



---

# FLETCHER BUILDING INDUSTRIES LIMITED 2013

---

This report is dated  
4 September 2013 and  
is signed on behalf of the  
board of Fletcher Building  
Industries Limited by:



**Ralph Waters**  
Chairman of Directors



**Mark Adamson**  
Managing Director

<b>Letter from the Chairman</b>	1
<b>Statements of earnings, comprehensive income and movements in equity</b>	2
<b>Balance sheet</b>	3
<b>Statement of cashflows and reconciliation of net earnings/(loss) to net cash from operating activities</b>	4
<b>Statement of accounting policies</b>	5
<b>Notes to the financial statements</b>	6
<b>Independent auditor's report</b>	12
<b>Noteholder information</b>	13
<b>Directory</b>	13

# BUILDING ON SUCCESS

## CHAIRMAN'S REVIEW

I am pleased to present the annual report of Fletcher Building Industries Limited for the year ended 30 June 2013.

Fletcher Building Industries Limited is a wholly owned subsidiary of Fletcher Building Limited (Fletcher Building). The contents of this annual report should be read in conjunction with the Fletcher Building annual review for 2013, a copy of which has previously been sent to you, and the Fletcher Building 2013 annual report which can be viewed at [fbu.com](http://fbu.com).

### Results for the period

Net earnings after tax for the year to 30 June 2013 were \$21.3 million (2012: \$11.8 million). Shareholders' funds decreased to \$222.7 million from \$239.9 million at 30 June 2012 following the payment of a dividend of \$40 million to Fletcher Building.

### Business activities

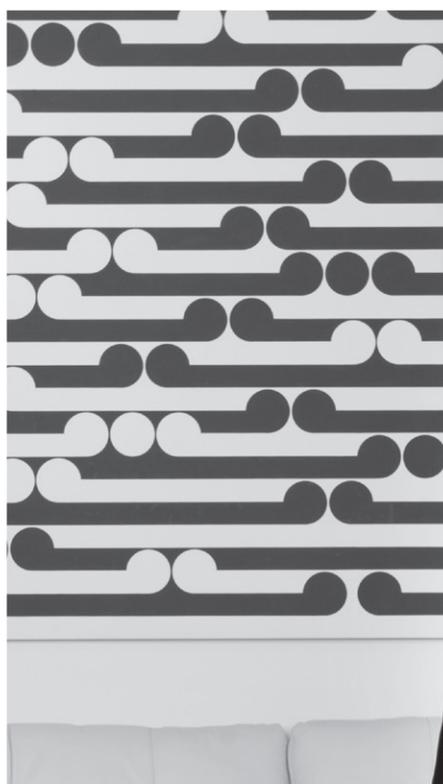
Fletcher Building Industries has issued capital notes and those funds have been invested in other Fletcher Building group companies.

The company owns 20 percent of the shares in Fletcher Building Holdings New Zealand Limited which currently holds all of the shares in Fletcher Building's New Zealand operational subsidiaries.

### Corporate governance

As a wholly owned subsidiary of Fletcher Building, the company is required to comply with the corporate governance practices of the parent. These procedures include written delegations of authority to the chief executive, delegations by the chief executive to other executives prescribing matters reserved for approval by the board, and matters that can be attended by management. In addition, the corporate governance procedures include:

- terms of appointment of directors



◀ **Ralph Waters**  
Chairman

- terms of reference of the chairman, directors and management
- code of conduct
- charters for audit and risk, remuneration and nomination committees of the board
- processes for evaluating the independent status and performance of directors.

The NZX has granted the company a waiver in recognition that the corporate governance procedures of Fletcher Building will apply to it, and that the Companies Act 1993 allows directors of a subsidiary company, such as Fletcher Building Industries, to act in the best interests of the parent company. The effect of the waiver is that Fletcher Building Industries does not need to comply with the full corporate governance and other regulatory disclosures that would otherwise be required, provided that the Fletcher Building annual report includes these disclosures and a copy can be

accessed by all Fletcher Building Industries noteholders.

Specific governance initiatives instituted by the company include requirements that:

- the directors of the company will be the directors of Fletcher Building, with no further remuneration payable
- the chairman, chief executive, chief financial officer and company secretary of Fletcher Building will hold the equivalent roles in the company
- the audit and risk committee will have the same constituency, chairmanship and charter as Fletcher Building's committee.

The directors of the company believe that these initiatives, combined with the overarching governance procedures of Fletcher Building, provide an appropriate basis for ensuring the company meets its fiduciary obligations to the capital noteholders. Consistent with the governance principles,

Mark Adamson, the chief executive officer of Fletcher Building, joined the board on 1 October 2012.

The financial position of the company is dependent on that of Fletcher Building. Further information on the operations and performance of Fletcher Building is available on its website, [fbu.com](http://fbu.com), and I recommend that you take the opportunity to review it.

**Ralph Waters**  
Chairman of Directors

## Statements of earnings, comprehensive income and movements in equity

### Earnings statement

For the year ended 30 June 2013

	Notes	Fletcher Building Industries Group		Fletcher Building Industries	
		Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
Share of profits of associate	6	50,141	14,775		
Other income	2		49,411		93,959
Operating earnings		50,141	64,186		93,959
Funding costs	3	(40,059)	(52,532)	(40,059)	(52,532)
Earnings/(loss) before taxation		10,082	11,654	(40,059)	41,427
Taxation benefit/(expense)	4	11,216	149	11,216	149
<b>Net earnings/(loss)</b>		<b>21,298</b>	<b>11,803</b>	<b>(28,843)</b>	<b>41,576</b>

### Statement of comprehensive income

For the year ended 30 June 2013

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
Net earnings/(loss)	21,298	11,803	(28,843)	41,576
Share of associate's other comprehensive income	1,423	(108)		
<b>Total comprehensive income</b>	<b>22,721</b>	<b>11,695</b>	<b>(28,843)</b>	<b>41,576</b>

### Statement of movements in equity

For the year ended 30 June 2013

	Notes	Fletcher Building Industries Group		Fletcher Building Industries	
		Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
Total equity at the beginning of the year		239,935	87,240	239,935	57,359
Issue of share capital	7		141,000		141,000
Total comprehensive income		22,721	11,695	(28,843)	41,576
Dividend paid to Fletcher Building Limited		(40,000)		(40,000)	
<b>Total equity</b>		<b>222,656</b>	<b>239,935</b>	<b>171,092</b>	<b>239,935</b>

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

## Balance sheet

### Balance sheet

As at 30 June 2013

	Notes	Fletcher Building Industries Group		Fletcher Building Industries	
		June 2013 \$000	June 2012 \$000	June 2013 \$000	June 2012 \$000
<b>Assets</b>					
Current assets:					
Debtors and prepayments		578	1,107	578	1,107
Current taxation asset	10	11,216	149	11,216	149
<b>Total current assets</b>		<b>11,794</b>	1,256	11,794	1,256
Non current assets:					
Amounts owed by related companies	15	7,414	148,084	7,414	148,084
Investment in associate	6	744,841	693,277	693,277	693,277
<b>Total non current assets</b>		<b>752,255</b>	841,361	700,691	841,361
<b>Total assets</b>		<b>764,049</b>	842,617	712,485	842,617
<b>Liabilities</b>					
Current liabilities:					
Accrued interest		10,073	11,085	10,073	11,085
Amounts owing to related companies	15		60,277		60,277
Capital notes	11	111,857	75,000	111,857	75,000
<b>Total current liabilities</b>		<b>121,930</b>	146,362	121,930	146,362
Non current liabilities:					
Capital notes	11	419,463	456,320	419,463	456,320
<b>Total non current liabilities</b>		<b>419,463</b>	456,320	419,463	456,320
<b>Total liabilities</b>		<b>541,393</b>	602,682	541,393	602,682
<b>Equity</b>					
Reported capital	7	346,000	346,000	346,000	346,000
Reserves	8, 9	(123,344)	(106,065)	(174,908)	(106,065)
<b>Total equity</b>		<b>222,656</b>	239,935	171,092	239,935
<b>Total liabilities and equity</b>		<b>764,049</b>	842,617	712,485	842,617

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

On behalf of the board 21 August 2013



**Ralph Waters**  
Chairman of Directors



**Mark Adamson**  
Managing Director

## Statement of cashflows and reconciliation of net earnings/(loss) to net cash from operating activities

### Statement of cashflows

For the year ended 30 June 2013

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
Cashflow from operating activities:				
Prepayments	529	1,094	529	1,094
Dividend received		92,959		92,959
Subvention payment received		52,000		52,000
Interest paid	(41,071)	(51,524)	(41,071)	(51,524)
<b>Net cash from operating activities</b>	<b>(40,542)</b>	94,529	(40,542)	94,529
Cashflow from investing activities:				
Purchase of investments		(693,277)		(693,277)
Sale of investments		633,000		633,000
<b>Net cash from investing activities</b>		(60,277)		(60,277)
Cashflow from financing activities:				
Advances from related companies	80,542	(175,252)	80,542	(175,252)
Issue of shares		141,000		141,000
Dividend paid to Fletcher Building Limited	(40,000)		(40,000)	
<b>Net cash from financing activities</b>	<b>40,542</b>	(34,252)	40,542	(34,252)
Net movement in cash held				
Add opening cash and liquid deposits				
<b>Closing cash and liquid deposits</b>				

### Reconciliation of net earnings/(loss) to net cash from operating activities

For the year ended 30 June 2013

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
Cash was received from net earnings/(loss)	21,298	11,803	(28,843)	41,576
Adjustment for items not involving cash and other items:				
Share of profits from associate	(50,141)	(14,775)		
Loss on sale of associate		2,589		51,000
Dividend received from associate		92,959		
Taxation	(11,216)	(149)	(11,216)	(149)
Prepayments	529	1,094	529	1,094
Trade creditors and accruals	(1,012)	1,008	(1,012)	1,008
<b>Net cash from operating activities</b>	<b>(40,542)</b>	94,529	(40,542)	94,529

## Statement of accounting policies

For the year ended 30 June 2013

### Basis of presentation

The financial statements presented are those of Fletcher Building Industries Limited (the company) and the company and its associate (together, the 'group'). Fletcher Building Industries Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The registered office of the company is 810 Great South Road, Penrose, Auckland. Fletcher Building Industries Limited is a profit oriented entity.

The financial statements, of both the company and group, comprise the earnings statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cashflows, and significant accounting policies, as well as the notes to these financial statements.

### Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that financial assets and liabilities as described below are stated at their fair value. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting Standards.

### Estimates

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing

basis. For further information on areas of estimation and judgement, refer to the notes to the financial statements.

### Valuation of assets

#### Associates

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associate's post-acquisition profits or losses is recognised in the earnings statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associate are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associate are consistent with the policies adopted by the group. Dilution gains and losses arising in the investment in the associate are recognised in the earnings statement.

#### Debtors

Debtors are valued at estimated net realisable value. The valuation

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

### Valuation of liabilities

#### Derivative financial instruments

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

#### Taxation

The provision for current tax is the estimated amount due for payment during the next 12 months by the company and group. The provision for deferred taxation has been calculated using the balance sheet liability method. Deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities and their taxable value.

Deferred tax assets are not recognised unless recovery is considered probable.

#### Borrowings

Interest bearing borrowings are initially recognised at fair value.

#### Creditors

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

#### Provisions

A provision is recognised when the company or group has a current obligation and it is probable that economic benefits will be required to settle this obligation.

#### Intercompany guarantees

Where the company or group enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the Fletcher Building Limited group, the company considers these to be insurance arrangements

and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### Equity

#### Share capital

Ordinary shares are classified as shareholders funds. Incremental costs directly attributable to the issue of new shares or options are shown in shareholders funds as a reduction from the proceeds. Dividends are recognised as a liability in the period in which they are declared.

### Income determination

#### Investment revenue

Interest income is taken to earnings when received or accrued in respect of the period for which it was earned. Dividends and distributions are taken to earnings when received or accrued where declared prior to balance date.

#### Funding costs

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

## Notes to the financial statements

### 1 Changes in accounting policies

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective.

The company has not applied these in preparing these financial statements and while the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the company's results.

There have been no changes in accounting policy in the year ended 30 June 2013, however certain comparatives were restated to conform with the current year's presentation.

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
<b>2 Other income</b>				
Subvention payment received		52,000		52,000
Dividend received from associate				92,959
Gain/(loss) on sale of associate		(2,589)		(51,000)
		49,411		93,959
<b>3 Funding costs</b>				
Interest payable/(receivable) on:				
Capital notes interest	42,615	44,172	42,615	44,172
Amounts owed by Fletcher Building Limited	(3,258)		(3,258)	
Amounts owing to Fletcher Building Limited		7,648		7,648
Plus bank fees, share registry and issue expenses	702	712	702	712
	40,059	52,532	40,059	52,532
<b>4 Taxation benefit/(expense)</b>				
Earnings/(loss) before taxation	10,082	11,654	(40,059)	41,427
Taxation at 28 cents per dollar	(2,823)	(3,263)	11,216	(11,600)
Adjusted for:				
Non assessable income	14,039	3,412		11,749
	11,216	149	11,216	149

### 5 Nature of operations

The company continues to own 20 percent of the shares in Fletcher Building Holdings New Zealand Limited.

The company accounts for this investment in its own accounts at cost, and in its group accounts using the equity method (refer note 6).

Fletcher Building Holdings New Zealand Limited is incorporated in New Zealand, is an unlisted corporate holding company and currently holds all of the shares in Fletcher Building Limited's New Zealand operating subsidiaries.

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
<b>6 Investment in associate</b>				
<b>Carrying amount of associate – Fletcher Building Holdings New Zealand Group</b>				
Carrying amount at the beginning of the year	693,277		693,277	
Acquired during the year		693,277		693,277
Equity accounted earnings of associate	50,141			
Share of associate's other comprehensive income	1,423			
<b>Investment in associate</b>	<b>744,841</b>	693,277	693,277	693,277
<b>Carrying amount of associate – Fletcher Building Holdings Group</b>				
Carrying amount at the beginning of the year		713,881		684,000
Equity accounted earnings of associate		14,775		
Dividend received from associate		(92,959)		
Sale of investment in associate		(633,000)		(633,000)
Loss on sale of associate		(2,589)		(51,000)
Share of associate's other comprehensive income		(108)		
<b>Investment in associate</b>				
<b>Associate information – Fletcher Building Holdings New Zealand Group</b>				
<b>Balance sheet information for associate – 100%</b>				
External assets	2,327,796	2,459,930		
External liabilities	(719,119)	(722,552)		
Debt	(23,956)	(29,590)		
Intercompany	688,689	302,994		
Minority interest	(31,692)	(26,882)		
<b>Equity</b>	<b>2,241,718</b>	1,983,900		
Equity – Fletcher Building Industries Limited share – 20%	448,344	396,780		
Goodwill acquired at cost	296,497	296,497		
<b>Investment in associate</b>	<b>744,841</b>	693,277		
<b>Equity accounted earnings for Fletcher Building Holdings New Zealand Group (2012: Fletcher Building Holdings Group) comprise:</b>				
<b>Summarised earnings statement for associate – 100%</b>				
Sales	4,553,399	3,249,048		
Earnings before interest and tax	328,567	170,692		
Interest income/(expense)	23,332	(45,251)		
Subvention payment paid		(52,000)		
Foreign exchange gain/(loss)	(1,107)	1,166		
Earnings before tax	350,792	74,607		
Tax expense	(100,085)	(733)		
Net earnings	250,707	73,874		
<b>Net earnings – Fletcher Building Industries Limited share – 20%</b>	<b>50,141</b>	14,775		

## Notes to the financial statements

### Continued

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000
<b>7 Capital</b>				
<b>Reported capital:</b>				
Reported capital at the beginning of the year	346,000	205,000	346,000	205,000
Issue of shares		141,000		141,000
	346,000	346,000	346,000	346,000
<b>Number of shares:</b>				
Number of shares at the beginning of the year	346,000	205,000	346,000	205,000
Issue of shares		141,000		141,000
	346,000	346,000	346,000	346,000
All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up.				
<b>8 Reserve movements</b>				
<b>Revenue reserve</b>				
Revenue reserve at the beginning of the year	(106,065)	(117,760)	(106,065)	(147,641)
Net earnings/(loss)	21,298	11,803	(28,843)	41,576
Dividends paid	(40,000)		(40,000)	
Other comprehensive income	1,423	(108)		
	(123,344)	(106,065)	(174,908)	(106,065)
<b>9 Reserve balances</b>				
Reserves comprise:				
Revenue reserve	(123,344)	(106,065)	(174,908)	(106,065)
	(123,344)	(106,065)	(174,908)	(106,065)
<b>10 Current taxation asset</b>				
Opening asset for taxation	149	12,230	149	12,230
Taxation credit in the earnings statement	11,216	149	11,216	149
Intercompany receipt from Fletcher Building Holdings Limited	(149)	(12,230)	(149)	(12,230)
	11,216	149	11,216	149
<b>11 Capital notes</b>				
Capital notes	111,857	75,000	111,857	75,000
<b>Current portion</b>	111,857	75,000	111,857	75,000
Capital notes	419,463	456,320	419,463	456,320
<b>Non current portion</b>	419,463	456,320	419,463	456,320
	531,320	531,320	531,320	531,320

## 11 Capital notes continued

Capital notes are long-term fixed rate unsecured subordinated debt instruments. The indebtedness of Fletcher Building Industries in respect of the capital notes is guaranteed on an unsecured subordinated basis by Fletcher Building Limited. On each election date, the coupon rate and term to the next election date of that series of the capital notes is reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any interest into shares of Fletcher Building Limited, at approximately 98 percent of the current market price. Instead of issuing shares to holders who choose to convert, Fletcher Building may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any interest.

Under the terms of the capital notes, non-payment of interest is not an act of default although unpaid interest is accrued and is interest bearing at the same rate as the principal of the capital notes. Each of the company and Fletcher Building Limited has covenanted not to pay dividends to its shareholders while interest that is due and payable on capital notes has not been paid. The weighted average interest rate on the capital notes is 7.89% (30 June 2012: 8.23%).

The capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building Limited. If the principal amount of the capital notes held at 30 June 2013 were to be converted to shares, 64.2 million (June 2012: 92.4 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2013, of \$8.43 (June 2012: \$5.87).

At 30 June 2013 \$101.8 million (June 2012: 44.6 million) of capital notes were held by Fletcher Buildings Holdings Limited as Treasury Stock.

	Fletcher Building Industries Group	
	2013	2012
Net tangible asset backing per capital note issued as at 30 June	1.42	1.45

## 12 Credit rating

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

## 13 Financial risk management overview

Exposures to credit, liquidity, currency and interest rate risks arise in the normal course of the company's business. The company is a wholly owned subsidiary of Fletcher Building Limited and does not have an independent policy regarding capital structure, credit, liquidity, currency and interest rates but is governed by the Fletcher Building group's principles and policy documents approved by the Fletcher Building group's board. The policy documents identify the risk and sets out the Fletcher Building group's objectives, policies and processes to measure, manage and report the risk. The policies are reviewed periodically to reflect changes in financial markets and the Fletcher Building group's businesses. Risk management is carried out by the Fletcher Building group's central treasury function, which ensures compliance with the risk management policies and procedures set by the board and enters into derivative financial instruments to assist in the management of the identified financial risks.

The company does not enter into derivative financial instruments for trading or speculative purposes. All derivative transactions entered into are to hedge underlying physical positions arising from normal business activities.

The financial position of the company is dependent on that of Fletcher Building Limited.

### Risks and mitigation

#### (a) Credit risk

To the extent the company has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty which arises principally from receivables from customers, derivative financial instruments and short term cash deposits. The company only has credit risk exposure to the Fletcher Building group and has no external credit risk exposure.

The company has not renegotiated the terms of any financial assets which would otherwise be past due or impaired.

#### (b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial commitments as they fall due. The Fletcher Building group manages the liquidity risk of the company by having a spread of maturity dates of the Fletcher Building group's debt facilities. Furthermore at 30 June 2013, the Fletcher Building group had \$2,690 million of committed bank facilities of which \$819 million were undrawn (June 2012: \$2,928 million; \$782 million).

The following maturity analysis table sets out the remaining contractual undiscounted cashflows, including estimated interest payments for non-derivative liabilities. Creditors and accruals are excluded from this analysis as they are not part of the company's assessment of liquidity risk.

## Notes to the financial statements

### Continued

#### 13 Financial risk management overview continued

##### (b) Liquidity risk continued

Fletcher Building Industries Group and Fletcher Building Industries June 2013					
	Contractual Cashflows \$000	Up to 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	Over 5 years \$000
Capital notes	531,320	111,857	93,169	251,294	75,000
<b>Non-derivative liabilities – Principal cashflows</b>	<b>531,320</b>	<b>111,857</b>	<b>93,169</b>	<b>251,294</b>	<b>75,000</b>
Contractual interest cashflows	114,707	39,155	28,161	44,528	2,863
<b>Total contractual cashflows</b>	<b>646,027</b>	<b>151,012</b>	<b>121,330</b>	<b>295,822</b>	<b>77,863</b>

Fletcher Building Industries Group and Fletcher Building Industries June 2012					
	Contractual Cashflows \$000	Up to 1 year \$000	1 – 2 years \$000	2 – 5 years \$000	Over 5 years \$000
Capital notes	531,320	75,000	111,857	255,883	88,580
Amounts owing to related companies	60,277	60,277			
<b>Non-derivative liabilities – Principal cashflows</b>	<b>591,597</b>	<b>135,277</b>	<b>111,857</b>	<b>255,883</b>	<b>88,580</b>
Contractual interest cashflows	134,510	41,721	35,707	52,623	4,459
<b>Total contractual cashflows</b>	<b>726,107</b>	<b>176,998</b>	<b>147,564</b>	<b>308,506</b>	<b>93,039</b>

##### (c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will change due to changes in market interest rates and arises primarily from the company's interest bearing borrowings. The Fletcher Building group manages the fixed interest rate component of its debt and capital notes obligations of the company and aims to maintain this ratio between 40 to 70 percent. The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency interest rate swaps, interest rate swaps, forward rate agreements and options are entered into to manage this position.

The following tables set out the interest rate repricing profile of financial assets and liabilities:

Fletcher Building Industries Group and Fletcher Building Industries		
	Year ended June 2013 \$000	Year ended June 2012 \$000
Floating – non interest bearing		60,277
Fixed up to 1 year	111,857	75,000
Fixed 1 – 2 years	93,169	111,857
Fixed 2 – 5 years	251,294	255,883
Fixed over 5 years	75,000	88,580
<b>Total</b>	<b>531,320</b>	<b>591,597</b>

##### (d) Sensitivity analysis

Foreign currency and interest rate risk is governed and managed by the Fletcher Building group. The sensitivity analysis is included in the Fletcher Building group financial statements.

### 13 Financial risk management overview continued

#### (e) Fair values

The estimated fair values of the company's financial assets and liabilities compared to their carrying values in the balance sheet, are as follows:

	Classifications	June 2013		June 2012	
		Carrying value \$000	Fair value \$000	Carrying value \$000	Fair value \$000
Capital notes	Amortised cost	531,320	552,207	531,320	559,899
Amounts owing to related companies	Loans and receivable			60,277	60,277
Amounts owing by related companies	Loans and receivable	7,414	7,414	148,084	148,084
		<b>538,734</b>	<b>559,621</b>	739,681	768,260

#### Fair value measurement

No financial instruments are measured and recognised at fair value.

#### Fair value disclosures

The fair values of borrowings used for disclosure are measured by discounting future principal and interest cashflows at the current market interest rate that are available for similar financial instruments.

The interest rates across all currencies used to discount future principal and interest cashflows are between 5.37% and 6.02% (June 2012: 5.71% and 6.18%) including margins.

### 14 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2013 (June 2012: Nil).

The Fletcher Building group borrows funds based on covenants and a negative pledge arrangement. The principal borrowing covenants relate to gearing and interest cover and at 30 June 2013 and throughout the year, the Fletcher Building group was in compliance with all its covenants. The negative pledge arrangement includes a cross guarantee, ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in limited circumstances. The cross guarantee states that Fletcher Building Limited and certain of its subsidiaries, including Fletcher Building Industries Limited, guarantee the debt of the group that has the benefit of the negative pledge arrangement.

As at 30 June 2013 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$1,394 million (June 2012: \$1,614 million).

Where the company enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the Fletcher Building group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2013 \$000	Year ended June 2012 \$000	Year ended June 2013 \$000	Year ended June 2012 \$000

### 15 Related party transactions

The company is a wholly owned subsidiary of Fletcher Building Limited, which is also the ultimate holding company.

All other related companies are also subsidiaries of Fletcher Building Limited.

Term receivable owing from related companies

Fletcher Building Limited <sup>1</sup>	7,414	148,084	7,414	148,084
	<b>7,414</b>	148,084	7,414	148,084

Term payable owing to related companies

Fletcher Challenge Finance Investments Limited <sup>2</sup>		60,277		60,277
		60,277		60,277

<sup>1</sup> This unsecured advance is at call, but represents a long term asset and earns 7.5% interest.

<sup>2</sup> This unsecured advance was repaid on 22 August 2012.

The audit fee is borne by the company's parent.

### TO THE SHAREHOLDERS OF FLETCHER BUILDING INDUSTRIES LIMITED

#### Report on the company and group financial statements

We have audited the accompanying financial statements on pages 2 to 11 of Fletcher Building Industries Limited ("the company") and the group, comprising the company and its associate. The financial statements comprise the balance sheets as at 30 June 2013, the statements of earnings, comprehensive income, movements in equity and cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

#### Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

#### Auditor's responsibility

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

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

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

Our firm has also provided other services to the company and group in relation to taxation and other assurance services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

#### Opinion

In our opinion the financial statements on pages 2 to 11:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 30 June 2013 and of the financial performance and cashflows of the company and the group for the year then ended.

#### Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Fletcher Building Industries Limited as far as appears from our examination of those records.



21 August 2013  
KPMG Auckland, New Zealand

### NOTEHOLDER INFORMATION

#### Enquiries

Noteholders with enquiries about transactions or changes of address should contact:

#### Computershare Investor Services Limited

Private Bag 92119  
Auckland 1142

Level 2, 159 Hurstmere Road  
Takapuna, Auckland 0622  
New Zealand  
T. +64 9 488 8777  
F. +64 9 488 8787  
E. enquiry@computershare.co.nz

#### Other investor enquiries

#### Fletcher Building Industries Limited

Private Bag 92 114  
Auckland 1142  
New Zealand  
T. +64 9 525 9000  
F. +64 9 525 9032  
E. moreinfo@fbi.com

fbi.com

#### Interest payment dates

Interest on capital notes is paid semi-annually on 15 March and 15 September in respect of the notes with the election dates of 15 March 2015, 15 March 2017, 15 March 2018 and 15 March 2019, and on 15 May and 15 November in respect of the notes with the election dates of 15 May 2014 and 15 May 2016.

The company recommends that all noteholders have their interest payments direct credited to a bank account to ensure security and promptness of receipt. If you do not already have your payments direct credited, please contact Computershare Investor Services to register your bank account details.

#### Quotation and transfers

The Fletcher Building Industries capital notes are quoted on the NZX and may be bought and sold through sharebrokers. No transfer will be registered if it would result in the transferor or the transferee holding capital notes with an aggregate principal amount of less than \$2,000. Subject to this minimum holding, transfers must be in multiples of \$500.

#### Fletcher Building website

Details on Fletcher Building and its operations for the year ended 30 June 2013 can be viewed at the Fletcher Building website, at [fbi.com](http://fbi.com). This website contains all news releases to the NZX and ASX and financial presentations made by Fletcher Building.

#### NZX waivers

The NZX has granted a waiver to the company from Listing Rule 10.5 – Annual and Half-Yearly Reports, subject to the following conditions:

- a) that the company send copies of the annual and half-yearly reports of Fletcher Building (with financial information relating to the Fletcher Building group), or a notice complying with Section 209(3) of the Companies Act 1993, to its noteholders,
- b) that the company's annual report include any specific relevant disclosures required by the Companies Act 1993 and certain sections of Listing Rule 10.5, and
- c) that the Fletcher Building annual report contain details of the spread of the company's noteholders and the corporate governance policies, practices and processes.

The company also relies on a waiver from NZX Listing Rule 11.1.1, to enable the company both to:

- a) restrict transfers of capital notes where the transfer would result in either the transferor or the transferee holding an aggregate principal amount of less than \$5,000; and
- b) restrict transfers of capital notes where the transfer is for an amount of less than \$1,000.

This waiver is granted subject to the condition that the company will not impose the restriction on holders of series FBI090, FBI100 and FBI110 notes where the transferor has a minimum holding of \$2,000 or greater and seeks to transfer an amount that is a multiple of \$500.

### DIRECTORY

#### Directors

**Ralph Waters**  
Chairman

**Mark Adamson**

**Antony Carter**

**Alan Jackson**

**John Judge**

Chairman of the Audit and Risk Committee

**Kathryn Spargo**

Member of the Audit and Risk Committee

**Cecilia Tarrant**

Member of the Audit and Risk Committee

**Gene Tilbrook**

Member of the Audit and Risk Committee

#### Management

**Martin Farrell**

Company Secretary and General Counsel

**Nicholas Olson**

Chief Financial Officer

#### Registered office

#### Fletcher Building Industries Limited

Private Bag 92 114  
Auckland 1142  
New Zealand

Fletcher House  
810 Great South Road  
Penrose, Auckland 1061  
New Zealand  
T. +64 9 525 9000

#### Trustee

The capital notes are constituted under a Trust Deed dated 12 November 2002 as supplemented by supplemental trust deeds dated 21 November 2008, 16 March 2009 and 15 March 2012. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of the provisions of the Trust Deed.

#### The Trustee is:

Corporate Trust Limited,  
trading as Foundation Corporate Trust  
PO Box 3376  
Shortland Street  
Auckland 1140  
New Zealand

Level 17, AMP Centre  
29 Customs Street West  
Auckland 1010  
New Zealand  
T. +64 9 366 3290

**Fletcher Building  
Industries Limited**  
2013 Annual Report

