitment of a head of sustainability planned.

We voluntarily disclose our greenhouse gas emissions, climate change and water risks through the CDP (formerly known as the Carbon Disclosure Project) and the establishment of new emissions reduction targets and initiatives will be a key feature of the new sustainability strategy.

In FY18 we undertook a number of capital investments across our concrete division to improve the environmental performance of our individual cement and concrete businesses, which collectively generate the largest proportion of Fletcher Building's greenhouse gas emissions.

At Firth we completed the construction of a new $30 million state-of-the-art masonry factory at Hunua, which opened in November 2017. The 4,900m^2 plant combines agile and sustainable manufacturing design.

Automation has optimised how the plant runs. It recycles 100% of waste blocks back into the production line onsite and uses rainwater collected from the roof as its primary source of water. Raw materials come from the Winstone Aggregates quarry next door, significantly reducing the distance raw materials travel and the new curing oven operates at much lower temperatures than the previous one, resulting in 22% less energy used per block produced.

Our Golden Bay Cement (GBC) plant is progressing an alternative fuels strategy, and planning a new project that is jointly funded by the Ministry for the Environment, aimed at substituting a further 20% of GBC's coal requirement through the use of end-of-life tyres. If successful, this project will help to address a major waste problem in New Zealand, while improving the sustainability of GBC's energy sources.

As part of the project GBC would reuse up to 3.1 million disposed tyres per annum, which is up to half of New Zealand's annual tyre waste, excluding stockpile.

The use of tyre-derived fuel is also expected to replace 5,000 tonnes of iron-sand per year, a 40% reduction in iron-sand use at the plant.

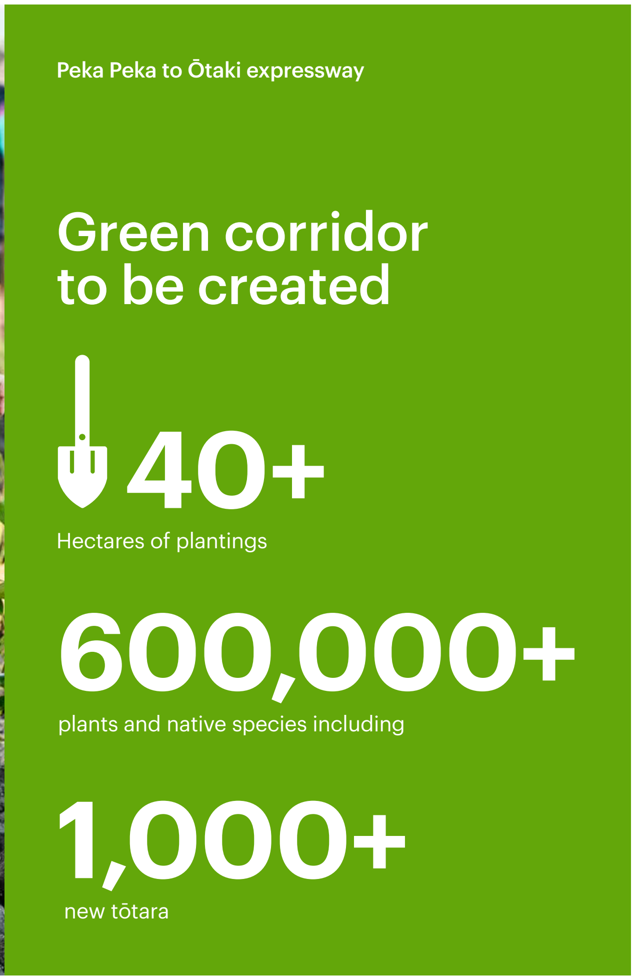
New Golden Bay Cement project would enable shredded tyres to be added to the fuel mix

Once fully operational the cement kiln would take up to 3.1 million shredded tyres per year, diverting up to half of New Zealand's waste tyres, excluding stockpile, from going to landfill. Using tyre-derived fuel would replace 15,000 tonnes of coal and 5,000 tonnes of iron sand.

Reducing the reliance on coal by around

20%

Fletcher Construction sponsored planting morning in collaboration with Friends of the Ōtaki River and the local Surf Life Saving Club.



ECOLOGY

Quarrying, manufacturing and construction can all have an impact on biodiversity. We owe it to New Zealanders to look after this beautiful land and protect its biodiversity, which is why an important part of our project management is managing and mitigating any impacts on our special flora and fauna.

On behalf of the NZ Transport Agency, the Peka Peka to Ōtaki project team will create a 'green corridor' alongside the expressway, with more than 40 hectares of planting made up of over 600,000 plants and native trees. More than 1,000 species, including new tōtara, will be part of this significant planting project, resulting in increased numbers of native trees in the district at the end of the project.

On the Pūhoi to Warkworth motorway project, prior to work starting in the Ōkahu Inlet, adult native mud snails living on the mudflat were carefully relocated. Across several days the alliance team, supported by external ecologists and representatives from Hōkai Nuku, collected over 30,000 snails and relocated them to a suitable new home away from the construction area. The habitats of snails, lizards, geckos and native worms have also been carefully managed on the Peka Peka to Ōtaki expressway.

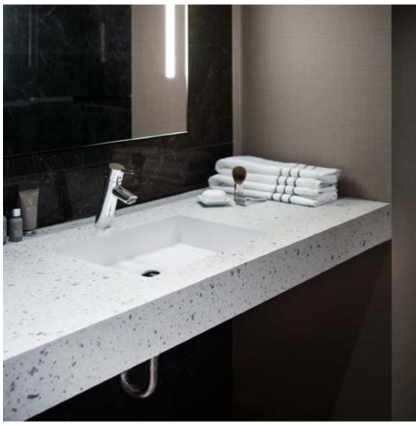
GBC has been working closely with Whitebait Connection, a conservation and education group, to manage Inanga (Whitebait) spawning sites in the Otaika stream, a significant taonga (treasure) to the local people. While the stream isn't on our land, it is a water source for our cement works and one of our quarries is located nearby. During the first stage of the project, a survey was undertaken to identify Inanga spawning sites. Subsequently, native planting in those areas has begun. Further stream habitat restoration work is planned, including an upstream freshwater fish survey. Funding for the stream work was provided by GBC and the work is being undertaken in consultation with local schools and landowners.

Fletcher Living undertakes land remediation work as part of all of its developments, but where possible we aim to enhance biodiversity and further protect native species. At Waiata Shores in South Auckland, following works to control storm water run-off into the Papakura Stream and replanting the wetland areas, we are working with iwi and Auckland Council to provide a suitable spawning habitat for Inanga.

In FY18, Iplex NZ donated $30,000 worth of pipes and fittings to the Charitable Wildbase Recovery Community Trust. The donated materials are being used for the specially designed recovery aviaries at the Wildbase Recovery Centre, New Zealand's only native wildlife recovery facility, in Palmerston North. The new facility will provide a safe environment for recovery from injury and illness, along with world-leading care by Massey University veterinary staff.

> Single-use plastic bags, while convenient, come at great cost to our environment particularly our beautiful oceans. By going plastic bag free, we estimate that we will prevent around 168,000 plastic bags from entering either our rubbish tips or the environment each year.

Richard Doig
Mico General Manager



Formica designers commissioned a special technical paper called Paper Terrazzo® which is made from paper off-cuts – creating a new paper sheet that is 30% reclaimed material.

REDUCING WASTE AND PLASTICS

With an increasing community focus on reducing waste, and specifically single-use plastics, our businesses have been looking at how they can contribute to these efforts across our operations.

In FY18 Mico became the first in the New Zealand building trade industry to go plastic bag free. The initiative was kicked off by some particularly passionate employees who wanted to make a difference. It was rolled out in 14 branches from New Plymouth to Nelson in October 2017 and then expanded to the rest of the country in April 2018. Reusable bags and boxes have been made available for customers to use as alternatives.

Mico estimates that the change will prevent around 168,000 plastic bags from entering either our rubbish tips or the environment each year. The team is also looking at ways to reduce shrink wrap on pallets by 30%.

PlaceMakers is also progressively phasing out single-use plastic bags and will be plastic bag free by 1 September 2018.

Reducing waste is also a key focus in our product innovation. Leading the charge, in 2016 Formica's designers commissioned the development of a special technical paper called Paper Terrazzo®, which is made from paper off-cuts. These small fragments of post-production solid colour paper are being diverted from landfill and instead reused to create a new paper sheet. The final product is 30% reclaimed material. Formica North America and Formica Asia launched Paper Terrazzo® late 2017. Laminex Australia and Formica Europe will launch Paper Terrazzo® in Spring 2018 and August 2018, respectively.

Some of our manufacturing processes have even been able to incorporate 100% of the product waste created during production back into the production line. Tasman Insulation New Zealand, which manufactures Pink® Batts®, recycles off-cuts from the process back into the product and Firth's new masonry plant recycles waste blocks back into production.

TRACEABILITY AND LIFE-CYCLE SUSTAINABILITY

Alongside our focus on emissions, ecology and waste reduction, our businesses have undertaken a range of initiatives looking more closely at the environmental sustainability of our products and how we can share this information in a trusted and transparent way with our customers.

Winstone Wallboards achieved Environmental Product Declarations (EPDs) this year, while GBC, Tasman Insulation and Pacific Coilcoaters have begun the process. EPDs provide customers with transparent information on the life-cycle environmental impact of a product from raw material sourcing and energy source and use, to emissions to air, soil, and water, and waste. They are independently verified and registered.

Easysteel recently launched its new service promise to customers, which includes a commitment to the certification and traceability of its products, providing reassurance on the quality of the steel being purchased.

In Australia Rocla is progressively converting its concrete recipes and processes to self-compacting concrete (SCC). Traditional concrete processes tend to end with a sticky concrete and poor flow requiring a lot of artificial vibration to ensure the concrete fully settles into Rocla moulds. The vibration is noisy and jarring, potentially impacting the amenity of the work environment for local neighbours. SCC removes these issues, is almost silent during casting and results in a better quality surface finish on our products as well.

Contribution to the NZ Economy

Fletcher Building is one of New Zealand's largest companies, both in terms of revenue and employment, but previously its contribution to the New Zealand economy had not been measured. During the year the New Zealand Institute of Economic Research (NZIER), an independent economic consultancy, was engaged to undertake an analysis of Fletcher Building's FY17 audited financial statements to determine our contribution to New Zealand's Gross Domestic Product (GDP)[1].

NZIER's analysis estimated that Fletcher Building contributed $1.5 billion to New Zealand's 2017 GDP of $264.7 billion, which translates to 0.6% of national GDP. This included $1.317 billion of value through our earnings, the taxes and GST we pay and the salaries paid to the more than 10,000 New Zealanders who work for us. The remaining $195 million was contributed through tax on commodities.

NZIER concluded that Fletcher Building makes a strong contribution to New Zealand's overall economic performance, and growth in our activities would provide a significant boost to the economy by increasing economic activity, real wages and household consumption. The positive impacts would be largely seen in retail (motor vehicle and motor vehicle parts, fuel, non-traditional retail formats, and commission), owner-occupied property operation, personal services, construction services, banking and financing and central government administration services.

1 Current state GDP contribution was evaluated. The GDP contribution was estimated by summing EBITDA, employee short-term costs and long-term benefits, tax expenses and tax on commodities.

Innovation

Innovation is critical to the success of our business, and we plan to increase our investment in future years. When we talk about innovation we are referring to both continuous improvement initiatives and taking larger leaps to leverage global trends and drive innovative change in our industries. Our continuous improvement initiatives are owned by our individual businesses and we then have a designated, central innovation unit that partners with our businesses to develop and commercialise larger innovations.

In FY18 we proved our house building panelisation concept, enabling investment in a new plant in FY19

Speed tested building at the Hobsonville Point development with panels manufactured offsite

3 days

For two, two-storey duplex homes to be completed to a weather-tight state, compared to a standard 50 days

9 weeks

To completion, compared with 22 weeks for a conventional build (excludes site works and foundation construction)

INNOVATION IN HOME BUILDING

During FY18 we developed and proved a panelisation solution for Fletcher Living, which significantly cuts down build time for residential housing. Panelisation is the use of premanufactured wall, floor and roof sections that are assembled at the building site.

Primarily, panelisation is about getting more homes to market quicker. The level of automation enabled by panelisation means labour scarcity will have less impact on house building. Build days lost to bad weather are also significantly reduced owing to construction in an enclosed factory environment.

Additionally, moving construction activities into a controlled environment will support safer construction, reduce waste and enhance the quality of the final product. The main challenge in delivering this style of build is waterproofing the buildings early. Significant focus and attention has been paid to roof design, wall and floor connection details and safety.

During the year prototypes were tested under a number of scenarios. In August 2017 Fletcher Living speed tested building a panelised duplex at its Hobsonville Point development. Once the panels were manufactured offsite, both homes in the two-storey duplex home were completed to a weather-tight state in just three days, compared with around 50 days for a similar home built using standard methods. The second half of the home was completed in just one day indicating a two-day timeframe could be achieved for a duplex.

Based on the success of these trials, Fletcher Building will be investing in a panelisation plant in Auckland during FY19. Negotiations on a lease for premises are underway and the first panels are planned to come off the line in calendar year 2019.

The factory will initially be used to service Fletcher Living's extensive Auckland house building programme, including our desire to participate in KiwiBuild. It is estimated that the plant would be able to deliver around 300 homes a year in the short term.

Once factory production is proven and meeting Fletcher Living's targets, demand from other builders for the purchase of panels will be investigated.

SELF-CLEANING ROOF

Researchers at Fletcher Steel and University of Auckland's Biocide Toolbox unit have begun developing a 'self-cleaning roof'.

The research aims to extend the design life, reduce the cost of maintenance, and help prevent bacteria and fungal growth through new developments in roof coatings technology.

The collaboration marks a new direction for Fletcher Building, partnering with the top ranked university to bring academic rigour to our innovation programme.

It will use $93,000 of funding from Callaghan Innovation, the Government's science and research funding agency, and is due to be finished in 2021.

We think this solution shows huge promise and we aim to bring any research-proven technology to market as soon as possible.

NEW WALLBOARDS FACTORY TO ENSURE SUPPLY

Winstone Wallboards, New Zealand's only manufacturer of plasterboard, has begun preparatory work towards building a new, larger, more efficient wallboard factory and distribution centre in Auckland. The new facility will employ the latest technology in a bid to meet supply and demand for the next 50 years. It is anticipated the new facility will be completed in calendar 2022.

The new larger operation is a significant capital investment to meet future capacity requirements, enable new products to be manufactured and will also reduce double-handling by bringing manufacturing and the four distribution sites together in one location. It will also provide room for growth, which is not possible at the current location.

New efficient factory and distribution centre – Auckland

New Zealand's only manufacturer of plasterboard

New centre expected to be completed

2022

Winstone Wallboard's GIB® Trade Finish Lite compound is measured into containers for distribution

CONTINUOUS IMPROVEMENT AND EXCELLENCE INITIATIVES

Our business is about our customers and clients – it's as simple as that. We strive to be customer leading and better every day, seizing opportunities to improve what we do, what we make and how we deliver it.

- Winstone Wallboards is expanding its deliver-to-site service, which is a GIB® handling service where experts unload and carry the right products to the right rooms of new builds, enabling faster installation. It is currently offered in Auckland, Hamilton, Tauranga and Christchurch and will be expanded into new regions this year.
- Tasman Insulation has introduced an online workflow system that effectively links merchant, installer and customer service for the PinkFit® network, our national network of insulation installers.
- Dimond Roofing has developed a 3D online roof design tool that showcases different roof profiles and colour schemes on a home.
- Brian Perry Civil is using advanced modelling and instrumentation technologies to develop a crane platform that will be safer and cheaper to construct than using current techniques.
- Laminex New Zealand and Winstone Wallboards have teamed up with Fletcher Living to develop and test a wooden light-weight flooring system for the medium density housing market with superior acoustic and fire ratings.
- Snappy is a new brand which Distribution has established as part of a multi-brand strategy in market, utilising a lean start-up approach to launch a digital-first brand and general merchant in the hardware sector.

Trend Statement

	JUNE 2018	JUNE 2017	JUNE 2016	JUNE 2015	JUNE 2014	JUNE 2013	JUNE 2012	JUNE 2011	JUNE 2010	JUNE 2009
NOTES							2	1		
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Financial performance										
Operating sales/revenue	**9,471**	9,399	9,004	8,661	8,401	8,517	8,839	7,416	6,799	7,103
Earnings before interest and taxation (EBIT)	**(118)**	273	719	503	592	569	403	492	521	159
Net earnings	**(190)**	94	462	270	339	326	185	283	272	(46)
Cash flow from operations	**396**	243	660	575	489	559	448	402	522	533
Earnings per share – basic (cents per share)	**(25.5)**	13.5	67.0	39.2	49.3	47.6	27.2	45.0	44.9	(8.7)
Dividends for the period (cents per share)	**0**	39.0	39.0	37.0	36.0	34.0	34.0	33.0	29.0	38.0
Return on average funds (%)[3]	**(2.2)**	4.9	13.4	9.6	11.7	10.8	7.4	10.6	12.7	3.4
Return on average equity (%)[4]	**(5.2)**	2.5	12.4	7.7	9.9	9.4	5.2	8.2	9.1	(1.6)
Financial performance – before significant items										
Earnings before interest and taxation (EBIT)	**50**	525	682	653	624	569	556	596	521	558
Net earnings	**(60)**	321	418	399	362	326	317	359	301	314
Earnings per share – basic (cents per share)	**(8.1)**	46.3	60.6	58.0	52.7	47.6	46.5	57.1	49.7	59.7
Return on average funds – before significant items (%)[3]	**0.9**	9.4	12.7	12.5	12.3	10.8	10.2	12.8	12.7	11.9
Return on average equity – before significant items (%)[4]	**(1.7)**	8.7	11.6	11.3	10.5	9.4	9.0	10.4	10.0	10.8
Balance sheet										
Current assets	**4,120**	3,419	3,222	3,272	2,958	2,868	3,112	3,104	2,317	2,255
Non-current assets	**4,412**	4,254	4,045	4,229	3,983	4,257	4,367	4,388	3,397	3,550
Total assets	**8,532**	7,673	7,267	7,501	6,941	7,125	7,479	7,492	5,714	5,805
Current liabilities	**2,480**	1,996	1,997	1,947	1,596	1,557	1,936	1,700	1,384	1,313
Non-current liabilities	**1,910**	2,097	1,557	1,844	1,891	2,014	2,091	2,092	1,307	1,508
Total liabilities	**4,390**	4,093	3,554	3,791	3,487	3,571	4,027	3,792	2,691	2,821
Capital	**3,425**	2,678	2,650	2,633	2,624	2,606	2,582	2,553	1,912	1,895
Reserves	**693**	878	1,041	1,050	795	913	838	1,113	1,077	1,057
Minority equity	**24**	24	22	27	35	35	32	34	34	32
Total equity	**4,142**	3,580	3,713	3,710	3,454	3,554	3,452	3,700	3,023	2,984
Total liabilities and equity	**8,532**	7,673	7,267	7,501	6,941	7,125	7,479	7,492	5,714	5,805
Other financial data										
Total shareholders return (%)[5]	**(6)**	0	11	(3)	9	51	(27)	14	24	14
Net tangible assets per share ($)	**2.85**	2.70	2.87	2.80	2.60	2.61	2.65	2.71	2.90	2.80
Gearing (%)[6]	**23.5**	35.3	27.3	31.8	32.3	33.5	37.4	34.3	26.8	31.1
Leverage (%)[7]	**4.8**	2.7	1.6	2.0	2.0	2.3	2.6	2.4	1.5	1.8

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

Consolidated income statement

For the year ended 30 June 2018

	NOTES	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Sales		**9,471**	9,399
Cost of goods sold		**(7,775)**	(7,319)
Gross margin		**1,696**	2,080
Selling and marketing expenses		**(927)**	(903)
Administration expenses		**(717)**	(680)
Share of profits of associates and joint ventures	25	**26**	20
Other gains and losses	5	**(28)**	8
Significant items	4	**(168)**	(252)
Earnings before interest and taxation (EBIT)		**(118)**	273
Funding costs	14	**(157)**	(111)
Earnings/(loss) before taxation		**(275)**	162
Taxation benefit/(expense)	28	**96**	(57)
Earnings/(loss) after taxation		**(179)**	105
Earnings attributable to non-controlling interests		**(11)**	(11)
Net earnings/(loss) attributable to the shareholders		**(190)**	94
Net earnings/(loss) per share (cents)	6		
Basic		**(25.5)**	13.5
Diluted		**(25.5)**	13.5
Weighted average number of shares outstanding (millions of shares)	6		
Basic		**745**	694
Diluted		**745**	694
Dividends declared per share (cents)	7	**0.0**	39.0

On behalf of the board, 22 August 2018

Sir Ralph Norris
Chairman

Bruce Hassall
Director

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

Consolidated statement of comprehensive income

For the year ended 30 June 2018

	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Net earnings/(loss) attributable to shareholders	**(190)**	94
Net earnings attributable to non-controlling interests	**11**	11
Net earnings/(loss)	**(179)**	105
Other comprehensive income		
Items that do not subsequently get reclassified to profit or loss:		
Movement in pension reserve	**10**	44
	10	44
Items that may be subsequently reclassified to profit or loss:		
Movement in cash flow hedge reserve	**2**	(7)
Movement in currency translation reserve	**129**	(17)
	131	(24)
Other comprehensive income	**141**	20
Total comprehensive income/(loss) for the year	**(38)**	125

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

Consolidated statement of movements in equity

For the year ended 30 June 2018

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 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 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
Total comprehensive income/(loss) for the year			(190)		2	129	10	(49)	11	**(38)**
Movement in non-controlling interests									(11)	**(11)**
Issue of shares	23	736						736		**736**
Dividends paid to shareholders of the parent	7		(132)					(132)		**(132)**
Movement in share-based payment reserve				(4)				(4)		**(4)**
Movement in treasury stock	23	11						11		**11**
Total equity at 30 June 2018		**3,425**	**894**	**9**		**(157)**	**(53)**	**4,118**	**24**	**4,142**

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

Financial Statements 2018

Consolidated balance sheet

As at 30 June 2018

	NOTES	June 2018 NZ$M	June 2017 NZ$M
Assets			
Current assets:			
Cash and deposits	8	665	219
Current tax assets	28	72	15
Derivatives	16	6	8
Debtors	9	1,629	1,525
Inventories	10	1,748	1,652
Total current assets		4,120	3,419
Non-current assets:			
Property, plant and equipment	20	2,241	2,206
Goodwill	21	1,085	1,069
Intangible assets	22	601	617
Investments in associates and joint ventures	25	149	146
Retirement plan assets	29	88	71
Other investments		1	2
Derivatives	16	86	91
Deferred tax assets	28	161	52
Total non-current assets		4,412	4,254
Total assets		8,532	7,673
Liabilities			
Current liabilities:			
Creditors and accruals	11	1,547	1,406
Provisions	12	89	70
Current tax liabilities	28	26	30
Derivatives	16	7	7
Construction contracts	13	626	214
Borrowings	15	185	269
Total current liabilities		2,480	1,996
Non-current liabilities:			
Creditors and accruals	11	38	36
Provisions	12	25	25
Retirement plan liabilities	29	38	38
Deferred tax liabilities	28	37	47
Derivatives	16	19	48
Borrowings	15	1,753	1,903
Total non-current liabilities		1,910	2,097
Total liabilities		4,390	4,093
Equity			
Capital	23	3,425	2,678
Reserves		693	878
Shareholders' funds		4,118	3,556
Non-controlling interests	24	24	24
Total equity		4,142	3,580
Total liabilities and equity		8,532	7,673

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

Consolidated statement of cash flows

For the year ended 30 June 2018

	NOTES	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Cash flow from operating activities			
Receipts from customers		**9,810**	9,303
Dividends received		**18**	11
Total received		**9,828**	9,314
Payments to suppliers, employees and others		**9,189**	8,847
Interest paid		**158**	125
Income tax paid		**85**	99
Total applied		**9,432**	9,071
Net cash from operating activities		**396**	243
Cash flow from investing activities			
Sale of property, plant and equipment		**19**	26
Sale of investments		**15**	3
Sale of subsidiaries/businesses		**42**	
Total received		**76**	29
Purchase of property, plant and equipment		**304**	319
Purchase of subsidiaries/businesses			321
Cash in subsidiaries acquired			(4)
Total applied		**304**	636
Net cash from investing activities		**(228)**	(607)
Cash flow from financing activities			
Issue of shares	23	**727**	
Net debt draw down			476
Issue of capital notes		**221**	35
Total received		**948**	511
Net debt repayment		**483**	
Repurchase of capital notes		**55**	19
Treasury stock purchased			3
Distribution to non-controlling interests		**15**	14
Dividends	7	**123**	246
Total applied		**676**	282
Net cash from financing activities		**272**	229
Net movement in cash held		**440**	(135)
Add opening cash deposits		**219**	356
Effect of exchange rate changes on net cash		**6**	(2)
Closing cash and liquid deposits		**665**	219

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

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2018

	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Cash was received from:		
Net earnings/(loss)	**(190)**	94
Earnings attributable to non-controlling interests	**11**	11
	(179)	105
Adjustment for items not involving cash:		
Depreciation, depletions, and amortisation	**214**	203
Significant items	**180**	232
Provisions and other adjustments	**(32)**	(66)
Taxation	**(181)**	(42)
Gain on disposal of businesses and property, plant and equipment	**(36)**	(13)
Non-cash adjustments	**145**	314
Cash flow from operations before net working capital movements	**(34)**	419
Net working capital movements	**430**	(176)
Net cash from operating activities	**396**	243
Net working capital movements		
Debtors	**(56)**	(103)
Inventories	**(58)**	(62)
Land and developments	**11**	(99)
Contracts	**396**	74
Creditors	**137**	14
	430	(176)

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

Notes to the Financial Statements 2018

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 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 consolidated 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, "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.

E

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 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 Group 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.

Foreign currency

Translation of the financial statements of foreign operations

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

Foreign currency transactions

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

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

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

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

Revenue recognition

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.

1. Statement of accounting policies continued

Construction Contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. 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 immediately made for estimated future losses on the entire contract (refer to Note 13).

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 2017.

NZ IFRS 9 *Financial Instruments*

NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The impact of adopting NZ IFRS 9 is summarised below:

- NZ IFRS 9 introduces new classification and measurement requirements for financial assets and liabilities that are within the scope of NZ IAS 39. There have been no changes to the classification or carrying amounts of financial assets and financial liabilities in the statement of financial position under NZ IFRS 9.
- • The hedge accounting rules in NZ IFRS 9 align hedge accounting more closely with the Group's risk management activities and allows for the hedging of aggregated exposures. The effectiveness test has been replaced with the principle of establishing an economic relationship between the hedging instrument and hedged item rather then applying the bright line test that existed under NZ IAS 39. The adoption of NZ IFRS 9 did not result in significant changes to the Group's hedge accounting relationships as at 1 July 2017. The Group has elected to apply the hedge accounting requirements on a retrospective basis from the date of initial application where permitted under NZ IFRS 9.
- The NZ IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology under NZ IAS 39. The Group has applied the simplified approach for trade and other receivables, with the impact of NZ IFRS 9 being immaterial.

Standards not yet effective or early adopted

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 15 *Revenue from Contracts with Customers*

NZ IFRS 15 'Revenue from Contracts with Customers' replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is effective for the Group from the period beginning 1 July 2018.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Revenue derived from sources other than construction contracts will continue to be recognised at a point in time. Revenue earned through construction contracts will continue to be recognised over time; principally using an input method. The Group has the current intention to adopt NZ IFRS 15 using the retrospective approach.

The following matters are relevant to the Group under NZ IFRS 15:

Construction

i) Performance obligations

- The Group has assessed construction contracts to identify performance obligations to be delivered to customers. The assessment completed did not identify any construction contracts which required the unbundling of multiple performance obligations and as such under the adoption of NZ IFRS 15 there will not be a material impact on the recognition of revenue with existing contracts.

ii) Variable consideration

- Where revenue recognised is not stipulated within the contract and therefore variable in nature, the Group estimates the amount of revenue to which it is entitled. Under NZ IFRS 15 variable consideration is recognised to the extent that it is highly probable not to result in a significant reversal in future periods. The adoption of NZ IFRS 15 will not have a material impact on the recognition of revenue within existing contracts.

iii) Pre-contract costs

- NZ IAS 11 previously allowed, in certain circumstances, for the capitalisation of expenditure incurred in securing a contract. NZ IFRS 15 restricts the capitalisation of such costs to those that it would not have incurred if the contract had not been obtained. At 30 June 2018, the Group had costs capitalised of $2 million that would be expensed under NZ IFRS 15.

iv) Loss making contracts

- Loss making contracts will now be accounted for under NZ IAS 37 rather than under NZ IAS 11. This will not have an impact on the Group's recognition of revenue.

Residential

i) Recognition

- NZ IFRS 15 requires the recognition of revenue when the customer obtains control of a good or a service, instead of when risks and rewards transfer under NZ IAS 18. NZ IFRS 15 leads to a change in timing of recognition for residential house sales, such that revenue from the sale of housing inventory is recognised at a point in time when control has passed to the customer (generally when title has passed). At 30 June 2018, the Group recognised $88 million of revenue and $20 million of EBIT from housing sales that would not be recognised under NZ IFRS 15. At 30 June 2017, the Group recognised $47 million of revenue and $13 million of EBIT from housing sales that would be recognised in the year ended 30 June 2018 under NZ IFRS 15.

Other arrangements

i) Variable consideration

- Some contracts with customers offer variable consideration such as trade discounts, volume rebates, or loyalty schemes. The Group's assessment did not identify any material impact on the recognition of such arrangements on adoption of NZ IFRS 15.

ii) Warranties

- Warranties currently offered by the Group will continue to be accounted for under NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Disclosure requirements

- NZ IFRS 15 disclosure requirements are more detailed than under current NZ IFRS, particularly with respect to the judgements made and contract asset and liability balances outstanding at period end. The Group is in the process of drafting the disclosures required to be reported for the period ending 31 December 2018 and the year ending 30 June 2019.

NZ IFRS 16 *Leases*

NZ IFRS 16 was issued in February 2016 and will be effective for the Group from the period beginning 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. NZ IFRS 16 replaces NZ IAS 17 and the related interpretations.

For lessees, NZ IFRS 16 removes distinctions between operating leases and finance leases and introduces a single lessee accounting model. Under this new model, right-of-use assets and lease liabilities are recognised for all lease contracts except for short-term leases and leases of low value assets.

The Group is currently in the process of performing an assessment of the impact of NZ IFRS 16, including:

- Undertaking a modelling exercise to quantify the impact of transition options;
- Developing an approach to key accounting judgements;
- Understanding and documenting the requirements for data collection and validation;
- Identifying an appropriate system solution which will capture and store all lease data and calculate the required NZ IFRS 16 adjustments and ongoing accounting transactions.

The Group has not yet concluded on a transition approach and as such it is not possible to fully quantify the impact of NZ IFRS 16 at this stage, however, the impact on the Group financial statements is expected to be significant. For the year ended 30 June 2018, the Group had an operating lease expense of $187 million and had expected future undiscounted minimum payments on non-cancellable leases of $1,057 million.

2. Material events during the year

These financial statements include the impact of a number of material events that occurred during the year, including the recognition of additional construction loss provisions, the breach of certain funding covenants, renegotiation of key terms of lending arrangements, the issue of new shares by way of an entitlement offer, the subsequent repayment of borrowings, and a new Group strategy announced on 21 June 2018.

In February 2018 the Group announced the recognition of additional provisions associated with the Building + Interiors (B+I) business unit in the half year financial statements such that a loss for the six months ended 31 December 2017 was reported of $631 million (refer to Note 13 for the judgements applied in accounting for construction contracts).

As a result of these additional provisions, the Group was in breach of certain covenants in relation to its Syndicated Facility Agreement and its US Private Placement debt (together 'borrowings') as at 31 December 2017. This breach was an event of default under the agreements governing those borrowings.

The Group obtained temporary waivers in respect of the covenant breaches while negotiating with its debt holders to agree revised terms for the agreements governing the borrowings. Revised terms for all funding arrangements were concluded in May 2018 with new covenant terms agreed (refer to Note 15 for details).

The Group incurred additional funding costs associated with the renegotiation of these funding arrangements (refer to Note 14).

With the additional B+I provisions and resulting funding negotiations, the Group moved to strengthen the Balance Sheet in support of its new strategy. In April 2018 the Group raised a total of $750 million through an entitlement offer of 1 share for every 4.46 shares held. The costs of the transaction of $23 million were offset in equity in line with NZ IFRS, resulting in a net increase in share capital of $727 million (refer to Note 23).

Also in April 2018, the Group announced its intention to divest the Formica and Roof Tile Group businesses. The divestment processes commenced during the year and will continue into FY19.

The proceeds from the issue of share capital were used primarily to repay borrowings (refer to Note 15) and led to significantly reduced leverage and gearing ratios for the Group.

In June 2018 the Group announced its new strategy. Along with the planned divestment of the Formica and Roof Tile Group businesses (as noted above), the Group reorganised its divisional structure and restructured the Corporate office. As a result, there have been a number of one-off costs incurred in the current year. These are outlined in Note 4 Significant Items.

Notes to the Financial Statements 2018

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

Financial Review

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

3. Segmental information

Segmental information is presented in respect of the Group's industry and geographical segments based on the new divisional structure announced on 21 June 2018. 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 2018 NZ$M Gross sales	June 2017 NZ$M Gross sales	June 2018 NZ$M External sales	June 2017 NZ$M External sales
Building Products	**764**	745	**613**	589
Distribution	**1,530**	1,519	**1,490**	1,470
Steel	**532**	491	**411**	378
Concrete	**812**	781	**545**	507
Residential and Development	**575**	420	**575**	420
Construction	**1,685**	2,246	**1,605**	2,085
Australia	**3,076**	2,858	**2,973**	2,771
Formica and Roof Tile Group	**1,177**	1,120	**1,151**	1,101
Divested businesses	**108**	78	**108**	78
Other	**8**	9		
Group	**10,267**	10,267	**9,471**	9,399
Less: intercompany sales	**(796)**	(868)		
Group external sales	**9,471**	9,399	**9,471**	9,399

	EBIT before significant items and B+I	EBIT before significant items and B+I	Significant items in EBIT (Note 4)	Significant items in EBIT (Note 4)
Building Products	**132**	152		
Distribution	**104**	104	**(3)**	
Steel	**49**	54	**(8)**	
Concrete	**90**	113	**(17)**	
Residential and Development	**136**	130		
Construction	**52**	88	**(5)**	
Australia	**114**	119	**(49)**	(251)
Formica and Roof Tile Group	**65**	79	**(57)**	
Divested businesses	**13**	8	**37**	
Corporate	**(45)**	(30)	**(66)**	(1)
Group	**710**	817	**(168)**	(252)
Building + Interiors (B+I)	**(660)**	(292)		
Significant items (Note 4)	**(168)**	(252)		
Earnings before interest and taxation (EBIT) per income statement	**(118)**	273		

3. Segmental information continued

	June 2018 NZ$M Depreciation, depletion and amortisation expense	June 2017 NZ$M Depreciation, depletion and amortisation expense	**June 2018 NZ$M Capital expenditure**	June 2017 NZ$M Capital expenditure
Building Products	**13**	13	**19**	16
Distribution	**9**	8	**20**	16
Steel	**5**	4	**14**	16
Concrete	**45**	40	**62**	87
Residential and Development			**1**	
Construction	**20**	20	**33**	28
Australia	**62**	62	**79**	70
Formica and Roof Tile Group	**41**	40	**61**	62
Divested businesses	**3**	2	**2**	4
Corporate	**16**	14	**13**	20
Group	**214**	203	**304**	319

	Funds*	Funds*
Building Products	**494**	489
Distribution	**264**	256
Steel	**184**	184
Concrete	**628**	621
Residential and Development	**604**	547
Construction	**(238)**	174
Australia	**1,804**	1,778
Formica and Roof Tile Group	**1,244**	1,174
Divested businesses	**27**	31
Corporate incl debt & tax	**(869)**	(1,674)
Group	**4,142**	3,580

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

Geographic segments

Year ended	June 2018 NZ$M External sales	June 2017 NZ$M External sales	June 2018 NZ$M EBIT before significant items	June 2017 NZ$M EBIT before significant items
New Zealand	**5,220**	5,381	**(172)**	282
Australia	**3,018**	2,766	**123**	120
North America	**465**	459	**43**	48
Asia	**314**	296	**38**	38
Europe	**316**	300	**(6)**	
Other jurisdictions	**138**	197	**24**	37
Group	**9,471**	9,399	**50**	525
Significant items (Note 4)			**(168)**	(252)
Earnings before interest and taxation (EBIT) per income statement			**(118)**	273

	Non-current assets+	Non-current assets+	Funds*	Funds*
New Zealand	1,517	1,577	2,006	2,428
Australia	1,420	1,426	1,810	1,787
North America	319	298	350	306
Asia	458	425	492	466
Europe	315	271	270	354
Other	48	43	199	61
Debt and taxation			(985)	(1,822)
Group	4,077	4,040	4,142	3,580

+ Excludes deferred tax assets, retirement plan surplus and financial instruments.
* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes.

Description of industry segments

The following is based on the Group's new divisional structure announced on 21 June 2018.

Building Products	The Building Products division is a manufacturer, distributor, and marketer of building products used both commercially and in residential markets in New Zealand.
Distribution	The Distribution division consists of building and plumbing distribution businesses in New Zealand.
Steel	The Steel division consists of steel manufacture and distribution businesses in New Zealand.
Concrete	The Concrete division includes the Group's interests in the concrete value chain, including extraction of aggregates, and the production of cement and concrete. The division operates in New Zealand.
Residential and Development	The Residential and Development division operates in New Zealand and is both a residential home builder and develops and sells mainly commercial sites within the Group's property portfolio which are surplus to operating requirements.
Construction	The Construction division is a builder and maintainer of commercial buildings and infrastructure across New Zealand and the South Pacific.
Australia	The Australia division manufactures and distributes building materials for a broad range of industries across Australia.
Formica and Roof Tile Group	Formica is a leading provider of branded, designed surfacing solutions in North America, Europe, and Asia, while Roof Tile Group manufactures metal roof tiles, under the Gerard and Decra brands across the world.
Divested businesses	Divested businesses comprise the Group's 50% interest in Sims Pacific Metals and 20% interest in Dongwha New Zealand Limited both of which were divested during the year.

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 2018	Restructuring activity (1) NZ$M	M&A Activity (2) NZ$M	Impairments (3) NZ$M	Total NZ$M
Distribution	(3)			(3)
Steel	(8)			(8)
Concrete			(17)	(17)
Construction			(5)	(5)
Australia	(9)		(40)	(49)
Formica and Roof Tile Group	(5)		(52)	(57)
Divested businesses		37		37
Corporate	(66)			(66)
Total significant items before taxation	**(91)**	**37**	**(114)**	**(168)**
Tax benefit / (charge) on above items	23		15	38
Total significant items after taxation	**(68)**	**37**	**(99)**	**(130)**

2018

(1) Restructuring activity

The Group has recognised a charge of $81 million for costs, $66 million of which is in Corporate, associated with the restructure of the Group's operating model, including headcount reductions in corporate functions. The restructuring includes redundancies and exit costs, as well as $20 million of impairments of various Corporate and Business Unit IT systems and associated external advisory costs incurred.

In addition, the Group has recognised a charge of $7 million for costs associated with the integration of the Calder Stewart business into the Steel division. Following the acquisition in FY17, the Division's manufacturing and distribution footprint has been rationalised in the current year, including a number of site closures.

The Formica US Pension Plan was terminated during the year, leading to the de-recognition of approximately US$80 million of pension plan assets and defined benefit obligations from the Group's balance sheet. The termination led to a charge of NZ$3 million to the Group income statement.

(2) M&A activity

On 29 June 2018, the Group divested its 50 per cent interest in the Sims Pacific Metals joint venture to Sims Metals Management for $42 million. The purchase price is subject to a working capital adjustment which will be finalised post completion. Based on current estimates, total proceeds of the divestment are expected to be approximately $60 million. A net gain on sale of $25 million has been recorded.

On 30 April 2018 the Group divested its 20 per cent stake in Dongwha New Zealand Limited to Daiken New Zealand Limited for $17 million. A net gain on sale of $12 million has been recorded.

(3) Impairments

During the year, the Group has recognised a $114 million impairment charge, relating to businesses where the carrying amount exceeded the recoverable amount:

- $40 million relating to the Rocla Products business where goodwill of $11 million, brands of $21 million and inventories of $8 million have been impaired to estimated recoverable values, on a value in use basis. Offsetting the impairment of brands is a $7 million reversal of the associated deferred tax liability through tax expense.
- $52 million relating to the Roof Tile Group business where goodwill of $15 million, brands of $4 million, property, plant and equipment of $29 million, and working capital of $4 million have been impaired on a fair value less costs of disposal basis. Following the Group's announced plan to divest the Roof Tile Group business, the Group has estimated the fair value less costs of disposal based on its discussions to date with interested parties.
- $5 million relating to the Forman Contracting brand asset, reflecting a revision in expected medium-term revenues and earnings.

In addition, the Group has recognised a charge of $17 million relating to the impairment of $12 million and associated provision of $5 million for disposal costs in respect of a quarry within the Winstone Aggregates business unit. The quarry had previously been mothballed and during the year the Group determined, following a strategic review, that it no longer has the intention to recommission quarrying activities at the site. As a result, asset carrying values were no longer viewed as being recoverable through use and have been impaired to expected fair value less costs of disposal, including restoration obligations.

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
Australia		(17)	(222)	(12)	(251)
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 Higgins Group Holdings Limited ("Higgins"). Costs of $1 million associated with the transaction were incurred in the year.

(2) The Group recognised a charge of $17 million for costs associated with site closures;

- $10 million relating to the closure of Fletcher Insulation's Homebush site in New South Wales; and
- $7 million relating to two site closures in the Rocla Pipeline Products business.

(3) The Group recognised a $222 million impairment charge relating to businesses where the carrying amount exceeded the recoverable amount:

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

(4) The Group recognised a charge of $12 million relating to the costs associated with prolonged industrial action at a Fletcher Insulation site.

5. 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 2018 NZ$M**	Year ended June 2017 NZ$M
Other gains and (losses) include the following:		
(Loss)/Gain on sale of assets	**(1)**	13
Redundancies and restructuring costs[1]	**(10)**	(8)
Residential inventory provisions	**(12)**	
Other	**(5)**	3
	(28)	8

1 Other than those classified as significant items.

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 2018	Year ended June 2017
Net earnings per share (cents)		
Basic	(25.5)	13.5
Diluted	(25.5)	13.5

	NZ$M	NZ$M
Numerator		
Net earnings/(loss)	(190)	94
Numerator for basic earnings per share	(190)	94
Dilutive capital notes distribution		
Numerator for diluted net earnings per share	(190)	94
Denominator (millions of shares)		
Denominator for basic net earnings per share	745	694
Conversion of dilutive capital notes		
Denominator for diluted net earnings per share	745	694

The Group issued additional shares during the year through an entitlement offer (refer to Note 2). The effect of the entitlement offer on net earnings per share for the comparative year is as follows:

	Year ended June 2017
Net earnings (NZ$M)	94
Adjusted denominator (millions of shares)	722
Restated net earnings per share (cents)	13.0

Supplementary Non-GAAP disclosures:
The following supplementary Non-GAAP disclosures have been made to provide additional, useful information.

	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
The effect of the losses recorded in Building + Interiors and of significant items (refer Note 4) on earnings per share is as follows:		
Net earnings/(loss) after taxation per income statement	(190)	94
Add back: Significant items after taxation (Note 4)	130	227
Add back: Building + Interiors after taxation	475	210
Net earnings before significant items and Building + Interiors	415	531
Net earnings per share before significant items and Building + Interiors (cents)	55.7	76.5
Net earnings per share - as reported (cents)	(25.5)	13.5

7. Dividends and Shareholder tax credits

Dividends

	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Dividends of 19 cents per share paid to shareholders in October 2017 (October 2016: 20 cents per share)	**132**	139
There was no interim dividend paid to shareholders in April 2018 (April 2017: 20 cents per share)		139
	132	278

In line with the Company's dividend policy, the Board determined that it would not declare an interim or final dividend for the 2018 financial year.

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	June 2018 NZ$M	June 2017 NZ$M
Imputation credit account		
Imputation credits at the beginning of the year	**4**	29
Taxation paid	**33**	53
Imputation credits attached to dividends paid	**(37)**	(78)
		4

	June 2018 A$M	June 2017 A$M
Franking credit account		
Franking credits at the beginning of the year	**27**	26
Taxation paid		(2)
Franking credits received	**5**	3
	32	27

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.

Cash and deposits include the Group's share of amounts held by joint operations of $31 million (2017: $28 million).

At 30 June 2018, approximately $70 million (2017: $72 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.

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Cash and bank balances	**227**	201
Contract retention bank balances	**13**	5
Short-term deposits	**425**	13
	665	219

9. Debtors

Debtors are recognised initially at their fair value which is represented by their face value and subsequently valued at its estimated net realisable value to adjust for impairment losses. Estimates are used in determining the level of receivables that may not be collected. A provision for impairment is established when there is evidence that the Group will not be able to collect all amounts due. 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 2018 NZ$M	June 2017 NZ$M
Trade debtors	**1,158**	1,100
Contract debtors	**208**	221
Contract retentions	**31**	25
Less provision for doubtful debts	**(21)**	(19)
Trade and contract debtors	**1,376**	1,327
Other receivables	**253**	198
	1,629	1,525
Current	**1,166**	1,107
0 – 30 days over standard terms	**155**	165
31 – 60 days over standard terms	**23**	26
61+ days over standard terms	**53**	48
Provision	**(21)**	(19)
Trade and contract debtors	**1,376**	1,327

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 2018 NZ$M	June 2017 NZ$M
Raw materials	**562**	478
Work in progress	**247**	283
Finished goods	**884**	849
Consumable stores and spare parts	**55**	42
	1,748	1,652
Inventories held at cost	**1,609**	1,524
Inventories held at net realisable value	**139**	128
	1,748	1,652

Land and developments to the value of $563 million are included above (June 2017: $540 million) of which $189 million is expected to be held for greater than 12 months (2017: $198 million).

The Group also has conditional commitments for the purchase of land to be used for residential construction totalling $275 million (June 2017: $254 million), of which $98 million is expected to be delivered in the period to 30 June 2019

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 2018 NZ$M	June 2017 NZ$M
Trade creditors	**1,073**	994
Contract retentions	**43**	46
Accrued interest	**34**	32
Other liabilities	**214**	152
Employee entitlements	**212**	206
Workers' compensation schemes	**9**	12
	1,585	1,442
Current portion	**1,547**	1,406
Non-current portion	**38**	36
Carrying amount at the end of the year	**1,585**	1,442

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

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. Costs relating to ongoing activities are not provided for.

Warranty & 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 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.

	Restructuring NZ$M	Warranty & environmental NZ$M	Other NZ$M	Total NZ$M
June 2018				
Carrying amount at the beginning of the year	**8**	**34**	**53**	**95**
Currency translation		**1**	**1**	**2**
Charged to earnings	**28**	**21**	**27**	**76**
Settled or utilised	**(6)**	**(16)**	**(33)**	**(55)**
Released to earnings		**(1)**	**(3)**	**(4)**
	30	**39**	**45**	**114**
June 2017				
Carrying amount at the beginning of the year	13	28	50	91
Currency translation				
Charged to earnings	10	17	26	53
Settled or utilised	(14)	(11)	(21)	(46)
Released to earnings	(1)		(2)	(3)
	8	34	53	95

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Current portion	**89**	70
Non-current portion	**25**	25
Carrying amount at the end of the year	**114**	95

During the year the Group utilised $6 million (30 June 2017: $14 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

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method and represent the value of work carried out during the year, including amounts not invoiced. Costs are recognised as incurred and revenue is recognised on the basis of the proportion of total costs at the reporting date to the estimated total costs of the contract. Estimates of the final outcome of each contract may include cost contingencies to take account of specific risks within each contract that have been identified. The cost contingencies are reviewed on a regular basis throughout the contract life and are adjusted where appropriate. However, the nature of the risks on contracts are such that they often cannot be resolved until the end of the project.

Margin on the contract is 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 losses on the entire contract.

Revenue in respect of variations to contracts and incentive payments is recognised when it is probable it will be agreed by the customer. Revenue in respect of claims is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and the probable amount can be measured reliably.

Profit for the year may include the benefit of claims settled in the year on contracts completed in previous years.

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.

E

Estimates and judgements are made relating to a number of factors when assessing construction contracts. These primarily include the programme of work throughout the contract period, assessment of future costs after considering changes in the scope of work, maintenance and defect liabilities, expected inflation (for unlet sub-trades) and performance bonuses or penalties.

The significant judgements inherent in accounting for the Group's most material construction projects are:

- The extent to which a project progresses in line with the complex project programme and timetable previously formed and the resulting impact of any programme delays or gains on project costs, especially project overheads (preliminary and general costs) and any liquidated or other damages;
- Sub-contractor cost, in particular cost that is yet to be agreed in scope or price (including inflationary pressures) or that relating to programme prolongation;
- Future weather and ground conditions.

Estimates made are inherently more uncertain earlier in the project's life and on larger, more complex projects. A summary of the Group's major construction projects and their approximate stage of completion is shown below.

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Gross construction work in progress plus margin/less provisions for losses	**5,878**	5,877
Progress billings	**(6,504)**	(6,091)
	(626)	(214)
Construction contracts with cost and margin in advance of billings	**38**	62
Construction contracts with billings in advance of cost and margin	**(184)**	(114)
Provision for future net cash outflows on loss-making contracts	**(480)**	(162)
Carrying amount at the end of the year	**(626)**	(214)

The provision for future net cash outflows on loss-making contracts at 30 June 2018 is expected to be realised in cash outflows of $343 million in the year ending 30 June 2019, and $137 million thereafter.

Included in sales is $1,605 million of contract revenue (June 2017: $2,081 million).

13. Construction contracts continued

Status of construction projects (> $200 million original contract value) as at 30 June 2018:

	Business Unit	Percentage of completion (% cost)	Forecast completion
Commercial Bay – Fixed price contract	B+I	45%	2019
NZICC – Guaranteed maximum price and fixed price contract	B+I	37%	2019
Puhoi to Warkworth – Fixed price contract (Public Private Partnership)	Infrastructure	32%	2021
Auckland East Prison – Fixed price contract (Public Private Partnership)	B+I	99%	2018
Hamilton City Edge Expressway – Alliance contract	Infrastructure / Higgins	61%	2020
Peka Peka to Otaki Expressway – Fixed price contract	Infrastructure / Higgins	21%	2020

Revenue Backlog by Business Unit as at 30 June 2018:

	Current Revenue Backlog NZ$M	Top 5 projects as a % of Revenue Backlog
Building + Interiors	**741**	83%
Infrastructure	**596**	75%
Higgins	**376**	37%
South Pacific	**71**	52%
	1,784	N/A

Revenue backlog refers to the level of construction work the Group is contracted to but is not yet complete at year end.

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 and funding income include interest expense, interest income, amortisation of prepaid expenses and gains/losses on certain financial instruments that are recognised in earnings. Interest expense and income is recognised on an accrual basis in profit or loss using the effective interest method.

Fletcher Building Group	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Interest income		
Cash and deposits	**(3)**	(2)
Total interest income at amortised cost	**(3)**	(2)
Interest expense		
Loans and derivatives	**91**	85
Capital notes	**29**	24
Other	**8**	(5)
Total interest expense at amortised cost	**128**	104
Changes in fair value relating to:		
Borrowings designated in a hedging relationship	**(31)**	
Derivatives designated in a hedging relationship	**31**	
Total changes in fair value		
Bank fees, registry and issue expenses	**32**	9
Funding costs	**157**	111

Included in interest expense is the net settlement of the Group's interest derivatives. This consists of $48 million of interest income and $47 million of interest expense (2017: $37 million interest income; $40 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.

Included in bank fees, registry and issue expenses are one-off costs incurred in relation to breach of bank covenants.

Notes to the Financial Statements 2018

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 2018 NZ$M	June 2017 NZ$M
Private placements		139
Other loans	35	59
Capital notes	150	71
Current borrowings	**185**	269
Bank loans	97	389
Private placements	1,181	1,123
Other loans	59	62
Capital notes	416	329
Non-current borrowings	**1,753**	1,903
Carrying value of borrowings (as per balance sheet)	**1,938**	2,172
Less: impact of debt hedging activities (included within derivatives)	(92)	(42)
Borrowings after impact of hedging activities	**1,846**	2,130
Add: fair value adjustment included in borrowings	31	
Borrowings excluding derivative adjustments	**1,877**	2,130
Total available funding	**2,705**	2,666
Unutilised banking facilities	**828**	536

The undrawn facilities have a weighted average maturity of 3.1 years (June 2017: 3.0 years).

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Net Debt		
Cash and cash equivalents	665	219
Current borrowings	(185)	(269)
Non-current borrowings	(1,753)	(1,903)
Net Debt	**(1,273)**	(1,953)

Movement in net debt	Cash and cash equivalents NZ$M	Bank Loans NZ$M	Private placements NZ$M	Other loans NZ$M	Capital notes NZ$M	Total NZ$M
Net debt as at 1 July 2017	219	(389)	(1,262)	(121)	(400)	(1,953)
Cash flows	440	292	147	44	(166)	757
Currency translation	6		(97)	(17)		(108)
Other non-cash movements (including derivatives)			31			31
Net debt as at 30 June 2018	665	(97)	(1,181)	(94)	(566)	(1,273)

Change in covenant terms

As a result of the recognition and additional provisions associated with the B+I business unit, the Group was in breach of certain financial covenants in relation to its borrowings (refer to Note 2) as at 31 December 2017. This breach was an event of default under the agreements governing those borrowings.

The Group obtained temporary waivers for the breach of these covenants and in May 2018 reached agreement with its commercial banking syndicate and USPP noteholders on revised terms of its lending arrangements. The key terms agreed are as follows:

- Previously announced B+I losses will be excluded from covenant calculations;
- Revised financial covenants: senior leverage ratio <3.25x; senior interest cover >3.00x; total interest cover >2.00x;
- Until the earlier of 30 June 2019 or the date on which the senior leverage ratio (including the previously announced B+I losses) is less than 1.75x for three consecutive months:
  - an additional margin will be payable of 1.25%; and,
  - proceeds from disposals of assets above a threshold must be first offered for repayment of senior debt.

After 30 June 2019 or when the senior leverage ratio (including the previously announced B+I losses) is less than 1.75x for three consecutive months: pricing for one of the three Syndicated Facility Agreement ('SFA') tranches reverts to pricing applicable as at December 2017 and pricing for the other SFA tranches reduces to market pricing (rather than the previous pricing level, which was below market pricing); and pricing for all USPP notes reverts to pricing applicable as at December 2017.

At 30 June 2018 there has been no prepayment of any USPP notes, all existing facilities have been maintained and there is no change to the maturity of these facilities. There is also no change to the underlying margin payable on USPP notes, other than the 1.25% additional margin which will cease to be payable no later than 30 June 2019.

Bank loans

At 30 June 2018 the Group had a $925 million syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis, with ANZ Bank New Zealand Limited, MUFG Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited, Bank of China (New Zealand) Limited, China Construction Bank (New Zealand) Limited and Westpac New Zealand Limited. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars. At 30 June 2018, the Group was in compliance with the applicable 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$99 million, US$583 million, C$15 million, EUR41 million, GBP10 million and YEN10,000 million with maturities between 2019 and 2028. At 30 June 2018, the Group was in compliance with the applicable covenants.

Other loans

At 30 June 2018 the Group had $44 million (June 2017: $1 million) of loans that are secured against specific subsidiaries' own balance sheets or against specific assets and had unsecured loans at 30 June 2018 of $50 million (June 2017: $120 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

At 30 June 2018 the Group had issued $416 million capital notes to retail investors (June 2017: $400 million) and $150 million capital notes to institutional investors. 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.

Listed capital notes

Listed capital notes are long-term fixed rate unsecured subordinated debt instruments that are traded on the NZDX. 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 of Fletcher Building Limited, at approximately 98 per cent of the current market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any interest.

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

The weighted average interest rate on the listed capital notes is 5.43% (30 June 2017: 5.82%).

If the principal amount of the listed capital notes held at 30 June 2018 were to be converted to shares, 60 million (June 2017: 50 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2018, of $6.95 (June 2017: $7.99).

As at 30 June 2018, the Group held $84 million (30 June 2017: $100 million) of its own capital notes.

Unlisted capital notes

On the 6 December 2017 Fletcher Building issued a total of $150 million of unlisted capital notes which are not listed on the NZDX. Fletcher Building can redeem the unlisted capital notes for cash at par after 18 – 30 months depending on the tranche and otherwise in certain defined circumstances. If the notes are not repaid by Fletcher Building, the holder has the right to request conversion of the capital notes into ordinary shares of Fletcher Building Limited at 95 per cent of volume weighted average share price calculated over a period before the time of conversion. If the unlisted capital notes are not redeemed or converted after 18 – 30 months, these rights of redemption and conversion arise on each subsequent quarterly interest payment date.

If the principal amount of the unlisted capital notes held at 30 June 2018 were to be converted to shares, 23 million Fletcher Building Limited shares would be issued.

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 Group 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 2018 the Group had debt subject to the negative pledge of $1,253 million (June 2017: $1,650 million).

16. Financial instruments

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Reconciliation of derivatives to the balance sheet:		
Derivatives classified as current assets in the balance sheet	**6**	8
Derivatives classified as non-current assets in the balance sheet	**86**	91
Derivatives classified as current liabilities in the balance sheet	**(7)**	(7)
Derivatives classified as non-current liabilities in the balance sheet	**(19)**	(48)
Net derivatives	**66**	44

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. The Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes.

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 by the board. The policy documents identify the risks and set out the Group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the Group's businesses. Risk management is carried out in conjunction with the Group's central treasury function, which ensures compliance with the risk management policies and procedures.

Derivative financial instruments and hedge accounting

All the Group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed trading and funding transactions. Derivatives are initially recorded at fair value and are then revalued to fair value at balance date with the resulting gain or loss on re-measurement recognised in the income statement unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition in the income statement depends on the nature of the designated hedge relationship. 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 is documented from inception of the hedge. 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.

The Group may designate derivatives as:

- Fair value hedges (where the derivative is used to manage the variability in the fair value of recognised assets and liabilities);
- Cash flow hedges (where the derivative is used to manage the variability in cash flows relating to recognised liabilities or forecast transactions); or
- Net investment hedges (where borrowings or derivatives are used to manage the risk of fluctuation in the translated value of its foreign operations).

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.

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 on the derivative (hedging instrument) is recognised directly in earnings, together with any changes in the fair value of the hedged risk (hedged item).

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 (FCTR) within equity. An amount of $0.4 million has been recognised through FCTR as at 30 June 2018 (June 2017: Nil).

Cost of hedging

The forward elements of foreign exchange forwards and swaps are excluded from designation as the hedging instrument and the foreign currency basis component of cross-currency interest rate swaps are separately accounted for and recognised in other comprehensive income as cost of hedging.

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.

Risks and mitigation

(a) Foreign currency risk

(i) 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 from the reporting date. Cash flow hedge accounting is applied to forecast transactions. The Group designates the spot element of foreign exchange forwards and swaps to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of foreign exchange forwards and swaps are excluded from designation as the hedging instrument and are separately accounted for as a cost of hedging. The Group's policy is for the critical terms of the foreign exchange forwards and swaps to align with the hedged item. 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 2018 was $379 million (June 2017: $434 million).

(ii) 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 including hedging is summarised as follows:

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Australian dollar	**668**	729
Euro	**89**	68
British pound	**42**	36
United States dollar	**238**	221
Indian rupee	**6**	11
Canadian dollar	**21**	16
Fijian dollar	**14**	13
Currency translation risk – Foreign currency borrowings	**1,078**	1,094
New Zealand dollar	**799**	1,036
	1,877	2,130

Borrowings denominated in foreign currency

The Group's policy is to maintain its net exposure to a foreign currency within predefined limits.

To manage the net exposure to foreign currency borrowings, the Group enters into cross currency interest rate swaps (CCIRS). CCIRS are used to manage the combined foreign exchange risk and interest rate risk as they swap fixed rate foreign currency borrowings and interest payments into equivalent New Zealand dollar-denominated or Australian dollar-denominated amounts of principal with floating interest rates.

The Group applies hedge accounting to foreign currency denominated borrowings that are managed by CCIRS. The hedge ratio applied is 1:1. The hedge relationship may be designated into separate cash flow hedges and fair value hedges to manage the different components of foreign currency and interest rate risk:

- fair value hedge relationship where CCIRS are used to manage the interest rate and foreign currency risk in relation to foreign currency denominated borrowings with fixed interest rates.

16. Financial instruments continued

- cash flow hedge relationship where CCIRS are used to manage the variability in cash flows arising from interest rate movements on floating interest rate payments and foreign exchange movements on payments of principal and interest.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, reference interest rates, tenors, repricing dates and maturities and the notional amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in the fair value of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- changes in counterparty credit risk and cross currency basis spreads which are not reflected in the change in the fair value of the hedged item; and
- differences in repricing dates between the cross currency interest rate swaps and the borrowings.

The effect of the Group's hedge accounting policies in managing both its foreign exchange risk and interest rate risk related to borrowings denominated in foreign currency is presented in the table below.

Hedge type	Nominal amount of the hedging instrument NZ$M	Carrying amount NZ$M	Change in value used for calculating hedge ineffectiveness NZ$M	Hedging (gain) or loss recognised in other comprehensive income NZ$M	Fair value hedge (income statement) (gain)/loss NZ$M
Cash flow hedging and fair value hedging					
Cross-currency interest rate swaps					
USD denominated borrowings	371	(18)	11	1	(22)
Maturity: 97-121 months					
Weighted average interest rate: floating					
Weighted average NZD/USD exchange rate: 0.7055					
USD denominated borrowings	296	76	3	10	69
Maturity: 42-66 months					
Weighted average interest rate: floating					
Weighted average AUD/USD exchange rate: 1.0082					
JPY denominated borrowings	134	6	8	(9)	16
Maturity: 104 months					
Weighted average interest rate: floating					
Weighted average AUD/JPY exchange rate: 82.1950					
		64	22	2	63

There was no hedge ineffectiveness recognised in profit or loss during the year.

(b) 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 80% and at 30 June 2018 the Group was within the range at 56% fixed (June 2017: 44% 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. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in the fair value of the hedged item using the hypothetical derivative method.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swaps which is not reflected in the change in the fair value of the hedged item; and
- differences in repricing dates between the interest rate swaps and the borrowings.

Hedge type	Nominal amount of the hedging instrument NZ$M	Carrying amount – derivative assets/ (liabilities) NZ$M	Change in value used for calculating hedge ineffectiveness NZ$M	Hedging (gain) or loss recognised in other comprehensive income NZ$M	Hedging (gain) or loss recognised in income statement NZ$M
Cash flow hedging					
Interest rate swaps – NZD borrowings					
Maturity: 17-45 months					
Weighted average interest rate: 5.98%	150	(1)	(1)	1	
Interest rate swaps – AUD borrowings					
Maturity: 10-12 months					
Weighted average interest rate: 4.13%	141	(2)	3	2	
Fair value hedging					
Interest rate swaps – USD borrowings					
Maturity: 15 months					
Weighted average interest rate: Floating	118	4	(5)		5
		1	(3)	3	5

There was no hedge ineffectiveness recognised in profit or loss during the year.

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 (based on year end borrowings) excluding fees is 6.23% (June 2017: 4.76%).

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Floating	**831**	1,192
Fixed up to 1 year	**242**	100
Fixed 1-2 years	**278**	237
Fixed 2-5 years	**376**	462
Fixed over 5 years	**150**	139
Total financial liabilities	**1,877**	2,130
Floating financial assets	**(665)**	(219)

(c) 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. There is a hedge ratio of 1:1 for commodity hedges. Cash flow hedge accounting is applied to commodity derivative contracts. Ineffectiveness is only expected to arise where the index of the hedging instrument differs to that of the underlying hedged item. The average hedge price for 2018 was NZ$/MWh 75 (June 2017: NZ$/MWh 77).

(d) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. 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 balances and 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.

In assessing credit losses for trade receivables, the Group applies the simplified approach and records lifetime expected credit losses ("ECLs") on trade receivables. Lifetime ECLs result from all possible default events over the expected life of a trade receivable. The Group considers the probability of default upon initial recognition of the trade receivable, based on reasonable and available information on the customers.

16. Financial instruments continued

In assessing ECLs on trade receivables the group considers both quantitative and qualitative inputs. Quantitative data includes past collection rates, industry statistics, ageing of receivables, and trading outlook. Qualitative inputs include past trading history with the Group.

(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.

(e) 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 2018	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	97			97	
Capital notes	566	150	200	216	
Private placements	1,212		195	193	824
Other loans	94	35	15	2	42
Non-derivative financial liabilities – principal cash flows	1,969	185	410	508	866
Gross settled derivatives – to pay	710			62	648
Gross settled derivatives – to receive	(802)			(85)	(717)
Debt derivatives financial instruments – principal cash flows	(92)			(23)	(69)
Total principal cash flows	1,877	185	410	485	797
Contractual interest cash flows	558	113	91	191	163
Total contractual cash flows	2,435	298	501	676	960

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

(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 $219 million (June 2017: $190 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 $8.3 million on the Group's debt portfolio exposed to floating rates at balance date (June 2017: $11.9 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

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

		June 2018		June 2017	
Fletcher Building Group	Classification	**Carrying Value NZ$M**	**Fair Value NZ$M**	Carrying Value NZ$M	Fair Value NZ$M
Financial assets					
Cash and liquid deposits	Amortised cost	**665**	**665**	219	219
Debtors	Amortised cost	**1,453**	**1,453**	1,536	1,536
Forward exchange contracts – fair value through profit or loss	Fair value	**3**	**3**	5	5
Forward exchange contracts – cash flow hedge	Fair value – hedging instruments	**3**	**3**	2	2
Cross currency interest rate swaps – cash flow hedge	Fair value – hedging instruments	**1**	**1**	3	3
Cross currency interest rate swaps – fair value hedge	Fair value – hedging instruments	**81**	**81**	79	79
Interest rate swaps – fair value hedge	Fair value – hedging instruments	**4**	**4**	9	9
Electricity price swaps – cash flow hedge	Fair value – hedging instruments			1	1
Total financial assets		**2,210**	**2,210**	1,854	1,854
Financial liabilities					
Creditors and accruals	Amortised cost	**1,114**	**1,114**	1,259	1,259
Bank loans	Amortised cost	**97**	**97**	389	389
Private placements	Amortised cost	**1,181**	**1,238**	1,262	1,322
Other loans	Amortised cost	**94**	**94**	121	121
Capital notes	Amortised cost	**566**	**584**	400	411
Forward exchange contracts – fair value through profit or loss	Fair value	**4**	**4**	5	5
Forward exchange contracts – cash flow hedge	Fair value – hedging instruments			2	2
Cross currency interest rate swaps – cash flow hedge	Fair value – hedging instruments			4	4
Cross currency interest rate swaps – fair value hedge	Fair value – hedging instruments	**18**	**18**	38	38
Interest rate swaps – cash flow hedge	Fair value – hedging instruments	**4**	**4**	6	6
Total financial liabilities		**3,078**	**3,153**	3,486	3,557
Total financial instruments		**(868)**	**(943)**	(1,632)	(1,703)

16. Financial instruments continued

Fair value measurement

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 1.70% and 7.00% (June 2017: 1.69% and 9.98%) including margins, for both accounting and disclosure purposes.

(i) Capital risk management

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

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

The Group monitors capital on the basis of a through-the-cycle net debt to net debt plus equity ratio (gearing) and net debt to EBITDA ratio (leverage). The target gearing ratio range is 30 – 40%. The target leverage ratio range is 1.5 to 2.5 times. It is intended that the Group will not be materially outside the target gearing and leverage ratio 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 2018 NZ$M	June 2017 NZ$M
Committed at year end	**68**	79
Approved by the directors but uncommitted at year end	**47**	64
	115	143

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 Income Statement 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 2018 NZ$M	June 2017 NZ$M
Within one year	**200**	188
Within two years	**175**	139
Within three years	**149**	114
Within four years	**119**	99
Within five years	**98**	78
After five years	**316**	265
	1,057	883

Operating lease commitments relate mainly to occupancy leases of buildings.

During the year the Group commenced a project to identify the impact of the adoption of NZ IFRS 16 Leases. As part of this process the Group identified a number of leases not previously recognised as part of the future commitment disclosures. The comparative balances have been restated to ensure consistency between years and has had no impact on the presentation of the primary financial statements.

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 2018 NZ$M	June 2017 NZ$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	**402**	389
Letters of credit	**14**	9

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

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

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.

Finance leases

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. Refer to note 22 for details of intangible assets. Expected useful lives, which are regularly reviewed, typically range between:

Buildings	30-50 years
Plant and machinery	5-15 years
Fixtures and equipment	2-10 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 2017	**274**	**483**	**2,640**	**492**	**97**	**43**	**4,029**
Additions	**1**	**21**	**183**	**50**	**15**		**270**
Transfer of assets to inventory	**(21)**	**(10)**					**(31)**
Disposals	**(8)**	**(10)**	**(93)**	**(98)**	**(5)**		**(214)**
Currency translation	**10**	**20**	**77**	**8**			**115**
Gross value at 30 June 2018	**256**	**504**	**2,807**	**452**	**107**	**43**	**4,169**
Accumulated depreciation at 1 July 2017		**(162)**	**(1,328)**	**(319)**	**(13)**	**(1)**	**(1,823)**
Disposals		**5**	**77**	**85**	**5**		**172**
Transfer of assets to inventory		**3**					**3**
Impairments in the income statement (note 4)	**(1)**	**(8)**	**(19)**	**(1)**	**(12)**		**(41)**
Depreciation expense		**(16)**	**(130)**	**(30)**	**(10)**	**(2)**	**(188)**
Currency translation		**(6)**	**(39)**	**(6)**			**(51)**
Accumulated depreciation at 30 June 2018	**(1)**	**(184)**	**(1,439)**	**(271)**	**(30)**	**(3)**	**(1,928)**
Net book value at 30 June 2018	**255**	**320**	**1,368**	**181**	**77**	**40**	**2,241**
Gross value at 1 July 2016	272	469	2,419	470	67	1	3,698
Additions		24	190	49	22	42	327
Acquisitions	4	4	91	3	13		115
Disposals	(3)	(11)	(52)	(31)	(5)		(102)
Currency translation	1	(3)	(8)	1			(9)
Gross value at 30 June 2017	274	483	2,640	492	97	43	4,029
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	274	321	1,312	173	84	42	2,206

As at 30 June 2018 property, plant and equipment includes $167 million of assets under construction that are not depreciated until they are commissioned and brought into use (June 2017: $226 million).

21. Goodwill

Goodwill arises when the Group acquires another business and reflects 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 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 2018. 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 five year strategic plan approved by the directors. 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%-3% (2017: 2.5%-3%), with the majority of the business units using 2.5% (2017: 2.5%).

The cash flows are discounted using a nominal rate after tax of 9.0% (2017: 9.5%) for New Zealand, 8.5% (2017: 8.5%) for Australia, 7.0% (2017: 7.0%) for Europe, 8.0% (2017: 8.0%) for North America and 9.0% (2017: 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.

Impairment charge recognised

Rocla Products

The Rocla Products business unit has underperformed during the year. The business faces an uncertain outlook in terms of returning to targeted levels of profitability. Management's previous expectations of improvement in earnings justified the prior carrying values. Management has revised its expectations as to the business unit's 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 the business unit, based on a 8.5% nominal, after tax discount rate. An impairment of assets of $40 million has been recorded, including $11 million of goodwill, resulting in no goodwill or brands balances remaining. Management has identified a number of strategies and initiatives to achieve an appropriate improvement in EBIT. If this improvement does not eventuate, there may be a need for further impairment.

Roof Tile Group

The Group announced during the year that a divestment process was underway for the Roof Tile Group. The Group considers it appropriate to record a $15 million impairment of goodwill, a $4 million impairment of brands, and a $33 million impairment of other specific asset balances to bring the carrying values of the regional businesses of the Roof Tile Group in line with expected divestment values.

Sensitivity to reasonably possible changes in assumptions

The impairment assessment confirmed that, for all other business units, the recoverable amounts exceed carrying values as at 30 June 2018. With the exception of Formica Europe , management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.

For Formica Europe, which has goodwill of $91 million, and brands of $15 million, a 28% reduction in the expected level of terminal EBIT or a 1.5% increase in the post-tax discount rate would result in the elimination of the $146 million excess of recoverable amount over carrying amount.

	June 2018 NZ$M	June 2017 NZ$M
Goodwill acquired at cost	**1,527**	1,526
Accumulated currency translation	**9**	(32)
Accumulated impairment	**(451)**	(425)
Goodwill at the end of the year	**1,085**	1,069
Goodwill at the beginning of the year	**1,069**	1,083
Acquired during the year	**1**	159
Impairments in the income statement (Note 4)	**(26)**	(171)
Currency translation	**41**	(2)
	1,085	1,069

Goodwill by significant cash generating units (CGUs)

The goodwill allocated to significant CGUs accounts for 82% (2017: 81%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 22 (2017: 23) in total, are each less than 5% of total carrying value.

	June 2018 NZ$M	June 2017 NZ$M
Formica Asia	**270**	250
Higgins	**144**	144
Laminex Australia	**154**	154
Iplex New Zealand	**105**	105
Formica Europe	**91**	83
Stramit	**67**	65
Tradelink	**62**	60
Other	**192**	208
	1,085	1,069

22. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangibles 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 cash-generating unit 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 2018 NZ$M	June 2017 NZ$M
Brands	**451**	461
Other intangible assets	**150**	156
	601	617

22. Intangible assets continued

Brands

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

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

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.

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Brands at the beginning of the year	**461**	478
Acquired during the year		21
Impairments in the income statement (Note 4)	**(30)**	(36)
Currency translation	**20**	(2)
	451	461

Brands have been tested for impairment in June 2018. Each CGU which carries a brand value, and 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 intangibles for which impairments are disclosed in this note and note 21), the recoverable amounts exceed carrying values as at 30 June 2018.

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 71% (2017: 66%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 9% of total carrying value (2017: 9%).

Brands	June 2018 NZ$M	June 2017 NZ$M
Formica Corporation	**145**	134
Laminex Australia	**124**	120
Tradelink	**52**	51
Other	**130**	156
	451	461
Other intangible assets		
Other intangible assets at cost	**298**	264
Currency translation	**(2)**	(8)
Accumulated amortisation	**(146)**	(100)
Other intangible assets at the end of the year	**150**	156
Other intangible assets at the beginning of the year	**156**	154
Additions	**34**	34
Impairments in the income statement (Note 4)	**(20)**	(15)
Amortisation expense	**(26)**	(17)
Currency translation	**6**	
	150	156

As at 30 June 2018 other intangible assets includes $23 million of assets being developed (June 2017: $22 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 equity. Acquired shares are classified as treasury stock and presented as a deduction from share capital under the treasury stock method, as if the shares are cancelled, until they are reissued or otherwise disposed of.

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Reported capital at the beginning of the year including treasury stock	2,711	2,680
Issue of shares	736	31
Reported capital at the end of the year including treasury stock	3,447	2,711
Treasury stock	(22)	(33)
	3,425	2,678

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 2018	June 2017
Number of ordinary shares:		
Number of shares on issue at the beginning of the year	695,921,174	692,501,249
Shares issued under the accelerated entitlement offer during the year	156,306,701	
Shares issued under the dividend reinvestment plan	1,119,266	3,419,925
Total number of shares on issue	853,347,141	695,921,174
Less shares accounted for as treasury stock	(2,820,341)	(4,129,695)
	850,526,800	691,791,479

The Group completed an entitlement offer to shareholders of new shares in May 2018 resulting in the issue of approximately 156 million ordinary shares. The offer raised $750 million of additional equity which was offset by $23 million of transaction fees.

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 2018 NZ$M	June 2017 NZ$M
Share capital	13	13
Reserves	11	11
	24	24

Notes to the Financial Statements 2018

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 2018 NZ$M	June 2017 NZ$M
Carrying amount of associates/joint ventures:		
Carrying amount at the beginning of the year	**146**	135
New investment in associates/joint ventures		2
Share of profits of associates/joint ventures	**26**	20
Sale of investment in associates/joint ventures	**(7)**	(1)
Currency translation	**2**	1
Distributions from associates/joint ventures	**(18)**	(11)
Investment in associates and joint ventures	**149**	146
Investment by associate/joint venture:		
Wespine Industries Pty Limited	**48**	45
Hexion Australia Pty Ltd	**20**	19
Altus NZ Limited	**62**	56
Other	**19**	26
	149	146
Associate and joint venture information:		
Balance sheet information for associates and joint ventures – 100%		
Assets	**253**	314
Liabilities	**(82)**	(126)
Equity	**171**	188
Equity – Fletcher Building share	**86**	86
Goodwill acquired at cost	**59**	56
Loans to associates and joint ventures	**4**	4
Investment in associates and joint ventures	**149**	146
Equity accounted earnings comprise:		
Sales – 100%	**509**	429
Earnings before taxation – 100%	**82**	37
Earnings before taxation – Fletcher Building share	**33**	22
Taxation expense	**(7)**	(2)
Earnings after taxation – Fletcher Building share	**26**	20

26. Related party disclosures

The disclosures below sets 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 – 2018				
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		**78**		**14**
Dongwha Pattina NZ Limited		**6**		
Fletcher Construction Alliances	**34**		**2**	
Fletcher Building Group – 2017				
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		36		12
Dongwha Pattina NZ Limited		15		1
Fletcher Construction Alliances	72		2	

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Key management personnel compensation		
Directors' fees	2	2
Executive committee remuneration paid, payable or provided for:		
Short-term employee benefits	15	13
Share-based payments		3
Termination benefits	3	

Fletcher Building Retirement Plan

As at 30 June 2018, Fletcher Building Nominees Limited (the New Zealand retirement plan) held $2.8 million of shares and $7.5 million of capital notes in Fletcher Building (June 2017: $2,600,000 of shares; $15,000,000 of capital notes).

Other information

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

27. Income statement disclosures

Fletcher Building Group	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
The following items are specific disclosures required to be made and are included within the income statement:		
Net periodic pension cost	**5**	10
Employee related short-term costs[1]	**1,791**	1,727
Other long-term employee related benefits	**71**	66
Research and development expenditure	**2**	3
Amortisation of intangibles	**26**	17
Bad debts written off	**8**	4
Donations and sponsorships	**2**	2
Maintenance and repairs	**160**	149
Operating lease expense	**187**	183

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

Auditor's fees

	NZ$000's	NZ$000's
Auditor's fees and expenses payable for:		
Audit and review of the financial statements – EY	**4,883**	3,689
Other Services – EY		
Tax advisory and compliance	**600**	518
Assurance services associated with capital raise	**175**	
Other	**51**	54
Total other services – EY	**826**	572

28. Taxation

Taxation expense

Income tax expense comprises current and deferred tax.

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

Deferred tax is recognised on tax losses, tax credits and on the temporary difference between the carrying amount of assets and liabilities and their taxable value where recovery is considered probable. Deferred tax is not recognised on the following temporary differences:

- The initial recognition of goodwill
- The initial recognition of asset and liabilities 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

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 as there is a possibility of future changes in the interpretation and/or application of tax legislation. This 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 2018 NZ$M	Year ended June 2017 NZ$M
Earnings/(loss) before taxation	**(275)**	162
Taxation at 28 cents per dollar	**(77)**	45
Adjusted for:		
Difference in tax rates	**3**	(4)
Non-assessable income	**(27)**	(20)
Non-deductible expenses	**22**	50
Tax losses for which no deferred tax asset was recognised	**5**	5
Utilisation of previous unrecognised tax losses	**(4)**	
Tax in respect of prior years	**2**	(1)
Effects of changes in US tax legislation	**(5)**	
Other permanent differences	**(15)**	(18)
	(96)	57
Tax on earnings before significant items	**(58)**	82
Tax benefit on significant items	**(38)**	(25)
	(96)	57
Total current taxation (benefit)/expense	**(87)**	56
Total deferred taxation (benefit)/expense	**(9)**	1
	(96)	57
Current tax assets/(liabilities)		
Included within the balance sheet as follows:		
Current tax assets	**72**	15
Current tax liabilities	**(26)**	(30)
	46	(15)
Opening provision for current tax assets/(liabilities)	**(15)**	(24)
Currency translation		
Taxation expense	**87**	(56)
Transfer to deferred taxation	**(120)**	(42)
Non-controlling interest share of taxation expense	**4**	4
Tax recognised directly in reserves	**5**	4
Net tax payments	**85**	99
	46	(15)

28. Taxation continued

Fletcher Building Group	Year ended June 2018 NZ$M	Year ended June 2017 NZ$M
Provision for deferred tax assets/(liabilities)		
Included within the balance sheet as follows:		
Deferred tax assets	**161**	52
Deferred tax liabilities	**(37)**	(47)
	124	5
Opening provision for deferred tax assets/(liabilities)	**5**	(34)
Taxation (expense)/benefit	**9**	(1)
Deferred tax on acquisitions		(7)
Transfer from current tax	**120**	42
Tax recognised directly in reserves	**(10)**	5
	124	5
Composed of:		
Provisions	**232**	154
Inventories	**21**	18
Debtors	**5**	4
Property, plant and equipment	**(74)**	(74)
Brands	**(120)**	(138)
Tax losses	**62**	40
Pensions	**(2)**	(1)
Other		2
	124	5

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 $136 million representing $485 million of gross tax losses (June 2017: $124 million, $445 million gross 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 Formica US Pension Plan was terminated during the year, leading to the de-recognition of approximately US$80 million of pension plan assets and defined benefit obligations from the Group's balance sheet. The termination led to a charge of NZ$3 million to the Group income statement, as outlined in Note 4.

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:

	2018 %	2017 %
Assumed discount rate on benefit obligations	**2.53**	2.79
Annual rate of increase in future compensation levels	**2.69**	2.43

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 less than $1 million (2017: less than $1 million) in respect of its Australian defined benefit plans and $10 million (2017: $29 million) in respect of its Formica defined benefit and medical plans. It contributed $71 million (2017: $66 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 2018, the value of the plan assets was 155% of the actuarial liability and the funded surplus was $101 million (31 March 2017: 146%, $88 million).

The Group expects to contribute at least $16 million to its overseas defined benefit plans during the year to 30 June 2019.

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Net periodic pension cost		
Service cost	**7**	8
Net interest cost	**(2)**	2
Net periodic pension cost – recognised in earnings before interest and taxation	**5**	10
Recognised net asset/(liability)		
Assets of plans	**756**	827
Projected benefit obligation	**(694)**	(793)
Funded surplus/(obligation)	**62**	34
Asset ceiling effect	**(12)**	(1)
Recognised net asset/(liability)	**50**	33
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	**66**	54
Australian plans	**22**	17
Retirement plan assets – recognised within non-current assets	**88**	71
Other overseas plans	**(38)**	(38)
Retirement plan liabilities – recognised within non-current liabilities	**(38)**	(38)
Recognised net asset/(liability)	**50**	33

Notes to the Financial Statements 2018

29. Retirement plans continued

Fletcher Building Group	June 2018 NZ$M	June 2017 NZ$M
Movement in recognised net liability		
Recognised net liability at the beginning of the year	**33**	(32)
Currency translation	**2**	2
Actuarial movements for the year	**10**	44
Net periodic pension cost	**(5)**	(10)
Employer contributions	**10**	29
Recognised net liability	**50**	33
Assets of the plans		
Assets of plans at the beginning of the year	**827**	783
Actual return on assets	**45**	87
Total contributions	**13**	32
Settlement of USA plan	**(117)**	
Benefit payments	**(48)**	(59)
Currency translation	**36**	(16)
	756	827
Assets of the plans consist of:		
Australasian equities	**59**	65
International equities	**310**	311
Property	**24**	35
Bonds	**262**	314
Cash and short-term deposits	**63**	55
Other assets	**38**	47
	756	827
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(793)**	(812)
Service cost	**(5)**	(10)
Interest cost	**(19)**	(22)
Member contributions	**(2)**	(3)
Actuarial loss arising on changes in demographic assumptions	**4**	10
Actuarial loss arising on changes in financial assumptions		(26)
Actuarial gain arising on other assumptions – experience adjustments	**(5)**	(6)
Benefit payments	**48**	59
Settlement of USA plan	**117**	
Currency translation	**(39)**	17
	(694)	(793)

30. Share-based payments

Executive 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 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 loan. The shares are held in trust for the scheme participants by the Trustee, Fletcher Building Share Schemes Limited.

For shares granted in and prior to 2016 vesting of half of any entitlement under the executive long-term share scheme is dependent upon the Group achieving a total shareholder return (TSR) that is equal to the TSR of the comparator group of companies at the point that the cumulative market capitalisation of that comparator group exceeds 50% of the total market capitalisation of the comparator group TSR index over a three year restricted period. Vesting of the other half of any entitlement is dependent upon the Group achieving an earnings per share target. However, for shares granted in 2017 all of the entitlement under the scheme is dependent upon the Group's TSR exceeding the 51st percentile of the TSR of the comparator group over a three year restricted period. Additionally, in respect of the entitlement which is dependent on the Group's TSR, the three year restrictive period is automatically extended for an additional year if the minimum vesting threshold is not met. Scheme participants can elect to extend the restrictive period for an additional year if the Group's TSR means that the vesting level is between the 51st and 75th percentile of the comparator group. 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 executives to the extent that performance hurdles 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 which 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 hurdles 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 which 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 hurdles based on TSR are not met and the shares do 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 the scheme participants, representing the shares held in the Company, is deducted from the Group’s paid up capital. The shares are deducted from equity until the end of the restrictive period, at which point they transfer to scheme participants or beneficial ownership of the shares transfers to the trustee.

30. Share-based payments continued

The following are details with regard to the scheme:

	2017 Award	2016 Award	2015 Award	2014 Award
Grant date	1 November 2017	1 October 2016	1 October 2015	1 October 2014
Number of shares granted	890,075[1]	905,211	3,208,083	815,164
Market price per share at grant date	$7.85	$10.61	$6.89	$8.79
Total value at grant date	$6,985,959	$9,604,289	$22,103,692	$7,165,291
Vesting date	30 June 2020	30 September 2019	30 September 2018	30 September 2017
Number of shares:				
Number of shares originally granted	890,075	905,211	3,208,083	815,164
Less forfeited over life of scheme	(85,739)	(415,950)	(1,799,372)	(658,245)
Less vested over life of scheme		(906)	(20,501)	(17,479)
Number of shares held at 30 June 2018	**804,336**	**488,355**	**1,388,210**	**139,440**

1 Includes 182,561 shares granted at $7.43 to Ross Taylor as Chief Executive Officer. The benchmark share price for all participants is $7.43.

	June 2018 NZ$M	June 2017 NZ$M
Total fair value expense in year for executive performance share scheme	**8**	12
Amount recognised at year end for related bonus payable	**14**	20

Fair value has been determined using Monte Carlo valuation methodology.

Share options

The Company had previously issued 1,000,000 options in two separate tranches in 2012 and 2015 for the benefit of Mark Adamson. All 1,000,000 options were forfeited when his employment as Chief Executive Officer and Managing Director ceased on 20 July 2017, as disclosed in the 2017 annual report.

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.

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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 53 to 100, which comprise the consolidated balance sheet of the Group as at 30 June 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of movements in equity and consolidated statement of cash flows for the year then ended of the Group, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 53 to 100 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018 and its consolidated 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.

Ernst & Young has provided transaction advisory, tax advisory, tax compliance and other assurance services to the Group. 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. We have no other relationship with, or interest in, 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements.

Independent Auditor's Report

Key audit matter	How we addressed the key audit matter
RECOGNITION OF CONSTRUCTION CONTRACT REVENUE	
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, 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 of the financial statements.	In obtaining sufficient appropriate audit evidence: • We evaluated the Group's process regarding accounting for contract revenues. We tested controls such as: – the preparation, review and authorisation of monthly project reports, which involves management assessing key contract KPIs; and – the project reviews undertaken by the Group's Project Management Office and management governance committee; • We used a risk assessment tool to select a sample of contracts for testing based on a number of quantitative and qualitative factors. These factors included contracts with significant deterioration of margin and/or completion dates, significant variations and claims, and factors which indicate a greater level of judgement was required by the Group when assessing the revenue recognition based on estimates developed for current and forecast contract performance. For the contracts selected, where relevant: – we read the contract terms and conditions to evaluate whether the individual characteristics of each contract were reflected in the estimate; – we undertook sites visits (to both contract sites and commercial offices) to understand the nature of risk elements of the contracts; – we tested a sample of costs incurred to date through agreement to supporting documentation; – we tested the estimated costs to complete by checking key forecast cost assumptions to underlying evidence such as subcontractor quotes, tender information, historical invoicing and employment records and agreements with subcontractors; – we considered the Group's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes; – we tested variations and claims, both within contract revenue and contract costs, to supporting documentation and by reference to underlying contracts; and – for the most significant contracts by size and complexity we used our construction and real estate specialists to evaluate the overall appropriateness of forecast project outturn. Our construction and real estate specialists have significant international experience and credentials to advise on such projects. • we evaluated the Group's legal and external experts' reports received on contentious matters to identify conditions that may indicate the inappropriate recognition of variations, claims or liquidated or other damages. We checked the consistency of this to the inclusion or not of amounts in the estimates used for revenue recognition; • we evaluated contract performance in the period since year end to audit opinion date to confirm the Group's year end judgements in respect of revenue recognition and forecast costs to complete; and • evaluated the associated disclosures in the financial statements.

Key audit matter	How we addressed the key audit matter
GOODWILL AND OTHER INTANGIBLE ASSETS IMPAIRMENT ASSESSMENTS	
The Group holds goodwill and other intangible assets which are carried at $1.7 billion at 30 June 2018. 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 reasonably possible changes in key assumptions which would reduce the recoverable amount and/or create additional impairments at certain cash generating units ('CGUs').	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 forecasts to a combination of the board approved FY19 budget and the FY19- FY23 strategic plan; • assessed key inputs to the DCF models including forecast EBIT, 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; • performed sensitivity analysis on higher risk CGUs in two main areas being the discount rate and forecast earnings; and • evaluated the associated disclosures in the financial statements, particularly focusing on the disclosure of the CGUs which are sensitive to reasonably possible changes in assumptions.
TREASURY – DERIVATIVE VALUATION AND HEDGE ACCOUNTING	
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. Note 16 of the financial statements discloses the fair value of the Group's derivative assets and liabilities outstanding at balance date.	In performing our audit procedures we: • understood the Group's processes and identified its controls for recording, managing and reporting 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; • assessed fair value movements on derivatives during the year to identify whether these movements were appropriately recognised in the Income Statement or the Statement of Comprehensive Income in accordance with NZ IFRS 9 *Financial Instruments*; • performed hedge effectiveness testing across a sample of the hedged portfolio; and • evaluated the associated disclosures in the financial statements.

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 consolidated financial statements and auditor's report.

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

In connection with our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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/audit-report-1/. 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

Chartered Accountants
Auckland

22 August 2018

Remuneration Report

Fletcher Building seeks to ensure that it remunerates directors and management fairly and responsibly.

Directors' remuneration

The current total directors' remuneration pool approved by shareholders in 2011 is $2,000,000 per annum. Directors receive remuneration determined by the board on the recommendation of the Nominations Committee. Remuneration must be within the aggregate amount per annum approved by shareholders. There are no schemes for retirement benefits for non-executive directors. Information of directors' holding of securities is set out on page 118.

On 24 October 2017, the directors considered the appropriateness of current fee levels in light of the Company's performance and resolved to reduce all directors fees by 20% for the next 12 months effective from the date of the 2017 annual shareholders' meeting. Directors' fees for the FY19 financial year were reviewed and approved by the board in June 2018. The new remuneration scale applies from the end of the 12-month period continuing the 20% fee reduction. The remuneration scale for directors is outlined below:

		Remuneration for the period		
	Position	1 July 2017 to 24 October 2017	25 October 2017 to 24 October 2018	25 October 2018 to 30 June 2019
Board of Directors	Chairman[1]	$440,000	$352,000	$360,000
	Non-Executive Director	$166,000	$132,800	$140,000
Audit and Risk Committee	Chairman	$46,000	$36,800	$37,000
	Member	$23,000	$18,400	$19,000
Remuneration Committee	Chairman	$35,000	$28,000	$28,000
	Member	$17,500	$14,000	$14,000
Nominations Committee	Chairman	–	–	–
	Member	$10,000	$8,000	$8,000
Safety, Health, Environment and Sustainability Committee	Chairman	$35,000	$28,000	$28,000
	Member	$17,500	$14,000	$14,000
Non-vouchable expense reimbursement allowance		$5,000	$5,000	$5,000
Overseas based directors travelling allowance		$18,000	$18,000	$18,000

1 No additional fees are paid to the board chairman for committee roles.

Where an ad hoc committee is convened, such as for due diligence, additional remuneration may be payable at $1,200 per half day. However, no payments for ad hoc committees were made in the current year. Directors do not receive any further remuneration for also being directors of Fletcher Building Industries Limited, the NZX-listed issuer of the group's capital notes. Directors' fees exclude GST, where appropriate. In addition, board members are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs.

Remuneration Report

Details of the total remuneration received by each Fletcher Building director for FY18 are as follows:

Directors	Board Fees	Audit and Risk Committee	Nominations Committee[1]	Remuneration Committee	Safety, Health, Environment and Sustainability Committee	Non-vouchable expense reimbursement allowance	Overseas based directors travelling allowance	Total Remuneration
Sir Ralph Norris (Chairman)[2]	$379,677.42		$0 *(Chairman)*			$5,000.00		$384,677.42
Antony Carter[3]	$143,241.94	$13,859.77	$8,629.03	$15,100.81		$5,000.00		$185,831.55
Bruce Hassall[4]	$143,241.94	$32,459.67 *(Chairman)*	$8,629.03			$5,000.00		$189,330.64
Alan Jackson	$143,241.94		$8,629.03	$30,201.61 *(Chairman)*	$15,100.81	$5,000.00		$202,173.39
John Judge[5]	$52,566.67	$14,566.67	$3,166.66			$1,586.02		$71,886.02
Kate Spargo[6]	$41,500.00	$5,750.00	$2,500.00		$8,750.00	$1,250.00	$4,500.00	$64,250.00
Cecilia Tarrant[7]	$143,241.94	$19,846.77	$8,629.03		$25,111.57 *(Chairman)*	$5,000.00		$201,829.31
Steve Vamos	$143,241.94	$19,846.77	$8,629.03	$15,100.81		$5,000.00	$18,000.00	$209,818.55
Total	**$1,189,953.79**	**$106,329.65**	**$48,811.81**	**$60,403.23**	**$48,962.38**	**$32,836.02**	**$22,500.00**	**$1,509,796.88**

1 All non-executive directors are members of the Nominations Committee.
2 Inclusive of committee fees.
3 Appointed member of the Audit and Risk Committee effective 20 September 2017.
4 Appointed chairman of the Audit and Risk Committee effective 25 October 2017.
5 Retired from the board on 25 October 2017.
6 Ceased to be director effective 20 September 2017.
7 Appointed chairman of the Safety, Health, Environment and Sustainability Committee effective 20 September 2017.

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, to support our vision of being the undisputed leader in New Zealand and Australian building solutions – with Products and Distribution at our core.

Total remuneration is comprised of three elements - fixed remuneration, a short term variable incentive, and a long-term share scheme. Our remuneration strategy and frameworks are supported by a Remuneration Committee that oversees remuneration policies, and the performance, remuneration, development and succession planning of executives and senior management. 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 and benchmarked 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. A New Zealand and Australian peer group comprised of companies comparable in size, complexity and industry is used to benchmark executives based in New Zealand and Australia. An additional global peer group was considered in respect of the chief executive officer role, which included comparable companies from other regions, geographies or countries where Fletcher Building has operations.

Fixed remuneration

Fletcher Building's policy is to set fixed remuneration comparable to the median, and total remuneration comparable to the upper quartile for equivalent roles in the country or region in which the employee is located. Participation in retirement savings plans is made available to employees as required by remuneration practices in relevant jurisdictions.

Short-term variable incentive (STI)

STI's are designed to incentivise earnings performance and operating cash targets by rewarding employees' performance against financial and individual goals. Participation in the STI plan is by annual invitation at the discretion of the Company, and comprises both financial and personal targets.

Financial targets

For the chief executive officer, corporate executives and senior management, the financial target is based on the Group EBIT and operating cash. For operating executives and senior management, the financial target is based on their own division/business unit EBIT or EBIT/Funds and operating cash or working capital depending on the business' priorities, with a proportion also based on the Group EBIT (and Group operating cash for divisional roles) to incentivise alignment across the Group.

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 FY18 the financial threshold is set at achieving 90% of target, with the exception of the Group EBIT threshold, which was set at 94% of target. The maximum financial level is set at 110% of target for the chief executive officer, executives and corporate senior management and 120% of target for operating senior management. Achievement of maximum performance against the financial targets can result in a payment of 150% of the relevant financial component of the STI.

Personal targets

Personal targets for the executives and senior management include people engagement, safety and customer net promotor score. In consideration of the refocus of the business in FY18, the chief executive officer's objectives included people engagement, safety and business strategy and were approved directly by the chairman.

Achievement of maximum performance against the personal targets can result in a payment of 150% of the relevant personal component of the STI, with the exception of the safety lead indicator targets which can result in a maximum payment of 100%. If the threshold financial (EBIT) target is not met, no personal component of the STI is payable.

Target levels of STI opportunity range from 25% to 100% of base salary depending on the role. For the chief executive officer the target STI opportunity is set at 100% of base salary.

In the event of a fatality or serious injury, the board has the discretion to adjust any or all of the STI payment. 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 financial statements were incorrectly reported, there is misconduct that causes a financial trading loss that has not been taken into account in the STI calculations or an error or misstatement has resulted in a material overpayment.

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 an employee long-term share scheme (ELSS), targeted at the employees most able to influence these financial outcomes. The scheme is a share-based scheme except in circumstances where, due 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 commencement of the three year restrictive period. The shares are held by a trustee on behalf of participants until the end of that three year restrictive period. Where the performance criteria includes a relative total shareholder return (TSR) measure, the restrictive period is extended by twelve months when the criteria is not met at the end of the initial three year restrictive period.

Provided 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 are forfeited and the proceeds used to repay the interest-free loan.

Performance criteria

The sole performance criteria for the 2017 ELSS grant is relative TSR. TSR performance is determined by benchmarking, by way of percentile ranking, the TSR performance of the group against the TSR performance for the same period of a comparator group. The comparator group used for the 2017 offer comprises Adelaide Brighton, Amcor, BlueScope, Boral, Brickworks, CSR, Downer EDI, GWA International, James Hardie, CIMIC, Reece, Sims Group, Spark and Steel & Tube.

The TSR performance and resulting vesting entitlements are set out below:

TSR percentile	Percentage vesting entitlement
< 50	Nil
50	50
50 – 75	50 – 100 linear pro-rata
> 75	100

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

Remuneration Report

Vesting and forfeiture history

Prior to 2017, the ELSS performance criteria consisted of both relative TSR and an earnings per share (EPS) target. The vesting and forfeiture of shares (due to failure to meet performance criteria) over the last five years is set out in the following table:

Date of grant	Shares granted[1]	Shares vested	Shares forfeited	EPS Target
October 2017	890,075			N/A
October 2016	905,221			70.1 – 76.3
October 2015	3,208,083		50%[2]	67.1 – 73.1
October 2014	815,164	0%	50%[3]	61.0 – 66.4
October 2013	771,038	50%	50%	55.1 – 63.4

1 Of the shares granted 1,061,652 shares were forfeited on Mark Adamson's cessation of employment.
2 The October 2015 EPS tranche was forfeited in 2018.
3 The 2014 EPS tranche was forfeited in 2017 and the TSR tranche was extended to 30 September 2018.

Minimum shareholding requirement

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.

The Company believes this shareholding requirement 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.

In addition, for the chief executive officer and his direct reports, if at the time of appointment to an executive role, the greater of the market value or cost of the individual's shareholding is less than the value of 10% of their base remuneration, the executive is required to apply no less than 25% of the after-tax value of any STI payment to acquire shares in the Company on or before 31 March of the following financial year. This requirement applies for the first two years of employment as an executive.

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). Directors are not eligible to participate in FBuShare.

Chief executive officer's remuneration[1]

Ross Taylor's annual base salary as at 30 June 2018 was $2,000,000. The remuneration he received for the period 22 November 2017 to 30 June 2018 comprised:

Base remuneration	$1,219,743
Other benefits*	$45,917

* Includes relocation and medical insurance premium.

The following short-term variable incentive was accrued in the current year:

Short term variable incentive (STI) FY18 – accrued and payable in September 2018	$1,463,885

The following long-term variable incentive was granted during the year:

Executive long-term share scheme (ELSS) 2017	182,561[2]	$2,000,000

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

1 Details of the remuneration paid in FY18 to Mark Adamson, whose employment as chief executive officer ceased on 20 July 2017, are contained in the Company's 2017 annual report (total $2,936,387). In addition, Francisco Irazusta performed the role of interim chief executive officer from 24 July 2017 until 21 November 2017. In recognition of Francisco's additional responsibilities during the interim period, he received an acting allowance as part of his base remuneration. The financial and individual targets for Francisco Irazusta's STI during this period were also aligned to Fletcher Building Group targets, and his STI target opportunity was adjusted accordingly to reflect the additional accountability for that period.

2 Based on a share price of NZ$7.34, being the volume weighted average price for the five business days following the 2017 annual shareholders' meeting on 25 October 2017.

Employee remuneration

Section 211(1)(g) of the Companies Act 1993 requires disclosure of the number of employees or former employees of the Company whose remuneration and any other benefits received by them during the 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 year, including redundancies and the face value of long-term incentives vested.

From NZ$ to NZ$	International business activities	New Zealand business activities	Total
100,000 – 110,000	510	457	967
110,000 – 120,000	451	371	822
120,000 – 130,000	343	268	611
130,000 – 140,000	249	232	481
140,000 – 150,000	174	177	351
150,000 – 160,000	132	125	257
160,000 – 170,000	128	97	225
170,000 – 180,000	72	76	148
180,000 – 190,000	75	65	140
190,000 – 200,000	64	56	120
200,000 – 210,000	63	41	104
210,000 – 220,000	43	49	92
220,000 – 230,000	37	35	72
230,000 – 240,000	25	33	58
240,000 – 250,000	28	21	49
250,000 – 260,000	13	22	35
260,000 – 270,000	9	13	22
270,000 – 280,000	18	9	27
280,000 – 290,000	18	11	29
290,000 – 300,000	19	13	32
300,000 – 310,000	8	7	15
310,000 – 320,000	9	8	17
320,000 – 330,000	14	4	18
330,000 – 340,000	6	4	10
340,000 – 350,000	10	1	11
350,000 – 360,000	8	3	11
360,000 – 370,000	1	4	5
370,000 – 380,000	0	2	2
380,000 – 390,000	6	3	9
390,000 – 400,000	1	3	4
400,000 – 410,000	2	2	4
410,000 – 420,000	1	2	3
420,000 – 430,000	5	0	5
430,000 – 440,000	3	3	6
440,000 – 450,000	6	3	9
450,000 – 460,000	6	2	8
460,000 – 470,000	3	1	4
470,000 – 480,000	3	2	5
480,000 – 490,000	4	0	4
490,000 – 500,000	1	1	2
500,000 – 510,000	1	1	2
510,000 – 520,000	3	0	3
520,000 – 530,000	1	4	5
530,000 – 540,000	2	1	3
540,000 – 550,000	4	1	5
550,000 – 560,000	0	1	1
560,000 – 570,000	2	0	2
570,000 – 580,000	3	1	4
580,000 – 590,000	2	0	2
600,000 – 610,000	2	1	3
620,000 – 630,000	2	2	4
630,000 – 640,000	1	0	1
640,000 – 650,000	2	1	3
650,000 – 660,000	1	0	1
660,000 – 670,000	1	0	1
750,000 – 760,000	0	1	1
770,000 – 780,000	0	1	1
780,000 – 790,000	1	1	2
860,000 – 870,000	1	0	1
960,000 – 970,000	0	1	1
1,090,000 – 1,100,000	0	1	1
1,150,000 – 1,160,000	0	1	1
1,240,000 – 1,250,000	0	1	1
1,260,000 – 1,270,000	0	1	1
2,210,000 – 2,220,000	1	0	1
	2,598	**2,247**	**4,845**

An additional 616 employees are included in this table (above the total number disclosed in the 2017 annual report), predominantly in the remuneration brackets of between 100,000 to 150,000. The additional number disclosed can be attributed in part to currency rate changes inflating remuneration in New Zealand dollar terms, one-off restructuring costs and an increase in performance from FY16 to FY17 (resulting in consequential incentive payments) within some business units in the international Business division.

Governance

The Board is committed to ensuring that Fletcher Building has appropriate corporate governance arrangements in place that are consistent with the size and nature of the Company's operations. Those arrangements should be disclosed in a meaningful way to maximise transparency and investor confidence.

At Fletcher Building, governance is about creating a strong and principled ethics-based culture, where accountability and transparency improve the quality and clarity of decision-making within the Company. The primary objective is to create and adhere to a corporate culture that is open and transparent, develops capabilities, and identifies opportunities to create value for our stakeholders.

This governance statement is current as at 30 June 2018 and was approved by the board on 21 August 2018.

Key corporate governance highlights this year include:

- Appointment of Ross Taylor as chief executive officer in November 2017. Ross has a wealth of construction experience, expertise and leadership capability to lead Fletcher Building into a new phase of growth and opportunity.
- NZX Regulation report on Fletcher Building's compliance with continuous disclosure obligations released in January 2018, which concluded that the Company released information relating to earnings forecast downgrades in 2017 promptly and without delay, as required under the NZX Listing Rules, and acknowledged the Company's processes to track developing information relating to the group financial results, and to assess the impact of new information as it became available. Board documentation processes relating to continuous disclosure were described as best practice.
- Comprehensive due diligence process underpinning the successful NZ$750 million capital raising in April/May 2018.
- Refreshed board with Bruce Hassall succeeding Sir Ralph Norris as chairman and the appointment of Barbara Chapman, Rob McDonald, Douglas McKay and Cathy Quinn on the board effective 1 September 2018, to support Fletcher Building as it enters a new phase of stability and opportunity.
- Rigorous implementation of a new bidding process and new bid criteria for construction projects.
- A new strategy which is designed to improve the Company's financial and operating performance by focussing its portfolio in New Zealand and Australian markets and introducing a simpler and leaner operating model.
- Improvements in non-financial focus areas, including a reduction in health and safety incidents and an increase in employee engagement and customer satisfaction.

The Company's corporate governance framework is informed by the principles, guidelines, recommendations and requirements of the NZX Listing Rules and the NZX Corporate Governance Code 2017, and the Financial Markets Authority's 'Corporate Governance in New Zealand Principles and Guidelines.'

The Company is required to disclose the extent to which its corporate governance practices materially differ from the principles and recommendations set out in the NZX Corporate Governance Code. The Company's approach to applying the principles and recommendations outlined in the NZX Corporate Governance Code is set out below (including where practice materially differs from the Code). The Company's constitution, the board and committee charters, code and policies referred to in this statement are available to view on our website at www.fletcherbuilding.com/investor-centre/corporate-governance.

Principle 1 – Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

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.

In addition, 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. All Fletcher Building personnel must adhere strictly to the requirements of this policy. 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 ("FBuCall") that can be used by any Fletcher Building staff member to report suspected 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.

Securities Trading Policy

The Company has a policy that applies to all directors and employees (including any secondee, consultant, adviser or contractor) who are in possession of material information that is not available to the market and who intend to trade, or advise or encourage others to trade, in listed securities of Fletcher Building or any of its subsidiaries.

The policy employs the use of blackout periods to restrict persons covered by the securities trading policy who are likely to have knowledge of, or access to, inside information from trading. This group of personnel must also obtain the written consent of the Group General

Counsel and Company Secretary prior to any transactions involving Fletcher Building securities. In addition, through our share registry, Computershare Investor Services Limited (Computershare), we actively monitor trading in Fletcher Building shares by our personnel.

Principle 2 – Board Composition and Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Board's roles and responsibilities

The role of the board is to provide overall strategic guidance and effective oversight of management for the purposes of protecting and enhancing the value of Fletcher Building assets in the best interests of the Company. The board has statutory responsibility for the affairs and activities of the Company, which in practice is achieved through delegation to the chief executive officer who is charged with the day-to-day leadership and management of the Company.

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. Under the board charter, the Group General Counsel and Company Secretary is secretary to the board and accountable directly to the board, through the chairman, on all matters to do with the proper functioning of the board.

Nomination and appointment of directors

Procedures for the appointment and removal of directors are governed by the Company's constitution. 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.

Before a person is appointed to the board, checks as to the person's character, experience, education, criminal record and bankruptcy history are conducted. Each director receives a letter formalising their appointment. That letter outlines the key terms and conditions of their appointment, including Fletcher Building's expectations for the role of director, and is required to be countersigned confirming agreement.

Director independence

The Company acknowledges the importance of having independent directors, ensuring it has the correct balance of skills to optimise the financial performance of the Company and maximise returns to shareholders.

The test of "independence" is governed by the requirements of the NZX Listing Rules. The board currently comprises of six directors, with a wide range of skills and experience. The qualifications and experience of each of the directors, including length of service, is set out in "Our Board" section on pages 12 and 13. Directors are required to inform the board of all relevant information which may affect their independence, and the board confirms the independence status of its members annually. The board considers all the current directors as at 30 June 2018 to be independent.

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. In addition, the chairman of the Audit and Risk Committee is not the chairman of the board, and under its charter all members of this committee must be non-executive and independent directors.

Diversity Policy

Fletcher Building has a Diversity Policy, which is available on the Company's website. The Remuneration Committee reviews progress against diversity initiatives developed by the Company to deliver outcomes against the Policy. Further information on diversity initiatives can be found in "Our People" section on pages 38 to 41.

The board is satisfied with the initiatives being implemented by the Company and its performance with respect to the Diversity Policy. The policy does not currently include a requirement for the board (or a committee) to set measurable objectives for achieving diversity (as is recommended by the NZX Corporate Governance Code), as the board has considered diversity outcomes can be achieved without measurable objectives. However, the policy does require the Company to regularly benchmark the Company's diversity standpoint, status and objectives against appropriate external comparators – which we have done in relation to key target areas.

Following the restructuring of the Company's operational divisions undertaken during the past financial year, the board will review and adopt a new Diversity Policy during the 2019 calendar year for implementation as part of the new strategic settings, which will include measurable objectives for achieving further diversity.

The numbers and proportion of women and men within Fletcher Building as at 30 June 2018 are set out in the table below.

	2018		2017	
	Women	Men	Women	Men
Board of directors	1 (17%)	5 (83%)	2 (22%)	7 (78%)
Executive committee	3 (27%)	8 (73%)	2 (20%)	8 (80%)
Senior management[1]	15 (25%)	46 (75%)	16 (26%)	45 (74%)
All employees	22%	78%	22%	78%

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	Building products industry Construction industry Distribution industry
Geography	Australian business experience International business experience
Expertise	Strategy Management Finance/Accounting Legal/Governance Marketing Information technology Supply chain
Diversity	Gender

Director induction and professional development

The board conducts induction and continuing professional development for directors, which includes visits to 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.

Board performance

Reviews of the performance of the board and individual directors are carried out regularly to ensure the board as a whole and individual directors are performing to a high standard.

The board carried out a review of its performance and of the committees in mid-2016, with the assistance of an independent consultant Propero Consulting Limited. 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. A refreshed board will be in place from 1 September 2018 and with new appointees to be voted on by the shareholders at the forthcoming annual shareholders' meeting. A performance review of the board and its committees will be undertaken in 2019.

Principle 3 – Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

In accordance with the board Charter, various committees have been set up to enhance the board's effectiveness in key areas, while still retaining overall responsibility. As at 30 June 2018 the standing board committees are:

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee
- Safety, Health, Environment and Sustainability Committee

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.

From time to time, the board may create ad hoc committees to examine specific issues on its behalf. In FY18, the board established a Due Diligence Committee to oversee and coordinate the due diligence process for the accelerated pro-rata entitlement offer of ordinary shares in the Company. The Due Diligence Committee was comprised of Bruce Hassall (chairman), Sir Ralph Norris and Tony Carter.

Committee	Role	Members
Audit and Risk Committee (ARC)	The role of the ARC is to advise and assist the board in discharging the responsibilities with respect to external financial reporting, internal control environment, internal audit and external audit functions, and risk management practices.	Bruce Hassall (Chairman) Antony Carter Cecilia Tarrant Steve Vamos
Nominations Committee	The committee's role is to identify and recommend individuals to the board for nomination as members of the board and its committees and the terms, if any, of such membership.	All non-executive directors are members of the Nominations Committee Sir Ralph Norris (Chairman)
Remuneration Committee	The principal role of the committee is to oversee and regulate compensation and organisation matters affecting the Company, including remuneration and benefits, policies, performance and remuneration of the Company's senior executives, management development and succession planning of the chief executive officer and his direct reports.	Alan Jackson (Chairman) Antony Carter Steve Vamos
Safety, Health, Environment and Sustainability Committee (SHES)	The role of the committee is to assist the board to provide leadership and policy for SHES management within Fletcher Building. The committee will focus on compliance with legislative and regulatory requirements and the promotion of good SHES governance.	Cecilia Tarrant (Chairman) Alan Jackson

Attendance at Board and Committee meetings

The table below shows directors' attendance at the board, standing committee and Due Diligence Committee meetings during the year ended 30 June 2018. In addition, the board constituted ad-hoc sub-committees to review and make recommendations on major projects.

	Board	Audit and Risk Committee	Nominations Committee[1]	Remuneration Committee	Safety, Health, Environment and Sustainability Committee	Due Diligence Committee
Number of meetings held	**20**	**5**	**3**	**4**	**3**	**7**
Sir Ralph Norris (Chairman)[2]	20	5	3	4	2	7
Antony Carter[3]	19	3	3	4		6
Bruce Hassall[4]	19	5	3			7
Alan Jackson	20		3	4	3	1
John Judge[5]	5	1	1			
Kate Spargo[6]	3	1	1		1	
Cecilia Tarrant[7]	20	5	3		3	1
Steve Vamos	20	5	3	4		1

1 All non-executive directors are members of the Nominations Committee.
2 Sir Ralph Norris attended all committee meetings in an ex officio capacity, excluding his attendance as chair of the Nominations Committee.
3 Appointed member of the Audit and Risk Committee from 20 September 2017.
4 Appointed chairman of the Audit and Risk Committee from 25 October 2017.
5 Retired from the board on 25 October 2017.
6 Ceased to be director on 20 September 2017.
7 Appointed chairman of the Safety, Health, Environment and Sustainability Committee from 20 September 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.

Principle 4 – Reporting and Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous disclosure

Fletcher Building is committed to ensuring that all of our investors have timely access to full and accurate material information about the Company. Our Market Disclosure Policy sets out the internal processes designed to ensure that the Company complies with the disclosure obligations of the stock exchanges on which its securities are listed. The board has adopted this policy, which applies to members of the board, all employees in the Fletcher Building Group, and contractors, consultants and other service providers to the Group, where they are under a relevant contractual obligation. The Market Disclosure Policy is available on the Company's website.

Directors formally consider at each board meeting whether there is relevant material information which should be disclosed to the market.

Disclosure of codes and charters

All of our key governance documents (including the Code of Conduct, key corporate policies and board and committee charters) are available on our website at www.fletcherbuilding.com/investor-centre/corporate-governance, other than the Company's remuneration policy. The Company currently does not comply with the NZX Corporate Governance Code recommendation to publish its remuneration policy, as this policy is currently being reviewed in light of the new organisational structure and will be published on our website subsequent to adoption.

Safeguarding integrity in financial reporting

The Audit and Risk Committee oversees the accounting and internal control systems, policies and procedures to ensure compliance with the legal requirements, in respect of accounting policies, financial reporting, internal control, external audit and environmental regulation in all jurisdictions in which the Fletcher Building Group operates.

In addition, 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 Company 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 Company and that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

Business Sustainability

The Business Sustainability section on pages 38 to 51 discusses non-financial focus areas for our business, including environmental, economic and social matters. The board and executives recognise that sustainability is critical to Fletcher Building's success, which is why it has been included as a key enabler of our new strategy. In FY19 we will recruit a head of sustainability to lead the development and execution of an overarching sustainability strategy for Fletcher Building, which will include improvement targets that we will report on annually. Further sustainability information can be found on the Company's website at www.fletcherbuilding.com.

Principle 5 – Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Fletcher Building remuneration structure is designed to attract, reward and retain high performing directors, executives and employees who are able to enhance the Company's performance.

The remuneration framework is managed by the Remuneration Committee in line with its charter, which is available on the Company's website.

The 'Remuneration Report' on pages 105 to 109 outlines in detail the remuneration framework of Fletcher Building, as well as the remuneration of the directors, the chief executive officer and other executives, and senior management. This includes a discussion on share-based remuneration.

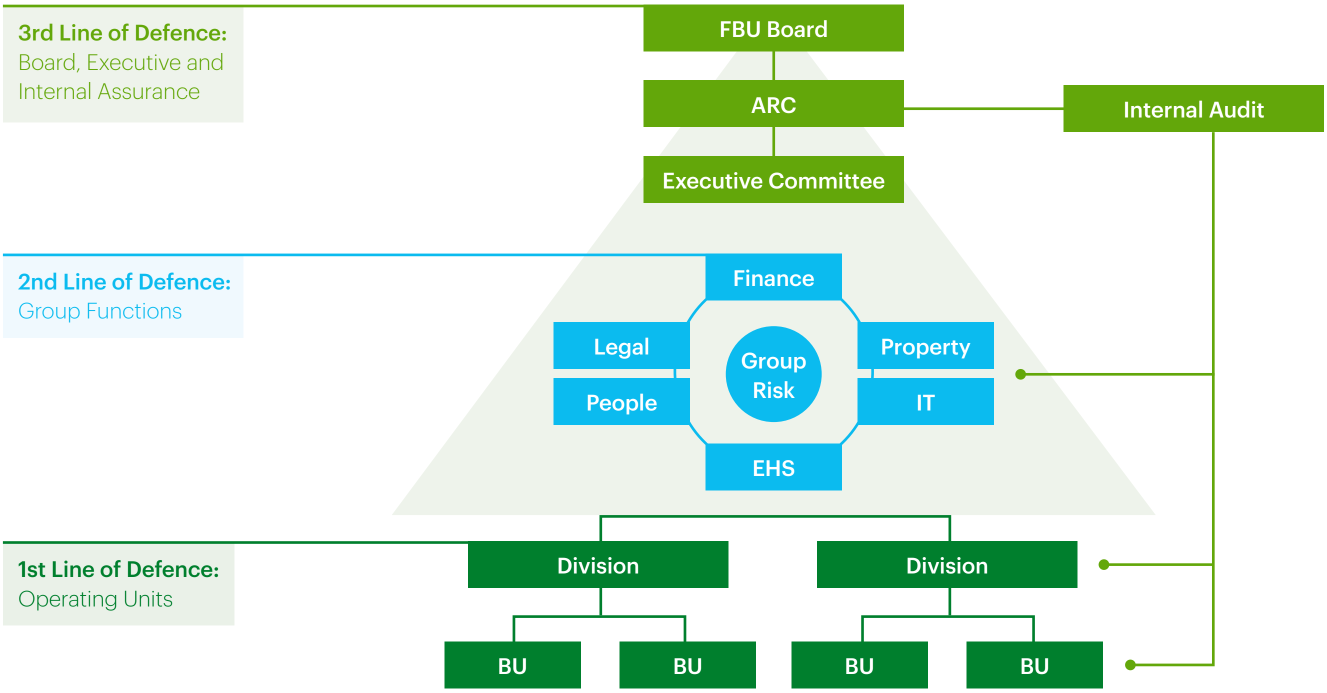
Principle 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk

In FY18, the Company refreshed its group-wide risk management framework that supports risk management in the Fletcher Building Group. The purpose of the risk management framework 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 refreshed Fletcher Building risk management framework is based on a three lines of defence model as set out below. This starts – and operational accountability ultimately rests – with the managers in the individual business units and the divisional chief executives. Our risk management and assurance processes support this through our Group functions and is ultimately overseen by the board and executive team, with a dedicated internal audit team which takes a risk-based approach to auditing key business activities and reports directly to the Audit and Risk Committee.



As part of its risk management 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.

The Fletcher Building risk management framework provides 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*.

Risk capture and reporting

An additional key development in FY18 was the implementation of a new EHS incident and risk management tool "RADAR" as a group-wide system for self-reporting, capturing, disseminating and tracking information on commercial risks and non-EHS risks (along with safety incidents).

The Group is also increasing the cadence of operational risk reporting through business unit operations reviews, with reported operational risks captured and tracked through RADAR.

This allows the Group to see where decisions are regularly being made when assessing risk in implementing the business strategy and to understand how different risks affect different parts of the business.

Health and safety

Fletcher Building has a health and safety management framework called Protect. Management of health and safety risks is discussed in more detail on pages 43 to 44.

Principle 7 – Auditors

"The board should ensure the quality and independence of the external audit process."

The Audit and Risk Committee performs an annual performance assessment of the external auditor to ensure ongoing quality and effectiveness. EY is our external auditor.

The Auditor Independence Policy includes requirements for the rotation of external audit engagement partners. The Auditor Independence Policy is available on our website. 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 auditors beyond the statutory audit was pre-approved in accordance with the policy and is not considered to compromise independence as the services did not constitute material sums of money.

Representatives from EY attend Fletcher Building's annual shareholders' meeting each year, where they are available to answer questions from shareholders 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. During FY18, the internal audit team has been restructured and strengthened to provide increased focus on areas of higher risk in the Group. 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.

Principle 8 – Shareholder Rights and Relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.'

Communicating with shareholders

Fletcher Building maintains a website, which 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 attends 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 of the Company, management and performance.

Electronic communications

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

Shareholder voting

Major decisions that may change the nature of Fletcher Building business are presented as resolutions at the annual shareholders' meeting and voted on by shareholders. There have been no major decisions made during the year which would change the nature of Fletcher Building and which would require shareholder approval.

Annual shareholders' meeting

All shareholders are entitled to attend the Company's annual shareholders' meeting, either in person or by representative. Resolutions at shareholder meeting are usually by way of a poll, where each shareholder has one vote per share. Fletcher Building encourages shareholders to ask questions in advance of the meeting, to encourage further engagement with the Company and provide management with a view of the concerns of the Company's shareholders.

Statutory Disclosures

DISCLOSURE OF INTERESTS BY DIRECTORS

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2018, pursuant to section 140(2) of the Companies Act 1993. The director will be regarded as interested in all transactions between Fletcher Building and the disclosed entity. Changes to entries disclosed during the year to 30 June 2018 are noted in brackets, for the purposes of section 211(1)(e) of the Companies Act 1993.

Sir Ralph Norris	Contact Energy Limited (will retire effective 31 August 2018)	Chairman
	Fletcher Building Industries Limited	Director
	RANQX Holdings Limited	Director
	Southpark Corporation Limited (resigned 11 December 2017)	Director
	New Zealand Treasury Advisory Board (ceased)	Director
	NZ Olympic Advisory Committee (creased)	Member
	Juvenile Diabetes Research Foundation Advisory Board	Member
	University of Auckland Council	Member
	Business Mentors New Zealand	Trustee
Antony Carter	Air New Zealand Limited	Chairman
	Fisher & Paykel Healthcare Corporation Limited	Chairman
	Blues LLP	Chairman
	ANZ Bank New Zealand Limited	Director
	Avonhead Mall Limited	Director
	Fletcher Building Industries Limited	Director
	Independent Selection Panel for Fonterra	Member
	Maurice Carter Charitable Trust	Trustee
Bruce Hassall	The Farmers' Trading Company Limited	Chairman
	Prolife Foods Limited	Chairman
	Bank of New Zealand	Director
	BNZ Insurance Services Limited (resigned 2 August 2018)	Director
	BNZ Life Insurance Limited (resigned 2 August 2018)	Director
	Fletcher Building Industries Limited	Director
	Fonterra Co-operative Group Limited (appointed 2 November 2017)	Director
	The University of Auckland Business School Advisory Board	Member
Alan Jackson	New Zealand Thoroughbred Racing Inc.	Chairman
	Aurora Vineyard Limited	Director
	Broadway Operations Limited	Director
	Broadway Racing Breeding Partnership	Director
	Delegat Group Limited	Director
	Fletcher Building Industries Limited	Director
	5 Vines Pty Limited	Director
Cecilia Tarrant	Government Superannuation Fund Authority	Chairman
	Annuitas Management Limited	Director
	Fletcher Building Industries Limited	Director
	Payments NZ Limited	Director
	Seeka Limited	Director
	The University of Auckland Council	Member
	The University of Auckland Foundation	Trustee
Steve Vamos	Xero Limited (appointed 1 April 2018)	Chief Executive Officer
	eGeneration Investments Pty Limited	Director
	Fletcher Building Industries Limited	Director
	Telstra Corporation Limited (will resign effective 16 October 2018)	Director
	Divvy Parking Pty Limited (resigned 2 January 2018)	Director
	The University of Technology Sydney Business School Advisory Board	Member

There were no specific disclosures made during the year of any interests in transaction entered by Fletcher Building or any of its subsidiaries.

Statutory Disclosures

INFORMATION USED BY DIRECTORS

There were no notices from directors of the Company requesting to disclose or use Company information received in their capacity as directors.

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, Fletcher Building has continued to indemnify and insure its directors, executives and employees acting on behalf of the Company, against potential liability or costs incurred in any proceeding, except to the extent prohibited by law. The insurance does not cover liabilities arising from criminal actions.

DIRECTORS HOLDING OF SECURITIES

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. Non-executive directors do not participate in any Company share or option plan.

Disclosure of Directors' interests in securities

Securities of the Company in which each director has a relevant interest at 30 June 2018:

Director	Ordinary Shares	Capital Notes
Sir Ralph Norris (Chairman)	32,626	
Antony Carter	67,019	150,000
Bruce Hassall	12,242	
Alan Jackson	30,606	
Cecilia Tarrant	31,530	
Steve Vamos	15,915	

Disclosure of Directors' interests in share transactions

Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and dispositions of beneficial/non-beneficial relevant interests in Fletcher Building shares during the year ended 30 June 2018:

	Sir Ralph Norris	Antony Carter	Bruce Hassall	Alan Jackson	Cecilia Tarrant	Steve Vamos
Transaction	Number of shares					
On-market purchase of shares on 2 November 2017 at a consideration of $52,734.						7,500
On-market purchase of shares on 15 November 2017 at a consideration of $70,800.			10,000			
Off-market purchase of shares on 20 November 2017 at a consideration of $34,900.				5,000		
Off-market purchase of shares on 13 December 2017 at a consideration of $6,970.					1,000	
Acquisition of shares under the Dividend Reinvestment Plan (DRP) on 11 October 2017 at a DRP issue price of NZ$7.8950.	78				550	
Acquisition of new shares on 18 May 2018, at an issue price of NZ$4.80 per new share or A$4.51 per new share, under the retail entitlement component of an accelerated 1 for 4.46 pro rata entitlement offer announced by Fletcher Building on 17 April 2018.	5,795	12,275	2,242	5,606	5,409	2,915

STOCK EXCHANGE LISTINGS

Fletcher Building's ordinary shares are listed and quoted on the Main Board of NZX Limited and the Australian Securities Exchange (ASX) under the company code 'FBU'. Fletcher Building's listing on the ASX is as a Foreign Exempt Listing. Fletcher Building must comply with the NZX Listing Rules, but is exempt from almost all of the ASX Listing Rules. For the purposes of ASX Listing Rule 1.15.3, Fletcher Building confirms that it continues to comply with the NZX Listing Rules.

In addition, Fletcher Building Limited maintains a sponsored Level 1 American Depositary Receipt (ADR) program with Deutsche Bank Trust Company Americas (Deutsche Bank). The ADRs trade over the counter in the United States of America (US) under the ticker code 'FCREY', with each ADR representing two ordinary Fletcher Building shares. US investors may prefer to purchase ADRs rather than ordinary shares in Fletcher Building's home market because ADRs trade, clear and settle according to US market conventions.

EXERCISE OF NZX DISCIPLINARY POWERS

Neither NZX or ASX has taken any disciplinary action against Fletcher Building during the financial year ended 30 June 2018. In particular there was no exercise of powers by NZX under NZX Listing Rule 5.4.2 (relating to powers to cancel, suspend or censure an issuer) with respect to Fletcher Building during the reporting period.

NZX WAIVERS

On 16 April 2018, NZX Regulation granted Fletcher Building a waiver from NZX Listing Rule 7.11.1 in respect of the 1 for 4.46 accelerated pro rata entitlement offer announced by Fletcher Building on 17 April 2018 (the Offer), to enable Fletcher Building to allot the new shares under the institutional entitlement offer six business days after the close of the institutional entitlement offer. Fletcher Building also relied on the NZX class waiver for accelerated entitlement offers, dated 13 June 2017, in respect of the Offer.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 JUNE 2018

The total number of voting securities of Fletcher Building at 30 June 2018 was 853,347,141 fully paid ordinary shares, each conferring on the registered holder the right to one vote on a poll at a meeting of shareholders.

Size of holding	Number of shareholders	% of shareholders	Number of ordinary shares	% of ordinary shares
1 – 1,000	16,069	44.43	6,881,556	0.81
1,001 – 5,000	14,450	39.95	34,517,637	4.04
5,001 – 10,000	3,283	9.08	23,064,336	2.70
10,001 – 100,000	2,224	6.15	48,365,077	5.67
100,001 and over	140	0.39	740,518,535	86.78
Total	**36,166**	**100.00**	**853,347,141**	**100.00**

SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial product holders of the Company as at 30 June 2018. The total number of voting securities of Fletcher Building Limited at 30 June 2018 was 853,347,141 fully paid ordinary shares.

Substantial product holder	Number of ordinary shares in which relevant interest is held	Date of notice
Perpetual Limited and subsidiaries	67,738,370	15 May 2018
Ellerston Capital Limited	35,786,943	13 April 2018
Commonwealth Bank of Australia	41,967,254	19 March 2018
Schroder Investment Management (Australia) Limited	32,150,024	28 November 2017

Statutory Disclosures

20 LARGEST SHAREHOLDERS AT 30 JUNE 2018

Holder Name	Number of ordinary shares	% of issued capital
New Zealand Central Securities Depository Limited	341,490,986	40.02
HSBC Custody Nominees (Australia) Limited	111,813,945	13.10
JP Morgan Nominees Australia Limited	95,973,765	11.25
Citicorp Nominees Pty Limited	41,622,820	4.88
National Nominees Limited	25,580,520	3.00
FNZ Custodians Limited	15,330,382	1.80
BNP Paribas Nominees Pty Ltd	11,796,749	1.38
UBS Nominees Pty Limited	10,219,216	1.20
BNP Paribas Noms Pty Ltd	9,843,959	1.15
Citicorp Nominees Pty Limited	8,263,088	0.97
JBWere (NZ) Nominees Limited	8,060,630	0.94
Southern Steel Group Pty Limited	4,745,505	0.56
New Zealand Depository Nominee Limited	4,731,250	0.55
PT (Booster Investments) Nominees Limited	2,566,797	0.30
CPU Share Plans Pty Limited	2,564,721	0.30
Investment Custodial Services Limited	2,414,563	0.28
Fletcher Building Share Schemes Limited <No 3 A/C>	2,408,442	0.28
Custodial Services Limited	2,389,125	0.28
Fletcher Building Educational Fund Limited	2,240,049	0.26
Forsyth Barr Custodians Limited	1,977,408	0.23
Total	**706,033,920**	**82.73**

New Zealand Central Securities Depository Limited (NZCSD) provides a custodial depository service which allows electronic trading of securities to members. It does not have a beneficial interest in these securities. As at 30 June 2018, the 10 largest shareholdings in the Company held through NZCSD were:

Holder Name	Number of ordinary shares	% of issued capital
HSBC Nominees (New Zealand) Limited	69,168,148	8.11
HSBC Nominees (New Zealand) Limited A/C State Street	58,371,146	6.84
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	51,601,580	6.05
Citibank Nominees (New Zealand) Limited	47,681,727	5.59
Accident Compensation Corporation	22,122,502	2.59
BNP Paribas Nominees (NZ) Limited	16,709,026	1.96
Tea Custodians Limited Client Property Trust Account	15,520,051	1.82
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	14,269,018	1.67
ANZ Wholesale Australasian Share Fund	9,288,579	1.09
National Nominees New Zealand Limited	8,787,076	1.03

FLETCHER BUILDING INDUSTRIES LIMITED – CAPITAL NOTES

Fletcher Building Industries Limited has issued 500,000,000 capital notes that are quoted on the NZX Debt Market (NZDX). These capital notes can (subject to their terms) convert to Fletcher Building Limited ordinary shares on the basis of 98% of the then current market value of the shares. Unless the capital notes convert into Fletcher Building Limited ordinary shares, they carry no voting rights in Fletcher Building Limited. Fletcher Building Holdings Limited held 83,844,918 capital notes as at 30 June 2018.

DISTRIBUTION OF NOTEHOLDERS AND HOLDINGS AS AT 30 JUNE 2018

Detailed below is the distribution of noteholders and holdings as at 30 June 2018 in the respective classes of capital notes issued by Fletcher Building Industries Limited.

Size of holding	Number of noteholders	% of noteholders	Holding quantity	% of holding quantity
5.40% Capital Notes maturing 15 March 2019 (FBI120)				
1,001 – 5,000	64	15.20	311,000	1.60
5,001 – 10,000	107	25.42	1,011,000	5.19
10,001 – 100,000	232	55.11	7,290,000	37.46
100,001 and over	18	4.27	10,851,000	55.75
Total	**421**	**100.00**	**19,463,000**	**100.00**
6.45% Capital Notes maturing 15 March 2019 (FBI130)				
1,001 – 5,000	128	10.39	640,000	0.80
5,001 – 10,000	309	25.08	2,936,000	3.64
10,001 – 100,000	731	59.33	25,424,500	31.57
100,001 and over	64	5.20	51,536,500	63.99
Total	**1,232**	**100.00**	**80,537,000**	**100.00**
5.80% Capital Notes maturing 15 March 2020 (FBI140)				
1 – 1,000	1	0.06	1,000	0.00
1,001 – 5,000	609	36.49	1,937,750	1.94
5,001 – 10,000	414	24.80	3,309,500	3.31
10,001 – 100,000	597	35.77	17,722,000	17.72
100,001 and over	48	2.88	77,029,750	77.03
Total	**1,669**	**100.00**	**100,000,000**	**100.00**
4.75% Capital Notes maturing 15 March 2021 (FBI150)				
1,001 – 5,000	156	11.76	771,000	0.77
5,001 – 10,000	324	24.43	3,074,000	3.07
10,001 – 100,000	784	59.13	25,558,500	25.56
100,001 and over	62	4.68	70,596,500	70.60
Total	**1,326**	**100.00**	**100,000,000**	**100.00**
5.00% Capital Notes maturing 15 March 2022 (FBI160)				
1,001 – 5,000	187	15.09	688,000	0.69
5,001 – 10,000	303	24.45	2,682,500	2.68
10,001 – 100,000	699	56.42	23,778,500	23.78
100,001 and over	50	4.04	72,851,000	72.85
Total	**1,239**	**100.00**	**100,000,000**	**100.00**
5.00% Capital Notes maturing 15 March 2023 (FBI170)				
1,001 – 5,000	281	35.89	897,916	0.90
5,001 – 10,000	185	23.63	1,492,666	1.49
10,001 – 100,000	297	37.93	8,187,250	8.19
100,001 and over	20	2.55	89,422,168	89.42
Total	**783**	**100.00**	**100,000,000**	**100.00**

AUDITOR FEES

EY has continued to act as auditors of the Company. Please refer to Note 27 of the financial statements for audit fees paid to EY in the financial year to 30 June 2018.

CREDIT RATING

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

DONATIONS

Please refer to Note 27 of the financial statements for donations made in FY18. All political donations must be approved by the board.

SUBSIDIARY COMPANY INFORMATION

The persons listed below respectively held office as directors of Fletcher Building Limited and its subsidiary companies as at 30 June 2018, 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 2018 was 100%.

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 on page 109. Except where shown below, no other director of any subsidiary company within the Group receives director's fees or other benefits as a director.

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

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

AHI Roofing (Middle East) Limited
C Bolt
F Irazusta
B McKenzie
R Rosado Jr.
L Kefi

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
D Schulz (R)
C Bolt
A Kölmel
T Murphy

AHI Roofing Limited
C Bolt
F Irazusta
B McKenzie

AHI Roofing Proizvodnja In Distribucija Stresnih Sistemov D.O.O.
C Bolt
K Szekeres

Amatek Holdings Pty Limited
S Lo Ricco
B McKenzie

Amatek Industries Pty Limited
S Lo Ricco
B McKenzie

Amatek Investments Pty Limited
S Lo Ricco
B McKenzie

Approach Signs Limited
C Bolt
B McKenzie
M Kernahan

Austral Bronze Crane Copper Pty Limited
S Lo Ricco
B McKenzie

Australian Construction Products Pty Limited
C Bolt
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 Limited
J Hollis (R)
B McKenzie
D Frost (R)
P Lavelle

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
D Fradgley
B McKenzie

Cameron Building Supplies Limited (75%)
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
N Mason
P Rush

Crane Enfield Metals Pty Limited
S Lo Ricco
B McKenzie

Crane Group Pty Limited
S Lo Ricco
B McKenzie

Crevet Pty Limited
S Lo Ricco
B McKenzie

Crevet Pipelines Pty Limited
N Sumich
B McKenzie

CTCI Pty Limited (80%)
E Woldhuis
A Webster
B McKenzie
G Andrew (A)

Davis & Casey Building Supplies Limited (65%)
T Davis
D Fradgley
B McEwen

Decra Roofing Philippines, Inc.
R Aaron
R Garcia
S Goh
R Nava
K Ybanez

Decra Roofing Systems, Inc.
D Schulz (R)
B McKenzie
F Irazusta
T Murphy

Delcon Holdings (No. 1) Limited
C Bolt
B McKenzie

Delcon Holdings (No. 2) Limited
C Bolt
B McKenzie

Delcon Holdings (No. 3) Limited
C Bolt
B McKenzie

Delcon Holdings (No. 8) Limited
C Bolt
M Crockett(R)
B McKenzie
D Thomas

Delcon Holdings (No. 11) Limited
C Bolt
D Fradgley
B McKenzie

EE-Fit Pty Limited
J Hollis (R)
B McKenzie
D Frost (R)
P Lavelle

EFA Technologies Pty Limited
C Bolt
S Lo Ricco

Evans Building Supplies Limited
D Fradgley

FBHS (Aust) Pty Limited
P Tudor
B McKenzie

FBII (Puhoi) Limited
C Bolt
B McKenzie
M Kernahan

FBII (Schools 3) Limited
C Bolt
B McKenzie
M Kernahan

FBSOL Pty Limited
P Tudor
B McKenzie

Fletcher Building (Australia) Pty Limited
D Le Quesne
C Bolt
S Lo Ricco
B McKenzie

Fletcher Building (Fiji) Limited
A Kumar
C White
K Lotu-liga
B Leach

Fletcher Building Educational Fund Limited
P Muir
J McDonald
K Daly (R)
C Carroll

Fletcher Building Holdings Limited
C Bolt
B McKenzie

Fletcher Building Holdings New Zealand Limited
C Bolt
B McKenzie

Fletcher Building Holdings USA, Inc.
M Quint
B McKenzie

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

Fletcher Building Infrastructure Investments Limited

C Bolt
B McKenzie
M Kernahan

Fletcher Building Nominees Limited

J McDonald
G Niccol
M Farrell
C Munkowits
J Chapman
P Demarie-Crook (R)
H McKenzie

Fletcher Building Products Limited

C Bolt
M Crockett(R)
B McKenzie
D Thomas

Fletcher Building Products Australia Pty Limited

S Lo Ricco
B McKenzie

Fletcher Building Share Schemes Limited

G Niccol
J McDonald

Fletcher Building Trading (Shanghai) Company Limited

C Bolt
L Finney
P Kreutz (R)
S Lewis
M Khan

Fletcher Building Welfare Fund Nominees Limited

D Sixton
R Linton
D Lucas
S Schulz

Fletcher Challenge Building Bolivia S.A.

M Binns
K Cowie
H Ritchie

Fletcher Challenge Building UK Limited

N Mason
P Foreman

Fletcher Challenge Finance Investments Limited

C Bolt
B McKenzie

Fletcher Challenge Forest Industries Limited

N Mason
P Foreman

Fletcher Challenge Industries S.A.

M Binns
K Cowie
H Ritchie

Fletcher Concrete (Fiji) Limited

A Kumar
C White
C Bolt
B Leach

Fletcher Concrete and Infrastructure Limited

C Bolt
M Crockett(R)
B McKenzie
D Thomas

Fletcher Construction (Solomon Islands) Limited

A Brown (R)
C White
B Leach

Fletcher Construction Company (Fiji) Limited

J Matthews
B Leach

Fletcher Distribution Limited

C Bolt
D Fradgley
B McEwen
B McKenzie

Fletcher Insulation Pty Limited

J Hollis (R)
D Frost (R)
B McKenzie
P Lavelle

Fletcher Morobe Construction Limited

A Brown (R)
K Fletcher
L Mathias
B Leach

Fletcher Property Developments UK Limited

N Mason
P Foreman

Fletcher Property Investments UK Limited

N Mason
P Foreman

Fletcher Property Limited

C Bolt
B McKenzie

Fletcher Residential Limited

C Bolt
S Evans
B McKenzie

Fletcher Steel Limited

C Bolt
D Fradgley
B McKenzie

FM Holdings Inc.

L Box
M Quint
F irazusta
B McKenzie

Forman Building Systems Limited

C Bolt
D Fradgley
B McKenzie

Forman Group Limited

C Bolt
D Fradgley
B McKenzie
M Kernahan

Forman Manufacturing Limited

C Bolt
D Fradgley
B McKenzie

Formica (Asia) Limited

T Ren
M Khan
J Michel

Formica (China) Trading Co., Limited

P List (R)
M Khan
J Michel
G Tu

Formica (Malaysia) Sdn. Bhd.

CH Heng
J Michel
D Wong
M Khan

Formica (Singapore) Pte. Limited

N Tay
M Khan
J Michel
D Wong

Formica (Thailand) Co., Limited (94.99%)

W Kunanantakul
S Mahacharoenkeat
M Khan
J Michel

Formica B.V.

N Mason
P Foreman

Formica Canada Inc.

L Box
C Sarrazin
M Quint

Formica Corporation

M Adamson (R)
L Box
M Quint
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. Limited

P List (R)
M Khan
J Michel
G Tu

Formica Finance Limited

N Mason
R Pollington (R)
P Rush

Formica Global LLC

L Box
M Quint
B Strobel
R Rosado Jr.

Formica Holdco UK Limited

N Mason
R Pollington (R)
P Rush

Formica Holdings B.V.

L Box
S Lo Ricco

Formica Holding Corp.

L Box
M Quint
F Irazusta
B McKenzie

Formica Holding GmbH

H Bender
K Vollmer

Formica Holdings Limited

N Mason
R Pollington (R)
P Rush

Formica II Corporation

L Box
M Quint
F Irazusta
B McKenzie

Formica Iki Oy

R Pollington (R)
N Mason
L Box
P Foreman

Formica International LLC

L Box
M Quint
B Strobel
R Rosado Jr.

Formica Korea Corporation

T Ren
P Wilson (R)
J Michel

Formica Laminates (India) Private Limited

L Box
R Pollington
S Bidani (R)
A Sachdeva

Formica Limited

L Box
P Foreman
N Mason
R Pollington (R)
B McKenzie
P Rush

Formica B.V.

N Mason
P Foreman

Formica Norge A/S

I Delen
N Mason

Formica PSM Limited

N Mason
P Rush

Formica S.A. (Spain)

H Ruloffs
N Mason

Statutory Disclosures

Formica S.A.S (France) (99.99%)
N Mason
P Foreman
P Rush

Formica Skandinavien AB
I Delen
N Mason

Formica SP.zo.O.
N Mason
P Foreman

Formica Taiwan Corporation
T Ren
M Khan
J Michel

Gatic Pty Limited
N Sumich
B McKenzie

Geoff Brown Building Supplies Limited (75%)
G Brown
D Fradgley
B McEwen

Geraldton Independant Building Supplies Pty Limited
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
M Kernahan

Higgins Group Holdings Limited
C Bolt
B McKenzie
M Kernahan

Homapal GmbH
H Bender

Home&Dry Limited
C Bolt
M Crockett (R)
B McKenzie
D Thomas

Iplex Pipelines Australia Pty Limited
N Sumich
B McKenzie

Iplex Pipelines NZ Limited
C Bolt
M Crockett (R)
B McKenzie
D Thomas

Iplex Properties Pty Limited
N Sumich
B McKenzie

Jeffcoats Building Supplies Limited (83%)
B McEwen
D Fradgley
R Jeffcoat

John Cockburn Building Supplies Limited
D Fradgley
B McEwen

Kemsley Fields Limited (56.80%)
N Mason
R Peachey

Ken Jones Building Supplies Limited
D Fradgley
B McEwen

Kenna Building Supplies Limited (75%)
L Kenna (R)
D Fradgley
B McEwen

Key Plastics Pty Limited
N Sumich
B McKenzie

Kimura Building Supplies (2016) Limited (75%)
J Kimura
D Fradgley
B McEwen

Kingston Bridge Engineering Pty Limited
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

Koyana Rocla Pipes Limited
M Kotnis
G Sharma
C Shiralkar
A Mahesh

Kusabs Building Supplies Limited (75%)
G Kusabs
D Fradgley
B McEwen

Laminates Acquisition Co.
L Box
M Quint
F Irazusta
B McKenzie

Laminates Holdings Pty Limited
J Burgess
B McKenzie

Laminex Finance Pty Limited
D Le Quesne
S Lo Ricco

Laminex Group (N.Z.) Limited
C Bolt
F Irazusta
B McKenzie

Laminex Group Pty Limited
B McKenzie
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
M Kernahan
K Lotu-liga
D Geor
M Hall (R)
T Heyward (R)

Matt Orr Building Supplies Limited (75%)
M Orr
D Fradgley
B McEwen

Mico New Zealand Limited
D Fradgley
C Bolt
B McKenzie

Milnes Holdings Limited
S Lo Ricco
B McKenzie

Morinda Australia Pty Limited
P Tudor
B McKenzie

New Zealand Ceiling & Drywall Supplies Limited (90%)
D Thomas
C Bolt

Ngapo-Kimura Building Supplies Limited
D Fradgley
B McEwen

Northern Iron and Brass Foundry Pty Limited
N Sumich
B McKenzie

Paul Robinson Building Supplies Limited (75%)
D Fradgley
P Robinson
B McEwen

Pavement Technology Limited
C Bolt
B McKenzie
M Kernahan

Penny Engineering Limited
C Bolt
B McKenzie
M Kernahan

Penrose Retirement Nominees Limited
J McDonald
G Niccol
M Farrell
C Munkowits
J Chapman
P Demarie-Crook (R)
H McKenzie

Perstorp Warerite Limited
N Mason
P Rush

PinkFit Limited
C Bolt
M Crockett (R)
B McKenzie
D Thomas

PlaceMakers Limited
D Fradgley
B McEwen
C Bolt
B McKenzie

PlaceMakers Supply, Fix & Install Limited (75%)
B McEwen
G Close
D Fradgley

Polymer Fusion Education Pty Limited
N Sumich
B McKenzie

Raylight Aluminium Limited (87.5%)
D Fradgley
B McEwen
M Ellis
G Close (A)

Reece Building Supplies Limited (75%)
D Fradgley
B McEwen
J Reece

Rex Bisman Limited
C Bolt
B McKenzie
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
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
P Tudor
B McKenzie

Seabar Holdings (NO 16) Limited
C Bolt
D Fradgley
B McKenzie

Selwyn Quarries Limited
C Bolt
B McKenzie
M Crockett (R)
D Thomas

Servicios Formica de Mexico SA DE CV
L Box
M Quint
B Strobel

Shanghai Formica Decorative Material Co., Limited
J Hu
P List (R)
M Khan
J Michel
G Tu

Shed Boss NZ Limited
C Bolt
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
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
C Bolt
M Crockett (R)
B McKenzie
D Thomas

Tasman Sinkware North America, Inc.
C Bolt

Tasman Sinkware Pty Limited
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
K Carten
B McKenzie

The Diller Corporation
L Box
M Quint
F Irazusta
B McKenzie

The Fletcher Construction Company Cook Islands Limited
A Brown (R)
B McKenzie
M Kernahan
B Leach

The Fletcher Construction Company (Fanshawe Street) Limited
C Bolt
B McKenzie
M Kernahan

The Fletcher Construction Company Limited Samoa Branch
C Bolt
B McKenzie
M Kernahan

The Fletcher Construction Company Limited
C Bolt
B McKenzie
M Kernahan

The Fletcher Organisation (Vanuatu) Limited
A Brown (R)
Diract Limited
Lotim Limited
B Leach

The Fletcher Trust and Investment Company Limited
C Bolt
B McKenzie
M Kernahan

Thomas Street Pty Limited
C Bolt
S Lo Ricco

Tradelink Pty Limited
B McKenzie
T Broxham

Trade Mart Limited
D Fradgley
B McEwen
C Bolt
B McKenzie

Unidur GmbH
H Bender

Winstone Wallboards Limited
C Bolt
M Crockett (R)
B McKenzie
D Thomas

Young Building Supplies Limited (75%)
D Fradgley
B McEwen
C Young

As at 30 June 2018, Fletcher Building held an indirect ownership interest in the following associates and joint ventures:

Altera Apartments General Partner Limited	50%
Altus NZ Limited	50%
Bellus Apartments General Partner Limited	50%
Byfords Readi-Mix Limited	50%
Cromwell Certified Concrete Limited	50%
Greenraft Limited	33%
Hexion Australia Pty Limited	50%
Ilico Apartments General Partner Limited	50%
Interpipe Holdings Limited	50%
JFC Pumps Limited	50%
Kaipara Water Transport Limited	25%

Company	Ownership
Oamaru Shingle Supplies Limited	33.33%
P2W Services Limited	50%
Rangitikei Aggregates Limited	50%
Rodney Aggregates Supplies Limited	50%
Saltus Apartments General Partner Limited	50%
South Pacific Cement Limited	14.85%
Verto Apartments General Partner Limited	50%
Wespine Industries Pty Limited	50%

Corporate Directory

Board of Directors

Sir Ralph Norris (Chairman)
Tony Carter
Bruce Hassall
Dr Alan Jackson
Cecilia Tarrant
Steve Vamos

Executive Team

Ross Taylor
Chief Executive Officer

Bevan McKenzie
Chief Financial Officer

Charles Bolt
Group General Counsel and Company Secretary

John Bell
Chief Information Officer

Claire Carroll
Chief People and Communications Officer

Wendi Croft
Global Head Environment, Health and Safety (Interim)

Steve Evans
Chief Executive Residential and Development

Dean Fradgley
Chief Executive Australia

Francisco Irazusta
Chief Executive Formica and Roof Tile Group

Ian Jones
Chief Executive Concrete

Michele Kernahan
Chief Executive Construction

Hamish Mcbeath
Chief Executive Steel

Bruce McEwen
Chief Executive Distribution

David Thomas
Chief Executive Building Products (Interim)

Registered Office

New Zealand

Fletcher Building Limited
810 Great South Road, Penrose
Auckland 1061, New Zealand

Private Bag 92114
Auckland 1142, New Zealand

Phone: +64 9 525 9000
Email: fbcomms@fbu.com
Web: www.fletcherbuilding.com

Australia

Level 4, 68 Waterloo Road
Macquarie Park, NSW 2113, Australia

Locked Bag 3501
North Ryde BC, NSW 1670, Australia

Phone: +61 2 8986 0900

Company Numbers

NZ Incorporation 1104175
NZBN 9429037065836
ARBN 096 046 936

Auditor

EY
PO Box 2146
Auckland 1140, New Zealand

Solicitor

Bell Gully
PO Box 4199
Auckland 1140, New Zealand

Registry

Computershare Investor Services Limited (Computershare) looks after our share register and is your first point of contact for any queries regarding your investment in Fletcher Building. You can view your investment portfolio, elect to enrol in our Dividend Reinvestment Plan, indicate your preference for electronic communications, supply your email address, change your details or update your payment instructions relating to Fletcher Building at any time by visiting the Computershare Investor Centre at www.investorcentre.com/nz.

New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142, New Zealand

Level 2, 159 Hurstmere Road,
Takapuna, Auckland 0622, New Zealand

Phone: +64 9 488 8777
Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz
Web: www.computershare.com/nz

Australia

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia

Phone: 1800 501 366 (within Australia)
Phone: +61 3 9415 4083 (outside Australia)
Fax: +61 3 9473 2500

Receiving your communications electronically

We encourage shareholders to receive investor communications electronically as it keeps costs down, delivery of our communications to you is faster and it is better for the environment. All you need to do is log in to www.investorcentre.com/nz and update your 'Communication Preference' to enable us to send all your investor correspondence electronically where possible.

Our half year review and annual reports will be publicly available at www.fletcherbuilding.com/investor-centre. If you wish to receive, free of charge at any time, a printed or electronic copy of our most recent or future half year review or annual reports, please update your communication preference by visiting the Computershare Investor Centre www.investorcentre.com/nz or by contacting Computershare directly.

Dividend Reinvestment Plan

Fletcher Building has a Dividend Reinvestment Plan (DRP) for shareholders who wish to apply dividends received in the acquisition of additional shares. There is no certainty the Plan will be operative for every dividend payment. You can register your participation in the DRP online.

Investor Relations Enquiries

Rodney Deacon
Head of Investor Relations
Email: investor.relations@fbu.com
Phone: +64 9 525 9043

insightcreative.co.nz FLE122

Fletcher Building