

Fletcher Building Industries Limited
Annual Report 2020

Contents

This Annual Report is dated 19 August 2020 and is signed
on behalf of the Board by:



Bruce Hassall
Chair



Robert McDonald
Director

Chair's Report



Bruce Hassall, Chair.

I am pleased to present the Annual Report of Fletcher Building Industries Limited (the Company) for the year ended 30 June 2020.

Fletcher Building Industries Limited is a wholly owned subsidiary of Fletcher Building Limited (the Group). The contents of this Annual Report should be read in conjunction with the Fletcher Building Limited 2020 Annual Report which can be viewed at [fletcherbuilding.com](https://www.fletcherbuilding.com).

Results for the year

Net earnings after tax for the year to 30 June 2020 were \$6 million (2019: net earnings of \$66 million). Shareholders' funds decreased to \$434 million from \$442 million at 30 June 2019. The decrease in shareholders' funds is related to the Group adoption of NZ IFRS 16 on 1 July 2019.

Business activities

The Company 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 the Group's New Zealand operating subsidiaries.

Fletcher Building Group performance

Fletcher Building Limited guarantees all of the capital notes issued by Fletcher Building Industries Limited on an unsecured subordinated basis. The financial performance of the Company should be considered in conjunction with the financial statements of the Group. The Group reported net losses of \$196 million for the year ended 30 June 2020, compared to net earnings of \$164 million in prior year. The decrease in net earnings is due predominantly to the impacts of COVID-19 and additional provisioning on the legacy construction projects.

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

A handwritten signature in black ink, appearing to read 'Bruce Hassall', written over a light blue horizontal line.

Bruce Hassall
Chair

Financial Statements

Income statement

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Share of profits of associate	5	27,034	90,674
Earnings before interest and taxation		27,034	90,674
Funding costs	3	(29,483)	(34,421)
Earnings/(losses) before taxation		(2,449)	56,253
Taxation benefit	4	8,257	9,638
Net earnings		5,808	65,891

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Net earnings		5,808	65,891
Share of associate's other comprehensive income/(loss)	5	266	(173)
Total comprehensive income		6,074	65,718

Statement of movements in equity

FOR THE YEAR ENDED 30 JUNE 2020

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Total equity at the beginning of the year	442,398	380,159
Impact from associate adopting NZ IFRS 15		(3,479)
Impact from associate adopting NZ IFRS 16	(14,613)	
Total comprehensive income	6,074	65,718
Total equity	433,859	442,398

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

Balance sheet

AS AT 30 JUNE 2020


Assets	Notes	As at June 2020 NZ\$000	As at June 2019 NZ\$000
<i>Current assets:</i>			
Amounts owed by related companies	14	158,598	129,261
Current tax asset	9	8,257	9,638
Total current assets		166,855	138,899
<i>Non-current assets:</i>			
Investment in associate	5	783,360	910,673
Total non-current assets		783,360	910,673
Total assets		950,215	1,049,572
Liabilities			
<i>Current liabilities:</i>			
Accrued interest		6,999	7,174
Amounts owed to related companies	14	9,357	
Capital notes	10	100,000	200,000
Total current liabilities		116,356	207,174
<i>Non-current liabilities:</i>			
Capital notes	10	400,000	400,000
Total non-current liabilities		400,000	400,000
Total liabilities		516,356	607,174
Equity			
Share capital	6	346,000	346,000
Reserves	7, 8	87,859	96,398
Total equity		433,859	442,398
Total liabilities and equity		950,215	1,049,572

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

On behalf of the Board, 19 August 2020



Bruce Hassall
Chair



Robert McDonald
Director

Financial Statements (Continued)

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2020

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
<i>Cash flow from operating activities:</i>		
Dividend received	40,000	70,000
Interest paid	(29,658)	(34,074)
Net cash from operating activities	10,342	35,926
<i>Cash flow from investing activities:</i>		
Purchase of investments in associate		
Capital redemption by associate	100,000	50,000
Net cash from investing activities	100,000	50,000
<i>Cash flow from financing activities:</i>		
Advances to related companies	(10,342)	(35,926)
Issue of capital notes	100,000	100,000
Redemption of capital notes	(200,000)	(150,000)
Net cash from financing activities	(110,342)	(85,926)
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 2020

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Net earnings	5,808	65,891
<i>Adjust for:</i>		
Share of profits from associate	(27,034)	(90,674)
Dividend received from associate	40,000	70,000
Taxation	(8,257)	(9,638)
Accruals	(175)	347
Net cash from operating activities	10,342	35,926

Statement of accounting policies

FOR THE YEAR ENDED 30 JUNE 2020

GENERAL INFORMATION

The financial statements presented are those of Fletcher Building Industries Limited (the Company).

The Company is domiciled in New Zealand, is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013 and is a for-profit entity.

The registered office of the Company is 810 Great South Road, Penrose, Auckland.

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

Nature of operations

The Company continues to own 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited (FBHZNZL).

The Company accounts for this investment in its financial statements using the equity method (refer note 5).

FBHZNZL is incorporated in New Zealand, is an unlisted corporate holding company and currently holds all of the shares in Fletcher Building'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. Further details are provided in notes 10 and 12.

BASIS OF PRESENTATION

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

These financial statements are presented in New Zealand dollars (\$), which is the Company's

functional and presentation currency and rounded to the nearest thousand unless otherwise stated.

The financial statements comprise the income statement, statement of comprehensive income, statement of movements in equity, balance sheet, statement of cash flows, and statement of 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 certain financial assets and liabilities, as described below are stated at their fair value.

The accounting policies have been applied consistently throughout all periods presented, except as disclosed below, "Changes in accounting policies".

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 sales and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis.

VALUATION OF ASSETS

Associates

Associates are all entities over which the Company has significant influence but not control. Investments in associates are accounted for using the equity method.

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in the income statement, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment when declared.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

VALUATION OF LIABILITIES

Derivative financial instruments

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

Taxation

The provision for current tax is the estimated amount due for payment during the next 12 months by the Company. 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 has a current obligation and it is probable that an economic benefit will be required to settle it.

Intercompany guarantees

Where the Company 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

Funding costs

Funding costs comprise interest expense, interest income, amortisation of prepaid expenses and gains/losses on certain financial instruments that are recognised in the income statement.

Interest expense and income is recognised on an accrual basis in the income statement using the effective interest method.

Notes to the Financial Statements

1. COMPARATIVE INFORMATION

Where necessary, certain comparative information has been reclassified to conform to changes in presentation in the current year.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and computation methods applied in the preparation of the financial statements are consistent with those applied in the last annual financial statements with the exception of the adoption of NZ IFRS 16 Leases (NZ IFRS 16).

NZ IFRS 16 was issued in February 2016 and became effective for the Company for the period beginning 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. NZ IFRS 16 replaces NZ IAS 17 and the related interpretations. For lessees, NZ IFRS 16 removes the distinction between operating leases and finance leases and introduces a single lessee accounting model which requires right-of-use assets and lease liabilities to be recognised for most lease contracts.

The Company adopted the standard using the modified retrospective approach. A cumulative catch-up adjustment to retained earnings as at 1 July 2019 has been recognised for leases where NZ IFRS 16 has been applied from lease commencement, however prior year comparatives have not been restated.

Financial Impact

The Company has not entered into any lease arrangements and as a result there is no impact on the Company as a result of the adoption of NZ IFRS 16. However, for Fletcher Building Holdings New Zealand Limited (FBHNZL), which is equity accounted for in these financial statements, the adoption of NZ IFRS 16 has had a significant impact. FBHNZL has a large number of leases, consisting of property, mobile plant and heavy machinery, commercial and passenger vehicles and IT equipment. On 1 July 2019, FBHNZL recognised lease liabilities of approximately \$0.9 billion, and right-of-use assets of \$0.8 billion in its consolidated balance sheet. An after-tax adjustment of \$72 million has been made to its opening retained earnings to recognise the front-loading of interest expense in the early years of the leases. As a result, the adoption of NZ IFRS 16 has impacted the Company's results to the extent of its 20 per cent investment in FBHNZL.

3. FUNDING COSTS

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Capital notes interest expense	28,901	35,305
Bank fees, share registry and issue expenses	261	163
Interest (income)/expense - Fletcher Building Limited advances	321	(1,047)
	29,483	34,421

4. TAXATION BENEFIT

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Earnings/(losses) before taxation	(2,449)	56,253
Taxation at 28 cents per dollar	686	(15,751)
Adjusted for:		
Non assessable income	7,571	25,389
	8,257	9,638

5. INVESTMENT IN ASSOCIATE

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Carrying amount of associate – Fletcher Building Holdings New Zealand Group		
Carrying amount at the beginning of the year	910,673	943,651
Impact from associate adopting NZ IFRS 15		(3,479)
Impact from associate adopting NZ IFRS 16	(14,613)	
Share of profits of associate	27,034	90,674
Share of associate's other comprehensive income/(loss)	266	(173)
Capital redemption by associate	(100,000)	(50,000)
Dividend received from associate	(40,000)	(70,000)
Investment in associate	783,360	910,673
Associate information – Fletcher Building Holdings New Zealand Group		
Balance sheet information for associate – 100%		
External assets	4,250,533	3,566,508
External liabilities	(2,003,439)	(1,244,062)
Intercompany	205,224	778,867
Non-controlling interest	(18,002)	(30,433)
Equity	2,434,316	3,070,880
Equity – Fletcher Building Industries Limited share – 20%	486,863	614,176
Goodwill acquired at cost	296,497	296,497
Investment in associate	783,360	910,673
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:		
Summarised income statement for associate – 100%		
Revenue	5,090,892	6,072,259
Net earnings	135,168	453,368
Net earnings – Fletcher Building Industries Limited share – 20%	27,034	90,674

6. CAPITAL

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Share Capital:		
Share capital outstanding	346,000	346,000
Number of shares:		
Number of shares outstanding	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.

Notes to the Financial Statements (Continued)

7. RESERVE MOVEMENTS

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
<i>Revenue reserve:</i>		
Revenue reserve at the beginning of the year	96,398	34,159
Impact from associate adopting NZ IFRS 15		(3,479)
Impact from associate adopting NZ IFRS 16	(14,613)	
Net earnings	5,808	65,891
Other comprehensive income/(loss)	266	(173)
	87,859	96,398

8. RESERVE BALANCES

<i>Reserves comprise:</i>		
Revenue reserve	87,859	96,398
	87,859	96,398

9. CURRENT TAX ASSET

Opening current tax asset	9,638	9,538
Taxation benefit in the income statement	8,257	9,638
Related party receipt from Fletcher Building Holdings Limited	(9,638)	(9,538)
	8,257	9,638

10. CAPITAL NOTES

Listed capital notes	100,000	100,000
Unlisted capital notes		100,000
Current portion	100,000	200,000
Listed capital notes	400,000	400,000
Non-current portion	400,000	400,000
	500,000	600,000

10. CAPITAL NOTES (CONTINUED)

Listed capital notes

Listed capital notes are long-term fixed rate unsecured subordinated debt instruments that are traded instruments on the NZDX. The indebtedness of the Company in respect of the capital notes is guaranteed on an unsecured subordinated basis by Fletcher Building. On each election date, the coupon rate and term to the next election date of that series of the capital notes are reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any interest into shares of Fletcher Building, 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 accrued 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 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 listed capital notes is 4.71% (June 2019: 5.09%).

The listed capital notes do not carry voting rights and do not participate in any change in value of the issued shares of Fletcher Building. If the principal amount of the listed capital notes held at 30 June 2020 were to be converted to shares, 138 million (June 2019: 105 million) Fletcher Building shares would be issued at the share price as at 30 June 2020, of \$3.70 (June 2019: \$4.85).

At 30 June 2020 \$135 million (June 2019: \$115 million) of listed capital notes were held by Fletcher Buildings Holdings Limited as treasury stock.

Unlisted capital notes

During the year, the Company fully repaid unlisted capital notes.

	Fletcher Building Industries Group	
	2020	2019
Net tangible asset backing per capital note issued as at 30 June	1.87	1.74

11. CREDIT RATING

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

12. 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's principles and policy documents approved by the Board. The policy documents identify the risks and sets out the Fletcher Building'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's businesses. Risk management is carried out by Fletcher Building's central treasury function, which ensures compliance with the risk management policies and procedures.

The Company does not enter into derivative financial instruments for trading or speculative purposes. All derivative transactions entered into are to hedge risk on 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 Fletcher Building and has no external credit risk exposure.

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

Notes to the Financial Statements (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial commitments as they fall due. Fletcher Building manages the liquidity risk of the Company by having a spread of maturity dates of Fletcher Building's debt facilities. Furthermore at 30 June 2020, Fletcher Building had \$2,126 million of committed funding facilities of which \$525 million were undrawn (June 2019: \$2,257 million; \$667 million) as well as \$557 million short term deposits (June 2019: \$1,160 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.

June 2020				
	Contractual cash flows NZ\$000	Up to 1 year NZ\$000	1 – 2 years NZ\$000	2 – 5 years NZ\$000
Capital notes	500,000	100,000	100,000	300,000
Non-derivative liabilities – Principal cash flows	500,000	100,000	100,000	300,000
Contractual interest cash flows	68,850	23,550	18,800	26,500
Total contractual cash flows	568,850	123,550	118,800	326,500

June 2019				
	Contractual cash flows NZ\$000	Up to 1 year NZ\$000	1 – 2 years NZ\$000	2 – 5 years NZ\$000
Capital notes	600,000	200,000	100,000	300,000
Non-derivative liabilities – Principal cash flows	600,000	200,000	100,000	300,000
Contractual interest cash flows	78,648	29,298	19,650	29,700
Total contractual cash flows	678,648	229,298	119,650	329,700

(c) Interest rate risk

Interest rate risk is the risk that the value of borrowings or cash flows associated with borrowings will change due to changes in market interest. Fletcher Building manages the fixed interest rate component of its debt and capital notes obligations of the Company and aims to maintain this ratio between certain ranges over specific time periods. Cross currency interest rate swaps, interest rate swaps and forward rate agreements and options are used by Fletcher Building to manage this position.

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

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
Floating		100,000
Fixed up to 1 year	100,000	100,000
Fixed 1 – 2 years	100,000	100,000
Fixed 2 – 5 years	300,000	300,000
Fixed over 5 years		
Total	500,000	600,000

(d) Sensitivity analysis

Foreign currency and interest rate risk is governed and managed by Fletcher Building. At balance date, the Company does not have debt portfolio exposure to floating interest rates.

(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:

		June 2020		June 2019	
	Classifications	Carrying value NZ\$000	Fair value NZ\$000	Carrying value NZ\$000	Fair value NZ\$000
Capital notes	Amortised cost	500,000	510,595	600,000	619,605
Amounts owing by related companies	Loans and receivables	149,241	149,241	129,261	129,261

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 3.50% and 3.95% (June 2019: 3.30% and 3.55%) including margins.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 30 June 2020 (June 2019: Nil).

Fletcher Building borrows certain funds based on covenants and a negative pledge arrangement. The principal borrowing covenants relate to gearing and interest cover. Fletcher Building was in compliance with all debt facility covenants during the year.

The negative pledge includes a cross guarantee between a number of wholly owned subsidiaries and ensures that external senior indebtedness ranks equally in all respects, and includes the covenant that security can be given only in very limited circumstances. The cross guarantee states that Fletcher Building Limited and certain of its subsidiaries, including the Company, guarantee the debt of the consolidated Fletcher Building Limited Group that has the benefit of the negative pledge arrangement.

As at 30 June 2020 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$1,230 million (June 2019: \$1,062 million).

14. RELATED PARTY TRANSACTIONS

	Year ended June 2020 NZ\$000	Year ended June 2019 NZ\$000
<i>Amount owing from/(to) related companies:</i>		
Fletcher Challenge Finance Investments Limited ⁽¹⁾	158,598	118,602
Fletcher Building Limited ⁽²⁾	(9,357)	10,659
	149,241	129,261

⁽¹⁾ This unsecured advance is non-interest bearing.

⁽²⁾ This unsecured advance is at call and pays 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 Shareholder of Fletcher Building Industries Limited

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Fletcher Building Industries Limited ("FBIL" or "the company") on pages 4 to 13, which comprise the balance sheet of the company as at 30 June 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 4 to 13 present fairly, in all material respects, the financial position of the company as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the company's shareholder. Our audit has been undertaken so that we might state to the company's shareholder 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 shareholder, for our audit work, for this report, or for the opinions we have formed.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young has provided other assurance services to various companies within the Fletcher Building Limited Group ("the Group"). Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company. We have no other relationship with, or interest in, the company.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for investment in associate

Why significant

The company owns 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited ("FBHZN") which currently holds all of the shares in Fletcher Building Limited's New Zealand operating subsidiaries. This represents the vast majority of the company's assets.

The investment in FBHZN is accounted for using the equity method. The carrying value of the investment is assessed for impairment when there are indicators that its value may be impaired. Given the impact of COVID 19 on the New Zealand operating businesses the carrying value was tested for impairment at 30 June 2020.

Disclosures regarding the Investment in associate are disclosed in note 5.

How our audit addressed the key audit matter

In obtaining sufficient appropriate audit evidence, we:

- evaluated the basis of accounting and its appropriateness;
- recalculated the share of the equity accounted profits including dividend receipts;
- evaluated the company's assessment of potential impairment of the carrying value of the investment by assessing the discounted cash flow models prepared by management that indicated the recoverable amount was greater than the carrying value; and
- assessed the adequacy of the disclosures in the financial statements.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

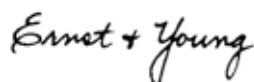
In preparing the financial statements, the directors are responsible for assessing on behalf of the entity the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2/>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Brent Penrose.



Chartered Accountants
Auckland

19 August 2020

Statutory Disclosures

Fletcher Building Industries Limited has issued 500,000,000 capital notes that are quoted on the NZX Debt Market (NZDX). These capital notes can (subject to their terms) convert to Fletcher Building Limited ordinary shares on the basis of 98% of the then current market value of the shares. Unless the capital notes convert into Fletcher Building Limited ordinary shares, they carry no voting rights in Fletcher Building Limited. Fletcher Building Holdings Limited held 134,833,251 capital notes as at 30 June 2020.

DISTRIBUTION OF NOTEHOLDERS AND HOLDINGS AS AT 30 JUNE 2020

Detailed below is the distribution of noteholders and holdings as at 30 June 2020 in the respective classes of capital notes issued by Fletcher Building Industries Limited.

Size of holding	Number of noteholders	% of noteholders	Holding quantity	% of holding quantity
4.75% Capital Notes maturing 15 March 2021 (FBI150)				
2,000 - 5,000	149	11.92	736,000	0.74
5,001 - 10,000	306	24.48	2,905,000	2.90
10,001 - 100,000	738	59.04	23,341,000	23.34
100,001 and over	57	4.56	73,018,000	73.02
Total	1,250	100.00	100,000,000	100.00
5.00% Capital Notes maturing 15 March 2022 (FBI160)				
2,000 - 5,000	194	16.63	723,500	0.72
5,001 - 10,000	270	23.16	2,414,000	2.42
10,001 - 100,000	650	55.75	21,801,500	21.80
100,001 and over	52	4.46	75,061,000	75.06
Total	1,166	100.00	100,000,000	100.00
5.00% Capital Notes maturing 15 March 2023 (FBI170)				
1,000 - 1,999	2	0.28	2,666	0.00
2,000 - 5,000	253	35.48	812,750	0.82
5,001 - 10,000	174	24.40	1,431,333	1.43
10,001 - 100,000	265	37.17	7,091,750	7.09
100,001 and over	19	2.67	90,661,501	90.66
Total	713	100.00	100,000,000	100.00
4.90% Capital Notes maturing 15 March 2024 (FBI180)				
2,000 - 5,000	135	11.86	672,000	0.67
5,001 - 10,000	285	25.05	2,699,000	2.70
10,001 - 100,000	666	58.52	21,980,500	21.98
100,001 and over	52	4.57	74,648,500	74.65
Total	1,138	100.00	100,000,000	100.00
3.90% Capital Notes maturing 15 March 2025 (FBI190)				
1,000 - 1,999	2	0.16	3,250	0.00
2,000 - 5,000	459	37.08	1,480,667	1.48
5,001 - 10,000	295	23.83	2,360,500	2.36
10,001 - 100,000	444	35.86	13,447,000	13.45
100,001 and over	38	3.07	82,708,583	82.71
Total	1,238	100.00	100,000,000	100.00

DIRECTORS HOLDING OF CAPITAL NOTES AS AT 30 JUNE 2020

Class of Capital Notes	Cathy Quinn ⁽¹⁾
4.75% Capital Notes maturing 15 March 2021 (FBI150)	7,864,000
5.00% Capital Notes maturing 15 March 2022 (FBI160)	7,440,500
5.00% Capital Notes maturing 15 March 2023 (FBI170)	426,000
4.90% Capital Notes maturing 15 March 2024 (FBI180)	3,228,000
3.90% Capital Notes maturing 15 March 2025 (FBI190)	9,056,000
Total	28,014,500

⁽¹⁾ Non-Beneficial interest as a Trustee of the St. Jude's Trust. The Trust traded in capital notes during the year ended 30 June 2020.

NZX WAIVERS

There were no waivers granted by NZX or relied on by Fletcher Building Industries Limited in the 12 months preceding 30 June 2020.

20 LARGEST NOTEHOLDERS AS AT 30 JUNE 2020

4.75% Capital Notes maturing 15 March 2021 (FBI150)	Number of capital notes	% of FBI150 capital notes
FNZ Custodians Limited	17,683,000	17.68
Forsyth Barr Custodians Limited	10,432,000	10.43
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	7,864,000	7.86
Citibank Nominees (New Zealand) Limited - NZCSD	4,010,000	4.01
Fletcher Building Educational Fund Limited	4,000,000	4.00
Forsyth Barr Custodians Limited	2,690,000	2.69
Investment Custodial Services Limited	1,791,000	1.79
Custodial Services Limited	1,571,000	1.57
NZPT Custodians (Grosvenor) Limited - NZCSD	1,500,000	1.50
Custodial Services Limited	1,371,000	1.37
Custodial Services Limited	1,247,000	1.25
Jarden Custodians Limited	1,210,000	1.21
FNZ Custodians Limited	1,191,000	1.19
Graeme Laurence Beckett & Janine Dale Beckett & Alan Murray Patterson	1,100,000	1.10
JBWere (NZ) Nominees Limited	1,097,000	1.10
FNZ Custodians Limited	1,007,000	1.01
Invercargill Licensing Trust	1,000,000	1.00
JML Capital Limited	1,000,000	1.00
Custodial Services Limited	743,000	0.74
Custodial Services Limited	695,000	0.70
Total	63,202,000	63.20

5.00% Capital Notes maturing 15 March 2022 (FBI160)	Number of capital notes	% of FBI160 capital notes
FNZ Custodians Limited	17,266,500	17.27
Forsyth Barr Custodians Limited	9,223,500	9.22
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	7,440,500	7.44
Custodial Services Limited	5,185,000	5.19
Custodial Services Limited	4,280,000	4.28
Custodial Services Limited	4,197,500	4.20
Investment Custodial Services Limited	2,955,000	2.96
Custodial Services Limited	2,200,000	2.20
Norwood Investments Ltd	2,000,000	2.00
The Tindall Foundation Inc	2,000,000	2.00
Custodial Services Limited	1,957,500	1.96
University of Otago Foundation Trust	1,550,000	1.55
NZPT Custodians (Grosvenor) Limited - NZCSD	1,491,000	1.49
FNZ Custodians Limited	1,364,000	1.36
JBWere (NZ) Nominees Limited	1,124,000	1.12
Fletcher Building Educational Fund Limited	1,000,000	1.00
Woolf Fisher Trust Incorporated	1,000,000	1.00
ANZ Custodial Services New Zealand Limited - NZCSD	789,000	0.79
Forsyth Barr Custodians Limited	714,500	0.71
FNZ Custodians Limited	680,000	0.68
Total	68,418,000	68.42

5.00% Capital Notes maturing 15 March 2023 (FBI170)	Number of capital notes	% of FBI170 capital notes
Fletcher Building Holdings Limited	83,844,918	83.84
Investment Custodial Services Limited	1,831,250	1.83
FNZ Custodians Limited	1,538,833	1.54
Forsyth Barr Custodians Limited	575,500	0.58
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	426,000	0.43
JBWere (NZ) Nominees Limited	291,000	0.29
Custodial Services Limited	282,000	0.28
Custodial Services Limited	279,000	0.28
Custodial Services Limited	271,000	0.27

Statutory Disclosures (Continued)

5.00% Capital Notes maturing 15 March 2023 (FBI170) (continued)	Number of capital notes	% of FBI170 capital notes
Stephen Paul Greenwood & Diane Denise Greenwood	200,000	0.20
Custodial Services Limited	192,500	0.19
JBWere (NZ) Nominees Limited	140,000	0.14
Custodial Services Limited	132,500	0.13
Susan Trustee Limited	120,000	0.12
International Technical Services Limited	115,000	0.12
Alan Richard Millward & Alistair Jeffrey Nicholson	107,000	0.11
MA Investments Two Limited	106,000	0.11
Burgess Investments Limited	105,500	0.11
Paul Dale Callister & Judith Anne Galtry	103,500	0.10
Carol Reta Ellison & Stephen Richard Thompson	100,000	0.10
Henry & William Williams Memorial Trust Incorporated	100,000	0.10
John David Dawn & Seok Moi Dawn	100,000	0.10
Sturco House Limited	100,000	0.10
Veronica Martha Creighton	100,000	0.10
Total	91,161,501	91.17

4.90% Capital Notes maturing 15 March 2024 (FBI180)	Number of capital notes	% of FBI180 capital notes
Fletcher Building Holdings Limited	31,445,000	31.45
FNZ Custodians Limited	9,272,500	9.27
Forsyth Barr Custodians Limited	6,345,000	6.35
JBWere (NZ) Nominees Limited	4,650,000	4.65
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	3,228,000	3.23
Fletcher Building Educational Fund Limited	2,000,000	2.00
Investment Custodial Services Limited	1,907,000	1.91
New Zealand Methodist Trust Association	1,675,000	1.68
Jane Elgin Swinburne & Robert Maxwell Good & Enyth Elgin Good	1,500,000	1.50
Custodial Services Limited	1,156,000	1.16
Custodial Services Limited	808,000	0.81
Custodial Services Limited	773,000	0.77
NZPT Custodians (Grosvenor) Limited - NZCSD	750,000	0.75
FNZ Custodians Limited	636,000	0.64
Custodial Services Limited	617,000	0.62
Forsyth Barr Custodians Limited	613,000	0.61
Wide Trust Limited	500,000	0.50
The Rebecca Chapel Charitable Trust	490,000	0.49
Custodial Services Limited	355,000	0.36
JBWere (NZ) Nominees Limited	300,000	0.30
Total	69,020,500	69.05

3.90% Capital Notes maturing 15 March 2025 (FBI190)	Number of capital notes	% of FBI190 capital notes
Forsyth Barr Custodians Limited	20,072,250	20.07
Fletcher Building Holdings Limited	19,543,333	19.54
FNZ Custodians Limited	9,990,000	9.99
Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	9,056,000	9.06
Citibank Nominees (New Zealand) Limited - NZCSD	6,267,000	6.27
National Nominees Limited - NZCSD	3,175,000	3.18
Investment Custodial Services Limited	1,847,500	1.85
Custodial Services Limited	1,142,000	1.14
Custodial Services Limited	1,069,000	1.07
Custodial Services Limited	957,000	0.96
Forsyth Barr Custodians Limited	953,500	0.95
New Zealand Permanent Trustees Limited - NZCSD	912,000	0.91
Custodial Services Limited	780,500	0.78
KPS Society Limited	675,000	0.68
Darryl Edward Gregory & Emma Stephanie Gregory & Paul Ronald Gregory	500,000	0.50
Fletcher Building Welfare Fund Nominees Limited	500,000	0.50
International Technical Services Limited	413,000	0.41
Custodial Services Limited	348,500	0.35
Forsyth Barr Custodians Limited	335,000	0.34
FNZ Custodians Limited	306,000	0.31
Total	78,842,583	78.86

Corporate Directory

BOARD OF DIRECTORS

Bruce Hassall (Chair)
Martin Brydon
Barbara Chapman
Peter Crowley
Rob McDonald
Doug McKay
Cathy Quinn

REGISTERED OFFICE

Fletcher Building Industries Limited
810 Great South Road, Penrose
Auckland 1061, New Zealand

Private Bag 92114
Auckland 1142, New Zealand
Phone: +64 9 525 9000
Email: fbcomms@fbu.com

TRUSTEE

Covenant Trustee Services Limited
Level 6, 191 Queen Street
Auckland 1010, New Zealand

PO Box 4243, Shortland Street
Auckland 1140, New Zealand

Phone: +64 9 909 5100

The capital notes are constituted under a Trust Deed dated 12 November 2002 as consolidated and restated dated 12 November 2015. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of the provisions of the Trust Deed.

REGISTRY

Computershare Investor Services Limited (Computershare) looks after our capital notes register and is your first point of contact for any queries regarding your investment in Fletcher Building Industries Limited. You can view your investment portfolio, indicate your preference for electronic communications, supply your email address, change your details or update your payment instructions relating to Fletcher Building Industries at any time by visiting the Computershare Investor Centre at www.investorcentre.com/nz.

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142, New Zealand

Level 2, 159 Hurstmere Road,
Takapuna, Auckland 0622, New Zealand

Phone: +64 9 488 8777
Email: enquiry@computershare.co.nz
Web: www.computershare.com/nz

Direct crediting of interest payments

Interest on capital notes is paid semi-annually on 15 March and 15 September. To minimise the risk of fraud and misplacement of interest payment cheques, noteholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account in New Zealand.

Receiving your communications electronically

We encourage noteholders to receive investor communications electronically as it keeps costs down, delivery of our communications to you is faster and it is better for the environment. All you need to do is log in to www.investorcentre.com/nz and update your 'Communication Preference' to enable us to send all your investor correspondence electronically where possible.

