

**FLETCHER BUILDING
INDUSTRIES LIMITED**

ANNUAL REPORT 2015



This report is dated
19 August 2015 and
is signed on behalf of the
board of Fletcher Building
Industries Limited by:



Sir Ralph Norris
Chairman of Directors



Mark Adamson
Managing Director

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Chairman's review.

I am pleased to present the annual report of Fletcher Building Industries Limited for the year ended 30 June 2015.

Fletcher Building Industries 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 2015 annual report which can be viewed at fbu.com.

RESULTS FOR THE PERIOD

Net earnings after tax for the year to 30 June 2015 were \$51.0 million (2014: \$35.8 million). Shareholders' funds increased to \$309.8 million from \$257.8 million at 30 June 2014.

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 per cent of the shares in Fletcher Building Holdings New Zealand Limited which currently holds all of the shares in Fletcher Building's New Zealand operating subsidiaries.

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, and I recommend that you take the opportunity to review it.



Sir Ralph Norris
Chairman of Directors



Income statement, statement of comprehensive income and statement of movements in equity

Income statement

For the year ended 30 June 2015

	Notes	Fletcher Building Industries Group	Fletcher Building Industries	
		Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000
Share of profits of associate	6	75,745	65,433	
Other income	2			53,000
Earnings before interest and taxation		75,745	65,433	75,000
Funding costs	3	(34,392)	(41,218)	(34,392)
Earnings before taxation		41,353	24,215	18,608
Taxation benefit	4	9,630	11,541	9,630
Net earnings		50,983	35,756	28,238

Statement of comprehensive income

For the year ended 30 June 2015

	Notes	Fletcher Building Industries Group	Fletcher Building Industries	
		Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000
Net earnings		50,983	35,756	45,323
Share of associate's other comprehensive income/(loss)	6	1,073	(653)	
Total comprehensive income		52,056	35,103	28,238

Statement of movements in equity

For the year ended 30 June 2015

	Fletcher Building Industries Group	Fletcher Building Industries	
	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000
Total equity at the beginning of the year	257,759	222,656	171,092
Total comprehensive income	52,056	35,103	45,323
Total equity	309,815	257,759	216,415

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 2015

	Notes	Fletcher Building Industries Group		Fletcher Building Industries	
		June 2015 NZ\$000	June 2014 NZ\$000	June 2015 NZ\$000	June 2014 NZ\$000
Assets					
Current assets:					
Debtors and prepayments		51	110	51	110
Amounts owed by related companies	15	67,101	51,968	67,101	51,968
Current tax asset	10	9,630	11,541	9,630	11,541
Total current assets		76,782	63,619	76,782	63,619
Non-current assets:					
Investment in associate	6	773,439	734,621	708,277	693,277
Total non-current assets		773,439	734,621	708,277	693,277
Total assets		850,221	798,240	785,059	756,896
Liabilities					
Current liabilities:					
Accrued interest		9,086	9,161	9,086	9,161
Capital notes	11	94,463	93,169	94,463	93,169
Total current liabilities		103,549	102,330	103,549	102,330
Non-current liabilities:					
Capital notes	11	436,857	438,151	436,857	438,151
Total non-current liabilities		436,857	438,151	436,857	438,151
Total liabilities		540,406	540,481	540,406	540,481
Equity					
Reported capital	7	346,000	346,000	346,000	346,000
Reserves	8, 9	(36,185)	(88,241)	(101,347)	(129,585)
Total equity		309,815	257,759	244,653	216,415
Total liabilities and equity		850,221	798,240	785,059	756,896

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

On behalf of the board 19 August 2015



Sir Ralph Norris
Chairman of Directors



Mark Adamson
Managing Director

Statement of cash flows and reconciliation of net earnings to net cash from operating activities

Statement of cash flows

For the year ended 30 June 2015

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
Cash flow from operating activities:				
Prepayments	59	468	59	468
Dividend received	53,000	75,000	53,000	75,000
Interest paid	(34,467)	(42,130)	(34,467)	(42,130)
Net cash from operating activities	18,592	33,338	18,592	33,338
Cash flow from investing activities:				
Purchase of investments	(15,000)		(15,000)	
Net cash from investing activities	(15,000)		(15,000)	
Cash flow from financing activities:				
Advances from related companies	(3,592)	(33,338)	(3,592)	(33,338)
Net cash from financing activities	(3,592)	(33,338)	(3,592)	(33,338)
Net movement in cash held				
Add opening cash and liquid deposits				
Closing cash and liquid deposits				

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2015

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
Cash was received from net earnings	50,983	35,756	28,238	45,323
Adjustment for items not involving cash and other items:				
Share of profits from associate	(75,745)	(65,433)		
Dividend received from associate	53,000	75,000		
Taxation	(9,630)	(11,541)	(9,630)	(11,541)
Prepayments	59	468	59	468
Accruals	(75)	(912)	(75)	(912)
Net cash from operating activities	18,592	33,338	18,592	33,338

Statement of accounting policies

For the year ended 30 June 2015

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 a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. 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 income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows, and significant accounting policies, as well as the notes to these financial statements.

Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that financial assets and liabilities as described below are stated at their fair value. 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 income 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 income 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 tax has been calculated using the balance sheet liability method. Deferred tax is recognised on the temporary difference between the carrying amount of assets and liabilities and their taxable value. Deferred tax assets are not recognised unless recovery is considered probable.

Borrowings

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

Creditors

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

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. 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, interest income, 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 2015.

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
2 Other income				
Dividend received from associate			53,000	75,000
			53,000	75,000
3 Funding costs				
Interest payable on:				
Capital notes interest	36,942	40,068	36,942	40,068
Amounts owing to Fletcher Building Limited		534		534
Plus bank fees, share registry and issue expenses	218	616	218	616
Interest receivable on:				
Amounts owed by Fletcher Building Limited	(2,768)		(2,768)	
	34,392	41,218	34,392	41,218
4 Taxation benefit				
Earnings before taxation	41,353	24,215	18,608	33,782
Taxation at 28 cents per dollar	(11,579)	(6,780)	(5,210)	(9,459)
Adjusted for:				
Non assessable income	21,209	18,321	14,840	21,000
	9,630	11,541	9,630	11,541

5 Nature of operations

The company continues to own 20 per cent 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.

The company is therefore exposed to the trading risks of those New Zealand businesses, particularly through the building products and construction cycle. However, the capital notes are subject to a guarantee from Fletcher Building Limited. Further details are provided in notes 11 and 13.

	Fletcher Building Industries Group		Fletcher Building Industries	
	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
6 Investment in associate				
Carrying amount of associate – Fletcher Building Holdings New Zealand Group				
Carrying amount at the beginning of the year	734,621	744,841	693,277	693,277
Share of profits of associate	75,745	65,433		
Share of associate's other comprehensive income/(loss)	1,073	(653)		
Investment in Fletcher Building Holdings New Zealand Limited	15,000		15,000	
Dividend received from associate	(53,000)	(75,000)		
Investment in associate	773,439	734,621	708,277	693,277
Associate information – Fletcher Building Holdings New Zealand Group				
Balance sheet information for associate – 100%				
External assets	2,632,250	2,439,958		
External liabilities	(1,024,041)	(857,771)		
Debt	(5,218)	(23,624)		
Intercompany	803,745	663,934		
Non-controlling interest	(22,027)	(31,879)		
Equity	2,384,709	2,190,618		
Equity – Fletcher Building Industries Limited share – 20%	476,942	438,124		
Goodwill acquired at cost	296,497	296,497		
Investment in associate	773,439	734,621		
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:				
Summarised income statement for associate – 100%				
Sales	5,307,869	4,750,725		
Earnings before interest and tax	474,853	393,319		
Interest income	56,716	57,665		
Foreign exchange gain/(loss)	(1,119)	300		
Earnings before tax	530,450	451,284		
Taxation expense	(151,725)	(124,121)		
Net earnings	378,725	327,163		
Net earnings – Fletcher Building Industries Limited share – 20%	75,745	65,433		

		Fletcher Building Industries Group		Fletcher Building Industries	
		Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
7 Capital					
	Reported capital:				
	Reported capital at the beginning of the year	346,000	346,000	346,000	346,000
		346,000	346,000	346,000	346,000
	Number of shares:				
	Number of shares at the beginning of the year	346,000	346,000	346,000	346,000
		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.				
8 Reserve movements					
	Revenue reserve				
	Revenue reserve at the beginning of the year	(88,241)	(123,344)	(129,585)	(174,908)
	Net earnings	50,983	35,756	28,238	45,323
	Other comprehensive income/(loss)	1,073	(653)		
		(36,185)	(88,241)	(101,347)	(129,585)
	Reserve balances				
9	Reserves comprise:				
	Revenue reserve	(36,185)	(88,241)	(101,347)	(129,585)
		(36,185)	(88,241)	(101,347)	(129,585)
	Current tax asset				
10	Opening current tax asset	11,541	11,216	11,541	11,216
	Taxation benefit in the income statement	9,630	11,541	9,630	11,541
	Intercompany receipt from Fletcher Building Holdings Limited	(11,541)	(11,216)	(11,541)	(11,216)
		9,630	11,541	9,630	11,541
	Capital notes				
11	Capital notes	94,463	93,169	94,463	93,169
	Current portion	94,463	93,169	94,463	93,169
	Capital notes	436,857	438,151	436,857	438,151
	Non-current portion	436,857	438,151	436,857	438,151
		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 per cent 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 6.97% (30 June 2014: 7.44%).

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 2015 were to be converted to shares, 69 million (June 2014: 62 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2015, of \$8.12 (June 2014: \$8.81).

At 30 June 2015 \$142 million (June 2014: \$131 million) of capital notes were held by Fletcher Buildings Holdings Limited as Treasury Stock.

	Fletcher Building Industries Group	
	2015	2014
Net tangible asset backing per capital note issued as at 30 June	1.58	1.49

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 under board delegated authority by the CEO. The policy documents identify the risk and set 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 exposures 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 2015, the Fletcher Building group had \$2,483 million of committed bank facilities of which \$614 million were undrawn (June 2014: \$2,378 million; \$616 million).

The following maturity analysis table sets out the remaining contractual undiscounted cash flows, 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 because they are offset by debtors with similar payment terms.

13 Financial risk management overview continued

(b) Liquidity risk continued

Fletcher Building Industries Group and Fletcher Building Industries June 2015					
	Contractual cash flows NZ\$000	Up to 1 year NZ\$000	1 – 2 years NZ\$000	2 – 5 years NZ\$000	Over 5 years NZ\$000
Capital notes	531,320	94,463	68,252	368,605	
Non-derivative liabilities – Principal cash flows	531,320	94,463	68,252	368,605	
Contractual interest cash flows	65,259	26,100	18,089	21,070	
Total contractual cash flows	596,579	120,563	86,341	389,675	

Fletcher Building Industries Group and Fletcher Building Industries June 2014					
	Contractual cash flows NZ\$000	Up to 1 year NZ\$000	1 – 2 years NZ\$000	2 – 5 years NZ\$000	Over 5 years NZ\$000
Capital notes	531,320	93,169	94,463	343,688	
Non-derivative liabilities – Principal cash flows	531,320	93,169	94,463	343,688	
Contractual interest cash flows	108,590	35,561	29,021	44,008	
Total contractual cash flows	639,910	128,730	123,484	387,696	

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will change due to changes in market interest rates and arises primarily from the 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%. 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 2015 NZ\$000	Year ended June 2014 NZ\$000
Floating – non-interest bearing		
Fixed up to 1 year	94,463	93,169
Fixed 1 – 2 years	68,252	94,463
Fixed 2 – 5 years	368,605	343,688
Fixed over 5 years		
Total	531,320	531,320

(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 2015		June 2014	
		Carrying value NZ\$000	Fair value NZ\$000	Carrying value NZ\$000	Fair value NZ\$000
Capital notes	Amortised cost	531,320	547,663	531,320	536,092
Amounts owing by related companies	Loans and receivables	67,101	67,101	51,968	51,968

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 cash flows 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 cash flows are between 4.40% and 5.00% (June 2014: 5.45% and 6.15%) including margins.

14 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2015 (June 2014: 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 2015 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 2015 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$1,418 million (June 2014: \$1,308 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 2015 NZ\$000	Year ended June 2014 NZ\$000	Year ended June 2015 NZ\$000	Year ended June 2014 NZ\$000
Receivable owing from related companies:				
Fletcher Building Limited ¹	67,101	51,968	67,101	51,968
	67,101	51,968	67,101	51,968

¹ This unsecured advance is at call and earns 7.5% interest.

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

Independent auditor's report



Chartered Accountants

Independent auditor's report

To the shareholders of Fletcher Building Industries Limited

Report on the Financial Statements

We have audited the financial statements of Fletcher Building Industries Limited and its associate on pages 2 to 11, which comprise the balance sheet of Fletcher Building Industries Limited and the group as at 30 June 2015, and the statement of comprehensive income, income statement, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 461G (1) of the Financial Markets Conduct Act 2013. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

We have provided other services to the company and group in relation to taxation and other assurance services. We have no other relationship, or interest in, the company and group.

Partners and employees of our firm may deal with the company and group on normal terms within the ordinary course of trading activities of the business of 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;
- comply with International Financial Reporting Standards; and
- present fairly, in all material respects, the financial position of Fletcher Building Industries Limited and the group as at 30 June 2015 and its financial performance and cash flows of the company and group for the year then ended.

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

19 August 2015
Auckland

Information

Noteholder Information

Enquiries

Noteholders with enquiries about transactions payments 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 92114
Auckland 1142
New Zealand
T. +64 9 525 9000
F. +64 9 525 9032
E. moreinfo@fbu.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 2017, 15 March 2018, 15 March 2019 and 15 March 2020, and on 15 May and 15 November in respect of the notes with the election dates of 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 2015 can be viewed on the Fletcher Building website, at fbu.com. This website contains all news releases to the NZX and ASX and financial presentations made by Fletcher Building.

Regulatory Disclosures

There were no entries in the interests register during the period.

Fletcher Building Industries has no quoted voting products under the Financial Markets Conduct Act 2013 so no substantial security noteholder notifications are required.

NZX waivers

Fletcher Building Industries has been granted a waiver from NZX Listing Rule 10.4 on the condition that:

- a) the company send to noteholders copies of Fletcher Building's annual and half-yearly report or a notice containing the statements referred to in section 209(3) of the Companies Act 1993; and
- b) Fletcher Building Industries' annual report includes, where relevant, the information required by section 211 of the Companies Act 1993 and NZX Listing Rules 10.4.5(a) and 10.4.5(e) – (g); and
- c) the disclosures required by NZX Listing Rule 10.5.3(d) and (h) are combined in the Fletcher Building Annual Report.

Remuneration and expenses

The directors of Fletcher Building Industries are the directors of Fletcher Building, with no further remuneration payable. The chairman, chief executive officer, chief financial officer and company secretary of Fletcher Building hold equivalent roles in Fletcher Building Industries, with no further remuneration payable.

No donations were made by the company during the accounting period.

Directory

Directors

Sir Ralph Norris
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

Steven Vamos

Management

Mark Adamson
Chief Executive Officer

Gerry Bollman
Chief Financial Officer

Charles Bolt
Company Secretary and General Counsel

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

Trustee

The capital notes are constituted under a Trust Deed dated 12 November 2002 as consolidated and restated dated 27 June 2014. 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

