

# Question and Answer

## Unknown Shareholder

Can you hear me?

**Ralph James Norris**

*Former Independent Chairman*

Yes, I can.

## Unknown Shareholder

My name is Martin Geary [ph], I'm a shareholder. Sir Ralph, I've got a few quick questions to you and to the Board. And that is, that you said that the earnings per share was a very satisfactory \$0.392 per share. Is that correct?

**Ralph James Norris**

*Former Independent Chairman*

I think the earnings per share were higher than that. I think you -- we have a figure of around \$0.58, is it? The dividend was -- is \$0.37 a share, which is an increase on \$0.36 per share from last year.

## Unknown Shareholder

Earnings per share, basic cents per share, \$0.392

**Ralph James Norris**

*Former Independent Chairman*

That will be before -- yes, after external.

## Unknown Shareholder

I think this was a very satisfactory -- then, if I look back over a few years, you mentioned that you shouldn't just take 1 year, that we should take a longer term, of course. I can compare \$0.392, which apparently to this particular Board, is a satisfactory figure. And I compare it with: The year 2006, which was \$0.813; the year 2007, \$1.019; the year 2008, \$0.982. As a representative of the owners of this company, you and your Board, would you like to comment a little more about why you think that \$0.392 is very satisfactory?

**Ralph James Norris**

*Former Independent Chairman*

I think it's fair to say, and I think this discussion was had at last year's Annual General Meeting or Annual Shareholders Meeting, with the previous Chairman, Mr. Ralph Waters, was the fact that the business has obviously changed quite significantly from what it was in 2005, 2006, 2007, 2008. We've had a significant economic downturn around the world, obviously based on the back of the global financial crisis. We've seen a situation here, I think, in regard to the portfolio of companies that we operate, where certainly the deadweight drag of the Australian investments has caused a significant reduction in the performance of the company over recent years in particular, and certainly management and the Board had been very conscious of the fact that this has not been an entirely satisfactory situation or in fact an entirely unsatisfactory situation. We have gone about working to overcome those issues in the portfolio by obviously, as you've seen, exiting businesses that have failed to perform as was expected at the time those acquisitions were made, particularly in the period 2010, 2011. And certainly, that is something that has obviously caused the Board and management some angst, and there is a lot of work going on to obviously remedy that situation.

## Unknown Shareholder

Of course, it's an unsatisfactory situation that this Board has presided over. It's unsatisfactory as well, because New Zealand has been let off fairly lightly over the downturn. And we have had all the extra work of the Christchurch situation to fill in that gap. I'm glad you now see this has been unsatisfactory.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, sir.

Sir?

**Unknown Shareholder**

Hi. My name is Gary Bryant [ph] , I'm a shareholder. Just got a few questions on the word community, and it's associated with your review, and also your charter for the safety health environment and sustainability committee. So Kate might like to answer this. Under Point 36 of your charter, under sustainability, there is the words under Item A or Section A, community engagement. Can you explain to me what community engagement means, in relation to this committee?

**Ralph James Norris**

*Former Independent Chairman*

Certainly. As far as the committee is concerned, the committee is concerned about the company's interactions with the community, with the fact that we as an organization are part of the community. We work in the community. Our people that work in the organization are part of the community. And certainly, we are involved in a significant amount of consultation with different areas of the community, with the various activities that we, as an organization, undertake.

**Unknown Shareholder**

Right. Could you give me an example of where the involvement from the Board has happened in the community in Auckland?

**Ralph James Norris**

*Former Independent Chairman*

Well certainly, I have been involved in community consultation on specific issues. So I, obviously don't want talk in detail, but certainly around the development plans that we have for the land in Three Kings, for example, is an area where I've personally been involved.

**Unknown Shareholder**

Right. And Mark said in his -- was it Mark, or was it you? I can't remember, about master-planned communities.

**Ralph James Norris**

*Former Independent Chairman*

That was Mark's, what Mark spoke [indiscernible]

**Unknown Shareholder**

So master-planned communities, where?

**Ralph James Norris**

*Former Independent Chairman*

I'll ask Mark to talk on that in little bit more detail.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

I think historically, one example of a planned community would be our Stonefields development, which is coming to an end. I mentioned an ambitious plan of development opportunities across both Auckland and, to a lesser extent, in Christchurch. Three Kings would be one of them. There are various others in the program.

**Unknown Shareholder**

So what are Three Kings, so continue with that. So the master plan for Three Kings is where?

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

I'm not getting your question. What do you mean?

**Unknown Shareholder**

The Three Kings work that Fletcher's done there, have a master plan just for themselves, not for the community? So there is a lot going on in that community?

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Of course there is. Know that the planning process for Three Kings has been an exhaustive one over a number of years. We have consulted extremely in detail. We've had 2 open days that I'm aware of. We've gone through all of the normal planning consents, which, here in Auckland, as you might imagine, are quite rigorous. Only last week, we had approval for a land swap with Three Kings, so there's been a huge amount of work in terms of consultation and visibility of that consultation and the master plan to which I refer.

**Unknown Shareholder**

Right. So why is the Puketapapa Local Board disappointed in Fletcher's performance and the planning they've done and what they were offered, and the consultation they carried out with the community?

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

I think it's as well remember that consultation is just that. It isn't negotiation. We have our responsibility to the shareholders who own that asset, to develop it. We have a responsibility to the larger community of Auckland to make 39,000 houses in the next 3 years, and not make enough progress as a building community towards that. So our obligation is to consult. It is not to negotiate.

**Unknown Shareholder**

Right. So with the consultations being done, could have been done better, in my opinion. And I would like to see, for the year 2016, this board take on more community involvement because if you bring the community along, not be having cold cases or legal challenges or whatever, so you won't be cutting into our profit as shareholders. So I think it's important that you, as a Board, do seriously take on the responsibilities that you have in communities, because at the moment, it's not there.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Well, look, we have one of our vision and values discussed is getting better every day, so I would never sit here and say we're perfect at anything, and I'll take your point on board in terms of that community involvement.

**Unknown Shareholder**

It'll be seen at the next AGM.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Thank you. Kate, would you like to make some comments?

**Kathryn Dianne Spargo**

*Former Independent Non-Executive Director*

[indiscernible] And I was going to say a little later in the meeting that, and I suspect the reason you suggested I might like to comment is, because we have established, as Ralph said, a committee to look at safety, health environment and sustainability. And the reason for the establishment of that committee is so that we can look, as a board in more detail at those various aspects of the operation of the business and how we do relate to both the people who work with us, but also of course, in terms of environment and sustainability, those who we interact with and might like to interact with. And in terms of the concept of sustainability and community engagement, the reference to that is partly about consulting in terms of particular activities, building and so on, that we might engage in. But it's also a broader concept, some of you may be familiar with the concept of what is often called corporate social responsibility, or has other have a term to describe it, which really is a move to a greater engagement with the whole variety of communities that we feel are ones we touch, or ones we would like to touch. I think you'll find that by next year, we'll be able to report some further activity in that area. And certainly, the committee is very focused on making sure that we are very constructive in that area. In the report that the, building together better, that's not the annual report, but it's the associated report, there is a -- it's the annual review report, on Page 30. We have listed some of the things that I would put into that category of engagement and community responsibility around things like being involved in prostate cancer organizations, just some activity in Australia, with surf lifesaving and so on. Those are just examples of some of that type of activity that I think we would like, in our committee, to become more targeted, more specific about how we do more broadly engage.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, Kate. And just -- can I just clarify the point around the earnings per share? The question was asked as to what the earnings per share were or the -- and the point was made that the earnings per share were \$0.394 per share. The earnings per share, excluding significant items because the significant items are not a cash item. The earnings per share were \$0.58 per share on a cash basis, excluding significant items. So that's where the difference is, between \$0.39 and the \$0.18 -- \$0.58, so I just wanted to clarify that point.

**Unknown Shareholder**

Thank you very much for clarifying that. I understand. Okay. I understand that...

**Ralph James Norris**

*Former Independent Chairman*

[indiscernible] it is going.

**Unknown Shareholder**

Yes, thank you for clarifying that. I understand that there was some exceptional items you just talked about such as with Crane and things like that. I'd just like to point out though that these businesses such as Crane were originally bought during this bad period.

**Ralph James Norris**

*Former Independent Chairman*

Correct.

**Unknown Shareholder**

And so we are suffering from -- still from bad performance or bad oversight by this board over that period of time. Is that correct?

**Ralph James Norris***Former Independent Chairman*

Well, I think it's -- I don't think I would agree with that. I would suggest that there have been economic conditions that have come into play, particularly in Australia. If we look at the Australian economic performance over the last 2 to 3 years, and we have seen the significant inwards migration of New Zealanders back from Australia as indicative of the fact that the economic situation there has not been as strong as was expected at the time that those businesses were purchased back in 2010.

**Unknown Shareholder**

Okay. So is it bad strategic judgment by the board at that time?

**Ralph James Norris***Former Independent Chairman*

I don't think -- I wasn't at the board at that time to make that decision. But I have to say that from my perspective, the fact of the matter is that sometimes timing is your worst enemy. Excuse me, there's a gentleman at the back. [indiscernible] sorry.

**Unknown Attendee**

A lady. Sir Ralph and board members, I've got 2 questions, which arise from the comments you've made this morning which and then the information has been very interesting. My first brief question is you expect to invest \$160 million in land purchases in the coming year. I just want to know whether that's coming from borrowings or I would imagine it's coming from capital that you already have.

**Ralph James Norris***Former Independent Chairman*

It will be a mixture of both capital and borrowings. But certainly the company has policies around its lending policies to make sure that obviously, is not overgearing the company and certainly, our views around land will be a common -- the funds that will be used to purchase land will come from a combination of cash on hand, from sales of other assets and obviously, we will be selling houses that we've already built on other lands. So some of that will be reinvested back into the purchase of further land.

**Unknown Attendee**

I guess, I was hoping that actually the company would have enough liquid capital, so that it doesn't have to borrow. However, I'll look at the accounts more closely later. The second question I think is interesting too, it disturbs me that you've had site closures in the last year that cost you \$65 million. That's a lot of -- that's a big slice of potentially, I know it's in hindsight, but if this is going to continue or I hope it will not continue, but are you prepared or anticipating any site closures in the next coming year? And if you are, are we looking at another \$65 million site closure losses?

**Ralph James Norris***Former Independent Chairman*

Certainly in every accounting period, we will look at the assets that the company has that are income obviously, generating assets to assure ourselves that they have the potential to earn appropriate returns on those investments. And where there is a situation where the asset is impaired given that it is not capable of continuing to earn at an appropriate rate of return, then the asset will be effective -- will be written down to reflect the real value of the asset. So I can't give you a commitment here today that looking out into the future that, that will never happen again. But certainly it's a process that we go through. Obviously, work with our external auditors to make sure that we are acting appropriately in regard to the management of the assets that make up the business and ensuring that those assets are appropriately valued.

**Unknown Attendee**

Yes, I understand that is obviously, an ongoing month-by-month, year-by-year process depending on the market conditions overseas or even in New Zealand.

**Ralph James Norris**

*Former Independent Chairman*

Yes. Thank you.

**Unknown Shareholder**

My name is Nikki, I'm a small shareholder. I'm an ex-worker of Fletcher's company. I am a resident of Humana[ph] and I'm also a member of the sole group that is trying to critique our unique landscape. I'm not here to cause trouble. I was just wondering if you have really, really looked into some of these SHA[indiscernible] areas. I'm a local resident out there and found out about the housing development that you are planning through 3 little old ladies who came to look down at a little house that was for sale down our way. They got strawberry farms and lemons off me. We live very simply and then plus I said, "Oh, you don't want to look down here, darling." And I said, "Oh, it's all right we'll just wait for Fletcher's development to come in." It was a real shock for me to hear that. The Otuaatua Stonefields is a historic archaeological not just a moley 800 years with our history but European, strong European farming history on that land, and the small piece that you are looking at purchasing is like the last piece of the jigsaw puzzle for us to maintain those Stonefield and keep them for all of New Zealand. Our history is so young to build house, yet to build houses there it's just -- I just can't even quite understand. We have put some viable land swaps as you see it, and land swap with Three Kings I used to work at their site. So I'm aware of that. And the people at Three Kings, the consultation I'm not sure I've worked there, part of my job was to keeping with the community was to make sure that our company was sticking to our end of the bargain, what we did say we would do in the community, so there are parts of the community consultation has been reasonable. But I daresay like the Three Kings people, I am now going to be one of those not so happy residents and I will be vocal and I will be all of that. So I do hope that the board does come forward and look a little bit more deeply into -- I know the housing is an issue but so is green space, so is our heritage. Can we please just think about that before we build these 480 multistory houses on such a sacred land? And come and visit the Stonefields. If any of you have ever been to Ambury Farm to see your family, the Fletcher family fleet which packy pack[indiscernible] to you there's not a lot of companies that even give family days. And it is a great day, I've been going to it for years. But this year it's at Ambury farm again. Now many years ago, the community in Manawatu bridge had to come together to save Ambury Park from developers. And now on Ambury farm day this year, we had over 30,000 Aucklanders come to Ambury Farm. And if you'd like to come on a weekend, you'd see thousands of people that use that farm and with Otuaatua Stonefields, however, that is the historic site where a lot of people come just to chill out, just to have a look to remember what things were. Please don't take it away. Please look at the viable land swap that we have put forward. If you need to know anything else, we have really a good website. We're not here to cause trouble, we really do. I did hear you say negotiation consultation. We know that you are consulting with the Ewi[ph] out there but there's also a wider community, a very European community as well, that would like to have a say but with the special housing accord that you've pushed it through there is no say, and that is really, really not right. That's not community minded. I know we need it.

**Ralph James Norris**

*Former Independent Chairman*

Thank you for so eloquently making your case. I'm well aware that there is a -- obviously, this is an issue. And certainly from Fletcher's perspective, we have been obviously consulting with local Ewi [ph] in the area. And the Manafineway[indiscernible] and certainly to date with the 2 groups that effectively defined as Manafineway[indiscernible] in that area have been supportive of the company's initiatives or planned initiatives out there. Now obviously this is still an issue or a project that is in process and certainly, there will be a consent hearing or a consent hearing is scheduled for February. And certainly, I'm sure that your particular group will obviously make your claims at that particular consent hearing. But certainly, I understand and have been told by management that we have gone through a very significant consultative

process with the [indiscernible] in the area, and they tell me that they are supportive of the company's approach. So thank you. Next question?

**Unknown Shareholder**

Carly Vankempt, shareholder. And before your time, Sir Ralph, Fletcher's tried to build a stadium on the waterfront and we stopped that, so I do support this last speaker. If you can find other land to do it on, that's far better. The elephant in the room today for me is the convention center that you've got the contract for. I'm absolutely amazed that you just shoved it in with a couple of other contracts in your \$3.4 billion without excitedly telling us about this wonderful contract that's going to raise the profit of LSU[indiscernible] of Fletcher. Could we have some details about it? Have you been engaged in the actual planning? Or have you -- are you in the resource consent process? When might it be started? Where all your labors, builders coming from, et cetera?

**Ralph James Norris**

*Former Independent Chairman*

I'll pass that one over to our Chief Executive, Mark.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Well, my apologies for not appearing excited but a couple of weeks ago, I had coffee with the CEO of SKYCITY downstairs to celebrate the award of that contract and trust me, we were very excited. It's not just a big project financially, albeit we will make a reasonable return for the shareholders. It is an iconic project. This is the third time, I think, it is that we've been on this site, obviously the Sky Tower itself was constructed by Fletcher. So we're beyond that transcends the pure financials, we're really excited to be involved and thank SKYCITY once again for that. We've been bidding on this contract, certainly, for all of my time in the chair for 3 years. Obviously, we had a little bump in the road halfway through with the government's involvement or withdrawal in involvement. And that challenged SKYCITY, we jointly went back as did the other developers, who were unsuccessful to reengineer the bid. I believe there's website with the details on that you could visit in terms of the first plan for the next 2 to 3 years as we build that. But it isn't the only development and project that we've won recently. We were awarded the contract to build the precinct properties just down the hill from here, which again will change the face of that part of town. We have been awarded a number of roading projects, another prison project. It is really healthy times for Fletcher Construction. And as I said, that backlog that we talked about is nearly double what it has been at any time in Fletcher's previous history. So that will certainly challenge the management sitting in front of me to make sure that they can execute that well, safely and profitably. But we are genuinely excited about all of the activity that we have in the pipeline.

**Ralph James Norris**

*Former Independent Chairman*

Sir, there's a microphone here.

**Unknown Shareholder**

My name is Richard Bellamy, I'm a small shareholder of long-standing, long enough to remember when the share price was above \$10, in fact. But quite some time ago, I'd just like to congratulate the board on establishing the corporate responsibility committee because I think that's been a serious lag in the past and I think that's an excellent move. But the question I have for you is as a board is what mechanisms do you have in place to check that the information you've provided with is accurate? I'm sure if we had in front of us the board of Volkswagen today, they would have expressed prior to a recent incident their total confidence in the reporting they get from Strauss. And I'd just like to mention 3 things that raise doubts in my mind, as to whether sometimes the information you may receive is totally accurate. First of all, there's the unfortunate -- well, the impact of on, if you like, company reputation, I think it's really potentially very serious. There was the asbestos issue in Christchurch, where shareholders received no real communication from the company as to the substance of that matter. There were the unfortunate comments by senior executive about Irish workers that sweat around the globe and brought the company's reputation into

question. And then finally, sadly, for a relatively small sum of money in terms we're talking about today, I think, \$10 million there was the incident where somebody in the company structure felt understand the necessity to mix cement building aggregate and water in the correct proportions, thereby affecting the Waterview and University of Auckland projects. So the question is perhaps Kate could comment what protocols are in place to ensure in a rigorous way that the information that's passed up to you is correct? And I could just add a personal experience. I know of information that's been passed to you with respect to Three Kings and consultation that is incorrect that's an area I've been involved in many years. And it's very disheartening to see statements in hard copy that are technically untrue.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, Mr. Bellamy. Kate, would you like to make...

**Kathryn Dianne Spargo**

*Former Independent Non-Executive Director*

Thank you very much for the question or the comments. And I'm pleased that you're pleased that we've introduced the committee because it does give us the opportunity to look more carefully at all of these sorts of issues that the committee was focused on and some of which have been raised today. In terms of accuracy of information, it's always a challenge for any of us in any context to get accurate information. And the board, of course, to some extent, the company, is only as good as the information it gets and the scrutiny, and the rigor deals with that information. In terms of how the committee will go about trying to challenge and ensure that information we get is as accurate as it can be, we -- I can only say that we have processes whereby we get information out from management, we challenge that, we expect verification of it. We expect further information if we don't think it appears to quite hold together as we would want or if there's not enough of it, that's part of the role of the board is to try to challenge -- constantly challenge to try to make sure that you know the correct story and all of the correct story, and so I'll be doing what I can to make sure that we have accurate information. The few -- the issues that you mentioned with the issue around the cement mix, we certainly discussed at the committee and are looking at processes to ensure that, that type of incident is either reduced or doesn't occur. It's an ongoing process I think it would be fair to say to try to make sure that all aspects of the business run perfectly smoothly. But we will be doing all that we can to make sure that we've got the information as accurately as we can to try and achieve that.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Perhaps I can add to that, Mr. Bellamy. In terms of running Fletcher Building, you'll be aware how large and complex it is. I think as we sit here today either on contract or in full employment, we have nearly 30,000 people operating in 40 countries. And I think there's 2 elements to try and assure you that we get the visibility that we need. One is as Kate says, classic governance and reporting. But I think with the best rule [ph] in the world you do need to cement backed with integrity and quality of management, and 1 of the 4 pillars that I talked about was playing fair. And we've put a lot of emphasis within the business on making sure that all of our individuals know the standards that we expect and it will apply your decency, honesty, how they engage one another and the community. I think the specifics of those things that you raised, I smiled when I saw Graham Darlow's interview, because up till that point Graham was our point guy in Christchurch, had been for 4 years, had gone through some extremely tough interviews, both radio, TV and news and have not put a foot wrong. I can speak from personal experience understanding the trials and tribulations of tending to the media. And Graham has done a tremendous job over that period of time. One whimsical comment and the social media as you said, took it around the world. He is subsequently dealt with that, with our community internally and the broader community of Christchurch I think very, very well. I think in terms of the cement issue that was extremely unfortunate as you said, we've been mixing cement for many years and we didn't do ourselves proud that day. It was a mechanical failure that has been investigated by the manufacturer of the machinery. I think what we were -- it pains to do, however, when something goes wrong like that is to be seen to put it right and to represent the values of Fletcher Building. We stood behind every single cube of concrete that we supply. We removed them at our own cost, we provided alternatives, and we made sure we stayed very close to a range of



customers from driveways that dare to, as you mentioned, the larger projects. And we spoke to a lot of them personally, and they are very satisfied with how he responded. And I think sometimes in life you have to accept sometimes things go wrong, and you are judge more by how you deal with the necessarily -- the incident in the first place.

**Ralph James Norris**

*Former Independent Chairman*

Would you mind comment on the asbestos?

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Yes, in terms of the asbestos, it is a product that has plagued many, many manufacturing process and building processes around the world. It is true that in the early stages of the Christchurch repair, and I think we almost remember those early stages were not happy times for anybody down in Christchurch. We were asked to do an incredible task down there with no notice at all. We put as much governance as we could around that, at that time. And in the early days, there were a number of our houses where the testing regime wasn't what we would have expected. Again, it was how we responded to that. We have dealt closely with those homeowners and indeed with the government and the agencies who have defended our situation and our response to that. So as I said, being part of Fletcher Building isn't about we always get everything right, but it's about how we respond to that. And the fact that we've been here 105 years and we'll continue to stand behind our people, our products and our services, I think, in the end enhances our reputation.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, Mark. Any further questions? Sir? Thank you. #5.

**Unknown Shareholder**

Is that on yet? That's on now. Mr. Chairman, this is a totally different question or a totally different comment. Just recently, the Consumers Institute did a survey on building supplies shops or businesses selling building supplies and so on. And your PlaceMakers came out pretty much at the bottom, Mitre 10 nearly at the top, so I know that Mr. Adamson mentioned [indiscernible] they'd put in to ensure basic consumer satisfaction. And I wondered if he or you or somebody, Mr. Carter perhaps even might comment, please. [indiscernible], I'm a shareholder.

**Ralph James Norris**

*Former Independent Chairman*

Thank you. I'll ask Mark to address your question.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Thanks for that question. I did see that, and we did have a conversation with the management team who was sitting in front of me, of the PlaceMakers. The Mitre 10 business model is a retail model. It is dealing with consumers. You buy your potted plant, your mop, your bucket, that is not PlaceMakers' model. PlaceMakers' model is to support the builder holistically across the opportunities we have with that builder. That survey was a survey of retailers and judge people on the basis of their retail experience. It is not a survey of our core constituency. Over 90% of our supplies out of PlaceMakers are to tradesmen. I referred to our new service proposition where we're scoring an extremely highly with the tradesmen. And I think really people vote with their feet and with their wallets. And we've seen our share of wallets with large builders in New Zealand extends to beyond 50% this year and a significant market share growth in that field. So our business model is targeted to tradespeople in servicing and supporting those tradespeople. Not necessarily the metrics that were judged in that survey.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, Mark. Next question? Sir, #2.

**Unknown Shareholder**

Gordon Wallace, shareholder. I heard Mark say it's how we deal with the problem afterwards. You'll notice this meeting is quite about what Fletcher is dealing with and that seems to be that - there's seems to be a hell of a lot of problems that have happened in the last 12 to 2 years. Now the crazy thing about all of this, as you say here, the profit's up but we've got here significant items. And you know yourself you may do well on one area, but you are writing off so much in others. You say you've got 30,000 people to think of. Well, is it you're too big? Because at the end of the day, I remember a time, 2 years ago, you said when you took over and that chap said there, about Crane, we'll have \$50 million worth of savings. Every time, I lately, I've -- I never spoke last year because I thought look, give yours a go. But how is it then that this year, you're saying you're going to have savings of \$100 million, yet you talk of a profit of like this year \$400 million but then there's significant items. There's always something that's going to be written off, and that's not just a \$2 million. You're talking millions. So you might have a part, a big amount of people the working for you but in the end of the day, what is the use of buying a business that is losing money, and you're saying well because of the conditions, it's in Australia or whatever. You just sold that Rocla business in Australia because of the concrete, it doesn't fit in. But you've got a good price for that, okay? But it isn't amazing you're saying about housing in New Zealand you've done 300 houses, and you're doing well. But it's like that lady back there saying, we've got to make contingencies for \$60 million for another problem. I'm just saying that you seem to say how well we're doing, and it looks good up there, its bit like SKYCITY, it looks really good. Look, brilliant building. Looks pretty good actually after all it can buckle, but you haven't started it yet. But are you going to make any money on it? Because at the end of the day, a lot of these other businesses or what you've tendered for is a bit like the Waterview. You talk of that business coming to an end and has gone well, I hear it even finished ahead of time is that -- except the tunneling, is that right?

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

It was on time.

**Ralph James Norris**

*Former Independent Chairman*

On time.

**Unknown Shareholder**

Yes, right. Everything -- look, but is it going to make any money?

**Ralph James Norris**

*Former Independent Chairman*

Yes.

**Unknown Shareholder**

Yes, well, I've come up here for the last couple of years and I hear here significant items. Looks good, you've made \$0.58 per share but something's wrong. You can't keep on saying that's the problem. That's all. And I mean, it's a bit like you're saying with that -- with the concrete or that person brought up about the concrete. End of the day, on some of those projects, you were right, you had to go in. I remember on those pillars, going over the motorway, I heard it was about \$20 million just to pour one of those out and then put in again. I don't know because but I know you can tell us but I noticed you don't talk about it. Nothing is said about it. What it's actually cost, it's nothing in the items to sort of say, "Look, we're going well on here." Even though we've had a problem we've been -- look, you said just now we've got very happy clients because of what you've done. But we don't hear that. We don't hear what has happened over it until we come now. And I know with the Waterview one, I know they're not happy because that

concrete's gone into the ring. How are you going to take that out? End of the day, is there insurance on it? Do you get covered for it? Because...

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

Can I try and answer your questions? Otherwise we'll lose the plot. In terms of the ring, no concrete went into the ring. The rings were produced off-site in Taranaki, and went nowhere near the faulty concrete that we have for that. And I can assure you because I was with the clients, the clients are extremely happy. That is a phenomenally complex piece of engineering, \$1.3 billion, 2.7 kilometers in both directions and in terms of bringing it on time, I think it was 2 millimeters out of true, Graham. That's been a great success and to the Chairman's point we have made money. I think in terms of the write-offs that clearly frustrate us all, to be perfectly honest. I can account for my time in the job where I'd made not one single acquisition, and I've spent most of my time, as has the management team, trying to make sense of the portfolio and drive the performance of all of those assets in the portfolio, most of whom as I've mentioned in my presentation have now reached levels of performance last seen in the 2005, 2006 period. Now it is true to say that some of the assets in terms of the time that were bought and the price they were paid for, we not -- we can no longer carry them in the balance sheet and the accountants compel us to write those off. Those assets were purchased 10 years ago. We are compelled to do that. I have to deal with what we have today, the people and the assets, and I can tell you that most of the people are happier now than they were 3 years ago. Our engagement score says that. Our net promoter score from our customer feedback is improving. Our profitability is not improving, maybe as fast as any of us would like, but it will continue to improve based upon some of the performance measures that we put in place. So trust me, I share your frustration as is the board, in terms of the recognition of some of the past acquisitions. But we can deal with what we have in front of us today. And I think we're all very positive that we can continue to drive this business forward.

**Unknown Shareholder**

I know you want to, but at the end of today, it still comes back to the context [indiscernible].

**Ralph James Norris**

*Former Independent Chairman*

Excuse me, I mean, I think you've made your point. I think this is a situation where you can ask the questions. But I think I just want to make one correction. You made a comment about a woman out the back making a comment about a \$60 million provision. I mean, a contingency -- the \$160 million relates to the acquisition of land for our Fletcher Residential business, it's not a contingency. It's a planned acquisition.

**Unknown Shareholder**

Okay. I'm sorry.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

And you also referred to the sale of Rocla Quarries where we got a full price as we've referenced. And this year, that will actually generate a positive unusual. So...

**Unknown Shareholder**

Well, I didn't go negative on that, did I? That wasn't too bad.

**Mark Duncan Adamson**

*Former CEO, MD & Non-Independent Executive Director*

No, I noticed that. You balanced at least, I'll give you that.

**Unknown Shareholder**

Well, I gave you 5%.

**Ralph James Norris**

*Former Independent Chairman*

Do you have any more questions, sir? One more question before I pass on to others. Thank you.

**Unknown Shareholder**

No, the only other thing is I see yesterday that \$0.5 million options have come up. Can anybody answer that, please?

**Ralph James Norris**

*Former Independent Chairman*

If you go back to the 2012 Annual Shareholders Meeting, an approval was given.

**Unknown Shareholder**

So that's to do with them, it's 3 years ago?

**Ralph James Norris**

*Former Independent Chairman*

No, 3 years ago. Can I finish and provide you with an explanation? Back in 2012, the board made the decision to award \$1 million options to Mark and they were in 2 tranches. One was in \$500,000 in 2012 and another \$500,000 in 2015. And those were approved as part of the remuneration report back in 2012.

Any further questions?

Well, thank you. We'll now move on to voting on the resolutions. This year, we have introduced electronic voting and appointment of proxies for shareholders. The deadline for postal votes by post and electronic lodgment was 10:30 a.m. on Sunday, 15th of November. Approximately 50% of shareholders participated in voting, did so by electronic means. When you registered for the meeting, you would have been given a white plastic smartcard. If you have not already done so, please insert your card into the slot at the top of the handset with the barcode at the bottom and facing towards you.

When inserted correctly, a welcome message will appear briefly on the screen. Then you'll be returned to the holding screen where your name will now appear at the top of the display. Once voting begins, your voting options will appear on the handset screen. To vote for the resolution, press 1. To vote against, press 2. Or if you wish to abstain from voting, press 3. Your selection and the word received will appear on screen confirming your vote has been cast.

If you wish to change your mind, simply select a new option by pressing 1, 2 or 3. Your original vote will be canceled and your new selection will be counted. If you wish to cancel your vote and have no selection recorded, press the X button. Any appointed proxies should vote in the same method. That is to press 1, 2 or 3. This will cast any open votes you have available.

Any proxies given to you by the shareholder will automatically be cast as directed when the poll is closed. Once the poll is closed, the results will be displayed on the screen showing the combination of votes cast in the room and postal votes received prior to the meeting.

In order to familiarize yourself with the voting system, I will now run through a test resolution. Today's test resolution is that we have sunny weather for summer. Yes, I think this was prepared a couple of days ago. To vote for the resolution, please press 1. To vote against, press 2. Or if you wish to abstain, press 3. If anyone has an issue with their voting device, please raise your hand and a representative from our registrar will come to assist you.

[Voting]

**Ralph James Norris**

*Former Independent Chairman*

I can see on the monitor in front of me that most of you have now voted. I'll keep the poll open for a few more seconds to ensure we capture all your responses. I now declare the voting closed. The results will now appear on the screen. On that basis, the resolution would have been passed.

I advised at the beginning of the meeting that we will vote on the resolutions by way of a poll. All shareholders and proxy holders present are entitled to vote on each resolution. Any undirected proxy votes given to any Director will be voted in favor of the relevant resolutions.

I will begin with the election of directors. There are 3 directors to be considered for election or reelection and each must be considered separately. Steve Vamos was appointed to the board during the year and is required to stand for election at this meeting. John Judge and Kate Spargo retired by rotation and offered themselves for reelection. All 3 directors standing for election or reelection are eligible and do so with the full support of the board. Each of these directors will make a short presentation. We are, however, happy to take any questions from shareholders. I'll ask -- now ask Steve to come and speak in support of his election. Steve?

**Steven M. Vamos**

*Independent Non-Executive Director*

Thank you, Chairman, and good morning, ladies and gentlemen, and thank you for this opportunity to outline the experience I bring to the Fletcher Building Board of Directors. As Ralph mentioned earlier, I was appointed to this board as Non-executive Director in July this year. I also serve as a member of the board's audit and risk committee.

I'm a Director of Telstra Corporation and have been since 2009. And I also served on the advisory Board of the Business School at University of Technology, Sydney. I previously served on the boards of Medibank private and David Jones, and I have over 30 years' experience in the information technology, online media and online advertising industries. I've held senior management executive roles with IBM, Apple and Microsoft Corporation.

I've held roles with responsibility for business in Australia and New Zealand and more broadly roles with a responsibility. I've experienced significant transitions in a technology industry over the past 30 years. From the age of the mainframe, the minicomputer to the postal computer and the Internet. And I've experienced many of the successful and failed transitions of companies I've worked with and competed with. And it's clear to me that as technology becomes more ubiquitous, all industries now confront the disruption and unprecedented change that we -- and pace of change, that has characterized the IT industry.

I've got a strong belief that the more prevalent technology becomes, the more the human dimension of business matters. No, it's not technology that innovates and it's not technology that is disrupting. It's people using technology who do so. So organizations won't change or do things differently unless other people think and act differently. And it's this capability of leading and adapting to change that I think is now the critical capability for all businesses, large and small. It's an area of particular interest to me, and it's an interest to me and my work as a Non-executive Director and a perspective that I look forward to bringing if elected, to Fletcher Building. Thank you very much.

**Ralph James Norris**

*Former Independent Chairman*

Thank you, Steve. I move that Steven Vamos be elected as a director of the company. Are there any questions? I now declare voting open on resolution 1, that Steven Vamos be elected as a director of the company. Please enter your vote by pressing 1 to vote for, 2 to vote against and 3 if you wish to abstain.

[Voting]

**Ralph James Norris**

*Former Independent Chairman*

I can see on the monitor in front of me that the majority of you have already cast the vote. I'll leave the poll open for a few more seconds. I now declare the poll closed. The results will now appear on the

screens. On that basis, I declare the resolution passed. I now ask John Judge to speak in support of his election.

**John Frederick Judge**

*Former Independent Non-Executive Director*

Thank you, Ralph. This is the fourth time I've appeared before you to get voted in the last 7 years because of the peculiarity of how the process works, so I will be exceptionally brief, as I'm sure you don't need the repetition of what I've said before.

I continue to enjoy the challenge of preparing for and contributing to the board discussions and decisions, and to chairing the audit and risk committee, along with the other members of that committee having responsible -- responsibility to ensure the quality and accuracy of all our internal and external reporting, to oversee the internal and external audit functions and also the ongoing process of continuing to improve the identification of and reporting and management of the huge number of diverse risks that face Fletcher Building.

That's particularly in light of the enormous amount of economic change that swept the world in the time I've been on the board, and the complexity that our worldwide operations therefore bring and trying to fulfill the role. I'll continue to devote whatever time is necessary to fulfill my role at Fletcher's on the board and to continue to bring the experience I have both from my past roles and my current roles in other organizations for the benefit of Fletcher Building. I thank you for your support in the past and ask that you continue to support me for what will be, I think, the last time that I stand for re-election of Fletcher's. Thank you.

**Ralph James Norris**

*Former Independent Chairman*

Thanks very much, John. I move that John Judge be re-elected as director of the company. Are there any questions? I now declare voting open on resolution 2 that John Judge be re-elected as a director of the company. Please enter your vote by pressing 1 to vote for, 2 to vote against and 3 if you wish to abstain.

[Voting]

**Ralph James Norris**

*Former Independent Chairman*

I can see on the monitor in front of me that a majority of you have already cast a vote. I'll leave the poll open for a few more seconds. I now declare the poll closed. The results will now appear on the screens. On that basis, I declare the resolution passed. I'll now ask Kate Spargo to speak in support of her election. Kate?

**Kathryn Dianne Spargo**

*Former Independent Non-Executive Director*

Thank you very much, Ralph, and I'd like to add my welcome to everyone here. It now is good afternoon, ladies and gentlemen. I'm standing for the second time, it was 3 years ago, I think that I stood before you for my first time. And of course, over that time, I have learned a lot, I hope, about the company and I'm very happy to be supported to stand again for re-election.

I need to say first and foremost, of course, that I'm very conscious that the role of each director, the role of the board, the role of each director, including myself, is to protect and enhance the interest of shareholders. And it's been a good reminder here today in hearing your questions and comments that we need to communicate and speak with and hear from all of our investors to understand the perspective that you have that needs to come into the boardroom. So I thank you for that.

What have I been doing in the 3 years apart from learning more about the business? Hopefully, I've been constructively challenging management and others in terms of the proposals and the ideas and the recommendations that come before us. It's a really important part of what a director does. I think -- I like

to think that I listened to all of the contributions that are made at the board meeting and outside of the board meeting, and that I take an interest in all of the areas that the company covers.

I think I suggest ideas and approaches from the various experiences that I have in life and particular in the other board roles that I currently have. We've had some conversation this morning about the challenges of the business. And I think from the experience I'm having in several of my other businesses, it's a pretty challenging environment at the moment and has been for a few years now. Things are running at a faster pace. Steve spoke about the technology and the disruption that, that's bringing and the challenges about opportunities that, that brings as well. And so it's a very exciting but challenging time to be a director, I think, of any company, and we have to be very mindful of the sorts of environmental factors that are impacting on us.

I particularly take an interest in the areas of risk, in the area of the acquisitions of companies, the technology side, as I mentioned, and reporting as well, of course, as the areas of health, safety, well-being, environment and sustainability. I like to think I've retained an objective view despite the fact that I've been here for 3 years. It's very important to not be too close and married to the company and its executive team, but rather to maintain an objective perspective.

I bring experience from operations in various other countries. Some of the companies that I am involved with operate in a wide variety of countries, including some very difficult and challenging companies in the developing world. And all of those experiences are useful.

Just 2 things I would particularly like to highlight that have occurred during the time that I've been a director. One is the increase that Ralph spoke about in the number of women that are now in senior ranks. I think it was Ralph who spoke about or perhaps it was Mark. Sorry, it was Mark who spoke about that. I have to give him credit largely for the initiative. I do chip in from the side as to many of us about the issue of the proportion of women in the company, the women and gender is only one aspect of diversity, of course, but it is a very important one and the one that's dear to my heart. And so I'm very pleased to see an increasing number of incredibly strong and effective women that have joined our senior ranks and I'd like to think that we'll see them become even more senior in a reasonably short time.

It is a commercial issue to have diversity within the company, including at board level, and it's not just a fairness issue, but we hope that the company will actually perform more effectively by having a greater proportion of women at senior levels.

The other aspect which we've already spoken about is the introduction of the safety, health, environment and sustainability committee. I've spoken about that a little already earlier in the meeting, but it will give us a great opportunity to put more focus on to spend some more time on those areas. And perhaps I'll get an opportunity to report back to investors at some time in more detail about how we fare with that. I remain very committed and enthusiastic about the company, and I thank you for your support.

**Ralph James Norris**

*Former Independent Chairman*

Thank you very much, Kate. I move that Kathryn Spargo be reelected as a Director of the company. Are there any questions? I now declare voting open and I think you know how to go about using those machines. Open on resolution 3 that Kathryn Spargo be reelected as Director of the company. Please enter your vote by pressing 1 to vote for, 2 to vote against and 3 if you wish to abstain.

[Voting]

**Ralph James Norris**

*Former Independent Chairman*

I can see on the monitor in front of me that a majority of you have cast your vote. I'll leave the poll open for a few more seconds. I now declare the poll closed. The results will now appear on the screens. On that basis, I declare the resolution passed.

The fourth resolution is for the fixing of the auditors' remuneration. Following a thorough review and formal tender process during the year, we are pleased to have appointed Ernst & Young as the company's external auditor. Ernst & Young has completed its first audit for the company for the full year ended 30 June 2015. I move to authorize the directors to fix the remuneration of Ernst & Young as the company's auditor for the ensuing year. Are there any questions on this resolution?

I now declare voting open on resolution 4, that the directors be authorized to fix the remuneration of Ernst & Young as the company's auditor for the ensuing year. Please enter your vote by pressing 1 to vote for, 2 to vote against and 3 if you wish to abstain.

[Voting]

**Ralph James Norris**

*Former Independent Chairman*

I can see the monitor in front of me that the majority of you have cast your vote. I'll leave the poll open for a few more seconds. I now declare the poll closed. The results will now appear on the screens. On that basis, I declare the resolution passed. The final results of voting on the resolutions will be advised to the New Zealand and Australian stock exchanges and noted on the company's website as soon as scrutineering of votes has been completed.

Thank you for your attendance, and I invite you to join the directors and management for refreshments through the side doors. As the business of the meeting is now completed, I declare the meeting closed. Thank you.