FLETCHER BUILDING LIMITED

NEWS RELEASE

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

Auckland, August 17, 2016 - Fletcher Building today reported net earnings of $462 million for the year ended 30 June 2016, compared with $270 million in the 2015 financial year. The result included significant items totalling $37 million. Net earnings before significant items were $ 418 million, 5 per cent higher than the $399 million recorded in the prior year.

Operating earnings (earnings before interest and tax) were $719 million, compared with $503 million in the prior year. Operating earnings excluding significant items were $682 million, up 4 per cent on the prior year and in line with earnings guidance.

Cash flow from operations increased 15 per cent to $660 million from $575 million in the prior year. The increase was due to the growth in underlying operating earnings and reductions in working capital.

A final dividend of 20 cents per share will be paid on 12 October 2016, with full New Zealand tax credits attached, bringing the total dividend for the year to 39.0 cents per share. The dividend reinvestment plan will be operative for this dividend payment.

Fletcher Building chief executive officer Mark Adamson said the result was driven by a 29 per cent uplift in operating earnings from Fletcher Building's Australian businesses, coupled with strong growth in operating earnings in New Zealand in the distribution, residential and construction divisions.

"While the macro-economic environment in Australia was mixed, we delivered strong earnings growth from our Australian business portfolio, which was the result of our focus on improving the performance and capability of our businesses in that market.

"What was equally pleasing was the continued growth in earnings from our New Zealand distribution, residential development and construction businesses. These are all areas we have highlighted as offering strong growth potential.

"Cash flow generation was another highlight of the year, with cash flow from operations up 15 per cent on the prior year.

"We made good progress during the year in completing our portfolio rationalisation. With the sale of Rocla Quarries completed in January and the acquisition of Higgins completed last month, we have now largely concluded the restructure of our business portfolio", Mr Adamson said.

Results overview

Comparisons are with the prior financial year ended 30 June 2015.

Revenue	$9,004 million, up from $8,661 million
Net earnings	$462 million, up from $270 million
Net earnings before significant items	$418 million, up from $399 million
Operating earnings (EBIT)	$719 million, up from $503 million
Operating earnings (EBIT) before significant items	$682 million, up from $653 million
Cash flow from operations	$660 million, up from $575 million
Basic earnings per share before significant items	60.6 cents per share, up from 58.0 cents per share
Final dividend	20.0 cents per share, The final dividend will be fully imputed for New Zealand taxation purposes.
Dividend payment dates	The dividend will be paid on 12 October 2016 to holders registered as at 5.00 pm Friday 23 September 2016 (NZT). The shares will be quoted on an ex-dividend basis from 22 September 2016 on the NZX and ASX.
Dividend reinvestment plan	The dividend reinvestment plan will be operative for this dividend. Applications to participate must be received by the registry before 5pm Monday 26 September 2016.

Please refer to the Financial Statements for terms and definitions.

ENDS

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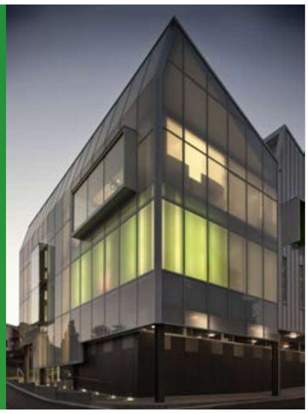

MANAGEMENT COMMENTARY FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

Fletcher Building reports underlying net earnings growth of 5 per cent

Reported results NZ$m (except where noted)	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Total revenue	**9,004**	**8,661**	**4**
Operating earnings before significant items[1]	**682**	**653**	**4**
Significant items[2]	37	(150)	NM
Operating earnings (EBIT)	**719**	**503**	**43**
Funding costs	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**
Tax expense	(131)	(96)	36
Earnings after tax	**473**	**280**	**69**
Non-controlling interests	(11)	(10)	10
Net earnings before significant items	**418**	**399**	**5**
Net earnings	**462**	**270**	**71**
Earnings per share before significant items (cents)	**60.6**	**58.0**	**4**
Earnings per share (cents)	**67.0**	**39.2**	**71**
Dividends declared per share (cents)	**39.0**	**37.0**	**5**
Capital expenditure	**300**	**278**	**8**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

- Revenue for the year of $9,004 million was $343 million, or 4%, higher when compared with the prior year;
- Operating earnings before significant items were $682 million, 4% higher than the prior year;
- Significant items comprised a net gain of $37 million (2015: an expense of $150 million);
- Operating earnings of $719 million were $216 million, or 43%, higher than the prior year;
- Net earnings were $462 million, up 71%, from $270 million in the prior year;
- Net earnings before significant items were $418 million, up 5% on the prior year;
- Cash flow from operations was $660 million, up 15% from $575 million in the prior year;
- Basic earnings per share were 67.0 cents, up from 39.2 cents;
- Final dividend is 20.0 cents per share, bringing the total dividend for the year to 39.0 cents per share.

Financial Results

	Revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Building Products	2,449	2,656	(8)
International	2,128	2,007	6
Distribution	3,184	3,081	3
Residential and Land Development	343	238	44
Construction	1,648	1,342	23
Other	9	5	80
Gross revenue	**9,761**	**9,329**	**5**
less intercompany sales	(757)	(668)	13
Group external revenue	**9,004**	**8,661**	**4**

	Reported operating earnings			Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	**Year ended 30 June 2016 NZ$m**	Year ended 30 June 2015 NZ$m	Change %
Building Products	353	184	92	274	259	6
International	103	143	(28)	133	143	(7)
Distribution	175	93	88	176	148	19
Residential and Land Development	84	66	27	84	66	27
Construction	78	54	44	78	74	5
Corporate	(74)	(37)	(100)	(63)	(37)	(70)
Total	**719**	**503**	**43**	**682**	**653**	**4**
Funding costs	(115)	(127)	(9)	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**	**567**	**526**	**8**
Tax expense	(131)	(96)	36	(138)	(117)	18
Earnings after tax	**473**	**280**	**69**	**429**	**409**	**5**
Non-controlling interests	(11)	(10)	10	(11)	(10)	10
Net earnings	**462**	**270**	**71**	**418**	**399**	**5**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

Financial Results continued

Geographic segments

	Gross revenue			External revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	**Year ended 30 June 2016 NZ$m**	Year ended 30 June 2015 NZ$m	Change %
New Zealand	5,438	4,965	10	4,797	4,435	8
Australia	3,055	3,158	(3)	2,959	3,042	(3)
Rest of World	1,268	1,206	5	1,248	1,184	5
Total	**9,761**	**9,329**	**5**	**9,004**	**8,661**	**4**

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
New Zealand	452	449	1
Australia	154	119	29
Rest of World	76	85	(11)
Total	**682**	**653**	**4**

Geographic segments in local currency

	Gross revenue			External revenue		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %	**Year ended 30 June 2016**	Year ended 30 June 2015	Change %
Australia (A$m)	2,809	2,929	(4)	2,721	2,821	(4)
Rest of World (US$m)	850	936	(9)	837	919	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Australia (A$m)	142	110	29
Rest of World (US$m)	51	66	(23)

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

- External revenue of $9,004 million was $343 million or 4% higher than the prior year. Of this increase $362 million related to increased New Zealand revenue, partly offset by lower revenue in Australia. In local currencies, revenue increased by 8% in New Zealand but declined by 4% in Australia and 9% in the Rest of World.
- Reported operating earnings before interest and tax of $719 million were 43% higher than the prior year.
- Reported operating earnings include a net gain within significant items of $37 million relating to:
  - A gain on the sale of the Rocla Quarries business of $85 million;
  - A $5 million gain on the divestment of the Fletcher Aluminium business to the joint venture with Nalco;
  - Costs of $5 million associated with the acquisition of the Higgins business;
  - Costs of $16 million relating to the closure of sites in Iplex Australia, Rocla Products, Formica Europe and Dimond;
  - Charges of $26 million in the Formica India business, with impairments of fixed assets, goodwill and working capital adjustments; and
  - $6 million of costs incurred investigating and resolving payroll system issues as a result of complexities in applying the New Zealand Holidays Act 2003.
- Operating earnings before significant items were $682 million, 4% higher than the prior year.
- In **New Zealand**, earnings benefited from continued strong residential, commercial and infrastructure construction activity, as well as strong operational performance in many businesses. Residential consents were 29,097, up from 25,154 in the prior year, an increase of 16%.
- In **Australia**, market conditions were mixed, with new housing construction at record levels but activity in the mining and resources sectors down significantly and other sectors relatively subdued. Despite this, operating earnings before significant items increased 38% in local currency when adjusted for the divestment of the Rocla Quarries business, driven by operational performance improvements in Iplex Australia, Stramit and Fletcher Insulation.
- In the **Rest of World**, earnings in local currency were flat in the major markets of Asia and North America, while earnings in Europe were down as a result of adverse operational performance in the UK.
- Funding costs of $115 million were 9% lower than the prior year, due to lower debt levels and borrowing costs.
- The tax expense of $131 million represents an effective tax rate for the year of 22% (2015: 26%).
- Earnings per share were 67.0 cents, an increase of 71% from 39.2 cents per share in the prior year.
- Earnings per share before significant items were 60.6 cents, an increase of 4% from 58.0 cents in the prior year.

Segmental Operational Review

The following sections provide commentary on individual division results for the year ended 30 June 2016.

Building Products

Concrete Pipes & Products; Cement & Aggregates; Building Materials; Plastic Pipes; JV Earnings and Other

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,449	2,656	(207)	(8)
External revenue	1,969	2,184	(215)	(10)
Operating earnings before significant items[1]	274	259	15	6
Significant items[2]	79	(75)	154	NM
Operating earnings	353	184	169	92
Funds	1,581	1,877	(296)	(16)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	59	79	(25)
Cement & Aggregates	87	90	(3)
Building Materials	93	77	21
Plastic Pipes	14	(8)	NM
JV Earnings & Other	21	21	–
Total	**274**	**259**	**6**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

Building Products reported operating earnings of $353 million, compared with $184 million in the prior year.

The result includes a positive significant item of $79 million comprising a gain on the sale of the Rocla Quarries business ($85 million), a gain on divestment of the Fletcher Aluminium business to the Fanalco joint venture ($5 million), partly offset by site closures in Iplex Australia and Rocla Products ($11 million).

The division's operating earnings before significant items were $274 million, 6% higher than $259 million in the prior year. The increase was attributable largely to improved performance in Plastic Pipes and Building Materials, offset by decreased earnings in the Concrete Pipes & Products businesses and reduced Cement & Aggregates earnings following the Rocla Quarries divestment.

Reported gross revenue decreased by 8%, however, was up 1% when adjusted for divested businesses.

Whilst gross revenue of the Concrete Pipes & Products businesses increased 1%, operating earnings before significant items declined 25% to $59 million or 14% when excluding prior year land sales ($10 million). New Zealand concrete volumes were 7% higher, and prices were slightly up on last year. New Zealand concrete pipe volumes were down by 8%, due to lower market volumes in the first half of the year; volumes and market share recovered in the second half. Australian concrete pipe revenue was down 4% due to weak demand in Western Australia and Queensland and intensifying price competition in other regional markets.

Gross revenue of the Cement & Aggregates businesses decreased 12% but was flat on an underlying basis if the divested Quarries business is excluded. The businesses recorded a 3% decrease in operating earnings before significant items to $87 million. Key factors impacting year-on-year performance were lower land sales than the prior year ($4 million) and one-off restructuring costs in 2016 ($3 million). Adjusting for these and the divestment of Rocla Quarries, the underlying operating earnings were 11% higher than the prior year, with 6% year-on-year volume growth in New Zealand cement and stable market share, coupled with higher cement and aggregate prices.

Gross revenue of the Building Materials businesses increased 8%, whilst operating earnings before significant items increased 21% to $93 million. New Zealand plasterboard volumes were up 11% on the prior year and market share was stable. Both the New Zealand and Australian Insulation businesses achieved strong year-on-year volume growth, with earnings having doubled in the year.

The Plastic Pipes businesses recorded $14 million operating earnings before significant items after reporting a loss of $8 million in the prior year. This was primarily due to a significant turnaround in the performance of Iplex Australia. Australian gross revenue increased 3%, with volumes up 6%, whilst indirect costs reduced by 16% reflecting the successful execution of the turnaround programme.

Earnings from Joint Ventures & Other businesses were $21 million, in line with the prior year, with increased earnings from Fletcher Aluminium offsetting lower earnings from the Steel business, which ceased production in September 2015. A key achievement was the formation of the joint venture between Fletcher Aluminium and Nalco on 30 June 2016, which is well positioned to leverage its scale and capability in a strong New Zealand market.

International

Laminex; Formica; Roof Tile Group

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,128	2,007	121	6
External revenue	2,106	1,978	128	6
Operating earnings before significant items[1]	133	143	(10)	(7)
Significant items[2]	(30)	–	(30)	NM
Operating earnings	103	143	(40)	(28)
Funds	1,902	2,098	(196)	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	80	81	(1)
Formica	62	68	(9)
Roof Tile Group	14	14	–
International divisional costs	(23)	(20)	15
Total	**133**	**143**	**(7)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

Operating earnings for the International division were $103 million compared with $143 million in the prior year. Gross revenue increased by 6% over the prior year.

The result includes significant items of $30 million, $26 million relating to impairing the operations of Formica India and $4 million for site closure costs in Formica Europe. Operating earnings before significant items decreased 7% to $133 million.

Laminex's operating earnings were $80 million compared to $81 million in the prior year. Gross revenue increased 3% over the prior year, with increases of 2% in Australia and 8% in New Zealand.

Operating earnings in Australia were $72 million, up 3% on the prior year. Favourable market conditions in the residential sector were partly offset by a significant decline in the Western Australia residential market. Earnings were positively impacted by optimised pricing and operational efficiency improvements, with a significant reduction in overheads.

Operating earnings in New Zealand were $8 million. When adjusting for $1 million restructuring costs in the current year and a $3 million property gain in the prior year, earnings increased by 13% on the prior year.

Operating earnings before significant items for Formica were $62 million, a decrease of 9% on the prior year.

Formica reported gross revenue of $980 million, an increase of 10% on the prior year, largely due to the translation effect resulting from a lower New Zealand dollar relative to the US dollar in particular. In local currencies revenue was largely flat although this varied by region.

In North America revenue growth in local currency was up by 4% on the prior year, driven by volume growth of 2% and increased pricing. Operating earnings were $56 million, up 14% on the prior year, with 11% attributable to favourable currency translation, coupled with the strong operational performance of the manufacturing plants in the US and Canada.

In Asia growth rates in local currency varied significantly by country. The key markets of Taiwan, Thailand and Hong Kong generated revenue growth of 4%, 6% and 6% respectively. Revenue in China was up 2% on the prior year with revenue in Malaysia and Singapore behind last year. Earnings in Asia increased 21% to $23 million driven largely by lower raw material prices and improved manufacturing efficiencies across the two factories in China as both domestic and export volumes increased.

Gross revenue in Europe fell by 4% in local currency with the main driver being a decrease in sales in export markets. Most major Western European markets were stable. Formica Europe reported a loss of $17 million compared with a breakeven result in the prior year, due to lower sales and adverse operational performance at the business' key UK manufacturing plant, particularly in the first half. In addition, restructuring costs of $3 million impacted the result. The business operated at breakeven in the second half.

Operating earnings in the Roof Tile Group were stable at $14 million. In the key markets of the Americas, Asia and New Zealand, volumes increased by 1%, 3% and 12% respectively but were offset by volume declines of 6% in Europe, driven by competitive pressures, along with deteriorating economic conditions in Africa, where volumes were down by 8%.

International divisional costs of $23 million increased $3 million on the prior year, largely due to currency translation, as a significant portion are incurred in US dollars.

Distribution

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

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	3,184	3,081	103	3
External revenue	3,026	2,958	68	2
Operating earnings before significant items[1]	176	148	28	19
Significant items[2]	(1)	(55)	54	NM
Operating earnings	175	93	82	88
Funds	1,001	1,046	(45)	(4)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	85	75	13
NZ Steel Distribution	44	36	22
Australian Building Supplies	27	23	17
Australian Steel Distribution	20	14	43
Total	**176**	**148**	**19**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

The Distribution division reported operating earnings of $175 million, compared with $93 million in the prior year.

Operating earnings before significant items were $176 million, compared with $148 million in the prior year, an increase of 19%, with strong earnings growth in both New Zealand and Australia.

Gross revenue increased by $103 million, or 3%, to $3.2 billion. In New Zealand gross revenue growth of 8% was driven by share gains and the positive macro environment.

The NZ Building Supplies businesses achieved gross revenue growth of 10% and reported increased earnings of 13%. PlaceMakers' gross revenue of $1.2 billion was up 10% on the prior year, with growth in the core categories of timber, frame & truss and concrete, as well as further accelerated growth in margin accretive categories, including kitchens and power tools. The Mico business increased gross revenue by 12% to $235 million, with strong growth in both bathroom and plumbing sectors, as it attracted new customers and increased sales from existing customers.

The NZ Steel Distribution businesses reported earnings before significant items of $44 million, an increase of $8 million or 22%. This reflected strong market share growth in Pacific Coilcoaters, record sales volumes in Easysteel, coupled with improved operational capabilities in Fletcher Reinforcing. Strong activity levels across the NZ Steel Distribution businesses were partially offset by the impacts of lower year-on-year global steel prices, which were at a 15-year low.

Additional synergies in New Zealand were realised in the year through combining the Dimond roll-forming business with Easysteel and continued co-locations of PlaceMakers and Mico.

The Australian businesses reported earnings of $47 million, an increase of 27%. During the year the businesses were further aligned, with the overall Distribution strategy focusing on operating efficiency. This entailed a change from State to functional management structures in both Stramit and Tradelink, further leveraging resources and driving synergies across the division.

Tradelink reported earnings of $22 million, which encompassed a $14 million gain from property sales, net of restructuring costs and inventory write offs. A 2% like-for-like decline in Tradelink revenue to $775 million followed the strategic reset of its core focus back to the small trade plumber and activity in the market. Whist a decline was still seen in the trade plumber area, the decline slowed in the second half, with traction gained from initiatives such as the Customer Service Promise launch. This focus is continuing with the launch of a customer loyalty scheme in July and network densification, with 20 new stores planned to open in the 2017 financial year.

Operating earnings in Stramit increased by 43% to $20 million. This was driven by improved levels of customer service, coupled with operational efficiency initiatives, while revenue was up 1% on the prior year.

Residential and Land Development

NZ Residential; Land Development

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	343	238	105	44
External revenue	343	238	105	44
Operating earnings	84	66	18	27
Funds	355	211	144	68

	Operating earnings		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	74	66	12
Land Development	10	–	NM
Total	**84**	**66**	**27**

The Residential and Land Development division reported operating earnings of $84 million, a 27% increase on the prior year.

NZ Residential operating earnings were $74 million, 12% higher than the prior year. Contrary to earlier expectations, the decreased contribution from the Stonefields development in Auckland was more than offset by an accelerated build programme, including sales from a number of new locations.

Revenue for the year was $343 million, up from $238 million in the prior year, driven by increasing volumes of homes sold, as well as strong market pricing, particularly in the Auckland region.

Strong sales volumes and margins were delivered in the established areas of Greenhithe, Karaka and Stonefields. The second half of the year also delivered a meaningful contribution from the new subdivisions of Beachlands and Hobsonville, as well as early margin contribution from the Government partnership projects in Canterbury.

Land Development operating earnings were $10 million. This business comprises a combination of residential and commercial land developments for on sale to third parties. This included stage 1 at James Fletcher Drive in Auckland and residential lot sales at Beachlands, Auckland and the remaining portion of Jack's Point in Queenstown.

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

Funds employed increased to $355 million from $211 million in the prior year of which $54 million related to land transfers from other divisions. This was driven by a combination of land development on previously acquired sites; an increase in work in progress, as the business builds towards its targeted volume of 1,500 dwellings per annum, and the settlement of lots purchased from other developers in Auckland, including Beachlands, Penihana, Hobsonville, Karaka and Whenuapai.

Construction

Construction New Zealand; Construction South Pacific

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	1,648	1,342	306	23
External revenue	1,560	1,299	261	20
Operating earnings before significant items[1]	78	74	4	5
Significant items[2]	–	(20)	20	NM
Operating earnings	78	54	24	44
Funds	(18)	(54)	36	(67)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	58	51	14
Construction South Pacific	20	23	(13)
Total	**78**	**74**	**5**

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

The Construction division reported operating earnings of $78 million, an increase from $54 million in the prior year. The prior year included significant items of $20 million and therefore operating earnings before significant items increased 5%.

Gross revenue of $1,648 million, up 23% from the prior year, is the highest level achieved by the division, with the New Zealand businesses delivering record revenue and earnings.

Revenue growth exceeded operating earnings for a number of reasons, including a different mix of projects undertaken between years, EQR workload reducing and a number of projects commencing in the latter part of the year. In these cases the division has recognised revenue but no margin contribution.

The division has been very successful at winning work, with the backlog, being the value of contracted work awarded but not yet completed, increasing from $2.4 billion in the prior year to $2.7 billion at 30 June 2016. All parts of the business increased their backlog during the year, with construction projects secured across both the commercial and public sectors. In August 2016 Fletcher Construction was announced as the preferred bidder on the Puhoi to Warkworth motorway extension as part of the Northern Express Group consortium.

The Infrastructure business has almost completed work on several major infrastructure projects, including the Waterview tunnel project, Rangiriri realignment and MacKays to PekaPeka on the Kāpiti Coast. Work has started, or is about to commence, on a number of significant projects, including the Kirkbride Alliance and Hamilton Bypass Alliance.

The Building + Interiors business has had a significant workload across the country, continuing with the construction of major projects such as the new headquarters for Fonterra, the University of Auckland Science Building, Victoria University of Wellington Science Building, the University of Waikato Law School and Christchurch Justice Precinct. It has also commenced work on the New Zealand International Convention Centre, National Biocontainment Lab in Wellington and Commercial Bay development in downtown Auckland.

The Canterbury Earthquake Recovery business has been winding down its operations over the last year, as it completes its contractual arrangements with the Earthquake Commission. Operating earnings reduced in line with the declines in workload; only a small level of work is still to be completed, expected to be by December 2016.

The South Pacific business reported operating earnings of $20 million, a decrease of 13% on the prior year. The reduction in earnings was due to the completion of a number of significant projects in the prior year.

In the current year the Momi Bay Resort in Fiji is now nearing completion, while work has commenced on new projects secured during the year, including wharves in Vanuatu and American Samoa, Government buildings in Samoa and a convention, hotel and commercial development in Papua New Guinea.

The acquisition of the Higgins road maintenance, road construction and aggregates businesses was completed on 29 July 2016. Total consideration was $303 million.

Group Cash Flow

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Operating earnings before significant items[1]	**682**	**653**	**29**
Depreciation and amortisation	194	201	(7)
Less cash tax paid	(97)	(72)	(25)
Less interest paid	(118)	(124)	6
Provisions, significant items and other	(99)	(42)	(57)
Results from operations before working capital movements	**562**	**616**	**(54)**
Land and developments	(66)	(58)	(8)
Other working capital movements	164	17	147
Cash flows from operating activities	**660**	**575**	**85**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

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

Cash flows from operating activities of $660 million were $85 million, or 15%, higher than the prior year. Cash flows from operations before working capital movements were $562 million, down from $616 million due to increased provision utilisation and cash tax paid. The improvement in working capital, notwithstanding continued investment in residential land, reflected the success of specific inventory and debtor management initiatives during the year, along with the collection of $81 million of final working capital balances following the closure of the Pacific Steel operations.

Capital expenditure

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Capital expenditure	300	278	22

Capital expenditure was $300 million, compared with $278 million in the prior year. Of this total, $194 million was for stay-in-business capital projects, including $26 million on IT projects and $106 million related to new growth initiatives.

For 2017 capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 30 June 2016 was $2,224 million. Of this, $608 million was undrawn and there was an additional $356 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $345 million and a further $68 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities, a private placement that was completed on 20 July 2016 and available cash.

The group's gearing[1] at 30 June 2016 was 27.3% compared with 31.8% at 30 June 2015. Whilst outside of the group's target range of 30-40%, gearing has returned to the target range following completion of the Higgins acquisition.

The group's leverage[2] at 30 June 2016 was 1.6 times compared with 2.0 times at 30 June 2015. Again, this has returned to within the target range of 2.0-2.5 times following the Higgins acquisition.

The average maturity of the debt is 3.5 years and the hedged currency split is 47% Australian dollar; 32% New Zealand dollar; 14% US dollar; and 7% spread over various other currencies.

Approximately 61% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.25%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.4%.

Interest coverage[3] for the year was 5.9 times compared with 5.1 times in the prior year.

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

Dividend

The 2016 final dividend is 20 cents per share. The final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.7778 cents.

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

The dividend will be paid on 12 October 2016 to holders registered as at 5.00 pm Friday 23 September 2016 (NZT). The shares will be quoted on an ex-dividend basis from 22 September 2016 on the NZX and ASX.

The interim dividend of 19 cents per share was paid on 13 April 2016.

DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ('the Plan'), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm, Monday, 26 September 2016. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 22 September 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 October 2016.

DIVIDEND POLICY

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

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

TAX CREDITING POLICY

Following a review of its forecast tax position, Fletcher Building has amended its tax crediting policy such that it intends to fully impute both the interim and final dividends with New Zealand tax credits each year (or to the maximum extent possible) and fully frank the final dividend with Australian tax credits where possible.

Fletcher Building expects to be able to fully impute both the interim and final dividend with New Zealand tax credits for at least the next two years but does not expect to be in a position to fully frank the 2017 final dividend with Australian tax credits.

2016 Final Dividend Summary Table[1]

NZ cents per share	NZ residents on top marginal tax rate of 33%	Australian residents on top marginal tax rate of 49%	Australian residents on 15% tax rate	Other non-residents[8]
dividend declared	20.0000	20.0000	20.0000	20.0000
NZ imputation credits[2]	7.7778			
NZ supplementary dividend[3]		3.5294	3.5294	3.5294
Australian franking credits[4]		0.0000	0.0000	
Gross dividend for NZ tax purposes	**27.7778**	**23.5294**	**23.5294**	**23.5294**
NZ tax (33%)[5]	(9.1667)			
NZ non-resident withholding tax (15%)[6]		(3.5294)	(3.5294)	(3.5294)
Net cash received after NZ tax	**18.6111**	**20.0000**	**20.0000**	**20.0000**
Australian tax (49% and 15%)[7]		(11.5294)	(3.5294)	
Reduced by offset for NZ non-resident withholding tax		3.5294	3.5294	
Less Australian franking credit offset		0.0000	0.0000	
Net cash dividend to shareholders after tax	**18.6111**	**12.0000**	**20.0000**	**20.0000**

NOTES:

1 This summary is of a general nature and the tax rates used and the calculations are intended for guidance only. As individual circumstances will vary, shareholders are advised to seek independent advice.

2 The dividend has imputation credits attached at a 28% tax rate.

3 A supplementary dividend is only payable to non-New Zealand shareholders and has the effect of removing the cost of New Zealand non-resident withholding tax (NRWT). Non-resident shareholders with a 10% or greater direct shareholding are not eligible to receive supplementary dividends but are exempt from NRWT.

4 There are no Australian franking credits attached to this dividend and the conduit foreign income component is nil.

5 For all NZ resident shareholders who do not hold an exemption certificate, resident withholding tax (RWT) is required to be deducted at 5% from the gross dividend which has been credited, with imputation credits at 28%. Accordingly, for those shareholders, a deduction of 1.3889 cents per share will be made on the date of payment from the dividend declared of 20.0 cents per share and forwarded to Inland Revenue. Resident shareholders who have a tax rate less than 33% will need to file a tax return to obtain a credit for the RWT deduction in excess of their marginal tax rate.

6 NZ non-resident withholding tax at the rate of 15% on the gross dividend for NZ tax purposes.

7 This summary uses two examples of the effect of tax in Australia. The first uses the top marginal tax rate of 49%, including the Medicare levy and the Temporary Budget Repair Levy. The second example uses the 15% income tax rate applicable in Australia to complying superannuation funds, approved deposit funds and pooled superannuation trusts. Different tax rates will apply to other Australian shareholders, including individuals, depending on their circumstances.

The Australian tax is calculated as:	49% Rate	15% Rate
Gross dividend for NZ tax purposes	23.5294	23.5294
plus franking credits	0.0000	0.0000
Gross dividend for Australian tax purposes	23.5294	23.5294
Australian tax	11.5294	3.5294

8 This illustration does not purport to show the taxation consequences of the dividend for non-residents of New Zealand or Australia. Shareholders resident in other countries are encouraged to consult their own taxation advisor.

Update on Business Transformation Programme

During the year a comprehensive review was undertaken to identify the potential to drive further performance from the business portfolio. Subsequently, review teams worked with each business unit to validate their respective opportunity set using this review analysis and global benchmarks. This in turn led to the establishment of targets for each business unit, with the opportunities grouped under the following categories:

- Commercial – revenue and product margin growth
- Cost – external expenditure and overhead costs
- Manufacturing and operational efficiency – including manufactured products, distribution costs and construction-delivered margin.

Each business unit is pursuing various initiatives within these categories, the nature and impact of which varies depending on the type of business. These activities are being run under a single programme called Accelerate. The programme leverages the capability built with the FBUnite business transformation programme over the past three years, particularly around procurement, property management, information technology, manufacturing excellence and sales and marketing centres of excellence.

The initiatives identified within Accelerate are driven by the management teams in each business unit, supported by the centres of excellence. In addition, a Transformation Office has been established to oversee the governance of the Accelerate programme, provide support and tools to each business unit and coordinate resources. To date, more than one thousand initiatives have been started. These are captured in an online system that tracks their validation and delivery timeframe.

The success of the Accelerate programme will be reflected in the results of each business unit over the next three years and will potentially include higher revenue growth, market share gain, improved gross margins and lower operating costs.

Outlook

In New Zealand residential construction activity is expected to peak in 2018 and then gradually return to 2014 levels over the next three years. Due to the lag between consents being granted and work actually being undertaken, however, the peak in consents will continue to impact activity beyond 2017, prolonging the strength in the building market for at least another year.

Non-residential activity is forecast to remain relatively steady at elevated levels compared to the historical average. Infrastructure work undertaken is expected to maintain its upward trajectory over the course of 2017 and beyond.

The New Zealand dollar is expected to gradually weaken through the year against key currencies, particularly the Australian dollar and US dollar.

Australian residential activity is expected to gradually decline over the next three years following its peak in 2016. Little growth is forecast in non-residential activity.

In Asia, the China market is expected to grow moderately but at lower rates than in recent years. Taiwan and South East Asian markets are expected to show modest growth.

North American market growth is expected to be relatively low but slightly higher in the USA than Canada.

Market growth estimates vary across continental Europe, from negative in some markets to flat and low growth in others, while the UK is expected to show modest growth.

For the 2017 financial year, operating earnings (earnings before interest and tax and significant items) are expected to be in the range of $720 million to $760 million. Consistent with this growth, operating earnings in the first half of the 2017 financial year are expected to be higher than the prior corresponding period.

In terms of divisional outlook, the following areas will be targeted:

- Building Products – the focus will be on continued improvement in turning around the Australian business units and ensuring the New Zealand businesses continue to maximise returns and capture the growth in volumes arising from the strong market conditions.
- International – the turnaround of Formica's European business, particularly in the UK market, will drive earnings uplift, and all regions are targeting improved trading performances. A focus will remain on optimising and fully loading our new laminate plant in China and the expanded roof tile facility in California.
- Distribution – pursuing top-line growth, particularly in higher margin product categories, will be key enablers for further earnings growth. Performance of Tradelink's turnaround plan will require network plumber share gains, although the benefits will be partly offset by the operating costs from expansion of the branch network.
- Residential and Land Development – the acceleration of home building in Auckland and Christchurch, along with maximising development opportunities from industrial land holdings, will drive operating results for the year.
- Construction – continued strong revenue growth is expected to be driven by the elevated levels of construction activity in New Zealand. Operating results will be positively impacted by the Higgins acquisition, offset in part by the wind down of the EQR Canterbury home repair programme and a reduction in South Pacific activity.

Divisions

Division	Business Groupings	Key Businesses
Building Products	Concrete Pipes & Products	Firth Concrete (NZ) Humes Pipelines (NZ) Rocla Products (AU)
	Cement & Aggregates	Golden Bay Cement (NZ) Winstone Aggregates (NZ) Rocla Quarries (divested in FY16) (AU)
	Building Materials	Winstone Wallboards (NZ) Tasman Insulation (NZ) Fletcher Insulation (AU)
	Plastic Pipes	Iplex (NZ & Australia)
	JV Earnings & Other	Long Steel Manufacturing (ceased in FY16) Fletcher Aluminium (NZ) Joint Ventures & Other
International	Formica	Formica Asia Formica Europe Formica North America
	Laminex	Laminex New Zealand Laminex Australia
	Roof Tile Group	Gerard Roofing Systems (NZ / Asia / Europe) DECRA Roofing Systems (USA)
Distribution	NZ Building Supplies	PlaceMakers Mico Plumbing
	Australian Building Supplies	Tradelink Tasman Sinkware
	NZ Steel Distribution	Pacific Coilcoaters Easysteel Fletcher Reinforcing Dimond
	Australian Steel Distribution	Stramit
Residential and Land Development	NZ Residential	Fletcher Living
	Land Development	Land Development
Construction	Construction New Zealand	Fletcher Construction Fletcher EQR
	Construction South Pacific	Fletcher Construction South Pacific

Appendix: Supplemental split of Divisional Results

GROSS REVENUE

Building Products

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	770	761	1
Cement & Aggregates	442	501	(12)
Building Materials	466	431	8
Plastic Pipes	546	545	–
Joint Ventures & Other	225	418	(46)
Total	**2,449**	**2,656**	**(8)**

International

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	966	940	3
Formica	980	888	10
Roof Tile Group	182	179	2
Total	**2,128**	**2,007**	**6**

Distribution

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	1,432	1,296	10
Australian Building Supplies	805	853	(6)
NZ Steel Distribution	445	437	2
Australian Steel Distribution	502	495	1
Total	**3,184**	**3,081**	**3**

Residential and Land Development

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	330	238	39
Land Development	13	–	NM
Total	**343**	**238**	**44**

Construction

Gross revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	1,501	1,163	29
Construction South Pacific	147	179	(18)
Total	**1,648**	**1,342**	**23**

Appendix: Supplemental split of Divisional Results continued

LOCAL CURRENCY GROSS REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,532	1,658	(8)
Australia (A$m)	843	923	(9)

International

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	176	167	5
Australia (A$m)	769	761	1
Rest of World (US$m)	748	792	(6)

Distribution

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,878	1,734	8
Australia (A$m)	1,197	1,246	(4)

Residential and Land Development

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	343	238	44

Construction

Gross revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,501	1,163	29
Rest of World (US$m)	99	139	(29)

EXTERNAL REVENUE

Building Products

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	681	688	(1)
Cement & Aggregates	262	331	(21)
Building Materials	345	321	7
Plastic Pipes	456	440	4
Joint Ventures & Other	225	404	(44)
Total	**1,969**	**2,184**	**(10)**

International

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	948	922	3
Formica	978	887	10
Roof Tile Group	180	169	7
Total	**2,106**	**1,978**	**6**

Distribution

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	1,392	1,266	10
Australian Building Supplies	802	850	(6)
NZ Steel Distribution	340	357	(5)
Australian Steel Distribution	492	485	1
Total	**3,026**	**2,958**	**2**

Residential and Land Development

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	330	238	39
Land Development	13	–	NM
Total	**343**	**238**	**44**

Construction

External revenue	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	1,413	1,120	26
Construction South Pacific	147	179	(18)
Total	**1,560**	**1,299**	**20**

LOCAL CURRENCY EXTERNAL REVENUE

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,134	1,290	(12)
Australia (A$m)	768	826	(7)

International

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	174	159	9
Australia (A$m)	768	761	1
Rest of World (US$m)	736	775	(5)

Distribution

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,733	1,624	7
Australia (A$m)	1,185	1,235	(4)

Residential and Land Development

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	343	238	44

Construction

External revenue	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	1,413	1,120	26
Rest of World (US$m)	99	139	(29)

Appendix: Supplemental split of Divisional Results continued

OPERATING EARNINGS BEFORE SIGNIFICANT ITEMS

Building Products

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	59	79	(25)
Cement & Aggregates	87	90	(3)
Building Materials	93	77	21
Plastic Pipes	14	(8)	NM
Joint Ventures & Other	21	21	–
Total	**274**	**259**	**6**

International

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	80	81	(1)
Formica	62	68	(9)
Roof Tile Group	14	14	–
International divisional costs	(23)	(20)	15
Total	**133**	**143**	**(7)**

Distribution

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	85	75	13
Australian Building Supplies	27	23	17
NZ Steel Distribution	44	36	22
Australian Steel Distribution	20	14	43
Total	**176**	**148**	**19**

Residential and Land Development

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	74	66	12
Land Development	10	–	NM
Total	**84**	**66**	**27**

Construction

Operating earnings[1]	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	58	51	14
Construction South Pacific	20	23	(13)
Total	**78**	**74**	**5**

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the financial statements.

Appendix: Supplemental split of Divisional Results continued

LOCAL CURRENCY RESULTS

The following presents the divisional results in key currency components. These local currency amounts are translated to New Zealand dollars to present the results on the previous page.

Building Products

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	238	248	(4)
Australia (A$m)	33	10	NM

International

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	17	19	(11)
Australia (A$m)	63	63	–
Rest of World (US$m)	32	43	(26)

Distribution

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	130	112	16
Australia (A$m)	42	33	27

Residential and Land Development

Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	84	66	27

Construction

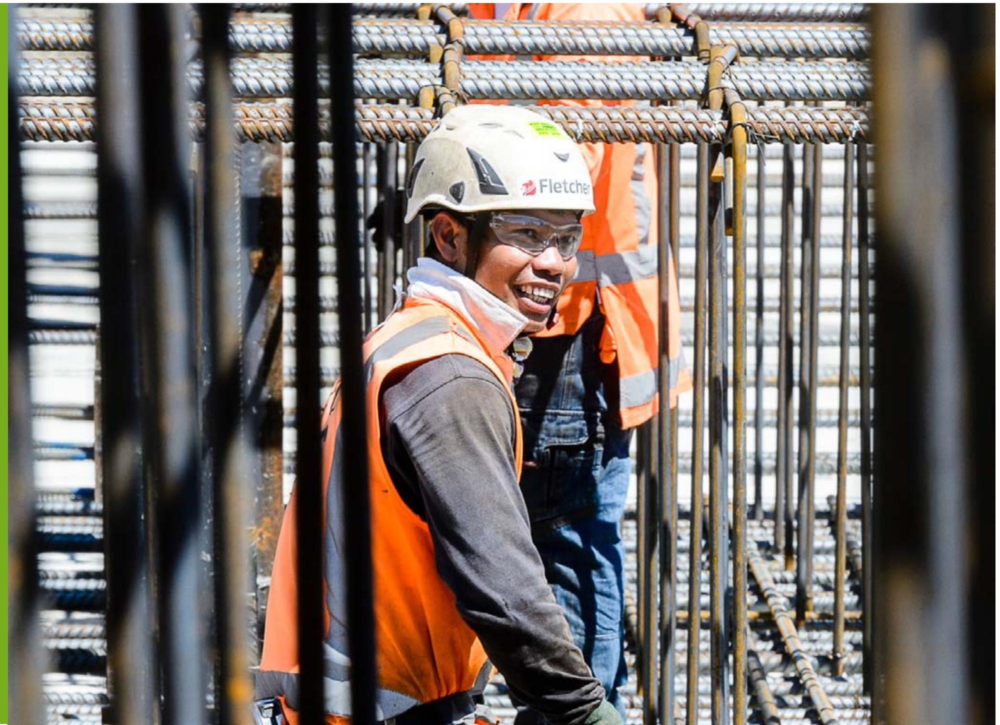
Operating earnings[1]	Year ended 30 June 2016	Year ended 30 June 2015	Change %
New Zealand (NZ$m)	58	51	14
Rest of World (US$m)	13	18	(28)

1 Operating earnings before significant items – a non-GAAP measure used by management to assess the performance of the business, derived from Fletcher Building Limited's financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the financial statements.

Fletcher Building
Annual Results Presentation 2016

Annual Results to 30 June 2016

Working with you



MARK ADAMSON
— Chief Executive Officer

GERRY BOLLMAN
— Chief Financial Officer

17 August 2016

Disclaimer

This Annual Results presentation dated 17 August 2016 provides additional comment on the management commentary of the same date. As such, it should be read in conjunction with, and subject to, the explanations and views of future outlook on market conditions, earnings and activities given in that commentary.

Agenda

Results Overview

Geographic & Sectoral Analysis

Divisional Performances

Financial Results

Strategy Update

Outlook

Appendix

Working with you

Results Overview

Results overview

Net earnings
$462m
▲ 71%

Operating earnings
$719m
▲ 43%

Revenue
$9,004m
▲ 4%

Dividend per share
39c
▲ 5 %

Earnings per share
67.0c
▲ 71%

Results overview

5% increase in net earnings before significant items

NZ$m (except EPS and DPS)	Reported Results June 2015 12 months	Reported Results June 2016 12 months	% change
Revenue	8,661	**9,004**	+4
Operating earnings before significant items	653	**682**	+4
Significant items	(150)	**37**	NM
Operating earnings (EBIT)	503	**719**	+43
Net earnings before significant items	399	**418**	+5
Net earnings	270	**462**	+71
Earnings per share before significant items (EPS – cents)	58.0	**60.6**	+4
Dividend declared per share (DPS – cents)	37.0	**39.0**	+5

Highlights
New Zealand

Volume growth driven by strong New Zealand cycle:

- Cement +6%
- Concrete +7%
- Plasterboard +11%

EBIT & Revenue:

Distribution - strong revenue & EBIT[1] performance

- PlaceMakers revenue +10%
- Mico revenue +12%
- Steel Distribution EBIT +22%

NZ Residential EBIT: + 12%

Construction revenue: +29%

1. *Before significant items*

Highlights
Australia

EBIT[1]:

- EBIT from Australian business +29%
- Stramit: EBIT +43%
- Fletcher Insulation: EBIT +150%

Iplex:
Return to profitability in second half of FY16, significant year-on-year performance improvement

Tradelink:
Store rollout strategy underway with compelling cost/return economics

1. *Before significant items*

Results overview
Revenue

Revenue

$9,004m

▲4%

- Reported revenue $343m or 4% higher than FY15

REVENUE GROWTH RATES *Geographic segments*	**Reported**	Local Currency
New Zealand	8%	8%
Australia	-3%	-4%
Rest of World	5%	-9%

Results overview
Operating earnings

Operating earnings

$719m

▲43%

Operating earnings

$682m

before significant items

▲ 4%

- Operating earnings before significant items up 4%
- Within guidance range of $650m - $690m
- Reported operating earnings (EBIT) up 43%

SIGNIFICANT ITEMS	
Business acquisition/disposal income	$85m
Site closures	($16m)
Business impairment	($26m)
Other	($6m)
Total	**$37m**

Results overview
Net earnings

Net earnings

$462m

▲71%

Net earnings

$418m

before significant items

▲ 5%

- Net earnings before significant items were up 5% to $418m

EARNINGS PER SHARE		
Earnings per share	67.0 cents	+71%
Earnings per share *(before significant items)*	60.6 cents	+4%

Results overview
Dividend

Dividend per share

39c

▲ 5%

- Final dividend fully imputed for NZ taxation purposes
- Dividend Reinvestment Plan will be operative for this dividend

DIVIDEND	
Final dividend per share	20 cents
Total dividend for the year	39 cents

- Both interim and final dividend are expected to be fully imputed from FY17 to FY19

Results overview
Cash flow from operations

Cashflow from operations

$660m

▲15%

- Cash flow from operations $660m an increase of $85m from FY15 ($575m)
- Increase is due to:
  - Growth in EBIT
  - Reduction in inventory and improved debtor management
  - $81m working capital release from Pacific Steel closure
- Offset partly by increased cash investment in residential land & developments

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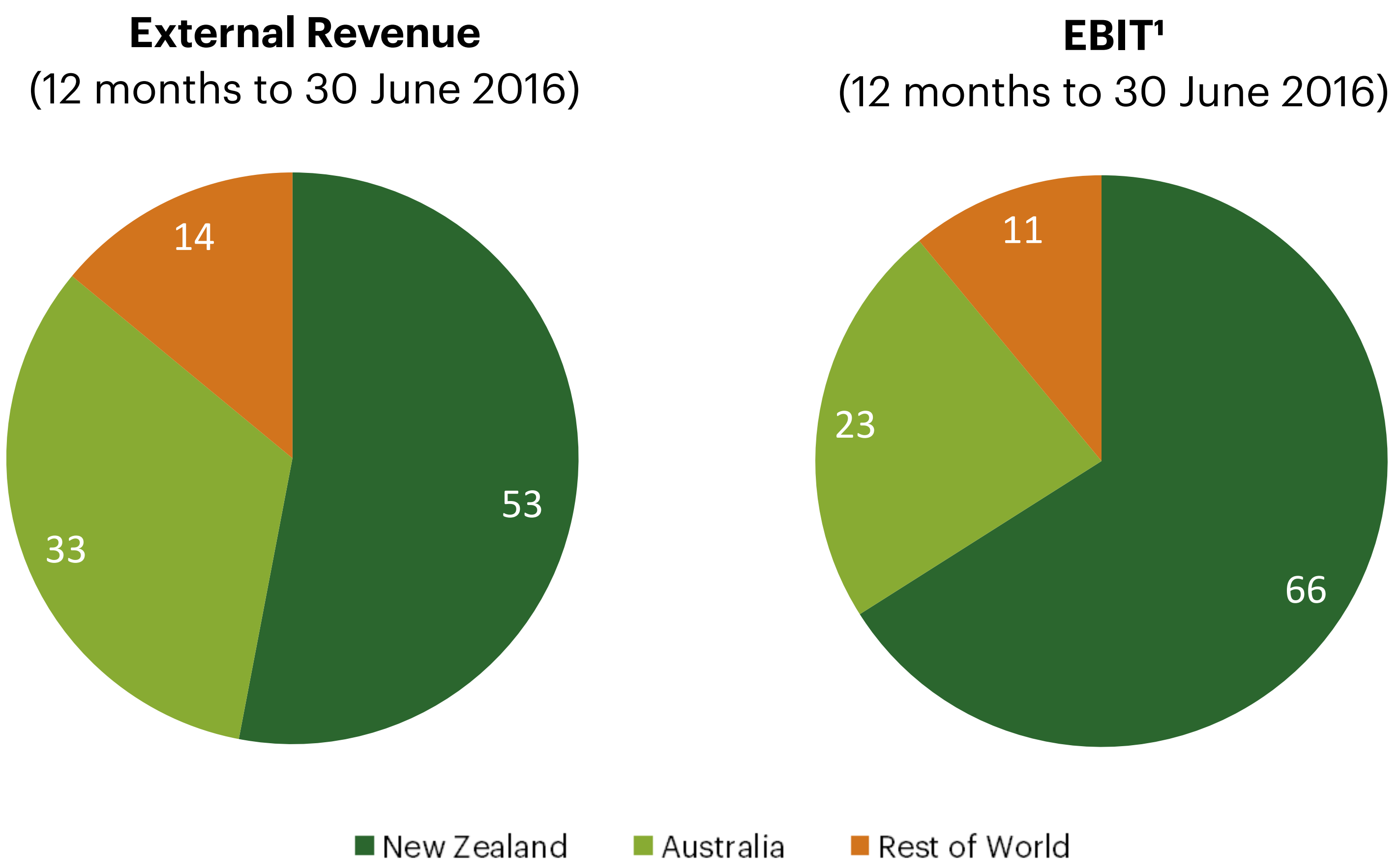
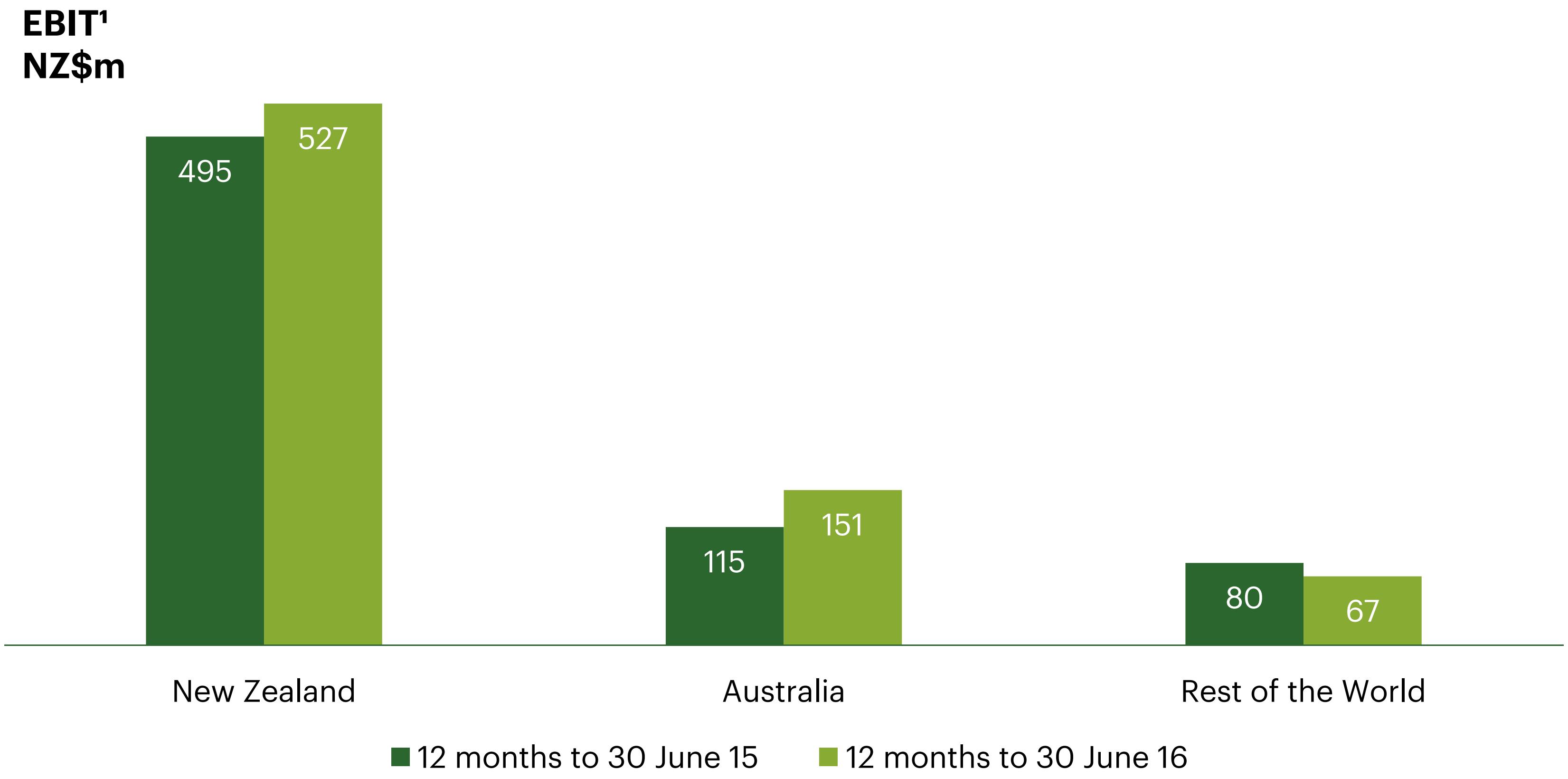
Geographic & Sectoral Analysis

Stronger performance from Australia reflected in increased EBIT contribution



1. *Before significant items*

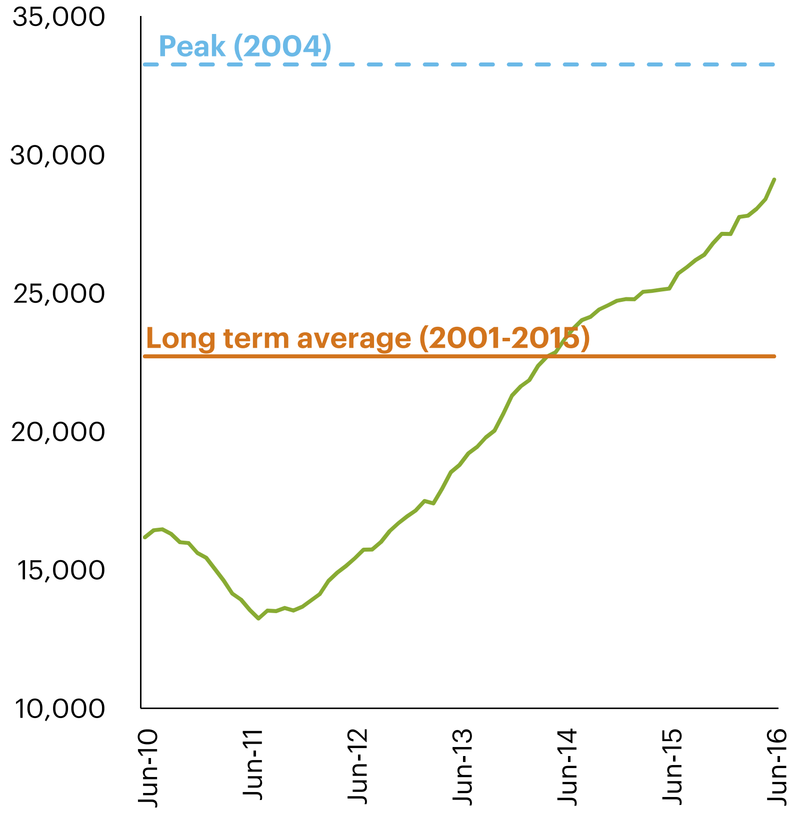
New Zealand operating earnings up in Distribution, Construction, and Residential divisions



1. *Before significant items and excluding corporate costs*

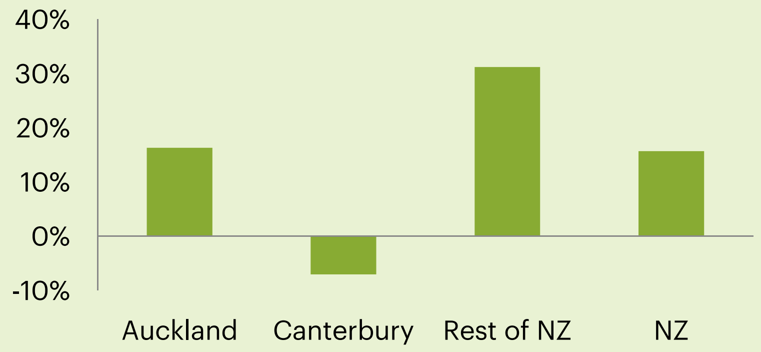
New Zealand residential consents up 16% total work put in place up 9%

Total residential consents[1]



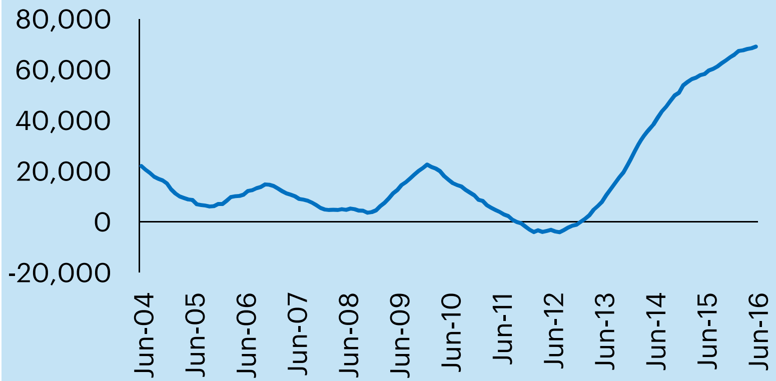
Source: Statistics NZ, Infometrics
1 – Twelve months rolling

Change % year on year



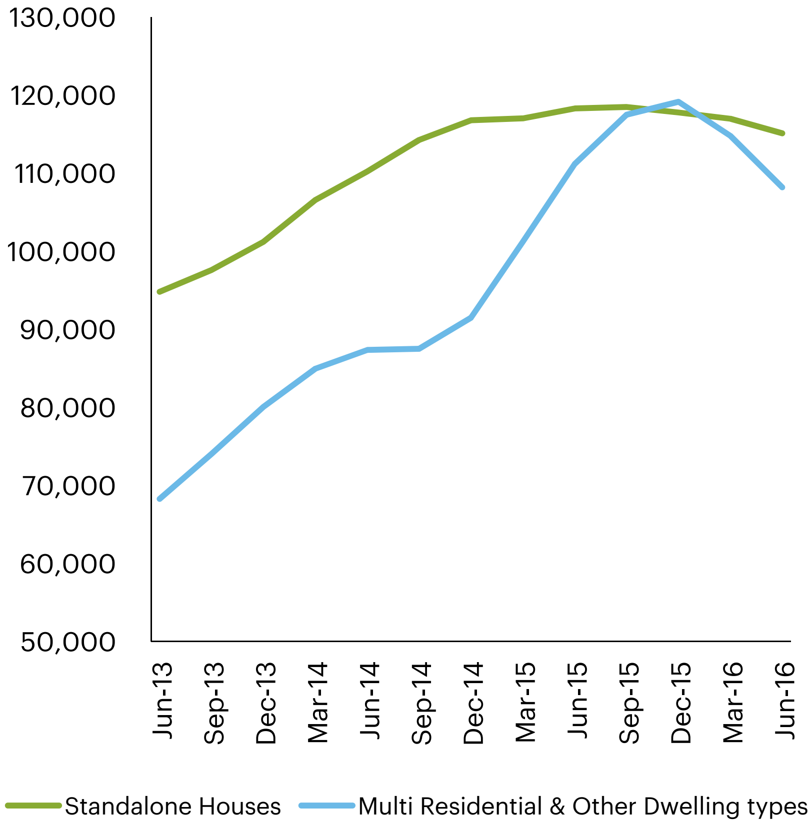
Auckland represents 33% of total consents

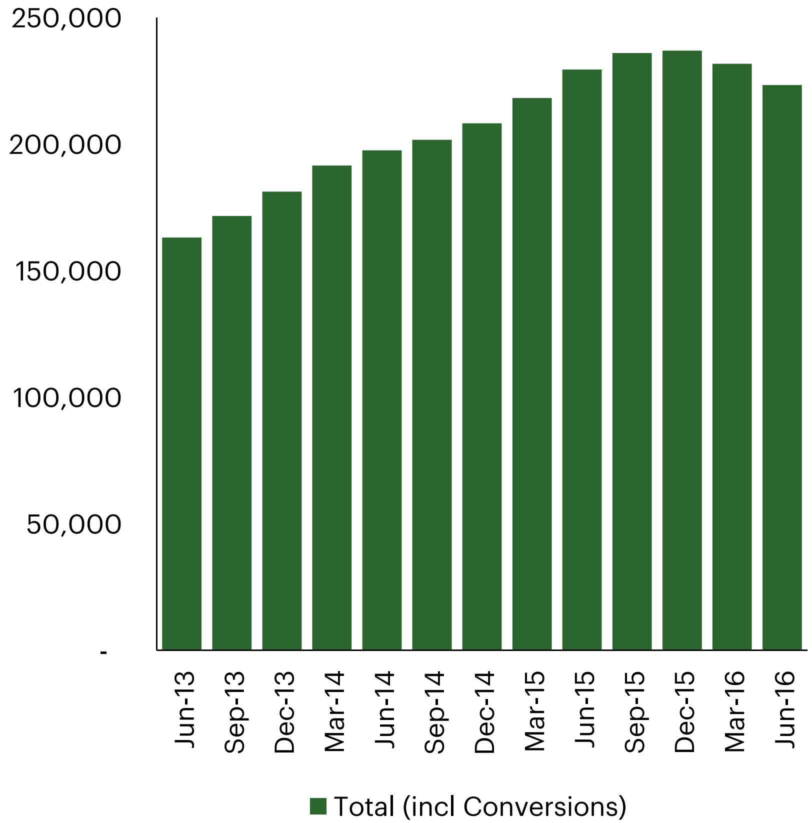
Net migration 12 month rolling



Australian residential consents peaked in December, recent decline mainly in multi-residential

Total residential approvals





Source: Australian bureau of statistics, BIS Shrapnel
1 – Twelve months rolling

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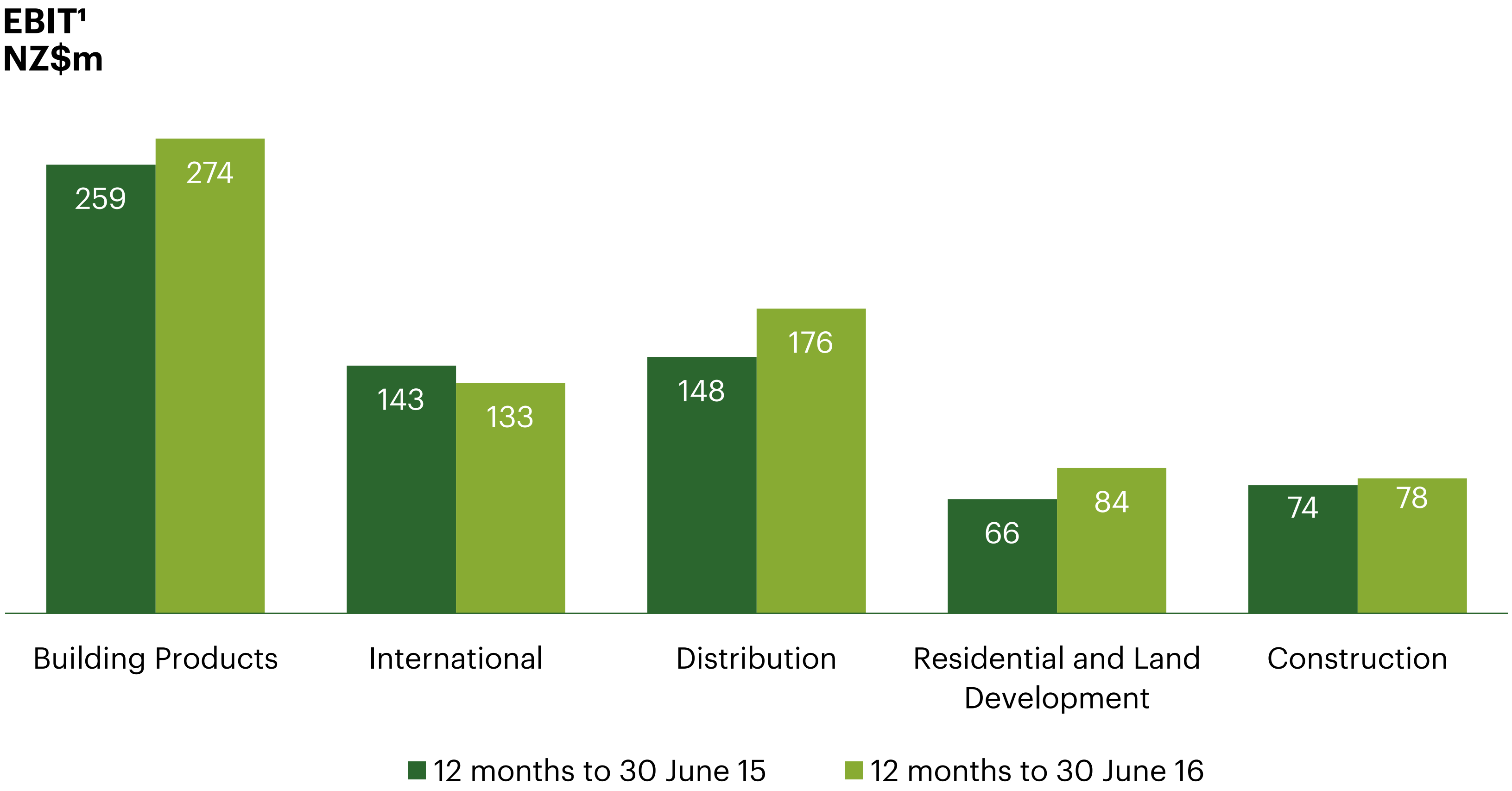
Divisional Performances

Divisional operating earnings overview



1. *Before significant items*

Building Products
Result

NZ$m	Jun 2015 12 months	Jun 2016 12 months	% change
Gross Revenue	2,656	**2,449**	-8
External Revenue	2,184	**1,969**	-10
EBITDA[1]	356	**354**	-1
EBIT[1]	259	**274**	+6
Concrete Pipes & Products	*79*	***59***	*-25*
Cement & Aggregates	*90*	***87***	*-3*
Building Materials	*77*	***93***	*+21*
Plastic Pipes	*-8*	***14***	*NM*
Joint Ventures & Other	*21*	***21***	*-*
Funds Employed	1,877	**1,581**	-16
EBITDA[1]/gross revenue %	13.4	**14.5**	
EBIT[1]/gross revenue %	9.8	**11.2**	
ROFE %	13.8	**17.3**	

Concrete Pipes & Products
Ready-mix concrete volumes +7%

Concrete Pipe volumes -8% in New Zealand

Rocla concrete product revenues -4% in Australia

Cement & Aggregates
Underlying operating earnings +11%

New Zealand cement volumes +6%

Building Materials
Plasterboard volumes +11%

Insulation earnings doubled across New Zealand and Australia

Plastic Pipes
Significant improvement in Iplex Australia – profitable in 2H16

1. *Before significant items*

International Result

NZ$m	Jun 2015 12 months	Jun 2016 12 months	% change
Gross Revenue	2,007	**2,128**	+6
External Revenue	1,978	**2,106**	+6
EBITDA[1]	203	**200**	-1
EBIT[1]	143	**133**	-7
Formica	*68*	***62***	*-9*
Laminex	*81*	***80***	*-1*
Roof Tile Group	*14*	***14***	-
Funds Employed	2,098	**1,902**	-9
EBITDA[1]/gross revenue %	10.1	**9.4**	
EBIT[1]/gross revenue %	7.1	**6.3**	
ROFE %	6.8	**7.0**	

1. *Before significant items*
2. *Local currency*

Formica

4% revenue growth in North America[2]

Asia revenue growth of 2-6% in key markets, operating earnings up strongly

Europe: restructuring in UK operations, 2H16 breakeven EBIT versus 1H16 loss

Laminex

Revenue growth in New Zealand (+8%) and Australia (+2%)

Underlying EBIT growth:

- New Zealand +13%
- Australia +3%

Roof Tile Group

Sales volumes improved in North America (+1%), Asia (+3%) and New Zealand (+12%)

Distribution
Result

NZ$m	Jun 2015 12 months	Jun 2016 12 months	% change
Gross Revenue	3,081	**3,184**	+3
External Revenue	2,958	**3,026**	+2
EBITDA[1]	180	**205**	+14
EBIT[1]	148	**176**	+19
NZ Building Supplies	*75*	***85***	*+13*
NZ Steel Distribution	*36*	***44***	*+22*
AU Building Supplies	*23*	***27***	*+17*
AU Steel Distribution	*14*	***20***	*+43*
Funds Employed	1,046	**1,001**	-4
EBITDA[1]/gross revenue %	5.8	**6.4**	
EBIT[1]/gross revenue %	4.8	**5.5**	
ROFE %	14.1	**17.6**	

New Zealand Building Supplies

Operating earnings +13%

PlaceMakers revenue growth +10%

Mico revenue growth +12%

New Zealand Steel Distribution

Operating earnings +22%

Volume growth at Pacific Coilcoaters & Easysteel

Australia Building Supplies

2% decrease in Tradelink revenue following strategic reset

Tradelink continues to focus on its core trade plumber customers

20 new stores planned in FY17

Australia Steel Distribution

Operating earnings +43%

Significant operational improvements in Stramit

1. Before significant items

Residential and Land Development
Result

NZ$m	Jun 2015 12 months	Jun 2016 12 months	% change
Gross Revenue	238	**343**	+44
External Revenue	238	**343**	+44
EBITDA	66	**84**	+27
EBIT	66	**84**	+27
NZ Residential	66	**74**	+12
Land Development	0	**10**	NM
Funds Employed	211	**355**	+68
EBITDA/gross revenue %	27.7	**24.5**	
EBIT/gross revenue %	27.7	**24.5**	
ROFE %	31.3	**23.7**	

NZ Residential

Accelerated build programme in Auckland offset Stonefields impact

Strong sales volumes & margins from existing and new developments

Significant progress in securing land for future development over the next few years

Land Development

Expect to earn $25m+ per annum over the next 5 years from land developed for resale

Construction
Result

NZ$m	Jun 2015 12 months	Jun 2016 12 months	% change
Gross Revenue	1,342	**1,648**	+23
External Revenue	1,299	**1,560**	+20
EBITDA[1]	81	**86**	+6
EBIT[1]	74	**78**	+5
Construction NZ[2]	51	**58**	+14
Construction South Pacific	23	**20**	-13
Funds Employed	-54	**-18**	+67
EBITDA[1]/gross revenue %	6.0	**5.2**	
EBIT[1]/gross revenue %	5.5	**4.7**	

New Zealand Construction

Strong NZ Construction growth, partly offset by lower Fletcher EQR & South Pacific earnings

Total contracted work awarded but not completed was $2.7 billion as at 30 June 2016, up from $2.4 billion in prior year

New contracts awarded include:

- NZ International Convention Centre
- Commercial Bay development in downtown Auckland
- Auckland International Airport terminal upgrade

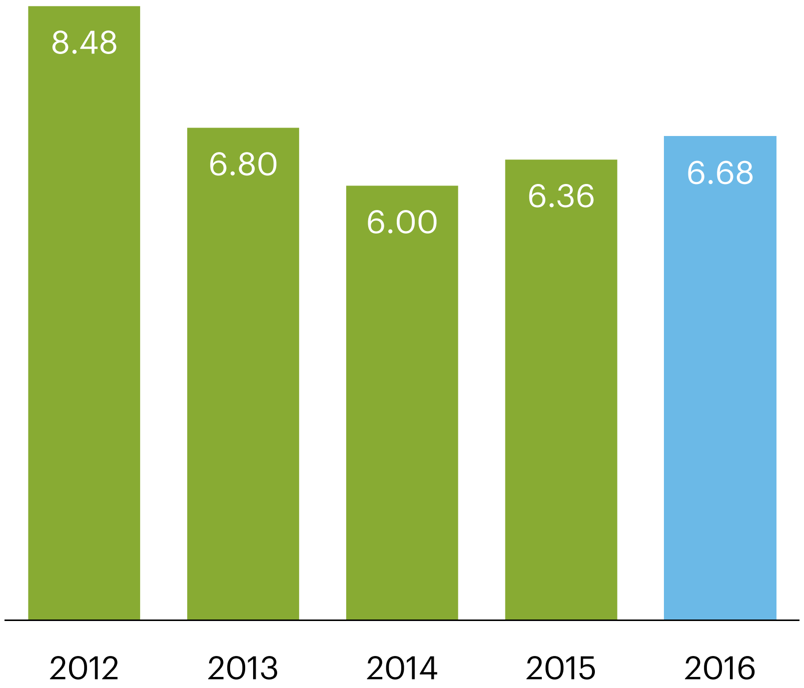
Announced as preferred bidder as part of Northern Express Group consortium for Puhoi to Warkworth motorway extension

Higgins acquisition completed on 29 July 2016

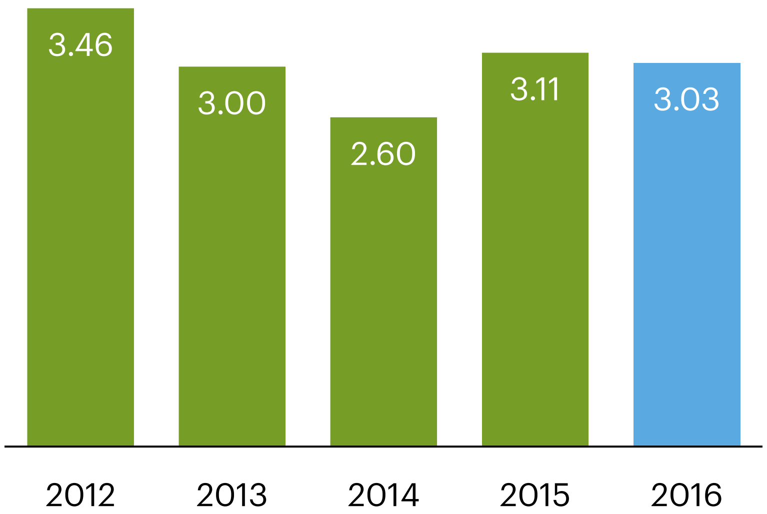
1. *Before significant items*
2. *Includes Fletcher EQR*

Health and safety performance

Total recordable injury frequency rate*



Lost time injury frequency rate



** Total injuries per million employee and contractor hours*

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Financial Results

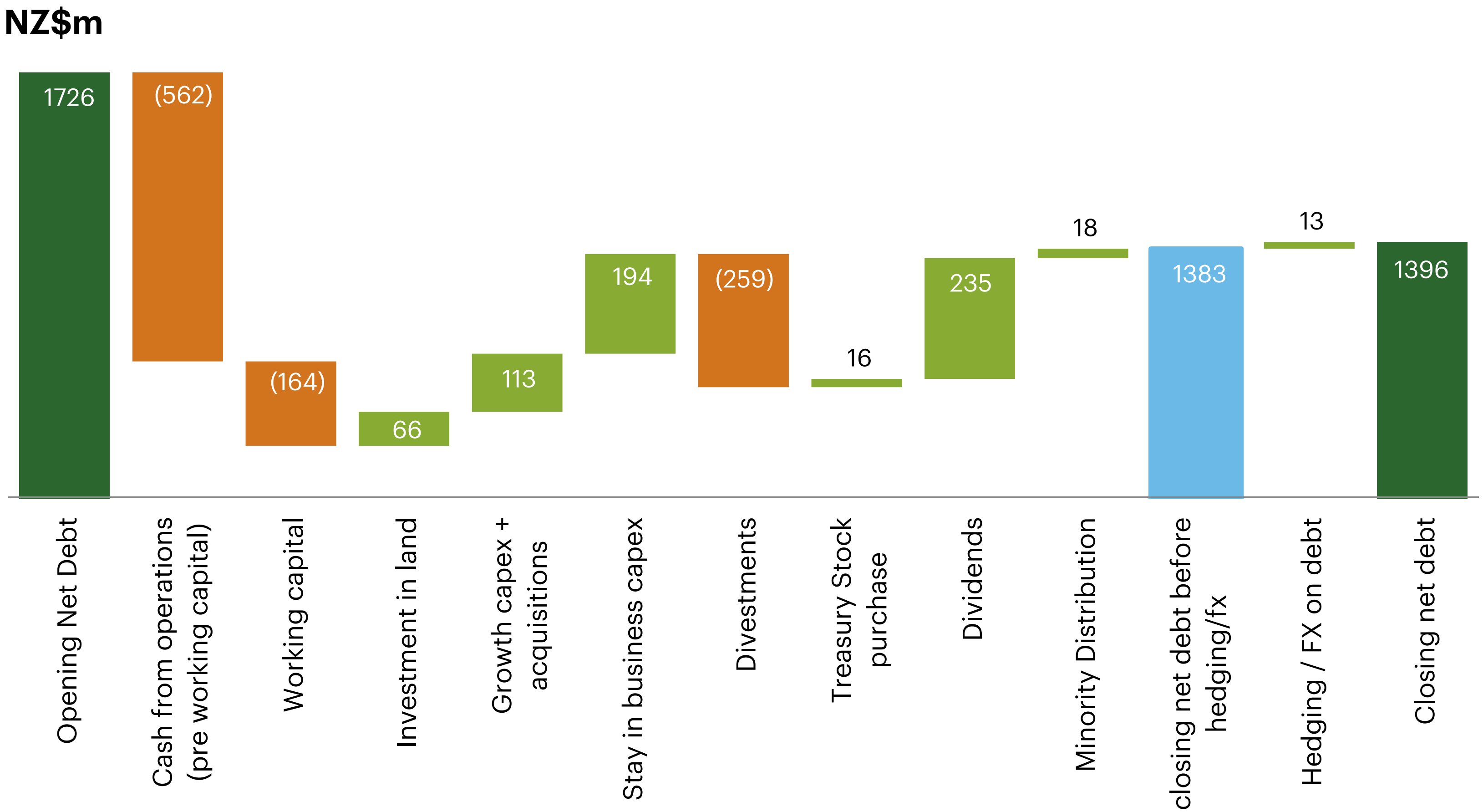
FY16 EBIT result included other gains and losses

NZ$m	June 2015 12 months	June 2016 12 months
Property sales	20	**28**
Restructuring costs	(8)	**(20)**
Other one-off costs (net)	(4)	**(6)**
Other gains and losses	8	**2**

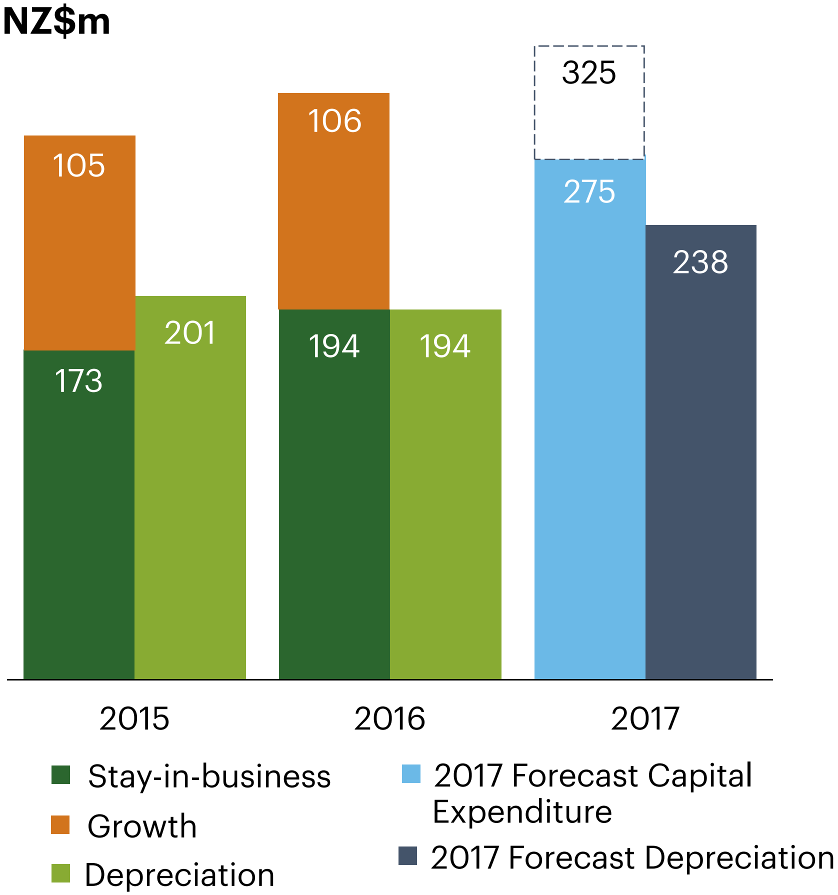
Operating cash flow

NZ$m	June 2015 12 months	June 2016 12 months	% change
Operating earnings before significant items	653	**682**	+4
Depreciation and amortisation	201	**194**	-3
Less cash tax paid	(72)	**(97)**	+35
Less interest paid	(124)	**(118)**	-5
Provisions, significant items and other	(42)	**(99)**	+136
Results from operations before working capital adjustments	616	**562**	-9
Land and developments	(58)	**(66)**	+14
Other working capital movements	17	**164**	NM
Cash flows from operating activities	575	**660**	+15

Net debt lower at year end due to strong operating cash flow & sale of Rocla Quarry Products



Capital expenditure in FY17 expected to be in the range of $275m to $325m

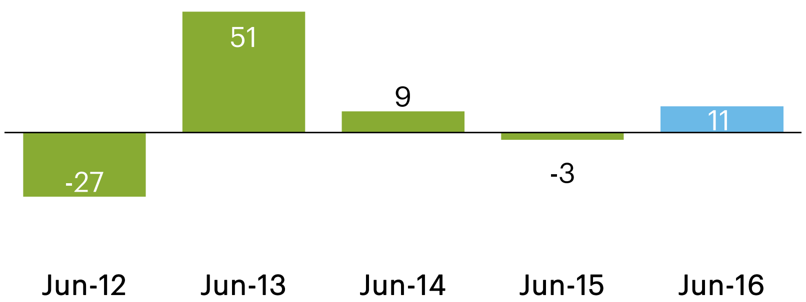


NZ$m	June 2015 12 months	June 2016 12 months	% change
Stay-in-business	173	**194**	+12
Growth	105	**106**	+1
Total Capex	278	**300**	+8
Acquisitions	4	**7**	+75
Depreciation/ Amortisation	201	**194**	-3

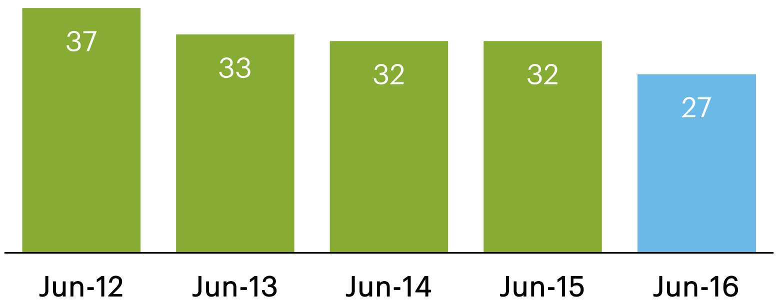
- Depreciation & Amortisation forecast to be $238 million

Key ratios

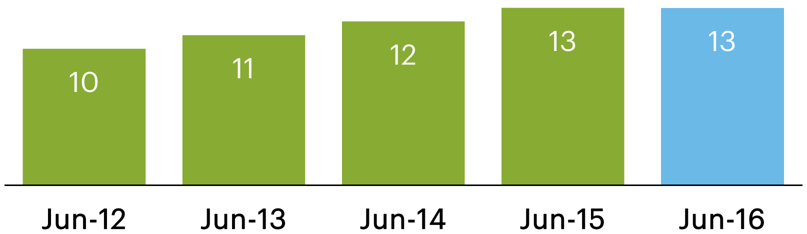
Total Shareholder Return (TSR)
Percentage



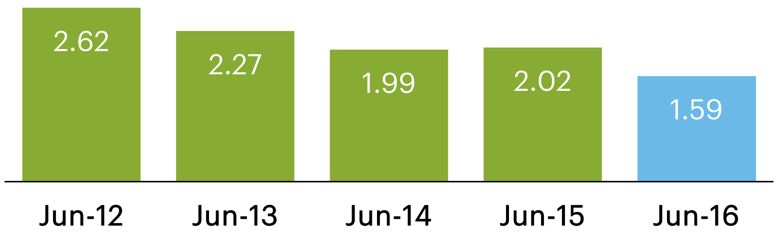
Debt/Debt Plus Equity
Percentage



Return on Average Funds
Percentage[1]



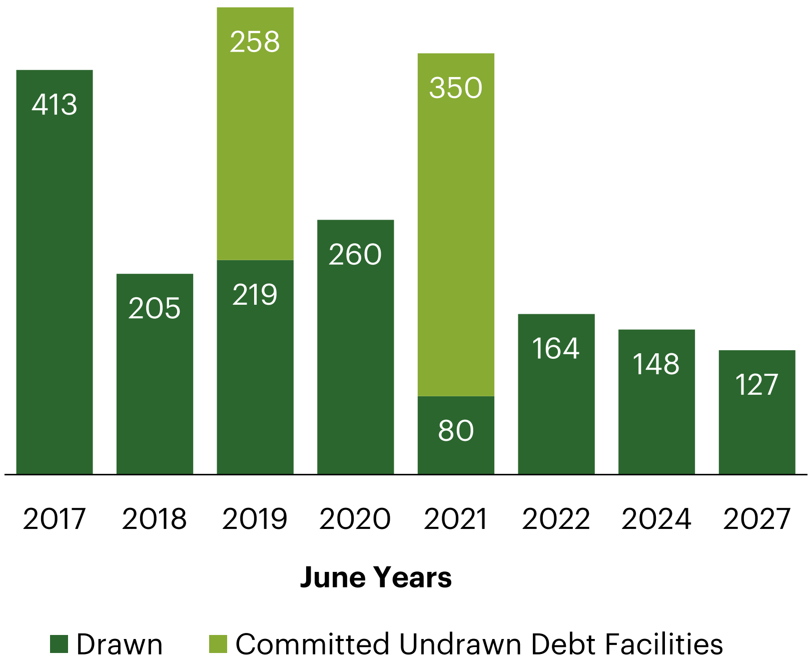
Net Debt/EBITDA
Times



1. *Earnings before interest, tax and significant items / average funds*

Debt profile

Funding and Maturity Profile
June 2016



Undrawn credit lines of $608m and cash of $356m

Average maturity of debt is 3.5 years

Approximately 61% of all borrowings have fixed interest rates

Average interest rate on debt is 5.4%

Mix of currency (hedged)

- NZ$ 32%
- AU$ 47%
- US$ 14%
- Other 7%

Capital management settings

Fletcher Building will continue to target strong 'BBB' credit characteristics

Gearing:

- Target of Net Debt to Net Debt + Equity (including Capital Notes) of 30-40%
- As at 30 June 2016: 27.3%

Leverage:

- Target Net Debt to EBITDA of 2.0 to 2.5 times
- As at 30 June 2016: 1.59 times

It is intended that the group will not be materially outside target Gearing and Leverage ranges on a long run basis

- Gearing and leverage metrics returned to within target range following completion of Higgins acquisition

Target dividend pay-out ratio is 50% to 75% of net earnings (before significant items)

Revised dividend tax crediting policy

Existing Policy:

- To frank Australian tax credits, or alternatively impute with New Zealand tax credits, to the extent franking or imputation credits are available for distribution

New Policy:

- Fully impute both interim and final dividends with New Zealand tax credits
- Fully frank the final dividend with Australian tax credits, where possible

Outlook:

- Expect to fully impute interim and final dividends in FY17, FY18 and FY19
- Unlikely to be in the position to fully frank FY17 final dividend

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Strategy Update

Strategy summary

Target organic growth

- Residential: New Zealand
- Construction: New Zealand and South Pacific
- Distribution: New Zealand and Australia
- Manufacturing: Growth through innovative products & services

Deliver sustained uplift in performance of all businesses, leverage centres of excellence established with FBUnite

Lift the performance of underperforming businesses

Build people capability, grow leadership base and develop talent pipeline

Portfolio rationalisation completed

Rocla Quarry Products sale completed in January 2016

- Total consideration NZ$212m
- Gain on sale of NZ$85m

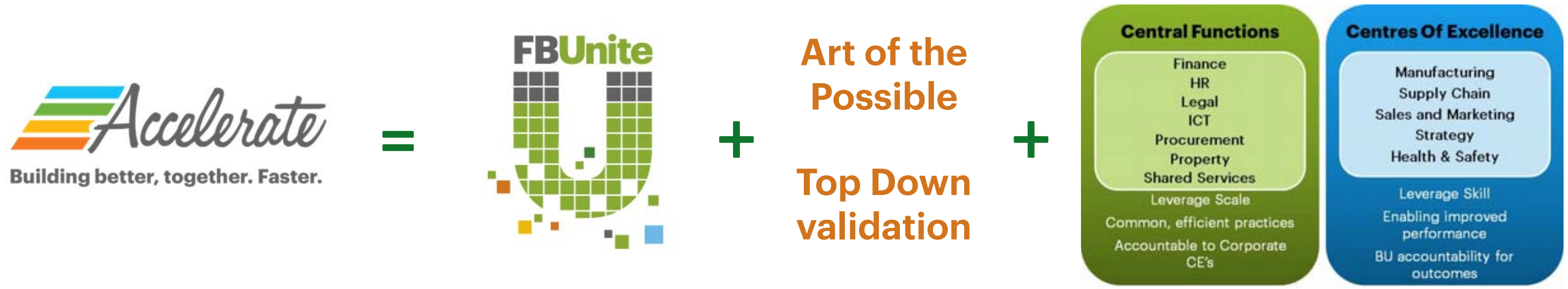
Joint Venture between Fletcher Aluminium and Nalco commenced on 30 June 2016

Purchase of Higgins road construction and maintenance business completed 29 July 2016

- Purchase price NZ$303m
- Includes NZ quarry assets

Accelerate leverages capability that was developed under the FBUnite programme

- Accelerate builds on the work done in the 'Art of the Possible' bottom up analysis and 'Top down' validation
- Harnesses the power of the centralised functions and centres of excellence
- Co-ordinated through Group Transformation Office and tracked consistently across all businesses with a weekly cadence



Accelerate opportunity set was identified across the following categories

	% OF TOTAL IDENTIFIED OPPORTUNITY
Commercial ("Sell")	20%
Cost	
- External spend ("Source")	42%
- Overhead ("Staff")	16%
Manufacturing	
- Manufacturing ("Make")	15%
- Distribution and Construction ("Deliver")	7%
DIVISIONS	
Building Products	37%
International	20%
Distribution	26%
Construction & Residential	13%
Corporate	4%
Total	**100%**

Chief Transformation Officer role created to coordinate and drive activities

People

- Transformation Office drives, governs and supports the Accelerate programme, supported by divisional and/or BU transformation roles

Systems

- Online tool captures initiatives across the group that will deliver gross incremental benefit

Cadence

- Weekly cadence cycle ensures focus on accountability, commerciality and execution

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Outlook

Outlook FY17

New Zealand

- Residential consents expected to peak in FY18, but lag could mean peak activity occurs after this
- Non-residential activity forecast to remain steady at elevated levels
- Infrastructure work undertaken expected to continue to grow

Australia

- Residential activity expected to gradually decline following peak in 2016
- Little growth forecast in non-residential activity

Rest of World

- Asia: moderating growth in China, modest growth in Taiwan and SE Asian markets
- North America: relatively low growth, USA higher growth than Canada
- Europe: mixed outlook for Continental Europe, UK expect to grow modestly

Financial Outlook FY17

Operating Earnings (EBIT) expected to be in the range of $720m to $760m

Earnings from Higgins acquisition should offset the impact of discontinued operations:

- Pacific Steel
- Rocla Quarry Products
- Fletcher EQR

Corporate costs expected to be in line with FY16

Depreciation forecast to be $238m versus $194m in FY16

First half EBIT forecast to be higher than prior corresponding period

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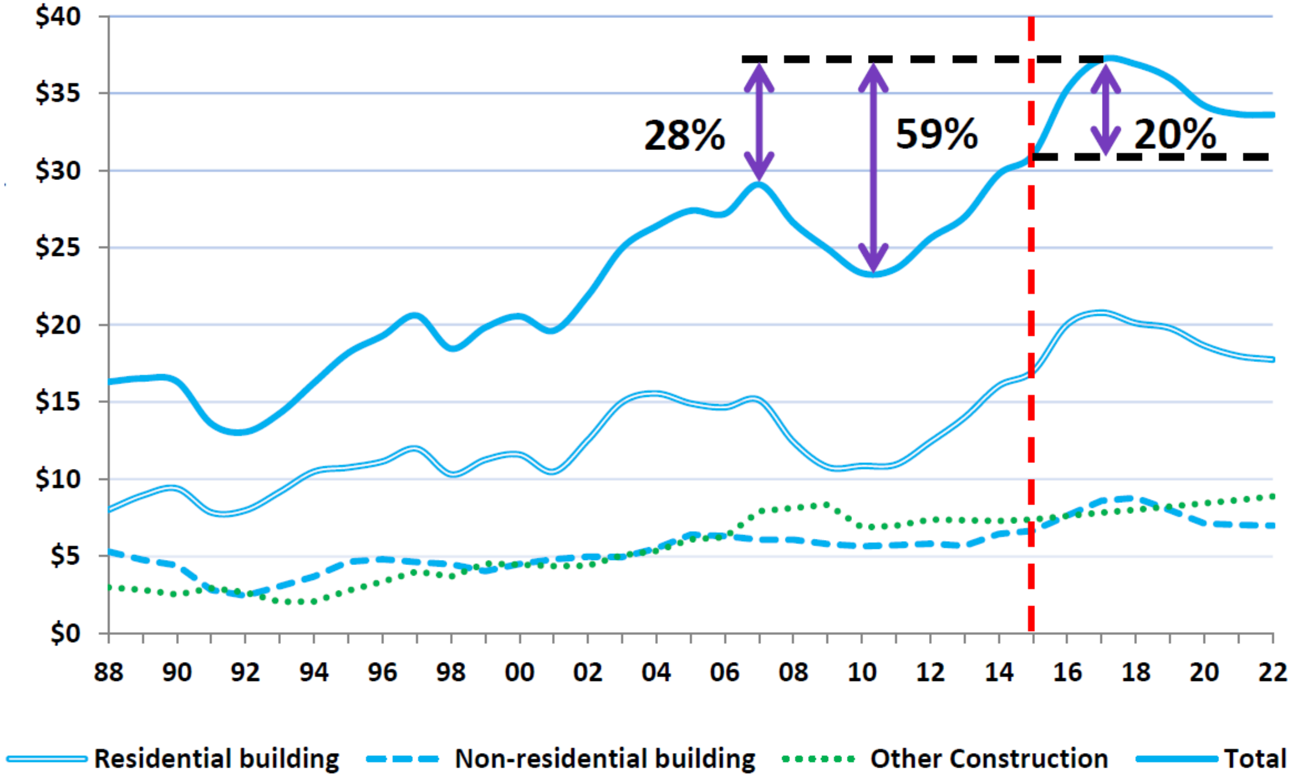
Q&A

Appendix: New Zealand construction market has a strong outlook

Value of all construction (historic and forecast)
NZ$bn



Source: Statistics NZ/BRANZ/Pacifecon

Appendix: Sectoral exposure
Exposures based on revenues

Geographical Exposure by Sector[1]	Residential (New/A&A)*	Commercial	Infrastructure	Other
New Zealand	44%	30%	12%	14%
Australia	55%	22%	11%	12%
Rest of World	44%	50%	0%	6%
Total Manufacturing	49%	31%	9%	11%
New Zealand	79%	18%	0%	3%
Australia	55%	45%	0%	0%
Total Distribution	70%	28%	0%	2%
New Zealand	19%	49%	32%	0%
Rest of World	0%	50%	50%	0%
Total Construction	17%	50%	33%	0%

1. *Excludes business sold or closed during the year*

** A&A – Additions and Alterations*

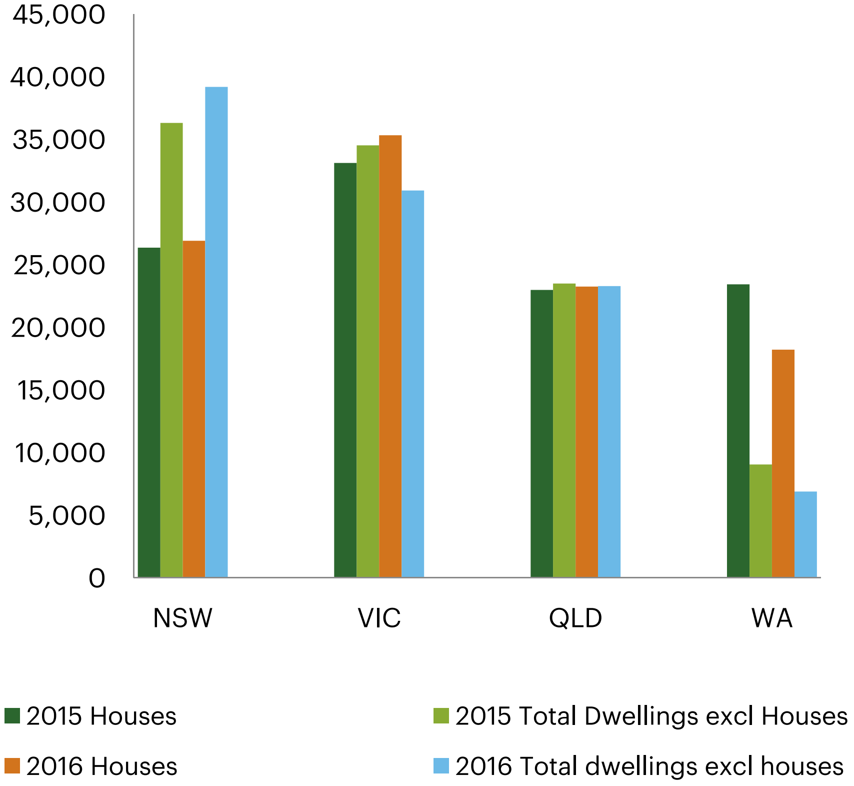
Appendix: Building consent data

		June 2014 12 months	June 2015 12 months	June 2016 12 months	16/15 % Mvmt
New Zealand					
Residential Consents		23,316	25,154	**29,097**	+16
Res WPIP ($m)		8,661	9,907	**11,244**	+13
Non Res WPIP ($m)		5,187	6,057	**6,572**	+9
Infrastructure WPIP ($m)		6,535	6,873	**7,017**	+2
Australia					*Source: Infometrics*
Residential Consents	- Standalone houses	110,198	118,278	**115,110**	-3
	- Multi residential and other dwelling types	87,333	111,157	**108,176**	-3
	- Total	197,531	229,435	**223,286**	-3
Non Res WPIP (A$bn)		35.5	36.1	**35.8**	-1
Infrastructure WPIP (A$bn)		125.6	108.1	**91.7**	-15
US (Billions of US$) Calendar Years					*Source: ABS*
Residential Consents (US$bn)		371	417	**441**	+6
Non Res WPIP (US$bn)		380	432	**454**	+5
Infrastructure WPIP (US$bn)		234	237	**246**	+4

Source: HIS Global Insight

Appendix: Strongest growth in NSW; Western Australia experience a significant decline in approvals

Change in housing approvals – by state
12 months ended 30 June 2016 vs 2015



Source: HIS Global Insight

	June 2015 12 months	June 2016 12 months	% change
Stand-alone	118,278	115,110	-3
Multi + other Residential	111,157	108,176	-3
Total	**229,435**	**223,286**	**-3**

Appendix: Formica geographical earnings

EBIT (NZ$m)[1]	June 2015 12 months	June 2016 12 months	% change
North America	49	**56**	+14
Asia	19	**23**	+21
Europe	0	**-17**	N/M
Formica EBIT[1]	68	**62**	-9

1. EBIT: *Operating earnings before interest, tax and significant items*

Appendix: Group Structure

Building Products: Matt Crockett	**International:** Francisco Irazusta	**Distribution:** Dean Fradgley	**Residential & Land Development:** Steve Evans	**Construction:** Graham Darlow
• GBCWinstone (NZ) including Higgins Aggregates • Firth (NZ) • Humes (NZ) • Rocla Pipelines (Aus) • Winstone Wallboards/Tasman Insulation (NZ) • Fletcher Insulation (Aus) • Iplex (NZ & Aus) • Sims Pacific Metals (NZ) • FANALCO (NZ)	• Formica Asia • Formica Europe • Formica North America • Laminex (NZ & Aus) • Roof Tile Group (NZ; Africa; Asia; Europe; USA)	• PlaceMakers (NZ) • Mico (NZ) • EasySteel (NZ) • Pacific Coilcoaters (NZ) • Fletcher Reinforcing (NZ) • Tradelink (Aus) • Stramit (Aus) • Tasman Sinkware (Aus)	• Fletcher Living (NZ)	• Infrastructure (NZ) • Fletcher EQR (NZ) • South Pacific • Higgins Contracting (NZ & Fiji) • Building + Interiors (NZ)

Supported by Fletcher Building Corporate Services:

People and Communications – Kate Daly, Chief People and Communications Officer

Strategy and Finance – Gerry Bollman, Chief Financial Officer

Group Technology – John Bell, Chief Information Officer

Governance and Property – Charles Bolt, Company Secretary and General Counsel

Procurement, Marketing, Operations Excellence and Transformation - Lee Finney, Chief Transformation Officer

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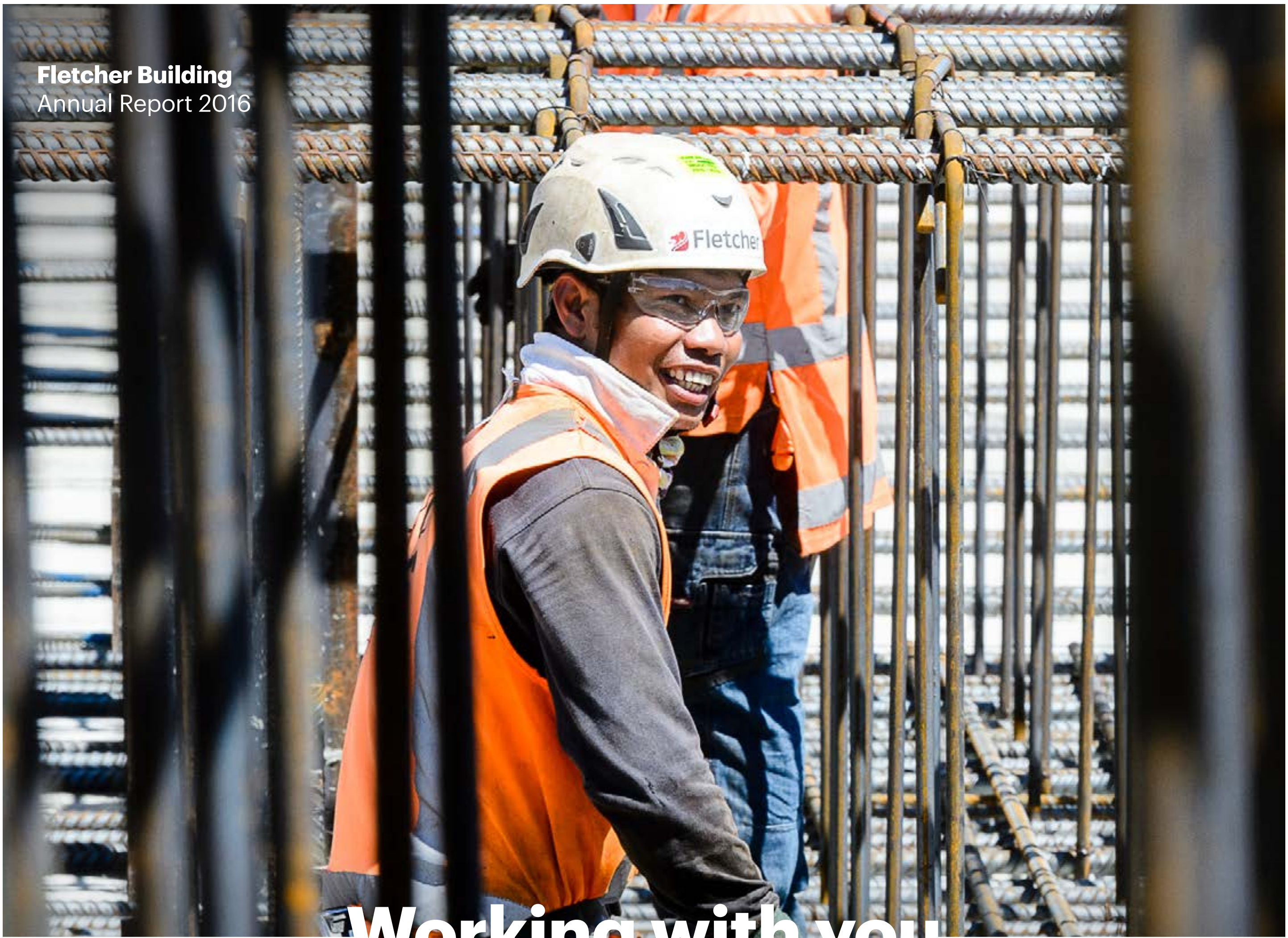

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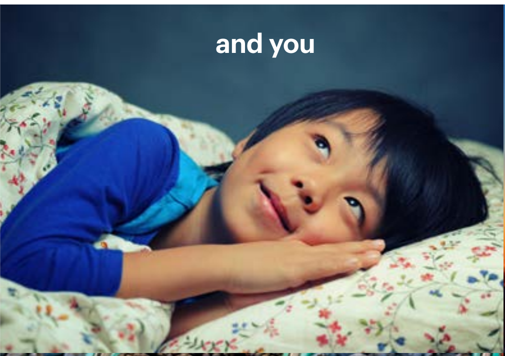
Fletcher Building


and you
Caterpillar
and you
and you
and you
Fletcher Living
and you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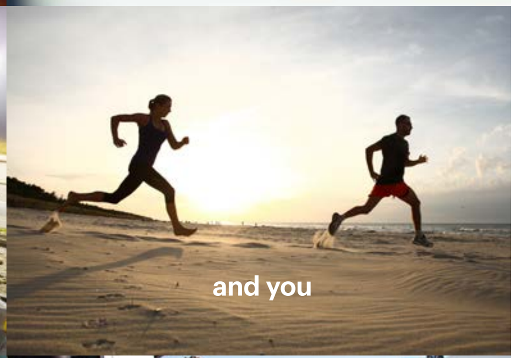
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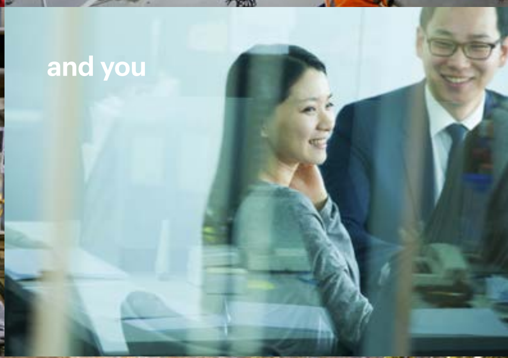
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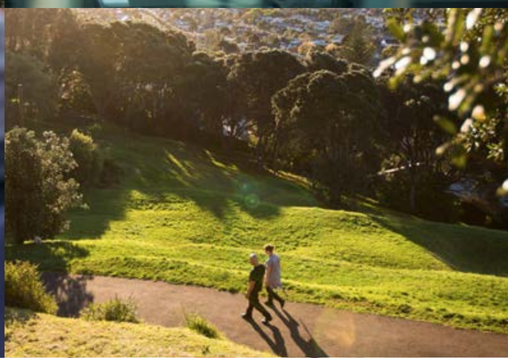
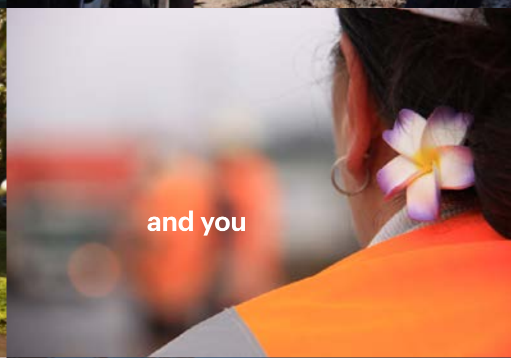
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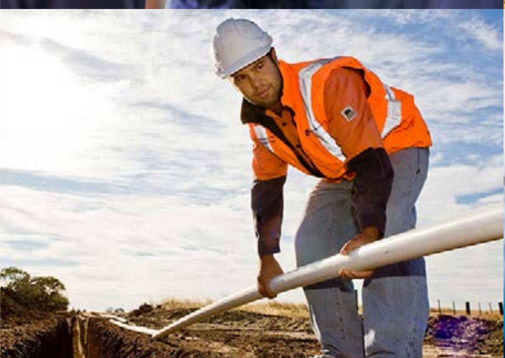



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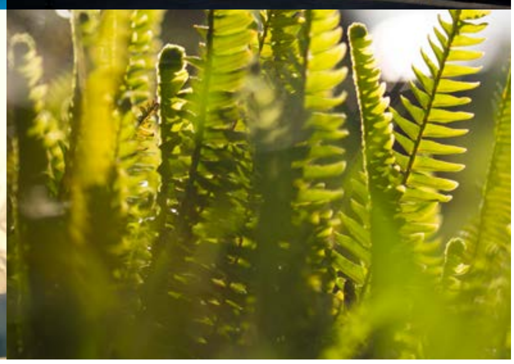
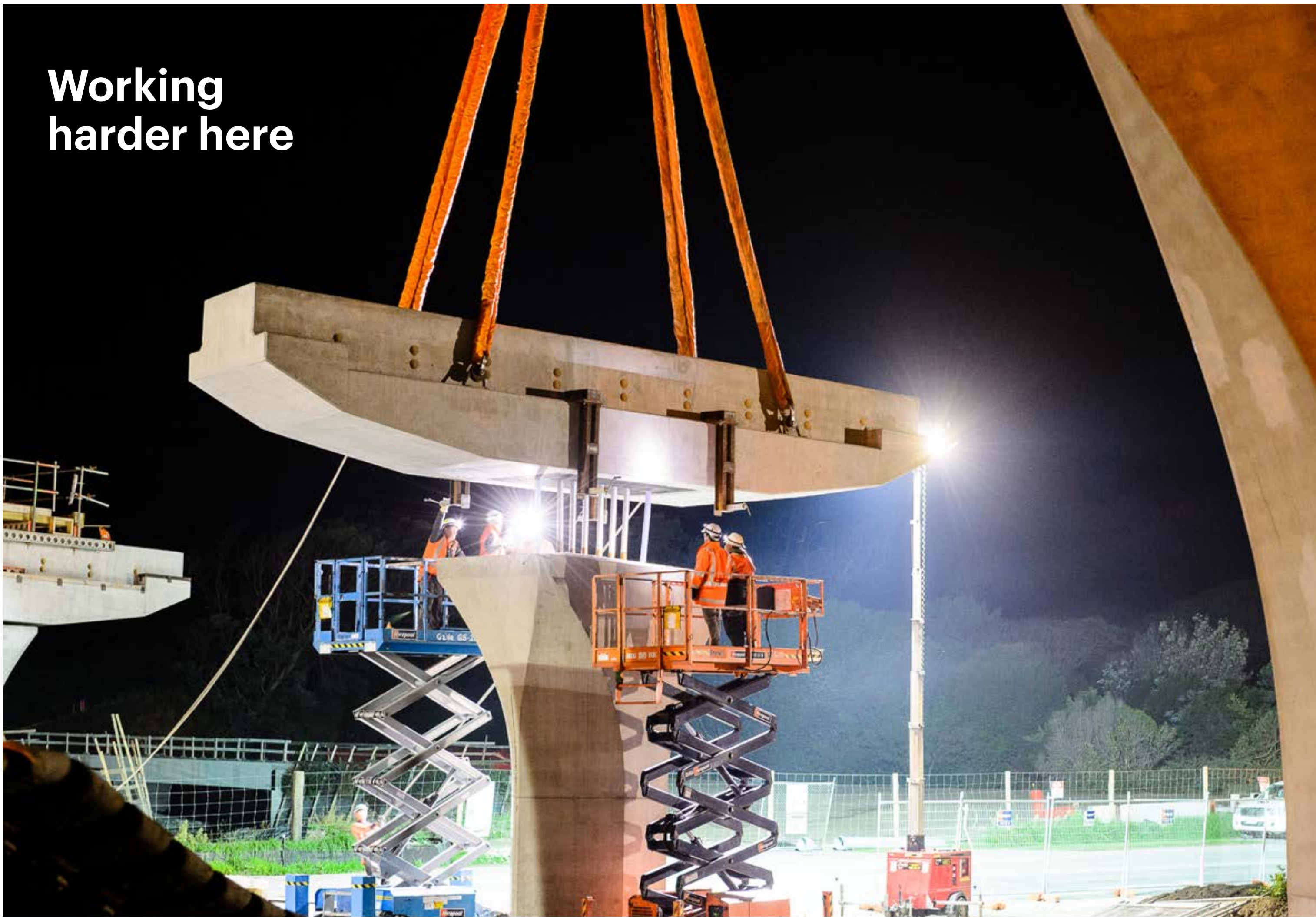


and you

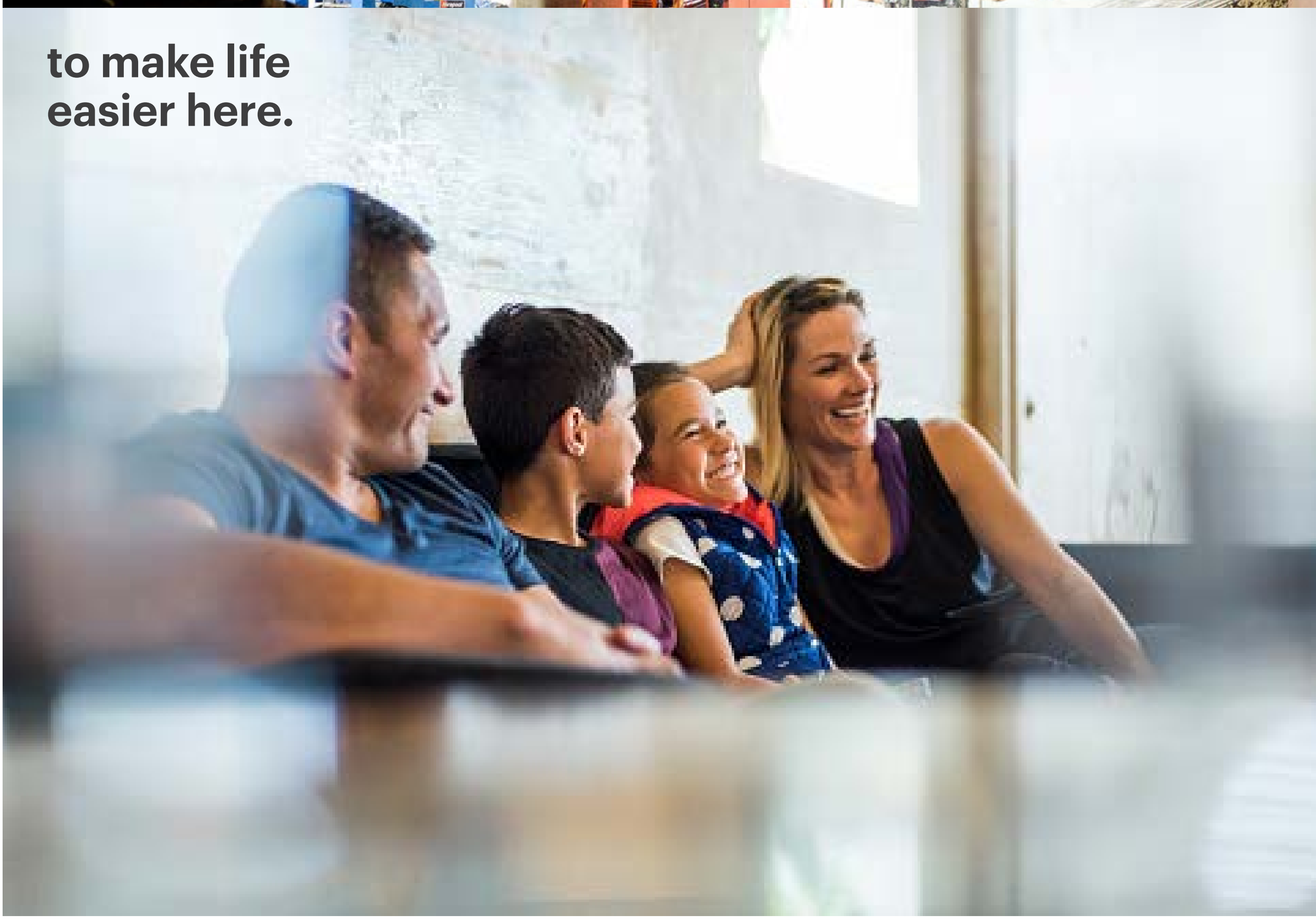
There's no better way to know our customers than to be our customers.

Every day our people live in the houses and communities we create, frequent the iconic buildings we build, buy our products from the same places our customers shop at and use the roads and infrastructure we construct. This first hand understanding of the customer experience allows us to stay ahead of what customers and delivery partners really need.

Working
harder here



to make life
easier here.



Contents

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

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.

All references to financial years (e.g. FY15 and FY16) in this annual report are to the financial year ended 30 June. References to $ and NZ$ are to New Zealand dollars unless otherwise stated.

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

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

The annual report is dated 17 August 2016 and is signed on behalf of the board by:

Sir Ralph Norris
Chairman of Board of Directors

Mark Adamson
Managing Director

Strategy

How we are building a customer leading business

Our organisation is made up of 34 businesses that enable communities to grow, cities to prosper and countries to be more productive.

We manufacture, source and distribute a wide range of building products and we build all sorts of projects, big and small.

20,000+

People just like you

Strategy

Fletcher Building's aspiration is to run the best building products and construction businesses, taking a customer first approach to ensure our businesses are worth more together than they are apart. We are committed to creating sustainable value for our key stakeholders and delivering reliable earnings growth and top-quartile shareholder returns.

We deliver value through our strategic priorities:

People

Building a great place to work, recruiting and developing the best talent and ensuring everyone goes home safe.

Customer

Delivering what customers value through market-leading solutions and product innovation.

Efficiency

Working better together to achieve excellence in sales, marketing and operations.

Profitable Growth

Targeting growth investment in sectors with attractive long-term trends and where we have advantage through ownership of channels to market or customer relationships.

We have a clear view of where we will invest in the coming years and how we will manage our portfolio of businesses to deliver our aspiration.

Our businesses are supported by central functions and centres of excellence, including technology, people and communications, finance, strategy, property, marketing, procurement and operational excellence.

These central functions allow our businesses to leverage Fletcher Building's scale to make common practices more efficient and access specific capability to improve performance.

Everything we do is underpinned by our Fletcher Building values – Be Bold, Play Fair, Better Every Day and Customer Leading.
We are guided by our vision of Building Better, Together.

The customer's view of our business

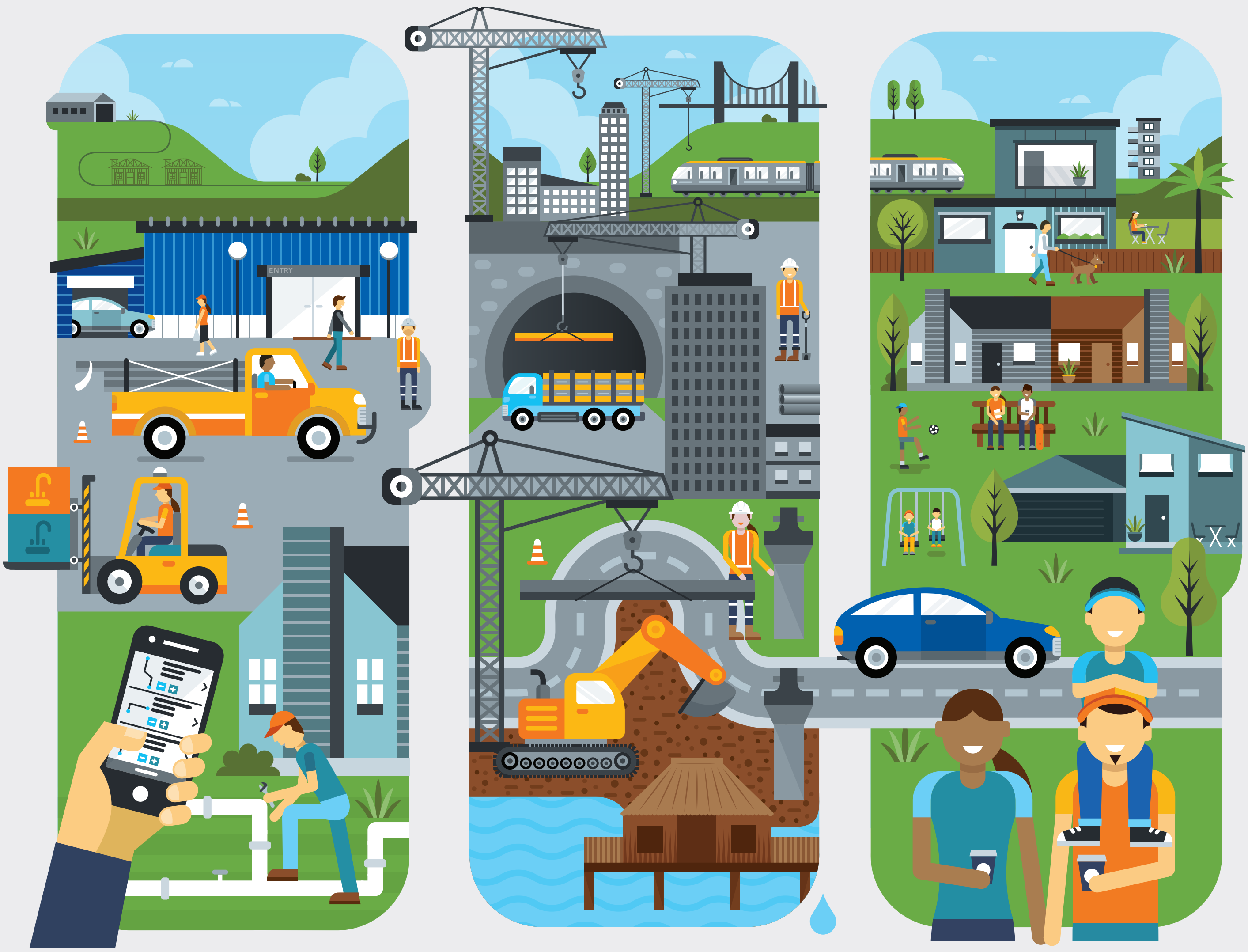
From the raw materials in the manufacturing process, to constructing houses and buildings and the amazing products that make them unique, right through to the largest infrastructure projects, our business starts and ends with the customer. This customer first approach means we help make, deliver and build the lives, communities and economies our customers need today and want tomorrow.

BUILDING PRODUCTS

From our quarry operations to manufacturing plants, we supply high-quality, reliable building products.

INTERNATIONAL

Our family of internationally recognised brands covers built environments from kitchens to commercial buildings, creating beauty inside and out.



DISTRIBUTION

Our network delivers essential building, plumbing and steel products throughout Australia and New Zealand. From single nails to large scale reinforcing, we deliver for our customers.

CONSTRUCTION

We have more than 100 years' experience leading commercial and infrastructure projects across New Zealand and the South Pacific. Keeping people moving, business thriving and cities and countries growing.

RESIDENTIAL AND LAND DEVELOPMENT

By developing and building housing and communities, we are helping a growing Auckland and creating a new way of living in Christchurch.

Chairman and chief executive officer's report

A People Business

Employees and Customers First

Sir Ralph Norris CHAIRMAN
Mark Adamson CHIEF EXECUTIVE OFFICER

Dear shareholders,

We are pleased to present our report to you for the 2016 financial year. The theme of this year's report is our customers and how we work with them. Increasingly, our success is being derived from our ability to provide our customers with end-to-end solutions. Our strategies are built around the manufacture and distribution of not only high-quality building materials but also the delivery of outstanding service propositions and whole-of-project building solutions. When we achieve these, we become a valued member of our customer's supply chain rather than simply a product supplier or contractor.

In addition to this emphasis on building customer solutions, we have also had a particular focus on the following areas over the past year:

- Ensuring our New Zealand businesses capture the growth in construction activity
- Lifting the performance of our Australian businesses
- Leveraging the capability we have built through FBUnite, augmented by additional capability, to deliver a sustained uplift in performance over the medium term
- Continuing to build our people capability through ongoing recruitment and employee development and through entrenching the vision and values launched last year
- Executing on our growth agenda through expansion of activities in our distribution, construction and residential development businesses
- The business portfolio rationalisation with non-core businesses divested or otherwise restructured.

We have made substantial progress in all of these areas and detail below the key achievements in respect of each one.

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2016

Net earnings for the year ended 30 June 2016 were $462 million, compared with $270 million in the prior year. This year's result included a net gain within significant items totalling $37 million. Net earnings before significant items were $418 million, 5% higher than the comparable figure of $399 million recorded in the 2015 financial year.

Operating earnings (earnings before interest and tax) were $719 million, compared with $503 million in the prior year. Operating earnings excluding significant items were $682 million, up 4% on the prior year and in line with the earnings guidance we provided at the annual shareholders' meeting.

The increase in earnings was driven by the 29% uplift in operating earnings before significant items from our Australian businesses, coupled with strong growth in operating earnings in New Zealand in the Distribution, Residential and Construction divisions.

Operating earnings before significant items from our businesses beyond Australia and New Zealand were down 11%, owing mainly to performance issues with our Formica plant in the United Kingdom, which offset stronger reported earnings in North America and Asia. With a refreshed management team and good progress achieved during the year in improving manufacturing operations, we are confident of a significant turnaround in performance in 2017.

A highlight of the result was the increase in cash flow from operations, which was 15% higher at $660 million than the $575 million we achieved in the prior year. The increase was due to the growth in underlying operating earnings and reductions in working capital.

CAPTURING THE GROWTH IN THE NEW ZEALAND CONSTRUCTION MARKET

The past year has seen a continued uplift in construction activity levels in New Zealand, with all sectors – residential, commercial and infrastructure construction – showing strong growth. Total construction activity in New Zealand has now surpassed the previous peak level experienced in the mid-2000s, and we expect this heightened level of activity to continue for several years. New housing construction is responding to strong market demand, driven in part by the record net migration levels into New Zealand. Similarly, we have seen increased activity in the commercial sector across most building types, and government spending on core infrastructure, such as roads, education and health facilities, has continued apace.

In most of our New Zealand businesses, volume growth tracked the broader increase in overall construction activity. We experienced 7% growth in concrete volumes and 6% growth in cement volumes and plasterboard volumes were 11% higher.

Cash flow from operating activities **$m**

$660

2015: 575 ▲ 15%

Net earnings **$m**

$462

2015: 270 ▲ 71%

Revenue **$m**

$9,004

2015: 8,661 ▲ 4%

Operating earnings **$m**

$719

2015: 503 ▲ 43%

Total construction activity in New Zealand has now surpassed the previous peak level experienced in the mid-2000s, and we expect this heightened level of activity to continue for several years.

Chairman and chief executive officer's report

What was equally pleasing was the continued growth in earnings from our New Zealand distribution businesses, which increased 16% on the prior year.

Earnings in our residential business were 12% higher, despite the reduction in contributions from the Stonefields development in Auckland. We have seen the efforts of the residential team in identifying and developing new sites successfully offset the impacts of the build out of Stonefields.

The New Zealand Construction division reported 29% growth in revenue, and a 13% increase in future contracted work, reflecting the strength of the domestic construction market, as well as success in delivering for customers and securing new work.

LIFTING THE PERFORMANCE OF OUR AUSTRALIAN BUSINESSES

Conditions in the Australian construction industry have been more mixed over the past year. While new housing construction has been running at record levels, the industry has had to digest the impact of the slow-down in capital expenditure in the mining and resources sectors and the negative impact on regional economies and government-funded infrastructure investment plans.

Despite the mixed economic backdrop in Australia, our focus on improving business performance has seen stronger earnings from our Australian portfolio of businesses. Operating earnings in Australia were 29% higher at $154 million. This strong performance was driven in part by the success of the turnaround of the Iplex plastic pipes business, which finished the year on a positive earnings run rate, having operated at a loss for most of 2015. Also contributing significantly was the Stramit steel roll-forming business, where earnings were 43% higher than for the prior year and Fletcher Insulation which more than doubled its operating earnings.

LEVERAGING OUR CAPABILITY TO FURTHER LIFT PERFORMANCE IN THE MEDIUM TERM

During the year, we undertook a substantial review to identify the potential to further grow shareholder value from our existing portfolio of businesses. Following on from this analysis, we developed a new approach that would enable us to deliver on the opportunity we had identified, over a three year timeframe and beyond.

Using the benchmarks refined following the initial assessment phase, targets have been established for each business unit, with the opportunities grouped under the following categories:

- Commercial – revenue and product margin growth
- Cost – both external expenditure and overhead costs
- Manufacturing and operational efficiency – including manufactured products, distribution costs and construction-delivered margin.

Called ***Accelerate***, the programme leverages the capability built under FBUnite, particularly around procurement, property management, information technology, manufacturing excellence and sales and marketing centres of excellence.

The initiatives identified within Accelerate are driven by the management teams in each business unit, supported by the centres of excellence. In addition, a Transformation Office has been established to oversee the governance of the Accelerate programme, provide support and tools to each business unit and coordinate resources. To date, more than one thousand initiatives have been started. These are captured in an online system that tracks their validation and delivery timeframe.

The success of the Accelerate programme will be reflected in the results of each business unit over the next three years with the aim of delivering higher revenue growth, market share gain, improved gross margins and lower operating costs.

BUILDING OUR PEOPLE CAPABILITY

To better serve our customers and grow returns to our shareholders, we understand that we must continue to invest in our people and capability. This past year has seen a continuation of our mission to make Fletcher Building a great company to work for. This means ensuring that our people go home safe every day, building deep leadership talent pipelines and investing to build capability across all levels of the organisation in an environment that fosters both high performance and high engagement across the workforce.

Our people strategy is formed around three key priorities: talent and leadership, workplace culture and capability. You will find more detailed discussion of our achievements in the past year further on in this report.

We were pleased to welcome 1,200 Higgins employees to Fletcher Building at the end of July, with the completion of the Higgins acquisition. Critical to the success of the Higgins business within Fletcher Building will be the integration of the newly acquired business with our existing construction and quarrying activities.

EXECUTING ON OUR GROWTH AGENDA

Last year we clearly outlined the areas we had identified as offering the most opportunity for growth. These were New Zealand residential development, construction in New Zealand and the South Pacific and trade distribution in New Zealand and Australia. In each of these businesses we have differentiated capabilities, cost positions, customer relationships and end-markets that offer substantial room for growth.

1. Residential

Fletcher Living, our residential development business, had a record year in 2016, with operating earnings of $74 million, which were up 12% on the prior year. This was driven by the strong increase in the number of homes we sold in the year, and also owing to the strength of house prices, particularly in Auckland.

We have ambitious plans to further expand this business, with the ultimate goal of lifting the number of homes we bring to market each year from an historical average of 300 to 1,500. To achieve this, we are working on three fronts.

The first is a continuation of our traditional activity where we buy completed lots from land developers. The second is the purchase of bare land for development with which we master-plan whole new communities. Third are our partnerships with the Government to develop existing land with increased density to cater for a wider range of housing needs.

The expansion of our residential development business continues to require investment in land inventory to enable us to meet the goal of delivering 1,500 homes a year.

In 2016 we invested a further $89 million (net) in land and work in progress, and expect to invest a further $160 million in the 2017 financial year.

2. Construction

Fletcher Construction is continuing to build on its outstanding track record. With a number of new contracts secured during the year, its total contracted order book now stands at $2.7 billion.

We had signalled for some time our desire to extend our activities into the road construction and maintenance sector, where we have identified significant opportunity. With the completion in July of the acquisition of the Higgins contracting business in New Zealand and Fiji, we are now in a position to fulfil this aspiration. Higgins was a logical choice for Fletcher Building, as we have partnered with them on road construction projects for over 25 years and have forged a close working relationship.

The acquisition included the Higgins aggregates business in New Zealand, and the total purchase price was NZ$303 million.

We believe that a combination of Fletcher Building and Higgins will provide our customers with a stronger proposition for both new road projects and maintenance contracts.

We also see further benefits for a number of group businesses in being able to work more closely with Higgins and believe that we can derive further value from the acquisition through operational synergies.

Higgins has achieved strong growth in Fiji and this business complements our existing South Pacific construction activities. We will be looking to extend the sphere of operations beyond Fiji into other South Pacific territories over the next few years.

3. Distribution

The third area of growth is in our New Zealand and Australian distribution businesses. In New Zealand, we have seen PlaceMakers achieve record earnings, and Mico go from loss making two years ago to strongly profitable this year. In addition, we have seen further gains in the Steel Distribution businesses.

In Australia, we have continued to implement the turnaround of Tradelink. The focus has been on cost-effectively expanding the store footprint, implementing a service guarantee oriented around the core requirements of the trade plumber, and on lifting the capability of people within the business. There remains much to be done to get that business to acceptable returns but we are clear on our strategy and the early signs of customer acceptance are encouraging.

Across all our distribution businesses we have identified further organic growth opportunities, from improving our store footprint, developing complete customer solutions, expanding our product range into adjacent categories and expanding into entirely new but complementary categories. We will continue to invest in online platforms and increasingly leverage our procurement capabilities to further source from low-cost countries. Our portfolio of strong distribution brands provides us with the opportunity to drive deeper customer connections through the services and products we procure or supply.

REFOCUSING THE BUSINESS PORTFOLIO

Over the past two years we have been working to rationalise our portfolio of businesses and have actively sought to divest those businesses that we did not see as being core to our future. The most significant event during the year was the sale of the Rocla Quarries business for $212 million. This transaction gave rise to a one-off gain of $85 million. The Rocla Quarries business was a sound one but it was an isolated asset that was not integrated with the rest of our Australian portfolio and we were able to sell the business for greater value than it could add as part of Fletcher Building.

We have also combined the Fletcher Aluminium windows and doors business with Nalco in a new joint venture aimed at better serving the New Zealand market.

With these actions we have made significant progress in reshaping our portfolio, with non-core businesses divested and investments made where we see the strongest opportunity to further grow earnings.

REFINED DIVISIONAL STRUCTURE TO SUPPORT STRATEGY EXECUTION

As a result of these changes we announced a refined organisation structure in February. This new structure saw the company organised into five divisions, centred on the manufacture of building products, distribution, residential and land development, construction, and the group's international businesses. The new structure accommodates the changes to the portfolio made over the past two years and at the same time allows like activities to be grouped together and operating efficiencies to be pursued.

A further change to the structure this year was the establishment of the role of chief transformation officer and the appointment of Lee Finney to the position.

With the creation of this role we now have a dedicated senior executive focused on supporting the Accelerate programme and overseeing the activities of the centres of excellence.

Chairman and chief executive officer's report

Dividend per share **cents**

39¢

2015: 37¢ ▲ 5%

Earnings per share before significant items **cents**

60.6¢

2015: 58.0¢ ▲ 4%

Total shareholders' return **%**

11%

2015: (3%)

DIVIDEND

The total dividend for the year increased to 39 cents per share, from 37 cents per share last year, and the increase is consistent with the growth in net earnings before significant items for the year. This corresponds to a pay-out ratio of 64% of net earnings before significant items, which is within the target pay-out range of 50% to 75%.

The dividend will be fully imputed for New Zealand tax purposes. For the 2017 financial year, we expect to be able to fully impute both the interim and final dividends for New Zealand tax purposes and for at least the next two years beyond 2017. We do not expect to be in a position to fully frank a dividend for Australian tax purposes in 2017.

TOTAL SHAREHOLDER RETURNS

The total return to shareholders for the year to 30 June 2016 was 11%, representing a combination of positive share price appreciation over the year and dividends paid. This past year has been one of exceptional volatility in equity markets which has at times impacted Fletcher Building's share price dramatically despite a steady financial and operating performance.

BALANCE SHEET

An ongoing priority has been to manage the business so as to maintain a strong financial position at all times. We have continued to target financial metrics that are consistent with an investment grade credit rating and that ensure we are in line with our industry peers.

As at our balance date of 30 June 2016, we had received the $212 million in proceeds from the sale of the Rocla Quarries business but had yet to settle the $303 million acquisition of Higgins. Consequently, we had relatively low net debt levels at year end, which resulted in gearing (measured by the ratio of net debt to net debt plus equity) being temporarily below our target range of 30% to 40%, at 27%.

OUTLOOK

For the 2017 financial year we expect operating earnings (earnings before interest and tax and significant items) to be in the range of $720 million to $760 million.

In New Zealand, we expect residential activity to peak in 2018 and then gradually slow to 2014 levels over the next three years. However, owing to the lag between consents being granted and work actually being undertaken, the peak in consents will continue to impact activity beyond 2017, prolonging the strength in the building market for at least another year.

Non-residential activity is forecast to remain relatively steady at elevated levels compared to the historical average. Infrastructure work undertaken is expected to maintain its upward trajectory over the course of 2017 and beyond.

The New Zealand dollar is expected to gradually weaken throughout the year against key currencies, particularly the Australian and US dollar.

Australian residential activity is expected to gradually decline over the next three years following its peak in 2016. Little growth is forecast in non-residential activity.

In Asia, the China market is expected to grow moderately but at lower rates than in recent years. Taiwan and South East Asian markets are expected to show modest growth.

North American market growth is expected to be relatively low but slightly higher in the USA than Canada.

Market growth estimates vary across continental Europe from negative in some markets to flat and low growth in others, while the UK is expected to show modest growth.

In terms of the outlook for each of our divisions:

- Building Products: continued focus will be on further improving the performance of its Australian business units and ensuring the New Zealand businesses continue to capture the growth in volumes arising from the strong market conditions
- International: the turnaround of Formica's European business, particularly in the UK market, will drive earnings uplift and all regions are targeting improved trading performances
- Distribution: pursuing top line growth, particularly in higher margin product categories, will be key enablers for further earnings growth. The performance of Tradelink's turnaround plan will require network plumber share gains, although the benefits will be partly offset by the operating costs from expansion of the branch network
- Residential and Land Development: the acceleration of home building in Auckland and Christchurch, along with maximising development opportunities from industrial land holdings, will drive operating results for the year
- Construction: continued strong revenue growth is expected, driven by the elevated levels of construction activity in New Zealand. Operating results will be positively impacted by the Higgins acquisition, offset in part by the wind down of the Canterbury Earthquake Recovery (EQR) home repair programme and a reduction in South Pacific activity.

Sir Ralph Norris
Chairman of Board of Directors

Mark Adamson
Chief Executive Officer and
Managing Director

BUSINESS REVIEW

Our people, across each of our five business divisions, are united in their commitment to driving ongoing operational performance improvements.

As a result, we are delivering enhanced experiences for our customers and better outcomes for our communities and for our shareholders.

Business review

Building Products

During the year the Building Products division was formed under the leadership of Matt Crockett to bring together the group's interests in manufacturing and distributing building materials, supplying a broad range of industries across Australasia.

The division comprises Firth, Humes, GBC Winstone, Iplex Pipelines (New Zealand and Australia), Rocla Products, Winstone Wallboards, Tasman Insulation, Fletcher Insulation and Fanalco.

HIGHLIGHTS

We have turned around performance in our Australian business units, while maximising the performance of the New Zealand businesses, delivering increased year-on-year earnings.

Solid progress was made in our Australian turnaround businesses. Iplex Australia is close to returning to profitability after the significant losses it sustained in the 2015 financial year and Fletcher Insulation more than doubled its earnings in this financial year.

In New Zealand, our market share in the concrete value chain was defended despite intensifying competition and while successfully executing a complex national cement distribution strategy following the end of the Holcim reciprocal arrangements. Our New Zealand building materials businesses had another strong year delivering significant earnings growth with superior customer value propositions and service. Volume growth reflected the increase in construction activity.

This year has also seen the completion of the successful divestment of the New Zealand Pacific Steel and the Australian Rocla Quarries businesses, resulting in a more focused portfolio.

FUTURE FOCUS

We will continue to focus on improving the performance of our turnaround Australian businesses (Iplex Australia, Fletcher Insulation and Rocla Products). We will grow market share with superior customer value propositions and service promises, while continuing to drive for further operational efficiencies. In New Zealand, we will defend share and optimise pricing and margins to ensure our businesses capture the growth in construction activity.

GROSS REVENUE

$2.5b

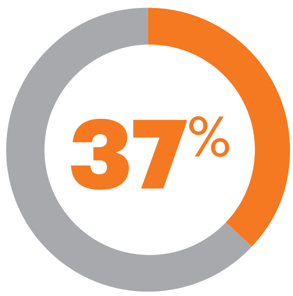
EBIT*

$274m

PEOPLE

4,059

PERCENTAGE OF GROUP EBIT+



* EBIT excluding significant items

\+ EBIT excluding corporate costs and significant items

IPLEX PIPELINES AUSTRALIA / Australia's first plastic pipe manufacturer to publish Environmental Product Declarations (EPD's), committed to the environment and our customers.

Business review

International

The International division created during the year under the leadership of Francisco Irazusta, makes and delivers a range of laminates, decorative surfaces products and roofing materials.

The division comprises Formica, which manufactures its products in Europe, Asia and North America, Laminex which produces decorative wood panels and laminate, particle board, medium density fibre board and other decorative products in New Zealand and Australia, and the Roof Tile Group, which supplies pressed metal roof tiles in North America, Europe, New Zealand, Africa and Asia.

HIGHLIGHTS

International continued to remain at the forefront of a highly competitive and cost-conscious market. We pursued the growth of the business through the development of new capabilities, enhancements of existing systems and processes and by continuing to improve our people capabilities. Key focus areas all aimed at making it easier and better for our staff to perform their roles, while at the same time increasing the emphasis on providing improved experiences and service for our customers.

The division continued its programme of manufacturing and supply chain excellence at its 20 major manufacturing sites across the world and continued the programme of upgrading its global ERP systems. This upgrade has revolutionised the way that our European business interacts with its customers and has led to significant improvements in service capability across the market.

In Asia our business improved efficiencies and increased capacity at the recently built high-pressure laminate factory at Jiujiang, which serves regional markets.

In addition, the business continues to focus on supplying new products with anti-microbial qualities into the growing hospital, healthcare and education sectors, as well as government projects with high hygiene expectations.

Our German metallic laminate business, Homapal, continued to expand its range of highly successful and innovative products. This range includes white and black magnetic boards, and continues to grow and prove successful in the education and commercial sectors.

FUTURE FOCUS

The division is focused on making capital investment and system improvements across the business to enhance competitiveness and also capture market opportunities. We are investing heavily in our European laminate business and will install new modern state-of-the-art continuous laminate manufacturing equipment at our Newcastle laminate facility which will help to address the manufacturing issues encountered during the year. Focus will remain on optimising and fully loading our new laminate plant in China and our expanded roof tile facility in California. Optimising our manufacturing facilities in Asia and improving logistics and service, remain key initiatives for the coming year. We will continue with a programme of enhancing digital and ERP capabilities across the business. Extending product ranges and applications through innovation and new products remain the key priority, as we seek to drive revenue across all segments of the business.

GROSS REVENUE

$2.1b

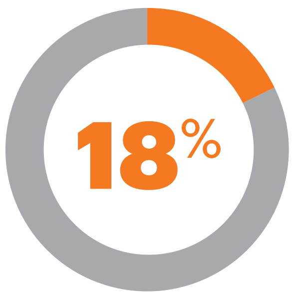
EBIT*

$133m

PEOPLE

5,470

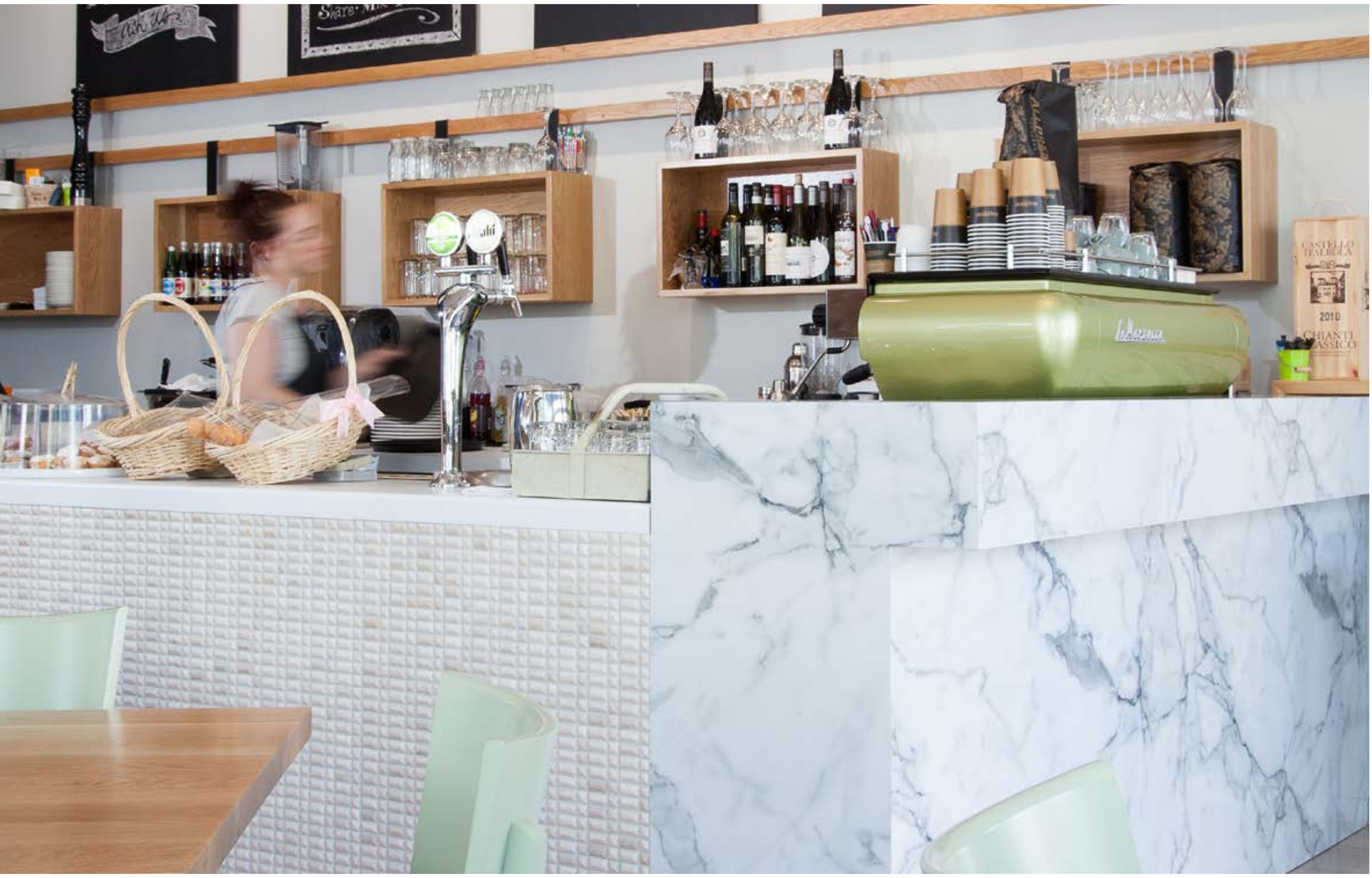
PERCENTAGE OF GROUP EBIT+



* EBIT excluding significant items

+ EBIT excluding corporate costs and significant items

FORMICA / As the world's largest manufacturer of high-pressure laminate (HPL) our range is vast, including this Carerra Marble laminate below, well suited to commercial applications.



Business review

Distribution

The Distribution division, under the leadership of Dean Fradgley, has market-leading positions in New Zealand and Australia thanks to its focus on customer service.

Distribution is a Trans Tasman portfolio of businesses, incorporating over 420 locations. PlaceMakers, Mico, Pacific Coilcoaters, Fletcher Reinforcing, Dimond and Easysteel operate in New Zealand, with Tradelink, Stramit and Tasman Sinkware operating in Australia.

HIGHLIGHTS

Over the last year the Distribution division has combined the previously separate New Zealand and Australian Distribution divisions to drive greater alignment, synergistic strategies and further deploy to each business a tailored customer service promise with a differentiated service offering in the market.

This financial year saw record domestic sales levels and double-digit operating earnings growth at PlaceMakers, Mico, Pacific Coilcoaters and Fletcher Reinforcing. At the same time we saw material improvements in our customer service metrics, a direct output of our businesses and our people becoming increasingly more customer focused.

PlaceMakers took an industry-leading position to externally publish its customer service scores in trade publications, reinforcing the focus on putting the customer at the heart of our business. Following the transition of the Australian businesses into the enlarged Distribution division during the year, customer value propositions have now been deployed for these businesses as well.

The Distribution division continues to leverage its scale and operational efficiencies, with the co-location of eight branches in New Zealand, integrating Dimond into the operations of Easysteel, and further leveraging operational support and management functions, enabling synergy realisation and cost savings. The co-location programme also reduced carbon emission by almost 100 tonnes per year. Three new PlaceMakers branches, three new Mico branches and four new Tradelink branches were opened during the year making it easier for our customers to do business with us.

FUTURE FOCUS

Our customer leading focus is on implementing and evolving our differentiated service model, growing profitably, developing and extending categories for each business. For example, front-of-wall bathroom products for Mico and kitchens in PlaceMakers. Growth will be pursued in key sectors of the market, such as small medium enterprise and servicing the growing group home builder sector. Our growth strategy includes Tradelink opening a further 20 branches in the coming year.

GROSS REVENUE

$3.2b

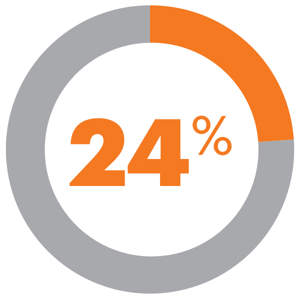
EBIT*

$176m

PEOPLE

6,145

PERCENTAGE OF GROUP EBIT+



* EBIT excluding significant items

+ EBIT excluding corporate costs and significant items

PLACEMAKERS / Along with our other Distribution businesses, PlaceMakers makes sure our customers, be it trade or home, have what they need, when and where they need it.

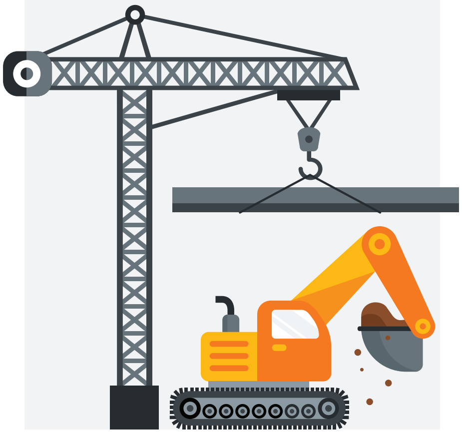
Business review

Construction

The Construction division under the leadership of Graham Darlow is a builder of commercial buildings and infrastructure across New Zealand and the South Pacific.

Projects range from New Zealand's largest transport and commercial building projects through to small interior works and road improvements. Customers include New Zealand's key infrastructure providers from the central and local government sectors, health and education providers, utilities and commercial property owners. The Construction division comprises:

- **Infrastructure**, including Brian Perry Civil, Seovic, Pipeworks and Piletech
- **Building + Interiors**, including Forman Commercial Interiors
- **South Pacific**, operating in Fiji, Samoa, Tonga, American Samoa, Vanuatu, the Solomon Islands and Papua New Guinea
- **Canterbury Earthquake Recovery**, responsible for organising the repair of earthquake damaged homes in that region.



HIGHLIGHTS

The division's backlog of work has continued to grow throughout the year – the value of work won and yet to be completed, increased from $2.4 billion in the prior year to $2.7 billion as at 30 June.

The division's level of work, turnover and profitability have reached record levels, with Building + Interiors revenue up 32% and Infrastructure revenue up 28%.

The Building + Interiors business has been awarded over $1.4 billion of work in the last year and the Infrastructure business has begun works on the 21.8km Hamilton section of the Waikato Expressway, Waikato's largest roading project.

The Canterbury Earthquake Recovery business has been winding down its operations over the last year, as it completes its contractual arrangements with the Earthquake Commission.

South Pacific has turned over a similar level of work to the previous financial year, with the Momi Bay resort in Fiji the most significant project in progress. This year a significant highlight was securing wharf work in Vanuatu and American Samoa, as well as initial construction of the Star Mountain development in Papua New Guinea.

Work has continued on major infrastructure and commercial building and interiors projects. See map for Construction's 24 key projects in New Zealand.

FUTURE FOCUS

With the largest pipeline of business on record, the Construction division remains focused on delivering excellence for our customers, finding innovative ways to increase efficiencies and making sure we have the right people, skills and processes to fit the future needs of our business and our customers.

In February the acquisition of Higgins was announced. Higgins is a New Zealand and Fiji road construction and maintenance business, operating a number of asphalt plants and quarries. The Construction division will have responsibility for the construction and maintenance parts of the business including asphalt plants, while the quarries will be integrated into the GBC Winstone business. Higgins is recognised by infrastructure agencies for its expertise in road paving and maintenance, which will add to Fletcher's transport project construction attributes.

The Higgins business acquisition positions the division well for the increasingly favoured 'construct and maintain' contractual arrangements used for transport projects. The acquisition of Higgins was completed on 29 July 2016.

GROSS REVENUE

$1.7b

EBIT

$78m

PEOPLE

3,275

PERCENTAGE OF GROUP EBIT+

+ EBIT excluding corporate costs and significant items

MAJOR CONSTRUCTION PROJECTS

Building for New Zealanders

WORK ON THE ORDER BOOK:

$2.7b

1 AUCKLAND REGION

- Commercial Bay for Precinct Properties
- New Zealand International Convention Centre and Hotel
- Auckland International Airport terminal upgrade
- AUT teaching facility
- Auckland Prison redevelopment
- SH20A to Airport H
- Waterview Connection
- Westgate Town Centre
- TVNZ headquarters refurbishment
- University of Auckland Science Centre
- New Fonterra headquarters

2 WAIKATO REGION

- Rangiriri realignment H
- Hamilton Section of the Waikato Expressway H

3 WELLINGTON REGION

- Ngauranga to Aotea Quay project H
- McKays to Peka Peka on the Kāpiti Coast H
- Victoria University's Gateway building
- Wellington International Airport car park building
- National Biocontainment Laboratory

H work with Higgins

4 WEST COAST

- Grey Hospital upgrade

5 CHRISTCHURCH REGION

- Christchurch International Airport Hotel
- Christchurch SCIRT Alliance
- Christchurch Justice & Emergency Services Precinct
- Grand Central development
- University of Canterbury Research Science and Innovation Centre

Residential and Land Development

In February 2016 the Residential and Land Development division was separated from the Construction division and is led by Steve Evans.

The newly created division expanded to include the development of Fletcher Building's current property portfolio to its highest and best use. The division comprises two business units – Fletcher Living and Land Development.

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

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

The division currently has 28 projects providing a secured pipeline of in excess of 6,000 dwellings.

HIGHLIGHTS

Home building commenced at eight new locations during the year as the business transitioned from planning and consenting to execution in a number of areas. New developments include Beachlands, Hobsonville Point, Ormiston, Red Beach, Swanson, Waiata Shores, Tatua on Eden and Whenuapai in Auckland.

The division has a number of significant residential land developments undergoing infrastructure works in Auckland at the former Three Kings Quarry, Eugenia Rise and former Manukau Golf Course. These developments will provide the residential business access to lots in good locations at a reasonable cost for the next three years and beyond. Additionally, the business has a number of significant commercial subdivisions in progress.

During the year, major partnership arrangements were secured with the Government for the release of surplus Crown land in Auckland. The first of these projects, announced in June 2016, is an almost 200 dwelling subdivision at Moire Road in West Auckland.

In Christchurch, formal agreement was reached with the Government to develop 900 dwellings at East Frame over 10 years. Work is also under way on the Awatea, Atlas Quarter and 350 Colombo projects, all in partnership with the Government. These projects will see around 400 dwellings delivered between 2016 and early 2018.

FUTURE FOCUS

Creating communities is the vision that drives Fletcher Living. We consider the needs and desires of existing and new communities to make sure we build connected neighbourhoods that add life, soul and value to the land they occupy.

Today's homes need to be designed around modern lifestyles. Our communities have varied architecture and housing types to meet the diversity of households and cultures that we sell to. At Fletcher Living we build homes from the inside out. Our customer proposition is to 'create more space for living' and in doing so we create more desirable homes and communities for the future.

Our focus for now and the future is to continue to execute on our three-prong strategy first presented to the market in June 2015, which you can find in the investor centre of www.fbu.com.

GROSS REVENUE

$0.3b

EBIT

$84m

PEOPLE

109

PERCENTAGE OF GROUP EBIT+

+ EBIT excluding corporate costs and significant items

CHRISTCHURCH / The development of the East Frame will bring a new way of living for Christchurch. Vibrant, diverse central city living.

Board profiles

Assured

Being a customer leading business means being clear about who the customer is. For the board, its primary customer is our shareholders. The directors bring a wealth of experience and passion, assuring shareholders that their needs drive all decision-making.

DIRECTORS

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

Independent Chairman

Chairman of the Nominations Committee and member of the Remuneration Committee

FIRST APPOINTED 1 APRIL 2014

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

MARK ADAMSON
BA (Hons), ACA, ATII

Non-independent Executive Director

FIRST APPOINTED 1 OCTOBER 2012

Mark Adamson is chief executive officer and managing director of the company. He joined the Formica Group in 1998 as chief financial officer of the European division, followed by the role of managing director UK and Eire, and in 2004 became president of Formica Europe. He became the chief executive of Formica Corporation in 2008 and of the Laminates & Panels division in 2011. Prior to joining Formica he was financial controller of the pharmaceutical company GlaxoSmithKline. Mark is a member of the Institute of Chartered Accountants in England and Wales and Chartered Institute of Taxation and a director of Fletcher Building Industries.

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

Independent Non-executive Director

Member of the Remuneration and Nominations Committees

FIRST APPOINTED 1 SEPTEMBER 2010

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

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

Independent Non-executive Director

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

FIRST APPOINTED 1 SEPTEMBER 2010

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

JOHN JUDGE
BCom, FCA, MPP, FInstD

Independent Non-executive Director

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

FIRST APPOINTED 9 JUNE 2008

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

KATHRYN SPARGO
LLB (Hons), BA

Independent Non-executive Director

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

FIRST APPOINTED 1 MARCH 2012

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

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

Independent Non-executive Director

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

FIRST APPOINTED 10 OCTOBER 2011

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

STEVEN VAMOS
BE (Hons)

Independent Non-executive Director

Member of the Audit and Risk and Nominations Committees

FIRST APPOINTED 6 JULY 2015

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

Management team

Experienced

Fletcher Building is led by an experienced and expert team, that is passionate about the business and our customers.

MORE INFORMATION ONLINE AT
fbu.com/about-us/executive-management

MARK ADAMSON
Chief Executive Officer and Managing Director

JOHN BELL
Chief Information Officer

GERRY BOLLMAN
Chief Financial Officer

CHARLES BOLT
Company Secretary and General Counsel

MATT CROCKETT
Chief Executive – Building Products

KATE DALY
Chief People and Communications Officer

GRAHAM DARLOW
Chief Executive – Construction

STEVE EVANS
Chief Executive – Residential and Land Development

LEE FINNEY
Chief Transformation Officer

DEAN FRADGLEY
Chief Executive – Distribution

FRANCISCO IRAZUSTA
Chief Executive – International

FOCUS AREAS

The building industry has always been about people. The places they love, share and live. The products and services they need to do all the things they want, in the way that's right for them.

That's why our focus is on people first. This means prioritising our customers, our people and their safety, our communities and the sustainability of the wider environment.

Focus areas

Customers

"Without customers we don't have a business – it is as simple as that. Being customer leading is about being ahead of the game for our customers every single day. It's important to me that all Fletcher Building employees understand the impact they have on customer satisfaction. No company can get it 100% right all the time and it is the individual interactions customers remember. They may remember exceptional service and they may remember poor service but customers never forget when you got it wrong and then made it right."

MARK ADAMSON
Chief Executive Officer and Managing Director

CUSTOMER LEADING

Being customer leading is one of Fletcher Building's values and a strategic priority for all business units and divisions. We have a huge depth and breadth of different customers, from home owners and individuals in the trades and professions, including builders, plumbers, architects, specifiers, designers and engineers to commercial and civic organisations, including group home builders, developers, universities, hospitals and central and local governmental groups.

No matter the customer, our overarching priority is to ensure we have an indepth understanding of their needs and market trends. We use these insights to improve our products and services and we seek out digital solutions that create customer advocacy and increase operational efficiencies.

It is the business units that own customer relationships and each has specific plans in place to deliver value. Their work is supported by the Sales and Marketing Centre of Excellence established this year. This team provides global best practice strategies, processes and tools and works alongside the business units to support the execution of positive change. Fostering a culture of being customer-focused and insight-led has been a key priority, along with building marketing and sales capability, increasing commercial acumen and delivering win-win solutions to our customers.

SERVICE AND PRODUCT INNOVATION

Across all our divisions there has been a renewed focus on defining our commitment to deliver excellent service. Almost every business has introduced Customer Service Promises, which set out our commitments to our customers in clear unambiguous terms. In addition, all businesses have a Net Promoter Score to measure customer engagement.

More than a poster on a wall, the Customer Service Promises define key deliverables that each business must meet, measure and report. To deliver these promises, our businesses have made fundamental changes, large and small, from changing opening hours and rationalising product lines to introducing new products, investing in new equipment and in some cases re-engineering the business.

From our earliest days, product innovation has been key to Fletcher Building. Recent innovations include the Smartfit® window manufactured by our new joint venture Fanalco on a state-of-the-art extrusion press. Smartfit® is a ready-to-fit window system that saves installation time for builders, is functional and water tight.

Formica™ is a design-led business constantly updating the colour and textures of its high-pressure laminates to ensure products are on trend. The 180fx® collection is a large format range that provides the true-to-scale granite patterns customers desire.

In a similar manner, New Zealand concrete business Firth continues to innovate into its 90th year of manufacturing, with the introduction of four new series of designer pavers and two architectural masonry ranges to bring renewed design desirability to the product range.

For our infrastructure customers in Australia, Rocla Products has introduced a new product offering – the custom concrete pit. A pit is a junction box to join pipes and has been developed for customers who have expressed the desire to buy pipes and pits from the same supplier.

DIGITAL SOLUTIONS

Our new Digital Innovation Lab works with our businesses to understand customer needs and identifies opportunities to develop digital solutions. With 24 digital solutions delivered, the Lab directly supports business units in creating closer relationships with their customers and making it easier for customers to do business with us.

For example, Fletcher Insulation and Tasman Insulation have both introduced specification tools that use new technology for more accurate specification of product requirement for jobs, reducing waste and saving money for customers. Laminex New Zealand has introduced a kitchen rendering service to help customers better visualise new and renovated kitchen designs.

The Digital Innovation Lab keeps abreast of digital trends and disruptions, including big data, virtual and augmented reality and other innovations for future consideration of customer leading solutions.

"From the first time we met with Paula and the team at Fletcher Living, they were all very informative, honest, polite and full of positive energy. Along with the amazing packages they have for first home buyers, we knew we were making the right decision to buy with Fletcher Living. We love our new home and the community created by Fletcher Living."

JAMIE AND EMMA COX
Pictured above, home at Awatea Green, Canterbury (NZ)

"Formica leads the industry in designs and product development, they deliver with excellence against all of our service requirements and finally Formica sales support is outstanding with both our everyday needs and special project development."

OSCAR BASTIDAS
Chapas y Herrajes BASA (Mexico)

"To see a company of PlaceMakers' size have so many stakeholders who are truly engaged with their service promise and culture is truly motivating."

REON PATERSON
Renovation company Smith and Sons Managing Director (NZ)

Focus areas

People

The value of a company is determined by the quality of its employees. At Fletcher Building we are focused on making this company a great place to work. This means ensuring our people go home safe every day, building deep leadership talent pipelines, investing to build capability across all levels of the organisation in an environment that fosters both high performance and high engagement across the workforce.

Our people strategy is formed around three key priorities: talent and leadership, workplace culture and capability.

This year, Fletcher Building chief executive officer Mark Adamson received the Supportive CEO of the Year award at the Human Resource Institute of New Zealand (HRINZ) awards. Mark was recognised for his contribution and ongoing commitment to diversity, talent development, employee engagement and significant advancements in human resource technology at Fletcher Building. At the HRINZ awards we also had finalists for the HR Specialist of the year and the HR Innovation award.

LEADERSHIP, TALENT AND CAPABILITY

We continue to invest in developing our leadership strength across our business to ensure that we have a strong pipeline of internal leadership talent. We have invested in building a leadership curriculum that is award winning with four key programmes: – Step Up, Leader's Edge, Branching Out and Leadership Insights.

All of our leadership programmes are developed to ensure we have strong talent pipelines across all levels of the company globally. Through the Workday HR software system we will be mapping talent across our salaried workforce to ensure we continue to promote internally where possible.

In New Zealand, we partnered with the Tertiary Education Commission to roll out manufacturing and supply chain qualifications. Nearly 650 people will successfully complete these qualifications by the end of 2016.

We continue to strengthen our global sales capability. Our custom built Sales Learning Pathway programme was launched last year. Following its success we will launch a service-focused programme later this year.

Aspire, our new organisation-wide learning management system was launched in November 2015. Aspire manages learning for all employees across the company and helps managers and staff to better access, track and evaluate their learning and development.

Our learning curriculum, which continues to grow in strength, was delivered to close to 7,500 employees globally.

DIVERSITY

Our Diversity Council, chaired by Mark Adamson, continues to focus on developing a strong pipeline of diverse talent, creating an inclusive workplace and working with community and government organisations to provide employment opportunities to young people.

In New Zealand we are proud to have received accreditation from Rainbow Tick, which identifies Fletcher Building as an inclusive employer. Part of our commitment to inclusivity is our active internal network that supports our Lesbian, Gay, Bisexual, Transgender and Intersex community. Also, in February we sponsored Auckland Pride Festival and took part in the annual Pride Parade.

Gender diversity has been a focus over the past three years, with 26% of leadership and 21% of the total workforce now women. Our FAB women's series and mentoring programme have played vital roles in providing networking and development opportunities for the women in our workforce. We continue to be principal sponsors of Global Women and we support its Breakthrough Leaders Programme by committing one of our female leaders to attend this programme annually.

One component of our diversity strategy is to ensure we are bringing greater focus on developing our Māori and Pasifika leaders. This year the Whakatupu Programme was launched, supporting Māori participants to explore what their heritage and leadership means for them and to develop their future.

We continue to support training and development for young people to enter the workforce in collaboration with the New Zealand Defence Force, Ministry of Social Development, Te Puni Kōkiri and local council programmes and the First Foundation.

Our youth employment strategy has helped over 200 young people into the workforce to date with an additional 81 people gaining employment, learning opportunities and valuable skills this year.

The remuneration committee reviews progress against the diversity objectives and initiatives developed by the group to deliver outcomes against the Diversity Policy. The board is satisfied with the initiatives being implemented by the company and its performance with respect to the Diversity Policy.

Fletcher Building's Diversity Policy is available on www.fbu.com.

COLLABORATION

Our emphasis this year has been on building a more engaged workforce through increased collaboration across levels and areas of the business. We continue to bring our people together through regional forums and technology enablement. Mark Adamson launched Day In The Shoes, where senior leaders spent a day working in another's role. Mark worked at Firth to mix and deliver concrete to customers.

Supporting our global intranet, Matrix, we had the successful launch of the social enterprise tool Yammer, giving individuals a platform to engage with the business, collaborate and problem-solve no matter where they are.

"I'm lucky I work for Fletcher Building, a company that has gone out of its way to achieve the Rainbow Tick to mark itself as an inclusive and non-judgemental workplace. For me as someone whose gender has always been questionable, this makes a big difference."

KIM PRANCE

CASE STUDY

Opening Opportunities

For five young Kāpiti locals, the Mackays to Peka Peka (M2PP) Expressway opened doors to new opportunities in construction and employment. With a shortage of trained steel fixers on the Kāpiti Coast, M2PP and WelTec teamed up to deliver an on-the-job training course for Kāpiti youth seeking a career in construction. The students completed 60 hours of learning, gaining unit standards in fixing steel for concrete construction and steel fabrication, which they are putting to great use on the M2PP project.

60

HOURS OF VALUABLE STUDENT LEARNING ON THE M2PP PROJECT

Focus areas

Sustainability and Environment

The Fletcher Building vision of Building Better, Together resonates in the realm of sustainability. Put simply, we have to work together with our employees, our customers and our communities to achieve our sustainability aspirations and return growth to our shareholders.

We have three areas of focus for sustainability:

1. Protecting and minimising impacts on the environment
2. Protecting the health, safety and wellbeing of our employees
3. Investing in and supporting the communities in which we operate.

Sustainability is about resource efficiency, improving the way the business is run, using and manufacturing environmentally responsible products and managing environmental impacts. Fletcher Building believes sustainability is important to the customer, delivers real value and is crucial to the life of our business. The environment is a key consideration in the way we operate. All of our sustainability initiatives work within a framework of economic innovation.

When it comes to environmental protections and minimising our impact on the environment, it is our business strategy in action that makes the difference. Our approach is to have strong business units supported by an active centre. We have a central Environment, Health and Safety team providing direction and key performance indicators, including the monitoring of our carbon emissions. This team has developed a sustainability framework, which provides direction for our focus areas.

It is our 34 business units that have the greatest ability to make a difference for the environment. Within our diverse portfolio we have many inspiring examples of businesses that are reducing waste, being more energy efficient, creating new and more sustainable products and new ways of doing things.

This year, Fletcher Building businesses have been involved in all kinds of environmental initiatives. They have relocated endangered geckos, introduced lean construction methods and been nominated for environmental awards in recognition of their commitment to rehabilitate former quarry sites and innovations that significantly reduce waste. One project site alone has planted over 700,000 trees.

For the future we will continue to focus on improving our performance in the area of health, safety and the environment, in developing our people and in supporting our communities. We look forward to reporting our progress in the coming year.

Fletcher Building commits to:

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

Read more: see Fletcher Building's 2016 Sustainability Report online at www.fbu.com/sustainability

ONE PROJECT SITE ALONE HAS PLANTED OVER 700,000 TREES.

700,000

Focus areas

Health and Safety

At Fletcher Building we take very seriously the safety and health of our employees and continually encourage safety excellence and improvements through our value of being Better Every Day.

HEALTH AND SAFETY GOVERNANCE

Our health and safety governance programme within Fletcher Building is demonstrated through our executive Environmental, Health and Safety (EHS) Council, chaired by the chief executive officer. This council develops the EHS strategy, makes regular decisions and drives actions to reduce risk and build engagement across the health and safety function. The board is represented through the safety, health, environmental and sustainability committee, chaired by Fletcher Building director Kate Spargo, which provides oversight and challenge on direction and action. Divisional chief executives and general managers provide the link between the group direction and business units.

Businesses and sites proactively reduce their risks on site and have active health and safety committees to address local issues, identify initiatives and programmes to improve environmental, occupational health and safety issues relevant to work areas and build engagement across their wider teams. An annual improvement plan is reviewed and signed off by chief executives.

Fletcher Building continues to progress a programme of creating and distributing EHS standards to provide clarity of minimum expectations. An external review of compliance to our standards is organised through the EHS Council.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)

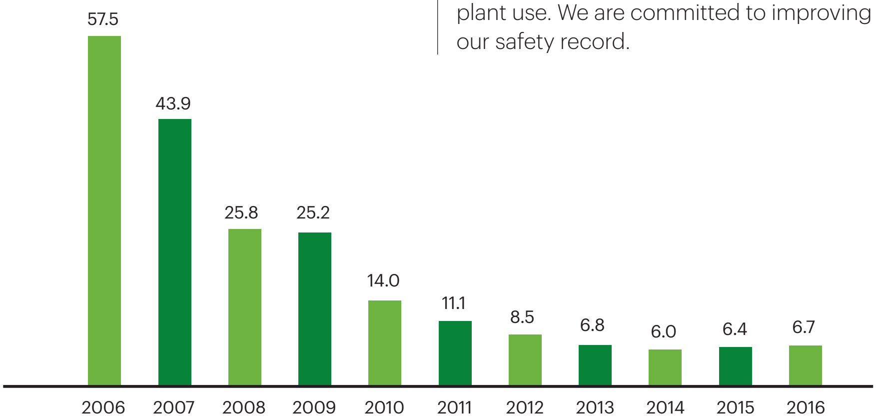
Preventing injuries is a matter we take seriously, therefore addressing areas of risk within our business is a high priority. Despite progress in health and safety management, Fletcher Building had an unacceptable number of serious injuries in the 2016 financial year. There were 22 significant incidents reported and three fatalities in China, Papua New Guinea and New Zealand. The fatalities were the result of accidents involving vehicles and working at height. Fletcher Building has extended its deepest sympathy to the families of those affected and provided support and assistance. For the serious injuries, the hazards included material and equipment handling and powered tools.

Oversight of the recordable injury rates is retained by recording the 12 month rolling average Total Recordable Injury Frequency Rate per million employee and contractor hours (TRIFR). Total injuries are the sum of lost time and medical treatment injuries. In the last year this rate was 6.68 as of 30 June 2016 and continues the flat trend of the past three years. Recordable rates of reportable injuries have plateaued owing to a focused priority of addressing our actual and potential critical risks.

Improved analysis of our incidents is providing greater depth of knowledge about risks within our business and where priority of action is required. For the coming year we have a renewed focus on safety, with a particular emphasis on work at height, vehicles and mobile plant use. We are committed to improving our safety record.

TRIFR: TOTAL RECORDABLE INJURY FREQUENCY RATES

(Per million employee and contractor hours, with total injuries being the sum of lost time and medical treatment hours)



TRIFR YEAR ENDED 30 JUNE

HIGHLIGHTS

- In June 2016 Construction chief executive Graham Darlow was awarded Executive Leader of the Year at the New Zealand Annual Safeguards Awards for the work he led in the Christchurch recovery programme
- We have used the new health and safety legislation in New Zealand as an opportunity to have robust safety discussions, run webinars and provide information toolkits for our leaders, teams and contractors
- The annual FBuSay survey showed 80% of employees confirmed they were involved in regular safety conversations about critical safety issues
- In conjunction with the EHS standards, a risk management standard has been established to promote consistency of managing risk across the business
- Over the 2016 financial year, guidance was distributed for processes and practices, including working at height, mobile plant, vehicles (light and heavy), guarding and isolation, crane and ancillary equipment, conducting EHS conversations, managing EHS assurance and process safety.

80%

OF EMPLOYEES CONFIRMED THEY WERE INVOLVED IN REGULAR SAFETY CONVERSATIONS ABOUT CRITICAL SAFETY ISSUES

CASE STUDY

Little change eliminates big risk

TOOWOOMBA

Iplex Toowoomba has proved that a little change can have a big impact, after the creation of a simple platform that operators can use to change the tools on any of the site's four medium-sized manufacturing lines. This change makes the work safer, easier and more comfortable to complete.

The safety of employees who change the pins and dies on the manufacturing line at the Queensland-based site in Australia is of utmost importance to the Iplex business.

Toowoomba team members had raised concerns about safety risk when changing tooling on a machine in the manufacturing site. To eliminate the risk, National Processing Technician Peter Cameron designed a light, portable aluminium platform for operators to use.

"I asked the senior operators for their input and got a local engineering company to help me measure it and work on the connection points, making sure we factored in the standard requirements for handrails," says Peter.

The platform is lightweight and simply 'clips into position' when required. It can hold up to four people (up to 600kg total) and the handrail and kick plates have been engineered to Australian safety standards. The platform also packs up onto a pallet for storage in racking when it is not needed.

THE HEIGHT OF THE PLATFORM MEANS THAT OPERATORS CAN WORK AT THE SAME LEVEL AS THE TOOLING MACHINE.

> "All the operators really like it and have no concerns or worries about doing tooling changes. They feel safe on the platform and it has considerably reduced, if not eliminated, the risk from the task at hand."

PETER CAMERON

Focus areas

Community

Fletcher Building is committed to supporting the communities in which we operate and the people who call these communities home. We act honestly, in good faith and in the best interests of Fletcher Building to ensure that all stakeholders are treated fairly.

We engage with our employees, our customers and our communities with respect and a core set of values, understanding that human rights, labour practices, fair operating practices, respect for the environment, community involvement and development and consumer issues are all drivers of long-term sustainability.

Our 34 business units are active in their communities and implement many sponsorships and corporate giving programmes. As a group we support sporting, community, cultural, educational, environmental and health organisations and initiatives.

In the sporting world, Stramit has been a proud supporter of Surf Life Saving NSW for a decade. Stramit supports the work done by surf lifesavers all over Australia in addition to the annual country championships where 1,200 surf lifesavers compete in the competition that is a highlight on the annual surfing sports calendar.

In New Zealand, Fletcher Living has supported grass roots hockey and soccer at both high school and representative level for the past two years. The GBC Winstone quarry at Otaki continues to encourage community use of the site through waka racing on the quarry lake and canoe polo in a purpose-built facility. Winstone Wallboards sponsors the Canterbury Crusaders rugby team and hosted a community day where over 160 children got to meet their rugby heroes.

Our community support involves a range of initiatives, including PlaceMakers sponsorship of The Prostate Cancer Foundation of New Zealand for eight years, which has seen over $1.7 million raised for research and public education programmes. Another community initiative is in the area of men's health with the Fair Dinkum Shed sponsorship of the Australian Men's Shed Association, providing supportive spaces for men to talk and be part of a community.

Fletcher Building teams around the world have dedicated their time to cooking meals for the Ronald MacDonald House Charity in their cities. The proceeds from Easysteel's sculpture design competition auction will also go to Ronald McDonald House, which supports families throughout their childrens' medical journeys.

In Canada, Formica North America continues to partner with Les Ateliers from Saint-Jean-sur-Richelieu to help people with physical or mental disabilities to join the workforce.


lotto
Fletcher
Living


D8T
677


Habitat
for Humanity


MONOCRANE

Governance

CORPORATE GOVERNANCE STATEMENT

The board is committed to ensuring that Fletcher Building has appropriate corporate governance arrangements in place and that those arrangements are disclosed in a meaningful way to maximise transparency and investor confidence. Fletcher Building's framework of rules, relationships, systems and processes is designed to ensure that Fletcher Building meets best practice standards of governance.

FRAMEWORK

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

Shareholders should also refer to details of the Board Profiles and the Remuneration Report. Further information is also available on the company's website at http://www.fbu.com/investor/governance.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles and responsibilities

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

Appointment

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

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

Diversity Policy

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

The proportion of women and men within Fletcher Building as at 30 June 2016 is set out in the table below.

	2016		2015	
	Women	Men	Women	Men
Board of directors	2 (25%)	6 (75%)	2 (29%)	5 (71%)
Executive committee	1 (10%)	9 (90%)	1 (11%)	8 (89%)
Senior management[1]	20 (27%)	53 (73%)	18 (24%)	58 (76%)
All employees	21%	79%	19%	81%

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

Performance

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

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

STRUCTURE THE BOARD TO ADD VALUE

Nominations Committee

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

Board Skills Matrix

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

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

Director independence

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

Director induction and professional development

The board ensures that new directors are appropriately introduced to Fletcher Building and are acquainted with relevant industry knowledge and economics. The induction and continuing professional development includes visits to specific company operations and briefings from key executives. Directors are provided with material health and safety information relevant to the business and attend site visits.

Governance

Committees

The current standing committees of the board are audit and risk, remuneration, nominations and safety, health, environment and sustainability. From time to time, the board may create ad hoc committees to examine specific issues on its behalf. No ad hoc committees were formed during the year.

Each committee is governed by a charter setting out its responsibilities. Committees do not take action or make decisions on behalf of the board unless specifically mandated by prior board authority to do so.

The table below shows director membership and attendance at board and committee meetings.

	Board		Audit and Risk		Remuneration		Nominations		Safety, Health Environment and Sustainability	
	MEMBER	ATTEND	MEMBER	ATTEND	MEMBER	ATTEND	MEMBER	ATTEND	MEMBER	ATTEND
Norris	10(C)	10	-	4	3	3	2(C)	2	-	3
Adamson	10	10	-	4	-	3	-	-	3	3
Carter	10	10	-	-	3	3	2	2	-	-
Jackson	10	9	-	-	3(C)	3	2	2	3	3
Judge	10	10	4(C)	4	-	-	2	2	-	-
Spargo	10	9	4	3	-	-	2	2	3(C)	3
Tarrant	10	10	4	2	-	-	2	2	3	3
Vamos	10	10	3	4	-	-	2	2	-	3

(C) denotes chairman at 30 June 2016

ACT ETHICALLY AND RESPONSIBLY

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 is available on the company's website.

The company has a policy that covers bribery and corruption which stipulates zero tolerance. There is also a policy to support the company's whistleblower programme. On a six monthly basis, a summary of all calls is reported to the board providing a status and findings for each investigation.

Related parties

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

Government relations

The company engages with Government in New Zealand and Australia in relation to the industries that it operates in and seeks insight and advice on government policy when required. Political donations can only be made with the authority of the board. No political donations were made in the year ended 30 June 2016.

SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

Audit and risk committee

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

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

Approval of financial statements

Prior to approving the interim and full year financial statements, the board received from the chief executive officer and chief financial officer a representation confirming the adequacy of the financial statements and their compliance with the Financial Markets Conduct Act 2013.

External auditor

The audit and risk committee considers and discusses the performance of the external auditor on an annual basis to ensure ongoing quality and effectiveness. This discussion is held without management present, but is informed by the results of surveys completed by management.

EY was appointed as external auditor following a competitive tender process during FY15.

The Auditor Independence Policy includes requirements for the rotation of external audit engagement partners. The Auditor Independence Policy is available at www.fbu.com/investors/governance. In addition, the policy covers the provision of non-audit services by the company's auditor. Auditor's fees and expenses paid to EY are presented within Note 3 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 Auditor Independence Policy and is not considered to compromise independence as the services did not constitute material sums of money.

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

MAKE TIMELY AND BALANCED DISCLOSURE

Continuous disclosure

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

RESPECT THE RIGHTS OF SHAREHOLDERS

Informed shareholders

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

The company operates an investor relations programme, which includes scheduled interactions with institutional investors, analysts and other market commentators. Presentations are also disclosed on the company's website and the NZX and ASX announcement platforms. The chairman meets with major shareholders of the company in New Zealand and Australia on an annual basis. The board also obtains annually research on the perceptions that the New Zealand and Australian investment community have on the company, management and performance.

Electronic communications

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

Capital allocation

The largest capital allocation decision during the year was the decision to acquire the Higgins business. Comprehensive due diligence was performed on the Higgins business, including financial, accounting, tax, legal and operational matters. PwC and Bell Gully advised in respect of the transaction. Other significant capital expenditure during the period included:

Initiative	Capital expenditure (NZ$m)
Golden Bay Cement – South Island strategy	20
ERP software upgrades	27
Tradelink branch network upgrades	9
Symonds Hill Quarry Development	8

RECOGNISING AND MANAGING RISK

Risk

The audit and risk committee oversees risk. Further information on the composition of the audit and risk committee can be found under the heading 'Safeguarding Integrity in Financial Reporting'.

The audit and risk committee has reviewed the company's Risk Management Framework during the year and satisfied itself that it continues to be sound. The Risk Management Framework includes a formalised system for identifying, overseeing, managing and controlling risk.

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.

Sustainability

The Sustainability and Environment section of this report discusses how environmental and sustainability issues are managed. Further sustainability information can be found on the website www.fbu.com

REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration committee

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

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

Remuneration Report

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

Financial review 2016

Fletcher Building reports underlying earnings growth of 5 per cent.

Reported results NZ$m (except where noted)	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Total revenue	**9,004**	**8,661**	**4**
Operating earnings before significant items[1]	**682**	**653**	**4**
Significant items[2]	37	(150)	NM
Operating earnings (EBIT)	**719**	**503**	**43**
Funding costs	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**
Tax expense	(131)	(96)	36
Earnings after tax	**473**	**280**	**69**
Non-controlling interests	(11)	(10)	10
Net earnings before significant items	**418**	**399**	**5**
Net earnings	**462**	**270**	**71**
Earnings per share before significant items (cents)	**60.6**	**58.0**	**4**
Earnings per share (cents)	**67.0**	**39.2**	**71**
Dividends declared per share (cents)	**39.0**	**37.0**	**5**
Capital expenditure	**300**	**278**	**8**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

	Revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Building Products	2,449	2,656	(8)
International	2,128	2,007	6
Distribution	3,184	3,081	3
Residential and Land Development	343	238	44
Construction	1,648	1,342	23
Other	9	5	80
Gross revenue	**9,761**	**9,329**	**5**
less intercompany sales	(757)	(668)	13
Group external revenue	**9,004**	**8,661**	**4**

	Reported operating earnings			Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	**Year ended 30 June 2016 NZ$m**	Year ended 30 June 2015 NZ$m	Change %
Building Products	353	184	92	274	259	6
International	103	143	(28)	133	143	(7)
Distribution	175	93	88	176	148	19
Residential and Land Development	84	66	27	84	66	27
Construction	78	54	44	78	74	5
Corporate	(74)	(37)	(100)	(63)	(37)	(70)
Total	**719**	**503**	**43**	**682**	**653**	**4**
Funding costs	(115)	(127)	(9)	(115)	(127)	(9)
Earnings before tax	**604**	**376**	**61**	**567**	**526**	**8**
Tax expense	(131)	(96)	36	(138)	(117)	18
Earnings after tax	**473**	**280**	**69**	**429**	**409**	**5**
Non-controlling interests	(11)	(10)	10	(11)	(10)	10
Net earnings	**462**	**270**	**71**	**418**	**399**	**5**

Geographic segments

	Gross revenue			External revenue		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %	**Year ended 30 June 2016 NZ$m**	Year ended 30 June 2015 NZ$m	Change %
New Zealand	5,438	4,965	10	4,797	4,435	8
Australia	3,055	3,158	(3)	2,959	3,042	(3)
Rest of World	1,268	1,206	5	1,248	1,184	5
Total	**9,761**	**9,329**	**5**	**9,004**	**8,661**	**4**

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
New Zealand	452	449	1
Australia	154	119	29
Rest of World	76	85	(11)
Total	**682**	**653**	**4**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

Financial review 2016

Geographic segments in local currency

	Gross Revenue			External revenue		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Australia (A$m)	2,809	2,929	(4)	2,721	2,821	(4)
Rest of World (US$m)	850	936	(9)	837	919	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016	Year ended 30 June 2015	Change %
Australia (A$m)	142	110	29
Rest of World (US$m)	51	66	(23)

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016. Details of significant items can be found in note 4 of the group's financial statements.

- External revenue of $9,004 million was $343 million or 4% higher than the prior year. Of this increase $362 million related to increased New Zealand revenue, partly offset by lower revenue in Australia. In local currencies, revenue increased by 8% in New Zealand but declined by 4% in Australia and 9% in the Rest of World.
- Reported operating earnings before interest and tax of $719 million were 43% higher than the prior year.
- In **New Zealand**, earnings benefited from continued strong residential, commercial and infrastructure construction activity, as well as strong operational performance in many businesses. Residential consents were 29,097, up from 25,154 in the prior year, an increase of 16%.
- In **Australia**, market conditions were mixed, with new housing construction at record levels but activity in the mining and resources sectors down significantly and other sectors relatively subdued. Despite this, operating earnings before significant items increased 38% in local currency when adjusted for the divestment of the Rocla Quarries business, driven by operational performance improvements in Iplex Australia, Stramit and Fletcher Insulation.
- In the **Rest of World**, earnings in local currency were flat in the major markets of Asia and North America, while earnings in Europe were down as a result of adverse operational performance in the UK.
- Reported operating earnings include a net gain within significant items of $37 million relating to:
  - A gain on the sale of the Rocla Quarries business of $85 million;
  - A $5 million gain on the divestment of the Fletcher Aluminium business to the joint venture with Nalco;
  - Costs of $5 million associated with the acquisition of the Higgins business;
  - Costs of $16 million relating to the closure of sites in Iplex Australia, Rocla Products, Formica Europe and Dimond;
  - Charges of $26 million in the Formica India business, with impairments of fixed assets, goodwill and working capital adjustments; and
  - $6 million of costs incurred investigating and resolving payroll system issues as a result of complexities in applying the New Zealand Holidays Act 2003.
- Operating earnings before significant items were $682 million, 4% higher than the prior year.
- Funding costs of $115 million were 9% lower than the prior year, due to lower debt levels and borrowing costs.
- The tax expense of $131 million represents an effective tax rate for the year of 22% (2015: 26%).
- Earnings per share were 67.0 cents, an increase of 71% from 39.2 cents per share in the prior year.
- Earnings per share before significant items were 60.6 cents, an increase of 4% from 58.0 cents in the prior year.

The following sections provide commentary on individual division results for the year ended 30 June 2016.

Building Products

Concrete Pipes & Products; Cement & Aggregates; Building Materials; Plastic Pipes; JV Earnings & Other

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,449	2,656	(207)	(8)
External revenue	1,969	2,184	(215)	(10)
Operating earnings before significant items[1]	274	259	15	6
Significant items[2]	79	(75)	154	NM
Operating earnings	353	184	169	92
Funds	1,581	1,877	(296)	(16)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Concrete Pipes & Products	59	79	(25)
Cement & Aggregates	87	90	(3)
Building Materials	93	77	21
Plastic Pipes	14	(8)	NM
JV Earnings & Other	21	21	–
Total	**274**	**259**	**6**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

Building Products reported operating earnings of $353 million, compared with $184 million in the prior year.

The result includes a positive significant item of $79 million comprising a gain on the sale of the Rocla Quarries business ($85 million), and a gain on divestment of the Fletcher Aluminium business to the Fanalco joint venture ($5 million), partly offset by site closures in Iplex Australia and Rocla Products ($11 million).

The division's operating earnings before significant items were $274 million, 6% higher than $259 million in the prior year. The increase was attributable largely to improved performance in Plastic Pipes and Building Materials, offset by decreased earnings in the Concrete Pipes & Products businesses and reduced Cement & Aggregates earnings following the Rocla Quarries divestment.

Reported gross revenue decreased by 8%, however, was up 1% when adjusted for divested businesses.

Whilst gross revenue of the Concrete Pipes & Products businesses increased 1%, operating earnings before significant items declined 25% to $59 million or 14% when excluding prior year land sales ($10 million). New Zealand concrete pipe volumes were 7% higher, and prices were up slightly on last year. New Zealand concrete pipe volumes were down by 8%, due to lower market volumes in the first half of the year; volumes and market share recovered in the second half. Australian concrete pipe revenue was down 4% due to weak demand in Western Australia and Queensland and intensifying price competition in other regional markets.

Gross revenue of the Cement & Aggregates businesses decreased 12% but was flat on an underlying basis if the divested Quarries business is excluded. The businesses recorded a 3% decrease in operating earnings before significant items to $87 million. Key factors impacting year-on-year performance were lower land sales than the prior year ($4 million) and one-off restructuring costs in 2016 ($3 million). Adjusting for these and the divestment of Rocla Quarries, the underlying operating earnings were 11% higher than the prior year, with 6% year-on-year volume growth in New Zealand cement and stable market share, coupled with higher cement and aggregate prices.

Gross revenue of the Building Materials businesses increased 8%, whilst operating earnings before significant items increased 21% to $93 million. New Zealand plasterboard volumes were up 11% on the prior year and market share was stable. Both the New Zealand and Australian Insulation businesses achieved strong year-on-year volume growth, with earnings having doubled in the year.

The Plastic Pipes businesses recorded $14 million operating earnings before significant items after reporting a loss of $8 million in the prior year. This was primarily due to a significant turnaround in the performance of Iplex Australia. Australian gross revenue increased 3%, with volumes up 6%, whilst indirect costs reduced by 16% reflecting the successful execution of the turnaround programme.

Earnings from Joint Ventures & Other businesses were $21 million, in line with the prior year, with increased earnings from Fletcher Aluminium offsetting lower earnings from the Steel business, which ceased production in September 2015. A key achievement was the formation of the joint venture between Fletcher Aluminium and Nalco on 30 June 2016, which is well positioned to leverage its scale and capability in a strong New Zealand market.

Financial review 2016

International

Laminex; Formica; Roof Tile Group

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	2,128	2,007	121	6
External revenue	2,106	1,978	128	6
Operating earnings before significant items[1]	133	143	(10)	(7)
Significant items[2]	(30)	–	(30)	NM
Operating earnings	103	143	(40)	(28)
Funds	1,902	2,098	(196)	(9)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Laminex	80	81	(1)
Formica	62	68	(9)
Roof Tile Group	14	14	–
International divisional costs	(23)	(20)	(15)
Total	**133**	**143**	**(7)**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

Operating earnings for the International division were $103 million compared with $143 million in the prior year. Gross revenue increased by 6% over the prior year.

The result includes significant items of $30 million, $26 million relating to impairing the operations of Formica India and $4 million for site closure costs in Formica Europe. Operating earnings before significant items decreased 7% to $133 million.

Laminex's operating earnings were $80 million compared to $81 million in the prior year. Gross revenue increased 3% over the prior year, with increases of 2% in Australia and 8% in New Zealand.

Operating earnings in Australia were $72 million, up 3% on the prior year. Favourable market conditions in the residential sector were partly offset by a significant decline in the Western Australia residential market. Earnings were positively impacted by optimised pricing and operational efficiency improvements, with a significant reduction in overheads.

Operating earnings in New Zealand were $8 million. When adjusting for $1 million restructuring costs in the current year and a $3 million property gain in the prior year, earnings increased by 13% on the prior year.

Operating earnings before significant items for Formica were $62 million, a decrease of 9% on the prior year.

Formica reported gross revenue of $980 million, an increase of 10% on the prior year, largely due to the translation effect resulting from a lower New Zealand dollar relative to the US dollar in particular. In local currencies revenue was largely flat although this varied by region.

In North America revenue growth in local currency was up by 4% on the prior year, driven by volume growth of 2% and increased pricing. Operating earnings were $56 million, up 14% on the prior year, with 11% attributable to favourable currency translation, coupled with the strong operational performance of the manufacturing plants in the US and Canada.

In Asia growth rates in local currency varied significantly by country. The key markets of Taiwan, Thailand and Hong Kong generated revenue growth of 4%, 6% and 6% respectively. Revenue in China was up 2% on the prior year with revenue in Malaysia and Singapore behind last year. Earnings in Asia increased 21% to $23 million driven largely by lower raw material prices and improved manufacturing efficiencies across the two factories in China as both domestic and export volumes increased.

Gross revenue in Europe fell by 4% in local currency with the main driver being a decrease in sales in export markets. Most major Western European markets were stable. Formica Europe reported a loss of $17 million compared with a breakeven result in the prior year, due to lower sales and adverse operational performance at the business' key UK manufacturing plant, particularly in the first half. In addition, restructuring costs of $3 million impacted the result, and the business operated at breakeven in the second half.

Operating earnings in the Roof Tile Group were stable at $14 million. In the key markets of the Americas, Asia and New Zealand, volumes increased by 1%, 3% and 12% respectively but were offset by volume declines of 6% in Europe, driven by competitive pressures, along with deteriorating economic conditions in Africa, where volumes were down by 8%.

International divisional costs of $23 million increased $3 million on the prior year, largely due to currency translation, as a significant portion are incurred in US dollars.

Distribution

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

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	3,184	3,081	103	3
External revenue	3,026	2,958	68	2
Operating earnings before significant items[1]	176	148	28	19
Significant items[2]	(1)	(55)	54	NM
Operating earnings	175	93	82	88
Funds	1,001	1,046	(45)	(4)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Building Supplies	85	75	13
NZ Steel Distribution	44	36	22
Australian Building Supplies	27	23	17
Australian Steel Distribution	20	14	43
Total	**176**	**148**	**19**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

The Distribution division reported operating earnings of $175 million, compared with $93 million in the prior year.

Operating earnings before significant items were $176 million, compared with $148 million in the prior year, an increase of 19%, with strong earnings growth in both New Zealand and Australia.

Gross revenue increased by $103 million, or 3%, to $3.2 billion. In New Zealand gross revenue growth of 8% was driven by share gains and the positive macro environment.

The NZ Building Supplies businesses achieved gross revenue growth of 10% and reported increased earnings of 13%. PlaceMakers' gross revenue of $1.2 billion was up 10% on the prior year, with growth in the core categories of timber, frame & truss and concrete, as well as further accelerated growth in margin accretive categories, including kitchens and power tools. The Mico business increased gross revenue by 12% to $235 million, with strong growth in both bathroom and plumbing sectors, as it attracted new customers and increased sales from existing customers.

The NZ Steel Distribution businesses reported earnings before significant items of $44 million, an increase of $8 million or 22%. This reflected strong market share growth in Pacific Coilcoaters, record sales volumes in Easysteel, coupled with improved operational capabilities in Fletcher Reinforcing. Strong activity levels across the NZ Steel Distribution businesses were partially offset by the impacts of lower year-on-year global steel prices, which were at a 15-year low.

Additional synergies in New Zealand were realised in the year through combining the Dimond roll-forming business with Easysteel and continued co-locations of PlaceMakers and Mico.

The Australian businesses reported earnings of $47 million, an increase of 27%. During the year the businesses were further aligned, with the overall Distribution strategy focusing on operating efficiency. This entailed a change from State to functional management structures in both Stramit and Tradelink, further leveraging resources and driving synergies across the division.

Tradelink reported earnings of $22 million, which encompassed a $14 million gain from property sales, net of restructuring costs and inventory write offs. A 2% like-for-like decline in Tradelink revenue to $775 million followed the strategic reset of its core focus back to the small trade plumber and activity in the market. Whilst a decline was still seen in the trade plumber area, the decline slowed in the second half, with traction gained from initiatives such as the Customer Service Promise launch. This focus is continuing with the launch of a customer loyalty scheme in July and network densification, with 20 new stores planned to open in the 2017 financial year.

Operating earnings in Stramit increased by 43% to $20 million. This was driven by improved levels of customer service, coupled with operational efficiency initiatives, while revenue was up 1% on the prior year.

Financial review 2016

Residential and Land Development

NZ Residential; Land Development

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	343	238	105	44
External revenue	343	238	105	44
Operating earnings	84	66	18	27
Funds	355	211	144	68

	Operating earnings		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
NZ Residential	74	66	12
Land Development	10	–	NM
Total	**84**	**66**	**27**

The Residential and Land Development division reported operating earnings of $84 million, a 27% increase on the prior year.

NZ Residential operating earnings were $74 million, 12% higher than the prior year. Contrary to earlier expectations, the decreased earnings contribution from the Stonefields development in Auckland was more than offset by an accelerated build programme, including sales from a number of new locations.

Revenue for the year was $343 million, up from $238 million in the prior year, driven by increasing volumes of homes sold, as well as strong market pricing, particularly in the Auckland region.

Strong sales volumes and margins were delivered in the established areas of Greenhithe, Karaka and Stonefields. The second half of the year also delivered a meaningful contribution from the new subdivisions of Beachlands and Hobsonville, as well as early margin contribution from the Government partnership projects in Canterbury.

Land Development operating earnings were $10 million. This business comprises a combination of residential and commercial land developments for on sale to third parties. This included stage 1 at James Fletcher Drive in Auckland and residential lot sales at Beachlands, Auckland and the remaining portion of Jack's Point in Queenstown.

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

Funds employed increased to $355 million from $211 million in the prior year of which $54 million related to land transfers from other divisions. This was driven by a combination of land development on previously acquired sites; an increase in work in progress, as the business builds towards its targeted volume of 1,500 dwellings per annum, and the settlement of lots purchased from other developers in Auckland, including Beachlands, Penihana, Hobsonville, Karaka and Whenuapai.

Construction

Construction New Zealand; Construction South Pacific

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m	Change %
Gross revenue	1,648	1,342	306	23
External revenue	1,560	1,299	261	20
Operating earnings before significant items[1]	78	74	4	5
Significant items[2]	–	(20)	20	NM
Operating earnings	78	54	24	44
Funds	(18)	(54)	36	(67)

	Operating earnings before significant items[1]		
	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change %
Construction New Zealand	58	51	14
Construction South Pacific	20	23	(13)
Total	**78**	**74**	**5**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

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

The Construction division reported operating earnings of $78 million, an increase from $54 million in the prior year. The prior year included significant items of $20 million and therefore operating earnings before significant items increased 5%.

Gross revenue of $1,648 million, up 23% from the prior year, is the highest level achieved by the division, with the New Zealand businesses delivering record revenue and earnings.

Revenue growth exceeded operating earnings for a number of reasons, including a different mix of projects undertaken between years, EQR workload reducing and a number of projects commencing in the latter part of the year. In these cases the division has recognised revenue but no margin contribution to date.

The division has been very successful at winning work, with the backlog, being the value of contracted work awarded but not yet completed, increasing from $2.4 billion in the prior year to $2.7 billion at 30 June 2016. All parts of the business increased their backlog during the year, with construction projects secured across both the commercial and public sectors. In August 2016 Fletcher Construction was announced as the preferred bidder on the Puhoi to Warkworth motorway extension as part of the Northern Express Group consortium.

The Infrastructure business has almost completed work on several major infrastructure projects, including the Waterview tunnel project, Rangiriri realignment and MacKays to PekaPeka on the Kāpiti Coast. Work has started, or is about to commence, on a number of significant projects, including the Kirkbride Alliance and Hamilton Bypass Alliance.

The Building + Interiors business has had a significant workload across the country, continuing with the construction of major projects such as the new headquarters for Fonterra, the University of Auckland Science Building, Victoria University of Wellington Science Building, the University of Waikato Law School and Christchurch Justice Precinct. It has also commenced work on the New Zealand International Convention Centre, National Biocontainment Lab in Wellington and Commercial Bay development in downtown Auckland.

The Canterbury Earthquake Recovery business has been winding down its operations over the last year, as it completes its contractual arrangements with the Earthquake Commission. Operating earnings reduced in line with the declines in workload; only a small level of work is still to be completed, expected to be by December 2016.

The South Pacific business reported operating earnings of $20 million, a decrease of 13% on the prior year. The reduction in earnings was due to the completion of a number of significant projects in the prior year.

In the current year the Momi Bay Resort in Fiji is now nearing completion, while work has commenced on new projects secured during the year, including wharves in Vanuatu and American Samoa, Government buildings in Samoa and a convention, hotel and commercial development in Papua New Guinea.

The acquisition of the Higgins road maintenance, road construction and aggregates businesses was completed on 29 July 2016. Total consideration was $303 million.

Financial review 2016

Group Cash Flow

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Operating earnings before significant items[1]	**682**	**653**	**29**
Depreciation and amortisation	194	201	(7)
Less cash tax paid	(97)	(72)	(25)
Less interest paid	(118)	(124)	6
Provisions, significant items and other	(99)	(42)	(57)
Results from operations before working capital movements	**562**	**616**	**(54)**
Land and developments	(66)	(58)	(8)
Other working capital movements	164	17	147
Cash flows from operating activities	**660**	**575**	**85**

1 Operating earnings before significant items is a non-GAAP measure used by management to assess the performance of the business and has been derived from Fletcher Building Limited's group financial statements for the year ended 30 June 2016.

Detailed disclosure of the above line items is included in Fletcher Building Limited's group financial statements.

Cash flows from operating activities of $660 million were $85 million, or 15%, higher than the prior year. Cash flows from operations before working capital movements were $562 million, down from $616 million due to increased provision utilisation and cash tax paid. The improvement in working capital, notwithstanding continued investment in residential land, reflected the success of specific inventory and debtor management initiatives during the year, along with the collection of $81 million of final working capital balances following the closure of the Pacific Steel operations.

Capital expenditure

	Year ended 30 June 2016 NZ$m	Year ended 30 June 2015 NZ$m	Change NZ$m
Capital expenditure	300	278	22

Capital expenditure was $300 million, compared with $278 million in the prior year. Of this total, $194 million was for stay-in-business capital projects, including $26 million on IT projects and $106 million related to new growth initiatives.

For 2017 capital expenditure is expected to be in the range of $275 million to $325 million.

Funding

Total available funding as at 30 June 2016 was $2,224 million. Of this, $608 million was undrawn and there was an additional $356 million of cash on hand. Drawn debt facilities maturing within the next 12 months total $345 million and a further $68 million of capital notes are subject to interest rate and term reset. These maturities are more than covered by the undrawn facilities, a private placement that was completed on 20 July 2016 and available cash.

The group's gearing[1] at 30 June 2016 was 27.3% compared with 31.8% at 30 June 2015. Whilst outside of the group's target range of 30-40%, gearing has returned to the target range following completion of the Higgins acquisition.

The group's leverage[2] at 30 June 2016 was 1.6 times compared with 2.0 times at 30 June 2015. Again, this has returned to within the target range of 2.0-2.5 times following the Higgins acquisition.

The average maturity of the debt is 3.5 years and the hedged currency split is 47% Australian dollar; 32% New Zealand dollar; 14% US dollar; and 7% spread over various other currencies.

Approximately 61% of all borrowings have fixed interest rates with an average duration of 2.5 years and a rate of 6.25%. Inclusive of floating rate borrowings, the average interest rate on the debt is approximately 5.4%.

Interest coverage[3] for the year was 5.9 times compared with 5.1 times in the prior year.

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

Dividend

The 2016 final dividend is 20 cents per share. The final dividend will be fully imputed with New Zealand tax credits and unfranked for Australian tax purposes. The imputed amount per share on the dividend is 7.7778 cents.

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

The dividend will be paid on 12 October 2016 to holders registered as at 5.00 pm Friday 23 September 2016 (NZT). The shares will be quoted on an ex-dividend basis from 22 September 2016 on the NZX and ASX.

The interim dividend of 19 cents per share was paid on 13 April 2016.

Dividend Reinvestment Plan

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan ('the Plan'), under which they have the opportunity to reinvest their dividends in additional shares. The Plan will be operative for this dividend payment. There will be no discount to the price applied to ordinary shares issued. Documentation for participation is available from the share registry or the website www.fbu.com and must be received by the registry before 5.00 pm Monday 26 September 2016. The price used to determine entitlements under the Plan is the average of the individual daily volume weighted average sale prices of price-setting trades of the company's shares sold on the NZX on each of the five business days from and including the ex-dividend date of 22 September 2016. The new shares will rank equally with existing shares and will be issued on the dividend payment date of 12 October 2016.

Dividend Policy

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

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

Tax Crediting Policy

Following a review of its forecast tax position, Fletcher Building has amended its tax crediting policy such that it intends to fully impute both the interim and final dividends with New Zealand tax credits each year (or to the maximum extent possible) and fully frank the final dividend with Australian tax credits where possible.

Fletcher Building expects to be able to fully impute both the interim and final dividend with New Zealand tax credits for at least the next two years but does not expect to be in a position to fully frank the 2017 final dividend with Australian tax credits.

Trend statement

	June 2016	June 2015	June 2014	June 2013	June 2012	June 2011	June 2010	June 2009	June 2008	June 2007
Notes					3	2			1	
	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M	NZ$M
Financial performance										
Revenue	**9,004**	8,661	8,401	8,517	8,839	7,416	6,799	7,103	7,091	5,926
Earnings before interest and taxation (EBIT)	**719**	503	592	569	403	492	521	159	768	703
Net earnings	**462**	270	339	326	185	283	272	(46)	467	484
Cash flow from operations	**660**	575	489	559	448	402	522	533	434	483
Earnings per share – basic (cents per share)	**67.0**	39.2	49.3	47.6	27.2	45.0	44.9	(8.7)	93.2	101.9
Dividends for the period (cents per share)	**39.0**	37.0	36.0	34.0	34.0	33.0	29.0	38.0	48.5	45.0
Balance sheet										
Current assets	**3,222**	3,272	2,958	2,868	3,112	3,104	2,317	2,255	2,549	2,074
Non-current assets	**4,045**	4,229	3,983	4,257	4,367	4,388	3,397	3,550	3,686	2,359
Total assets	**7,267**	7,501	6,941	7,125	7,479	7,492	5,714	5,805	6,235	4,433
Current liabilities	**1,997**	1,947	1,596	1,557	1,936	1,700	1,384	1,313	1,436	1,187
Non-current liabilities	**1,557**	1,844	1,891	2,014	2,091	2,092	1,307	1,508	2,043	950
Total liabilities	**3,554**	3,791	3,487	3,571	4,027	3,792	2,691	2,821	3,479	2,137
Capital	**2,650**	2,633	2,624	2,606	2,582	2,553	1,912	1,895	1,364	1,325
Reserves	**1,041**	1,050	795	913	838	1,113	1,077	1,057	1,351	926
Minority equity	**22**	27	35	35	32	34	34	32	41	45
Total equity	**3,713**	3,710	3,454	3,554	3,452	3,700	3,023	2,984	2,756	2,296
Total liabilities and equity	**7,267**	7,501	6,941	7,125	7,479	7,492	5,714	5,805	6,235	4,433
Other financial data										
Return on average funds (%)[4]	**13.4**	9.6	11.7	10.8	7.4	10.6	12.7	3.4	19.0	24.8
Return on average equity (%)[5]	**12.4**	7.7	9.9	9.4	5.2	8.2	9.1	(1.6)	19.0	26.0
Gearing (%)[6]	**27.3**	31.8	32.3	33.5	37.4	34.3	26.8	31.1	40.1	22.2
Net tangible assets per share ($)	**2.87**	2.88	2.60	2.61	2.65	2.71	2.90	2.80	2.90	3.25
Market capitalisation (NZ$M)	**5,942**	5,593	6,060	5,784	4,009	5,850	4,763	3,967	3,197	6,166
Total shareholders' return (%)[7]	**11**	(3)	9	51	(27)	14	24	14	(43)	42

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

Independent auditor's report

Building a better working world

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FLETCHER BUILDING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Fletcher Building Limited and its subsidiaries ("the Group") on pages 56 to 93, which comprise the balance sheet of the Group as at 30 June 2016, 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 a summary of significant accounting policies and other explanatory information.

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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible on behalf of the company 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We provide tax advisory, tax compliance and other assurance services to the Group. We have no other relationship with, or interest in, 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.

OPINION

In our opinion, the financial statements on pages 56 to 93 present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and the financial performance and cash flows of the Group for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Ernst + Young

17 August 2016
Auckland

Financial statements 2016

Income statement

For the year ended 30 June 2016

Fletcher Building Group	Notes	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Sales		9,004	8,661
Cost of goods sold		(6,767)	(6,553)
Gross margin		2,237	2,108
Selling and marketing expenses		(933)	(880)
Administration expenses		(636)	(606)
Share of profits of associates and joint ventures	19	12	23
Other gains and losses	3	2	8
Significant items	4	37	(150)
Earnings before interest and taxation (EBIT)		719	503
Funding costs	5	(115)	(127)
Earnings before taxation		604	376
Taxation expense	6	(131)	(96)
Earnings after taxation		473	280
Earnings attributable to non-controlling interests		(11)	(10)
Net earnings attributable to the shareholders		462	270
Net earnings per share (cents)	8		
Basic		67.0	39.2
Diluted		65.4	39.1
Weighted average number of shares outstanding (millions of shares)	8		
Basic		690	688
Diluted		736	703
Dividends declared per share (cents)		39.0	37.0

On behalf of the Board, 17 August 2016

Sir Ralph Norris
Chairman of Directors

Mark Adamson
Managing Director

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

Statement of comprehensive income

For the year ended 30 June 2016

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Net earnings – parent interest	462	270
Net earnings – non-controlling interests	11	10
Net earnings	473	280
Other comprehensive income		
Items that do not subsequently get reclassified to profit or loss:		
Movement in pension reserve	(36)	
	(36)	
Items that may be reclassified subsequently to profit or loss:		
Movement in cash flow hedge reserve	15	12
Movement in currency translation reserve	(186)	217
	(171)	229
Other comprehensive income	(207)	229
Total comprehensive income for the year	266	509

Financial statements 2016

Statement of movements in equity
For the year ended 30 June 2016

Fletcher Building Group	Notes	Share capital NZ$M	Retained earnings NZ$M	Share-based payments reserve NZ$M	Cash flow hedge reserve NZ$M	Currency translation reserve NZ$M	Pension reserve NZ$M	Total NZ$M	Non-controlling interests NZ$M	Total equity NZ$M
Total equity at 30 June 2014		2,624	1,177	11	(22)	(300)	(71)	3,419	35	3,454
Total comprehensive income for the year			270		12	217		499	10	509
Movement in non-controlling interests	11								(18)	(18)
Issue of shares	10	8						8		8
Dividends paid to shareholders of the parent	9		(248)					(248)		(248)
Movement in share-based payment reserve				4				4		4
Movement in treasury stock	10	1						1		1
Total equity at 30 June 2015		2,633	1,199	15	(10)	(83)	(71)	3,683	27	3,710
Total comprehensive income for the year			462		15	(186)	(36)	255	11	**266**
Movement in non-controlling interests	11								(16)	**(16)**
Issue of shares	10	27						27		**27**
Dividends paid to shareholders of the parent	9		(262)					(262)		**(262)**
Movement in share-based payment reserve				(2)				(2)		**(2)**
Movement in treasury stock	10	(10)						(10)		**(10)**
Total equity at 30 June 2016		**2,650**	**1,399**	**13**	**5**	**(269)**	**(107)**	**3,691**	**22**	**3,713**

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

Balance sheet

As at 30 June 2016

Fletcher Building Group	Notes	June 2016 NZ$M	June 2015 NZ$M
Assets			
Current assets:			
Cash and deposits	12	**356**	228
Current tax assets	23	**2**	23
Derivatives	25	**23**	6
Debtors	13	**1,362**	1,509
Inventories	14	**1,479**	1,506
Total current assets		**3,222**	3,272
Non-current assets:			
Property, plant and equipment	15	**1,983**	2,169
Goodwill	16	**1,083**	1,131
Intangible assets	17	**621**	621
Investments in associates and joint ventures	19	**135**	98
Other investments	18	**43**	70
Derivatives	25	**156**	107
Deferred tax assets	23	**24**	33
Total non-current assets		**4,045**	4,229
Total assets		**7,267**	7,501
Liabilities			
Current liabilities:			
Creditors and accruals	20	**1,342**	1,315
Provisions	21	**67**	100
Current tax liabilities	23	**26**	28
Derivatives	25	**21**	8
Construction contracts	22	**128**	156
Borrowings	24	**413**	340
Total current liabilities		**1,997**	1,947
Non-current liabilities:			
Creditors and accruals	20	**37**	40
Provisions	21	**24**	16
Retirement plan liabilities	31	**73**	71
Deferred tax liabilities	23	**58**	58
Derivatives	25	**26**	45
Borrowings	24	**1,339**	1,614
Total non-current liabilities		**1,557**	1,844
Total liabilities		**3,554**	3,791
Equity			
Capital	10	**2,650**	2,633
Reserves		**1,041**	1,050
Shareholders' funds		**3,691**	3,683
Non-controlling interests	11	**22**	27
Total equity		**3,713**	3,710
Total liabilities and equity		**7,267**	7,501

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

Financial statements 2016

Statement of cash flows

For the year ended 30 June 2016

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Cash flow from operating activities		
Receipts from customers	**9,056**	8,635
Dividends received	**10**	19
Total received	**9,066**	8,654
Payments to suppliers, employees and others	**8,191**	7,883
Interest paid	**118**	124
Income tax paid	**97**	72
Total applied	**8,406**	8,079
Net cash from operating activities	**660**	575
Cash flow from investing activities		
Sale of property, plant and equipment	**53**	46
Sale of investments	**1**	1
Sale of subsidiaries/businesses	**205**	21
Total received	**259**	68
Purchase of property, plant and equipment	**300**	278
Purchase of subsidiaries/businesses	**7**	4
Total applied	**307**	282
Net cash from investing activities	**(48)**	(214)
Cash flow from financing activities		
Issue of capital notes	**10**	
Total received	**10**	
Net debt repayment	**196**	11
Repurchase of capital notes	**15**	10
Treasury stock purchased	**16**	
Distribution to non-controlling interests	**18**	16
Dividends	**235**	240
Total applied	**480**	277
Net cash from financing activities	**(470)**	(277)
Net movement in cash held	**142**	84
Add opening cash deposits	**228**	134
Effect of exchange rate changes on net cash	**(14)**	10
Closing cash and liquid deposits	**356**	228

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

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2016

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Cash was received from:		
Net earnings	462	270
Earnings attributable to non-controlling interests	11	10
	473	280
Adjustment for items not involving cash:		
Depreciation, depletions, and amortisation	194	201
Significant items	(57)	126
Provisions and other adjustments	(54)	4
Taxation	34	24
Gain on disposal of businesses and property, plant and equipment	(28)	(19)
Non-cash adjustments	89	336
Cash flow from operations before net working capital movements	562	616
Net working capital movements	98	(41)
Net cash from operating activities	660	575
Net working capital movements		
Debtors	72	(47)
Inventories	17	(1)
Land and developments	(66)	(58)
Contracts	(22)	21
Creditors	97	44
	98	(41)

Statement of accounting policies

For the year ended 30 June 2016

GENERAL INFORMATION

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

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

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

BASIS OF PRESENTATION

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

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

The financial statements comprise the income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows and significant 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 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 in note 1, changes in accounting policies.

SEGMENTAL REPORTING

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates and judgements that are critical to the determination of the amounts reported in the financial statements relate to the following:

Revenue from construction contracts

The construction contract accounting policy below requires estimates to be made of the outcome under each contract, which requires assessments and judgements to be made on a range of factors, such as: recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defects liabilities and changes in costs.

Intangible assets

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 or brand. The key assumptions used in the valuation models include the expected rate of growth of revenues and earnings, the terminal growth rate and the appropriate discount rate to apply. Refer to notes 16 and 17 for further details.

Deferred tax assets

Estimates are required relating to the availability and utilisation of losses to be carried forward (refer to note 23 for further details).

Retirement plan assets and liabilities

Principal assumptions made in the actuarial calculation of the defined benefit obligation relate to the discount rate, rate of salary inflation and life expectancy (refer note 31 for further details).

Provisions and contingent liabilities

Management consults with legal counsel on matters related to litigation, with respect to matters in the ordinary course of business. In respect of all claims and litigation, the group provides for anticipated costs in line with the accounting policy stated below. Refer to note 21 and note 28 for further details.

Fair value of derivatives

The valuation of derivatives is determined in accordance with the accounting policy stated below and as discussed in note 25(g).

BASIS OF CONSOLIDATION

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

Subsidiaries

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

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.

Associates

The equity method has been used for associate entities over which the group has significant influence but not control.

Goodwill on acquisition

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

Goodwill is stated at cost, less any impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Goodwill in respect of associates is included in the carrying amount of associates. Any discount on acquisition is recognised directly in earnings.

Intangible assets (other than goodwill)

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 finite lives are amortised on a straight-line basis.

Joint arrangements

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

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

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

VALUATION OF ASSETS

Property, plant and equipment

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

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

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.

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

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

Other investments

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

Inventories

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.

Land and developments are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition and development. Costs incurred after completion of development are expensed as incurred.

Debtors

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

Construction work in progress

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

Cash and deposits

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

Impairment

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

Statement of accounting policies

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.

Goodwill and brands with an indefinite life are tested for impairment annually and when an indication of impairment exists. Other assets are tested for impairment when an indication of impairment exists.

Brands

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

Retirement 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.

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.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

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

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

Derivative financial instruments

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

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

The fair values of derivative financial instruments are determined by applying quoted market prices, where available, or by using inputs that are observable for the asset or liability. Further information is included in note 25(g).

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

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

Fair value hedges

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

Cash flow hedges

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

Net investment hedges

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for on the same basis as cash flow hedges through the currency translation reserve within equity.

Derivatives that do not qualify for hedge accounting

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

VALUATION OF LIABILITIES

Taxation

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 the temporary difference between the carrying amount of assets and liabilities and their taxable value except for when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are not recognised on temporary differences and tax losses unless recovery is considered probable.

Finance leases

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 earnings 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.

Borrowings

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

Creditors

Trade creditors and other liabilities are stated at cost or estimated liability where accrued.

Annual leave

Annual leave is recognised on an accrual basis.

Long service leave

The liability for long service leave is recognised in the employee entitlements liability and is measured as the present value of expected future payments to be made in respect of services provided by employees. Consideration is given to expected future wage and salary levels, experience of employee turnover and periods of service.

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.

EQUITY

Share 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.

Dividends are recognised as a liability in the period in which they are declared.

Where a member of the group purchases the company's share capital, the consideration paid is deducted from equity under the treasury stock method as if the shares are cancelled, until they are reissued or otherwise disposed of.

INCOME DETERMINATION

Revenue recognition

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

Construction contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. Earnings are not recognised until the outcome can be reliably estimated. The company uses its professional judgement to assess both the physical completion and the forecast financial result of the contract. Provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.

Investment revenue

Dividends and distributions are taken to earnings when received and are accrued where declared prior to balance date.

Significant items

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

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of definite lived intangible assets are calculated on the straight-line method. Expected useful lives, which are regularly reviewed on a weighted average basis are:

Buildings	30 years
Plant and machinery	13 years
Fixtures and equipment	5 years
Leased assets capitalised	10 years
Intangible assets	5 to 10 years

Leasing commitments

Expenditure arising from operating leasing commitments is written off to earnings in the period in which it is incurred.

Statement of accounting policies

Funding costs

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

Retirement plan expense

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.

Research and development

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

Executive share scheme

The group has a long-term share-based performance incentive scheme targeted at certain group executives most able to influence the results of the group.

The executive long-term share scheme introduced in 2008 allows group executives to acquire shares in the company at market price, funded by an interest-free loan from the group. The executives 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 executives by the Trustee, Fletcher Building Share Schemes Limited. Payment of half of any entitlement under the executive long-term share scheme is dependent upon the group's total shareholder return exceeding the 51st percentile of the total shareholder return of a comparative group of companies over a three-year restricted period.

Payment of the other half of any entitlement is dependent upon the group achieving an earnings per share target. Additionally, in respect of the entitlement that is dependent on total shareholders' return, the three-year restrictive period is automatically extended for up to one year if total shareholders' return is less than the 51st percentile. Executives can elect to extend the restrictive period for up to one year if total shareholders return is between the 51st and 75th percentile. No extension is permitted for the entitlement that is dependent upon achieving an earnings per share target.

At the end of the restrictive period or any extension, the group will pay a bonus to the executives to the extent that performance targets have been met, the after-tax amount of which will be generally sufficient for the executives to repay the balance of the loan in respect of the shares that are to be transferred. Due to the integrated nature of the scheme, for accounting purposes the group accounts for the incentive scheme as being equity-settled.

If the performance obligations are not met or are only partially met, the trustee will acquire the beneficial interest in some or all of the shares. The loan provided in respect of those shares which do not transfer to the executives (the forfeited shares) will be novated to the Trustee and will be fully repaid by the transfer of the forfeited shares.

The group will recognise an expense in earnings, with a corresponding increase in the share-based payments reserve, over the restrictive period. If the performance targets based on total shareholder return are not met and the shares do not transfer to the executives, 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 executives, 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 the executive or novate to the Trustee.

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.

Notes to the financial statements

1 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 2015.

No new standards have been adopted in the year to 30 June 2016, however, certain comparatives have been restated to conform with the current year's presentation.

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

NZ IFRS 9 *Financial Instruments,* addresses the classification, measurement and recognition of financial assets and financial liabilities. It will eventually replace NZ IAS 39 *Financial Instruments – Recognition and Measurement* and is required to be adopted by the group in the financial statements for the year ending 30 June 2019.

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

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

The group has not applied these new standards in preparing these financial statements and has commenced an exercise to assess the impact on the group's results.

2 SEGMENTAL INFORMATION

Industry segments	Year ended June 2016 NZ$M Gross sales	Year ended June 2015 NZ$M Gross sales	Year ended June 2016 NZ$M External sales	Year ended June 2015 NZ$M External sales
Building Products	**2,449**	2,656	**1,969**	2,184
International	**2,128**	2,007	**2,106**	1,978
Distribution	**3,184**	3,081	**3,026**	2,958
Residential and Land Development	**343**	238	**343**	238
Construction	**1,648**	1,342	**1,560**	1,299
Other	**9**	5		4
Group	**9,761**	9,329	**9,004**	8,661
less intercompany sales	**(757)**	(668)		
Group external sales	**9,004**	8,661	**9,004**	8,661

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (note 4)	Significant items in EBIT (note 4)
Building Products	**274**	259	**79**	(75)
International	**133**	143	**(30)**	
Distribution	**176**	148	**(1)**	(55)
Residential and Land Development	**84**	66		
Construction	**78**	74		(20)
Corporate	**(63)**	(37)	**(11)**	
Group	**682**	653	**37**	(150)
Significant items	**37**	(150)		
Earnings before interest and taxation (EBIT) per income statement	**719**	503		

Notes to the financial statements

2 SEGMENTAL INFORMATION continued

Industry segments	Year ended June 2016 NZ$M Depreciation, depletion and amortisation expense	Year ended June 2015 NZ$M Depreciation, depletion and amortisation expense	Year ended June 2016 NZ$M Capital expenditure	Year ended June 2015 NZ$M Capital expenditure
Building Products	**80**	97	**100**	96
International	**67**	60	**86**	77
Distribution	**29**	32	**52**	55
Residential and Land Development				
Construction	**8**	7	**25**	16
Other	**10**	5	**37**	34
Group	**194**	201	**300**	278

	Funds*	Funds*
Building Products	**1,581**	1,877
International	**1,902**	2,098
Distribution	**1,001**	1,046
Residential and Land Development	**355**	211
Construction	**(18)**	(54)
Other (including debt and taxation)	**(1,108)**	(1,468)
Group	**3,713**	3,710

Geographic segments	External sales	External sales	Funds*	Funds*
New Zealand	**4,797**	4,435	**2,001**	1,839
Australia	**2,959**	3,042	**1,962**	2,312
North America	**479**	412	**292**	304
Asia	**299**	272	**484**	524
Europe	**323**	320	**318**	373
Other jurisdictions	**147**	180	**(41)**	(43)
Debt and taxation			**(1,303)**	(1,599)
Group	**9,004**	8,661	**3,713**	3,710

	EBIT before significant items	EBIT before significant items	Significant items in EBIT (note 4)	Significant items in EBIT (note 4)
New Zealand	**452**	449	**(9)**	(69)
Australia	**154**	119	**73**	(81)
North America	**53**	46		
Asia	**29**	24		
Europe	**(26)**	(8)	**(27)**	
Other	**20**	23		
Group	**682**	653	**37**	(150)
Significant items	**37**	(150)		
Earnings before interest and taxation (EBIT) per income statement	**719**	503		

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

	June 2016 NZ$M Non-current assets+	June 2015 NZ$M Non-current assets+
New Zealand	**1,183**	1,088
Australia	**1,630**	1,867
North America	**312**	326
Asia	**435**	456
Europe	**252**	273
Other	**12**	11
Group	**3,824**	4,021

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

With effect from 31 December 2015, the group changed its reporting segments. The above tables reflect these changes. Prior period data has been re-presented.

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, Australia, USA, Europe and Asia.
International	The International division includes laminates and panels businesses that manufacture and distribute decorative surface laminates in Australia, New Zealand, North America, Europe and Asia and roof tiling businesses that operate in New Zealand, Asia, Europe and USA.
Distribution	This division consists of building, plumbing, pipeline and steel distribution businesses in Australia and New Zealand.
Residential and Land Development	The Residential and Land Development division operates in New Zealand and is both a residential home builder and develops land holdings for both residential and commercial use.
Construction	Fletcher Construction is a general contractor in New Zealand and the South Pacific.

3 SPECIFIC DISCLOSURES

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
The following items are specific disclosures required to be made and are included within the income statement:		
Net periodic pension cost	**10**	6
Employee-related short-term costs[1]	**1,648**	1,593
Other long-term employee-related benefits	**71**	65
Research and development expenditure	**1**	1
Bad debts written off	**6**	4
Donations and sponsorships	**1**	2
Maintenance and repairs	**142**	148
Operating lease expense	**197**	186
Other gains and (losses)[2]	**2**	8

Notes:

1 Remuneration for the executive committee included in the above is disclosed in note 29.

2 Other gains and (losses) include the following:

	NZ$M	NZ$M
Gain on sale of assets	**28**	20
Redundancies and restructuring costs	**(20)**	(8)
Other	**(6)**	(4)
	2	8

Notes to the financial statements

3 SPECIFIC DISCLOSURES continued

	Year ended June 2016 NZ$000's	Year ended June 2015 NZ$000's
Auditor's fees and expenses payable for:		
Audit and review of the financial statements – EY	**3,266**	2,830
All other services performed – EY[3]	**854**	490
Review of the financial statements – KPMG		338
All other services performed – KPMG		162

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

4 SIGNIFICANT ITEMS

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

2016

1 On 18 August 2015, the group entered into an agreement to sell the operations of Rocla Quarry Products to Hanson Construction Materials Pty Limited. The transaction, which had been subject to ACCC clearance, completed on 29 January 2016.
The aggregate consideration received for the entire Rocla Quarry Products business was $212 million and $205 million after transaction costs. The gain on sale after tax amounted to $80 million.

On 2 February 2016, the group entered into an agreement to acquire the New Zealand road construction and maintenance business Higgins Group Holdings Limited ('Higgins') and other related assets, together with Higgins' Fiji contracting business. At 30 June 2016, the transaction remained conditional on regulatory approval and accordingly the acquisition is not accounted for in the year ended 30 June 2016. During July 2016 all relevant approvals had been obtained and the transaction completed on 29 July 2016. Total consideration payable is $303 million, subject to customary completion adjustments.
During the year ended 30 June 2016, expenses associated with the transaction were incurred amounting to $5 million.

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

2 The group has recognised a charge of $16 million for costs associated with closing a number of sites:

- $2 million relating to the closure of two sites in Iplex Australia in July 2015;
- $9 million relating to the closure of Rocla Products operations in Western Australia and the Atlantic Civil business;
- $4 million relating to the closure of a Formica Europe plant in Spain; and
- $1 million relating to the closure of a Dimond site in Palmerston North.

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

4 The group has incurred costs during the year investigating and resolving certain payroll system issues in the group related to the calculation of bereavement leave, alternative holidays, public holidays and sick leave (together, 'BAPS leave'). Complexities in applying the New Zealand Holidays Act 2003 to calculations of BAPS leave led to net underpayments over several years in a small number of the group's businesses. The group has conducted a thorough review of payroll systems to investigate, calculate and verify the previous net underpayment. Payments have subsequently been made to affected employees, or, where not possible to be made by 30 June 2016, have been accrued. The total expense recorded is $6 million, which includes back-payments to affected employees and the costs of investigating and resolving the payroll system issues.

Fletcher Building Group - June 2015	Business acquisition/ disposal income and expenses [1] NZ$M	Site closure costs [2] NZ$M	Impairments [3] NZ$M	Total NZ$M
Building Products	(6)	(53)	(16)	(75)
Distribution	(1)	(8)	(46)	(55)
Construction		(4)	(16)	(20)
Total significant items before taxation	(7)	(65)	(78)	(150)
Tax benefit / (charge) on above items	2	19		21
Total significant items after taxation	(5)	(46)	(78)	(129)

2015

1 During the year, the group recognised $6 million of costs relating to the sale of the long steel business, and $1 million in respect of the sale of the Taurean Doors business.

2 The group recognised a charge of $65 million for costs associated with closing a number of sites:

- $28 million relating to the closure of the Crane Copper Tube factory in Penrith;
- $17 million relating to the decision to close two sites in Iplex Australia;
- $5 million relating to the closure of the Humes Rolleston pipe plant;
- $6 million relating to the closure of Stramit's insulated panels business;
- $3 million relating to the insulation manufacturing plant in Hornby;
- $6 million relating to closures in the Forman businesses.

Included within site closure costs are fixed asset impairments disclosed in note 15 of $28 million.

3 During the year, the group recognised a $78 million goodwill impairment charge, relating to businesses where the carrying amount exceeded the recoverable amount.

- $32 million of this goodwill impairment related to the Forman businesses, $30 million of the goodwill impairment related to Stramit, the remaining $16 million of goodwill impairment related to Tasman Insulation New Zealand and Humes.

Notes to the financial statements

5 FUNDING COSTS/(INCOME)

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Interest expense		
Loans and derivatives	**72**	87
Capital notes	**26**	28
Other	**10**	4
Interest income		
Cash and deposits	**(1)**	(1)
	107	118
Bank fees, registry and issue expenses	**8**	9
	115	127

Included in interest expense is the net settlement of the group's interest derivatives. This consisted of $43 million of interest income and $44 million of interest expense (2015: $53 million interest income; $60 million interest expense).

For items applying fair value hedges, the gains or losses on the hedging instrument and on the hedged item net to zero.

6 TAXATION EXPENSE

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Earnings before taxation	**604**	376
Taxation at 28 cents per dollar	**169**	105
Adjusted for:		
Lower tax rate in overseas jurisdictions		(1)
Non-assessable income	**(15)**	(15)
Non-deductible expenses	**14**	30
Tax losses for which no deferred tax asset was recognised	**14**	4
Utilisation of previous unrecognised tax losses	**(34)**	
Tax in respect of prior years	**7**	
Other permanent differences	**(24)**	(27)
	131	96
Tax on earnings before significant items	**138**	117
Tax benefit on significant items	**(7)**	(21)
	131	96
Total current taxation expense	**135**	99
Total deferred taxation benefit	**(4)**	(3)
	131	96

7 SHAREHOLDER TAX CREDITS

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Imputation credit account		
Imputation credits at the beginning of the year	**1**	1
Taxation paid	**65**	35
Imputation credits attached to dividends paid	**(37)**	(35)
	29	1

Fletcher Building Group	Year ended June 2016 A$M	Year ended June 2015 A$M
Franking credit account		
Franking credits at the beginning of the year	**26**	16
Taxation paid	**(5)**	2
Franking credits received	**5**	8
	26	26

8 NET EARNINGS PER SHARE

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

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Numerator		
Net earnings	**462**	270
Numerator for basic earnings per share	**462**	270
Dilutive capital notes distribution	**19**	5
Numerator for diluted net earnings per share	**481**	275
Denominator (millions of shares)		
Denominator for basic net earnings per share	**690**	688
Conversion of dilutive capital notes	**46**	15
Denominator for diluted net earnings per share	**736**	703

9 DIVIDENDS

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Dividends paid to shareholders	**262**	248
	262	248

On 17 August 2016 the directors declared a dividend of 20 cents per share, payable on 12 October 2016.

Notes to the financial statements

10 CAPITAL

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Reported capital at the beginning of the year including treasury stock	**2,653**	2,645
Issue of shares	**27**	8
Reported capital at the end of the year including treasury stock	**2,680**	2,653
Treasury stock	**(30)**	(20)
	2,650	2,633

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

Fletcher Building Group	June 2016	June 2015
Number of ordinary shares		
Number of shares on issue at the beginning of the year	**688,763,361**	687,854,788
Shares issued under the dividend reinvestment plan	**3,737,888**	908,573
Total number of shares on issue	**692,501,249**	688,763,361
Less accounted for as treasury stock	**(4,232,334)**	(2,401,439)
	688,268,915	686,361,922

11 NON-CONTROLLING INTERESTS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Share capital	**13**	16
Reserves	**9**	11
	22	27

12 CASH AND DEPOSITS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Cash and bank balances	**147**	154
Short-term deposits	**209**	74
	356	228

Cash and deposits include the group's share of amounts held by joint operations of $16 million (2015: $25 million).

At 30 June 2016, approximately $35 million (2015: $40 million) of total cash and deposits were held in subsidiaries that operate in countries where exchange controls and other legal restrictions apply and are therefore not immediately available for general use by the group.

13 DEBTORS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Trade debtors	**969**	1,082
Contract debtors	**181**	164
Contract retentions	**28**	24
Less provision for doubtful debts	**(21)**	(26)
Trade and contract debtors	**1,157**	1,244
Other receivables	**205**	265
	1,362	1,509
Current	**970**	1,038
0 – 30 days over standard terms	**134**	151
31 – 60 days over standard terms	**24**	27
61+ days over standard terms	**50**	54
Provision	**(21)**	(26)
Trade and contract debtors	**1,157**	1,244

14 INVENTORIES

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Raw materials	**517**	479
Work in progress	**171**	121
Finished goods	**746**	860
Consumable stores and spare parts	**45**	46
	1,479	1,506
Inventories held at cost	**1,332**	1,388
Inventories held at net realisable value	**147**	118
	1,479	1,506

Included in inventories are land and developments to the value of $441 million (June 2015: $368 million) of which $256 million is expected to be held for greater than 12 months (2015: $167 million).

The group also has conditional commitments for the purchase of land to be used for residential construction totalling $281 million (June 2015: $393 million), of which $116 million is expected to be delivered in the period to 30 June 2017.

Notes to the financial statements

15 PROPERTY, PLANT AND EQUIPMENT

Fletcher Building Group	Land NZ$M	Buildings NZ$M	Plant & Machinery NZ$M	Fixtures & Equipment NZ$M	Resource Extraction NZ$M	Leased Assets NZ$M	Total NZ$M
Gross value at 1 July 2015	**310**	**517**	**2,541**	**510**	**116**	**2**	**3,996**
Additions	**3**	**6**	**165**	**65**	**17**		**256**
Disposals	**(18)**	**(29)**	**(180)**	**(56)**	**(64)**	**(1)**	**(348)**
Transfer of land assets to inventory	**(6)**						**(6)**
Currency translation	**(17)**	**(28)**	**(114)**	**(17)**	**(2)**		**(178)**
Gross value at 30 June 2016	**272**	**466**	**2,412**	**502**	**67**	**1**	**3,720**
Accumulated depreciation at 1 July 2015		**(165)**	**(1,296)**	**(350)**	**(14)**	**(2)**	**(1,827)**
Disposals		**22**	**134**	**48**	**7**	**1**	**212**
Impairments in the income statement (note 4)		**(3)**	**(12)**				**(15)**
Depreciation expense		**(17)**	**(130)**	**(29)**	**(4)**		**(180)**
Currency translation		**8**	**55**	**10**			**73**
Accumulated depreciation at 30 June 2016		**(155)**	**(1,249)**	**(321)**	**(11)**	**(1)**	**(1,737)**
Net book value at 30 June 2016	**272**	**311**	**1,163**	**181**	**56**		**1,983**
Gross value at 1 July 2014	312	495	2,278	394	108	3	3,590
Additions	3	8	148	86	10		255
Reclassification of joint operation plant & machinery			28				28
Disposals	(21)	(13)	(29)	(1)	(5)	(1)	(70)
Currency translation	16	27	116	31	3		193
Gross value at 30 June 2015	310	517	2,541	510	116	2	3,996
Accumulated depreciation at 1 July 2014		(133)	(1,094)	(308)	(12)	(3)	(1,550)
Disposals		2	23	1	3	1	30
Impairments in the income statement (note 4)		(10)	(18)				(28)
Reclassification of joint operation plant & machinery			(20)				(20)
Depreciation expense		(16)	(139)	(35)	(5)		(195)
Currency translation		(8)	(48)	(8)			(64)
Accumulated depreciation at 30 June 2015		(165)	(1,296)	(350)	(14)	(2)	(1,827)
Net book value at 30 June 2015	310	352	1,245	160	102		2,169

As at 30 June 2016 property, plant and equipment includes $164 million of assets under construction (June 2015: $184 million).

16 GOODWILL

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Goodwill acquired at cost	**1,367**	1,367
Accumulated currency translation	**(30)**	15
Accumulated impairment	**(254)**	(251)
Goodwill at the end of the year	**1,083**	1,131
Goodwill at the beginning of the year	**1,131**	1,122
Acquired during the year		3
Disposed of during the year		(1)
Impairments in the income statement (note 4)	**(3)**	(78)
Currency translation	**(45)**	85
	1,083	1,131

Goodwill by significant cash-generating units (CGUs)

The goodwill allocated to significant CGUs accounts for 66% (2015:66%) of the total carrying value of goodwill. The remaining 'other' CGUs, which comprise 23 (2015: 25) in total, are each less than 8% of total carrying value.

Formica Asia	**256**	266
Tradelink	**196**	210
Laminex Australia	**153**	164
Iplex New Zealand	**105**	105
Other	**373**	386
	1,083	1,131

Goodwill impairment review

Goodwill was tested for impairment in June 2016. Each CGU that carries goodwill is valued on a value in use or fair value less costs of disposal basis using a discounted cash flow. Management has used its past experience of sales growth, operating costs and margin, and external sources of information where appropriate, to determine its expectations for the future. These cash flow projections are principally based on the group's three-year strategic plan approved by the directors, which has been extended for a further two years. Cash flows beyond five years have been extrapolated using estimated terminal growth rates, which do not exceed the long-term average growth rate for the industries and countries in which the business units operate. The terminal growth rates used range from 2.5%-3% (2015: 2.5%-3%), with the majority of the business units using 2.5% (2015: 2.5%).

The cash flows are discounted using a nominal rate after tax of 9.5% (2015: 9.5%) for New Zealand, 8.5% (2015: 8.5%) for Australia, 7.0% (2015: 8.0%) for Europe, 8.0% (2015: 8.0%) for North America and 9.0% (2014: 9.0%) for Asia, reflecting the risk profile for the regions in which the CGUs operate. The valuation models used are most sensitive to changes in the terminal year earnings and cash flows.

A strategic review of the Formica India manufacturing business was completed during the year ended 30 June 2016. The review identified that medium-term earnings prospects had deteriorated and the group has fully impaired the goodwill balance ($3 million), along with adjustments to property, plant and equipment and working capital balances.

Sensitivity to reasonable possible changes in assumptions

The impairment assessment confirmed that, for all other business units, the recoverable amounts exceed carrying values as at 30 June 2016. With the exception of Iplex Australia, Formica Europe, Formica Asia and Tradelink, management considers that no reasonably possible change in assumptions would cause the carrying amount to exceed the recoverable amount.

For Iplex Australia, which has goodwill of $33 million and brands of $36 million, a 39% decrease in the expected level of terminal EBIT or a 3% increase in the post-tax discount rate would result in the elimination of the $163 million excess of recoverable amount over carrying amount. For Formica Asia, which has goodwill of $256 million and brands of $nil, a reduction of 11% in the expected level of terminal EBIT, a 0.6% increase in the post-tax discount rate or a 0.7% decrease in terminal growth rate would result in the elimination of the $46 million excess of recoverable amount over carrying amount. For Tradelink, which has goodwill of $196 million and brands of $50 million, a reduction in expected terminal year EBIT of 23% or an increase in the post-tax discount rate of 1.9%, would result in the elimination of the $118 million excess of recoverable amount over carrying amount. For Formica Europe, which has goodwill of $83 million and brands of $13 million, a 35% decrease in the expected level of terminal EBIT or a 2% increase in the post-tax discount rate, would result in the elimination of the $158 million excess of recoverable amount over carrying amount.

Notes to the financial statements

17 INTANGIBLE ASSETS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Brands	**478**	503
Other intangible assets	**143**	118
	621	621

Brands		
Brands at the beginning of the year	**503**	459
Brands in subsidiaries sold during the year		(1)
Currency translation	**(25)**	45
	478	503

Significant Brands

The significant brand assets account for 64% (2015: 64%) of the total carrying value of brands. The remaining 'other' brand assets are each less than 8% of total carrying value.

Formica Corporation	**138**	143
Laminex Australia	**119**	127
Tradelink	**50**	54
Other	**171**	179
	478	503

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

Brands have been tested for impairment in June 2016. Each CGU that carries a brand value, and determined to be not separately identifiable, has prepared a discounted cash flow of the CGU on a value in use or fair value less costs of disposal basis as described in note 16. The impairment review confirmed that, for all intangible assets (excluding goodwill for which impairments are disclosed in note 16), the recoverable amounts exceed carrying values as at 30 June 2016.

Sensitivity analysis was performed on the key assumptions used in the value in use and fair value less costs of disposal calculations and further disclosure has been made for certain CGUs in note 16.

Other intangible assets

Other intangible assets at cost	**208**	164
Currency translation	**(8)**	(3)
Accumulated amortisation	**(57)**	(43)
Other intangible assets at the end of the year	**143**	118
Other intangible assets at the beginning of the year	**118**	101
Additions	**44**	23
Currency translation	**(5)**	
Charged to earnings	**(14)**	(6)
	143	118

As at 30 June 2016 other intangible assets includes $23 million of assets under construction (June 2015: $20 million).

18 OTHER INVESTMENTS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Retirement plan surplus (note 31)	**41**	68
Other investments	**2**	2
	43	70

19 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Carrying amount of associates/joint ventures:		
Carrying amount at the beginning of the year	98	133
New investment in associates/joint ventures	59	
Loans to associates/joint ventures		(1)
Share of profits of associates/joint ventures	12	23
Sale of investment in associates/joint ventures	(19)	(3)
Reclassification of assets and liabilities of joint operations		(27)
Currency translation	(5)	5
Distributions from associates/joint ventures	(10)	(32)
Investment in associates and joint ventures	135	98
Investment by associate/joint venture:		
Wespine Industries Pty Limited	43	45
Hexion Australia Pty Ltd	17	19
Mt Marrow Blue Metal Quarries Pty Limited		7
Mittagong Sands Pty Limited		9
Fanalco Limited	49	
Other	26	18
	135	98
Associate and joint venture information:		
Balance sheet information for associates and joint ventures – 100%		
Assets	319	241
Liabilities	(127)	(133)
Equity	192	108
Equity – Fletcher Building share	41	49
Goodwill acquired at cost	43	47
Loans to associates and joint ventures	2	2
Investment in associates and joint ventures	86	98
Equity accounted earnings comprise:		
Sales – 100%	252	366
Earnings before taxation – 100%	35	60
Earnings before taxation – Fletcher Building share	17	30
Taxation expense	(5)	(7)
Earnings after taxation – Fletcher Building share	12	23

Notes to the financial statements

20 CREDITORS AND ACCRUALS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Trade creditors	**944**	911
Contract retentions	**40**	29
Accrued interest	**30**	34
Other liabilities	**138**	128
Employee entitlements	**215**	234
Workers' compensation schemes	**12**	19
	1,379	1,355
Current portion	**1,342**	1,315
Non-current portion	**37**	40
Carrying amount at the end of the year	**1,379**	1,355

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

21 PROVISIONS

Fletcher Building Group	Restructuring NZ$M	Warranty & environmental NZ$M	Other NZ$M	Total NZ$M
June 2016				
Carrying amount at the beginning of the year	**14**	**34**	**68**	**116**
Currency translation	**(1)**	**(2)**		**(3)**
Charged to earnings	**7**	**14**	**25**	**46**
Settled or utilised	**(7)**	**(17)**	**(41)**	**(65)**
Released to earnings		**(1)**	**(2)**	**(3)**
	13	**28**	**50**	**91**
June 2015				
Carrying amount at the beginning of the year	4	26	41	71
Currency translation		2		2
Charged to earnings	24	29	43	96
Settled or utilised	(14)	(20)	(14)	(48)
Released to earnings		(3)	(2)	(5)
	14	34	68	116

During the year the group utilised $7 million (30 June 2015: $14 million) in respect of restructuring obligations at certain businesses. The remaining balance is expected to be utilised in the next year.

Warranty and environmental provisions relate to products sold and services provided and are expected to be utilised over the next three years.

Other provisions relate to miscellaneous matters, including a $12 million provision for costs associated with the development of the Penrose Campus.

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Current portion	**67**	100
Non-current portion	**24**	16
Carrying amount at the end of the year	**91**	116

22 CONSTRUCTION CONTRACTS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Gross construction work in progress plus margin to date	3,695	3,145
Progress billings	(3,823)	(3,301)
	(128)	(156)
Construction contracts with net work in progress	48	49
Construction contracts with billing in advance of cost and margin	(176)	(205)
Carrying amount at the end of the year	(128)	(156)

Included in sales is $1,546 million of contract revenue (June 2015: $1,284 million).

23 TAXATION

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Current tax assets/(liabilities)		
Included within the balance sheet as follows:		
Current tax assets	2	23
Current tax liabilities	(26)	(28)
	(24)	(5)
Opening provision for current tax assets/(liabilities)	(5)	33
Taxation expense	(135)	(99)
Transfer from deferred taxation	10	(1)
Non-controlling interest share of taxation expense	4	3
Tax recognised directly in reserves	5	(13)
Net tax payments	97	72
	(24)	(5)
Provision for deferred tax assets/(liabilities)		
Included within the balance sheet as follows:		
Deferred tax assets	24	33
Deferred tax liabilities	(58)	(58)
	(34)	(25)
Opening provision for deferred tax assets/(liabilities)	(25)	(25)
Taxation benefit	4	3
Transfer (from)/to current tax	(10)	1
Tax recognised directly in reserves	(3)	(4)
	(34)	(25)
Composed of:		
Provisions	112	130
Inventories	20	19
Debtors	5	7
Property, plant and equipment	(68)	(63)
Brands	(148)	(158)
Tax losses	27	20
Pensions	7	8
Other	11	12
	(34)	(25)

Notes to the financial statements

23 TAXATION continued

There are no significant deferred tax liabilities in respect of the undistributed profits of subsidiaries and associates.

The group has recognised certain tax losses available in Australia, USA, Germany and the UK 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 before interest and taxation set out in the companies' strategic plans. The group reviews future loss utilisations annually.

The group has unrecognised tax losses in France, Spain, Sweden, UK, India and China of $116 million representing $419 million of gross tax losses (June 2015: $110 million, $396 million gross losses).

24 BORROWINGS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Private placements	**272**	144
Other loans	**73**	102
Capital notes	**68**	94
Current borrowings	**413**	340
Bank loans	**119**	128
Private placements	**896**	1,176
Other loans	**8**	15
Capital notes	**316**	295
Non-current borrowings	**1,339**	1,614
Carrying value of borrowings (as per balance sheet)	**1,752**	1,954
Less impact of debt hedging activities (included within derivatives)	**(84)**	(53)
Borrowings after impact of hedging activities	**1,668**	1,901
Less fair value adjustment included in borrowings	**(52)**	(32)
Borrowings excluding derivative adjustments	**1,616**	1,869
Total available funding	**2,224**	2,483
Unutilised banking facilities	**608**	614

The undrawn facilities have a weighted average maturity of 2.4 years (June 2015: 3.5 years).

Net debt		
Cash and cash equivalents	**356**	228
Current borrowings	**(413)**	(340)
Non-current borrowings	**(1,339)**	(1,614)
Net debt	**(1,396)**	(1,726)

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 2016 the group had debt subject to the negative pledge of $1,163 million (June 2015: $1,418 million).

Bank loans

At 30 June 2016 the group had a syndicated revolving credit facility on an unsecured, negative pledge and borrowing covenant basis with ANZ Bank New Zealand Limited, The Bank of Tokyo Mitsubishi UFJ, Bank of New Zealand, Commonwealth Bank of Australia, Citibank N.A., The Hongkong and Shanghai Banking Corporation Limited and Westpac New Zealand Limited. The funds under this facility can be borrowed in United States, Australian and New Zealand dollars. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2016, and throughout the year, the group was in compliance with the covenants.

Private placements

The group has borrowed funds from private investors (primarily US & Japanese based) on an unsecured, negative pledge and borrowing covenant basis. These borrowings comprise AU$231 million, US$525 million and YEN10,000 million with maturities between 2016 and 2027. The borrowing covenants relate to net debt to EBITDA and interest cover and at 30 June 2016, and throughout the year, the group was in compliance with the covenants.

On 20 July 2016, the group had completed further borrowing from US debt investors through a private placement. The private placement has maturities between 2026 and 2028. The borrowing comprised US$251 million, €41 million, GBP10 million and CAD15 million. The borrowings are on an unsecured, negative pledge and borrowing covenant basis. The proceeds from the private placement will be used to repay the maturing private placement in September 2016 and to part fund the Higgins acquisition. The group had a commitment from Westpac New Zealand Limited to provide a short-term funding facility of NZ$325 million in support of this borrowing activity and this commitment has now ceased.

Other loans

At 30 June 2016 the group had $1 million (June 2015: $22 million) of loans which are secured against the subsidiaries' own balance sheet, or against specific assets, and had unsecured loans at 30 June 2016 of $80 million (June 2015: $95 million) some of which were subject to the negative pledge. Other loans include bank overdrafts, short-term loans, working capital facilities, financial leases, amortising loans and discounted receivables.

Capital notes

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

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

The capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building Limited. If the principal amount of the capital notes held at 30 June 2016 were to be converted to Fletcher Building shares, 45 million (June 2015: 48 million) would be issued at the share price as at 30 June 2016 of $8.58 (June 2015: $8.12).

As at 30 June 2016, the group held $116 million (30 June 2015: $142 million) of its own capital notes.

Fair value adjustment included in borrowings

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

Credit rating

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

25 FINANCIAL INSTRUMENTS

Financial risk management overview

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

The group enters into derivative financial instruments to assist in the management of the identified financial risks. The group does not enter into derivative financial instruments for trading or speculative purposes. All derivative transactions entered into are to hedge underlying exposures arising from normal business activities.

Risks and mitigation

(a) Credit risk

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

(i) Trade receivables

The group has a credit policy in place under which customers are individually analysed for credit worthiness and assigned a purchase limit. If no external ratings are available, the group reviews the customers' financial statements, trade references, bankers' references and/or credit agencies' reports to assess credit worthiness. These limits are reviewed on a regular basis. Due 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 13 for debtor ageing analysis.

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

(ii) Derivative financial instruments and the investment of cash

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

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

Notes to the financial statements

25 FINANCIAL INSTRUMENTS continued

(b) Liquidity risk

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

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

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

Fletcher Building Group – June 2015	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	128			128	
Capital notes	389	94	68	227	
Private placements	1,288	144	282	340	522
Other loans	117	102	7	7	1
Non-derivative financial liabilities – Principal cash flows	1,922	340	357	702	523
Gross settled derivatives – to pay	616	257			359
Gross settled derivatives – to receive	(669)	(258)			(411)
Debt derivatives financial instruments – principal cash flows	(53)	(1)			(52)
Total principal cash flows	1,869	339	357	702	471
Contractual interest cash flows	424	95	76	107	146
Total contractual cash flows	2,293	434	433	809	617

(c) Foreign currency risk

(i) Currency translation risk

Currency translation risk arises from net investments in foreign operations. It is the group's policy to hedge this foreign currency translation risk by borrowing in the currency of the asset in proportion to the group's long-term debt to debt plus equity ratio. This reduces the variability in the debt to debt plus equity ratio due to currency translation. Where the underlying debt in any currency does not equate to the required proportion of total debt, debt derivatives, such as foreign exchange forwards, swaps and cross-currency interest rate swaps are entered into for up to 12 years. Net investment, cash flow and fair value hedge accounting is applied to these instruments.

In addition, the group has entered into foreign exchange derivatives to hedge the taxation exposure arising from the translation of certain assets for a period of up to two years. Cash flow hedge accounting is applied to these instruments.

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

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Australian dollar	753	873
Euro	70	79
British pound	22	26
United States dollar	221	233
Indian Rupee	12	13
Chinese Renminbi		32
Canadian Dollar	16	18
Currency translation risk – Foreign currency borrowings	1,094	1,274
New Zealand dollar	522	595
	1,616	1,869

(ii) Currency transaction risk

Currency transaction risk arises from committed or highly probable trade and capital expenditure transactions that are denominated in currencies other than the operation's functional currency. The objective in managing this risk is to reduce the variability from changes in currency exchange rates on the operation's income and cash flow to acceptable parameters. It is group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed transactions. In addition, the group hedges some highly probable forecast transactions for up to five years. When exposures are incurred by operations in currencies other than their functional currency, foreign exchange forwards and swaps are entered into to eliminate the exposure. The majority of these transactions have maturities of less than one year. Cash flow hedge accounting is applied to forecast transactions. The main currencies hedged are the Australian dollar, the United States dollar, the Japanese yen, the Euro and the British pound. The gross value of these foreign exchange derivatives at 30 June 2016 was $744 million (June 2015: $543 million).

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument, will change due to changes in market interest rates and arises primarily from the group's interest-bearing borrowings. The group manages the fixed interest rate component of its debt and capital notes obligations and aims to maintain this ratio between 40-70% and at 30 June 2016 the group was within the range at 61% fixed (June 2015: 56% fixed). The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross-currency interest rate swaps, interest rate swaps, forward-rate agreements and options are entered into to manage this position. The financial instruments entered into are in Australian dollars, United States dollars, Euros, Japanese Yen and New Zealand dollars and will mature over the next 12 years.

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

Notes to the financial statements

25 FINANCIAL INSTRUMENTS continued

Interest rate repricing

The following tables set out the interest rate repricing profile of interest-bearing financial assets and liabilities. The group's overall weighted average interest rate excluding fees is 5.4% (June 2015: 5.5%).

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Floating	623	827
Fixed up to 1 year	330	125
Fixed 1-2 years	95	323
Fixed 2-5 years	464	482
Fixed over 5 years	104	112
Total financial liabilities	1,616	1,869
Floating financial assets	(356)	(228)

(e) Commodity price risk

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

At balance date, the notional value of fixed electricity exposure was less than $1 million, as follows:

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Fixed up to 1 year		4
Total		4

	NZ$/MWh	NZ$/MWh
Average hedge price	82	99

There were no outstanding Aluminium hedges as at 30 June 2016.

(f) Sensitivity analysis

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

(i) Foreign currency risk

It is estimated a 10% weakening of the New Zealand dollar against the major foreign currencies the group is exposed to on the net assets of its foreign operations would result in an increase to equity of approximately $220 million (June 2015: $250 million) and no material impact on earnings.

(ii) Interest rate risk

It is estimated a 100 basis point increase in interest rates would result in an increase in the group's interest costs in a year by approximately $6.2 million on the group's debt portfolio exposed to floating rates at balance date (June 2015: $8.3 million).

(iii) Commodity price risk

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

(g) Fair values

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

Fletcher Building Group		June 2016		June 2015	
	Classification	Carrying value NZ$M	Fair value NZ$M	Carrying value NZ$M	Fair value NZ$M
Bank loans	Amortised cost	**119**	**119**	128	128
Private placements	Amortised cost	**1,168**	**1,239**	1,320	1,400
Other loans	Amortised cost	**81**	**81**	117	117
Capital notes	Amortised cost	**384**	**402**	389	409
Borrowings		**1,752**	**1,841**	1,954	2,054
Forward exchange contracts – fair value hedge	Fair value through P&L	**1**	**1**	(1)	(1)
Forward exchange contracts – net investment hedge	Fair value through Equity	**(4)**	**(4)**	(1)	(1)
Forward exchange contracts – cash flow hedge	Fair value through Equity	**6**	**6**	8	8
Cross currency interest rate swaps – cash flow hedge	Fair value through Equity	**(22)**	**(22)**	(3)	(3)
Cross currency interest rate swaps – fair value hedge	Fair value through P&L	**(108)**	**(108)**	(53)	(53)
Interest rate swaps – fair value hedge	Fair value through P&L	**(17)**	**(17)**	(26)	(26)
Interest rate swaps – cash flow hedge	Fair value through Equity	**12**	**12**	15	15
Electricity price swaps – cash flow hedge	Fair value through Equity			1	1
Derivatives		**(132)**	**(132)**	(60)	(60)
Creditors and accruals	Amortised cost	**1,380**	**1,380**	1,355	1,355
Debtors	Loans and receivables	**(1,362)**	**(1,362)**	(1,509)	(1,509)
Cash and liquid deposits	Loans and receivables	**(356)**	**(356)**	(228)	(228)
Total financial instruments		**1,282**	**1,371**	1,512	1,612

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 1.42% and 8.79% (June 2015: 1.49% and 9.05%) including margins, for both accounting and disclosure purposes.

(h) Capital risk management

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

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

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

Notes to the financial statements

26 CAPITAL EXPENDITURE COMMITMENTS

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Committed at year end	**404**	157
Approved by the directors but uncommitted at year end	**40**	45
	444	202

Included within capital expenditure committed at year end are the funds committed for the Higgins acquisition. Refer to note 4 for details.

27 LEASE COMMITMENTS

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Expected future minimum lease payments on non-cancellable leases:		
Within one year	**171**	186
Within two years	**138**	141
Within three years	**105**	105
Within four years	**81**	79
Within five years	**65**	61
After five years	**226**	219
	786	791

Operating lease commitments relate mainly to occupancy leases of buildings.

28 CONTINGENT LIABILITIES

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

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	**289**	237
Letters of credit	**2**	1

29 RELATED PARTY TRANSACTIONS

Trading activities with related parties	Sales to related parties NZ$M	Purchases from related parties NZ$M	Amounts owing from related parties (included within debtors) NZ$M	Amounts owing to related parties (included within creditors) NZ$M
Fletcher Building Group – 2016				
Sims Pacific Metals Limited		**26**		
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		**34**		**7**
Dongwha Pattina NZ Limited		**15**		**1**
Fletcher Construction Alliances	**105**		**5**	
Fletcher Building Group – 2015				
Sims Pacific Metals Limited		100		4
Wespine Industries Pty Limited and Hexion Australia Pty Ltd		74		15
Dongwha Pattina NZ Limited		17		1
Fletcher Residential Joint Ventures	18			
Fletcher Construction Alliances	70		5	

Fletcher Building Group	Year ended June 2016 NZ$M	Year ended June 2015 NZ$M
Key management personnel compensation		
Directors' fees	**2**	2
Executive committee remuneration paid, payable or provided for:		
Short-term employee benefits	**17**	15
Termination benefits	**2**	2
Share-based payments	**1**	

Fletcher Building Retirement Plan

As at 30 June 2016 Fletcher Building Nominees Limited (the New Zealand retirement plan) held $4,200,000 of shares and $18,500,000 of capital notes in Fletcher Building (June 2015: $3,800,000 of shares; $18,500,000 of capital notes).

Notes to the financial statements

30 PRINCIPAL OPERATIONS

Fletcher Building Limited is the holding company of the Fletcher Building Group. The principal subsidiaries, associates and joint arrangements, as at 30 June 2016, are outlined below:

	Country of domicile	Holding %	Principal activity*
Principal subsidiaries			
Fletcher Building Holdings Limited	NZ	100	Holding company
Fletcher Building Holdings New Zealand Limited	NZ	100	Holding company
Fletcher Building Products Limited	NZ	100	Building Products
Fletcher Concrete and Infrastructure Limited	NZ	100	Building Products
Fletcher Distribution Limited	NZ	100	Distribution
Fletcher Steel Limited	NZ	100	Building Products
Fletcher Residential Limited	NZ	100	Residential and Land Development
The Fletcher Construction Company Limited	NZ	100	Construction
Winstone Wallboards Limited	NZ	100	Building Products
Fletcher Property Limited	NZ	100	Property management
PlaceMakers subsidiaries – wholly owned	NZ	100	Distribution
PlaceMakers subsidiaries – joint venture ownership	NZ	50.1	Distribution
Fletcher Building Industries Limited	NZ	100	Holding company
Tasman Insulation New Zealand Limited	NZ	100	Building Products
AHI Roofing Limited	NZ	100	International
Forman Group Limited	NZ	100	Distribution
Mico NZ Limited	NZ	100	Distribution
Fletcher Building (Australia) Pty Limited	Australia	100	Holding company
Laminex Group Limited	Australia	100	International
Fletcher Insulation Pty Limited	Australia	100	Building Products
Tasman Sinkware Pty Limited	Australia	100	Distribution
Rocla Pty Limited	Australia	100	Building Products
Stramit Corporation Pty Limited	Australia	100	Distribution
Crane Distribution Limited	Australia	100	Distribution
Iplex Pipelines Australia Pty Limited	Australia	100	Building Products
Kingston Bridge Engineering Pty Limited	Australia	100	Building Products
Laminex Finance Pty Ltd	Australia	100	Finance
Fletcher Building (Fiji) Limited	Fiji	100	Construction
Fletcher Construction (Solomon Islands) Limited	Solomon Islands	100	Construction
Fletcher Morobe Construction Pty Limited	Papua New Guinea	100	Construction
Decra Roofing Systems Inc.	USA	100	International
Formica Corporation	USA	100	International
Diller Corporation	USA	100	International
Formica Canada Inc.	Canada	100	International
Formica Limited	UK	100	International
Formica S.A.	Spain	100	International
Shanghai Formica Decorative Material Co. Ltd	China	100	International
Formica Decorative Materials (China) Co. Ltd	China	100	International
Formica IKI Oy	Finland	100	International
Formica Scandinavian AB	Sweden	100	International
Formica (Thailand) Co., Ltd	Thailand	100	International
Homapal Plattenwerk GmbH & Co. KG.	Germany	100	International
Formica Laminates (India) Pte Limited	India	100	International
Formica Taiwan Corporation	Taiwan	100	International
Formica (Asia) Limited	Hong Kong	100	International

* Further information is available in note 2.

	Country of domicile	Holding %	Principal activity
Associates and joint ventures			
Wespine Industries Pty Limited	Australia	50	Saw mill
Hexion Australia Pty Ltd	Australia	50	Building Products
Regional Resources NW Pty Ltd	Australia	50	Quarrying
Fanalco Limited	NZ	50	Building Products
Dongwha Pattina NZ Limited	NZ	20	Building Products
Joint operations			
Well-Connected Joint Operation	NZ	32	Construction
MacKays to Peka Peka Alliance	NZ	75	Construction
Sims Pacific Metals Limited	NZ	50	Metal recycling

31 RETIREMENT PLANS

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

The calculation of the defined benefit obligations are based on years of service and the employee's 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.

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 differs from the calculation under NZ IAS 19. At 31 March 2016 the value of the assets was 140% of the actuarial liability and the funded surplus was $78 million (31 March 2015: 137%, $77 million).

During the year the group contributed $1 million (2015: $3 million) in respect of its Australian defined benefit plans and $21 million (2015: $22 million) in respect of its Formica defined benefit and medical plans. It contributed $48 million (2015: $43 million) in respect of its defined contribution plans worldwide, including KiwiSaver.

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Net periodic pension cost		
Service cost	9	5
Net interest cost	1	1
Net periodic pension cost – recognised in earnings before interest and taxation	10	6
Recognised net asset/(liability)		
Assets of plans	783	851
Projected benefit obligation	(812)	(845)
Funded surplus/(obligation)	(29)	6
Asset ceiling effect	(3)	(9)
Recognised net asset/(liability)	(32)	(3)
Recognised net asset/(liability) by jurisdiction:		
New Zealand plan	30	52
Australian plans	11	16
Retirement plan surplus – recognised within Other investments (note 18)	41	68
Other overseas plans	(73)	(71)
Retirement plan liability – recognised within non-current liabilities	(73)	(71)
Recognised net asset/(liability)	(32)	(3)

Notes to the financial statements

31 RETIREMENT PLANS continued

Fletcher Building Group	June 2016 NZ$M	June 2015 NZ$M
Movement in recognised net liability		
Recognised net liability at the beginning of the year	**(3)**	(18)
Currency translation	**6**	(15)
Actuarial movements for the year	**(46)**	11
Net periodic pension cost	**(10)**	(6)
Employer contributions	**21**	25
Recognised net liability	**(32)**	(3)
Assets of the plans		
Assets of plans at the beginning of the year	**851**	742
Actual return on assets	**34**	80
Total contributions	**24**	27
Benefit payments	**(63)**	(68)
Currency translation	**(63)**	70
	783	851
Assets of the plans consist of:		
Australasian equities	**80**	77
International equities	**344**	404
Property	**38**	35
Bonds	**263**	278
Cash and short-term deposits	**48**	34
Other assets	**10**	23
	783	851
Projected benefit obligation		
Projected benefit obligation as at the beginning of the year	**(845)**	(760)
Service cost	**(9)**	(9)
Interest cost	**(29)**	(34)
Member contributions	**(3)**	(4)
Actuarial gain arising on changes in demographic assumptions		6
Actuarial loss arising on changes in financial assumptions	**(66)**	(42)
Actuarial gain arising on other assumptions – experience adjustments	**9**	9
Benefit payments	**63**	74
Currency translation	**68**	(85)
	(812)	(845)

Assumptions used

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

	2016 %	2015 %
Assumed discount rate on benefit obligations	**2.80**	3.69
Annual rate of increase in future compensation levels	**2.68**	2.78

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.

The group expects to contribute at least $23 million to its overseas defined benefit plans during the year to 30 June 2017.

32 SHARE-BASED PAYMENTS

Executive share schemes

The group has a long-term share-based incentive scheme targeted at the executives most able to influence the results of the group. Refer to the accounting policies for a description of the scheme.

The following are details with regard to the scheme:

	2015 Award	2014 Award	2013 Award	2012 Award
Grant date	1 October 2015	1 October 2014	1 October 2013	1 October 2012
Number of shares granted	3,122,826	815,164	771,038	1,542,549
Market price per share at grant date	$6.89	$8.79	$9.52	$6.87
Total value at grant date	$21,516,271	$7,165,291	$7,340,282	$10,597,312
Vesting date	30 September 2018	30 September 2017	30 September 2016	30 September 2015
Number of shares:				
Number of shares originally granted	3,122,826	815,164	771,038	1,542,549
Less forfeited over life of scheme	(211,461)	(211,719)	(350,112)	(684,263)
Less vested over life of scheme	(2,824)	(9,962)		(548,902)
Number of shares held at 30 June 2016	**2,908,541**	**593,483**	**420,926**	**309,384**

	June 2016 NZ$M	June 2015 NZ$M
Total fair value expense in year for executive performance share scheme	**15**	11
Amount recognised at year end for related bonus payable	**22**	25

Fair value has been determined using Monte Carlo valuation methodology.

Share options

On 1 October 2012 the company issued 500,000 options under the executive option scheme. At 30 June 2016 the exercise price of these share options was $7.08. The restrictive period ended on 1 October 2015 and the final exercise date is 1 October 2018.

On 1 October 2015 the company issued a further 500,000 options under the executive option scheme. At 30 June 2016 the exercise price of these share options was $7.15. The restrictive period ends on 1 October 2018 and the final exercise date is 1 October 2021.

The options carry no dividend or voting rights. The company has calculated the fair value of granting these options and has expensed $0.1 million during the year in respect of the 2015 options to a share-based payments reserve.

500,000 share options issued by the company on 1 September 2009 lapsed on their final exercise date of 1 September 2015.

33 POST BALANCE SHEET EVENTS

On 28 July 2016, all relevant approvals in relation to the Higgins acquisition were obtained and the transaction completed on 29 July 2016. Refer to note 4 for further details.

Remuneration report

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

EXECUTIVE AND SENIOR MANAGEMENT REMUNERATION

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

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

Total remuneration for executives and senior management comprises:

- fixed remuneration, including the value of base remuneration and any other benefits;
- a short-term variable incentive in the form of an annual performance-related cash bonus; and
- participation in the Executive Long-Term Share Scheme or Executive Long-Term Incentive Scheme

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

Fixed remuneration

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

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

Short-term variable incentive

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

Financial component: For executives and corporate senior management, the financial target is based on the group or division EBIT and operating cash, as applicable. For operating senior management, the financial target is based on the EBIT and funds employed for the applicable business unit. The financial targets allow normalisation adjustments as agreed by the remuneration committee in advance for acquisitions, divestments and significant items, such as impairments. Financial targets are set at three levels; a threshold level, which must be met before any STI is paid, a target level and a maximum level, above which the STI paid will remain constant. For FY16, the financial threshold is set at achieving 90% of target. The maximum financial level is set at achieving 110% of target for the chief executive officer, executives and corporate senior management and 120% of target for operating senior management. Achievement of the maximum financial level results in a payment of 150% of the financial component of STI for all executives and senior management.

Personal component: Personal objectives comprise several challenging, measurable personal objectives. Objectives are aligned to, and support, the company strategy and are cascaded through the management team according to role. Mark Adamson's objectives include employee engagement and customer measures and are approved directly by the chairman. Payment for the personal component is calculated by reference to the individual performance against the personal objectives for the financial year. Maximum uplift for the chief executive officer personal component is set at 150% and 100% for all other executives. If the threshold financial level of the EBIT related measure is not met, no personal component of the STI will be payable.

The components of STI by role are as follows:

		Financial component		Total STI		
	Personal component %	Group EBIT/ operating cash target %	EBIT/funds target %	Threshold %	Target %	Maximum %
CEO	20	80		0	100	150
Corporate executives	12	48		0	60	84
Operational executives[1]	12 – 16		48 – 64	0	60 – 80	84 – 112
Senior management[1]	4 – 8	16 – 32	10 – 30	0	20 – 40	28 – 56

[1] Varies depending on role

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

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

Executive Long-Term Share Scheme and Executive Long-Term Incentive Scheme

Long-term performance incentives are designed to align employee remuneration with financial outcomes for shareholders over the longer term. The company has implemented an Executive Long-Term Share Scheme (ELSS), targeted at the employees most able to influence financial results. In circumstances where shares cannot be acquired under applicable securities legislation in certain jurisdictions, equivalent economic entitlements are conveyed by way of cash bonus entitlements under an Executive Long-Term Incentive Scheme (ELIS). Participation in any year is by annual invitation at the discretion of the company.

The board made an additional grant of shares under the ELSS to the executive team and some members of senior management during FY16. This additional grant is designed to incentivise management to deliver on targets set for the Accelerate programme referred to in the Chairman and Chief Executive Officer's Report.

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

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

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

  The TSR of the group for the period is compared with the average consolidated TSR for the same period of a comparator group to derive a percentile ranking. The 2015 offer is for the period 1 October 2015 – 30 September 2018, which may be extended for up to one more year until 30 September 2019. The comparator group used for the 2015 offer comprises Adelaide Brighton, Amcor, BlueScope, Boral, Brickworks, CSR, Downer EDI, GWA International, James Hardie, Leighton Holdings, Nuplex, Reece, Sims Group, Spark and Steel & Tube. The entitlement to the TSR tranche is determined as follows:

TSR percentile	Percentage entitlement %
< 51^{st}	nil
51^{st}	50
between 51^{st} – 75^{th}	50 – 100 linear pro-rata
> 75^{th}	100

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

  An EPS target for the year ended 30 June 2018 is set based on a required increase from the year ended 30 June 2015. The EPS for the year ended 30 June 2015, adjusted for significant items, was 58.0 cents and is required to increase by a minimum of 5% per annum before any of the EPS tranche will vest. The EPS tranche will fully vest if the EPS increases by 8% or more per annum. The entitlement to the EPS tranche is determined as follows:

EPS for year ended 30 June 2018[1]	Percentage entitlement %
< 67.0 cents	nil
67.0 cents per share	50
between 67.1 – 73.1 cents per share	50 – 100 linear pro-rata
> 73.1 cents per share	100

[1] EPS will be adjusted for significant items

Remuneration report

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

The vesting and forfeiture of shares related to the grant under the ELSS over the last six years are as follows:

Date of grant	Shares granted	Shares vested %	Shares forfeited %
October 2015	3,122,826		
October 2014	815,164		
October 2013	771,038		
October 2012	1,542,549	50.0[1]	
October 2011	1,332,232	0.0	100.0
October 2010	956,940	46.0	54.0

[1] The October 2012 EPS tranche vested in 2015 and the TSR tranche was extended to 30 September 2016.

FBuShare

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

CHIEF EXECUTIVE OFFICER'S REMUNERATION

Mark Adamson's current base salary is $1,975,000. The remuneration he received in the current year comprised:

Base remuneration	$1,956,250
Short-term variable incentive (STI) FY15 – paid September 2015	$2,008,341
Executive Long-Term Share Scheme (ELSS) 2012 – paid October 2015	$749,999
Medical insurance benefit	$5,672

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

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

Short-term variable incentive (STI) FY16 – accrued and payable in September 2016	$2,198,959

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

Mark Adamson was also granted the following long-term incentive during the year, which remains at risk:

Executive Long-Term Share Scheme (ELSS) 2015	614,571 shares	$4,234,394[1]

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

[1] Based on a share price of $6.89, being the volume weighted average price for the five business days ended 30 September 2015.

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

2012 Share Options Plan – chief executive officer

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

An initial issue of 500,000 options was made with effect on 1 October 2012 with an exercise price of $6.22, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding the announcement of Mark Adamson's appointment on 18 June 2012. A further issue of 500,000 options was made with effect on 1 October 2015 with an exercise price of $6.89, being the volume weighted average price of Fletcher Building shares sold on the NZSX in the five business days immediately preceding 30 September 2015.

The exercise price is adjusted annually, with effect from the date of grant, by the company's cost of capital, less any dividends actually paid. There is a restrictive period of three years from the date of grant during which the options may not be exercised. Subject to the company's rules on the trading of securities, options may be exercised at any time between the third and sixth anniversary of the date of grant. As at 30 June 2016, no options had been exercised.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

	2016 calendar year		2015 calendar year	
	Member per annum	Chairman[1] per annum	Member per annum	Chairman[1] per annum
Board of directors	$162,000	$430,000	$159,000	$422,500
Audit and risk committee	$23,000	$46,000	$23,000	$46,000
Remuneration committee	$17,500	$35,000	$17,500	$35,000
Nominations committee	$10,000		$10,000	
Safety, health, environment and sustainability	$17,500	$35,000	$17,500	$35,000
Travel allowance – Australian residents	$18,000		$18,000	

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

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

Director fees are reviewed annually in the last quarter of the calendar year. The company engaged PwC to benchmark directors' fees against the director fees paid by a peer group consisting of New Zealand and Australian listed companies of comparable size, complexity and industry to Fletcher Building.

The maximum aggregate remuneration able to be provided to all non-executive directors was set at $2,000,000 at the 2011 annual shareholders' meeting. The remuneration paid to non-executive directors in the year ended 30 June 2016 was as follows:

	Remuneration paid
A J Carter	$188,000
A T Jackson	$223,000
J F Judge	$216,500
R J Norris	$426,250
K D Spargo	$246,500
C Tarrant	$211,000
S M Vamos	$205,126
Total	**$1,716,376**

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

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

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

HOLDING THE COMPANY'S SECURITIES

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

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

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

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

EMPLOYEE REMUNERATION

Section 211(1)(g) of the New Zealand Companies Act 1993 requires disclosure of the number of employees or former employees of the company whose remuneration and any other benefits received by them during the year in their capacity as employees, were 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.

Remuneration report

EMPLOYEE REMUNERATION

From NZ$ to NZ$	International business activities	New Zealand business activities	Total
100,000 – 110,000	447	437	884
110,000 – 120,000	430	307	737
120,000 – 130,000	287	262	549
130,000 – 140,000	229	192	421
140,000 – 150,000	165	140	305
150,000 – 160,000	110	118	228
160,000 – 170,000	115	93	208
170,000 – 180,000	87	79	166
180,000 – 190,000	72	69	141
190,000 – 200,000	58	64	122
200,000 – 210,000	47	48	95
210,000 – 220,000	46	42	88
220,000 – 230,000	31	40	71
230,000 – 240,000	22	24	46
240,000 – 250,000	24	18	42
250,000 – 260,000	20	19	39
260,000 – 270,000	10	16	26
270,000 – 280,000	12	18	30
280,000 – 290,000	14	9	23
290,000 – 300,000	18	13	31
300,000 – 310,000	9	17	26
310,000 – 320,000	13	12	25
320,000 – 330,000	10	9	19
330,000 – 340,000	5	11	16
340,000 – 350,000	12	2	14
350,000 – 360,000	6	4	10
360,000 – 370,000	6	3	9
370,000 – 380,000	3	3	6
380,000 – 390,000	2		2
390,000 – 400,000	5	5	10
400,000 – 410,000	8	6	14
410,000 – 420,000	8	5	13
420,000 – 430,000		1	1
430,000 – 440,000	4	1	5
440,000 – 450,000	2	2	4
450,000 – 460,000	4	3	7
460,000 – 470,000	4	2	6
470,000 – 480,000	3	1	4
490,000 – 500,000		1	1
500,000 – 510,000	2		2
510,000 – 520,000	1	1	2
520,000 – 530,000	3		3
530,000 – 540,000	1	1	2
540,000 – 550,000	2	2	4
550,000 – 560,000	3	1	4
560,000 – 570,000	1	4	5
570,000 – 580,000	1	2	3
580,000 – 590,000	3	2	5
590,000 – 600,000	1		1
600,000 – 610,000	2		2
610,000 – 620,000	1		1
630,000 – 640,000		1	1
670,000 – 680,000		2	2
690,000 – 700,000	2	1	3
710,000 – 720,000		2	2
720,000 – 730,000	1		1
730,000 – 740,000		1	1
760,000 – 770,000	1		1
810,000 – 820,000		1	1
820,000 – 830,000	1		1
830,000 – 840,000	1		1
860,000 – 870,000		1	1
870,000 – 880,000	1		1
880,000 – 890,000	1		1
900,000 – 910,000		1	1
920,000 – 930,000		1	1
1,000,000 – 1,010,000		1	1
1,210,000 – 1,220,000		1	1
1,240,000 – 1,250,000	1		1
1,370,000 – 1,380,000		1	1
1,390,000 – 1,400,000		1	1
1,630,000 – 1,640,000		1	1
2,010,000 – 2,020,000	1		1
2,020,000 – 2,030,000		1	1
	2,379	**2,126**	**4,505**

Regulatory disclosures

DIRECTORS' RELEVANT INTERESTS IN EQUITY SECURITIES AT 30 JUNE 2016

	Relevant interests 30 June 2016	
	Ordinary shares	Capital notes
M D Adamson[1]	2,943,904	
A J Carter	54,744	150,000
A T Jackson	20,000	
J F Judge	58,216	200,000
R J Norris	26,612	
K D Spargo	25,000	
C Tarrant	23,595	
S M Vamos	5,500	
Total	3,157,571	350,000

[1] Includes 1,000,000 options over ordinary shares

DIRECTORS' INTERESTS REGISTER

Directors have advised changes in their interests during the year ended 30 June 2016 of:

Affected interest	Disclosure of directors' interests
A T Jackson	• Director of Aurora Vineyards Ltd, 5 Vines Pty Ltd, Broadway Partnership Ltd and Broadway Operations Ltd • Chairman NZ Thoroughbred Racing • Director MBA Partnerships Ltd
J F Judge	• Director of Hydraulink Australia Pty Ltd and Hydraulink Fluid Connectors Ltd • Director of Analog Digital Instruments Ltd and ADInstruments Pty Ltd
C Tarrant	• Resigned from The University of Auckland Council
S M Vamos	• Director of Telstra, Wavefront Biometric Technologies Pty Ltd, Reading Room Inc, BDB Soti Pty Ltd, eGeneration Investments Pty Limited and Member of the Advisory Board of the University of Technology Sydney Business School

During the year, directors disclosed that they (or their associated persons) acquired or disposed of a relevant interest in securities as follows:

	Relevant interests in shares			
Affected interest	Transaction	Class	Number	Consideration
M D Adamson	Purchase	Ordinary shares	260,000	$1,880,850
	Purchase	Ordinary shares	60,000	$430,800
	Purchase	Ordinary shares	146,347	$1,067,455
	Purchase	Ordinary shares	14,196	$98,435
	Purchase	Ordinary shares	230,464	$1,587,897
	Purchase	Ordinary shares	384,107	$2,646,497
	Purchase	Ordinary shares	271,300	$1,790,851
	Purchase	Ordinary shares	15,005	$116,528
A J Carter	Purchase	Ordinary shares	10,000	$75,800
	Purchase	Ordinary shares	1,047	$7,260
	Purchase	Ordinary shares	10,000	$66,000
	Purchase	Ordinary shares	854	$6,632
JF Judge	Purchase[1]	Ordinary shares	37	$253
	Purchase[1]	Ordinary shares	24	$188
R J Norris	Purchase[1]	Ordinary shares	84	$576
	Purchase[1]	Ordinary shares	54	$425
C Tarrant	Purchase	Ordinary shares	518	$3,694
	Purchase[1]	Ordinary shares	58	$408
	Purchase	Ordinary shares	342	$2,654
	Purchase[1]	Ordinary shares	38	$301
S M Vamos	Purchase	Ordinary shares	5,500	$38,977

[1] Includes non-beneficial interests

Regulatory disclosures

The following directors' certificates were disclosed in the interests register:

Affected interest	Nature of interest
All directors	• Directors' and officers' insurance effected for the period 1 July 2015 – 30 June 2016. • Directors' and officers' insurance effected for the period 1 July 2016 – 30 June 2017.
Non-executive directors	• Payment of director fees to non-executive directors to increase from 1 January 2016. Base director fees to increase to $162,000 and chairman's remuneration to continue to be paid at a ratio of 2.5 times that of the base fee for non-executive directors, inclusive of the nominations committee fee.
M D Adamson	• Increase in base salary to $1,975,000 per annum effective 1 October 2015.

STOCK EXCHANGE LISTINGS

The company's shares are listed on the New Zealand (NZX) and Australian (ASX) stock exchanges. Fletcher Building changed its listing category on ASX to ASX Foreign Exempt Listing, effective 6 May 2016. Fletcher Building is expected to comply with the NZX listing rules but is exempt from the majority of ASX listing rules. In accordance with ASX listing rule 1.15.3, Fletcher Building confirms that it has complied with the NZX listing rules during the year ended 30 June 2016.

20 LARGEST SHAREHOLDINGS AS AT 31 JULY 2016

Name	Number of shares	% of shares
New Zealand Central Securities Depository Limited	371,429,470	53.63
JP Morgan Nominees Australia Limited	36,212,176	5.22
HSBC Custody Nominees (Australia) Limited	24,144,526	3.48
National Nominees Limited	19,892,147	2.87
Citicorp Nominees Pty Limited	18,117,907	2.61
RBC Investor Services Australia Nominees Pty Limited	11,112,682	1.60
FNZ Custodians Limited	9,109,388	1.31
BNP Paribas Noms Pty Ltd	6,454,280	0.93
Forsyth Barr Custodians Limited	5,902,052	0.85
Investment Custodial Services Limited	5,788,900	0.83
Custodial Services Limited	5,515,601	0.79
Southern Steel Group Pty Limited	3,876,365	0.55
Fletcher Building Share Schemes Limited	3,735,016	0.53
Citicorp Nominees Pty Limited	2,783,901	0.40
New Zealand Depository Nominee Limited	2,584,202	0.37
Custodial Services Limited	2,243,233	0.32
Custodial Services Limited	2,168,405	0.31
NZPT Custodians (Grosvenor) Limited	2,158,141	0.31
Masfen Securities Limited	2,137,898	0.30
Fletcher Building Educational Fund Limited	2,069,462	0.29

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

Name	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited	80,526,901	11.63%
JP Morgan Chase Bank NA NZ Branch	59,129,458	8.54%
HSBC Nominees (New Zealand) Limited	53,177,331	7.68%
National Nominees New Zealand Limited	47,985,709	6.93%
Citibank Nominees (New Zealand) Limited	37,782,074	5.46%
Accident Compensation Corporation	21,000,618	3.03%
HSBC Nominees	12,085,087	1.75%
BNP Paribas Nominees (NZ) Limited	10,813,407	1.56%
TEA Custodians Limited	8,586,923	1.24%
ANZ Wholesale Australasian Share Fund	8,553,787	1.24%
Guardian Nominees	7,290,640	1.05%
BNP Paribas Nominees (NZ) Limited	6,027,971	0.87%
ANZ Custodial Services New Zealand Limited	5,146,440	0.74%
BNP Paribas Nominees (NZ) Limited	3,900,566	0.56%
BNP Paribas Nominees (NZ) Limited	3,267,557	0.47%

SUBSTANTIAL SECURITY HOLDERS

According to notices given to the company under the Securities Markets Act 1988, as at 30 June 2016, the substantial security holders in the company and their relevant interests are noted below. The total number of issued voting securities of Fletcher Building Limited as at that date was 692,501,249.

Substantial security holders	Number of voting securities	Date of notice
Blackrock, Inc	34,723,960	9 March 2016

DISTRIBUTION OF HOLDINGS AS AT 31 JULY 2016

	Ordinary shares		Capital notes	
Size of holdings	Number of holders	%	Number of holders	%
1 to 1,000	15,570	39.43	–	–
1,001 to 5,000	17,711	44.86	852	13.06
5,001 to 10,000	3,651	9.25	1,071	16.41
10,001 to 100,000	2,414	6.11	4,182	64.08
100,000 and over	138	0.35	421	6.45
Total	**39,484**	**100.00**	**6,526**	**100.00**

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

Fletcher Building Industries Limited has 531 million capital notes on issue, which can convert to Fletcher Building Limited ordinary shares on the basis of 98% of the then current value of the shares. Unless the capital notes convert into Fletcher Building Limited ordinary shares, they carry no voting rights in Fletcher Building Limited. There were 6,526 holders of capital notes at 31 July 2016. Fletcher Building Holdings Limited held $116 million capital notes at 31 July 2016. The capital notes are quoted on the NZX but are not quoted on the ASX.

NZX WAIVERS

The company has been granted a waiver from NZX Listing Rule 7.6.6(a), to allow its chief executive officer and managing director Mark Adamson, to participate in the Fletcher Building Limited Executive Long-Term Share Scheme (the scheme) and to receive financial assistance as part of that Scheme, for as long as he remains an employee of the company and a participant in the scheme.

This waiver was granted subject to the following conditions:

(a) the company obtained shareholder approval for the provision of financial assistance to Mark Adamson in connection with his participation in the Scheme at its annual shareholders' meeting; and

(b) the notice of meeting contained the precise terms and conditions of Mark Adamson's participation in the scheme, and a description of the waiver and its implications, being that financial assistance may continue to be provided to Mr Adamson for the period for which he is a participant in the scheme, which may be beyond 36 months.

Approval in accordance with these conditions was given at the annual shareholders' meeting on 20 November 2012.

Subsidiary company directors

Section 211(2) of the New Zealand Companies Act 1993 requires the company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by directors and former directors and particulars of entries in the interests registers made during the year ended 30 June 2016.

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

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

The following persons respectively held office as directors of subsidiary companies at the end of the year.

Alternate directors are indicated by the letter (A) after their name.

Directors who retired during the year are indicated by the letter (R) after their name.

AHI Roofing (Malaysia) SDN BHD
I Bin Harun
P Lamb (R)
C Bolt
S-J Goh (R)
R Aaron
D Schulz

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

AHI Roofing Gyarto Es Kereskedelmi Korlatolt Felelossegu Tarasag
O Pascutiu
C Bolt
D Shulz

AHI Roofing Limited
G Bollman
C Bolt
F Irazusta

AHI Roofing Proizvodnja In Distribucija Stresnih Sistemov D.O.O.
O Pascutiu
C Bolt

Amatek Holdings Limited
D Le Quesne
G Bollman
S Lo Ricco

Amatek Industries Pty Limited
D Le Quesne
G Bollman
S Lo Ricco

Amatek Investments Limited
D Le Quesne
G Bollman
S Lo Ricco

Austral Bronze Crane Copper Limited
G Bollman
S Lo Ricco
N Sumich

Australian Construction Products Pty Limited
S Baker (R)
C Bolt
A Pidcock (R)
M Lukban

Australian Fibre Glass Pty Limited
D Le Quesne
S Lo Ricco

Bandelle Pty Limited
D Le Quesne
S Lo Ricco

Baron Insulation Pty Ltd
C Bolt (R)
J Hollis
G Bollman

Boden Building Supplies Limited
P Boden
D Fradgley
B McEwen

Building Choices Limited
D Close
D Fradgley
B McEwen

Building Prefabrication Solutions Limited
G Bollman
D Fradgley

Cameron Building Supplies Limited
D Cameron
D Fradgley
B McEwen

Caravan Components Pty Limited
D Le Quesne
S Lo Ricco

Cleaver Building Supplies Limited
M Cleaver
D Fradgley
B McEwen

Consolidated Extrusions Management Pty Limited
G Bollman
S Lo Ricco

Consolidated Extrusions Pty Limited
G Bollman
S Lo Ricco

Consort Laminates Limited
P Hall
N Mason
M Gill (R)

Crane Distribution Pty Limited
T Hickey (R)
G Bollman
S Lo Ricco
D Fradgley
A Ball

Crane Enfield Metals Pty Limited
G Bollman
S Lo Ricco

Crane Group Limited
D Le Quesne
G Bollman
S Lo Ricco

Crevet Ltd
G Bollman
S Lo Ricco
N Sumich

Crevet Pipelines Pty Ltd
G Bollman
N Sumich

CTCI Pty Limited
E Woldhuis
G Bollman
A Webster (A)
P Zuckerman (R)
M Kernahan

Cullen Building Supplies Limited
R Cullen (R)
D Fradgley

Davis & Casey Building Supplies Limited
T Davis
D Fradgley
B McEwen

Decra Roofing Systems, Inc.
S Henwood (R)
G Bollman
C Bolt
D Schulz

Delcon Holdings (No. 1) Limited
P Zuckerman (R)
G Bollman
C Bolt

Delcon Holdings (No. 2) Limited
P Zuckerman (R)
G Bollman
C Bolt

Delcon Holdings (No. 3) Limited
G Bollman
F Irazusta (R)
C Bolt

Delcon Holdings (No. 8) Limited
G Bollman
C Bolt
F Irazusta (R)
M Crockett

Delcon Holdings (No. 11) Limited
G Bollman
C Bolt
F Irazusta (R)
D Fradgley

EE-Fit Pty Limited
C Bolt (R)
J Hollis
G Bollman

EFA Technologies Pty Limited
D Le Quesne (R)
C Bolt
S Lo Ricco

Evans Building Supplies Limited
M Evans (R)
D Fradgley

FBHS (Aust) Pty Limited
G Bollman
A Pidcock (R)
P Tudor

FBSOL Pty Limited
G Bollman
A Pidcock (R)
P Tudor

Fletcher Building (Australia) Pty Limited
D Le Quesne
G Bollman
C Bolt
S Lo Ricco

Fletcher Building (Fiji) Limited
A Kumar
C White
A Brown
C Bolt

Fletcher Building Holdings Limited
G Bollman
C Bolt

Fletcher Building Holdings New Zealand Limited
G Bollman
C Bolt

Fletcher Building Holdings USA Inc.
M Quint
G Bollman

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

Fletcher Building Netherlands B.V.
C Bolt
G Bollman

Fletcher Building Nominees Limited
J McDonald
G Niccol
M Farrell
C Munkowits
J Chapman
P Demarie-Crook
H McKenzie

Fletcher Building Products Limited
G Bollman
C Bolt
F Irazusta (R)
M Crockett

Fletcher Building Products Australia Pty Limited
G Bollman
S Lo Ricco

Fletcher Building Share Schemes Limited
G Niccol
J McDonald

Fletcher Building Trading (Shanghai) Company Limited
C Rawlinson
P Wilson
G Bollman
C Bolt

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

Fletcher Challenge Building UK Limited
J Ollard

Fletcher Challenge Finance Investments Limited
C Bolt
G Bollman

Fletcher Challenge Forest Industries Limited
M August
J Ollard

Fletcher Challenge Industries S.A.
M Binns
K Cowie
H Ritchie

Fletcher Concrete (Fiji) Limited
A Kumar
A Brown
C White
C Bolt

Fletcher Concrete & Infrastructure Limited
G Bollman
C Bolt
M Crockett

Fletcher Construction (Nouvelle Caledonie) S.A.R.L.
A Brown

Fletcher Construction (Solomon Islands) Limited
A Brown
C White

Fletcher Construction Company (Fiji) Limited
A Brown
J Matthews

Fletcher Distribution Limited
C Bolt
D Fradgley
G Bollman
B McEwen

Fletcher Insulation Pty Limited
C Bolt (R)
J Hollis
G Bollman

Fletcher Morobe Construction Limited
A Brown
K Fletcher
L Mathias

Fletcher Property Developments UK Limited
M August
J Ollard

Fletcher Property Investments UK Limited
M August
J Ollard

Fletcher Property Limited
G Darlow (R)
G Bollman
C Bolt

Fletcher Residential Limited
G Darlow (R)
G Bollman
C Bolt
S Evans

Fletcher Steel Limited
G Bollman
C Bolt
F Irazusta (R)
D Fradgley

FM Holdings Inc.
L Box
M Quint
P Zuckerman (R)
G Bollman
F irazusta

Forman Building Systems Limited
G Bollman
C Bolt
D Fradgley

Forman Group Limited
G Bollman
C Bolt
D Fradgley
G Darlow

Forman Manufacturing Limited
G Bollman
C Bolt
D Fradgley

Formica (Asia) Ltd
C Rawlinson
P Wilson

Formica (China) Trading Co., Ltd
C Rawlinson
P Wilson
P List

Formica (Malaysia) Sdn. Bhd.
J Yang
C Chiu
C Rawlinson
P Wilson

Formica (Singapore) Pte. Ltd
C Chang (R)
C Rawlinson
P Wilson
N Tay

Formica (Thailand) Co., Ltd
W Kunanantakul
S Mahacharoenkeat
C Rawlinson
P Wilson

Formica Canada Inc.
L Box
C Sarrazin
M Quint

Formica Corporation
M Adamson
L Box
M Quint
G Bollman

Formica Danmark A/S
I Delen
U Hector (R)
R Pollington (R)
N Mason

Formica de Mexico SA DE CV
L Box
M Quint
B Strobel
P Foreman

Formica Decorative Materials (China) Co. Ltd
C Rawlinson
P Wilson
P List

Formica Finance Limited
P Hall
N Mason
R Pollington
M Gill (R)

Formica Global LLC
L Box
M Quint
B Strobel
R Rosado Jr.

Formica Holdco UK Limited
P Hall
N Mason
R Pollington
M Gill (R)

Formica Holdings B.V. (previously Formica (Nederland) B.V.)
J Ruurd de Pater (R)
N Mason (R)
L Box
S Lo Ricco

Formica Holding Corp.
L Box
M Quint
P Zuckerman (R)
G Bollman
F Irazusta

Formica Holding GmbH
E Hoernisch (R)
T Ruhnke (R)
H Bender
K Vollmer

Formica Holdings Limited
P Hall
N Mason
R Pollington
M Gill (R)

Formica II Corporation
L Box
M Quint
P Zuckerman (R)
G Bollman
F Irazusta

Formica Iki Oy
I Delen
R Pollington
P Zuckerman (R)
N Mason
L Box
P Foreman

Formica International LLC
L Box
M Quint
B Strobel
R Rosado Jr.

Formica Korea Corporation
T Ren
C Rawlinson
P Wilson

Formica Laminates (India) Private Limited
S Badri (R)
L Box
N Mason
R Pollington
M Adamson (R)
S Bidani

Subsidiary company directors

Formica Limited
L Box
P Foreman
P Hall
N Mason
R Pollington
P Zuckerman (R)
J M De Pater (R)
M Gill (R)
G Bollman

Formica LLC
I Delen
N Mason
R Pollington
A Tsvetov

Formica Middle East B.V.
M Adamson (R)
N Mason
P Foreman

Formica Norge A/S
I Delen
U Hector (R)
N Mason

Formica PSM Limited
P Hall
N Mason
M Gill (R)

Formica S.A. (Spain)
P Hall
H Ruloffs
P Zuckerman (R)
N Mason

Formica S.A.S (France)
N Mason
P Zuckerman (R)
J M de Pater (R)
P Foreman
F Irazusta

Formica Skandinavien AB
I Delen
R Pollington (R)
N Mason

Formica SP.zo.O.
N Mason
P Foreman

Formica Taiwan Corporation
T Ren
C Rawlinson
P Wilson

Gatic Pty Limited
G Bollman
N Sumich

Geoff Brown Building Supplies Limited
G Brown
D Fradgley
B McEwen

Geraldton Independant Building Supplies Pty Limited
P Zuckerman (R)
G Bollman
A Webster (R)
M Kernahan

Graeme Joy Building Supplies Limited
G Joy
D Fradgley
B McEwen

Gravure et Polissage de Surfaces Metalliques
M Adamson (R)
P Hall (R)
N Mason
P Foreman

Homapal GmbH
T Ruhnke (R)
H Bender

HomaTrade GmbH
R Henkel

Home&Dry Limited
G Bollman
C Bolt
F Irazusta (R)
M Crockett

Iplex Pipelines Australia Pty Limited
G Bollman
N Sumich

Iplex Pipelines NZ Limited
C Bolt
G Bollman
M Crockett

Iplex Properties Pty. Limited
G Bollman
N Sumich

John Cockburn Building Supplies Limited
J Cockburn (R)
D Fradgley
B McEwen

Kemsley Fields Limited
D Gibson
J Ollard
R Smothers

Ken Jones Building Supplies Limited
K Jones (R)
D Fradgley
B McEwen

Kenna Building Supplies Limited
L Kenna
D Fradgley
B McEwen

Key Plastics Pty. Ltd.
G Bollman
N Sumich

Kingston Bridge Engineering Pty Ltd
G Bollman
N Sumich

Kinsey Kydd Building Supplies Limited
S Kinsey
D Fradgley
B McEwen

Koning Building Supplies Limited
J Koning
D Fradgley
B McEwen

Kusabs Building Supplies Limited
G Kusabs
D Fradgley
B McEwen

Laminates Acquisition Co.
L Box
M Quint
P Zuckerman (R)
G Bollman
F Irazusta

Laminates Holdings Pty Limited
P Zuckerman (R)
A Webster (R)
G Bollman
M Kernahan

Laminex Finance Pty Limited
D Le Quesne
S Lo Ricco

Laminex Group (N.Z.) Limited
P Zuckerman(R)
G Bollman
C Bolt
F Irazusta

Laminex Group Pty Limited
P Zuckerman (R)
A Webster (R)
G Bollman
M Kernahan

Laminex Overseas Holdings Pty Limited
D Le Quesne
S Lo Ricco

Laminex US Holdings Pty Limited
D Le Quesne
S Lo Ricco

Leary Building Supplies Limited
B Leary
D Fradgley
B McEwen

Macready Building Supplies Limited
J Macready
D Fradgley
B McEwen

Matt Orr Building Supplies Limited
M Orr
D Fradgley
B McEwen

Mico New Zealand Ltd
D Fradgley
G Bollman
C Bolt

Milnes Holdings Limited
G Bollman
N Sumich
S Lo Ricco

Monday Company Limited
D Hargovind (FJ$2,500)
I Jones
A Kumar

Morinda Australia Pty Limited
G Bollman
A Pidcock (R)
P Tudor

New Zealand Ceiling & Drywall Supplies Limited
D Thomas
C Bolt

Ngapo-Kimura Building Supplies Limited
J Ngapo-Kimura (R)
D Fradgley
B McEwen

Northern Iron and Brass Foundry Pty. Ltd.
G Bollman
N Sumich

Paul Robinson Building Supplies Limited
D Fradgley
P Robinson
B McEwen

P.E.R.T.H Concrete Limited
F Leslie

Perstorp Warerite Limited
P Hall
N Mason
M Gill(R)

PinkFit Limited
C Bolt
G Bollman
F Irazusta (R)
M Crockett

PlaceMakers Limited
D Fradgley
B McEwen
G Bollman
C Bolt

PlaceMakers Supply, Fix & Install Limited
B McEwen
G Close
D Fradgley

Polymer Fusion Education Pty Ltd
G Bollman
N Sumich

Rocla Australia Pty Limited
D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla Concrete Pipes Pty Limited
D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla Drilling Pty Limited
D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla Industries Pty Limited
D Le Quesne
S Lo Ricco

Rocla Masonry Pty Limited
D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla NSW Pty Limited

D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla Pty Limited

S Baker (R)
A Pidcock (R)
C Bolt
M Lukban

Rocla SA Pty Limited

D Le Quesne (R)
C Bolt
S Lo Ricco

Rocla Vic Pty Limited

D Le Quesne
S Lo Ricco

S Cubed Pty Limited

G Bollman
A Pidcock (R)
P Tudor

Seabar Holdings (No 16) Limited

G Darlow (R)
G Bollman
C Bolt
D Fradgley

Servicios Formica de Mexico SA DE CV

L Box
M Quint
B Strobel

Shanghai Formica Decorative Material Co., Ltd

J Hu
C Rawlinson
P Wilson
P List

Shed Boss NZ Limited

C Bolt
G Bollman
F Irazusta (R)
D Fradgley

Southbound Building Supplies Limited

A Rance
D Fradgley
B McEwen

Stanley Building Supplies Limited

B Stanley-Joblin
D Fradgley
B McEwen

Steven Marshall Building Supplies Limited

S Marshall
D Fradgley
B McEwen

Stickland Building Supplies Limited

L Stickland (R)
D Fradgley
B McEwen

Stramit Corporation Pty Limited

G Bollman
A Pidcock (R)
P Tudor

Sullivan & Armstrong Building Supplies Limited

J Sullivan
D Fradgley
B McEwen

Tasman Australia Pty Limited

D Le Quesne
S Lo Ricco

Tasman Building Products Pty Limited

D Le Quesne
S Lo Ricco

Tasman Insulation New Zealand Limited

G Bollman
C Bolt
F Irazusta (R)
M Crockett

Tasman Sinkware North America, Inc.

C Bolt

Tasman Sinkware Pty Limited

M Watters
G Bollman

TBP Group Pty Limited

D Le Quesne
S Lo Ricco

Tenedora Formica Mexico, S.A. de C.V.

L Box
M Quint
B Strobel

Terrace Insurances (PCC) Limited

M Eades (£2,500)
C Bolt
G Bollman
K Carten

The Diller Corporation

L Box
M Quint
P Zuckerman (R)
G Bollman
F Irazusta

The Fletcher Construction Company Cook Islands Limited

A Brown
G Bollman
G Darlow

The Fletcher Construction Company (Fanshawe Street) Limited (formerly Delcon Holdings (No. 15) Limited

G Darlow
G Bollman
C Bolt

The Fletcher Construction Company Limited

G Darlow
G Bollman
C Bolt

The Fletcher Organisation (Vanuatu) Limited

A Brown
Diract Limited
Lotim Limited

The Fletcher Trust and Investment Company Limited

G Darlow
G Bollman
C Bolt

Thomas Street Pty Limited

D Le Quesne (R)
C Bolt
S Lo Ricco

Trade Mart Limited

D Fradgley
G Bollman
B McEwen
C Bolt

Unidur GmbH

T Ruhnke (R)
H Bender
K Vollmer

Winstone Wallboards Limited

G Bollman
C Bolt
F Irazusta (R)
M Crockett

Companies Liquidated:

Fletcher Building Netherlands Antilles B.V.

D Le Quesne
N Olson
J Mol-Rozema
E Rakers

Kimura Building Supplies Limited

D Fradgley

Rocla Group Superannuation Fund Pty Limited

J Gardiner (R)
L Box
S Lo Ricco

Rocla Materials Pty Limited

C Bolt
M Lukban
S Baker (R)

Companies Amalgamated:

Fletcher Challenge Overseas Holdings Limited

C Bolt
G Bollman

Forman Commercial Interiors Limited

G Bollman
C Bolt
G Darlow

Forman Insulation Limited

G Bollman
C Bolt
G Darlow

Investor information

ANNUAL SHAREHOLDERS' MEETING

The annual shareholders' meeting of Fletcher Building Limited will be held at The Great Hall, The Arts Centre, 2 Worcester Boulevard, Christchurch, at 10.30am on Tuesday 18 October 2016.

FINAL DIVIDEND INFORMATION

The company has declared a final dividend for the year of 20 cents per share payable on 12 October 2016. This is in addition to the interim dividend of 19 cents per share paid on 13 April 2016. The final dividend has imputation credits attached at a 28% tax rate. There are no Australian franking credits attached.

DIVIDEND REINVESTMENT PLAN

Fletcher Building shareholders (excluding those in jurisdictions where the issue of shares is not permitted by law) can participate in a Dividend Reinvestment Plan, under which they have the opportunity to reinvest their dividends in additional shares. To participate, please contact the share registry. The Dividend Reinvestment Plan will operate for the FY16 final dividend.

FURTHER INFORMATION ONLINE

Details on Fletcher Building, its governance policies and its operations for the year ended 30 June 2016 can be viewed on the Fletcher Building website at fbu.com. This website contains all announcements to NZX and ASX and financial presentations made by the company.

SHAREHOLDER COMMUNICATIONS

The company is not required to send printed copies of the annual report and half year review to shareholders. Instead, Fletcher Building sends an annual snapshot, which is a summary of the company's operational and financial activities for the year. Shareholders can view the annual report and half year review on the company's website. In addition, shareholders have a right to receive a copy of these reports on request.

DIRECT CREDITING OF DIVIDENDS

To minimise the risk of fraud and misplacement of dividend cheques, shareholders are strongly recommended to have all payments made by way of direct credit to their nominated New Zealand or Australian bank account. This can be done by simply giving the share registry written notice.

SHARE REGISTRIES

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

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

Directory

REGISTERED OFFICES

NEW ZEALAND

Fletcher Building Limited
Private Bag 92 114
Auckland 1142
New Zealand

Fletcher House
810 Great South Road
Penrose, Auckland 1061
New Zealand
T. +64 9 525 9000

AUSTRALIA

Fletcher Building Australia
Locked Bag 3501
North Ryde BC
NSW 1670, Australia

Level 4
68 Waterloo Road
Macquarie Park, NSW 2113, Australia
T. +61 2 8986 0900
ARBN 096 046 936

SHAREHOLDER ENQUIRIES

Changes of address, payment instructions and investment portfolios can be viewed and updated online: **investorcentre.com/nz**

Enquiries may be addressed to the Share Registrar, Computershare Investor Services:

NEW ZEALAND

Computershare Investor Services Limited
Private Bag 92 119
Auckland 1142
New Zealand

Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622
New Zealand
T. +64 9 488 8777
F. +64 9 488 8787
E. enquiry@computershare.co.nz

AUSTRALIA

Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne, VIC 3001, Australia

Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067, Australia
T. 1800 501 366 (within Australia)
T. +61 3 9415 4083 (outside Australia)
F. +61 3 9473 2500

OTHER INVESTOR ENQUIRIES

Fletcher Building Limited
Private Bag 92 114
Auckland 1142, New Zealand
T. +64 9 525 9000
E. moreinfo@fbu.com

COMPANY SECRETARY

Charles Bolt

OTHER INFORMATION

www.fbu.com

insightcreative.co.nz FLE031

Fletcher Building