Question and Answer

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Can we take questions first from people online?

Operator

[Operator Instructions] We will take our first question from Emily Smith with Deutsche Bank.

Emily Smith
Deutsche Bank AG, Research Division

I just have a couple of questions. Firstly, in New Zealand, obviously very strong performance in the second half. I'm just wondering if you can give us a sense as to how pricing is going in New Zealand at the moment, if you have been able to achieve some price increases and if you have any -- if there are any price increases which will likely impact FY '16. Mark, historically, you've said that May and June are very important in terms of your earnings. I'm just wondering if the results that you've delivered imply that you were sort of pleased with that May, June result or if maybe some of the profitability was -- is held over into July. And just finally, in terms of FBUnite, I remember when you first made the announcement of the $100 million. I think there were some costs associated with getting there, and I think that it was sort of year 3 when you're kind of expecting a net positive benefit from the FBUnite given the savings versus the cost to implement. I'm just wondering if you could give us an update there.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Okay. Thank you, Emily. Starting with price in New Zealand. We'll chunk it down into sectors starting with distribution. I think I referenced in the narrative that trade distribution in New Zealand is incredibly competitive with all the major players having an awful lot of square footage of trade distribution here, and historically, we've seen our margins decline over the last 10 years. This year was the first year we managed to maintain them partly through aggressive procurement and operation attention to cost. So we don't really see the opportunity to drive a great deal of price through that particular sector, which is a $1 billion business for us here. Similarly, construction price is not an issue. Obviously, it's a job-to-job basis. So that really leaves us with the product-based businesses. I think when we last spoke to a number of you in Brisbane, we indicated we would be going to the market with price. We have indeed done that. Talking through the businesses, the concrete chain went with an aspiration of getting roughly 3%. I think it was somewhat of a customer-by-customer and product-by-product initiative. They have been somewhat surprised on the downside with our ability to get that price. They're realizing about 2% managing to hold that, albeit the competitive response has not been to follow. Rather, it has been to continue to be very aggressive on price. Winstone Wallboards has achieved price of about 3% to 4%, and we are managing to hold that, albeit we're always acutely conscious of our position in the market and not wanting to push that too far. So by and large, we've had a little bit of price in part of the New Zealand business. I wouldn't honestly say, Emily, it's going to drive an awful lot of earnings, however, going forward this year given the other parts of the business where we're not realizing price for various reasons. In terms of May and June, I've actually got a phalanx of accountants sitting in front of me, so my ability to move earnings forwards, backwards or sidewards is somewhat limited. And I was very pleased with our June trading. As I've discussed with you many times face to face and a number of people on the call, it is a really difficult business to run in that so much of the earnings does come in the final 2 months, and with 1 month to go, it was a nip and tuck. And I was pleased that we managed to trade very strongly through June. All the management teams did a hell of a job to drive top line sales, keep a lid on cost, and that enabled us to get within our guidance number. And there has been no hangover into this financial year. We started the 1st of July cleanly, and we've had a reasonable 6 weeks. In terms of FBUnite, I think what we say is that each year we tend to pay for the benefits with cost, and then the following year, we will realize those benefits. So we now have just over $50 million of run rate benefits hitting the bottom line every day. And we're now into elements of the program that are less intensive on cost to realize them. So the $25-ish million we're looking to get in addition in the coming year, more of that should drop to the bottom line in the year than maybe previously was the case. I don't know whether you had a point, Gerry.

Gerry Bollman
Former Executive Officer

No. I was just going to add, Emily, that, in total, the second half earnings represented 56% of our total earnings this year, which wasn't substantially off the prior year of 55%. So we did have a strong second half, a strong final couple of months, but I think on balance for the year, the second half was 56% of the total.

Operator

And we take the next question from John Hynd with Merrill Lynch.

John Hynd
BofA Merrill Lynch, Research Division

Mark, just quickly. Obviously, quite a strong cash flow number for the year. Given the timing around Construction, can you perhaps give us a little bit more color on where the company would have been on an underlying basis? And how much of an impact did that have year-on-year? And where are the working capital releases coming from in the moment? And can we sort of expect that to extrapolate into perhaps '16 or '17 as well, please?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Okay. Well, Construction, as you know, is a very lumpy business anyway. There was nothing more or less lumpy. I know I'm not being very scientific here, but what I'm trying to say is that Construction wasn't a big impact on our ability to generate that 18% growth in cash. Gerry talked in his strategy document. That's a very live strategy. We have a new function that looks at capital spend. So we keep a very, very tight control on capital spend. We only spend where we can see almost near-term benefits, and that allowed us to come at the bottom end of the capital guidance range. So that helped. And the other element was our attention on working capital. Now you're right to allude to the fact that you can't keep on reducing working capital. All of the product-based businesses have programs in place. There will be more working capital released over the next 2 years, but that's a well you can't keep on going back to. So I'd expect our cash performance going forward to continue to be strong. Whether or not we can keep on delivering 18% to 20% increases, I doubt.

John Hynd
BofA Merrill Lynch, Research Division

And one more for me. Just looking at Distribution Australia. Funds employed were up about 10%. Perhaps just a quick update on how the turnaround's going with Tradelink. And what was included in that increase as well, please?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

The whole tenant of the turnaround really is to merchandise our products better. That's display them better, have clearer ranges, tighter ranges. And to go from where we were, which was a million miles from that, if I'm being polite, to where we aspire to be, there was a cost involved. There's a cost involved in exiting the old ranges, which we have to take on the chin through the P&L account. And there's a cost involved in the transition, which manifests itself in medium-term working capital spikes. So that working capital spike that you referred to is by and large 3 or 4 new product ranges that we brought on-stream, products like trade packs in the piping sector and in our front-of-wall sanitary ware. That will continue, probably for the next fiscal year at least as we look to migrate from our old ranging philosophies to the new ones. In terms of the turnaround itself, just at a high-level, it's tough. There's no doubt, I think in my experience, turning around a manufacturing business is probably easier than a branch of 223 Tradelinks all with their own nuances. But this is the third year in a row in which we've managed to increase earnings, and we would expect to see those earnings continue to increase this year. Albeit if I was honest, probably it's slightly harder yards [ph] than I might have anticipated.

Operator

We take our next question from Andy Bowley with Forsyth Barr.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

I've got a couple of questions here. The first one is around the discussion that we've had for the last couple of years around earnings hole that we've been anticipating, and today, you've done a pretty good job of offsetting that. But as we head into '16, can you give us a sense of some of the line items in terms of magnitude that will mean the $653 million reported this year starts off for '16 at a lower level? You mentioned steel in the press. What about EQR and residential?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Sure, Andy. We'll try and help you bridge that. Just as a general statement. At this point, every year we put out there that earning result to help you manage and bridge it ourselves. We immediately start to try and fill it though, and we've had reasonable success in doing that more recently, particularly with the extension of Stonefields. I think the Stonefields whole will be a permanent one going forward. We've reached the end of the historic land banking, and we're now building on recently acquired land, which has a far lower margin. But maybe, Gerry, you could give Andy a bit more detail?

Gerry Bollman
Former Executive Officer

Yes. There's a couple of other places. As you know, the Pac Steel, which, at this point, our estimate will be about $11 million lower in '16 than it was in '15, there will be about 1/4's worth of earnings. EQR, we did get a bit of an extension to complete some work there. So it won't completely disappear, but we anticipate probably $4 million less in EQR. And Hudson is now well and truly gone. We had a bit of that in the first quarter of '15, so that's another $2 million. So I think that's about $17 million worth of headwinds there that I would also add.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I think the other thing I would mention, Andy, and we're kind of thinking on the hoof here given we've just gone with the announcement, but the intention is to trade the Rocla Quarries business through to the end of January. At which point, we would transition across to Hanson. So you will have 5 months of earnings that we've previously had from Rocla that we won't have this year. And just round numbers to help you do that bridge. It's about NZD 10 million of earnings that we won't have.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

Great. And then just to clarify, you mentioned Stonefields. But more broadly, I think back at the Investor Day, you're talking that '16 would be slightly lower for residential as a whole. What kind of outlook are we looking for residential as a whole?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. We're probably looking at about $10 million. I mean, we're working diligently to try and fill that gap, and we've got a number of projects. We were down in Christchurch this week looking at some of the projects that we've run from the government east frame project particularly. But it's a fair old while, as you know, to get consenting approved. So there will be a gap. I'm just looking at Phil King. Phil, you...

Philip King
Former Group General Manager of Investor Relations & Capital Markets

[indiscernible]

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. Phil, indicates it's more like a $20 million gap this year before we return to the historic levels of earnings in FY '17. And then beyond that, we're looking to grow this business to a point where we're -- see a clear line of sight to be a lot greater than we had in the past. But unfortunately, we inherit the legacy we did with filling the hole, and that will be a $20 million gap this year.

Andrew James Bowley
Forsyth Barr Group Ltd., Research Division

Great. Look, second question and there I use the Iplex word. But Iplex had clearly a tough year, $8 million loss at the EBIT line for both businesses in Australia and New Zealand. Now I recognize that the New Zealand business is somewhat profitable, so the losses in Australia are greater than that $8 million. I guess, I wonder if you could clarify that, too. If there's no change in the demand outlook in Australia, what's kind of the best-case scenario in terms of EBIT outcomes for the year ahead?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

In terms of the breakdown of that EBIT, the Iplex New Zealand business is a decent little business, reasonably well run mix and a decent EBIT return albeit in a fairly tough market. If you carve that out, the loss of the Australian Iplex business was just south of $30 million of EBIT. It was the single biggest event of this results season by a mile. And the issue there is, one, of course, in gas, which previously had somewhat masked the deterioration and the underlying structure of the market for the piping business in Australia. And we really have that business now and have had for 6 months under lockdown. We have a private equity team in there. We're working directly with them on a weekly basis, and they're making progress. We very much believe we will not be losing just south of $30 million this year. There is a line of sight to breakeven, but I think even the most optimistic of us would be surprised if we achieved a break-even number this fiscal year. I think the best we could hope for is a run rate throughout the year of breakeven that would take us into the following year.

Operator

[Operator Instructions] We take our next question from Simon Thackray with Citi.

Simon Thackray
Citigroup Inc, Research Division

Just a couple of things. The -- first of all, just a point of clarification on Rocla. The AUD 203 million, obviously, it's spot FX rate. That looks like a pretty handsome transaction multiple. Is that around that 12.5x EBIT? Would that be the way -- would that be correct?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I'll be perfectly honest, Simon. I've just come in the room having signed the deal and being up most of the night. It's just shy 12, I think, PK says. So it is a deal we're very happy with. It's a process that we've run quite aggressively for 6 months. You might imagine the usual suspects turned up at the party, and we're certainly very comfortable for our shareholders that we achieved the deal that we did.

Simon Thackray
Citigroup Inc, Research Division

Excellent. And then just looking through the impairments then and the various closures of sites across Iplex, Stramit, Tasman Insulation, Humes New Zealand, et cetera. Obviously, the cost associated with those is borne this year. Are there any benefits or savings that flow through in F '16 from those closures and from those impairments?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes, certainly, and that's, as you might imagine, why we did them. The Iplex ones are part of a very comprehensive turnaround program that we have that will help us drive from a considerable loss to, hopefully, a smaller loss and breakeven. Some of the other ones, the Crane Copper Tube one was a business that lost us a couple of million bucks. It will -- obviously lose us no more. We've closed it. They're not particularly material, if I was honest, outside of the Iplex closures.

Simon Thackray
Citigroup Inc, Research Division

Iplex is the one that will do most of the heavy lifting. And going back to your point, you -- the combination of the reduction in cost plus the management initiatives around Iplex, you expect to exit FY '16 with a bit of luck in a break-even position. Is that correct? Is that the right way to think about it?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

That is the aspiration. That is what the program we've pulled together looks at. It's a combination of classic cost reduction; some quite rapid manufacturing strategy implementation of which you've just discussed; procurement; and to be quite honest, better value propositions and selling in the market. And the team have made some really good strides in 6 months.

Simon Thackray
Citigroup Inc, Research Division

Excellent. And then just quickly, if I may, Mark, I'm going to come back to Page 14 of your slide pack where you've got your various exposures. Just looking at the exposure in Australian residential, which is 49%, I think, from memory. Is that still right? I mean, just given the performance, I know it's by revenue not by EBIT. But is that still accurate given the leverage to Aussie resi? Probably just by now we've had the issues around Tradelink. But is that the right number? It seems that given the strength of the Aussie resi market, you should be probably doing a little better than the -- certainly than the revenue and the earnings are suggesting. So I just want to confirm that those exposures are all still correct.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Sure. I'll tell you what we probably best do. I'll make a generic comment around that, and then maybe if we can get back to you -- I'm looking at PK now -- in the next few days and...

Philip King
Former Group General Manager of Investor Relations & Capital Markets

[indiscernible]

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. But in terms of our exposure to resi, obviously, we have bemoaned our lack of exposure to multi-family dwelling. But that having been said, Laminex, the Insulation business, Tradelink, all benefited enormously from the residential boom if you want to call it that. In Australia, I mean, Laminex was 30-odd percent increase, a higher increase out of Fletcher Insulation. So we are now getting more than our fair share of that, and that's driving a lot of earnings in those particular businesses. But let's revert back to you on that one. We'll have a look at those numbers.

Operator

We take our next question from Jason Steed with JPMorgan.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Just a couple of questions. Just firstly on land purchases as they're flowing through the cash flow. This just may be my recollection but I do recall you sort of talking towards the number of maybe about $100 million this year, possibly higher. So I guess, the question on that regard is have you sort of come in below on the cost of purchases, on the rate of purchases. And then in that regard, as you look forward, what do you expect that line to be doing in 2016 and then through '17, et cetera?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

If I can just make a general point, Jason. Gerry has all the specific numbers. We have, wherever possible, with our team headed by Steve Evans, who you met in Brisbane, go into the market trying to acquire land on a deferred impairment basis either on blocks of land or on individual lots of land, which mitigates some of the cash flow issues. Now I think we've done a decent job on that. Some of the deals we've struck recently have been quite favorable in that regard. But Gerry, I think you've got the specific numbers.

Gerry Bollman
Former Executive Officer

Yes. So in the course of the year, we spent about $140 million on new residential land. That's what we actually bought. The $58 million is net because, of course, we're selling houses throughout the year. So as we're adding to the portfolio, we're also drawing down. So it was $140 million of new purchases offset with sales, so it was $58 million net. That $141 million -- or sorry, $140 million represented about 425 new lots. And if you look ahead to '16, look, I think that it's always hard to say what deals you get across the line, but I think what we've tried to say and been consistent with is the next couple of years could be roundabout the $100 million mark and could be a little bit above, could be a little bit below.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay. So sorry, Gerry, just to confirm. $100 million on effectively a gross basis [indiscernible]...

Gerry Bollman
Former Executive Officer

Effectively on a gross basis, that's right.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Yes, got you. Okay, got you. So I think then maybe just getting my understanding straightened out, then the $140 million is probably a bit ahead of perhaps what you were indicating before.

Gerry Bollman
Former Executive Officer

I mean, it probably -- well, certainly ahead of the $100 million, but as I said, it's always going to be plus or minus around that. It's a question of what we can get across the line at any given point in time. But the goal, again, is to build to that point where we can have a consistent turn of about 1,000 houses a year, excluding anything from a social housing perspective. So the goal is to build the portfolio to that level, and then it will become self-funding.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

And just, I guess, a question on the Rocla sale. I guess, Mark, going back to the first half results, it was said you had still a good business, but you're just not really seeing the improvements you'd expected. Is this a call -- I mean, obviously a good price? But is this a call on infrastructure? And I think it does seem that everyone is expecting infrastructure is always 1 to 2 years away. And I think you've talked positively about it in the past, and now it's looking further out. Has the decision been reached? You just can't see it coming. You got a good number on the table, take it, and then redeploy.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I think I'll answer that in 2 ways, Jason, if I can. This shouldn't be seen as part of any broad sweep and brush stroke of strategy, whereby Fletcher is exiting Australia or exiting construction or anything like that. It was a very business-unit-specific deal. It's a decent little business, good people in it. We make reasonable return. But the truth is it's a sand business. The higher-value sands are in less demand than they have been in the past. We didn't see the earnings advancing. And we could get the multiple we've talked about today, and therefore, we did it on an individual business unit strategy basis. So it wasn't done with a line of sight to the macroeconomics of Australia. However, to go on to answer that question, you are right. I've got in my drawer all the big projects adding up to $80 billion that we've seen every 6 months for the last -- well, practically since I took this job now. And I don't think there's a great line of sight to those sitting here today as there was 12 months ago when I started here. The guys in our Rocla business are continuing to scrap the work. And in terms of the big influence on this year's result for us, the 2 coal seam gas contracts, again, there isn't a particularly positive line of sight to those businesses coming back onstream.

Jason Harley Steed
JP Morgan Chase & Co, Research Division

Okay, and more, just to pick up on that last point, I guess, with Iplex. There's been a huge amount of discussion around this business. And obviously, the team that you've put in is doing a good job, but it relies on demand and some sort of recovery in that demand, which is external to your influence. How do you see that happening? And I guess, the lack of an impairment, I know you've had site closures, but like an impairment suggests that you see that coming through. I don't know if you could talk about that.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. I know we had a very robust discussion with the board, with the Audit Committee and at the full board meeting this week in Christchurch. I think we concluded unanimously that we didn't want to take a write-down at this point in time. We didn't want to signal that, not at least to the management team, who we've charged with turning this business around. That remains, however, a prospect going forward. You can't guarantee a line of success when you have a turnaround of this magnitude on your hands. But we decided with the full agreement of the auditors that it was too soon to call, and we will continue that forward and hope to avoid that going forward. I think in terms of the things that you would look to on the positive side, the residential sector in Australia is strong. We would not look to that. We would look more to market share gain in that sector of the business. And indeed, whilst we don't expect coal seam gas to come back to the level that we enjoyed in the last 3 years, any degree of additional work for extensions to the field or small repairs, maintenance renewals would be positive news. And I think we've recently won a very small contract in that regard. The gas is still in the ground. It's just the global macroeconomics, I think, and the price of oil that determine the economics for the customers on that one.

Operator

We take our next question from Andrew Johnston with CLSA.

Andrew Ian Johnston
CLSA Limited, Research Division

A couple of questions. Just on the U.S. roof tiles business, that sort of seems surprising that, that's actually going so poorly. How does that fit in with -- how do roof tiles fit in with the broader strategy for the business?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

The -- well, look, we share your disappointment in terms of North America. We have 2 North American businesses. One in the formica laminate business, which I know obviously very well, which has grown earnings now 6, 7 years in a row and continues to be very robust and throws off a lot of cash. There's no reason why the Roof Tile Group, which is a product that we all really enjoy, our new Head of Light Building Products, Francisco Irazusta and I were out there for a week recently in Los Angeles traveling through some customers, and it's definitely got residents, and we think we can do a lot more with it. We think we have been pretty poor in terms of how we execute our commercial strategy in the U.S. And as is the playbook, it won't surprise you that we've removed the management, and we've put new management in place. And we have a far firmer belief in their ability to drive that. Beyond just the current drivers of demand, which would appear to be weather events, I don't really want to rely on weather events to drive our earnings. So they're putting a lot of different value propositions for what is, we believe, is a great product. It does make money in Africa and in Asia and down here in New Zealand. But we think the biggest driver of earnings going forward of our business will be North America, and most of our focus in that business is in North America. And insofar as it's a core building product in Fletcher's building products portfolio, we will continue to review it, but we prefer to see if we can drive the top line.

Andrew Ian Johnston
CLSA Limited, Research Division

Okay. And in the Laminex business -- or sorry, Formica business in China, I think it was, just the poor cost position there. And how do you see that turning around over the next little while? Or is it something that it's a cost position you're stuck with? I do know other comments there that you'd -- it was in Laminex, you said you'd achieved some pretty good cost improvements, but I'm guessing that's not out of China.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

No. I think the issue in China is more of an operating leverage issue. You can never open a brand-new plant the size of that and expect in the first 2 years to break even because you've got all of the fixed cost, but you haven't driven the marginal income through the volume. We're roughly 50% full. The break-even point for a plant of that size will be about 65%. I lived through this about 7 years ago when we opened our plant in Qing Pu just outside of Shanghai. And at this point, everybody was sweating. And 18 months later, the volumes reached 65%, and the money started to flow. So the comments we've made are less our competitive position from a cost point of view in that market and more just where we are in the maturity cycle of a fairly significant new piece of capacity. So we're mildly disappointed but not alarmed, Andrew. I think we should be able to continue to grow that business not just in China, but it's also a form of capacity for our Southeast Asian businesses, which is performing extremely well. It's going to be a tough year in FY '16, there's no doubt. But I would expect in FY '17 and beyond to return to growth in that Asian business.

Andrew Ian Johnston
CLSA Limited, Research Division

Okay, great. And just in the timing of the payment from Rocla, I assume that's all the payment occurs in January when you settle the contract. Or is there some sort of deferred structure to that?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

No. I believe impairment is due on 1st of February, I think.

Gerry Bollman
Former Executive Officer

Time we close.

Mark Duncan Adamson

Former CEO, MD & Non-Independent Executive Director

Yes. We close at the end of January, so we'll get the cash then.

Operator

We take our next question from James Rutledge with Morgan Stanley.

James R. Rutledge
Morgan Stanley, Research Division

Firstly, just on concrete products in Australia. Just seems like the business performed a bit better in the second half. How should we be thinking about that business into fiscal '16?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. It had a bit of a shocker in the first half. We were aware of that. I think, fortunately, we managed to get our strikes in first. The leader of that business has worked with us, reinvigorated some of the management team, looked at its cost positions, very aggressive on cost, and he got the rewards for that in the second half when it was a disappointing number. But it could have been an awful lot worse had it continued in the vein of the first half. We will expect to see that performance improvement continue through this year. We will continue to drive very hard on cost that is very, very lean. It was one of the first adopters of the manufacturing excellence program. And we visited the plant up there in Brisbane. At the same time, we met the investors, and it looked like a different factory, to be honest, compared to 18 months ago when I was there. So they're going to be very tight on cost. They're going to win work where they can. And I think to an earlier point, we do hope and see a line of sight to a decent future when the much wanted commercial construction work in Australia begins, particularly in New South Wales.

James R. Rutledge
Morgan Stanley, Research Division

And in terms of the Mico business in New Zealand, was that turnaround really second half weighted? Because I don't know that you called it out at the first half result.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. I mean, that business was the one that a lot of us had almost given up hope on when I took over. It was scheduled for divestment along with a number of other of the smaller business units that were inherited as part of the Crane acquisition. We put a young chap in there who previously done a great job with the Hudson Building Supply business that we sold to Woolworths, and he did a similarly good job -- is doing a similarly good job on that business. And he's running it like a distribution business, which may seem a silly thing to say, but we hadn't always run our Distribution businesses like distribution businesses. He's tight on cost to the point of a cent. He is very keen in the marketplace. We're using the PlaceMaker footprint to consolidate our Mico stores into PlaceMakers where it makes sense and blowing up the much talked-about paradigm that you can't have plumbers and tradesmen in the same store. You can. It works. And we've got 5 or 6 good examples of where that's the case. And he takes an awful lot of the credit. That management team have done really, really good. And we now like that business, and we'll continue to drive that business.

Gerry Bollman
Former Executive Officer

On a trading performance, it earned twice as much in the second half as it did in the first half. And then the property sales also occurred in the second half, so that did swing it a bit as well.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I think I mentioned there was about $3 million of the earnings driven by a property sale.

Gerry Bollman
Former Executive Officer

But even that aside, it earned twice as much in the second half as the first half.

James R. Rutledge
Morgan Stanley, Research Division

Okay, that's great. And in terms of just distribution in New Zealand more generally, I guess, you talked to gross margins being flat, which is a good outcome relative to the last few years. I mean, do you see a -- an ability to keep that gross margin flat and therefore, take more cost out below gross margin to see continued improvement in EBIT margins?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Well, I mean, there are 2 remaining sectors of New Zealand Distribution after the Mico business. I'll just spend a little time on both of those. First is the Steel Distribution business. The actual underlying performance of the distribution part of that, which you would know in New Zealand as Easysteel, was particularly strong, I mean, really, really positive story there. And again, the guys in that business have done a hell of a job. It was held back a little bit at the aggregate level that you see in the pack here by some manufacturing issues in Pacific Coilcoaters that we've now resolved. So we'd expect that business to continue to take share in steel distribution and grow at double-digit rates both in terms of top line and in terms of earnings. In terms of the PlaceMaker business, as I said before, James, that's a very, very competitive market. We have, I believe, a potential divestment of the Carter Merchants business in the offing. That management team clearly are trying to drive that top line with that in mind, and some of the pricing in the market is, how do I describe it, tough. And you've also got the other major and very competitive players in the form of the likes of Bunnings, ITM and Mico. So the aspiration for that business unit is to maintain margins, not to continue the declines we've seen in previous years. It's very difficult to see them growing margins beyond where they are. In terms of how they maintain margins, initially, they've done a great job on overhead costs, so their sales to headcount has increased substantially through the last 18 months. They've done a good job on that. And going forward, one of the programs we're rolling out, which was previously under the FBUnite banner is low-cost country sourcing, where they look to take a chunk of their bought-in products and move them offshore to the likes of Asia to help continue to protect those margins.

James R. Rutledge
Morgan Stanley, Research Division

Just finally for me in terms of the capital structure of the business going forward, obviously, towards the lower end of that gearing range of 30% to 40%, you're getting AUD 200 million from the sale of Rocla. Obviously, you've highlighted Tradelink CapEx going forward. But do you see a scenario where you fall below that gearing range or that target gearing range? And if so, how would you look to address that going forward?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

We discussed that actually or have discussed it in the last number of board meetings we did, again, this week in Christchurch when we met with the board. They are comfortable that our gearing is coming down. There are views that we would like to see it continue to come down. And I think, initially, if nothing else comes up for that $200 million of cash, we would look to shave the gearing ratio down a little lower. I think we are due a conversation with the board after that as to what we would do, and we haven't had that yet, so it's unfair to comment. However, it's worth saying that we do have a number of other deals that we're looking at the moment, both in terms of acquisition and divestment, 3 or 4 deals that could go either way. So it's a fairly binary conversation. Some of those deals come off on the acquisitions side. We might need some of that cash if they don't. And some of the divestments come off. We might even -- have even more cash. And then we'd start to challenge the very lower end of that gearing, and that's when the board and I would have to have a conversation. So it's a little bit up in the air. I'm sorry to be a bit vague, James.

Operator

We take our next question from Kar Yue Yeo with First NZ Capital.

Kar Yue Yeo
Jarden Limited, Research Division

Mark and Gerry, a couple of questions. Firstly, if you could give us a sense on the distribution revenue growth across these 3 categories within New Zealand, if you can sort of split that out for us from a Steel Distribution, Mico and also for Places in particular. And then secondly, if you could give us, I guess, a sense of what's happening with product pricing in Australia in the category you play in.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Maybe if I do the pricing last and maybe, Gerry, if you lead off with the revenue split?

Gerry Bollman
Former Executive Officer

Yes. So look, from a top line perspective, Place is -- was up roundabout 10%. Mico was largely flat on a top line basis. It was much more of a cost management efficiency story in this particular year. And I think if you look across sort of broadly the Steel Distribution segment, we do have a number of businesses there. So kind of trying to do the maths in my head to sort of do a weighted average. It will be a double-digit increase but sort of a low double-digit increase, maybe the low teens.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

In terms of pricing in Australia, Kar Yue, just thinking through the various divisions, the Laminex guys are not looking at an overall price increase. I think I referred in the presentation pitch to how they're looking to enrich margin by changing the mix of their products. So it's more a price realization by looking at individual products and customers. I'll be perfectly honest. I think the days when businesses took generic price rise letters [ph] into the market are somewhat of the past. We're going to try and achieve price realization but through where far more targeted and specific areas. Nonetheless, we would expect to see a little bit of a margin bump in Laminex. Insulation is a very commoditized business with more than enough supply in both Australia and New Zealand, and price is continually under pressure. Do not look for price there. Similarly, we've mentioned Rocla out there bidding for work. Do not look for price there. We have a very flat perspective on price in Australia. Having said that, in the past, that would have meant a compression of margins as we took the inflationary waves that would appear to continue in Australia. And we're not accepting those manufacturing excellence, which has been somewhat of a slow burner, and we've not really led with a chin on that one. It's really starting to get out benefits. So we would absolutely not expect margin compression as we've seen in previous years but largely because supply chain and manufacturing excellence eat up any of the broader inflationary pressures that we have.

Kar Yue Yeo
Jarden Limited, Research Division

All right. Mark, one follow-up question please, and this is in relation to your earnings capacity in New Zealand. Appreciate that there may be sort of short-term earnings gap emerging on the back of projects completing and housing projects such as Stonefields completing. But if you look at the Ministry of Building and industry and enterprise forecast, that they are looking at about 20% lift in terms of valuable construction to be done between, I guess, what was put in place in 2014 and what they expect where the peak cycle to peak in 2016 at about $37 billion or so. I guess, my question for you is do you think that level of year-on-year -- well, not quite year-on-year growth, over a 2-year time frame reflects what your aspiration is for New Zealand in terms of your underlying earnings of about $450 million at the moment.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Yes. It's really difficult to answer that question without understanding what makes that up. In my early years in this job, I remember people telling me that Christchurch was going to cost $40 billion to repair, and we were going to get X percent. And that never really transpired. So I'm always wary of huge macroeconomic heroic numbers coming out of the government. I think if it's in the civil construction, roading sector in terms of capacity, there is capacity in the market both in terms of people and materials. It's about cement, aggregates, et cetera. If a lot of that was driven by residential, which we don't actually believe as I've already referenced, we think we are there now and hopefully, we'll enjoy this plateau for a while. We would start to challenge, particularly in our Plasterboard business, the capacity models in that business. Albeit with our PlaceMakers business, we have ability to source supply chains from elsewhere, and we would continue to satisfy the customer. A number of 20% in residential is not something that we would anticipate. To be perfectly honest, Kar Yue, I think it's more credible when it comes to the commercial construction both in terms of vertical construction and horizontal where we do see a number of fairly large roading and/or building jobs out there.

Kar Yue Yeo
Jarden Limited, Research Division

Right. So you will be able to, I guess, deal with that. There's no capacity constraint in the non-res category, broadly speaking. But the res, you've got reservation.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

The only capacity constraint, I would say, in that sector would be skill sets. If you look, there's maybe 6 or 7 jobs I can see in the future of the $300 million mark that probably makes up an awful lot of those numbers and the very specific skill sets where we look to partner with people from offshore. We've done that with the tunnel project here in Auckland where we've partnered with German partnerships and Japanese. However, we've got a good reputation here in New Zealand. We readily get access to those partnerships, and we have the capacity within the product-based businesses and within our human capital to more than partake in that. It is, you're right, however, residential where some of our plants, particularly plasterboard, would be very, very challenged if we moved our level of volume and activity beyond where we are today.

Operator

We take our next question from Stephen Hudson with Macquarie.

Stephen Hudson
Macquarie Research

Just 4 questions from me. I'm just interested in you calling out sort of any items that you've not included in the $150 million of significant items and specifically, how you've treated the $20 million gain on sale in the accounts. The second question is around the non-residential construction earnings in New Zealand. I just wondered if you can give us some feel for how you expect that to recover into fiscal year '16. Obviously, you've had quite a difference to the second half. You've mentioned some timing of billing, but are you expecting that to recover back to sort of first half levels in the new year? And then, I guess, the last question is how -- or sorry, 2 more questions. How are you going on the other $200 million of asset sales? You obviously concluded the Rocla sale today. But I think you've talked about another $200 million. And then just lastly, the government's -- sorry, the Reserve Bank's LVR restrictions on the 1st of October, they're talking that, that could impact up to 30% of house sales in the Auckland market. I just wondered if you might have a bit of a feel for that through your residential business. Just how many investor-class buyers of houses there are in your business? With high LVRs, it might be a bit of a difficult question to answer.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

I'll tell you what, Stephen, why don't Gerry have a go at the first one, and I'll answer the other 3 for you.

Gerry Bollman
Former Executive Officer

Look, we can get into it more, but just at the highest level, if you look at our other gains and losses for the year, this is outside of the significant items. We did show $20 million of gains from the sale of assets. Those, by and large, are some property sales, which would be ordinary course of business for us, in some cases, Mico or Tradelink sites that we're looking to exit, that sort of thing. We also had -- took in those other gains and losses, redundancy and restructuring cost of about $8 million and other gains and losses of about $4 million. So I think net those other gains and losses that hit us, totaled an $8 million positive for the year '15. What I would just say, it's always a little dangerous to get into the one-offs because there's all sorts of one-offs that exist within our businesses as well or things that we would consider one-offs that don't get called out as being a sale of asset. But there -- things like the remedial costs for the concrete that we took this year, a couple of legal claims. So I think if I look at those other sort of stand-out one-offs that sit in the business, there's probably another $17 million worth of cost, Stephen, that were not kind of called out anywhere that would be negative one-offs. And there's probably another 9 or 10 of things that I would look through our P&Ls and across the various businesses and call out as positive one-offs. So I think what I'm trying to say after all of that is I think the result we've posted, by and large, is a good reflection of our underlying earnings. I think you can net out a lot of the positives and negatives, and it's going to be something, plus or minus, less than $10 million. So I think the $653 million is reasonably a good indication of underlying performance with the exception, as I said, of the fact that we've got those headwinds that we already referenced in terms of EQR, Pac Steel and Hudson.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

And Stonefields.

Gerry Bollman
Former Executive Officer

And Stonefields.

Stephen Hudson
Macquarie Research

And Gerry, just the head office sale, is that included in this result?

Gerry Bollman
Former Executive Officer

I think...

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

In terms of cash, it is. In terms of the profit or loss, it was tiny, to be perfectly honest. I think it is, but it's...

Gerry Bollman
Former Executive Officer

It is a couple of million dollars. And it was included in those figures I was trying to give you. There are, as I said, lots of individual movements one way and the other.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

In terms of your other question, Stephen, the non-residential construction, it's funny I'm sitting here in the Penrose office and I'm looking outside. It's absolutely pouring down. I reference that because it's very difficult to answer that question. If you lose a week's production on a site, you can move from a billing in December to a billing in January. That can be $10 million. And I think that's what we saw in the first half of last year, where we had a good run and build a lot of big, chunky amounts on projects. And as we indicated at the half year, we didn't have as many in the second half. So I can't honestly answer that with any degree of certainty. I'd have to revert to the construction guys and go job by job, and maybe we can do that and -- when we see in the next couple of weeks. We can answer that one then. In terms of other disposals, $200 million is probably the high end of what we could achieve. That will be -- getting anywhere 3 or 4 business units is highly unlikely that will be happening. It's a binary number as I said before. It could be 0. I very much doubt it will be $200 million, and we will know probably within the next 5 months. We've been working on the Rocla deal for 6 months. Now these things are unfortunately quite slow. And in terms of LVR restrictions, certainly, the product that we have out there currently in the market, which is largely Stonefields, is high-value product. It's highly valued. And most of the people that seem to turn up for our product don't really have consideration to LVR restrictions. They are -- either come cashed up or are downsizing and have more than enough spare equity. And we've enjoyed a lot of success selling to that particular segment of the market. Now as we go beyond that with the residential construction strategy, it might become more applicable, but I guess, that's probably 12 months away for us.

Operator

We take the next question from Ben Chan with Evans & Partners.

Ben Chan
Evans & Partners Pty. Ltd., Research Division

Just quick one for me. Just on, obviously, a very good result in Construction. Just want to look at the revenue recognition that you had this year and what we can expect into '16 given we are at another record level of order book at $2.4 billion. I think if I just divide your standing order book of $1.8 billion in '15 over your revenue, you get to about 84% revenue recognition on the order book. Is that a similar level to expect in '16? Or is the timing going to be a bit more drawn out?

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director

Well, some of the projects that we're undergoing currently, they're monsters. The tunnel project I referred to is a $1.3 billion project, of which we, I think, have $400 million. So a billing event for that is the big event of any one financial month, and where it sits, we can't always be certain because of the vagaries of operating in the environment that we do. I think given the question that you raised, Ben and Stephen, we may revert and have a look at that in a little bit more detail and be prepared to answer that question in the next couple of weeks as we get around to see you.

Operator

And we have no further questions over the phone. Thank you.

Mark Duncan Adamson
Former CEO, MD & Non-Independent Executive Director
Okay. Thanks, everybody, for your time. See you soon.