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The Results

This Annual Report is dated 21 August 2019
and is signed on behalf of the Board by:



Bruce Hassall
Chair



Robert McDonald
Director

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. FY18 and FY19) 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.

Results at a Glance

Revenue

\$9,307m

2018 \$9,471m \downarrow 2%

Net earnings/(loss)

\$164m

2018 \$(190)m

EBIT before significant items ⁽¹⁾

\$631m

2018 \$50m

Cash flows from operating activities

\$153m

2018 \$396m \downarrow 61%

Earnings per share

19.2¢

2018 (25.5)¢

Total dividend

23CPS

2018 nil

Return on funds employed (ROFE) before significant items ⁽¹⁾

11.8%

2018 0.9% \uparrow 10.9 ppts

EBIT margin before significant items ⁽¹⁾

6.8%

2018 0.5% \uparrow 6.3 ppts

Safety TRIFR ⁽²⁾

 5.0

2018 5.1 \downarrow 2%

Employee engagement

 71%

2018 70% \uparrow 1 ppt

Carbon Emission Intensity ⁽³⁾

 139

2018 149 \downarrow 10 pts

Customer NPS ⁽⁴⁾

 41

2018 33 \uparrow 8 pts

⁽¹⁾ Measures before significant items are non-GAAP measures used by management to assess the performance of the Group and have been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2019.

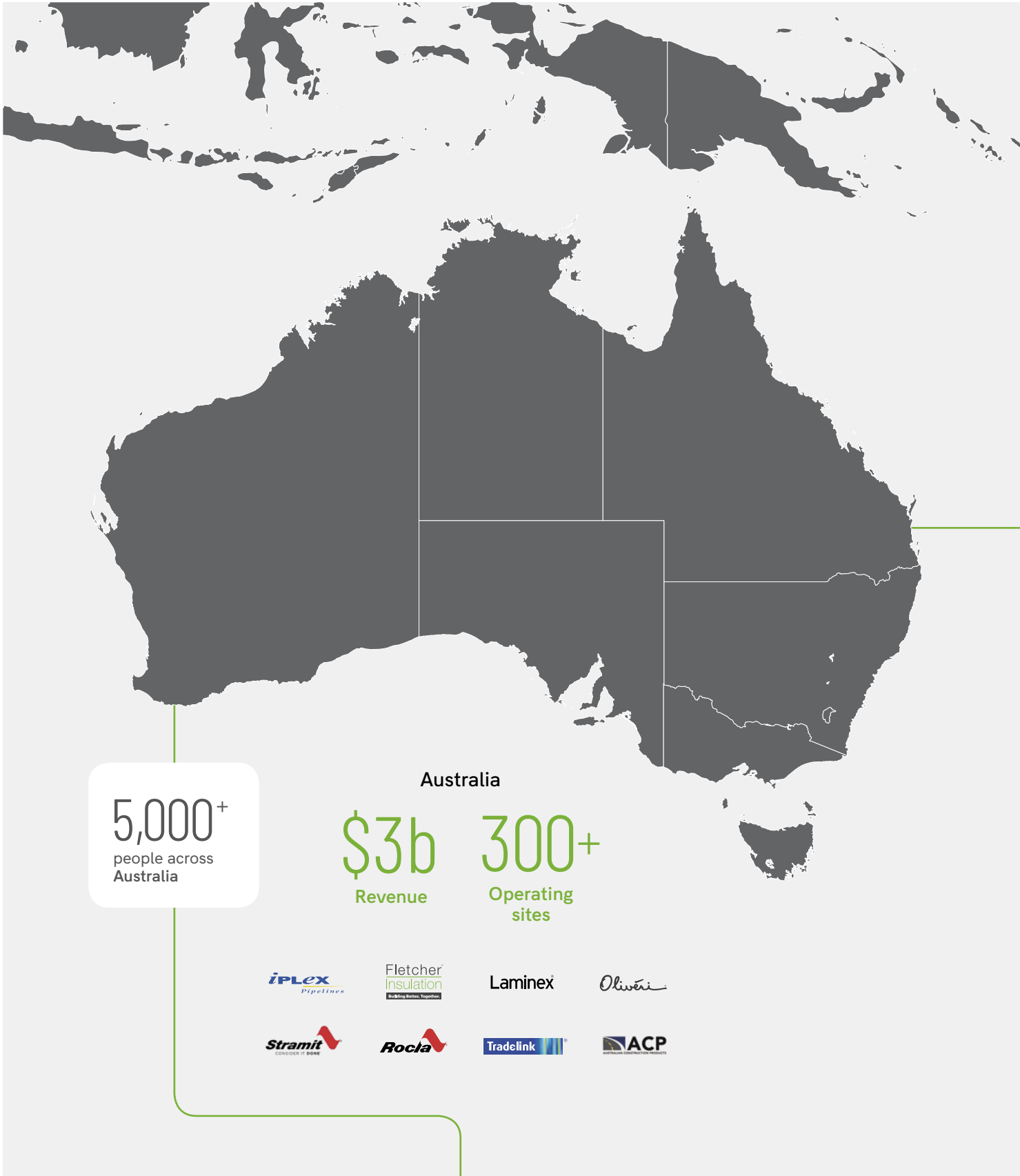
⁽²⁾ Total recordable injury frequency rate. Measured by the total number of recordable injuries per million hours worked.

⁽³⁾ CO₂ tonnes for every \$1 million of revenue.

⁽⁴⁾ Net Promoter Score is a measure of how satisfied our customers are with our business.

Where we work

We employ over 16,000 people in New Zealand, Australia and the South Pacific.



800 Approx.
people working on
construction in the
South Pacific

10,000 Approx.
people across almost every
region of **New Zealand**

Our people are committed to working together to deliver for our customers and to support our communities.

New Zealand

\$5b
Revenue

400+
Operating
sites



Chair's Report



Bruce Hassall, Chair.

Dear Shareholders

DELIVERING ON STRATEGY AND RETURN TO PROFITS

Through the FY19 year, Fletcher Building delivered against all the key areas of its plans, despite challenges in Australia, and returned the Group to profitability with net earnings attributable to shareholders of \$164 million compared to a loss of \$190 million in the prior year. We also reinstated dividends and, through the \$1.3 billion divestment of the international businesses, ended the year with a strong balance sheet with net debt of \$325 million.

DIVIDEND AND SHAREHOLDER RETURNS

We are pleased that the Company's significantly improved earnings and strong cash flows have enabled the Board to approve a final dividend for the year ended 30 June 2019 of 15 cents per share (unimputed and unfranked) to be paid on 19 September 2019. Combined with the 8 cents per share interim dividend, this brings the total dividend to 23 cents per share for the FY19 year. The Board is pleased that we have been able to resume payment of a dividend and that we can now begin again to reward our many shareholders who have remained loyal to the Company during a difficult period.

Given the strength of the balance sheet, our confidence in the B+I provisions and our outlook generally we are also returning up to \$300 million to shareholders through an on-market share buyback. The buyback will commence following release of the Company's full year results.

HEALTH AND SAFETY

We were very saddened at the tragic deaths of five of our people during the year. These incidents continue to remind us of the importance of taking a vigilant approach to safety. The Board has placed intense scrutiny on health and safety and on improving safety performance. We will continue to stay focused on this as management implement a business-wide reset of safety across all of Fletcher Building.

GOVERNANCE

In September, we welcomed five new independent directors, who have added valuable expertise, bringing a range of complementary commercial, operational and governance experience to the Board skill set. During the year, Board members placed an added emphasis on getting close to the operating businesses through a greater number of site tours and meetings with management across the Group. I am confident the Board has appropriate governance and oversight of the operations of the Group.

On behalf of my Board colleagues, I would like to express our appreciation for all the dedication of the Group's employees during FY19 and for the resilience and commitment they showed during one of the most difficult periods in the Company's history.

I am privileged to have become Fletcher Building's Chair at a pivotal point in its long history and I am pleased with the progress we have made through this year. You can rest assured that I and my fellow Board members are focused on delivering enhanced value to all our shareholders and building strong relationships of trust with our key stakeholders.

ANNUAL SHAREHOLDER MEETING

This year's Annual Shareholder Meeting will be held in November 2019. We look forward to shareholders taking the opportunity to ask questions, if they wish.

LOOKING AHEAD

This year, we implemented what was planned and outlined in June 2018 – we stabilised the Group, returned to profits, reinstated dividends, and focused our activities back on New Zealand and Australia. This sets us up well to drive strong performance across all our businesses, in particular, our Australia businesses, in the coming financial year and as we make further progress on executing our strategy.



Bruce Hassall
Chair

CEO's Report



Ross Taylor, CEO.

At the beginning of the year we identified three stages to the repositioning of Fletcher Building; firstly, to stabilise the business through FY19, then to drive performance through FY20, and from FY21 onwards drive growth. Through this year we achieved what we needed to and we remain on track.

It was both pleasing and important to see the business deliver against our financial goals, albeit Australia was tougher than expected; and across our key actions through FY19. This performance however, was somewhat overshadowed by the fatalities we experienced in our Steel and Construction divisions which I discuss in more detail later.

Our overarching theme through the year was to get focused and this was achieved; we successfully sold our Northern Hemisphere businesses, we stabilised Construction, we made a material intervention in Australia to set it up for a turnaround, and through all this stayed focused on our strong core New Zealand businesses.

HEALTH AND SAFETY

We have an unwavering commitment to the health and safety of our people and those who work with us. We were therefore deeply saddened that during the year we had five fatalities in our business. Our focus immediately after these was to support the families, friends and workmates who were impacted by these tragedies, and to ensure these would not be repeated. We also engaged more broadly across government and industry to change standard industry work practices where appropriate. Beyond this we embarked on a multi-year reset of our safety programs and approach across the entire business. The leadership team and I are committed to making Fletcher Building a consistently safe place where everyone who works with us, returns home safely to their families each and every day.

PERFORMANCE

Fletcher Building's performance in FY19 was solid and importantly we finished the year within our earnings guidance range. Group EBIT before significant items was \$631 million, compared to \$50 million in the prior year. Significant items of \$234 million were incurred through the divestment of our International businesses and through restructuring charges taken to reset our Australia division.

Group revenue was \$9,307 million, which was slightly down on FY18, but excluding B+I revenue was slightly higher than the prior period. Our core New Zealand divisions, including residential, delivered good results, and despite operating in a highly competitive environment these businesses maintained strong market positions and revenues.

The Construction division stabilised and returned to profitability during FY19, and we continue to remain within the provisions set for the legacy B+I projects in February 2018. Only six of these projects remain to be completed, and of these projects only two will extend into calendar 2020. We announced in June that we would resume bidding for new vertical construction work and will do so in a very measured and disciplined way.

A combination of a tough residential market, rising input costs and poor operating disciplines in some areas saw the Australian division deliver lower than expected results for the year. That said it was always identified as a "turnaround" and the team successfully implemented a decisive intervention through the year to set these businesses up for profit growth in FY20.

A highlight of the year was the successful sale of the Formica and Roof Tile Group businesses. These were both completed ahead of schedule and the proceeds received were above expectations. The exit of these businesses leaves the Group with a more focused and manageable footprint and has materially strengthened the Company's balance sheet.

CAPITAL MANAGEMENT

We made considerable gains with strengthening the company's balance sheet during FY19 and ended the year well below our target leverage range following the successful sale of Formica for \$1.2 billion. This has allowed us to commence a debt reduction program which will total between \$700 million and \$800 million across FY19 and FY20.

The Company intends to maintain a prudent balance sheet while our performance reset continues.

But having taken this into consideration we will return up to \$300 million to shareholders by way of an on-market share buyback to commence following full year results.

Dividend payments were reinstated during FY19 with a total dividend for the year of 23 cents per share.

EMPLOYEE ENGAGEMENT

Through the year, the benefits of our leaner organisation, greater communication, and the shift of key skills and overhead into the operating businesses, started to emerge. We also made good progress on evolving and improving leadership through all levels of

the company, as well as supporting people with appropriate training and development.

These changes underpinned a continuing rise in employee engagement through the year.

CUSTOMER SATISFACTION

Great customer service underpins our business, and in FY19 we saw an increase in our customer satisfaction measure, reflecting our focus in this area. We continue to look to have all businesses performing at top quartile levels on customer satisfaction measures over the coming few years.

SUSTAINABILITY AND INNOVATION

Our sustainability journey continued to develop in FY19 as we work to increase the transparency of reporting in this space and move towards an integrated reporting model.

We are committed to reducing our carbon footprint and are in the process of setting a science-based target for carbon emissions reduction.

We have a range of initiatives underway which include the diversion of up to half of all New Zealand's used tyres into fuel to be used in the manufacture of cement, the recycling of plastic waste into the manufacture of our plastic pipes, and the planned investment in a new state-of-the-art Winstone Wallboards factory, which will enable the recycling of used plasterboard and the reduction of carbon emissions by 15%.

In addition, we are in the final stages of building a scale housing panelisation factory in Auckland which will facilitate both higher quality homes and a significant reduction in the average total time of constructing a home.

OUTLOOK

In New Zealand we expect residential consents to ease slightly off current peaks, non-residential construction to remain at similar levels, and infrastructure spend to ease in major roading with a move to road safety, water, and rail.

And in Australia we expect the contraction in residential to continue, and the non-residential and East Coast infrastructure market to be broadly flat.

CONCLUSION

Through FY19 we achieved what we said we would, and this positions us well to drive performance through FY20.

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 FY20 and beyond.



Ross Taylor
CEO

Strategy

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 NZ CORE

We continue to defend and grow our NZ building materials and distribution businesses and leverage our position in residential. Our divisional and business unit leadership teams have evolved as our key performance criteria are lifted. The NZ businesses continue to benefit from the elevated market backdrop which has held revenues at high levels. We have maintained our competitive positions and market shares throughout the year, however, margins have either held flat or seen some compression across most businesses. Having dealt with our other priorities, such as the exit of non-core businesses, we are well set up to focus on improving operational disciplines through FY20 and setting ourselves up for margin improvements and growth in FY21.

2. STABILISE CONSTRUCTION

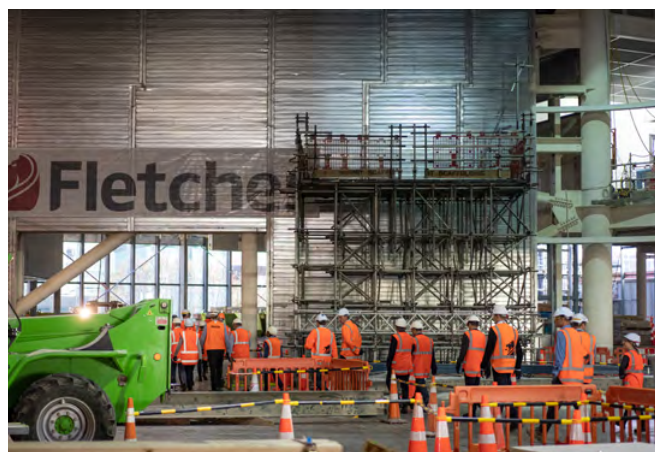
The Construction division changed significantly during the year with a strengthened management team and experienced project teams that are fit for purpose. Meanwhile, governance and risk management processes have been put in place that now underpin the operations of each business and the disciplines that are required for building a balanced portfolio. Pleasingly, the division returned to profitability during the year. Meanwhile we are making good progress on closing out the historical B+I projects with six remaining to be completed and are within the provisions made in February 2018. As part of our overall positioning of the division, we intend to recommence focused bidding in the New Zealand vertical construction market. As well as our own divisional improvement, bid conditions and margins have become more appropriate, the overall market outlook is strong and a select client base is keen for us to re-engage in the sector. Importantly, this ensures we are able to maintain the current momentum to complete the legacy B+I projects and provide a future for our people as those projects come to a close.

3. STRENGTHEN AUSTRALIA

The new divisional structure for FY19 established a single leadership team for the Australian businesses that is based in-market. While the division faced significant market headwinds mainly through a sharp decline in residential markets during FY19, it also had poor operating disciplines in some of our businesses. Decisive intervention during the year has resulted in clear business unit priorities being established, including a cost-out programme and targeted growth investment to set the business up for performance improvement and growth. The division has emerged from FY19 with much of this programme underway. It is targeting \$100 million of gross annual cost-out benefit by FY21 with approximately \$50 million of this to flow to net EBIT in FY21. The Group continues to target the Australia division generating 7% EBIT margins in the medium term.

4. EXIT NON-CORE BUSINESSES

One of the key highlights of FY19 was completing the sale of both the Formica and Roof Tile Group global businesses ahead of schedule and for strong valuations. The sale proceeds from these have resulted in a very strong Group balance sheet and enabled a number of changes to the Group capital structure, as outlined throughout this report. The completion of this key focus area leaves the Group with a more focused and manageable footprint, operating in the New Zealand and Australian markets.



New Zealand International Convention Centre.

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

THERE ARE 6 KEY ENABLERS OF OUR STRATEGY:



STRATEGY TIMEFRAMES	FY2019 REFOCUS AND STABILISE	FY2020 PERFORMANCE	FY2021 – 23 GROWTH
1. Refocus on the NZ core	NZ Businesses strong and growing		
2. Stabilise Construction	Complete B+I projects Return division to profit	Construction turnaround complete	
3. Strengthen Australia	Set-up for turnaround	Performance improvement Profitable market share	
4. Exit non-core businesses	Roof Tile Group and Formica divested		

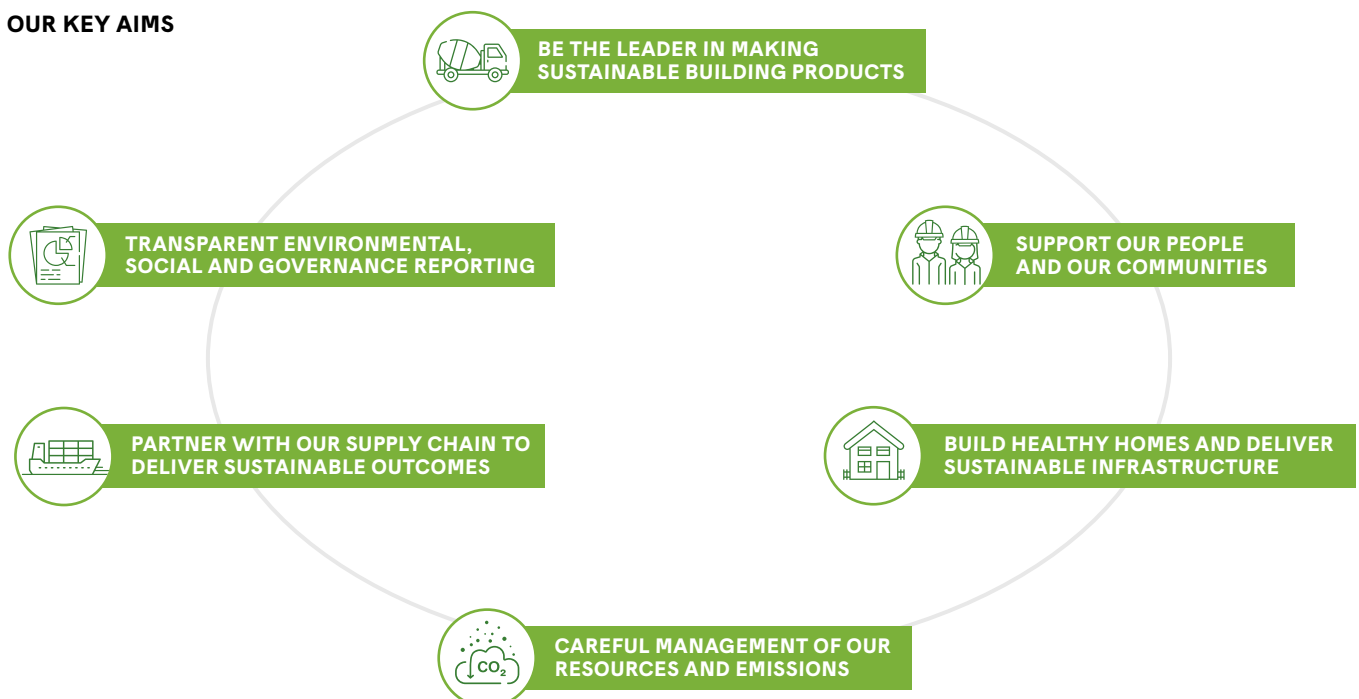
Sustainability

We want to be the New Zealand and Australian leader in sustainable building materials, construction and distribution, and we've set ourselves some ambitious goals to get there.

Our sustainability strategy focuses on what is most important to our business and to others - our people, communities, customers, key stakeholders and investors - and where our actions will lead to meaningful change.

The strategy extends what we have already put in place and deepens our commitment to our people, sustainable products, carbon emission reduction initiatives, and transparent reporting. We want our business to thrive and we are committed to playing our part in a sustainable future.

OUR KEY AIMS



LONG TERM GOALS

- Best practice safety
- Certified sustainable products and innovative new solutions
- Recognised as a diverse, inclusive and equitable place to work
- Leading sustainability ratings for what we build
- Carbon emissions reduced – in line with limiting global warming to below 2°C
- Supply chain risks reduced
- Achieving global benchmark performance

SIGNIFICANT INITIATIVES IN FY20

- Protect safety reset
- Reduce the environmental footprint of our products
- Gender pay parity plan in place
- Group science-based target for reducing our carbon emissions, water and waste reduction plans in place
- Implement supply chain Code of Conduct
- Move to full Environment, Social and Governance reporting

OUR MATERIAL ISSUES

Our material issues are the areas where we have the biggest impact and the most influence.

Sustainability aims	Material issue	Divisions with most impact
 <p>Be the leader in making sustainable building products</p>	<ul style="list-style-type: none"> - The environmental footprint of our products - Customer engagement 	Building Products and Steel, Distribution, Concrete, Australia
 <p>Support our people and our communities</p>	<ul style="list-style-type: none"> - The health, safety and wellbeing of our people and supply chain - Our people and culture - Our role as a large employer 	Corporate, Building Products and Steel, Distribution, Concrete, Construction, Australia, Residential and Development
 <p>Build healthy homes and deliver sustainable infrastructure</p>	<ul style="list-style-type: none"> - The impact of our construction operations - Customer engagement 	Building Products and Steel, Distribution, Concrete, Construction, Australia, Residential and Development
 <p>Careful management of our resources and emissions</p>	<ul style="list-style-type: none"> - The resources we use as a large manufacturer - energy, water and materials - and our impact on those resources 	Building Products and Steel, Distribution, Concrete, Construction, Australia, Residential and Development
 <p>Partner with our supply chain to deliver sustainable outcomes</p>	<ul style="list-style-type: none"> - Our supply chain - Marketing and communications - How we work with government and with industry partners 	Corporate, Building Products and Steel, Distribution, Concrete, Construction, Australia, Residential and Development
 <p>Transparent environmental, social and governance reporting</p>	<ul style="list-style-type: none"> - Our governance structures and risk management, including supply chain - Financial performance and return to our shareholders 	Corporate

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals are a global set of goals adopted by New Zealand, Australia and all United Nations member states that support strategies to improve health and education, reduce inequality, and spur economic growth while tackling climate change and working to preserve our oceans and forests. Fletcher Building's sustainability key aims support the following eight United Nations Sustainable Development Goals.



Health and Safety

We are committed to providing a healthy and safe workplace for everyone who works with us at Fletcher Building. We believe that everyone deserves to be protected from harm. To help us get there we are constantly looking at what we're doing that's working, what's not working and where we can do better.

Tragically, in FY19 we had five fatalities within our business. Two occurred in our Steel division and three in our Higgins business in a single roading incident. Each of these tragedies had significant and everlasting impacts on their whanau, friends, our people and the communities in which we work.

Our priority during these times is firstly to the whanau and to our colleagues who are so deeply affected by these losses. Our second priority is to investigate and understand these events, so we learn from them and prevent them from ever happening again.

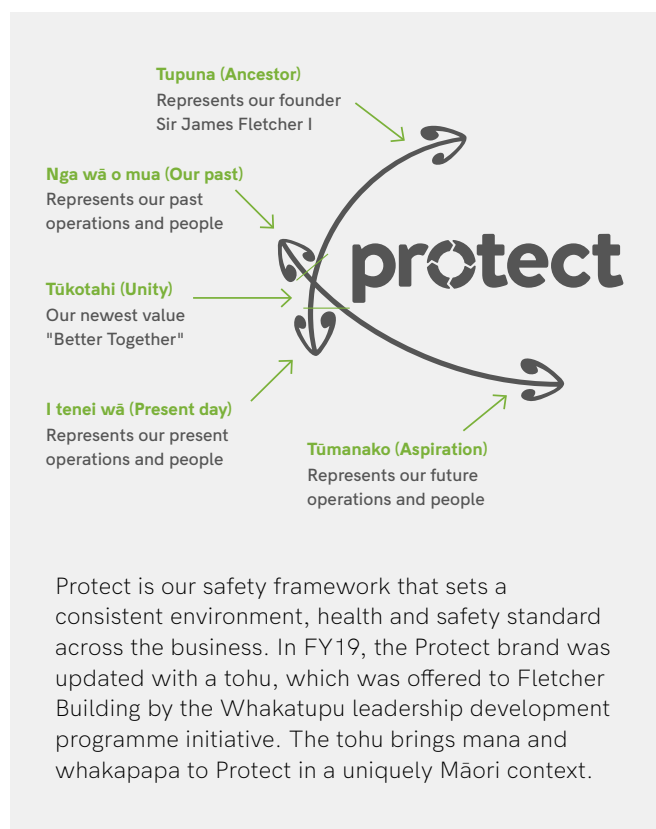
Over the past two years, we have dedicated a lot of time, energy and resource in building our health and safety framework, Protect, and implementing our online software solution, Radar, to record and monitor our health and safety performance. During this period, we experienced a reduction in our Total Recordable Injury Frequency Rate (TRIFR) from 6.9 (FY17) to 5.0 (FY19). We also experienced a reduction in serious injuries from 33 (FY17) to 20 (FY19).

While our overall health and safety performance appeared to be improving in the past few years, the loss of five of our colleagues this year is clearly a call for action. As expressed by our leadership team, we will learn from this, and we will use it to help us drive safety improvements across all of Fletcher Building. Nothing in Fletcher Building is more important than getting everyone home safely each and every day.

We are partnering with a leading international organisation to review Protect in FY20 with a goal to either accelerate, eliminate, refine or supplement the programme in order to drive the required culture, discipline and approach that will improve the safety of our workplaces.

Our internal employee survey shows we have strong safety values which can serve as a foundation to build from as part of the Protect reset. In FY19, 88% of employees said that their managers regularly reinforce safety behaviours, and 83% said their managers care about their wellbeing.

In alignment with our Protect tohu, the Protect reset will honour our past (nga wā o mua), the stories of our people and the good work done. It will also embrace the views of our present-day operations and people (i tenei wā) through a Fletcher Building wide survey and deep dive into the culture, system and risk assessments in each of our divisions. The goal of the Protect reset will be to create a sustainable framework and future aspiration (tū manako) where all our people are free from harm.



**FY19
Total Recordable Injury
Frequency Rate (TRIFR)**

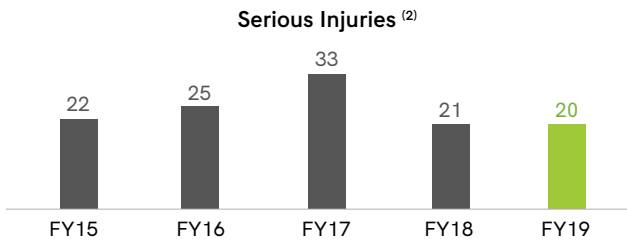
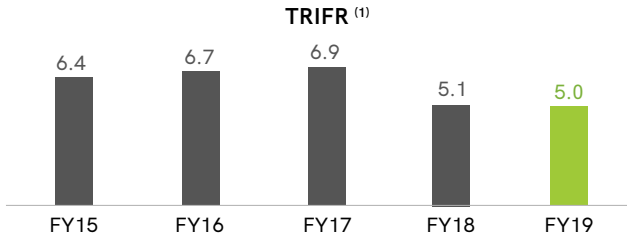
5.0

FY18: 5.1

**FY19
Serious Injury
Frequency Rate**

0.34

FY18: 0.33



⁽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.

WELLBEING

As part of our five year strategic plan, we are increasing our focus on the personal health and wellbeing of our people, recognising the two-way relationship between work and personal health.

In FY19, we appointed a Group Health and Wellbeing Manager to develop a strategic and holistic approach to wellbeing, manage our health exposures and to drive injury management good practices throughout our businesses.

In FY20, our focus will be on aligning our support and management practices across all of our businesses for injury and illness management to help ensure our people are supported and cared for in a consistent manner following work and non-work related injuries or illnesses.

Our primary health exposures across our businesses are related to silica, noise and asbestos. All of these risks have the potential to cause long term damage to the health of those people exposed to them. In FY20, health and exposure monitoring programmes will be used to drive continual improvement across our businesses for both mitigation methods and monitoring of the long-term health of our people and those affected by our work and our products.

We also recognise that the mental and physical health of our people can have a significant impact on the safety of our sites as well as the environment in which we work. In FY20, we will be concentrating on the health and fitness of our people who are in safety critical roles. In addition, we plan on improving mental health awareness across our businesses.



CASE STUDY

Improving the safety of temporary works

Fletcher Construction is proud to have been instrumental in the establishment of an industry forum for Temporary Works (Temporary Works Forum NZ) and the publication of New Zealand's first ever Temporary Works Good Practice Guide.

Temporary works are any structure on site that allow or enable, but are not part of, the permanent structure. They are typically removed afterwards, but not always. Scaffolding and trench supports are all examples of temporary works.

In 2016, a Fletcher Construction worker suffered a serious leg fracture when a temporary block wall collapsed. This prompted a review within the business and an Enforceable Undertaking agreement with WorkSafe.

The review included local industry practices as well as international best practice towards the procedural control of temporary works. As a result, the industry established a forum and standardised guidelines were published.

Fletcher Construction worked with Engineering NZ and Structural Engineering Society New Zealand (SESOC) to support the industry forum, to develop the guidelines and train hundreds of staff and industry professionals.

TWfNZ GPG01:19 Temporary Works: Procedural Control GPG was published in May 2019. Industry feedback has been overwhelmingly positive.

People and Communities

The launch of our five year strategy just over a year ago was an exciting time for our people, but it was also a time of change. One of the key enablers identified as critical to delivering our strategy was continuing to increase the engagement and capability of our people. We remained focused on this, while delivering for our customers and looking after our communities.

EMPLOYEE ENGAGEMENT

This year's employee engagement survey FBU Say results showed steady high-levels of engagement across the company. We once again achieved an exceptionally high participation rate – 91% compared with 92% in FY18. Participation this high tells us our people are invested in how we are doing as a company and they want to contribute to this.

In fact, 78% of respondents feel their work gives them a feeling of personal accomplishment and are proud to work for Fletcher Building.

Our overall Group engagement score was 71% compared with 70% last year, which is on par with our industry (a composite of retail, manufacturing and construction).

DIVERSITY AND PEOPLE DEVELOPMENT

The effort we are putting into driving greater diversity in all parts of our business continues.

We were extremely proud of our Fletcher Building Pride network's influence both within the Company and externally. Fletcher Building Pride won the Employee Network of the year at the New Zealand LGBTI awards in November 2018. Allan Lennie our former Fletcher Building Pride Chair bravely shared his experience of workplace bullying to encourage others to speak up and get help. He is a champion for change and passionate about ensuring the influence of the network reaches the wider business. In March 2019, he was recognised for his leadership when he won the Rainbow Tick Ambassadorship Award at the inaugural Rainbow Excellence Awards.

In previous years, activities around Auckland have been the Group's focus. This year we spent more time in the regions. Fletcher Building took part in the Wellington Pride parade, and the Concrete division launched seven permanent rainbow trucks. The drivers of these trucks are proud of the inclusive message the colourful trucks send as they go about delivering to their customers throughout the country.

But it's not just about the big events and initiatives, small genuine gestures are important too. Our focus on inclusion and diversity begins when we first start talking to job candidates. We have been a Rainbow Tick organisation since 2015, and we were the first building materials and construction company to receive the Tick. This Tick is an important symbol of what we have achieved, but also a reminder to walk the talk each day. We held our first Rainbow Tick breakfast in Christchurch this year in partnership with BNZ, with over 70 people attending.



Winstone Aggregates new rainbow branded aggregate tippers.

In FY19, approximately

14,000

employees undertook over

118,000

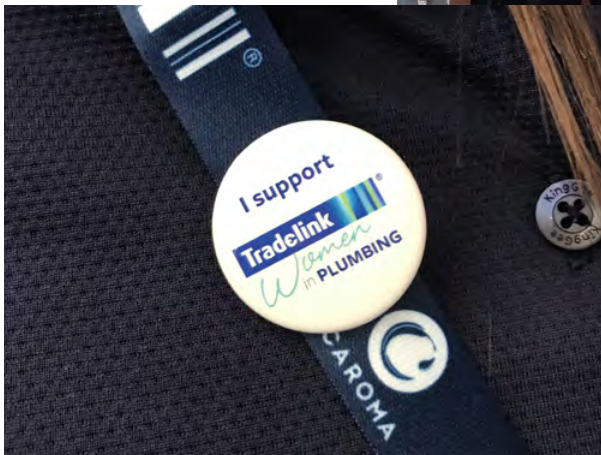
hours of learning through our training courses.



We value our people and their families, and we build a stronger team by spending time together. This is just one way to live our Better Together value and be one Fletcher Building Team.



Fletcher Building Connect programme graduation.



Across our business around 20% of our employees are women. We continue to provide targeted development opportunities for high performing women, are a principal supporter of Global Women, and are also working on practical ways to expose more of our women to the opportunities and career progression in our exciting industries.

In 2018, Tradelink launched its Women in Plumbing initiative to promote Tradelink as an employer of choice for women. It promotes mentoring, career opportunities, and has created an increased awareness in the market of its support of women in the workplace. The initiative has received outstanding feedback from the Plumbing Merchant Association of Australia and most recently, 25% of new Tradelink recruits have been women, exceeding the target of 20%.

In another new initiative for our business, Fletcher Living teamed up with ELE Group and Connexis to co-host a Girls with Hi Vis® event at Fletcher Living's South Auckland Waiata Shores residential development. The event gave around 60 women a taste of what a career in construction or infrastructure is like.

Another of our priorities is investing in youth. A development programme which we are particularly proud of is Connect, an innovative development and pastoral care programme designed to support youth in the transition from high school, vocational education or unemployment into the workforce. In FY19, we had 34 people graduate from the programme. Feedback has been

extremely positive, with managers saying that Connect graduates show improved time management, proactivity and confidence.

Our Whakatapu Programme which aims to support Māori into leadership roles had 54 participants this year. The programme is well respected and integrated within our business having been in place since 2016.

To encourage the future generation of engineers, Easysteel Hawke's Bay and Patton Engineering joined forces with Hastings Boys High School to establish a pre-apprenticeship programme. The programme provides year 12 and 13 students a chance at a hands-on programme of engineering skills development. Easysteel also worked with supplier Weldwell to secure resources for the programme.

We continued our support with First Foundation providing work experience and mentoring for high-potential students from low-decile secondary schools.

LEADERSHIP, SKILLS AND TRAINING

In FY19, approximately 14,000 of our people undertook more than 118,000 hours of learning through our training courses. This included more than 77,000 hours on Protect safety by over 11,000 employees, and approximately 26,000 hours of leadership training by over 1,200 existing and potential leaders and managers. Feedback on training was very positive with an overall 92% approval rating by participants.

We continue to focus on the identification and development of talent, leveraging our world-class leadership programmes to grow emerging leaders through to future general managers. In FY19, we successfully piloted an online learning solution for senior leaders, ExecOnline, which offers a suite of world-class short online learning programmes, delivered in conjunction with leading international universities including Stanford and Harvard.

Switch Up, our online recruitment platform has successfully placed 54 people into a range of our businesses. The no CV-required approach shows how screening for attitude and work ethic is a particularly effective recruitment method for young people coming into our business from school or unemployment.

A unique programme PlaceMakers Auckland Frame and Truss is involved in is at the training and production plant within the Auckland South Corrections Facility in South Auckland. The plant provides training for select inmates who are working towards release, in the manufacture of timber framing. This project makes a real difference by giving inmates a career path after release for employment within the PlaceMakers plant, and providing an additional supply for the Auckland housing market.



Winner of the Outstanding Emerging Leader Award, Olivia Kathan from PlaceMakers.

EXCELLENCE AWARDS

Fletcher Building's Excellence Awards, which are a much-anticipated celebration of success within our business, were held in March 2019. An initial list of more than 230 entries was whittled down to eleven winners, with Ross Taylor acknowledging the outstanding calibre of entries from all parts of the company.

Fletcher Living's Beachlands team took out the top award for truly living by our purpose and values, having achieved outstanding customer results with a Net Promoter Score of 93.

OUR EVENTS FOR EMPLOYEES AND FAMILIES

A special part of being an employee at Fletcher Building is the company-wide events we hold, many of which extend to include employees' families.

In FY19, 13,000 of our people and their families took part in Fletcher Building events, an increase of around 3,000 from FY18 reflecting a concerted effort to make events more accessible to our people in the regions. This is just one way we live our Better Together value.

Our people also have access to financial support through the Employee Education and Employee Welfare Funds. Between 1 April 2018 and 31 March 2019, the Education Fund assisted 570 employees and dependants with further education and tuition and a further 145 dependants with development initiatives, such as Outward Bound.

The Welfare Fund funds the provision of Employee Assistance Programme (EAP) Services as well as many health and wellbeing initiatives across the New Zealand business, and supports New Zealand employees and their families in the event of death, disability or financial hardship resulting from unexpected medical events. Between 1 April 2018 and 31 March 2019, the Welfare Fund provided over \$360,000 towards these initiatives.

We sincerely thank the Fletcher Trusts, the Welfare and Education Funds, for their contribution to making our events possible, as well as the significant additional opportunities and support they provide our people.

OUR COMMUNITIES

We are driven to have a positive impact on the world around us and be a good neighbour.

How we contribute to our communities and work with our stakeholders takes different forms for each of our businesses and projects. This can range from local working bees, to residential development open days, to more formal Memorandums of Understanding.

Fletcher Living believes that a diverse, connected community makes a healthy community, and because of this works to provide a range of housing in its developments. For example, the Kōwhai Ridge development in Massey, Auckland is a joint venture with Ngāti Whātua Orākei. Kōwhai Ridge will add 197 much needed homes to the Auckland housing market. When it is finished, 58 of these will be bought by community housing providers Vision West, Accessible Properties, and CORT. The development models the future of housing on government land on a mixed tenure basis.

Another example of Fletcher Living making a positive impact on communities is through its \$1 million One Central activation programme in Christchurch. Fletcher Living is bringing people back into the central city with exciting community activities including a hammock forest for the public to enjoy a quiet moment to themselves or socialise with others in natural surroundings, and most recently the Instagram-able #chchswing, a pair of giant swings.

Golden Bay Cement and Winstone Aggregates have built a strong relationship with Te Pouwhenua o Tiakiriri Kukupa Trust, which represents the hapu and iwi in the southern Whangarei region. This has been strengthened with a formal relationship agreement, which provides a pathway for the on-going operations of the businesses while also supporting the long-term aspirations of Powhenua.

A standout project for Fletcher Construction South Pacific has been the redevelopment of Gordons Market in Papua New Guinea's capital, Port Moresby. Part of the UN Women's Safe City for Women and Girls programme, the basis for the PGK30 million

design and build project, was to provide a safe and clean working environment for women. The market, which is the Pacific's largest, was opened by New Zealand Prime Minister Jacinda Ardern in December 2018.

Laminex Australia has recently partnered with Habitat for Humanity Australia to help vulnerable families. The team ran a pilot project in Yea, Victoria and there are plans to get involved throughout Australia in the future.

In April 2019, PlaceMakers launched the PlaceMakers Foundation. The foundation plans to make a lasting difference from offering a helping hand to local community groups to bringing major projects to fruition. The first recipient was a three-year old Dunedin boy raising money for much-needed surgery which will allow him to walk. He received the proceeds from the sale of two container homes built by local tradesmen funded by a Working Bee Grant.

PlaceMakers was the principal partner of the prostate cancer national awareness month Blue September for its eighth year in a row bringing the total amount raised to \$2.1 million for this worthy cause. Mico continued its partnership with Make a Wish for a second year delivering and contributing to seven wishes in FY19, and raising over \$35,000 as well as producing additional labour and materials.

As a Group we contribute a significant amount of money, time and resources to a wide variety of causes and projects. The total amount donated to various initiatives and organisations in FY19 was \$2 million on top of the other discretionary donations made by our businesses. Some of the charities we support include Give a Kid a Blanket, Shine, Auckland City Mission, and following the tragic events in Christchurch in March 2019, Fletcher Building donated \$100,000.



#chchswing at Fletcher Living One Central, Christchurch.



CASE STUDY

Women in Science, Tech, Engineering and Mathematics

This year the Fletcher Building careers team ran a first-of-its-kind Women in Science, Technology, Engineering, and Maths evening as part of the University's STEM Careers Expo in May. Five women from manager to new graduate level spoke to around 100 soon-to-be graduates to break down myths and showcase engineering, construction, and IT as great career paths for women. We are aiming to increase the number of female applicants for our graduate and intern programmes. Alongside this, when the graduate recruitment website was redesigned, we intentionally included more videos featuring women. We were pleased to see the number of female applicants for our Graduate Programme increase this year particularly for engineering and IT.

Ofa Halatanu from Brian Perry Civil says she loves the friendly construction site environment where everyone looks out for one another. She believes more women would join the industry if they were encouraged at school.



I discovered engineering late in school, sometimes people just assume girls aren't interested in it. We are once we're exposed to it!

Environment

Fletcher Building recognises its opportunity to make a significant and positive impact on environmental sustainability within our industries. To achieve sustainable building solutions, we are looking at our whole operation as well as how we work with our supply chain.

SUSTAINABLE BUILDING MATERIALS AND CONSTRUCTION

We believe in making sustainable products and being transparent with our customers about our products and their impact.

A number of our businesses have improved the sustainability of their products and operations this year:

- Iplex New Zealand introduced recycled polyethylene into its land drainage pipes, with the potential to reuse more than four million plastic bottles per year.
- Oliveri significantly changed its packaging and have achieved zero waste to landfill. They are rated as “beyond best practice” by the Australian Packaging Covenant Organisation.
- The Construction division is working with its clients and construction partners on sustainability rated projects, including the Pūhoi to Warkworth Expressway, Peka Peka to Ōtaki Expressway and Commercial Bay.

Fletcher Living is committed to creating thriving communities and building healthy homes for its customers. Homes are designed and delivered with sustainable and energy saving features. It is becoming more common for us to include sustainability rated home certifications as part of our developments when partnering with other organisations and agencies.

Within our construction projects and residential developments, we are innovating and looking for opportunities to reduce our environmental impact. This includes managing our impact on natural resources, local habitats and biodiversity, reducing emissions and waste, removing any hazardous materials and managing water use and energy consumption. In the Construction division recent innovations include increasing the use of biofuels

and hybrid machinery for earthworks, which has supported efforts to reduce emissions.

Our innovation and sustainability teams continue to work alongside our businesses to support the development of new or more efficient products and services.

CARBON EMISSIONS

Addressing climate change is one of the biggest challenges we face globally. We recognise that as an organisation we have a part to play in preventing climate change, and for this reason we have committed to achieving a 30% reduction in our Scope 1 (direct) and Scope 2 (indirect) emissions by 2030. The target is in alignment with the Paris Accord and based on maintaining the global temperature rise to well below 2°C.

Our target is currently being verified by the Science Based Targets initiative, a well-recognised international third-party verification body.



Golden Bay Cement.

Pink®Batts® are made from recycled glass and the packaging is also recyclable.



As part of setting this new carbon emissions standard we undertook an external audit of our FY18 carbon emissions data. This included all businesses in New Zealand and Australia.

The review highlighted that carbon emissions had been significantly overestimated in our previous reporting. The errors were principally due to double-counting of some major emission sources. Corrected FY17 and FY18 emissions are included in this report. FY18 emissions for the group were 1,418,093 t CO₂e (1,238,380 t CO₂e excluding the International Division).

We are implementing the internationally recognised standard for greenhouse gas accounting (ISO 14064-1) to report and audit our carbon data.

Our increased emissions from FY17 to FY18 were primarily due to the inclusion of Higgins acquired in FY17 in our reporting and reduced availability of biomass for Golden Bay Cement which caused higher consumption of coal as a fuel.



CASE STUDY

Environmental transparency

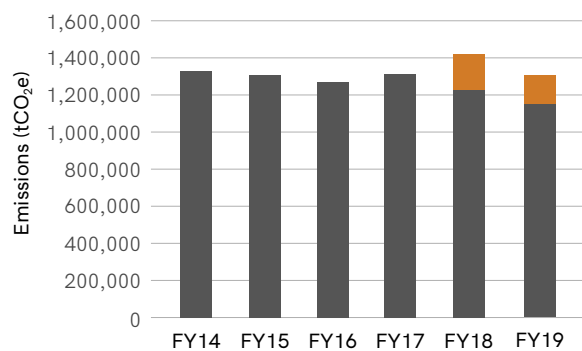
Fletcher Building is making it easier for designers, architects and their customers to understand the environmental performance of our products.

We have now voluntarily published nine Environmental Product Declarations (EPDs), and more than any other company in New Zealand.

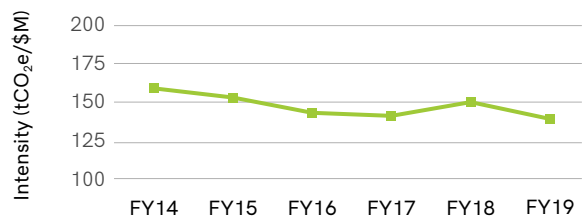
EPDs are leading practice in environmental transparency – they are independently verified documents that detail the environmental impact of a product over its full life cycle.

This year we published EPD's for pre-painted metal products by Pacific Coilcoaters, Pink®Batts® by Tasman Insulation, and cement products by Golden Bay Cement, which are the first EPDs for cement in Australasia.

Combined scope 1 and 2 carbon emissions



■ Emissions excluding Formica and Roof Tile Group
 ■ Formica and Roof Tile Group Emissions



— Emissions intensity

FY19 emissions were 8% lower than FY18, with 1,298,266 t CO₂e being produced (1,146,788 t CO₂e excluding the international division). The decrease was largely due to a production outage at Golden Bay Cement and reduced fuel and energy usage in our Australian businesses.

We expect emissions from Golden Bay Cement to increase in the short term as production returns to normal levels. However, we have a number of emission reduction initiatives planned for FY20 and beyond. Golden Bay Cement is progressing well with its alternative fuels strategy. The project to introduce tyre-derived fuel is on track with plant equipment planned to be installed and commissioned during the first half of the 2020 calendar year.

The project will substitute 20% of Golden Bay Cement's coal use with up to 3.1 million shredded tyres per annum, which is up to half of New Zealand's annual waste tyres, excluding stockpile. It will also reduce Golden Bay Cement's use of iron sand by 5,000 tonnes or 40%.

We have a number of other carbon reduction initiatives planned, including opportunities to use cogeneration energy at Laminex Australia's Gympie site. Tradelink is monitoring and reducing electricity usage at their highest usage branches. Fletcher Steel and our Humes business have developed carbon reduction road maps

and in FY20 all of our business units will be developing reduction plans in line with our carbon targets.

WATER

Water is essential to our operations, and we recognise our responsibility to sustainably manage what we use and discharge.

Many of our businesses incorporate water management systems into their operations, including internal water recycling loops and catchment equipment for harvesting rainwater. Firth, Winstone Aggregates, PlaceMakers and Pacific Coilcoaters have all implemented water management improvements this year. Meanwhile Laminex Australia, has reduced water taken from bores at its Dardanup site from 120,000 kilolitres to 48,000 kilolitres per year.

As part of our construction project planning, we work to preserve natural waterways and make sure that we have extensive erosion and sediment controls in place.

Over the next year we will improve the quantity and quality of data that we collect on water consumption and discharge across the Group. This will enable us to have oversight and focus on further decreasing our water footprint.



Iplex NZ recycled plastic bottles.



30/30

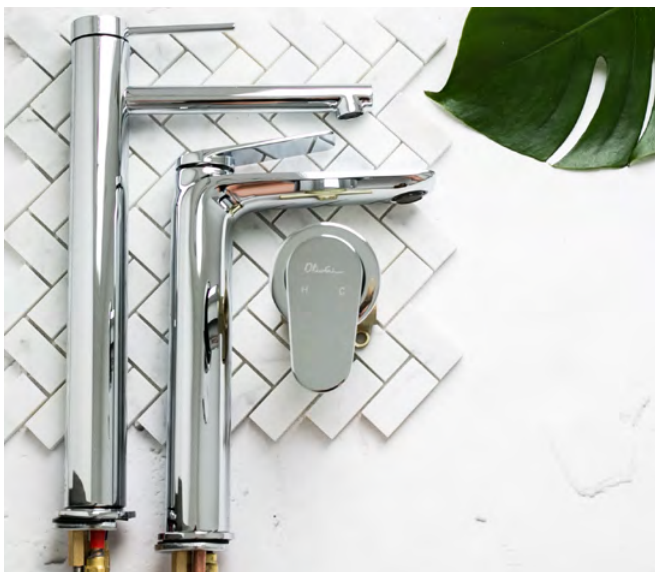
30% reduction of carbon emissions by 2030

WASTE

Waste is an area of increased scrutiny across the business. In FY19, we worked closely with our key waste service providers to improve our data and performance. Through better understanding of our waste footprint we can develop specific waste reduction strategies. We are looking at circular economy principles to find ways we can use waste from one process or business as an input in to another. Some of our businesses have already achieved a significant reduction in waste to landfill, for example, Fletcher Living, which is currently on target to divert over 70% of its waste. Oliveri and Iplex NZ stand out for having achieved zero waste to landfill. Fletcher Building's target is to divert more than 30% of our waste from landfill by FY23.

LAND AND BIODIVERSITY

Maintaining and protecting local habitats and biodiversity is important to us, our clients and our communities. From protecting native bats, snails and birds to restoring wetlands and tree planting, our teams continue to ensure conservation is at the heart of what we do.



Oliveri.



Dotterel eggs



CASE STUDY

Protecting our endangered birds

When Fletcher Living's Health and Safety Manager, spotted a few small birds on their Hobsonville Point development site during a pre-construction walk, she set in flight a process that has led Fletcher Living to help save New Zealand's endangered North Island dotterel population.

Dotterels nest in open sites, typically sand or gravel banks and sandbars close to beaches and lagoons. The Fletcher Living site ticked all the boxes for a great nesting location.

Not wanting to take any chances with a protected national taonga, Fletcher Living paired up with ecologists and the Department of Conservation to safeguard the birds while enabling work to continue on adjacent areas of the site.



Together we carried out comprehensive grid searches to find and protect all the nests. Then exclusion zones were established around the nests, complete with fencing and signage that made it easy for workers to identify and avoid the dotterels.

– Project Manager Ross Kendrick.

Deterrent measures were also put in place to encourage the dotterels to take up residence in a safer, more remote area of the site.

The dotterels have so far raised five chicks from a cordoned off area of the site.

Group Performance

Reported results	Year ended June 2019 NZ\$M	Year ended June 2018 NZ\$M	Change %
Total revenue	9,307	9,471	(2%)
EBIT before significant items ⁽¹⁾	631	50	NM
Significant items ⁽²⁾	(234)	(168)	39%
EBIT	397	(118)	NM
Funding costs	(118)	(157)	25%
Earnings/(loss) before tax	279	(275)	NM
Tax (expense)/benefit	(102)	96	NM
Earnings/(loss) after tax	177	(179)	NM
Non-controlling interests	(13)	(11)	(18%)
Net earnings/(loss)	164	(190)	NM
Basic earnings per share (cents)	19.2	(25.5)	NM
Basic earnings per share before significant items (cents)	43.0	(8.1)	NM
Dividends declared per share (cents)	23.0	0.0	23.0
Cash flows from operating activities	153	396	(61%)
Capital expenditure	348	304	14%

Revenue	Year ended June 2019 NZ\$M	Year ended June 2018 NZ\$M	Change %
Building Products	759	764	(1%)
Distribution	1,596	1,530	4%
Steel	555	532	4%
Concrete	802	812	(1%)
Residential and Development	639	575	11%
Construction	1,702	1,685	1%
Australia	3,024	3,076	(2%)
Other	11	8	38%
Continuing operations	9,088	8,982	1%
Discontinued operations	1,019	1,285	(21%)
Less: intercompany revenue	(800)	(796)	1%
Group external revenue	9,307	9,471	(2%)

⁽¹⁾ Measures before significant items (and B+I) are non-GAAP measures used by management to assess the performance of the Group and has been derived from Fletcher Building Limited's financial statements for the year ended 30 June 2019.

⁽²⁾ Significant items relate principally to losses recognised on disposal of businesses during the year and restructuring charges recognised. Further details of significant items can be found in note 2 of the financial statements.



Building Products

EBIT* 2019

\$127m

EBIT 2018 \$132m ↘ 4%



Distribution

EBIT 2019

\$104m

EBIT* 2018 \$104m ⇐ 0%



Steel

EBIT 2019

\$33m

EBIT* 2018 \$49m ↘ 33%



Concrete

EBIT 2019

\$84m

EBIT* 2018 \$90m ↘ 7%



Residential and Development

EBIT 2019

\$137m

EBIT 2018 \$136m ↗ 1%



Construction

EBIT 2019

\$47m

EBIT* 2018 \$52m ↘ 10%



Australia

EBIT* 2019

\$57m

EBIT* 2018 \$114m ↘ 50%

* Before significant items.

* Before significant items and the impact of the B+I business unit.

	Reported operating earnings			Operating earnings before significant items and B+I		
	Year ended June 2019 NZ\$m	Year ended June 2018 NZ\$m	Change %	Year ended June 2019 NZ\$m	Year ended June 2018 NZ\$m	Change %
Building Products	117	132	(11%)	127	132	(4%)
Distribution	104	101	3%	104	104	0%
Steel	33	41	(20%)	33	49	(33%)
Concrete	84	73	15%	84	90	(7%)
Residential and Development	137	136	1%	137	136	1%
Construction	47	(613)	NM	47	52	(10%)
Australia	(21)	65	(134%)	57	114	(50%)
Corporate	(46)	(111)	59%	(40)	(45)	11%
Continuing operations	455	(176)	NM	549	632	(13%)
Formica and Roof Tile Group	(58)	8	NM	82	65	26%
Divested businesses		50	(100%)		13	(100%)
Total	397	(118)	NM	631	710	(11%)
Funding costs	(118)	(157)	25%	(118)	(157)	25%
Earnings/(loss) before tax	279	(275)	NM	513	553	(7%)
Tax (expense)/benefit	(102)	96	NM	(133)	(127)	(5%)
Earnings/(loss) after tax	177	(179)	NM	380	426	(11%)
Non-controlling interests	(13)	(11)	(18%)	(13)	(11)	(18%)
Net earnings/(loss)	164	(190)	NM	367	415	(12%)

Group Overview

External revenue of \$9,307 million was \$164 million or 2% lower than the prior year, and excluding B+I revenue was 1% higher than the prior period. Operating earnings before significant items were \$631 million and were within the Group's guidance range of \$620 - \$650 million.

This compares to \$710 million in the prior year which excluded the Building + Interiors (B+I) business unit losses and included a full year of trading for the Formica and Roof Tile Group (RTG) businesses. The Group returned to profit in FY19 with net earnings of \$164 million compared to a loss of \$190 million in the prior year.

In the New Zealand businesses, gross revenue (excluding B+I) grew by 3%, while operating earnings (excluding B+I) before significant items declined by \$31 million or 6% compared to the prior year. Market activity levels were generally steady compared to the prior period, with businesses benefiting from the ongoing strong residential consents, especially in Auckland. Notwithstanding the strong activity levels, the New Zealand market remained highly competitive across all sectors.

- The distribution and materials divisions (Building Products, Distribution, Steel, and Concrete) recorded revenue in line with the prior year, while operating earnings declined by 7% or \$27 million. The reduction in EBIT was primarily due to challenging trading conditions in the Steel business (\$16 million impact), a mill outage in Golden Bay Cement (\$7 million impact), and higher depreciation compared to the prior period (\$5 million impact). Outside of these factors, business unit earnings were generally stable or slightly higher compared to the prior period. The Building Products businesses maintained their strong market positions, though continued to experience some pressure on margins as sustained high input costs were not able to be fully recovered. Distribution volumes benefited from the elevated market backdrop and we continued to drive improvements to the customer experience, rolling out our digital mobility tools to all of our PlaceMakers branches. In Concrete, Winstone Aggregates produced a very strong result (30% increase in EBIT) as large infrastructure projects sustained the demand for aggregates and quarry operating efficiency improved.
- The Residential and Development division delivered earnings 1% higher than the prior period. The housing business continued its strong growth with house sales rising to 755 units. Margins remained stable across most housing typologies, however a higher proportion of units were sold in Christchurch resulting in a lower overall margin and earnings in line with the prior year. Land Development sales mainly from Wiri were completed faster than expected, resulting in a strong EBIT of \$56 million for the year.
- The Construction division grew revenue by 1% as a decrease from the continued wind down of the B+I legacy projects was offset

by strong activity levels across the rest of the division. Operating earnings for the division declined by \$5 million or 10% (excluding B+I) reflecting lower margin in the Major Projects and Brian Perry businesses, while Higgins continued to perform well. There was no change to the B+I provisions booked in February 2018.

In Australia, gross revenue declined by 2% and operating earnings before significant items declined by \$57 million or 50% compared to the prior year. Performance was impacted by a combination of a sharp decline in the residential market, which resulted in lower volumes and heightened competitive intensity in businesses exposed to that sector (especially Laminex and Stramit) and gross margin compression in all businesses, as increased input costs (e.g. resin, fuel, steel) were exacerbated further by a depreciating AUD/USD currency (\$23 million EBIT impact). The division made decisive intervention to reset and strengthen the Australian business units. By year end, over 60% of the identified initiatives aimed at overhead cost savings and consolidating operations were implemented.

The Group completed the sale of the Formica business in June 2019 and the sale of the RTG business in November 2018. Net proceeds from the transactions totalled \$1.25 billion and were delivered ahead of schedule, completing an important leg of the Group's strategy announced in June 2018.

Significant items of \$234 million for the year included the loss on sale for the International businesses of \$140 million, and other restructuring charges of \$94 million primarily related to the Australia reset.

Funding costs for the year decreased by 25% to \$118 million, resulting from lower debt levels and cessation of additional interest charges in March 2019. The tax expense of \$102 million compared to a tax benefit of \$96 million in the prior year, which reflected the impact of the B+I loss provisions recognised in FY18.

Basic earnings per share were 19.2 cents compared with (25.5) cents per share in the prior year. Adjusting for the impact of significant items, earnings per share were 43.0 cents compared with (8.1) cents per share in the prior year.

GROUP CASH FLOW

Cash flows from operating activities of \$153 million were \$243 million lower than the prior year.

Excluding B+I and the International businesses which were divested during the year, trading cash flows from continuing operations were \$552 million, which was \$251 million lower than the prior year. This was due to the following factors:

- Reduced earnings, primarily in the Australia and Steel divisions;
- Increased creditor payments in the materials and distribution businesses, which had been expected and reflects the unwind of high creditor balances held as at June 2018;

Cash flow (NZ\$m) for the year ended	June 2019	June 2018	Change
EBIT from continuing operations before significant items	549	631	(82)
Depreciation and amortisation	174	170	4
Provisions, significant items and other	(65)	(47)	(18)
Trading cash flow before working capital movements	658	754	(96)
Residential and Development	(27)	(28)	1
Construction	(16)	35	(51)
Other divisions:			
- Debtors	28	(20)	48
- Inventories	(54)	(54)	
- Creditors	(37)	116	(153)
Working capital movements	(106)	49	(155)
Trading cash flow from continuing operations	552	803	(251)
Discontinued operations	14	121	(107)
B+I	(257)	(285)	28
Trading cash flow	309	639	(330)
Less: cash tax paid	(28)	(85)	57
Less: interest paid	(128)	(158)	30
Cash flows from operating activities	153	396	(243)
Free cash flow from continuing operations	254	494	(240)

- Lower cash flows in Construction (ex-B+I), due to timing of cash receipts in Higgins and South Pacific, and advance project payments received in the prior period in Major Projects.

The trading cash flow impacts above were offset to a degree by a favourable movement in debtors: a cash inflow of \$28 million in FY19 compared to a cash outflow of \$20 million in the prior year.

The ongoing cost of completing the legacy B+I projects resulted in a cash outflow of \$257 million in FY19 compared to an outflow of \$285 million in the prior year.

Cash generation improved materially in the second half of the financial year, with trading cash flow from continuing operations of \$516 million compared to \$36 million outflows in the first half. This was driven particularly by improved performance in working capital in the materials and distribution businesses, with a cash inflow of \$140 million in the second half compared to a cash outflow of \$203 million in the first half.

Capital expenditure for the Group was \$348 million, compared with \$304 million in the prior year. Of this total, \$285 million was for the Group's continuing operations and was at the lower end of the FY19 capex guidance of \$275 million to \$325 million.

FUNDING

Total available funding as at 30 June 2019 was \$2,257 million. Of this, \$667 million was undrawn and there was an additional \$1,372 million of cash on hand.

The Group's gearing at 30 June 2019 was 7.2% compared with 23.5% at 30 June 2018.

The Group's leverage ratio (net debt/EBITDA) at 30 June 2019 was 0.4 times compared with 4.8 times at 30 June 2018. Leverage at 30 June 2019 excluding B+I was 0.4 times compared with 1.4 times at 30 June 2018.

The average maturity of the Group's debt at 30 June 2019 is 4 years and the hedged currency split is 40% Australian dollar; 56% New Zealand dollar; 3% US dollar; and 1% spread over various other currencies.

Approximately 56% of all borrowings have fixed interest rates with an average duration of 2.9 years. Inclusive of floating rate borrowings, the average interest rate on the debt (based on period end borrowings) is 5.0%. Interest rates reflect the removal of the additional interest charges arising from the debt covenant breach in 2018.

DIVIDEND

The 2019 final dividend is 15 cents per share, bringing the total dividend for 2019 to 23 cents per share. In line with the Group's tax crediting policy, the Group targets to impute and frank at least the final dividend subject to available tax credits. The final dividend will be unimputed and unfranked for tax purposes.

The final dividend will be paid on Thursday 19 September 2019 to holders registered as at 5.00 pm (NZ time) on Thursday 29 August 2019. The shares will be quoted on an ex-dividend basis from Wednesday 28 August 2019 on the NZX and ASX. The Dividend Reinvestment Plan will not be operative for this dividend payment.

OUTLOOK

New Zealand – activity in the residential sector in FY20 is expected to decrease slightly compared to the current year, driven by an easing in the level of new residential consents but continued strength in the Auckland region. Activity levels in the commercial and infrastructure sectors are also expected to remain broadly stable, though with a changing mix as previous spend in major roading shifts to road safety, water, and rail.

Australia – residential activity is expected to continue to contract, however, the market environment remains uncertain. Commercial activity and East Coast infrastructure is expected to remain broadly flat with an established project pipeline.

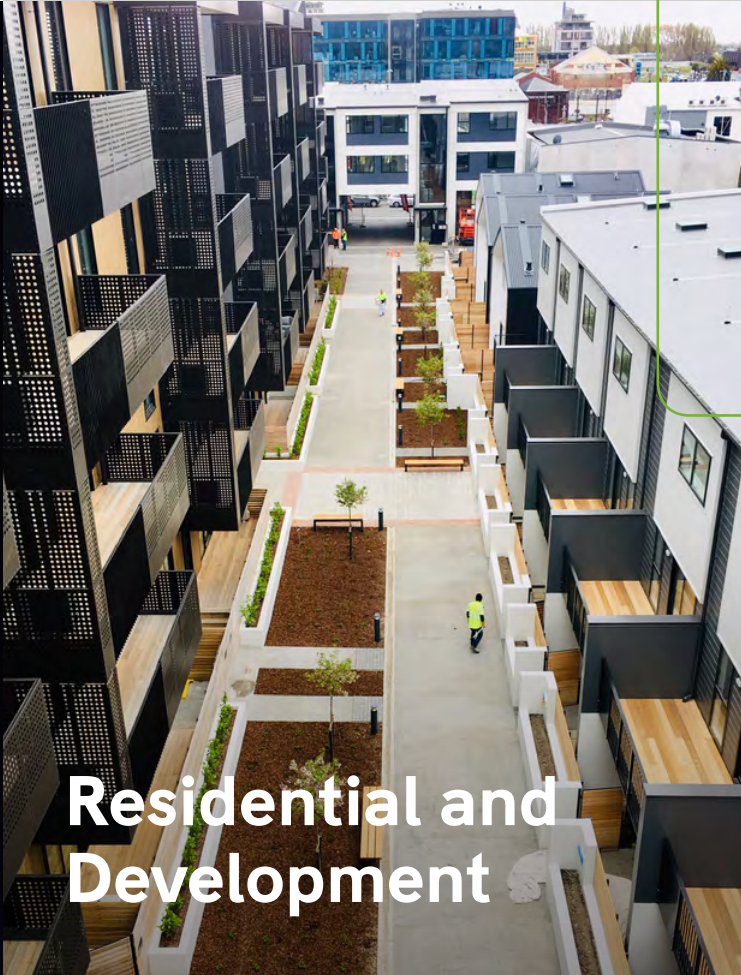
Divisions



Building Products



Concrete



Residential and Development



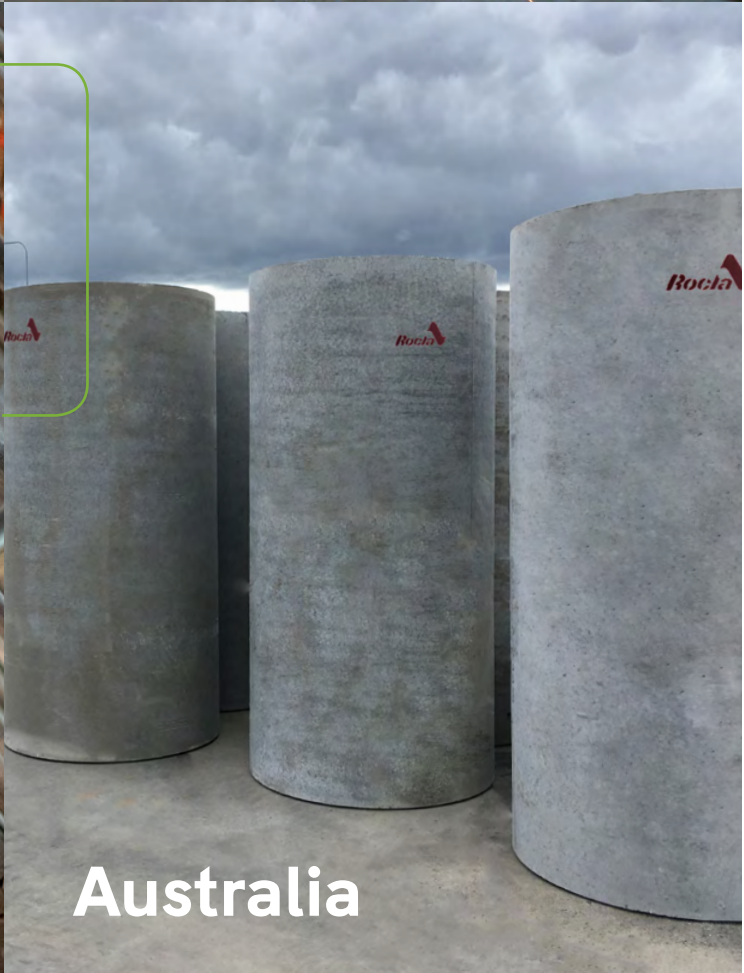
Distribution



Steel



Construction



Australia

Building Products

Winstone Wallboards | Laminex New Zealand | Tasman Insulation
Humes | Iplex New Zealand | CSP Pacific

DIVISIONAL PERFORMANCE OVERVIEW

The Building Products division reported gross revenue of \$759 million, which was 1% lower than the prior year. Operating earnings before significant items were \$127 million, a decrease of \$5 million or 4% compared to the prior year, however, second half earnings were up by 3%.

Revenue performance across the division reflected supportive conditions in the residential sector, offset to a degree by lower infrastructure and rural activity, which impacted the pipelines businesses as one-off projects were not repeated. Winstone Wallboards and Tasman Insulation delivered solid revenue growth of 7% and 5% respectively, supported by record production volumes.

All business units continue to focus on expanding their product offerings. Highlights during the year included the launch of a new rigid air barrier Weatherline® by Winstone Wallboards, product range expansions and refreshes by Laminex NZ and double-digit growth in the plumbing and electrical segments by Iplex NZ.

Operating earnings increased in Winstone Wallboards and Tasman Insulation compared to the prior year, however this was more than offset elsewhere in the division due to lower pipelines project activity and input cost pressures. The cost pressures were seen in higher energy costs – electricity, fuel and gas – and materials costs, especially resin. While some of these were able to be passed on, market competition restricted the full recovery of these costs.

In Humes, performance also reflected challenges identified during the deployment of a new ERP system in the prior year. The business has undergone a significant reorganisation to streamline its processes and establish a good base moving forward. Significant items of \$10 million were recorded in the current period relating to costs associated with this restructuring.

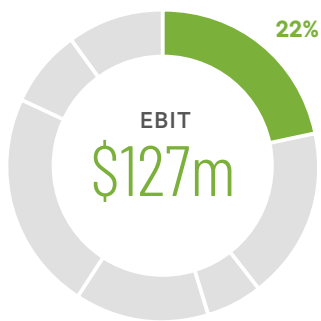
Trading cash flow of \$142 million was consistent with the prior year. This reflected an increase in inventory holdings by Winstone Wallboards to meet current demand levels and in preparation for transitioning to a new plant, while receivables continued to be well controlled with a 1.6 day reduction in debtor days achieved through the year.

Capital expenditure in the year was \$37 million compared to the prior year spend of \$19 million. Key initiatives included Iplex NZ's purchase of a mobile extrusion plant for polyethylene (PE) pipe manufacturing in the South Island, and investments in digital customer platforms that went live during the year.

FUTURE FOCUS

The Building Products division's focus for the next 12 months will be on four key areas. Firstly, organic growth through adjacencies and product innovation, secondly, an efficient operating model, thirdly, enhanced pricing disciplines and finally, improved customer experience. Key drivers of growth for FY20 include Winstone Wallboard's new Weatherline® products, Iplex's superior performance PVC-O range and a further refreshed décor range in our laminated products. We continue to invest in ensuring our manufacturing facilities are the most efficient in the market. This includes the construction of a new Winstone Wallboards facility, New Zealand's first mobile PE extrusion plant which can be relocated on site for large pipeline projects and increased automation in our insulation facility. Our customer experience will receive renewed focus over the coming year to ensure that our customers continue to see the benefits of improved DIFOT, enhanced digital systems and a more seamless transaction process.





% of Group EBIT

Building Products Financial Summary

Year ended 30 June	2019 NZ\$m	2018 NZ\$m	Change NZ\$m	Change %
Gross revenue	759	764	(5)	(1%)
External revenue	587	613	(26)	(4%)
EBIT	127*	132	(5)	(4%)
Funds	503	494	9	2%
Trading cash flow	142	142		0%

* Before significant items.



Distribution

PlaceMakers | Mico | Forman Building Systems | Snappy

DIVISIONAL PERFORMANCE OVERVIEW

The Distribution division reported gross revenue of \$1,596 million, which was 4% higher than the prior year. Operating earnings were \$104 million, consistent with the prior year.

Solid revenue growth in both PlaceMakers and Mico continued to be supported by the Auckland market, with the Waikato and Bay of Plenty regions returning to growth in the second half. However, the Christchurch market remains soft. The division continued to expand its branch network to establish a greater market presence, with a new PlaceMakers branch in Rotorua following the purchase of a local competitor, while Mico opened a new branch in Motueka.

Operating earnings were in line with the prior year despite the growth in revenue, reflecting the combination of a highly competitive market and upward pressure on labour costs, which increased ahead of inflation. The division continues to defend margins and this will continue to be a major focus looking forward.

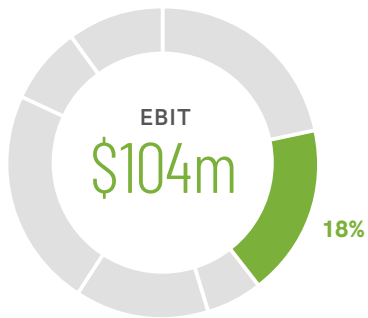
Trading cash flow of \$98 million was \$14 million lower than the prior year. This was primarily due to lower than expected customer receipts through the year-end. Working capital remains well controlled. However, with inventory days in line with the prior year and debtor days improving by 0.8 days.

Capital expenditure in the year was \$23 million, compared to \$20 million in the prior period. The division continued its program of upgrades to branches and showrooms, with the PlaceMakers Waiheke, Oamaru and Kaiwharawhara branches all undergoing significant upgrades. The division also continues to invest in digital innovation to streamline customer facing processes through use of technology on handheld devices. In addition, a new transportation management system is using technology to transform delivery capability and enable efficiencies through optimised delivery routing and load sizes. A new head office ERP system in PlaceMakers was also successfully implemented during the year.



FUTURE FOCUS

Looking ahead to FY20, the division is continuing to focus on investment in e-commerce and digital capability to create an enhanced customer experience. Following the successful PlaceMakers implementation during FY19, Mico will complete a similar head office ERP upgrade during FY20. The investment in branch and showroom upgrades will continue, and the division will also explore opportunities to further increase its network footprint and category reach.



% of Group EBIT

Distribution
Financial Summary

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change NZ\$M	Change %
Gross revenue	1,596	1,530	66	4%
External revenue	1,552	1,490	62	4%
EBIT	104	104*		0%
Funds	300	264	36	14%
Trading cash flow	98	112	(14)	(13%)

* Before significant items.



Steel

Easysteel (including Dimond Structural and Dimond Roofing)

Pacific Coilcoaters | Fletcher Reinforcing

DIVISIONAL PERFORMANCE OVERVIEW

The Steel division reported gross revenue of \$555 million, 4% higher than the prior year. Operating earnings were \$33 million, a decrease of \$16 million or 33% compared to the prior year.

Increased revenue reflected continued strength in the residential market, driving higher volumes in Easysteel roofing sales and steady domestic growth of Colorcote products in Pacific Coilcoaters. The division also continued to build market share on strong customer service performance. Offsetting these gains were subdued activity in the manufacturing and rural sectors and lower project activity in Fletcher Reinforcing, where bids were not submitted for some tenders due to higher risk profiles.

Lower operating earnings for the division reflected a combination of an intensely competitive trading environment, rising global steel prices and increases in a number of other input costs such as energy, transport, and labour. Margins in EasySteel and Pacific Coilcoaters were particularly impacted as higher costs could not be recovered in the competitive market environment.

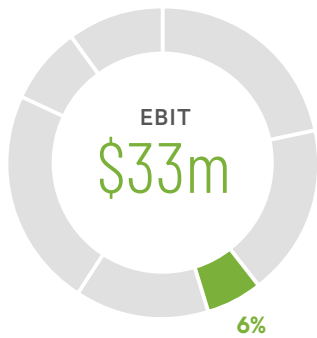
Trading cash flows for the year of \$15 million were \$40 million lower than the prior year. The key contributors to this reduction were the lower earnings of \$16 million and increased investment in inventory of \$18 million. The higher inventory balance reflected two factors: the division's strategy to increase dual supply of raw materials, with imported supply having longer lead times; and the increase in steel input prices.

Capital expenditure in the year was \$18 million, compared to \$14 million in the prior period. Key investments included 'ARMA+' a new ERP system for Fletcher Reinforcing, upgraded roll-forming capacity in Dimond, and safety improvements and crane replacements across all business units.

FUTURE FOCUS

The Steel division's focus for the next 12 months will be on three key areas: best in class customer service; launching innovative new steel-based systems to market; and growing our share in special steels and speciality cladding products. We continue to improve our customer experience to stay ahead of the competition including improvements in product availability (DIFOTIS and lead times), speed of quote and traceability of our products. Our focus on innovation and new product development over recent years is starting to materialise with numerous new products being ready to come to market in the early stages of FY20 including a post tensioned steel solution for vertical construction.





% of Group EBIT

Steel
Financial Summary

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change NZ\$M	Change %
Gross revenue	555	532	23	4%
External revenue	426	411	15	4%
EBIT	33	49*	(16)	(33%)
Funds	220	184	36	20%
Trading cash flow	15	55	(40)	(73%)

* Before significant items.



Concrete

Winstone Aggregates | Golden Bay Cement | Firth Industries

DIVISIONAL PERFORMANCE OVERVIEW

The Concrete division reported gross revenue of \$802 million, 1% lower than the prior year. Operating earnings were \$84 million, a decrease of \$6 million or 7% compared to the prior year. When adjusted for the impact of the cement mill outage, operating earnings improved by 1%.

Winstone Aggregates had a very strong year with quarry revenue up 12%, driven by improved pricing and an 8% increase in aggregate sales volumes as major roading projects lifted demand. The acquisition of the Tamahere quarry in the Waikato region was completed in March 2019, with quarry operations now fully integrated into the division, and reflecting the continued investment in future resource.

In Golden Bay Cement, revenue was consistent with the prior year when adjusted for the cement mill outage at the Portland manufacturing facility in September 2018. Revenue continued to be underpinned by consistent domestic demand and positive price achievements. The business continued to improve the extent and robustness of the cement supply chain during the year as coastal shipping deliveries extended to New Plymouth, and additional barge capacity was introduced between Portland and Auckland.

In Firth, ready-mix volumes were steady nationally, though there was variation by region with continued growth in Auckland offset by a decline in Canterbury as some significant infrastructure projects were completed. Overall, a positive lift in sales price was achieved across the year. The new Auckland Airport precinct ready-mix plant has been fully commissioned lifting the capacity of the Auckland network and provides a well-positioned location to service the region.

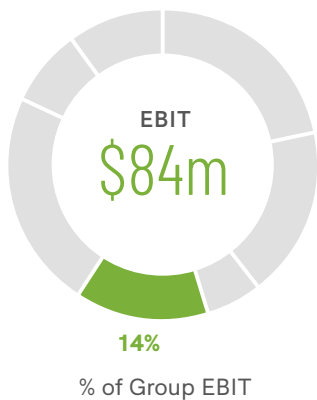
Operating earnings for the division were impacted by the \$7 million cost of the cement mill outage. The strong volume and price performance in Winstone Aggregates lifted earnings for this business by 30% over the prior year. Cement earnings (adjusted for mill outage costs) were 2% higher than the prior year, with increased coal costs of \$3 million offset by supply chain savings and improved pricing. Firth earnings from masonry grew by

14% as the Hunua block plant favourably impacted manufacturing efficiencies and further benefits were accrued from the refined manufacturing footprint. This was offset by a decrease in ready-mix earnings of 12% on the prior year as higher energy, labour and distribution costs were not able to be fully recovered by price increases.

Trading cash flow for the division of \$136 million increased from \$128 million in the prior year, with improvements in working capital offsetting the reduced earnings.

Capital expenditure for the division of \$65 million was broadly in line with the prior year. Investment was particularly focused on aggregates, as the division invested in developing quarry resource to meet projected demand, and purchased replacement heavy mobile equipment to maintain quarry efficiencies and capability. Firth continued its program of ready-mix truck replacement, and commissioned a new ready-mix plant at Auckland Airport. Golden Bay Cement spend focused on silo capacity and cement mill resilience at the Portland facility, as well as the implementation of the new cement barge service to Auckland to drive supply chain efficiency.





Concrete Financial Summary

Year ended 30 June	2019 NZ\$m	2018 NZ\$m	Change NZ\$m	Change %
Gross revenue	802	812	(10)	(1%)
External revenue	549	545	4	1%
EBIT	84	90*	(6)	(7%)
Funds	656	628	28	4%
Trading cash flow	136	128	8	6%

* Before significant items.



FUTURE FOCUS

The division's focus for FY20 will be on projects to further bolster long term capability, reduce carbon emissions, improve customer service experience – especially through digital connectivity – and ensure cost competitive manufacturing and supply chain positions.

Firth will continue to invest in new trucks, rejuvenation of current plants, and growth through investment in new fixed and mobile plant locations. New product development in masonry will include a more environmentally-friendly honing plant for enhanced surface finishes.

Golden Bay Cement will continue to work on cost reduction initiatives, particularly in supply chain logistics. Tyre Derived Fuel, a project in conjunction with Ministry for the Environment, will be completed in the second half of FY20 enabling material cost improvements and reduction in carbon emissions. The key product development initiative is to develop a low carbon and sustainable cementitious material which will reduce the carbon footprint for concrete.

Winstone Aggregates will continue to invest in quarry capacity to ensure long term sustainable resource extraction and earnings, and will focus on building out capabilities to meet the demands of large project opportunities.

Residential and Development

Residential | Land Development | Panelisation

DIVISIONAL PERFORMANCE OVERVIEW

The Residential and Development division reported revenue of \$639 million, an increase of 11% compared to the prior year. Operating earnings grew by 1% to \$137 million an increase of \$1 million over the prior year. The Group adopted NZ IFRS 15 Revenue from Contracts with Customers during the year, which affected the recognition of revenue from sale of houses and the comparison of results over the prior year. Adjusting the comparative period for the new accounting policies, the current year EBIT was 6% higher than the prior year.

The Residential business grew revenue by 13% to \$526 million in FY19. Total house sales volumes increased by 6% to 755 units, compared to 714 in the prior year. When section sales are excluded, 735 dwellings were sold during the year compared to 613 in the prior year (527 dwellings when adjusted for the impact of NZ IFRS 15).

Auckland house sales continued to be a strong driver of revenue growth in FY19. Good demand remains in the \$600,000 - \$900,000 range, which is the focus for the business. Sales in higher price points have been steady, though the time taken to settle these houses has on average been longer due to purchasers usually having to sell their current homes first. Christchurch had a good year with strong sales at the Atlas Quarter and Awatea developments, and made the first sales in One Central, which is the focus for future development in this market.

Residential earnings of \$84 million were 1% lower than last year. Margins remained stable across most housing typologies, however a higher proportion of units were sold in Christchurch resulting in a lower overall margin mix.

Land Development had continued success in realising value from assets surplus to Group requirements, especially at the Wiri development in South Auckland, which proceeded ahead of expectations. This was the key driver of Land Development revenue of \$113 million, which was 5% higher than the prior year, and a 10% increase in operating earnings to \$56 million.

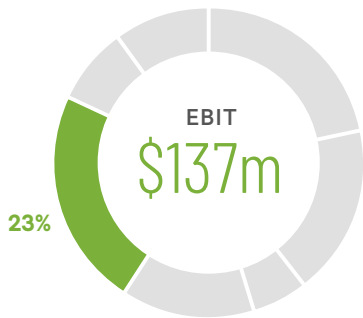
The newly created Panelisation business reported an operating loss of \$3 million, as it established a new factory, installed new

equipment, and recruited operating staff. The plant is targeting to produce the first panels in the first half of FY20.

Trading cash flow for the division was \$95 million compared to \$109 million in the prior year. Residential cash flow increased from an outflow of \$10 million in FY18 to an inflow of \$55 million in the current period, in line with a target of moving to 100% conversion of earnings to cash. In Land Development, trading cash flow of \$41 million was lower than the \$120 million delivered last year, mainly due to the deferred settlement of approximately \$50 million for one of the lots sold at Wiri.

Divisional funds employed increased to \$651 million at 30 June 2019 from \$604 million at 30 June 2018. This included \$145 million of lot purchases and \$40 million of costs to develop residential land. The current funds balance includes 3,687 residential lots for further development or sale. In addition, the business has a further 1,735 units under unconditional agreements to be delivered over the next five years.





% of Group EBIT

Residential and Development Financial Summary

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change NZ\$M	Change %
Gross revenue	639	575	64	11%
External revenue	639	575	64	11%
EBIT	137	136	1	1%
Funds	651	604	47	8%
Trading cash flow	95	109	(14)	(13%)

Residential and Development EBIT

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change %
Residential	84	85	(1%)
Land Development	56	51	10%
Panelisation	(3)		NM
Total	137	136	1%



FUTURE FOCUS

Looking ahead, the division will continue to scale its housing business, with a number of new developments across Auckland including sites at Te Atatu, Tamaki and Karaka. There is also work being undertaken to assess investment in additional land to the north-west and south of Auckland. The new panelisation plant will commence manufacturing panels for the Fletcher Living business in the first half of FY20, supporting the increase in the volumes of homes constructed during the coming year. The Land Development business will continue to develop sites surplus to the Group's requirements, targeting approximately \$25 million per annum earnings in the medium term.

Construction

Major Projects | Building + Interiors (B+I)
South Pacific | Brian Perry Civil | Higgins

DIVISIONAL PERFORMANCE OVERVIEW

The Construction division reported gross revenue of \$1,702 million, 1% higher than the prior year. The division returned to profitability for the year with operating earnings of \$47 million compared to a loss of \$608 million in the prior year (a profit of \$52 million when excluding the B+I loss of \$660 million in FY18).

Increased revenue for the division was reflected by strong revenue growth in the Major Projects and Brian Perry Civil businesses, offset by lower revenues from the ongoing completion of the B+I legacy projects. The completion of the B+I legacy projects remains within the project provisions announced in February 2018. Of the 16 key projects, ten were completed by the date of this report, four are on track to be completed by 31 December 2019, with the last two to be completed in calendar 2020. In June 2019 the Group confirmed its intention to recommence focused bidding in the vertical construction market.

At 30 June 2019 the backlog of work for the division (being the value of contracted work awarded but not completed) was \$1,445 million, compared with \$1,784 million in June 2018 and \$1,600 million in December 2018. B+I backlog decreased by \$485 million. The Major Projects business was successful in its bid for the Northern Interceptor project for Watercare, while Higgins, South Pacific and Brian Perry Civil continue to have good success with project wins in New Zealand and Fiji and go into the FY20 year with good work in hand volumes.

Operating earnings for the division were \$47 million. The result was underpinned by Higgins, which delivered earnings of \$36 million. While this was a \$6 million decrease on the prior year, due to the completion of several high-margin projects in Fiji and in New Zealand, the outlook for the business remains strong. In aggregate, the Major Projects, Brian Perry Civil and South Pacific businesses reported earnings in line with the prior year.

Trading cash flow for the division for the year was an outflow of \$210 million compared to an outflow of \$172 million in the prior year. Cash outflows in the B+I business were \$257 million in the current year, compared to \$285 million in the prior year. Excluding the B+I business, trading cash flow for the division was an inflow of \$47 million, which was lower than the inflow of \$113 million recorded in

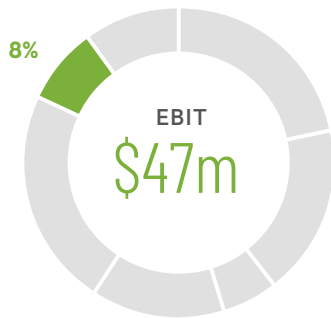
FY18 as a result of the unwind of advance payments on several large roading contracts.

The division invested \$31 million in capital expenditure in FY19, consistent with the prior year. The focus of investment continues to be in the manufacture and supply of bituminous products in Higgins and in plant for foundations in Brian Perry Civil.

FUTURE FOCUS

Looking ahead, the division will build off the stabilised base that has been established in FY19. With a refreshed leadership team in place, the priorities will be to: complete the remaining legacy B+I projects within current provisions; leverage a strengthened set of project and risk management capabilities in winning and delivering new work effectively; and bring innovative solutions to bear for key customers. The division is well-placed to benefit from a significant pipeline of transport, water and commercial infrastructure that is planned in New Zealand in the coming years.





% of Group EBIT



Construction Financial Summary

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change NZ\$M	Change %
Gross revenue	1,702	1,685	17	1%
External revenue	1,622	1,605	17	1%
EBIT	47	(608)*	655	NM
Funds	48	(238)	286	NM
Trading cash flow	(210)	(172)	(38)	(22%)

Construction EBIT*

Year ended 30 June	2019 NZ\$M	2018 NZ\$M	Change %
Higgins	36	42	(14%)
Infrastructure, South Pacific, Brian Perry Civil	11	10	10%
	47	52	10%
B+I		(660)	NM
Total	47	(608)	NM

* Before significant items.



Australia

Building Products Australia: Laminex Australia | Iplex Australia | Rocla | Fletcher Insulation

Distribution Australia: Tradelink | Oliveri Solutions

Steel Australia: Stramit

DIVISIONAL PERFORMANCE OVERVIEW

The Australia division reported gross revenue of \$3,024 million compared with \$3,076 million in the prior year, a decrease of 2%. Operating earnings before significant items were \$57 million, a decrease of \$57 million or 50% compared to the prior year.

Overall performance in the division was well below expectations, impacted by the sharp decline in the residential market with commencements down approximately 20% on the prior year. This resulted in lower volumes and heightened competitive intensity in the higher margin and more residential exposed businesses, especially Laminex and Stramit. In addition, gross margin compression was experienced in most businesses, as increased input costs such as resin, fuel and steel could not be recovered in price in this environment. The increased costs were further exacerbated by a depreciating AUD/USD currency resulting in a \$23 million earnings impact compared to the prior year.

As part of our plans to grow our Australian businesses and in light of the sharp residential market decline, we carried out a comprehensive review and decisive intervention to reset and strengthen the division in FY19. As a result we are now executing: (1) clear business unit priorities, (2) a cost-out programme, (3) targeted growth investment and (4) talent refresh. The program targets \$100 million of gross EBIT benefits by FY21, with around \$15 million of net EBIT benefit in FY20 and \$50 million in FY21. The programme delivered \$15 million of gross benefits in FY19. During the year we took decisive action, including closing a number of sites, consolidating properties, restructuring sales and other teams, and the Iplex and Rocla businesses were merged.

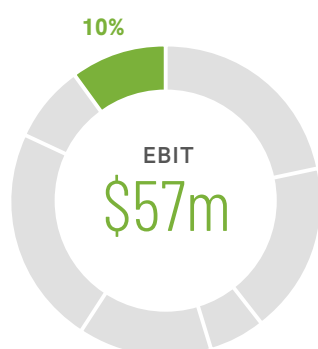
Building Products Australia gross revenue declined by 2% in FY19 and operating earnings before significant items decreased to \$40 million compared to \$76 million in the prior year. This reduction was due mainly to the Laminex business, where revenue declined 6% and Laminex earnings were impacted by a reduction in margins associated with increased competition in a declining residential market; increased raw material input costs; and one-off costs associated with industrial action in September to October. Revenue in the pipelines businesses increased as the civil infrastructure market experienced continued growth, however, foreign exchange rates and increased raw material costs, especially in Iplex, meant

these revenue gains did not flow through to earnings. Iplex announced market price increases in the second quarter that muted the impact of these cost pressures. Fletcher Insulation made a small loss in the period as it was impacted by a fire at its Rooty Hill facility.

Distribution Australia recorded revenue in line with the prior year and operating earnings of \$8 million, down from \$13 million in the prior period. In Tradelink, market share gains continued in the small to medium network customer segment (SME) and the business increased these segment earnings year on year for the third year in a row. Tradelink opened 11 new stores in the year and invested \$10 million into showroom and branch refurbishments. Oliveri Solutions (formerly Tasman Sinkware) recorded reduced revenue and EBIT in the year given its high exposure to the residential market and the retail sales channel declined materially year on year.

Steel Australia gross revenue declined 3% compared to the prior year and operating earnings before significant items declined from \$25 million to \$11 million. This was driven by higher raw material costs, including unfavourable foreign exchange rates, which could not be fully recovered through price increases in a competitive market environment.





% of Group EBIT

Trading cash flows for the division were \$57 million compared to \$146 million in the prior year, with the decline primarily due to lower earnings. A strong performance in receivables management, where debtor days improved by 2.2 days, support a stable working capital position.

The division recorded significant items of \$78 million for the year as restructuring costs were recognised as a result of the strategic reset of the division.

The division invested \$91 million of capital expenditure during the year, compared to \$79 million in the prior year, with major investments in Laminex's e-commerce offering and a significant product range refresh. The division continued to invest in automation in its manufacturing operations, which remains a key priority moving forward.

FUTURE FOCUS

The Australia division will remain focused on its cost out programme, which will leverage divisional scale and drive cross business unit operational efficiencies to reset our cost base. There will be targeted investment for growth focusing on network densification in the distribution business, and innovation, new product development, and automation – primarily in the manufacturing businesses. The division will continue to strengthen its focus on customer value propositions and service promises to ensure we continue to grow in key customer, product and market segments. These include the small to medium enterprise customer in Tradelink, the decorative category in Laminex, the civil market for Iplex and water quality for Rocla.

Australia Financial Summary

Year ended 30 June	2019 NZ\$m	2018 NZ\$m	Change NZ\$m	Change %
Gross revenue	3,024	3,076	(52)	(2%)
External revenue	2,933	2,972	(39)	(1%)
EBIT*	57	114	(57)	(50%)
EBIT* (A\$m)	53	106	(53)	(50%)
Funds	1,735	1,804	(69)	(4%)
Trading cash flow	57	146	(89)	(61%)

Australia EBIT*

Year ended 30 June	2019 NZ\$m	2018 NZ\$m	Change %
Building Products Australia	40	76	(47%)
Distribution Australia	8	13	(38%)
Steel Australia	11	25	(56%)
Divisional costs	(2)		NM
Total	57*	114	(50%)

* Before significant items.



Our Board



(L–R): Steve Vamos, Doug McKay, Barbara Chapman, Bruce Hassall, Antony Carter, Rob McDonald, Cathy Quinn, Martin Brydon.

BRUCE HASSALL

BCom, FCA (CAANZ)

Chair and Independent Non-Executive Director

Term of office: Appointed director 1 March 2017, last elected 2017 annual meeting.

Board committees: Chair 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 Chair 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.

MARTIN BRYDON

MBA, FAICD, FAIM, Dip Elect Eng, Dip Elron Eng

Independent Non-Executive Director

Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.

Board committees: Member of the Nominations Committee and Member of the Safety, Health, Environment and Sustainability Committee.

Martin has more than 40 years' experience in the Australian building products sector, having started his career as an indentured engineering cadet with BHP. He joined Cockburn Cement Limited in 1981, where he then served as chief executive officer from 1998-1999. Following Cockburn Cement's merger into Adelaide Brighton in 1999, he held a number of senior management roles before his appointment as chief executive officer and managing director in 2014. Martin retired following a distinguished 30-year career with Adelaide Brighton in January 2019.

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 Chair of Mitre 10 New Zealand Limited. Tony is the Chair of Air New Zealand Limited and Fisher & Paykel Healthcare Corporation Limited, a director of ANZ Bank New Zealand Limited and Vector Limited, and a trustee of the Maurice Carter Charitable Trust.

BARBARA CHAPMAN

CNZM, BCom, CMInstD

Independent Non-Executive Director

Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.

Board committees: Chair of the Remuneration Committee and Member of the Nominations Committee.

Barbara brings extensive and diverse trans-Tasman executive experience to the Board having served as chief executive and managing director of ASB Bank for seven years and having held a number of senior executive roles responsible for marketing, communications, human resources, life insurance and retail banking in New Zealand and Australia. She has an extensive list of professional achievements to her credit, including being named New Zealand Herald's 2017 Business Leader of the Year. In 2019 Barbara was made a Companion of the New Zealand Order of Merit for services to business. Barbara is the Chair of Genesis Energy Limited and the 2021 APEC CEO Summit Committee, deputy Chair of The New Zealand Initiative, a director of IAG New Zealand Limited and New Zealand Media and Entertainment (NZME), and a member of the Prime Minister's Business Advisory Council.

ROB MCDONALD

BCom, FCA

Independent Non-Executive Director

Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.

Board committees: Chair of the Audit and Risk Committee and Member of the Nominations Committee.

Rob McDonald's finance career spans over 30 years' with a strong track record in financial and risk management, developed over two decades with Air New Zealand. As the airline's chief financial officer, he received a number of accolades during his career, including CFO of the Year in the Deloitte Top 200 in 2015 and the Fairfax Media New Zealand CFO of the Year award in 2010. Rob is the Chair of Contact Energy Limited and is a director of the Chartered Accountants of Australia and New Zealand and Sovereign Assurance Company Limited.

DOUG MCKAY

ONZM, BA, AMP (Harvard), CMInstD

Independent Non-Executive Director

Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.

Board committees: Chair of the Safety, Health, Environment and Sustainability Committee, Member of the Audit and Risk Committee and Member of the Nominations Committee.

Doug brings 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, Carter Holt Harvey, Goodman Fielder, Sealord and Independent Liquor. He was the inaugural chief executive of the amalgamated Auckland Council until the end of 2013. In 2015 Doug was made an Officer of the New Zealand Order of Merit for services to business and local government. Doug is the Chair of Bank of New Zealand and Eden Park Trust Board and is a director of Genesis Energy Limited, IAG New Zealand Limited and National Australia Bank.

CATHY QUINN

ONZM, LLB

Independent Non-Executive Director

Term of office: Appointed director 1 September 2018, last elected 2018 annual meeting.

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

Cathy Quinn is one of New Zealand's foremost commercial and corporate lawyers with significant expertise in governance, equity capital markets, mergers and acquisitions and private equity services. Cathy was the chair of MinterEllisonRuddWatts for eight years during a period of transformation and significant growth. In 2016 Cathy was made an Officer of the New Zealand Order of Merit for services to law and women. Cathy is a director of Rangatira Limited and Tourism Holdings Limited and a Board member of New Zealand Treasury and the New Zealand China Council.

STEVE VAMOS

BEng (Hons)

Independent Non-Executive Director

Term of office: Appointed director 6 July 2015, last re-elected 2018 annual meeting.

Board committees: 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. He has held senior management roles at IBM, Apple, ninemsn in Australia and Microsoft Corporation in Australia and the USA.

Executive Team



(L–R): Dan Anthony, Claire Carroll, Dean Fradgley, Ian Jones, Peter Reidy, Ross Taylor, Bevan McKenzie, Wendi Croft, Charles Bolt, Hamish McBeath, Bruce McEwen, Steve Evans.

ROSS TAYLOR

Chief Executive Officer

BEVAN MCKENZIE

Chief Financial Officer

CHARLES BOLT

Group General Counsel and Company Secretary

DAN ANTHONY

Chief Information Officer

CLAIRE CARROLL

Chief People and Communications Officer

WENDI CROFT

Chief Health and Safety Officer

STEVE EVANS

Chief Executive Residential and Development

DEAN FRADGLEY

Chief Executive Australia

IAN JONES

Chief Executive Concrete

HAMISH MCBEATH

Chief Executive Building Products

BRUCE MCEWEN

Chief Executive Distribution

PETER REIDY

Chief Executive Construction

For the full biographies of our Executive Team, please see our website.

Trend Statement

Notes	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	(2) NZ\$M	(1) NZ\$M	NZ\$M
Financial performance										
Operating revenue	9,307	9,471	9,399	9,004	8,661	8,401	8,517	8,839	7,416	6,799
Earnings before interest and taxation (EBIT)	397	(118)	273	719	503	592	569	403	492	521
Net earnings	164	(190)	94	462	270	339	326	185	283	272
Cash flow from operations	153	396	243	660	575	489	559	448	402	522
Earnings per share - basic (cents per share)	19.2	(25.5)	13.5	67.0	39.2	49.3	47.6	27.2	45.0	44.9
Dividends for the period (cents per share)	23.0	0	39.0	39.0	37.0	36.0	34.0	34.0	33.0	29.0
Return on average funds (%) ⁽³⁾	7.4	(2.2)	4.9	13.4	9.6	11.7	10.8	7.4	10.6	12.7
Return on average equity (%) ⁽⁴⁾	4.0	(5.2)	2.5	12.4	7.7	9.9	9.4	5.2	8.2	9.1
Financial performance - before significant items										
Earnings before interest and taxation (EBIT)	631	50	525	682	653	624	569	556	596	521
Net earnings	367	(60)	321	418	399	362	326	317	359	301
Earnings per share - basic (cents per share)	43.0	(8.1)	46.3	60.6	58.0	52.7	47.6	46.5	57.1	49.7
Return on average funds - before significant items (%) ⁽³⁾	11.8	0.9	9.4	12.7	12.5	12.3	10.8	10.2	12.8	12.7
Return on average equity - before significant items (%) ⁽⁴⁾	8.8	(1.7)	8.7	11.6	11.3	10.5	9.4	9.0	10.4	10.0
Balance sheet										
Current assets	4,121	3,944	3,419	3,222	3,272	2,958	2,868	3,112	3,104	2,317
Non-current assets	3,589	4,601	4,254	4,045	4,229	3,983	4,257	4,367	4,388	3,397
Total assets	7,710	8,545	7,673	7,267	7,501	6,941	7,125	7,479	7,492	5,714
Current liabilities	2,330	2,356	1,996	1,997	1,947	1,596	1,557	1,936	1,700	1,384
Non-current liabilities	1,207	2,047	2,097	1,557	1,844	1,891	2,014	2,091	2,092	1,307
Total liabilities	3,537	4,403	4,093	3,554	3,791	3,487	3,571	4,027	3,792	2,691
Capital	3,427	3,425	2,678	2,650	2,633	2,624	2,606	2,582	2,553	1,912
Reserves	714	693	878	1,041	1,050	795	913	838	1,113	1,077
Minority equity	32	24	24	22	27	35	35	32	34	34
Total equity	4,173	4,142	3,580	3,713	3,710	3,454	3,554	3,452	3,700	3,023
Total liabilities and equity	7,710	8,545	7,673	7,267	7,501	6,941	7,125	7,479	7,492	5,714
Other financial data										
Total shareholders return (%) ⁽⁵⁾	(29)	(6)	0	11	(3)	9	51	(27)	14	24
Net tangible assets per share (\$)	3.53	2.85	2.70	2.87	2.80	2.60	2.61	2.65	2.71	2.90
Gearing (%) ⁽⁶⁾	7.2	23.5	35.3	27.3	31.8	32.3	33.5	37.4	34.3	26.8
Leverage (%) ⁽⁷⁾	0.4	4.8	2.7	1.6	2.0	2.0	2.3	2.6	2.4	1.5

⁽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.

Financial Statements



Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 NZ\$M	2018 NZ\$M
Continuing operations			
Revenue		8,308	8,211
Cost of goods sold	28	(6,025)	(6,571)
Gross margin		2,283	1,640
Selling, general and administration expenses	28	(1,748)	(1,691)
Share of profits of associates and joint ventures		14	22
Significant items	2	(94)	(149)
Earnings before interest and taxation (EBIT)		455	(178)
Funding costs	15	(116)	(155)
Earnings before taxation		339	(333)
Taxation expense	25	(80)	105
Earnings after taxation		259	(228)
Earnings attributable to non-controlling interests		(13)	(11)
Net earnings/(loss) from continuing operations		246	(239)
Net earnings/(loss) from discontinued operations net of tax	2	(82)	49
Net earnings/(loss) attributable to the shareholders		164	(190)
Net earnings per share (cents)	4		
Basic		19.2	(25.5)
Diluted		19.0	(25.5)
Net earnings per share from continuing operations (cents)			
Basic		28.8	(32.1)
Diluted		27.7	(32.1)
Weighted average number of shares outstanding (millions of shares)	4		
Basic		853	745
Diluted		951	745
Dividends declared per share (cents)	17	23.0	0.0

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

On behalf of the Board, 21 August 2019



Bruce Hassall
Chair



Robert McDonald
Director

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	2019 NZ\$M	2018 NZ\$M
Net earnings/(loss) attributable to shareholders	164	(190)
Net earnings attributable to non-controlling interests	13	11
Net earnings/(loss)	177	(179)
Other comprehensive income		
<i>Items that do not subsequently get reclassified to income statement in the future:</i>		
Movement in pension reserve	(25)	10
	(25)	10
<i>Items that may be reclassified subsequently to income statement:</i>		
Movement in cash flow hedge reserve	(6)	2
Movement in currency translation reserve	(34)	129
	(40)	131
<i>Items that have been reclassified to income statement during the year:</i>		
Reclassification from currency translation reserve	7	
	7	
Other comprehensive income	(58)	141
Total comprehensive income/(loss) for the year	119	(38)
Total comprehensive income/(loss) for the year arises from:		
Continuing operations	178	(119)
Discontinued operations	(59)	81
	119	(38)

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 2019

NZ\$M	Notes	Share capital	Retained earnings	Share-based payments reserve	Cash flow hedge reserve	Currency translation reserve	Pension reserve	Total	Non-controlling interest	Total Equity
Total equity at 30 June 2017		2,678	1,216	13	(2)	(286)	(63)	3,556	24	3,580
Total comprehensive income for the year			(190)		2	129	10	(49)	11	(38)
Movement in non-controlling interests	19								(11)	(11)
Issue of shares	18	736						736		736
Dividends paid to shareholders of the parent	17		(132)					(132)		(132)
Movement in share-based payment reserve				(4)				(4)		(4)
Movement in treasury stock	18	11						11		11
Total equity at 30 June 2018		3,425	894	9		(157)	(53)	4,118	24	4,142
Change in accounting policies	28		(19)					(19)		(19)
Adjusted equity at 30 June 2018		3,425	875	9		(157)	(53)	4,099	24	4,123
Total comprehensive income/(loss) for the year			164		(6)	(27)	(25)	106	13	119
Movement in non-controlling interests	19								(5)	(5)
Dividends paid to shareholders of the parent	17		(68)					(68)		(68)
Reclassification of pension reserve on disposal of business			(73)				73			
Movement in share-based payment reserve				2				2		2
Movement in treasury stock	18	2						2		2
Total equity at 30 June 2019		3,427	898	11	(6)	(184)	(5)	4,141	32	4,173

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

Consolidated Balance Sheet

AS AT 30 JUNE 2019

Assets	Notes	2019 NZ\$M	2018 NZ\$M
Current assets:			
Cash and cash equivalents	6	1,372	665
Current tax assets	25	66	72
Contract assets	11	40	13
Derivatives	16	5	6
Debtors	7	1,298	1,629
Inventories	8	1,340	1,559
Total current assets		4,121	3,944
Non-current assets:			
Property, plant and equipment	12	1,754	2,231
Intangible assets	13	1,129	1,696
Investments in associates and joint ventures	20	152	149
Inventories	8	264	189
Retirement plan assets	26	61	88
Other investments			1
Derivatives	16	108	86
Deferred tax assets	25	121	161
Total non-current assets		3,589	4,601
Total assets		7,710	8,545
Liabilities			
Current liabilities:			
Creditors, accruals and other liabilities	9	1,254	1,547
Provisions	10	346	449
Current tax liabilities	25	5	26
Derivatives	16	4	7
Contract liabilities	11	119	142
Borrowings	14	602	185
Total current liabilities		2,330	2,356
Non-current liabilities:			
Creditors, accruals and other liabilities	9	84	38
Provisions	10	18	162
Retirement plan liabilities	26		38
Deferred tax liabilities	25	2	37
Derivatives	16	8	19
Borrowings	14	1,095	1,753
Total non-current liabilities		1,207	2,047
Total liabilities		3,537	4,403
Equity			
Share capital	18	3,427	3,425
Reserves		714	693
Shareholders' funds		4,141	4,118
Non-controlling interests	19	32	24
Total equity		4,173	4,142
Total liabilities and equity		7,710	8,545

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 2019

	2019 NZ\$M	2018 NZ\$M
Cash flow from operating activities		
Receipts from customers	9,139	9,810
Dividends received	6	18
Payments to suppliers, employees and other	(8,836)	(9,189)
Interest paid	(128)	(158)
Income tax paid	(28)	(85)
Net cash from operating activities	153	396
Cash flow from investing activities		
Sale of property, plant and equipment	5	19
Sale of subsidiaries/investments	1,320	57
Sale of cash in subsidiaries	(37)	
Purchase of property, plant and equipment and intangible assets	(348)	(304)
Purchase of subsidiaries/businesses	(26)	
Net cash from investing activities	914	(228)
Cash flow from financing activities		
Issue of shares		727
Issue of capital notes	100	221
Net debt repayment	(199)	(483)
Repurchase of capital notes	(181)	(55)
Distribution to non-controlling interests	(7)	(15)
Dividends	(68)	(123)
Net cash from financing activities	(355)	272
Net movement in cash held	712	440
Add: opening cash and cash equivalents	665	219
Effect of exchange rate changes on net cash	(5)	6
Closing cash and cash equivalents	1,372	665

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

Notes to the Financial Statements 2019

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

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

Basis of consolidation

The consolidated financial statements comprise the Company, its controlled entities and its 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.

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Notes to the Financial Statements 2019 (Continued)

2. Key estimates and judgements

This section provides details of the key estimates and judgements undertaken when preparing these financial statements.

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 2018.

NZ IFRS 15 Revenue from Contracts with Customers

The Group adopted NZ IFRS 15 from 1 July 2018 using the modified retrospective approach. As a result, the Group has restated its opening equity position as at 1 July 2018 by \$19 million to reflect the impact of transitioning to NZ IFRS 15. This adjustment primarily reflects the change in the timing of the recognition of revenue from house sales in the Residential division.

In line with the requirements of the standard with regards to the transition option adopted, the Group has not restated the comparative information presented for the Income Statement, which continues to be reported under previous revenue standards, NZ IAS 11 and NZ IAS 18. The Group has restated the comparative information to improve the comparability of the Balance Sheet, refer to note 28.

On adoption of NZ IFRS 15, the Group has revised its accounting policies for revenue recognition (where applicable) which are disclosed in note 28.

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 are relevant to the group are set out below:

Standards not yet effective or early adopted

The following sets out the new accounting standards and amendments to standards that are not yet applicable to the Group.

NZ IFRS 16 Leases

NZ IFRS 16 was issued in February 2016 and is effective for the Group for the period beginning 1 July 2019. NZ IFRS 16 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 the distinction between operating leases and finance leases and introduces a single lessee accounting model which requires right-of-use assets and lease liabilities to be recognised in the consolidated balance sheet for most lease contracts.

Going forward, the lease expense previously recognised in the consolidated income statement for operating leases will be replaced by a straight-line depreciation expense in relation to the right-of-use assets and an amortising interest charge in relation to the lease liabilities. The interest charge will be front-loaded in the earlier periods of a lease and reduce in later periods as the interest element of the lease liability unwinds.

The Group will adopt the modified retrospective approach on transition. Under this approach, NZ IFRS 16 will be applied to leases from either:

- lease commencement - where historic lease documentation is available; or
- transition date, 1 July 2019.

A cumulative catch-up adjustment to retained earnings as at 1 July 2019 is required for leases where NZ IFRS 16 has been applied from lease commencement, however prior year comparatives will not be restated.

The Group will apply both the short-term and low value lease exemptions allowed under NZ IFRS 16 which recognises payments for leases of 12 months or less, or leases of a low value on a straight-line basis as an expense in the income statement.

The Group will also adopt transition reliefs to:

- exclude initial direct costs in the measurement of the right-of-use asset as at 1 July 2019; and
- use the benefit of hindsight to assist in the assumptions and judgements regarding renewals.

Financial Impact

NZ IFRS 16 will have a significant impact on the financial position of the Group on transition. The Group has a large number of leases, consisting of property, mobile plant and heavy machinery, commercial and passenger vehicles and IT equipment.

Property leases, which include retail, manufacturing, distribution, storage and office sites, have the most significant impact on adoption of NZ IFRS 16 given their high value and long lease terms with renewal options.

On 1 July 2019, the Group will recognise lease liabilities of approximately \$1.8 billion, and right-of-use assets of \$1.5 billion in the consolidated balance sheet. An adjustment of \$0.3 billion will be made to retained earnings to recognise the front-loading of interest expense in the early years of the leases.

The Group expects this to result in a reduction to net earnings before tax of \$15 million in FY20. Although there is no impact to net earnings from a lease over its full life cycle, the current timing impact on net earnings before tax of \$15 million results from the combined depreciation \$185 million and interest expense of \$64 million (which is higher in earlier years of these leases) exceeding the current operating expense of \$234 million. Operating expenses will decrease by approximately \$49 million as the FY20 depreciation charge for the right-of-use asset of \$185 million replaces the FY19 lease expense of \$234 million.

There will be no impact to cash outflows, however the classification of cash flows will change. It is estimated the Group's operating cash outflows will decrease and financing cash outflows will increase by approximately \$169 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and therefore the Group does not expect any significant impact on the financial statements. However, as required by NZ IFRS 16, additional disclosures will be included within the notes to the financial statements for the year ending 30 June 2020.

Key judgements

The following key judgements were required in calculating the above financial impacts:

- determining the lease term (which can be complex where leases include rights of renewal or cancellation); and
- the discount rate applicable to each lease and the lease payments.

Adoption project

The Group's IFRS 16 project is governed by a Steering Group which oversees the relevant project work streams, approves key decisions and provides regular updates to the Audit and Risk Committee. During the year to 30 June 2019, work has progressed to finalise the discount rate methodology, accounting policies and internal controls, complete the data collection and validation of the Group's portfolio of lease data and fully implement the IT system solution which will record and calculate the NZ IFRS 16 impact.

2A. 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 restructuring costs; 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.

2019	Restructuring activity (1) NZ\$M	M&A Activity (2) NZ\$M	Total NZ\$M
Building Products	(10)		(10)
Australia	(78)		(78)
Formica and Roof Tile Group		(140)	(140)
Corporate	(6)		(6)
Total significant items before taxation	(94)	(140)	(234)
Tax benefit on above items	27	4	31
Total significant items after taxation	(67)	(136)	(203)

(1) Restructuring activity

The Group has recognised a charge of \$94 million for restructuring costs, \$78 million of which is in Australia, associated with the restructure of various businesses across the Group as an extension of the strategic reset that began in FY18. The restructuring includes redundancies and property exit costs, as well as associated advisory costs incurred.

(2) M&A activity

On 1 November 2018 the Group divested the Roof Tile Group business for total proceeds of \$66 million. A net loss on sale of \$18 million has been recorded, comprising a transaction loss of \$11 million and a loss on the reclassification of \$7 million of the foreign currency translation reserve.

On 3 June 2019 the Group divested the global Formica business for proceeds of \$1,191 million and a net loss on sale of \$122 million has been recorded.

Notes to the Financial Statements 2019 (Continued)

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)

(1) Restructuring activity

The Group recognised a charge of \$91 million for costs associated with the restructure of the Group's operating model. The restructuring includes redundancies and exit costs, as well as:

- \$20 million relating to various Corporate and Business Unit IT systems and associated external advisory costs incurred.
- \$7 million for costs associated with the integration of the Calder Stewart business into the Steel division.
- \$3 million for costs associated with the termination of the Formica US Pension Plan.

(2) M&A activity

The Group divested its 50 per cent stake in the Sims Pacific Metals joint venture for \$42 million with a resulting net gain on sale of \$25 million, and its 20 per cent stake in Dongwha New Zealand Limited for \$17 million with a net gain on sale of \$12 million.

(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 Rocla where goodwill of \$11 million, brands of \$21 million and inventories of \$8 million were impaired. Offsetting the impairment of brands is a \$7 million reversal of the associated deferred tax liability through tax expense.
- \$52 million relating to Roof Tile Group 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.
- \$5 million relating to the Forman Contracting brand asset, reflecting a revision in expected medium-term revenues and earnings.
- \$17 million relating to the impairment of assets of \$12 million and \$5 million for disposal costs of a quarry within Winstone Aggregates.

2B. DISCONTINUED OPERATIONS

The Group divested the Roof Tile Group and the Formica business during the current year and divested its interest in Dongwha New Zealand Limited and Sims Pacific Metals in the prior year. The relevant financial information for each business is set out below.

		2019 NZ\$M	2018 NZ\$M
Roof Tile Group	i	(19)	(54)
Formica	ii	(63)	52
Dongwha & Sims Pacific Metals			51
Net earnings/(loss) after taxation from discontinued operations per Income Statement		(82)	49

(i) Roof Tile Group

On 1 November 2018 the Group divested the Roof Tile Group for total proceeds of \$66 million (including a working capital adjustment of \$7 million). This resulted in the following loss on sale.

	2019 NZ\$M
Consideration	66
Less: Transaction costs and provisions	(7)
Net sale proceeds	59
Carrying value	(70)
	(11)
Less: reclassification of foreign currency translation reserve	(7)
Loss on sale	(18)

There was no tax benefit in any jurisdiction arising from the loss on sale recognised.

Financial Performance

The financial performance information presented is for the period ended 1 November 2018 and the year ended 30 June 2018.

	Period ended 1 Nov 2018 NZ\$M	Year ended June 2018 NZ\$M
Revenue	58	147
Expenses	(55)	(201)
Earnings before taxation	3	(54)
Taxation expense	(4)	
	(1)	(54)
Loss on sale	(18)	
Earnings/(loss) after taxation from discontinued operations	(19)	(54)

Cash Flow Performance

The cash flow information presented is for the period ended 1 November 2018 and the year ended 30 June 2018.

	Period ended 1 Nov 2018 NZ\$M	Year ended June 2018 NZ\$M
Movement in exchange differences on translation of discontinued operations	13	5
Other comprehensive income from discontinued operations	13	5
Net cash inflow from operating activities	4	(7)
Net cash outflow from investing activities	(1)	(3)
Net cash outflow from financing activities		
Net increase/(decrease) in cash generated by the discontinued operation	3	(10)

Notes to the Financial Statements 2019 (Continued)

Assets and Liabilities

The carrying amounts of assets and liabilities as at the date of sale were:

	1 Nov 2018 NZ\$M	June 2018 NZ\$M
Cash and cash equivalents	2	4
Current tax assets	1	2
Debtors	30	29
Inventories	25	25
Property, plant and equipment	19	27
Intangibles	11	11
Deferred tax assets	(2)	(2)
Total assets	86	96
Creditors, accruals and other liabilities	12	10
Provisions	4	3
Total liabilities	16	13

(ii) Formica

On 3 June 2019 the Group divested the global Formica business for total net proceeds of \$1,191 million, all of which had been received at 30 June 2019. Financial information relating to the Formica business for the period to the date of disposal and the details of the loss on sale are outlined below.

	2019 NZ\$M
Sale price	1,259
Less: Debt-like items, minority interest and working capital	(20)
Less: Transaction costs and provisions	(48)
Net sale proceeds	1,191
Carrying value	(1,313)
Loss on sale	(122)

There was no tax benefit in any jurisdiction arising from the loss on sale recognised.

Financial Performance

The financial performance information presented is for the period ended 3 June 2019 and the year ended 30 June 2018.

	Period ended 3 June 2019 NZ\$M	Year ended June 2018 NZ\$M
Revenue	941	1,006
Expenses	(864)	(948)
Earnings before taxation	77	58
Taxation expense	(18)	(6)
	59	52
Loss on sale	(122)	
Earnings/(loss) after taxation from discontinued operations	(63)	52

Cash Flow Performance

The cash flow information presented is for the period ended 3 June 2019 and the year ended 30 June 2018.

	Period ended 3 June 2019 NZ\$M	Year ended June 2018 NZ\$M
Movement in exchange differences on translation of discontinued operations	13	82
Movement in cash flow hedge reserve	(1)	
Movement in pension reserve	(2)	(4)
Other comprehensive income from discontinued operations	10	78
Net cash inflow from operating activities	24	102
Net cash outflow from investing activities	(58)	(68)
Net cash outflow from financing activities	(23)	(13)
Net increase/(decrease) in cash generated by the discontinued operation	(57)	21

Assets and Liabilities

The carrying amounts of assets and liabilities as at the date of sale were:

	3 June 2019 NZ\$M	June 2018 NZ\$M
Cash and cash equivalents	37	32
Current tax assets		13
Debtors	158	148
Inventories	252	231
Property, plant and equipment	537	454
Intangible assets	571	592
Deferred tax assets		14
Total assets	1,555	1,484
Creditors, accruals and other liabilities	152	187
Provisions	21	7
Current tax liabilities	7	19
Borrowings		22
Retirement plan liabilities	23	35
Deferred tax liabilities	39	48
Total liabilities	242	318

2C. INTANGIBLE ASSET IMPAIRMENT TESTING

Goodwill and brands were tested for impairment in June 2019. Each cash generating unit (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, which are risk adjusted where appropriate. 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 rate used was 2.5% (2018: 2.5%).

New Zealand and South Pacific CGU's

The goodwill and brands balances for the 15 New Zealand and South Pacific CGU's represent 46% of the total balance for the Group. The cash flows are discounted using a nominal rate specific to each business. New Zealand businesses have employed rates between 8.0% and 9.0% (2018: average 8.0%), and the South Pacific business has employed a rate of 18.5% (2018: 18%), reflecting the risk profile of each business and for the regions in which the CGUs operate.

Sensitivity to reasonably possible changes in assumptions

The impairment assessment confirmed that, for these business units, the recoverable amounts exceed carrying values as at 30 June 2019. Management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.

Notes to the Financial Statements 2019 (Continued)

Australia CGU's

The goodwill and brands balances for the four Australia CGU's represent 54% of the total balance for the Group. The cash flows are discounted using a nominal rate specific to each business. Australia rates range between 8.0% and 9.0% (2018: average 9.0%), reflecting the risk profile of each business and for the regions in which the CGUs operate.

Sensitivity to reasonably possible changes in assumptions

Throughout the current financial year the Australia economy, particularly the residential market, has experienced a significant downturn. The Laminex Australia and Tradelink business units have been particularly impacted by this downturn, which has impacted the forecast cash flows used to assess the carrying value of each CGU.

Group and divisional management completed a comprehensive strategic review of the Australia division during the year and identified a number of strategic initiatives for the near to medium term to set the business units up for long term margin growth. A number of these initiatives have been implemented during the current financial year, however, the benefits of these will be achieved over the longer term and are, in part, dependent on the recovery of the Australian economy and residential market.

The key assumptions used in the impairment tests for the significant business units of Laminex Australia and Tradelink are outlined below. No impairment was recognised during the financial year, however, a change in any of the key assumptions would lead to the elimination of the excess of recoverable amount over carrying amount.

Laminex Australia (representing 28% of Group goodwill and brands balances)

Key Assumption	Value attributed	Sensitivity (absolute movement)
Revenue growth (5-year Cumulative Average Growth Rate (CAGR))	4.00%	Decrease by 0.8 ppts
EBIT margin (5-year average)	7.30%	Decrease by 1.2 ppts
Terminal growth rate	2.50%	Decrease by 1.2 ppts
Discount rate	8.30%	Increase by 1.0 ppts

Tradelink (representing 11% of Group goodwill and brands balances)

Key Assumption	Value attributed	Sensitivity (absolute movement)
Revenue growth (5-year Cumulative Average Growth Rate (CAGR))	2.80%	Decrease by 0.5 ppts
EBIT margin (5-year average)	2.80%	Decrease by 0.5 ppts
Terminal growth rate	2.50%	Decrease by 1.4 ppts
Discount rate	8.30%	Increase by 1.2 ppts

Other Australia CGU's

The impairment assessment confirmed that, for all other business units, the recoverable amounts exceed carrying values as at 30 June 2019. Management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.

2D. SUPPLEMENTARY DISCLOSURES: EARNINGS PER SHARE

Earnings per share is disclosed in full in note 4. The below disclosure has been included to provide additional useful information by removing the impact of one-off events in the current and prior year, and the resulting impact on the earnings per share measure.

The effect of significant items on earnings per share is as follows:

	2019 NZ\$M	2018 NZ\$M
Net earnings/(loss) after taxation (as per income statement)	164	(190)
Add back: Significant items after taxation (note 2a)	203	130
Net earnings before significant items	367	(60)
Net earnings from continuing operations before significant items	313	(184)
Net earnings per share before significant items (cents)	43.0	(8.1)
Net earnings per share from continuing operations before significant items (cents)	36.7	(24.7)
Net earnings per share - as reported per income statement (cents)	19.2	(25.5)

2E. SUPPLEMENTARY DISCLOSURES: CONSTRUCTION ACCOUNTING

The Construction division is engaged by customers to construct and maintain buildings and infrastructure across New Zealand and the South Pacific. During FY17 and FY18, the Group recognised significant provisions within the division as a number of these construction contracts were loss making. These projects were determined to be onerous contracts and the related provisions are disclosed in note 10. Construction

projects are inherently more uncertain earlier in their lifetime, which leads to a number of significant estimates and judgements being made at these early stages. The Group's policies for accounting for such projects are outlined below, and demonstrate the significant judgements made. Contract assets and liabilities arising from construction work in progress at year end are disclosed in note 11.

A summary of total contracted work under construction and details of the major construction projects and their approximate stage of completion is disclosed to demonstrate the uncertainty that remains on these projects.

Construction accounting policies

Revenue recognition

Construction contract revenue

The Group derives revenue from the construction of building and infrastructure projects across New Zealand and the South Pacific. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. While it is uncommon, contracts can be entered into for the building of several projects. Where this occurs, the Group will identify the single or multiple performance obligations and allocate the total transaction price across each performance obligation based on stand-alone selling prices. The transaction price is normally fixed at the start of the project.

The nature of construction projects leads to variations in the project size and scope. It is also normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Maintenance contract revenue

Services revenue is primarily generated from maintenance services supplied to roading assets owned by local or central Government in New Zealand and the South Pacific. This revenue also arises in respect of infrastructure assets previously constructed by the Group where maintenance was included in the contract. The service contracts are typically determined to have one single performance obligation which are significantly integrated and are fulfilled over time. There is no change to the revenue recognition methodology previously utilised.

Variable consideration

Revenue in relation to variations, such as a change in the scope of the contract, are only included in the transaction price when it is approved by the parties to the contract, the variation is enforceable or in certain circumstances when approved by the Board of Directors, and the amount becomes highly probable.

Construction work-in-progress - Contract assets, contract liabilities, and provisions for onerous 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.

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

Estimates and judgements are made relating to a number of factors when assessing construction contracts. These 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;
- The outcome of ongoing commercial negotiations, including elements of variable consideration and changes in project scope; and
- Future weather and ground conditions.

Notes to the Financial Statements 2019 (Continued)

Status of construction projects (> \$200 million original contract value) as at 30 June 2019:

	Business Unit	Percentage of completion (% cost)	Forecast completion
Commercial Bay - Fixed price contract	B+I	76%	2020
NZICC - Guaranteed maximum price and fixed price contract	B+I	70%	2020
Puhoi to Warkworth - Fixed price contract (Public Private Partnership)	Major Projects	58%	2021
Hamilton City Edge Expressway - Alliance contract	Major Projects/Higgins	62%	2021
Peka Peka to Otaki Expressway - Fixed price contract	Major Projects/Higgins	47%	2021

Revenue Backlog by Business Unit as at 30 June 2019:

	Current Revenue Backlog NZ\$M	Top 5 projects as a % of Revenue Backlog
Building + Interiors	256	97%
Major Projects	445	100%
Brian Perry Civil	172	50%
Higgins	494	44%
South Pacific	78	64%
	1,445	N/A

Revenue backlog refers to the level of construction work the Group is contracted to but is not yet complete at year end. This represents the performance obligations that are yet to be completed for the construction contracts active at the end of the year. The long term nature of the contracts held by the Major Projects and Higgins businesses will see these performance obligations be completed over a period generally between one to five years, although some may extend longer. The Building + Interiors, Brian Perry Civil, and South Pacific businesses have contracts that are either short term in nature or are nearing completion with those performance obligations likely to be settled within the next 12 months.

Financial Review

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

3. SEGMENTAL INFORMATION

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

Industry segments

	2019 NZ\$M	2018 NZ\$M	2019 NZ\$M	2018 NZ\$M
	Gross revenue	Gross revenue	External revenue	External revenue
Building Products	759	764	587	613
Distribution	1,596	1,530	1,552	1,490
Steel	555	532	426	411
Concrete	802	812	549	545
Residential and Development	639	575	639	575
Construction	1,702	1,685	1,622	1,605
Australia	3,024	3,076	2,933	2,972
Other	11	8		
Continuing operations	9,088	8,982	8,308	8,211
Discontinued operations	1,019	1,285	999	1,260
Group	10,107	10,267	9,307	9,471
Less: intercompany revenue	(800)	(796)		
Group external revenue	9,307	9,471	9,307	9,471

	EBIT before significant items	EBIT before significant items	Funds*	Funds*
Building Products	127	132	503	494
Distribution	104	104	300	264
Steel	33	49	220	184
Concrete	84	90	656	628
Residential and Development	137	136	651	604
Construction	47	(608)	48	(238)
Australia	57	114	1,735	1,804
Corporate	(40)	(45)	60	(869)
Continuing operations	549	(28)	4,173	2,871
Discontinued operations	82	78		1,271
Group total	631	50	4,173	4,142

* Funds represent the external assets and liabilities of the Group and are used for internal reporting purposes. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level. Funds are managed at a divisional level, and as such, B+I funds are included in the Construction divisional balance.

Notes to the Financial Statements 2019 (Continued)

Industry segments (Continued)

	2019 NZ\$M Depreciation, depletion and amortisation expense	2018 NZ\$M Depreciation, depletion and amortisation expense	2019 NZ\$M Capital expenditure	2018 NZ\$M Capital expenditure
Building Products	12	13	37	19
Distribution	10	9	23	20
Steel	5	5	18	14
Concrete	50	45	65	62
Residential and Development Construction	21	20	31	33
Australia	62	62	91	79
Corporate	14	16	13	13
Continuing operations	174	170	285	241
Discontinued operations	25	44	63	63
Group	199	214	348	304

Geographic segments

	External revenue	External revenue	EBIT before significant items	EBIT before significant items
New Zealand	5,220	5,063	467	(180)
Australia	2,944	3,018	54	123
Other jurisdictions	144	130	28	28
Continuing operations	8,308	8,211	549	(29)
North America	404	465	45	43
Asia	297	314	48	38
Europe	253	316	(10)	(6)
Other jurisdictions	45	165	(1)	4
Discontinued operations	999	1,260	82	79
Group	9,307	9,471	631	50
Significant items (Note 2a)			(234)	(168)
Earnings before interest and taxation (EBIT)			397	(118)

	Non-current assets ⁺	Non-current assets ⁺	Funds [*]	Funds [*]
New Zealand	1,895	1,706	2,405	2,006
Australia	1,359	1,420	1,752	1,810
Other	45	48	85	199
Debt and taxation			(69)	(985)
Continuing operations	3,299	3,174	4,173	3,030
North America		319		350
Asia		458		492
Europe		315		270
Discontinued operations		1,092		1,112
Group	3,299	4,266	4,173	4,142

⁺ 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. Group balances such as borrowings and taxation are allocated to Corporate as these are managed at a Group level. Funds are managed at a divisional level, and as such, B+I funds are included in the Construction divisional balance.

Description of industry segments

Building Products	The Building Products division is a manufacturer, distributor, and marketer of building products used both commercially and in residential markets in New Zealand.
Distribution	The Distribution division consists of building, plumbing, and pipeline 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.
Discontinued operations	Discontinued operations comprises the Formica and Roof Tile Group businesses both of which were divested during the current year and the Group's 50% interest in Sims Pacific Metals and 20% interest in Dongwha New Zealand Limited both of which were divested during the prior year.

4. 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. 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.

	2019	2018
Net earnings per share (cents)		
Basic	19.2	(25.5)
Diluted	19.0	(25.5)
Net earnings per share (cents) from continuing operations		
Basic	28.8	(32.1)
Diluted	27.7	(32.1)
Numerator	NZ\$M	NZ\$M
Net earnings/(loss)	164	(190)
Numerator for basic earnings per share	164	(190)
Dilutive capital notes distribution	17	
Numerator for diluted net earnings per share	181	(190)
Numerator (continuing operations)		
Net earnings/(loss) from continuing operations	246	(239)
Numerator for basic earnings per share from continuing operations	246	(239)
Dilutive capital notes distribution	17	
Numerator for diluted net earnings per share from continuing operations	263	(239)
Denominator (millions of shares)		
Weighted average number of shares outstanding (refer to note 19)	853	745
Conversion of dilutive capital notes	98	
Denominator for diluted net earnings per share	951	745

Notes to the Financial Statements 2019 (Continued)

5. INCOME STATEMENT DISCLOSURES

	2019 NZ\$M	2018 NZ\$M
The following items are specific disclosures required to be made and are included within the income statement:		
Net periodic pension cost	1	5
Employee related short-term costs ⁽¹⁾	1,604	1,791
Other long-term employee related benefits	57	71
Research and development expenditure	5	2
Amortisation of intangibles	19	26
Bad debts written off	6	8
Donations and sponsorships	2	2
Maintenance and repairs	171	160
Operating lease expense	257	187

⁽¹⁾ Short term employee benefits for the executive committee included in the above is disclosed in note 21.

Auditor's remuneration

	NZ\$000's	NZ\$000's
Audit and review of the financial statements ⁽¹⁾	3,132	4,883
Audit services associated with Formica sale process	770	
Assurance services associated with capital raise		175
Total audit and assurance services	3,902	5,058
Tax services	369	600
Other non-assurance services	23	51
Total non-assurance services	392	651
Total auditor remuneration	4,294	5,709

⁽¹⁾ The audit includes fees for both the annual audit of the financial statements and the review of the interim financial statements.

Working Capital Management

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

6. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents include the Group's share of amounts held by joint operations of \$28 million (2018: \$31 million).

At 30 June 2019, approximately \$30 million (2018: \$70 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.

	2019 NZ\$M	2018 NZ\$M
Cash and bank balances	189	227
Contract retention bank balances	23	13
Short-term deposits	1,160	425
	1,372	665

Reconciliation of net earnings to net cash from operating activities

	2019 NZ\$M	2018 NZ\$M
Net earnings	164	(190)
Earnings attributable to minority interest	13	11
	177	(179)
Add/(Less) non-cash items:		
Depreciation, depletions and amortisation	199	214
Other non-cash items	108	148
Taxation	74	(181)
Gain on disposal of businesses and property, plant and equipment	(1)	(36)
	380	145
Net working capital movements		
Residential and Development	(26)	(28)
Construction	(276)	407
Other divisions:		
Debtors	26	(12)
Inventories	(69)	(58)
Creditors	(59)	121
	(404)	430
Net cash from operating activities	153	396

Notes to the Financial Statements 2019 (Continued)

7. 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 expected credit losses. Estimates are used in determining the level of receivables that may not be collected, refer to note 16c. Trade debtors normally have 30 to 90 day terms.

	2019 NZ\$M	2018 NZ\$M
Trade debtors	834	1,158
Contract debtors	209	208
Contract retentions	42	31
Less provision for doubtful debts	(15)	(21)
Trade and contract debtors	1,070	1,376
Other receivables	228	253
	1,298	1,629
Current	919	1,166
0 - 30 days over standard terms	121	155
31 - 60 days over standard terms	14	23
61+ days over standard terms	31	53
Provision	(15)	(21)
Trade and contract debtors	1,070	1,376

8. 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.

	2019 NZ\$M	2018 NZ\$M
Raw materials	472	562
Work in progress	216	247
Finished goods	877	884
Consumable stores and spare parts	39	55
	1,604	1,748
Inventories held at cost	1,325	1,609
Inventories held at net realisable value	279	139
	1,604	1,748
Current portion	1,340	1,559
Non-current portion	264	189
	1,604	1,748

The non-current portion of inventories relates to land and developments that is expected to be held for greater than 12 months (current portion of \$408 million, 2018: \$374 million).

The Group also has conditional commitments for the purchase of land to be used for residential construction totalling \$257 million (June 2018: \$275 million), of which \$71 million is expected to be delivered in the year to 30 June 2020.

9. 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.

	2019 NZ\$M	2018 NZ\$M
Trade creditors	761	1,073
Contract retentions	37	43
Accrued interest	29	34
Other liabilities	319	214
Employee entitlements	184	212
Workers' compensation schemes	8	9
	1,338	1,585
Current portion	1,254	1,547
Non-current portion	84	38
Carrying amount at the end of the year	1,338	1,585

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

10. 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.

Onerous contracts

The provision for onerous contracts has arisen as a result of the adoption of NZ IFRS 15 Revenue from Contracts with Customers during the period. NZ IFRS 15 requires loss making contracts (previously recognised as part of construction contracts on the face of the Balance Sheet) be recognised as a provision for onerous contracts. Refer to note 28 for disclosure of the reclassification.

Other

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

Notes to the Financial Statements 2019 (Continued)

	Restructuring NZ\$M	Warranty & environmental NZ\$M	Onerous contracts NZ\$M	Other NZ\$M	Total NZ\$M
2019					
Carrying amount at the beginning of the year	30	39	497	45	611
Currency translation	(1)	(1)			(2)
Charged to earnings	22	12		15	49
Settled or utilised	(12)	(10)	(233)	(21)	(276)
Released to earnings	(5)	(4)		(2)	(11)
Disposal of business	(2)	(2)		(3)	(7)
	32	34	264	34	364
2018					
Carrying amount at the beginning of the year	8	34	154	53	249
Currency translation		1		1	2
Charged to earnings	28	21	566	27	642
Settled or utilised	(6)	(16)	(223)	(33)	(278)
Released to earnings		(1)		(3)	(4)
	30	39	497	45	611

	2019 NZ\$M	2018 NZ\$M
Current portion	346	449
Non-current portion	18	162
Carrying amount at the end of the year	364	611

During the year the Group utilised \$12 million (30 June 2018: \$6 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.

11. CONTRACT ASSETS AND LIABILITIES

The Group has adopted NZ IFRS 15 *Revenue from Contracts with Customers* during the period, which requires additional disclosures of material contract assets and liabilities. The Group has previously disclosed this information as 'Construction Contracts', and has restated the prior year balances for completeness (refer to note 28). There are no other material contract assets or liabilities than those disclosed below.

	2019 NZ\$M	2018 NZ\$M
Construction contracts with cost and margin in advance of billings	40	13
Contract assets	40	13
Construction contracts with billings in advance of cost and margin	119	142
Contract liabilities	119	142

Long-term Investments

This section details the long-term assets of the Group including Property, Plant and Equipment and Intangible Assets.

12. PROPERTY, PLANT AND EQUIPMENT

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

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. Assets are reviewed annually for impairment indicators.

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.

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 life intangible assets are calculated on the straight line method. Refer to note 13 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 13)	5–15 years

	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
2019							
Carrying value at 1 July 2018	255	320	1,368	171	77	40	2,231
Additions	8	11	238	33	15		305
Acquisitions			4		14		18
Disposals	(6)	(19)					(25)
Depreciation expense		(12)	(125)	(30)	(11)	(2)	(180)
Transfer of assets to inventory	(19)	(3)					(22)
Disposal of business	(51)	(88)	(397)	(9)			(545)
Currency translation	(6)	(5)	(14)	(3)			(28)
Carrying value at 30 June 2019	181	204	1,074	162	95	38	1,754
Represented by:							
Cost	182	330	2,280	422	132	43	3,389
Accumulated depreciation and impairment	(1)	(126)	(1,206)	(260)	(37)	(5)	(1,635)
	181	204	1,074	162	95	38	1,754

Notes to the Financial Statements 2019 (Continued)

2018	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
Carrying value at 1 July 2017	274	321	1,312	173	84	42	2,206
Additions	1	21	183	40	15		260
Disposals	(8)	(5)	(16)	(13)			(42)
Depreciation expense		(16)	(130)	(30)	(10)	(2)	(188)
Impairment expense	(1)	(8)	(19)	(1)	(12)		(41)
Transfer of assets to inventory	(21)	(7)					(28)
Currency translation	10	14	38	2			64
Carrying value at 30 June 2018	255	320	1,368	171	77	40	2,231
Represented by:							
Cost	256	504	2,807	442	107	43	4,159
Accumulated depreciation and impairment	(1)	(184)	(1,439)	(271)	(30)	(3)	(1,928)
	255	320	1,368	171	77	40	2,231

As at 30 June 2019 property, plant and equipment includes \$39 million of assets under construction that are not depreciated until they are commissioned and brought into use (June 2018: \$167 million).

13. 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. Intangible assets with a definite life are amortised on a straight-line basis.

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. 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.

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. Refer to note 2c for impairment considerations.

Assessing the carrying value of goodwill and indefinite life brands requires management to estimate future cash flows to be generated by the related cash-generating unit. 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.

2019	Goodwill NZ\$M	Brands NZ\$M	Other Intangibles NZ\$M	Total NZ\$M
Carrying value at the beginning of the year	1,085	451	160	1,696
Acquired during the year	7		43	50
Impairments in the income statement			(3)	(3)
Amortisation expense			(19)	(19)
Disposal of business	(369)	(165)	(37)	(571)
Currency translation	(12)	(8)	(4)	(24)
	711	278	140	1,129
<i>Represented by:</i>				
Cost	1,165	357	297	1,819
Accumulated impairment/amortisation	(451)	(79)	(153)	(683)
Accumulated currency translation	(3)		(4)	(7)
Carrying value at the end of the year	711	278	140	1,129

2018	Goodwill NZ\$M	Brands NZ\$M	Other Intangibles NZ\$M	Total NZ\$M
Carrying value at the beginning of the year	1,069	461	156	1,686
Acquired during the year	1		44	45
Disposed of during the year			(20)	(20)
Impairments in the income statement (Note 2)	(26)	(30)		(56)
Amortisation expense			(26)	(26)
Currency translation	41	20	6	67
	1,085	451	160	1,696

Represented by:

Cost	1,527	530	308	2,365
Accumulated impairment/amortisation	(451)	(79)	(146)	(676)
Accumulated currency translation	9		(2)	7
Carrying value at the end of the year	1,085	451	160	1,696

As at 30 June 2019 other intangible assets includes \$39 million of assets being developed (June 2018: \$23 million).

	2019		2018	
	Goodwill NZ\$M	Brands NZ\$M	Goodwill NZ\$M	Brands NZ\$M
Significant intangible balances within cash generating units (CGUs)				
Laminex Australia	154	119	160	124
Higgins New Zealand	114	19	114	19
Iplex New Zealand	105	7	105	7
Stramit	66	41	68	43
Tradelink	60	50	62	52
Other	212	42	215	61
Formica businesses (divested in 2019)			361	145
	711	278	1,085	451

The goodwill allocated to significant CGUs accounts for 70% (2018: 80%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 14 (2018: 22) in total, are each less than 7% of total carrying value. The significant brand assets account for 85% (2018: 86%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 5% of total carrying value (2018: 9%).

Notes to the Financial Statements 2019 (Continued)

Funding and Financial 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.

Capital risk management

The Group's objectives when managing capital are to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure that safeguards the Group's ability to continue as a going concern. 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 net debt.

The Group monitors its capital requirements using various measures that consider debt facility covenants. A key measure is; a through-the-cycle net debt to EBITDA ratio (leverage). Net debt represents the value of the Group's drawn borrowings adjusted for debt hedging activities and available cash funding. 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.

The Group was in compliance with all debt facility financial covenants.

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

14. BORROWINGS

The Group borrows in the form of private placements, bank loans, capital notes and other financial instruments. Funding costs associated with the Group borrowings is shown in note 15.

Borrowings are initially recognised at fair value net of attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Any borrowings that have been designated as hedged items (USD and any other foreign currency borrowings) are carried at amortised cost plus a fair value adjustment under hedge accounting requirements. Borrowings denominated in foreign currencies are retranslated to the functional currency at each reporting date.

Economic debt represents the face value of drawn borrowings adjusted for foreign currency movements hedged with derivative instruments. The Group uses cross currency interest rate swaps, interest rate swaps and foreign forward exchange contracts to manage its exposure to interest rates and borrowings sourced in currencies different from that of the borrowing entity's reporting currency. Details of debt hedging activities and instruments used are included in note 16.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's net debt arising from financing activities, including both cash and non-cash changes.

	2018 NZ\$M	Cash Flows	Currency translation	Other non-cash movements (including hedge accounting)	2019 NZ\$M
Private placements	1,181	(334)	6	33	886
Bank loans	97	165	(4)		258
Capital notes	566	(81)			485
Other loans	94	(30)	3	1	68
Carrying value of borrowings (as per balance sheet)	1,938	(280)	5	34	1,697
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(61)	12	(25)	(33)	(107)
Economic debt	1,877	(268)	(20)	1	1,590
Less: Cash and cash equivalents	(665)	(712)	5		(1,372)
Net debt	1,212	(980)	(15)	1	218

	2017 NZ\$M	Cash Flows	Currency translation	Other non-cash movements (including hedge accounting)	2018 NZ\$M
Private placements	1,262	(147)	97	(31)	1,181
Bank loans	389	(292)			97
Capital notes	400	166			566
Other loans	121	(44)	17		94
Carrying value of borrowings (as per balance sheet)	2,172	(317)	114	(31)	1,938
Less: value of derivatives used to manage changes in hedged risks on debt instruments	(42)	2	(49)	28	(61)
Economic debt	2,130	(315)	65	(3)	1,877
Less: Cash and cash equivalents	(219)	(440)	(6)		(665)
Net debt	1,911	(755)	59	(3)	1,212

Carrying value of borrowings included within the balance sheet as follows:

	2019 NZ\$M	2018 NZ\$M
Current borrowings	602	185
Non-current borrowings	1,095	1,753
Total borrowings	1,697	1,938
Less: Cash and cash equivalents	(1,372)	(665)
Net debt (as per balance sheet)	325	1,273

At reporting date, the Group had the following funding facilities:

Utilised facilities	1,590	1,877
Unutilised syndicate bank loan facilities	667	828
Total facilities	2,257	2,705

Private placements

Private placements comprise loans of AUD99 million, USD451 million, CAD15 million, EUR41 million and GBP10 million with maturities between 2022 and 2028. During the year the Group pre-paid JPY10,000 million and USD131.5 million of private placements with original maturities in 2027 and September 2019 respectively.

As a consequence of the Formica divestment, the Group was required to make a mandatory disposition pre-payment offer on a rateable portion (33%) on all senior debt including to private placement noteholders.

As a result, \$292 million of private placements are classified as current at 30 June 2019. Subsequent to year-end only \$8 million of private placement noteholders accepted the offer and were pre-paid in July 2019.

Capital notes

At 30 June 2019 the Group had issued \$385 million capital notes to retail investors (June 2018: \$416 million) and \$100 million capital notes to institutional investors (June 2018: \$150 million). 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 election date, holders may choose either to keep their capital notes on new terms or convert the principal amount and any interest into shares of Fletcher Building Limited, at approximately 98 per cent of the current market price. If the principal amount of these notes held at 30 June 2019 were to be converted to shares, 81 million (June 2018: 60 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2019, of \$4.85 (June 2018: \$6.95).

Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued interest.

As at 30 June 2019, the Group held \$115 million (30 June 2018: \$84 million) of its own capital notes.

Notes to the Financial Statements 2019 (Continued)

Unlisted Capital Notes

Unlisted capital notes are not listed on the NZDX. Fletcher Building can redeem the unlisted capital notes for cash at par within the next 12 months depending on the tranche and otherwise in certain defined circumstances. If the notes are not repaid in this time, the holder has the right to request conversion of the capital notes into ordinary shares of Fletcher Building Limited at 95% 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 within the next 12 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 2019 were to be converted to shares, 22 million Fletcher Building Limited shares would be issued. (June 2018: 23 million).

Bank Loans

At 30 June 2019, the Group had a \$925 million syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis that comprises \$200 million maturing in November 2019, \$350 million maturing in November 2020 and \$375 million maturing in November 2022. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars.

As a consequence of the Formica divestment, the Group was required to make a mandatory disposition pre-payment offer on a rateable portion (33%) on all senior debt including to Syndicate banks at par. As a result, \$85 million of bank loans are classified as current at 30 June 2019.

On the 22 July 2019, the Group refinanced its \$925 million syndicated revolving credit facility which resulted in two tranches, \$525 million maturing in July 2022 (Tranche 1), \$400 million maturing in July 2024 (Tranche 2). The refinanced syndicated revolving facility is with ANZ Bank New Zealand Limited, MUFG Bank Limited, Bank of New Zealand, 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.

Other Loans

At 30 June 2019, the Group had \$44 million (June 2018: \$44 million) of loans that are secured against specific subsidiaries' own balance sheets or against specific assets and had unsecured loans at 30 June 2019 of \$24 million (June 2018: \$50 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.

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 2019 the Group had debt subject to the negative pledge of \$1,062 million (June 2018: \$1,253 million).

The impact of debt hedging activities on borrowings is represented in the table below:

Currency of Borrowings	Underlying borrowing exposure		Impact of hedging	Economic debt exposure		
	Fixed rate	Floating rate		Fixed rate	Floating rate	% Fixed
	2019 NZ\$M					
New Zealand Dollar	385	269	237	535	356	60%
Australian Dollar	104	100	437	310	331	48%
British Pound	20		(20)			0%
Canadian Dollar	18		(18)			0%
Euro	70		(70)			0%
United States Dollar	717		(673)	44		100%
Other		14			14	0%
Total	1,314	383	(107)	889	701	56%

2018 NZ\$M						
Currency of Borrowings	Underlying borrowing exposure			Economic debt exposure		
	Fixed rate	Floating rate	Impact of hedging	Fixed rate	Floating rate	% Fixed
New Zealand Dollar	416	159	224	566	233	71%
Australian Dollar	108	103	457	249	419	37%
British Pound	20	14	8	20	22	48%
Canadian Dollar	16		5	16	5	76%
Euro	72	1	16	72	17	81%
Japanese Yen	134		(134)			0%
United States Dollar	875		(637)	120	118	50%
Other	4	16		4	16	0%
Total	1,645	293	(61)	1,047	830	56%

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 that it reviews 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.

2019					
	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	258	85	173		
Capital notes	485	200	100	185	
Private placements	884	292		269	323
Other loans	68	25	1	1	41
Borrowings - Principal cash flows	1,695	602	274	455	364
Gross settled derivatives - to pay	907	337		208	362
Gross settled derivatives - to receive	(1,012)	(338)		(299)	(375)
Debt derivatives financial instruments - Principal cash flows	(105)	(1)		(91)	(13)
Total principal cash flows	1,590	601	274	364	351
Contractual interest cash flows	323	72	59	111	81
Total contractual cash flows	1,913	673	333	475	432

Bank loans of \$85 million and private placements of \$292 million are classified as current as the Group was required to make a mandatory disposition pre-payment offer on a rateable portion (33%) on all senior debt as a consequence of the Formica divestment. Subsequent to year-end only \$8 million of private placement noteholders accepted the offer and were pre-paid in July 2019, and therefore the remaining balance will revert to non-current in the interim financial statements for the period ending 31 December 2019.

Notes to the Financial Statements 2019 (Continued)

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
Borrowings - Principal cash flows	1,969	185	410	508	866
Gross settled derivatives - to pay	710	136		62	648
Gross settled derivatives - to receive	(802)	(136)		(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

15. FUNDING COSTS/(INCOME)

Interest expense and income is recognised on an accrual basis in profit or loss using the effective interest method.

Fundings costs also include the changes in fair value relating to derivatives used to manage interest rate risk, and the associated changes in fair value of the borrowings designated in a hedge relationship attributable to the hedged risk.

	2019 NZ\$M	2018 NZ\$M
Interest income	(4)	(3)
Interest on borrowings and derivatives	110	126
Net Interest expense	106	123
Changes in fair value relating to:		
Borrowings designated in a hedging relationship	33	(31)
Derivatives designated in a hedging relationship	(33)	31
Total changes in fair value		
Bank fees, registry and other expenses	14	32
Other (gains)/losses	(4)	
Funding costs from continuing operations	116	155
Discontinued operations	2	2
Funding costs	118	157

Included in interest on borrowings is the net settlement of the Group's interest derivatives. This consists of \$44 million of interest income and \$43 million of interest expense (2018: \$48 million interest income; \$47 million interest expense) and cash flow hedge effectiveness reclassified to profit or loss. The comparative bank fees, registry and other expenses amount includes one-off costs in relation to the breach of bank covenants that occurred in the prior year. Other (gains)/losses include costs associated with pre-payment of borrowings and the settlement of related derivatives.

Interest rate risk

At 30 June 2019, 56% of the Group's debt was subject to a fixed interest rate (June 2018: 56% fixed).

(i) Interest rate repricing

The following tables set out the interest rate repricing profile of interest bearing financial liabilities assuming floating rate facilities are utilised to maintain debt levels.

	2019 NZ\$M	2020 NZ\$M	2021 NZ\$M	2022 NZ\$M	2023 NZ\$M	2024 NZ\$M
Fixed financial liabilities	889	689	589	275	259	44
Floating financial liabilities	701	901	1,001	1,315	1,331	1,546
Economic debt	1,590	1,590	1,590	1,590	1,590	1,590
% Fixed	56%	43%	37%	17%	16%	3%

The Group's overall weighted average interest rate (based on year end borrowings) excluding fees is 5.03% (June 2018: 6.23%).

(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 by approximately \$7.0 million pre-tax on the Group's debt portfolio exposed to floating rates at balance date (June 2018: \$8.3 million) assuming that all other variables remain constant.

16. FINANCIAL RISK MANAGEMENT

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

The table below summarises the key financial market risks to the Group and how these risk are managed:

Financial risk	Description	Management of risk
Foreign currency trade transaction risk (Note 16(a)(i))	Arises on the conversion of a business unit's foreign currency revenue and expenditure to its functional currency, such that a material loss or a gain may be incurred. This covers imports, exports, capital expenditure, and foreign currency bank accounts balances that are not in a business unit's functional currency.	It is Group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed transactions. The Group uses foreign currency forward contracts and foreign currency options to manage the risk on firm commitments and recognised material trade related exposures. Majority of these transactions have maturities of less than one year from the reporting date.
Foreign currency balance sheet translation risk (Note 16(a)(iii))	Arises due to the translation of the Group's foreign denominated assets and liabilities, overseas operations and subsidiaries to the company's functional currency of NZD, such that the Group's reporting of financial ratios would be materially affected.	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 as approved by the Board. 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. These are designated as net investment hedges where the borrowings or contracts are in a different currency to that of the business in which they are recognised. 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.
Interest rate risk (Note 14 & Note 16(b))	The risk that the value of borrowings or cash flows associated with the borrowings will change due to changes in market rates.	The Group manages the fixed interest rate component of its borrowings by entering into CCIRS, interest rate swaps, forward rate agreements and options. It aims to maintain fixed interest rate borrowings between certain ranges over specific time periods.

Notes to the Financial Statements 2019 (Continued)

Financial risk	Description	Management of risk
Commodity price risk	Arises from committed or highly probable trade and capital expenditure transactions that are linked to traded commodities. In the current year this was primarily movements in electricity prices.	<p>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. Cash flow hedge accounting is applied to commodity derivative contracts. In the current year this was primarily related to electricity prices. The average hedged electricity price for 2019 was NZ\$/MWh 78 (June 2018: NZ\$/MWh 75).</p> <p>A 10% increase in the New Zealand electricity spot price at balance date would not materially impact the Group's earnings or equity position.</p>

Disclosure about the credit risk associated with financial instruments and fair value measurement of financial instruments is included in note 16c and 16d.

Derivative financial instruments and hedge accounting

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 the income statement, 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 the income statement. The effective portion is reclassified to the income statement when the underlying cash flows affect the income statement.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss previously recognised in the cash flow hedge reserve remains there until the forecast transaction occurs, or is immediately recognised in the income statement if the transaction is no longer expected to occur.

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 foreign currency translation reserve (FCTR) within equity.

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 spreads of CCIRS 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 the income statement.

(a) Foreign currency risk

(i) Currency transaction risk

Cash flow hedge accounting is applied to forecast transactions and short term intra-group cash funding. 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 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 2019 was \$448 million (June 2018: \$379 million).

(ii) Currency translation risk

The effect of the Group's hedge accounting policy in managing foreign exchange risk related to the Group's net investments in foreign operations is presented in the table below:

Hedged investments and hedging instruments used	2019 NZ\$M				
	Carrying amount		Notional Amount	Hedge effectiveness	
	Amount of investment hedged	Foreign currency borrowings	Foreign currency forwards	Net investment gain/(loss) recognised in other comprehensive Income	Net investment gain/(loss) recognised in other comprehensive Income
Australia Dollar-denominated					
Maturity of forward contracts: 0-4 months	230		(230)	(2)	2
	230		(230)	(2)	2

Hedged investments and hedging instruments used	2018 NZ\$M				
	Carrying amount		Notional Amount	Hedge effectiveness	
	Amount of investment hedged NZ\$M	Foreign currency borrowings NZ\$M	Foreign currency forwards NZ\$M	Net investment gain/(loss) recognised in other comprehensive Income NZ\$M	Net investment gain/(loss) recognised in other comprehensive Income NZ\$M
United States Dollar-denominated					
Maturity of borrowings: 15-120 months	238	(238)		18	(18)
Australia Dollar-denominated					
Maturity of forward contracts: 0-4 months	109		(109)		
Euro-denominated					
Maturity of borrowings: 96 months	72	(72)		6	(6)
Maturity of forward contracts: 0-1 months	15		(15)		
Great British Pound-denominated					
Maturity of borrowings: 121 months	20	(20)		2	(2)
Maturity of forward contracts: 0-1 months	7		(7)		
Canadian Dollar-denominated					
Maturity of borrowings: 121 months	16	(16)		1	(1)
Maturity of forward contracts: 0-1 months	5		(5)		
	482	(346)	(136)	27	(27)

Notes to the Financial Statements 2019 (Continued)

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 \$135 million (June 2018: \$219 million) and no material impact on earnings.

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.
- 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	Accumulated cost of hedging NZ\$M	2019	Hedging (gain) or loss recognised in other comprehensive income NZ\$M	Fair value hedge (income statement) (gain)/loss NZ\$M
				NZ\$M		
Cash flow hedging and fair value hedging						
<i>Cross currency interest rate swaps</i>						
USD denominated borrowings	374	6	(9)	35	1	39
Maturity: 97-121 months						
Weighted average interest rate: floating						
Weighted average NZD/USD exchange rate: 0.7055						
USD denominated borrowings	299	102	(2)	26		15
Maturity: 42-66 months						
Weighted average interest rate: floating						
Weighted average AUD/USD exchange rate: 1.0082						
	673	108	(11)	61	1	54

Hedge type	2018 NZ\$M					
	Nominal amount of the hedging instrument NZ\$M	Carrying amount NZ\$M	Accumulated cost of hedging 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)	(12)	5	5	(17)
Maturity: 97-121 months						
Weighted average interest rate: floating						
Weighted average NZD/USD exchange rate: 0.7055						
USD denominated borrowings	296	76	(3)	3	2	(10)
Maturity: 42-66 months						
Weighted average interest rate: floating						
Weighted average AUD/USD exchange rate: 1.0082						
JPY denominated borrowings	134	6	(9)	7		
Maturity: 104 months						
Weighted average interest rate: floating						
Weighted average AUD/JPY exchange rate: 82.1950						
	801	64	(24)	15	7	(27)

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

(b) Interest rate swaps

The Group applies hedge accounting to the borrowings and the associated interest rate swaps, for movements in benchmark market interest rates. 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.

Notes to the Financial Statements 2019 (Continued)

Hedge type	2019 NZ\$M				
	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	150	(2)	(1)	1	
Maturity: 5-33 months					
Weighted average interest rate: 2.48%					
Interest rate swaps - AUD borrowings	206	(6)	(6)	6	
Maturity: 32-56 months					
Weighted average interest rate: 1.87%					
	356	(8)	(7)	7	
Hedge type	2018 NZ\$M				
	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	150	(1)	(1)	1	
Maturity: 17-45 months					
Weighted average interest rate: 5.98%					
Interest rate swaps - AUD borrowings	141	(2)	3	2	
Maturity: 10-12 months					
Weighted average interest rate: 4.13%					
Fair value hedging					
Interest rate swaps - USD borrowings	118	4	(5)		5
Maturity: 15 months					
Weighted average interest rate: Floating					
	409	1	(3)	3	5

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

(c) 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 7 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.

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 Board approved credit 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 limits, there are no significant concentrations of credit risk in respect of these 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.

(d) Fair Values

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

Classification	2019		2018		
	Carrying Value NZ\$M	Fair Value NZ\$M	Carrying Value NZ\$M	Fair Value NZ\$M	
Financial assets					
Cash and liquid deposits	Amortised cost	1,372	1,372	665	665
Debtors	Amortised cost	1,085	1,085	1,453	1,453
Forward exchange contracts - fair value through profit or loss	Fair value	1	1	3	3
Forward exchange contracts - cash flow hedge	Fair value - hedging instruments	1	1	3	3
Forward exchange contracts - net investment hedge	Fair value - hedging instruments	2	2		
Cross currency interest rate swaps - split designation	Fair value - hedging instruments	108	108	82	82
Interest rate swaps - fair value hedge	Fair value - hedging instruments			4	4
Interest rate swaps - fair value through profit or loss	Fair value	1	1		
Total financial assets		2,570	2,570	2,210	2,210
Financial liabilities					
Creditors and accruals	Amortised cost	799	799	1,114	1,114
Bank loans	Amortised cost	258	258	97	97
Private placements	Amortised cost	886	956	1,181	1,238
Other loans	Amortised cost	68	68	94	94
Capital notes	Amortised cost	485	497	566	584
Forward exchange contracts - fair value through profit or loss	Fair value	3	3	4	4
Forward exchange contracts - cash flow hedge	Fair value - hedging instruments	1	1		
Cross currency interest rate swaps - split designation	Fair value - hedging instruments			18	18
Interest rate swaps - cash flow hedge	Fair value - hedging instruments	8	8	4	4
Total financial liabilities		2,508	2,590	3,078	3,153
Total financial instruments		62	(20)	(868)	(943)

Notes to the Financial Statements 2019 (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 1.1% and 5.3% (June 2018: 1.7% and 7%) including margins, for both accounting and disclosure purposes.

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.

17. DIVIDENDS AND SHAREHOLDER TAX CREDITS

Dividends	2019 NZ\$M	2018 NZ\$M
There was no final dividend paid to shareholders in October 2018 (October 2017: 19 cents per share)		132
Dividend of 8 cents per share paid to shareholders in April 2019 (April 2018: nil)	68	
	68	132

In line with the Company's dividend policy, the Board determined that it would declare a final dividend of 15.0 cents per share for the 2019 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.

Imputation credit account	2019 NZ\$M	2018 NZ\$M
Imputation credits at the beginning of the year		4
Taxation paid	3	33
Imputation credits attached to dividends paid		(37)
	3	

Franking credit account	2019 A\$M	2018 A\$M
Franking credits at the beginning of the year	32	27
Taxation paid	(1)	
Franking credits received	1	5
	32	32

18. 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. 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.

	2019 NZ\$M	2018 NZ\$M
Reported capital at the beginning of the year including treasury stock	3,447	2,711
Issue of shares		736
Reported capital at the end of the year including treasury stock	3,447	3,447
Treasury stock	(20)	(22)
	3,427	3,425

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

Notes to the Financial Statements 2019 (Continued)

	2019	2018
Number of ordinary shares:		
Number of shares on issue at the beginning of the year	853,347,141	695,921,174
Shares issued under the accelerated entitlement offer during the year		156,306,701
Shares issued under the dividend reinvestment plan		1,119,266
Total number of shares on issue	853,347,141	853,347,141
Less shares accounted for as treasury stock	(2,574,158)	(2,820,341)
	850,772,983	850,526,800

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.

19. 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.

	2019 NZ\$M	2018 NZ\$M
Share capital	22	13
Reserves	10	11
	32	24

20. 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.

	2019 NZ\$M	2018 NZ\$M
Investment by associate/joint venture:		
Wespine Industries Pty Limited	49	48
Hexion Australia Pty Ltd	21	20
Altus NZ Limited	63	62
Other	19	19
	152	149
Equity accounted earnings comprise:		
Sales - 100%	375	509
Earnings before taxation - 100%	38	82
Earnings before taxation - Fletcher Building share	19	33
Taxation expense	(5)	(7)
Earnings after taxation - Fletcher Building share	14	26

21. 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.

	Purchases from related parties NZ\$M	Amounts owing to related parties (within creditors) NZ\$M
Trading activities with related parties		
2019		
Wespine Industries Pty Limited and Hexion Australia Pty Ltd	39	5
Altus NZ Limited	5	
2018		
Wespine Industries Pty Limited and Hexion Australia Pty Ltd	78	14
Altus NZ Limited	6	
Dongwha Pattina NZ Limited	6	
	2019 NZ\$M	2018 NZ\$M
Key management personnel compensation		
Directors' fees	2	2
Executive committee remuneration paid, payable or provided for:		
Short-term employee benefits	19	15
Termination benefits	2	3

Fletcher Building Retirement Plan

As at 30 June 2019, Fletcher Building Nominees Limited (the New Zealand retirement plan) held \$2.1 million of shares and \$5.0 million of capital notes in Fletcher Building (June 2018: \$2.8 million of shares; \$7.5 million of capital notes).

Notes to the Financial Statements 2019 (Continued)

Other information

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

22. 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.

	2019 NZ\$M	2018 NZ\$M
Committed at year end	52	68
Approved by the directors but uncommitted at year end	62	47
	114	115

23. 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:

	2019 NZ\$M	2018 NZ\$M
Within one year	226	200
Within two years	211	175
Within three years	191	149
Within four years	177	119
Within five years	162	98
After five years	1,326	316
	2,293	1,057

Operating lease commitments relate mainly to occupancy leases of buildings and motor vehicles.

As part of the Group's NZ IFRS 16 implementation project a number of policy decisions have been finalised, including the treatment of optional renewal periods when determining lease term. From the NZ IFRS 16 adoption date for the Group of 1 July 2019, optional renewal periods have been included in the lease term where it is reasonably certain the option to renew will be exercised. The lease commitments disclosure as at 30 June 2019 has been prepared on a consistent basis with the finalised accounting policy. The comparative balances remain as reported previously.

24. CONTINGENT LIABILITIES

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for, including legal disputes and litigation arising in the normal course of business. 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:

	2019 NZ\$M	2018 NZ\$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	333	402

25. TAXATION

Taxation expense

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:

	2019 NZ\$M	2018 NZ\$M
Earnings/(loss) before taxation	280	(275)
Taxation at 28 cents per dollar	78	(77)
Adjusted for:		
Difference in tax rates	(8)	3
Non-assessable income	(5)	(27)
Non-deductible expenses	38	22
Tax losses for which no deferred tax asset was recognised	9	5
Utilisation of previous unrecognised tax losses	(2)	(4)
Tax in respect of prior years	3	2
Effects of changes in US tax legislation		(5)
Other permanent differences	(11)	(15)
	102	(96)
Tax expense/(benefit) on earnings from continuing operations	80	(105)
Tax expense on earnings from discontinued operations	22	9
	102	(96)
Tax on earnings before significant items	133	(58)
Tax benefit on significant items	(31)	(38)
	102	(96)
Total current taxation expense/(benefit)	117	(87)
Total deferred taxation benefit	(15)	(9)
	102	(96)
Current tax assets/(liabilities)		
Included within the balance sheet as follows:		
Current tax assets	66	72
Current tax liabilities	(5)	(26)
	61	46

Notes to the Financial Statements 2019 (Continued)

	2019 NZ\$M	2018 NZ\$M
Movement during the year:		
Opening provision for current tax assets/(liabilities)	46	(15)
Taxation expense	(117)	87
Transfer from/(to) deferred taxation	71	(120)
Non-controlling interest share of taxation expense	4	4
Tax recognised directly in reserves	10	5
Sale of business	19	
Net tax payments	28	85
	61	46

	2019 NZ\$M	2018 NZ\$M
Provision for deferred tax assets/(liabilities)		
Included within the balance sheet as follows:		
Deferred tax assets	121	161
Deferred tax liabilities	(2)	(37)
	119	124

Movement during the year:		
Opening provision for deferred tax assets	124	5
Taxation expense	15	9
Transfer (from)/to current tax	(71)	120
Sale of business	41	
Tax recognised directly in reserves	10	(10)
	119	124

Composed of:		
Provisions	169	232
Inventories	21	21
Debtors	4	5
Property, plant and equipment	(44)	(74)
Brands	(77)	(120)
Tax losses	63	62
Pensions	(5)	(2)
Other	(12)	
	119	124

The Group has recognised certain tax losses available in New Zealand and Australia 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.

26. 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 the Crane, Amatek, Tasman Building Products, and Laminex businesses which Group business units 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 group of companies also maintained various defined benefit plans and medical plans in other countries. The defined benefit plan in USA was closed during FY18 and the Group sold the Formica business during FY19 with no ongoing obligations in relation to the remaining plans.

The Group's plan assets and liabilities in respect of individual retirement plans are calculated separately for each plan by an independent actuary, as being the fair value of the plan's assets less the present value of the future obligations to the members. The value of the asset recognised cannot exceed the present value of any future refunds from the plans or reductions in future contributions to the plans, 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:

	2019 %	2018 %
Assumed discount rate on benefit obligations	2.14	2.53
Annual rate of increase in future compensation levels	2.61	2.69

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 (2018: less than \$1 million) in respect of its Australian defined benefit plans and \$3 million (2018: \$10 million) in respect of its Formica defined benefit and medical plans. It contributed \$59 million (2018: \$71 million) in respect of its defined contribution plans worldwide, including Kiwisaver and Australia superannuation.

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 2019, the value of the plan assets was 159% of the actuarial liability and the funded surplus was \$103 million (31 March 2018: 155%, \$101 million).

The Group expects to contribute less than \$1 million to its Australia defined benefit plans during the year to 30 June 2020. The Group is currently not contributing to the New Zealand plan.

Notes to the Financial Statements 2019 (Continued)

	2019 NZ\$M	2018 NZ\$M
Net periodic pension cost		
Service cost	3	7
Net interest cost	(2)	(2)
Net periodic pension cost - recognised in earnings before interest and taxation	1	5
Recognised net asset/(liability)		
Assets of plans	400	756
Projected benefit obligation	(339)	(694)
Funded surplus/(obligation)	61	62
Asset ceiling effect		(12)
Recognised net asset	61	50
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	47	66
Australian plans	14	22
Retirement plan assets - recognised within non-current assets	61	88
Other overseas plans		(38)
Retirement plan liabilities - recognised within non-current liabilities		(38)
Recognised net asset	61	50

	2019 NZ\$M	2018 NZ\$M
Movement in recognised net asset		
Recognised net asset at the beginning of the year	50	33
Currency translation	1	2
Actuarial movements for the year	(25)	10
Net periodic pension cost	(1)	(5)
Sale of business - liability	36	
Employer contributions		10
Recognised net asset	61	50
Assets of the plans		
Assets of plans at the beginning of the year	756	827
Actual return on assets	15	45
Total contributions	1	13
Settlement of USA plan		(117)
Benefit payments	(38)	(48)
Sale of business	(334)	
Currency translation		36
	400	756
Assets of the plans consist of:		
Australasian equities	45	59
International equities	109	310
Property	27	24
Bonds	134	262
Cash and short-term deposits	57	63
Other assets	28	38
	400	756
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	(694)	(793)
Service cost	(3)	(5)
Interest cost	(9)	(19)
Member contributions	(1)	(2)
Actuarial loss arising on changes in demographic assumptions	(1)	4
Actuarial loss arising on changes in financial assumptions	(24)	
Actuarial gain arising on other assumptions - experience adjustments	(2)	(5)
Benefit payments	37	48
Sale of business	361	
Settlement of USA plan		117
Currency translation	(3)	(39)
	(339)	(694)

Notes to the Financial Statements 2019 (Continued)

27. SHARE-BASED PAYMENTS

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 and after 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.

The following are details with regard to the scheme:

	2018 Award	2017 Award	2016 Award	2015 Award
Grant date	1 July 2018	1 July 2017	1 July 2016	1 October 2015
Number of shares granted	1,041,605	890,075 ⁽¹⁾	905,211	3,208,083
Market price per share at grant date	\$6.99	\$7.85	\$10.61	\$6.89
Total value at grant date	\$7,280,819	\$6,985,959	\$9,604,289	\$22,103,692
Vesting date	30 June 2021	30 June 2020	30 June 2019	30 September 2018
Number of shares:				
Number of shares originally granted	1,041,605	890,075	905,211	3,208,083
Less forfeited over life of scheme	(80,069)	(181,723)	(497,159)	(2,690,458)
Less vested over life of scheme			(906)	(20,501)
Number of shares held at 30 June 2019	961,536	708,352	407,146	497,124

⁽¹⁾ This is an average share price which includes 182,561 shares granted at \$7.34 to Ross Taylor as Chief Executive Officer and the remainder issued to other participants at \$7.98.

	2019 NZ\$M	2018 NZ\$M
Total fair value expense in year for executive performance share scheme	2	8
Amount recognised at year end for related bonus payable	9	14

Fair value has been determined using Monte Carlo valuation methodology.

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.

28. IMPACT OF NZ IFRS 15 AND OTHER RECLASSIFICATIONS

This note outlines changes to the comparative information in the Income Statement due to a change in classification treatment and explains the impact of the adoption of NZ IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements. It also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

NZ IFRS 15 - Revenue from Contracts with Customers

Revenue was previously recognised when it was probable that work performed will result in revenue whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur. The following are the accounting policies applicable to the recognition of revenue for the Group from 1 July 2018.

Construction division

Construction contract revenue

The Group derives revenue from the construction of building and infrastructure projects across New Zealand and the South Pacific. Contracts entered into may be for the construction of one or several separate inter-linked pieces of large infrastructure. While it is uncommon, contracts can be entered into for the building of several projects. Where this occurs, the Group will identify the single or multiple performance obligations and allocate the total transaction price across each performance obligation based on stand-alone selling prices. The transaction price is normally fixed at the start of the project.

The nature of construction projects leads to variations in the project size and scope. It is also normal practice for contracts to include bonus and penalty elements based on timely construction or other performance criteria known as variable consideration, discussed below.

The performance obligation is fulfilled over time and as such revenue is recognised over time. As work is performed on the assets being constructed they are controlled by the customer and have no alternative use to the Group, with the Group having a right to payment for performance to date.

Generally, contracts identify various inter-linked activities required in the construction process. Revenue is recognised on the measured output of each process based on appraisals that are agreed with the customer on a regular basis.

Maintenance contract revenue

Services revenue is primarily generated from maintenance services supplied to roading assets owned by local or central Government in New Zealand and the South Pacific. This revenue also arises in respect of infrastructure assets previously constructed by the Group where maintenance was included in the contract. The service contracts are typically determined to have one single performance obligation which are significantly integrated and are fulfilled over time. There is no change to the revenue recognition methodology previously utilised.

Variable consideration

Revenue in relation to variations, such as a change in the scope of the contract, are only included in the transaction price when it is approved by the parties to the contract, the variation is enforceable or in certain circumstances when approved by the Board of Directors and the amount becomes highly probable.

Residential and Development division

Through the Residential division the Group derives income from the sale of completed houses, construction type projects for enabling or utilities works for large developments, and the sale of development sites surplus to Group requirements. Revenue is recognised when control passes to the customer for each type of transaction. House sales are commonly recognised at the time of settlement, when title passes to the customer and payment is received. Enabling or utilities works are recognised over time using a percentage of completion method. Land development sales are recognised in line with the requirements of the specific sale and purchase agreement.

Performance obligations vary between the types of transactions. The sale of a completed house from Group inventory to a customer is a single performance obligation, as houses are not constructed under contract from a customer. For works contracts and development sales, the division reviews the terms of the sale to determine whether the performance obligations are distinct and separately identifiable.

Notes to the Financial Statements 2019 (Continued)

Other divisions

Sale of goods

The materials and distribution businesses within the Group recognise revenue when control of the goods has passed to the customer, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and there is a high probability that a significant reversal in the revenue recognised will not occur. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of control varies depending on the individual terms of the sales agreement, for most sales when the product is delivered to the customer.

Impact on the financial statements

The Group has adopted NZ IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in NZ IFRS 15, the Group has adopted the new rules retrospectively using the modified approach and taken advantage of the applicable practical expedients possible, primarily regarding contract modifications. Under this approach, the comparative periods presented in the Income Statement have not been restated, rather the cumulative effect of applying this standard has been applied to the opening balance of retained earnings. The main components of this cumulative effect are shown below.

Retained earnings

	NZ\$M
Retained earnings - as reported at 30 June 2018	894
Write-off of pre-contract costs previously capitalised	(1)
Restatement of variable consideration previously recognised	(1)
Restatement of timing of residential sales	(17)
Opening reserves - restated	875

NZ IFRS 15 requires changes to the disclosure of certain Balance Sheet items. While restatement of these items is not required under the modified approach for adoption, the Group has opted to restate the following Balance Sheet items for simplicity.

Balance Sheet

As at 30 June 2018	Reported NZ\$M	NZ IFRS 15	Restated NZ\$M
Contract assets		13	13
Construction contracts	(626)	626	
Contract liabilities		(142)	(142)
Provisions (current)	(89)	(360)	(449)
Provisions (non-current)	(25)	(137)	(162)

Other Income Statement classifications

Selling, general and administration expenses

During the period the Group has elected to change the classification of warehousing and freight costs for finished goods inventory. These costs are now disclosed in selling, general and administration expenses which provides a more useful perspective on the underlying nature of these transactions. The comparative periods have also been restated below to improve comparability of these lines in the Income Statement.

Other gains and losses

The Group has historically reported smaller items of an exceptional nature in a separate line on the Income Statement, described as 'other gains and losses'. This was in contrast to the presentation of expenses in the Income Statement by function and in addition to the disclosure of 'significant items' (refer to note 2). To provide clarity, the Group will continue to classify significant one-off events as significant items, with the remainder recognised according to their function in the Income Statement. The comparative information has been restated below to improve the comparability of the financial statements.

For the year ended 30 June 2018	Reported NZ\$M	Selling and Marketing	Other gains and losses	Restated NZ\$M
Cost of goods sold	(6,923)	380	(28)	(6,571)
Gross margin	(1,992)	380	(28)	(1,640)
Selling, general and administration expenses	(1,311)	(380)		(1,691)
Other gains and losses	(28)		28	

29. SUBSEQUENT EVENTS

On 20 August 2019, the Directors declared a final dividend of 15.0 cents per share, payable on 19 September 2019, and approved the on-market share buyback of up to NZ\$300 million.

Independent Auditor's Report



Chartered Accountants

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

OPINION

We have audited the consolidated financial statements of Fletcher Building Limited ("the Company") and its subsidiaries (together "the Group"), on pages 47 to 99, which comprise the balance sheet of the Group as at 30 June 2019, and the Income Statement, Statement of Comprehensive Income, Statement of Movements in Equity and Statement of Cash Flows for the year then ended of the Group, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 47 to 99 present fairly, in all material respects, the financial position of the Group as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

BASIS FOR OPINION

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

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

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

Ernst & Young has provided tax advisory 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Construction revenue and associated provision for onerous contracts

Why significant

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 based on the proportion of total costs incurred at the reporting date compared to the Group's estimation of total costs of the contract. Where a contract is identified as loss-making a provision is immediately recorded for estimated future losses on the entire 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 variable consideration, 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.

Disclosures regarding the Group's construction contracts are included in notes 2 (e), 10 and 11 of the financial statements.

How our audit addressed the key audit matter

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;
- used a risk rating process 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 might indicate a greater level of judgement was required by the Group. 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 Group's estimation of total costs of the contract;
 - › undertook site visits (to both contract sites and commercial offices) to understand the nature of risk elements of the contracts;
 - › tested a sample of costs incurred to date through agreement to supporting documentation;
 - › tested the estimated costs to complete by agreeing key forecast cost assumptions to underlying evidence such as subcontractor quotes, tender information, historical invoicing, employment records or agreements with subcontractors;
 - › considered the Group's ability to forecast margins on contracts by analysing the accuracy of previous margin forecasts to actual outcomes;
 - › tested variable consideration, 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.
- evaluated the Group's legal and external experts' reports received on contentious matters to identify conditions that may indicate the inappropriate recognition of variable consideration or liquidated or other damages. We considered the consistency of this to the inclusion or not of amounts in the estimates used for revenue recognition;
- evaluated contract performance in the period since year end to the date of this report to assess the Group's year end judgements in respect of revenue recognition and forecast costs to complete; and
- considered the adequacy of the associated disclosures in the financial statements.

Independent Auditor's Report (Continued)

Goodwill and other intangible assets' impairment assessments

Why significant

The Group holds goodwill and other intangible assets which are carried at \$1.1 billion at 30 June 2019.

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.

Disclosures regarding the Group's key assumptions adopted and the sensitivity to reasonably possible changes in key assumptions which could result in impairment and/or create additional impairments at certain cash generating units ('CGUs') are included in note 2 (c) of the financial statements.

How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, 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 FY20 budget, the FY21-FY24 strategic plan or other management papers;
- assessed key inputs to the DCF models including future cash flow forecasts (by reference to forecast earnings), discount rates and terminal growth rates;
- considered 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 assess 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 relation to the discount rate and forecast earnings to consider the potential impact of changes in assumptions; and
- considered the adequacy of the associated disclosures in the financial statements particularly focusing on the disclosure of the CGUs where the impairment assessment is sensitive to reasonably possible changes in assumptions.

Treasury – Derivative valuation and hedge accounting

Why significant

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 movements in the financial markets. Changes in fair value due to these movements can be significant.

Disclosures regarding the fair value of the Group's derivative assets and liabilities outstanding at balance date are included in note 16 of the financial statements.

How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- understood the Group's treasury processes and identified controls;
- 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;
- assessed hedge effectiveness across a sample of the hedged portfolio; and
- considered the adequacy of the associated disclosures in the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

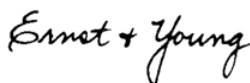
In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

Chartered Accountants

Auckland

21 August 2019

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 million 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.

Directors' fees for FY20 were reviewed and approved by the Board in June 2019. From 1 July 2019 the directors fees (excluding committee fees) increased by 2% (rounded to the nearest \$100), to be paid out of the current shareholder approved annual remuneration limit of \$2 million. The remuneration scale for directors is outlined below:

		Remuneration scale for the period		
	Position	25 October 2017 to 24 October 2018	25 October 2018 to 30 June 2019	1 July 2019 to 30 June 2020
Board of Directors	Chair ⁽¹⁾	\$352,000	\$360,000	\$367,200
	Non-Executive Director	\$132,800	\$140,000	\$142,800
Audit and Risk Committee	Chair	\$36,800	\$37,000	\$37,000
	Member	\$18,400	\$19,000	\$19,000
Remuneration Committee	Chair	\$28,000	\$28,000	\$28,000
	Member	\$14,000	\$14,000	\$14,000
Nominations Committee	Chair	-	-	-
	Member	\$8,000	\$8,000	\$8,000
Safety, Health, Environment and Sustainability Committee	Chair	\$28,000	\$28,000	\$28,000
	Member	\$14,000	\$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 Chair 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 FY19. 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.

Details of the total remuneration received by each Fletcher Building director for FY19 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
Bruce Hassall (Chair) ⁽²⁾	\$320,950.54	\$6,133.33	\$1,333.33 <i>(Chair)</i>			\$5,000.00		\$333,417.20
Martin Brydon ^{(3) (4)}	\$115,602.15		\$6,666.67		\$11,666.67	\$4,166.67	\$15,000.00	\$153,102.16
Antony Carter	\$137,735.48	\$18,811.29	\$8,000.00	\$14,000.00		\$5,000.00		\$183,546.77
Barbara Chapman ^{(3) (5)}	\$115,602.15		\$6,666.67	\$20,222.22 <i>(Chair)</i>		\$4,166.67		\$146,657.71
Alan Jackson ⁽⁶⁾	\$52,179.93		\$3,111.11	\$10,888.89	\$5,444.44	\$1,944.44		\$73,568.81
Rob McDonald ^{(3) (7)}	\$115,602.15	\$30,803.77 <i>(Chair)</i>	\$6,666.67			\$4,166.67		\$157,239.26
Doug McKay ^{(3) (8)}	\$115,602.15	\$15,744.62	\$6,666.67		\$23,333.33 <i>(Chair)</i>	\$4,166.67		\$165,513.44
Sir Ralph Norris ⁽⁹⁾	\$58,666.67					\$833.33		\$59,500.00
Cathy Quinn ^{(3) (10)}	\$115,602.15	\$15,744.62	\$6,666.67		\$11,666.67	\$4,166.67		\$153,846.78
Cecilia Tarrant ⁽¹¹⁾	\$22,133.33	\$3,066.67	\$1,333.33		\$4,666.67	\$833.33		\$32,033.33
Steve Vamos ⁽¹²⁾	\$137,735.48	\$3,066.67	\$8,000.00	\$14,000.00		\$5,000.00	\$13,500.00	\$181,302.15
Total	\$1,307,412.18	\$93,370.97	\$55,111.12	\$59,111.11	\$56,777.78	\$39,444.45	\$28,500.00	\$1,639,727.61

⁽¹⁾ All non-executive directors are members of the Nominations Committee.

⁽²⁾ Bruce Hassall succeeded Sir Ralph Norris as Board Chair effective 1 September 2018 and at the same time ceased to be Chair of the Audit and Risk Committee. No additional fees were paid to him subsequently as Chair for committee roles.

⁽³⁾ Martin Brydon, Barbara Chapman, Rob McDonald, Doug McKay and Cathy Quinn were appointed to the Board on 1 September 2018.

⁽⁴⁾ Appointed member of the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽⁵⁾ Appointed member of the Remuneration Committee effective 1 September 2018 and succeeded as Chair of the Remuneration Committee effective 21 November 2018.

⁽⁶⁾ Retired from the Board on 20 November 2018 following conclusion of the annual shareholders' meeting.

⁽⁷⁾ Appointed Chair of the Audit and Risk Committee effective 1 September 2018.

⁽⁸⁾ Appointed member of the Audit and Risk Committee and Chair of the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽⁹⁾ Ceased to be director effective 1 September 2018.

⁽¹⁰⁾ Appointed member of the Audit and Risk Committee and the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽¹¹⁾ Ceased to be director effective 1 September 2018.

⁽¹²⁾ Ceased to be member of the Audit and Risk Committee effective 1 September 2018.

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION

The Company's remuneration strategy aims to attract, retain and motivate high calibre people 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 apprised 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. PwC was engaged to provide remuneration benchmark data for the chief executive officer and other executive committee roles during the year. A peer group comprised of New Zealand and Australian companies generally comparable in size, complexity and industry is used to benchmark executives.

Fixed remuneration

Fletcher Building's policy is to set fixed remuneration based on capability, performance and industry benchmarks in the country 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, operating cash and those measures that drive sustainable business performance by rewarding employees' performance against both financial and individual goals. Participation in the STI plan is by annual invitation at the discretion of the Company. 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.

Remuneration Report (Continued)

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, and operating cash or working capital depending on the business' priorities. To ensure alignment across the Group, executive division operating roles also have a multiplier based on Group EBIT, and senior management business unit operating roles have a multiplier based on their division EBIT.

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 that reflects stretch performance. For FY19, the financial threshold level was set at 90% of target. The maximum financial level is generally set at 110% or 120% of target. The chief executive officer, chief financial officer, operating chief executives and senior management have 70% of their STI opportunity based on financial measures. Functional chief executives and senior management have 50% of their STI opportunity based on financial measures recognising the reduced line of sight to financial performance.

Individual goals

Individual goals for the executives and senior management are aligned to the different priorities and development phases in which their businesses are operating. This may include people engagement, customer net promoter score, and other strategic measures. The executives' objectives were reviewed by the Board, and in the case of the chief executive officer were approved directly by the Chair.

The maximum opportunity on the individual goals is 100% of target. There is no opportunity for stretch performance on the individual goals. If the threshold financial (EBIT) target is not met, no individual component of the STI is payable.

Safety performance

A multiplier is applied to the overall STI outcome based on achievement against safety measures. These measures are safety site walks and / or TRIFR targets. In the event of a fatality or serious injury, the Board has the discretion to adjust any or all of the STI payment, and the Board has exercised this discretion in relation to the fatalities which occurred in FY19.

Clawback

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 executive long-term share scheme (ELSS), which is offered to certain senior employees, including the Executives and Senior Management. 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. The performance criteria includes a relative total shareholder return (TSR) measure, and the restrictive period is extended by up to twelve months if the TSR criteria is not met at the end of the initial three year restrictive period.

Provided certain share 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 share 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. Exceptions to this are considered in the case of redundancy, retirement or being an executive with five or more years of service.

Performance criteria

The sole performance criteria for the 2018 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 2018 offer comprises Adelaide Brighton, BlueScope, Boral, Brickworks, CSR, Dulux Group, GWA Group, James Hardie, Metro Performance Glass, Reece and Steel & Tube.

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

TSR percentile	Percentage vesting entitlement
Below 51st	Nil
At 51st	50%
Above 51st to below 75th	51% – 99% linear pro-rata
At 75th or above	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.

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	% vested	% forfeited	EPS Target
July 2018	1,041,605			N/A
July 2017	890,075			N/A
July 2016	905,221		50% ⁽¹⁾	70.1 – 76.3
October 2015	3,208,083		50% ⁽²⁾	67.1 – 73.1
October 2014	815,164	0%	100%	61.0 – 66.4

⁽¹⁾ The 2016 EPS tranche was forfeited in July 2019 and the TSR tranche has been extended to 30 June 2020.

⁽²⁾ The 2015 EPS tranche was forfeited in October 2018 and the TSR tranche was extended to 30 September 2019.

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

Ross Taylor's annual base salary as at 30 June 2019 was \$2,050,000. The remuneration he received for FY19 comprised:

Base remuneration	\$2,050,248
Other benefits*	\$106,503

* Includes Kiwisaver and medical insurance premium.

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

Short term variable incentive (STI) FY19 – accrued and payable in September 2019	\$1,095,819
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The following long-term variable incentive was granted during the year:

	Shares granted	
Executive long-term share scheme (ELSS) 2018	196,495 ⁽¹⁾	\$2,050,000

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

In addition to the long-term incentive, a special retention arrangement in the form of a one-off share-based arrangement to the value of \$1,000,000 has been put in place for the chief executive officer. The Board recognises the transition the Company is going through and the important part the chief executive officer plays in the successful delivery of the strategy he set in 2018. This share arrangement will vest 30 June 2022 subject to him remaining employed with the Company.

⁽¹⁾ Based on a share price of NZ\$6.99, being the volume weighted average price for the five business days prior to 1 July 2018.

Remuneration Report (Continued)

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	From NZ\$ to NZ\$	International business activities	New Zealand business activities	Total
100,000 - 110,000	499	501	1,000	460,000 - 470,000	3	0	3
110,000 - 120,000	398	368	766	470,000 - 480,000	1	1	2
120,000 - 130,000	283	294	577	480,000 - 490,000	2	2	4
130,000 - 140,000	193	200	393	490,000 - 500,000	2	3	5
140,000 - 150,000	170	152	322	500,000 - 510,000	0	3	3
150,000 - 160,000	120	128	248	510,000 - 520,000	2	4	6
160,000 - 170,000	101	91	192	520,000 - 530,000	3	3	6
170,000 - 180,000	80	77	157	530,000 - 540,000	1	2	3
180,000 - 190,000	73	64	137	540,000 - 550,000	0	1	1
190,000 - 200,000	64	50	114	550,000 - 560,000	0	2	2
200,000 - 210,000	43	52	95	560,000 - 570,000	1	0	1
210,000 - 220,000	48	34	82	570,000 - 580,000	2	1	3
220,000 - 230,000	27	41	68	580,000 - 590,000	1	2	3
230,000 - 240,000	29	21	50	590,000 - 600,000	1	1	2
240,000 - 250,000	12	26	38	620,000 - 630,000	0	1	1
250,000 - 260,000	14	21	35	640,000 - 650,000	1	0	1
260,000 - 270,000	22	21	43	660,000 - 670,000	1	1	2
270,000 - 280,000	13	13	26	670,000 - 680,000	0	1	1
280,000 - 290,000	9	15	24	680,000 - 690,000	0	1	1
290,000 - 300,000	16	6	22	690,000 - 700,000	0	1	1
300,000 - 310,000	6	5	11	730,000 - 740,000	1	0	1
310,000 - 320,000	7	5	12	740,000 - 750,000	1	0	1
320,000 - 330,000	8	5	13	790,000 - 800,000	0	1	1
330,000 - 340,000	6	8	14	830,000 - 840,000	0	1	1
340,000 - 350,000	8	5	13	870,000 - 880,000	0	1	1
350,000 - 360,000	3	5	8	890,000 - 900,000	1	0	1
360,000 - 370,000	4	0	4	1,000,000 - 1,010,000	1	0	1
370,000 - 380,000	4	3	7	1,020,000 - 1,030,000	1	0	1
380,000 - 390,000	3	1	4	1,100,000 - 1,110,000	0	1	1
390,000 - 400,000	2	0	2	1,280,000 - 1,290,000	0	1	1
400,000 - 410,000	2	3	5	1,290,000 - 1,300,000	0	1	1
410,000 - 420,000	1	2	3	1,310,000 - 1,320,000	0	1	1
420,000 - 430,000	3	2	5	1,340,000 - 1,350,000	0	1	1
430,000 - 440,000	2	3	5	1,970,000 - 1,980,000	1	0	1
440,000 - 450,000	7	1	8	3,620,000 - 3,630,000	0	1	1
450,000 - 460,000	2	1	3	5,070,000 - 5,080,000	1	0	1
					2,310	2,263	4,573

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.

Key corporate governance highlights this year include:

- Strengthened governance, including revitalised delegated financial authorities, the implementation of commercial golden rules and a policy refresh.
- The comprehensive induction of the new Board, and the re-organisation and composition of Board committees.
- Adoption of the new NZX Listing Rules on 1 July 2019 and roll-out of Board and management training on the new regime.
- Systemic review of the Company's approach to health and safety.

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 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.

This governance statement is current as at 30 June 2019 and was approved by the Board on 20 August 2019.

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 secondees, 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 Chair, 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 Board currently comprises of eight 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 42 and 43.

The factors that the Board will consider in whether a director is 'independent' are set out in Appendix A of the Board charter. Any director who has a change in relevant circumstance to any of the factors listed in Appendix A must immediately notify the Chair of that change so that their independence can be re-assessed. If there is a change in the Board's determination, it will be announced promptly and without delay to the market. The Board considers all the current directors as at 30 June 2019 to be independent.

The Chair is an independent director and is not the chief executive officer. A majority of the Board are independent directors. In addition, the Chair of the Audit and Risk Committee is not the Chair of the Board, and pursuant to its charter all members of this committee are 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 "People and Communities" section on pages 14 to 17.

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. Fletcher Building is currently developing a comprehensive Diversity and Inclusion strategy which will be introduced during the 2019 calendar year. This will include the establishment of targets, reporting and governance. The Diversity Policy will be reviewed and updated as an output of this work.

Additionally, as members of the Champions for Change network in New Zealand, Fletcher Building have provided diversity reporting as input into the Champions for Change Annual Diversity Report 2019, providing benchmark against appropriate external comparators as per current policy requirements.

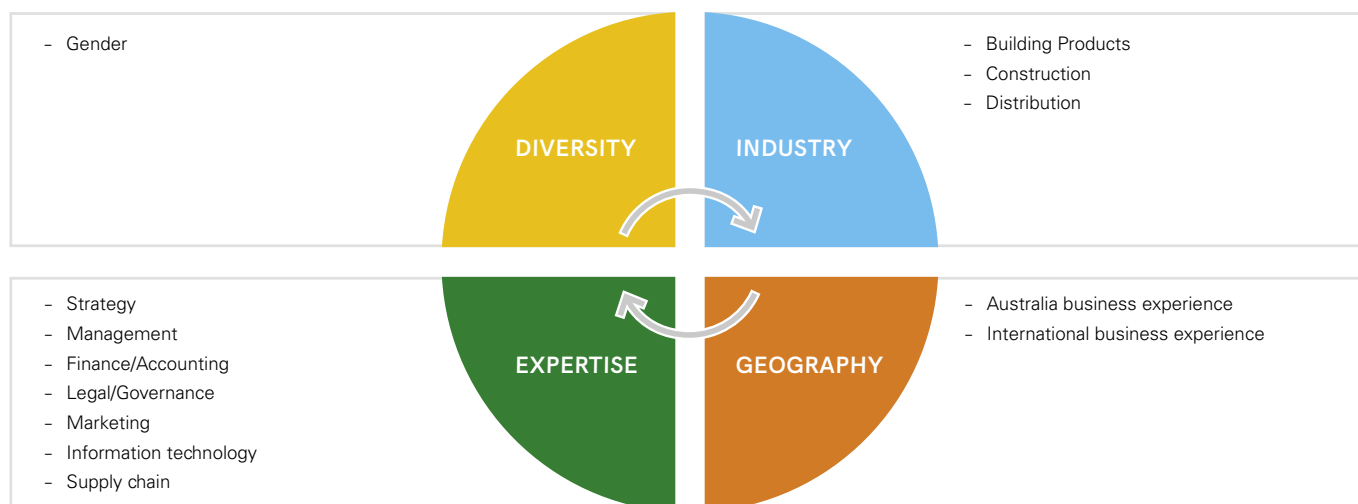
The numbers and proportion of women and men within Fletcher Building as at 30 June 2019 are set out in the table below.

	2019		2018	
	Women	Men	Women	Men
Board of directors	2 (25%)	6 (75%)	1 (17%)	5 (83%)
Executive committee	2 (17%)	10 (83%)	3 (27%)	8 (73%)
Senior management ⁽¹⁾	16 (25%)	48 (75%)	15 (25%)	46 (75%)
All employees	20%	80%	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 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.



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.

During the year, the Board concentrated additional efforts on inspecting and further understanding the operations of Fletcher Building. The Board carried out 11 site visits across a range of the New Zealand and Australia businesses. The Safety, Health, Environment and Sustainability Committee conducted a further 15 site visits. In addition, operational general managers provided 'deep dive' presentations into their businesses.

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.

Propero has been retained by the Board again and is currently undertaking a performance review which will be completed by the end of the calendar year 2019. The process will be similar to that which was followed in 2016.

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 2019 the 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.

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.	Rob McDonald (Chair) Antony Carter Doug McKay Cathy Quinn
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 Bruce Hassall (Chair)
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.	Barbara Chapman (Chair) 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.	Doug McKay (Chair) Martin Brydon Cathy Quinn

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below shows directors' attendance at the Board and committee meetings during the year ended 30 June 2019.

	Board	Audit and Risk Committee	Nominations Committee ⁽¹⁾	Remuneration Committee	Safety, Health, Environment and Sustainability Committee
Number of meetings held	15	4	2	3	5
Bruce Hassall (Chair) ⁽²⁾	15	4	2	2	4
Martin Brydon ^{(3) (4)}	14		1		4
Antony Carter	15	4	2	3	1
Barbara Chapman ^{(3) (5)}	13	3	1	2	1
Alan Jackson ⁽⁶⁾	6		1	2	1
Rob McDonald ^{(3) (7)}	14	3	1	1	1
Doug McKay ^{(3) (8)}	14	3	1	2	4
Sir Ralph Norris ⁽⁹⁾	1	1	1	1	1
Cathy Quinn ^{(3) (10)}	14	3	1	2	4
Cecilia Tarrant ⁽¹¹⁾	1	1	1		1
Steve Vamos ⁽¹²⁾	14	1	2	3	1

⁽¹⁾ All non-executive directors are members of the Nominations Committee.

⁽²⁾ Bruce Hassall succeeded Sir Ralph Norris as Board Chair effective 1 September 2018 and at the same time ceased to be Chair of the Audit and Risk Committee. Bruce attended all committee meetings in an ex officio capacity, excluding his attendance as Chair of the Nominations Committee.

⁽³⁾ Martin Brydon, Barbara Chapman, Rob McDonald, Doug McKay and Cathy Quinn were appointed to the Board on 1 September 2018.

⁽⁴⁾ Appointed member of the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽⁵⁾ Appointed member of the Remuneration Committee effective 1 September 2018 and succeeded as Chair of the Remuneration Committee effective 21 November 2018.

⁽⁶⁾ Retired from the Board on 20 November 2018 following conclusion of the annual shareholders' meeting.

⁽⁷⁾ Appointed Chair of the Audit and Risk Committee effective 1 September 2018.

⁽⁸⁾ Appointed member of the Audit and Risk Committee and Chair of the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽⁹⁾ Ceased to be director effective 1 September 2018.

⁽¹⁰⁾ Appointed member of the Audit and Risk Committee and the Safety, Health, Environment and Sustainability Committee effective 1 September 2018.

⁽¹¹⁾ Ceased to be director effective 1 September 2018.

⁽¹²⁾ Ceased to be member of the Audit and Risk Committee effective 1 September 2018.

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 Continuous Disclosure Policy sets out the internal processes designed to ensure that the Company complies with the disclosure obligations of the NZX and ASX. The Board has adopted this policy, which applies to all members of the Board and executive, all employees in the Fletcher Building and affiliated entities, as well as consultants, contractors and other service providers where they have a relevant contractual obligation to Fletcher Building or one of our businesses. The Continuous 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.

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.

Governance (Continued)

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.

SUSTAINABILITY

The Sustainability section on pages 10 and 11 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. In FY19, we appointed a Head of Sustainability to lead the development and execution of sustainability strategy for Fletcher Building.

Fletcher Building is committed to building strong relationships with our stakeholders. At the local level, our businesses thrive on regular engagement with customers, suppliers, neighbours and local communities. At a Group level, we engage with Government and regulatory authorities. We are members of the following environment and sustainability organisations:

- | | |
|--|--------------------------------|
| - Infrastructure Sustainability Council of Australia | - Sustainable Business Council |
| - Lifecycle Association of New Zealand | - Sustainable Business Network |
| - NZ Green Building Council | |

Further sustainability information can be found on the Company's website at www.fletcherbuilding.com/about-us/environment-and-sustainability/.

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.

Our practices for setting remuneration are detailed in our Remuneration Policy. The policy is governed by the Remuneration Committee in line with its charter, which is available on the Company's website.

The 'Remuneration Report' on pages 104 to 108 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.

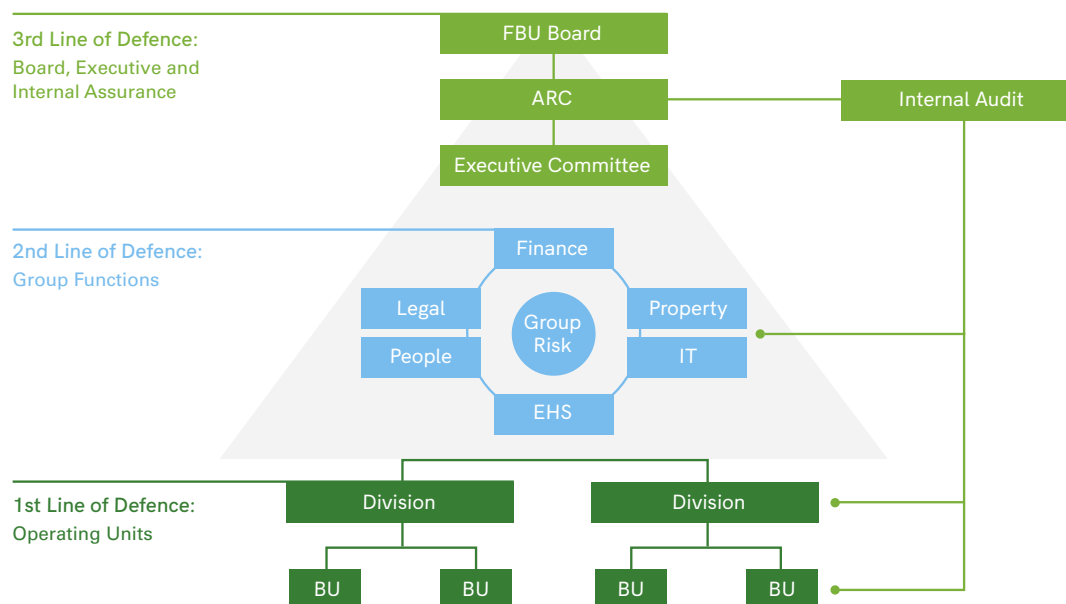
Principle 6 – Risk Management

“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 FRAMEWORK

The purpose of the risk management framework in the Fletcher Building Group 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 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 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*.

KEY RISKS

The Fletcher Building risk management framework is focused on the nine key commercial (non-Health and Safety) risks that the Company faces across its business. The nine key risks are:

- | | |
|------------------------|-----------------------|
| - Business Resilience | - Supply Chain |
| - Economic Downturn | - Workplace Relations |
| - Regulatory and Legal | - Environment |
| - Product Quality | - Technology |
| - Contractual | |

Through bottom-up business-led risk workshops, the nine key risk and uncertainties for each business are identified, assessed and risk controls/mitigation plans established with on-going assessment of their effectiveness of the risk controls.

The risk and uncertainties that are faced by the individual business units are captured in the enterprise-wide risk management tool, RADAR. The information captured in RADAR enables risk management information captured at the business unit level to be disseminated at higher levels of the organisation.

The Group has also increased the cadence of operational risk reporting through business unit operations reviews. 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 12 and 13.

Governance (Continued)

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 5 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. 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 Chair 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 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. Our notice of meeting is sent to all of our shareholders and posted on our website at least 20 working days prior to the meeting.

Statutory Disclosures

DISCLOSURE OF INTERESTS BY DIRECTORS

The following are particulars of general disclosures of interest by directors holding office as at 30 June 2019, 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 2019 are noted in brackets, for the purposes of section 211(1)(e) of the Companies Act 1993.

Bruce Hassall	Fletcher Building Industries Limited	Chair
	Prolife Foods Limited	Chair
	The Farmers' Trading Company Limited	Chair
	Bank of New Zealand	Director
	Fonterra Co-operative Group Limited	Director
	The University of Auckland Business School Advisory Board (resigned 31 January 2019)	Member
Martin Brydon	Adelaide Brighton Limited (resigned 30 January 2019)	CEO/Managing Director
	Brydon Investment Holdings Pty Limited	Director
	CCL Executive Superannuation Pty. Ltd. (resigned 9 January 2019)	Director
	CCL Staff Superannuation Pty. Ltd. (resigned 9 January 2019)	Director
	Fletcher Building Industries Limited	Director
	Rytysh Pty Ltd	Director
	Sunstate Cement Limited (resigned 7 February 2019)	Director
	The Cement Industry Federation Limited (resigned 20 March 2019) Cement, Concrete & Aggregates Australia (resigned 18 September 2018)	Alternate Director
Antony Carter	Air New Zealand Limited	Chair
	Fisher & Paykel Healthcare Corporation Limited	Chair
	Blues LLP (resigned 1 February 2019)	Chair
	ANZ Bank New Zealand Limited	Director
	Avonhead Mall Limited	Director
	Fletcher Building Industries Limited	Director
	Vector Limited (appointed 1 May 2019)	Director
	Independent Selection Panel for Fonterra Maurice Carter Charitable Trust	Member Trustee
Barbara Chapman	Genesis Energy Limited	Chair
	The CEO Summit Committee for APEC 2021 (appointed 20 June 2019)	Chair
	The New Zealand Initiative Limited	Deputy Chair
	Fletcher Building Industries Limited	Director
	IAG New Zealand Limited (appointed 1 November 2018)	Director
	NZME Limited	Director
	Two Tin Pigs Limited	Director
	Prime Minister's Business Advisory Council (appointed 18 October 2018) Reserve Bank Independent Expert Advisory Panel (appointed 7 September 2018)	Member Member
Rob McDonald	Contact Energy Limited	Chair
	The University of Auckland Business School Advisory Board (appointed 12 March 2019)	Chair
	Chartered Accountants Australia and New Zealand	Director
	Fletcher Building Industries Limited	Director
	RSMcDonald Services Limited	Director
	Sovereign Assurance Company Limited	Director
	McDonald Family Trust	Trustee

Statutory Disclosures (Continued)

Doug McKay	Bank of New Zealand	Chair
	Eden Park Trust Board	Chair
	Fletcher Building Industries Limited	Director
	Genesis Energy Limited	Director
	IAG New Zealand Limited	Director
	National Australia Bank	Director
	Tourism Transport Limited	Director
	Wymac Consulting Limited	Director
Cathy Quinn	Fletcher Building Industries Limited	Director
	On Being Bold Limited	Director
	Rangatira Limited (appointed 13 February 2019)	Director
	Tourism Holdings Limited	Director
	New Zealand Treasury Advisory Board	Member
	Council Executive Board of the New Zealand China Council	Member
	St Jude's Trust	Trustee
Steve Vamos	Xero Limited	Chief Executive Officer
	eGeneration Investments Pty Limited	Director
	Fletcher Building Industries Limited	Director
	Telstra Corporation Limited (resigned 16 October 2018)	Director
	The University of Technology Sydney Business School Advisory Board (resigned 24 May 2019)	Member

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

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 2019:

Director	Ordinary Shares	Capital Notes
Bruce Hassall (Chair)	22,242	
Martin Brydon	20,000	
Antony Carter	67,019	150,000
Barbara Chapman	20,000	
Rob McDonald	30,000	
Doug McKay	20,000	
Cathy Quinn ⁽¹⁾	20,000	30,512,000
Steve Vamos	20,000	

⁽¹⁾ Non-Beneficial interest in 30,512,000 capital notes as a Trustee of the St. Jude's Trust.

Disclosure of Directors' interests in share transactions

Directors disclosed, pursuant to section 148(2) of the Companies Act 1993, the following acquisitions of relevant interests in Fletcher Building shares during the year ended 30 June 2019:

Director	Date of acquisition	Nature of transaction	Consideration	Number of ordinary shares acquired
Bruce Hassall	4 October 2018	On-market purchase	NZ\$64,870	10,000
Martin Brydon	4-5 October 2018	On-market purchase	A\$118,362	20,000
Barbara Chapman	4 October 2018	On-market purchase	NZ\$130,660	20,000
Rob McDonald	4 October 2018	On-market purchase	NZ\$194,826	30,000
Cathy Quinn	4 October 2018	On-market purchase	NZ\$130,000	20,000
Steve Vamos	20 December 2018	On-market purchase	A\$18,505	4,085

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 2019. In particular there was no exercise of powers by NZX under NZX Listing Rule 9.9.3 (relating to powers to cancel, suspend or censure an issuer) with respect to Fletcher Building during the reporting period.

NZX WAIVERS

There were no waivers granted by NZX or relied on by Fletcher Building Limited in the 12 months preceding 30 June 2019.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 JUNE 2019

The total number of voting securities of Fletcher Building at 30 June 2019 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	15,692	45.15	6,762,124	0.79
1,001 - 5,000	13,591	39.11	32,583,676	3.82
5,001 - 10,000	3,143	9.04	22,316,687	2.61
10,001 - 100,000	2,184	6.29	48,276,204	5.66
100,001 and over	144	0.41	743,408,450	87.12
Total	34,754	100.00	853,347,141	100.00

Statutory Disclosures (Continued)

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 2019. The total number of voting securities of Fletcher Building Limited at 30 June 2019 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	95,202,683	27 May 2019
The Vanguard Group, Inc.	47,403,706	18 December 2018
Schroder Investment Management (Australia) Limited	50,303,744	30 November 2018
Ellerston Capital Limited ⁽¹⁾	35,786,943	13 April 2018
Commonwealth Bank of Australia	41,967,254	19 March 2018

⁽¹⁾ Ellerston Capital Limited ceased to be a substantial product holder effective 18 July 2019.

20 LARGEST SHAREHOLDERS AS AT 30 JUNE 2019

Holder Name	Number of ordinary shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	112,206,760	13.15
JP Morgan Nominees Australia Limited	87,285,403	10.23
HSBC Nominees (New Zealand) Limited - NZCSD	66,121,621	7.75
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	55,820,745	6.54
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	49,252,884	5.77
Citibank Nominees (New Zealand) Limited - NZCSD	48,740,479	5.71
Citicorp Nominees Pty Limited	48,553,388	5.69
National Nominees Limited	33,141,448	3.88
Accident Compensation Corporation - NZCSD	26,916,104	3.15
BNP Paribas Nominees (NZ) Limited - NZCSD	17,084,420	2.00
FNZ Custodians Limited	17,035,503	2.00
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	16,110,279	1.89
BNP Paribas Noms Pty Limited	12,844,519	1.51
BNP Paribas Nominees Pty Limited	11,494,556	1.35
ANZ Wholesale Australasian Share Fund - NZCSD	9,879,208	1.16
Tea Custodians Limited Client Property Trust Account - NZCSD	9,129,409	1.07
National Nominees New Zealand Limited - NZCSD	8,907,385	1.04
BNP Paribas Nominees (NZ) Limited - NZCSD	7,707,576	0.90
JBWere (NZ) Nominees Limited	7,580,466	0.89
Citicorp Nominees Pty Limited	7,044,509	0.83
Total	652,856,662	76.51

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 2019, total holding in NZCSD were 334,363,562 or 39.18% of shares on issue.

AUDITOR FEES

EY has continued to act as auditors of the Company. Please refer to Note 5 of the financial statements for audit fees paid to EY in the financial year to 30 June 2019.

CREDIT RATING

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

DONATIONS

Please refer to Note 5 of the financial statements for donations made in FY19. 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 2019, or in the case of those persons with the letter (R) after their name ceased to hold office during the year. Except where shown below, Fletcher Building's indirect ownership interest as at 30 June 2019 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 108. Except where shown below, no other director of any subsidiary company within the Group receives director's fees or other benefits as a director.

Company	Directors
Amatek Holdings Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Amatek Industries Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Amatek Investments Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Approach Signs Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Austral Bronze Crane Copper Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Australian Construction Products Pty Limited	C Bolt, B Nicholson (R), N Sumich
Australian Fibre Glass Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Bandelle Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Baron Insulation Pty Ltd	D Frost (R), P Lavelle, B McKenzie
Boden Building Supplies Limited (65%)	P Boden, D Fradgley (R), B McEwen
Building Choices Limited (75%)	G Close, D Fradgley (R), B McEwen
Building Prefabrication Solutions Limited	D Fradgley (R), B McEwen, B McKenzie
Cameron Building Supplies Limited (75%)	D Fradgley (R), B McEwen
Caravan Components Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Cleaver Building Supplies Limited (65%)	M Cleaver, D Fradgley (R), B McEwen
Crane Enfield Metals Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Crane Group Pty Limited	M Brodie, B McKenzie, S Lo Ricco (R)
Crane Share Plan Pty Ltd	M Brodie, B McKenzie, S Lo Ricco (R)
Crevet Pipelines Pty Ltd	B McKenzie, N Sumich
Crevet Pty Ltd	M Brodie, B McKenzie, S Lo Ricco (R)
CTCI Pty Limited	G Andrew (R), J Burgess, B McKenzie, A Webster (R), E Woldhuis (R)
Davis & Casey Building Supplies Limited (65%)	T Davis, D Fradgley (R), B McEwen
Delcon Holdings (No. 11) Limited	C Bolt, D Fradgley, B McKenzie
Delcon Holdings (No. 8) Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie, D Thomas (R)
ee-Fit Pty Limited	D Frost (R), P Lavelle, B McKenzie
Efa Technologies Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Evans Building Supplies Limited	D Fradgley (R), B McEwen
FBHS (Aust) Pty Limited	B McKenzie, P Tudor (R), A Wilson
FBII (Puhoi) Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
FBSOL Pty Limited	B McKenzie, P Tudor (R), A Wilson
Fletcher Building (Australia) Pty Limited	C Bolt, M Brodie, D Le Quesne, S Lo Ricco (R), B McKenzie
Fletcher Building (Fiji) Pte Limited	A Kumar, B Leach, K Lotu-iga (R), C White
Fletcher Building Educational Fund Limited	C Carroll, J McDonald, P Muir
Fletcher Building Holdings Limited	C Bolt, B McKenzie
Fletcher Building Holdings New Zealand Limited	C Bolt, B McKenzie
Fletcher Building Industries Limited	M Brydon, A Carter, B Chapman, B Hassall, A Jackson (R), R McDonald, D McKay, R Norris (R), C Quinn, C Tarrant (R), S Vamos
Fletcher Building Infrastructure Investments Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy

Statutory Disclosures (Continued)

Company	Directors
Fletcher Building Limited	M Brydon, A Carter, B Chapman, B Hassall, A Jackson (R), R McDonald, D McKay, R Norris (R), C Quinn, C Tarrant (R), S Vamos
Fletcher Building Nominees Limited	J Chapman, M Farrell, J McDonald, H McKenzie, C Munkowits, G Niccol
Fletcher Building Products Australia Pty Limited	M Brodie, S Lo Ricco (R), B McKenzie
Fletcher Building Products Limited	C Bolt, M Kernahan (R), B McKenzie, H McBeath
Fletcher Building Share Schemes Limited	J McDonald, G Niccol
Fletcher Building Welfare Fund Nominees Limited	R Linton, D Lucas, S Schulz, D Sixton
Fletcher Challenge Building Bolivia S.A.	M Binns, K Cowie, H Ritchie
Fletcher Challenge Building UK Limited	S Evans, P Foreman (R), B McKenzie, N Mason (R)
Fletcher Challenge Finance Investments Limited	C Bolt, B McKenzie
Fletcher Challenge Forest Industries Limited	S Evans, P Foreman (R), B McKenzie, N Mason (R)
Fletcher Challenge Industries S.A.	M Binns, K Cowie, H Ritchie
Fletcher Concrete (Fiji) Pte Limited	C Bolt, A Kumar, B Leach, C White
Fletcher Concrete and Infrastructure Limited	C Bolt, I Jones, M Kernahan (R), H McBeath, B McKenzie, D Thomas (R)
Fletcher Construction (Solomon Islands) Limited	B Leach, C White
Fletcher Construction Company (Fiji) Pte Limited	B Leach, J Matthews
Fletcher Distribution Limited	C Bolt, B McEwen, D Fradgley (R), B McKenzie
Fletcher Insulation Pty Limited	D Frost (R), P Lavelle, B McKenzie
Fletcher Morobe Construction Limited	K Fletcher (R), B Leach, L Mathias, P Moore (R)
Fletcher Property Developments UK Limited	S Evans, P Foreman (R), B McKenzie, N Mason (R)
Fletcher Property Investments UK Limited	S Evans, P Foreman (R), B McKenzie, N Mason (R)
Fletcher Property Limited	C Bolt, B McKenzie
Fletcher Residential Limited	C Bolt, S Evans, B McKenzie
Fletcher Steel Limited	C Bolt, D Fradgley (R), H McBeath, B McKenzie
Forman Building Systems Limited	C Bolt, D Fradgley (R), B McEwen, B McKenzie
Gatic Pty Limited	B McKenzie, N Sumich
Geoff Brown Building Supplies Limited (75%)	G Brown, D Fradgley (R), B McEwen
Geraldton Independant Building Supplies Pty Limited	J Burgess, B McKenzie
Graeme Joy Building Supplies Limited	D Fradgley (R), G Joy (R), B McEwen
Higgins Contractors Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Higgins Group Holdings Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Home&Dry Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie
Iplex Pipelines Australia Pty Limited	F Hopkins (R), B McKenzie, N Sumich
Iplex Pipelines NZ Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie, D Thomas (R)
Iplex Properties Pty. Limited	B McKenzie, N Sumich
Jeffcoats Building Supplies Ltd (68%)	D Fradgley (R), R Jeffcoat, B McEwen
John Cockburn Building Supplies Limited	D Fradgley (R), B McEwen
Kemsley Fields Limited (56.8%)	S Evans, N Mason (R), R Peachey
Ken Jones Building Supplies Limited	D Fradgley (R), B McEwen
Kenna Building Supplies Limited	D Fradgley (R), B McEwen
Key Plastics Pty. Ltd.	B McKenzie, N Sumich
Kimura Building Supplies (2016) Limited (75%)	D Fradgley (R), J Kimura, B McEwen
Kingston Bridge Engineering Pty Ltd	B McKenzie, N Sumich
Kinsey Kydd Building Supplies Limited (75%)	D Fradgley (R), S Kinsey, B McEwen
Koning Building Supplies Limited (75%)	D Fradgley (R), J Koning (R), B McEwen
Koyana Rocla Pipes Limited	M Kotnis, G Sharma, C Shiralkar, A Mahesh

Company	Directors
Kusabs Building Supplies Limited (75%)	D Fradgley (R), G Kusabs, B McEwen
Laminates Holdings Pty Limited	J Burgess, B McKenzie
Laminex Finance Pty Limited	D Le Quesne, S Lo Ricco (R), N Sekul
Laminex Group (N.Z.) Limited	C Bolt, F Irazusta (R), H McBeath, B McKenzie
Laminex Group Pty Limited	J Burgess, B McKenzie
Laminex Overseas Holdings Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Laminex US Holdings Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Leary Building Supplies Limited (75%)	D Fradgley (R), B Leary, B McEwen
Macready Building Supplies Limited (65%)	D Fradgley (R), J Macready, B McEwen
Matt Orr Building Supplies Limited (75%)	D Fradgley (R), B McEwen, M Orr
McGill Building Supplies Limited (75%)	B McEwen, J McGill
McInnes Building Supplies Limited (75%)	B McEwen, G McInnes
Mico New Zealand Limited	C Bolt, D Fradgley (R), B McEwen, B McKenzie
Milnes Holdings Limited	M Brodie, S Lo Ricco (R), B McKenzie
Moire Road General Partner Limited (51%)	A Crocker, S Evans, S Rapson, D Schwartfeger
Morinda Australia Pty Limited	B McKenzie, P Tudor (R), A Wilson
New Zealand Ceiling & Drywall Supplies Limited (90%)	C Bolt, D Thomas
Ngapo-Kimura Building Supplies Limited	D Fradgley (R), B McEwen
Northern Iron and Brass Foundry Pty. Ltd.	B McKenzie, N Sumich
Oliveri Solutions Pty Limited	T Broxham, B McKenzie
Paul Robinson Building Supplies Limited (75%)	D Fradgley (R), B McEwen, P Robinson
Pavement Technology Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Penny Engineering Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Penrose Retirement Nominees Limited	J Chapman, M Farrell, J McDonald, H McKenzie, C Munkowits, G Niccol
PinkFit Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie
PlaceMakers Limited	C Bolt, D Fradgley (R), B McEwen, B McKenzie,
PlaceMakers Supply, Fix & Install Limited (75%)	G Close, D Fradgley (R), B McEwen
Polymer Fusion Education Pty Ltd	B McKenzie, N Sumich
Raylight Aluminium Limited (87.5%)	G Close, M Ellis (R), D Fradgley (R), B McEwen
Reece Building Supplies Limited (75%)	D Fradgley (R), B McEwen, J Reece
Rocla Australia Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Rocla Concrete Pipes Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Rocla Drilling Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Rocla Industries Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Rocla Masonry Pty Limited	C Bolt, S Lo Ricco (R)
Rocla NSW Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Rocla Pty Limited	C Bolt, B Nicholson (R), N Sumich
Rocla SA Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Rocla Vic Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
S Cubed Pty Limited	B McKenzie, P Tudor (R), A Wilson
Seabar Holdings (No 16) Limited	C Bolt, D Fradgley (R), B McEwen, B McKenzie,
Selwyn Quarries Limited	C Bolt, I Jones, B McKenzie, D Thomas (R)
Shed Boss NZ Limited	C Bolt, D Fradgley, B McKenzie
Southbound Building Supplies Limited (75%)	D Fradgley (R), B McEwen, A Rance
Stanley Building Supplies Limited (75%)	D Fradgley (R), B McEwen, B Stanley-Joblin
Steven Marshall Building Supplies Limited (65%)	D Fradgley (R), S Marshall, B McEwen

Statutory Disclosures (Continued)

Company	Directors
Stickland Building Supplies Limited (75%)	D Fradgley (R), B McEwen
Stramit Corporation Pty Limited	B McKenzie, P Tudor (R), A Wilson
Sullivan & Armstrong Building Supplies Limited	D Fradgley (R), B McEwen
Tasman Australia Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Tasman Building Products Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Tasman Insulation New Zealand Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie
Tasman Sinkware North America, Inc.	C Bolt
TBP Group Pty Limited	M Brodie, D Le Quesne, S Lo Ricco (R)
Terrace Insurances (PCC) Limited	C Bolt, K Carten, M Eades, B McKenzie
The Fletcher Construction Company (Fanshawe Street) Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
The Fletcher Construction Company Cook Islands Limited	B Leach, M Kernahan (R), B McKenzie, P Reidy
The Fletcher Construction Company Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
The Fletcher Construction Company Limited (Samoa Branch)	C Bolt, M Kernahan (R), B McKenzie, P Reidy
The Fletcher Organisation (Vanuatu) Limited	B Leach, Diract Ltd, Lotim Ltd
The Fletcher Trust and Investment Company Limited	C Bolt, M Kernahan (R), B McKenzie, P Reidy
Thomas Street Pty Limited	C Bolt, M Brodie, S Lo Ricco (R)
Trade Mart Limited	C Bolt, D Fradgley (R), B McEwen, B McKenzie
Tradelink Pty Ltd	T Broxham, B McKenzie
Winstone Wallboards Limited	C Bolt, M Kernahan (R), H McBeath, B McKenzie, D Thomas
Young Building Supplies Limited (75%)	D Fradgley (R), B McEwen, C Young

As at 30 June 2019, Fletcher Building held an indirect ownership interest in the following associates and joint ventures.

Company	Ownership	Company	Ownership
Alterra Apartments General Partner Limited	50%	Kaipara Water Transport Limited	25%
Altus NZ Limited	50%	NX2 Hold GP Limited	13.40%
Bellus Apartments General Partner Limited	50%	Oamaru Shingle Supplies Limited	33.33%
Byfords Read-Mix Limited	50%	P2W Services Limited	50%
Cromwell Certified Concrete Limited	50%	Rangitikei Aggregates Supplies Limited	50%
Greenraft Limited	33.33%	Rodney Aggregates Supplies Limited	50%
Hexion Australia Pty Limited	50%	Saltus Apartments General Partner Limited	50%
Illico Apartments General Partner Limited	50%	South Pacific Cement Limited	14.85%
Interpipe Holdings Limited	50%	Verto Apartments General Partner Limited	50%
JFC Pumps Limited	50%	Wespine Industries Pty Limited	50%

Corporate Directory

BOARD OF DIRECTORS

Bruce Hassall (Chair)
Martin Brydon
Tony Carter
Barbara Chapman
Rob McDonald
Doug McKay
Cathy Quinn
Steve Vamos

EXECUTIVE TEAM

Ross Taylor
Chief Executive Officer

Bevan McKenzie
Chief Financial Officer

Charles Bolt
Group General Counsel and Company Secretary

Dan Anthony
Chief Information Officer

Claire Carroll
Chief People and Communications Officer

Wendi Croft
Chief Health and Safety Officer

Steve Evans
Chief Executive Residential and Development

Dean Fradgley
Chief Executive Australia

Ian Jones
Chief Executive Concrete

Hamish McBeath
Chief Executive Building Products

Bruce McEwen
Chief Executive Distribution

Peter Reidy
Chief Executive Construction

REGISTERED OFFICE

New Zealand

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Auckland 1061, New Zealand
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Auckland 1142, New Zealand
Phone: +64 9 525 9000
Email: fbcomms@fbu.com
Web: www.fletcherbuilding.com

Australia

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Locked Bag 3501
North Ryde BC, NSW 1670, Australia
Phone: +61 2 8986 0900

AUDITOR

EY
PO Box 2146
Auckland 1140, New Zealand

SOLICITOR

Bell Gully
PO Box 4199
Auckland 1140, New Zealand

INVESTOR RELATIONS ENQUIRIES

Aleida White
Head of Investor Relations
Email: investor.relations@fbu.com
Phone: +64 9 525 9043

COMPANY NUMBERS

NZ Incorporation 1104175
NZBN 9429037065836
ARBN 096 046 936

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

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Web: www.computershare.com/nz

Australia

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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.

