

Fletcher Building Industries Limited
Annual Report 2021



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This Annual Report is dated 18 August 2021 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 2021.

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 2021 annual report which can be viewed at www.fletcherbuilding.com.

Results for the year

Net earnings after tax for the year to 30 June 2021 were \$74 million (2020: net earnings of \$6 million). Shareholders' funds increased to \$510 million from \$434 million at 30 June 2020.

Business activities

The Company has issued capital notes and those funds have been invested in other Fletcher Building group companies. The Company owns 20% 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 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 earnings of \$305 million for the year ended 30 June 2021, compared to net loss of \$196 million in prior year.

The loss in the prior year was due largely to the impacts of COVID-19.

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

Bruce Hassall
Chair

Financial Statements

Income statement

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Share of profits of associate	5	88,445	27,034
Earnings before interest and taxation		88,445	27,034
Funding costs	3	(19,513)	(29,483)
Earnings/(losses) before taxation		68,932	(2,449)
Taxation benefit	4	5,461	8,257
Net earnings		74,393	5,808

Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Net earnings		74,393	5,808
Share of associate's other comprehensive income	5	1,324	266
Total comprehensive income		75,717	6,074

Statement of movements in equity

FOR THE YEAR ENDED 30 JUNE 2021

	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Total equity at the beginning of the year	433,859	442,398
Impact from associate adopting NZ IFRS 16		(14,613)
Total comprehensive income	75,717	6,074
Total equity	509,576	433,859

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

Balance sheet

AS AT 30 JUNE 2021

Assets	Notes	As at June 2021 NZ\$000	As at June 2020 NZ\$000
<i>Current assets:</i>			
Amounts owed by related companies	14	258,622	158,598
Current tax asset	9	5,463	8,257
Total current assets		264,085	166,855
<i>Non-current assets:</i>			
Investment in associate	5	753,129	783,360
Total non-current assets		753,129	783,360
Total assets		1,017,214	950,215
Liabilities			
<i>Current liabilities:</i>			
Accrued interest		6,402	6,999
Amounts owed to related companies	14		9,357
Capital notes	10	100,000	100,000
Total current liabilities		106,402	116,356
<i>Non-current liabilities:</i>			
Capital notes	10	401,236	400,000
Total non-current liabilities		401,236	400,000
Total liabilities		507,638	516,356
Equity			
Share capital	6	346,000	346,000
Reserves	7, 8	163,576	87,859
Total equity		509,576	433,859
Total liabilities and equity		1,017,214	950,215

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

On behalf of the Board, 18 August 2021



Bruce Hassall
Chair



Robert McDonald
Director

Financial Statements (Continued)

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2021

	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
<i>Cash flow from operating activities:</i>		
Dividend received	120,000	40,000
Interest paid	(20,664)	(29,658)
Net cash from operating activities	99,336	10,342
<i>Cash flow from investing activities:</i>		
Capital redemption by associate		100,000
Net cash from investing activities		100,000
<i>Cash flow from financing activities:</i>		
Advances to related companies	(101,126)	(10,342)
Issue of capital notes	141,519	100,000
Redemption of capital notes	(139,729)	(200,000)
Net cash from financing activities	(99,336)	(110,342)
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 2021

	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Net earnings	74,393	5,808
<i>Adjust for:</i>		
Share of profits of associate	(88,445)	(27,034)
Dividend received from associate	120,000	40,000
Taxation	(5,461)	(8,257)
Accruals	(597)	(175)
Unwind of premium or discount	(554)	
Net cash from operating activities	99,336	10,342

Statement of accounting policies

FOR THE YEAR ENDED 30 JUNE 2021

General information

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

The Company is registered under the Companies Act 1993 and is a Financial Markets Conduct Act (FMCA) 2013 reporting entity in terms of the Financial Reporting Act 2013. The Company 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 (FBHNZL).

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

FBHNZL 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 note 10.

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, interpretations, and agenda decisions'.

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 Group 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, INTERPRETATIONS AND AGENDA DECISIONS

FBIL is consolidated into the Fletcher Building Limited Group and therefore is required to apply FBL accounting policies to its financial statements. The following disclosures have been included in FBL financial statements for the year ended 30 June 2021.

Configuration or Customisation Costs in a Cloud Computing Arrangement (NZ IAS 38 Intangible Assets)

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The IFRIC concluded that costs incurred in configuring or customising software in a cloud computing arrangement can only be recognised as intangible assets if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria.

Financial Impact

The Company does not have any capitalised configuration and customisation costs and as a result there is no impact on the Company from adoption of IFRIC's agenda decision. However, FBHNZL, which is equity accounted for in these financial statements, has a material amount of capitalised software costs relating to cloud computing arrangements and the adoption of the agenda decision will have a significant impact.

Intangible assets relating to cloud computing arrangements of \$55 million have been capitalised in the consolidated balance sheet of FBHNZL as at 30 June 2021 and are currently subject to this detailed assessment. FBHNZL's preliminary analysis has identified a material amount of historical spend included in the intangible assets that would be expensed under the new interpretations that would result in a reduction of intangible assets and a restatement of retained earnings.

The impact of the change cannot be reliably measured as at 30 June 2021 as FBHNZL has yet to fully complete its assessment of the impact of the IFRIC agenda decision. FBHNZL expects to adopt this IFRIC agenda decision in the six months ending 31 December 2021.

3. FUNDING COSTS	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Capital notes interest expense	22,432	28,901
Bank fees, share registry and issue expenses	97	261
Interest (income)/expense - Fletcher Building Limited advances	(3,016)	321
	19,513	29,483

4. TAXATION BENEFIT	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Earnings/(losses) before taxation	68,932	(2,449)
Taxation at 28 cents per dollar	(19,301)	686
<i>Adjusted for:</i>		
Non-assessable income	24,762	7,571
	5,461	8,257

5. INVESTMENT IN ASSOCIATE

	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
Carrying amount of associate – Fletcher Building Holdings New Zealand Group		
Carrying amount at the beginning of the year	783,360	910,673
Impact from associate adopting NZ IFRS 16		(14,613)
Share of profits of associate	88,445	27,034
Share of associate's other comprehensive income	1,324	266
Capital redemption by associate		(100,000)
Dividend received from associate	(120,000)	(40,000)
Investment in associate	753,129	783,360
Associate information – Fletcher Building Holdings New Zealand Group		
Balance sheet information for associate – 100%		
External assets	4,240,504	4,250,533
External liabilities	(2,042,123)	(2,003,439)
Intercompany	99,093	205,224
Non-controlling interest	(14,314)	(18,002)
Equity	2,283,160	2,434,316
Equity – Fletcher Building Industries Limited share – 20%	456,632	486,863
Goodwill acquired at cost	296,497	296,497
Investment in associate	753,129	783,360
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:		
Summarised income statement for associate – 100%		
Gross Revenue	6,024,293	5,090,892
Net earnings	442,223	135,168
Net earnings – Fletcher Building Industries Limited share – 20%	88,445	27,034

The Company performs a detailed assessment of goodwill for impairment annually and considers indicators of impairment at each reporting date. At 30 June 2021, there were no indicators of impairment identified.

6. CAPITAL

	Year ended June 2021 NZ\$000	Year ended June 2020 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 2021 NZ\$000	Year ended June 2020 NZ\$000
<i>Revenue reserve:</i>		
Revenue reserve at the beginning of the year	87,859	96,398
Impact from associate adopting NZ IFRS 16		(14,613)
Net earnings	74,393	5,808
Other comprehensive income	1,324	266
	163,576	87,859

8. RESERVE BALANCES

<i>Reserves comprise:</i>		
Revenue reserve	163,576	87,859
	163,576	87,859

9. CURRENT TAX ASSET

Opening current tax asset	8,257	9,638
Taxation benefit in the income statement	5,461	8,257
Related party receipt from Fletcher Building Holdings Limited	(8,255)	(9,638)
	5,463	8,257

10. CAPITAL NOTES

Listed capital notes:		
Current portion	100,000	100,000
Non-current portion	401,236	400,000
	501,236	500,000

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 accrued 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 4.17% (June 2020: 4.71%).

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 2021 were to be converted to shares, 68 million (June 2020: 138 million) Fletcher Building shares would be issued at the share price as at 30 June 2021, of \$7.52 (June 2020: \$3.70).

At 30 June 2021 \$140 million (June 2020: \$135 million) of listed capital notes were held by Fletcher Buildings Holdings Limited as treasury stock.

	Fletcher Building Industries and its associate	
	2021	2020
Net tangible asset backing per capital note issued as at 30 June	2.02	1.87

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.

(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 2021, Fletcher Building had \$1,764 million of committed funding facilities of which \$925 million were undrawn (June 2020: \$2,126 million; \$525 million) as well as \$589 million immediately available cash and cash equivalents (June 2020: \$557 million).

Notes to the Financial Statements (Continued)

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 2021				
	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	59,300	21,600	16,600	21,100
Total contractual cash flows	559,300	121,600	116,600	321,100

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

(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 2021 NZ\$000	Year ended June 2020 NZ\$000
Fixed up to 1 year	101,236	100,000
Fixed 1 – 2 years	100,000	100,000
Fixed 2 – 5 years	300,000	300,000
Total	501,236	500,000

(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 2021		June 2020	
	Classifications	Carrying value NZ\$000	Fair value NZ\$000	Carrying value NZ\$000	Fair value NZ\$000
Capital notes	Amortised cost	501,236	519,516	500,000	510,595
Amounts owing by related companies	Loans and receivables	258,622	258,622	149,241	149,241

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 under level 2, by discounting future principal and interest cash flows at the current market interest rate that are available for similar financial instruments.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within level 1.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The interest rates across all currencies used to discount future principal and interest cash flows are between 2.28% and 2.50% (June 2020: 3.50% and 3.95%) including margins.

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments as at 30 June 2021 (June 2020: Nil).

Fletcher Building borrows certain funds based on covenants and a negative pledge arrangement. The principal borrowing covenants relate to leverage 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 2021 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$471 million (June 2020: \$1,230 million).

14. RELATED PARTY TRANSACTIONS

	Year ended June 2021 NZ\$000	Year ended June 2020 NZ\$000
<i>Amount owing from/(to) related companies:</i>		
Fletcher Challenge Finance Investments Limited ¹		158,598
Fletcher Building Limited ²	258,622	(9,357)
	258,622	149,241

¹ This unsecured advance is non-interest bearing.

² This unsecured advance is at call and pays 4.67% interest.
The audit fee is borne by the Company's parent.

During the year ended 30 June 2021, the Company purchased \$40 million of listed capital notes, previously held as treasury stock, from Fletcher Building Holdings Limited (FBHL) at face value and subsequently sold these to the market in on-market transactions. At 30 June 2021, \$140 million of listed capital notes were held by FBHL as treasury stock. The Company and FBHL are wholly owned subsidiaries of Fletcher Building Limited.

Independent Auditor's Report



Independent Auditor's Report to the Shareholder of Fletcher Building Industries Limited

OPINION

We have audited the financial statements of Fletcher Building Industries Limited ("the Company") on pages 4 to 13, which comprise the statement of financial position of the Company as at 30 June 2021, and the income statement, statement of comprehensive income, statement of movements 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 2021 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.

Other than in our capacity as auditor we have no relationship with, or interest in, the Company. 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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	How our audit addressed the key audit matter
<p>The Company owns 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited ("FBHNZ") 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.</p> <p>The investment in FBHNZ 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. No impairment indicators were identified at 30 June 2021. Disclosures regarding the Investment in associate are disclosed in note 5.</p>	<p>In obtaining sufficient appropriate audit evidence, we:</p> <ul style="list-style-type: none">– evaluated the basis of accounting and its appropriateness;– recalculated the share of the equity accounted profits including dividend receipts and assessed the accounting entries applied;– considered our work performed on the New Zealand operating subsidiaries as part of the wider group audit and assessed the impact of any relevant findings on our audit of the Company;– evaluated the Company's assessment of impairment indicators; 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.

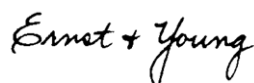
In preparing the financial statements, the Directors are responsible for assessing on behalf of the entity the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend 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-1/>. 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

18 August 2021

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 140,175,751 capital notes as at 30 June 2021.

DISTRIBUTION OF NOTEHOLDERS AND HOLDINGS AS AT 30 JUNE 2021

Detailed below is the distribution of noteholders and holdings as at 30 June 2021 in the respective classes of capital notes issued by Fletcher Building Industries Limited.

	Total holders	% of noteholders	Holding quantity	% of holding quantity
5.00% Capital Notes Maturing 15 March 2022 (FBI160)				
1 - 5,000	188	16.80	696,500	0.70
5,001 - 10,000	265	23.68	2,379,000	2.38
10,001 - 100,000	615	54.96	20,353,000	20.35
100,001 Over	51	4.56	76,571,500	76.57
Total	1,119	100.00	100,000,000	100.00
5.00% Capital Notes Maturing 15 March 2023 (FBI170)				
1 - 5,000	248	34.40	790,416	0.79
5,001 - 10,000	175	24.27	1,447,833	1.45
10,001 - 100,000	271	37.59	7,346,750	7.35
100,001 Over	27	3.74	90,415,001	90.42
Total	721	100.00	100,000,000	100.00
4.90% Capital Notes Maturing 15 March 2024 (FBI180)				
1 - 5,000	131	11.97	652,000	0.65
5,001 - 10,000	278	25.41	2,631,000	2.63
10,001 - 100,000	633	57.86	20,671,500	20.67
100,001 Over	52	4.75	76,045,500	76.05
Total	1,094	100.00	100,000,000	100.00
3.90% Capital Notes maturing 15 March 2025 (FBI190)				
1 - 5,000	448	36.93	1,440,417	1.44
5,001 - 10,000	288	23.74	2,316,000	2.32
10,001 - 100,000	439	36.19	13,278,500	13.28
100,001 Over	38	3.13	82,965,083	82.97
Total	1,213	100.00	100,000,000	100.00
2.80% Capital Notes Maturing 15 March 2026 (FBI200)				
1 - 5,000	110	12.26	545,000	0.55
5,001 - 10,000	226	25.20	2,140,500	2.14
10,001 - 100,000	526	58.64	16,184,500	16.18
100,001 Over	35	3.90	81,130,000	81.13
Total	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 2021

Class of Capital Notes	Cathy Quinn ⁽¹⁾
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)	9,164,000
2.80% Capital Notes maturing 15 March 2026 (FBI200)	7,864,000
Total	28,122,500

⁽¹⁾ Non-beneficial interest as a director/shareholder in Pin Twenty Limited (corporate trustee of Kintyre Trust). Pin Twenty Limited traded in capital notes during the year ended 30 June 2021.

NZX WAIVERS

There were no waivers granted by NZX or relied on by Fletcher Building Industries Limited in the 12 months preceding 30 June 2021

20 LARGEST NOTEHOLDERS AS AT 30 JUNE 2021

5.00% Capital Notes Maturing 15 March 2022 (FB160)	Number of capital notes	% of FB160 capital notes
FNZ Custodians Limited	18,778,000	18.77
Forsyth Barr Custodians Limited	9,137,000	9.13
Pin Twenty Limited	7,440,500	7.44
Custodial Services Limited	5,587,000	5.58
Custodial Services Limited	4,282,000	4.28
Custodial Services Limited	3,813,500	3.81
Investment Custodial Services Limited	3,160,000	3.16
Norwood Investments Ltd	2,000,000	2.00
The Tindall Foundation Inc	2,000,000	2.00
Custodial Services Limited	1,894,000	1.89
Custodial Services Limited	1,885,000	1.88
University of Otago Foundation Trust	1,550,000	1.55
NZPT Custodians (Grosvenor) Limited - NZCSD	1,491,000	1.49
JBWere (NZ) Nominees Limited	1,110,500	1.11
FNZ Custodians Limited	1,011,000	1.01
Fletcher Building Educational Fund Limited	1,000,000	2.00
Woolf Fisher Trust Incorporated	1,000,000	1.00
Hobson Wealth Custodian Limited	943,500	0.94
ANZ Custodial Services New Zealand Limited - NZCSD	834,500	0.83
Forsyth Barr Custodians Limited	736,500	0.73
Total	69,654,000	69.65

5.00% Capital Notes Maturing 15 March 2023 (FB170)	Number of capital notes	% of FB160 capital notes
Fletcher Building Holdings Limited	44,115,918	44.12
Forsyth Barr Custodians Limited	34,189,000	34.19
Investment Custodial Services Limited	2,312,250	2.31
FNZ Custodians Limited	2,017,333	2.02
Forsyth Barr Custodians Limited	1,296,000	1.30
Robert William Bentley Morrison & Andrew James Stewart & Anthony James William Howard	1,000,000	1.00
Forsyth Barr Custodians Limited	825,000	0.83
Pin Twenty Limited	426,000	0.43
Wayne Leslie Stechman	400,000	0.40
JBWere (NZ) Nominees Limited	374,500	0.37
Custodial Services Limited	347,000	0.35
Custodial Services Limited	330,000	0.33
Kps Society Limited	325,000	0.33
Custodial Services Limited	309,500	0.31
Custodial Services Limited	255,000	0.26
Olo Limited	250,000	0.25
Custodial Services Limited	232,500	0.23
Forsyth Barr Custodians Limited	223,000	0.22
Stephen Paul Greenwood & Diane Denise Greenwood	200,000	0.20
Trevor Leonard Webb & Stephen Alexander Greer	190,000	0.19
Total	89,618,001	89.62

4.90% Capital Notes Maturing 15 March 2024 (FB180)	Number of capital notes	% of FB160 capital notes
Fletcher Building Holdings Limited	31,445,000	31.45
FNZ Custodians Limited	10,065,500	10.07
Forsyth Barr Custodians Limited	6,769,000	6.77
JBWere (NZ) Nominees Limited	4,650,000	4.65
Pin Twenty Limited	3,228,000	3.23
Fletcher Building Educational Fund Limited	2,000,000	2.00
Adminis Custodial Nominees Limited	1,675,000	1.68
Investment Custodial Services Limited	1,673,000	1.67
Jane Elgin Swinburne & Robert Maxwell Good & Eynth Elgin Good	1,500,000	1.50

Statutory Disclosures (Continued)

4.90% Capital Notes Maturing 15 March 2024 (FBI180) (continued)	Number of capital notes	% of FBI160 capital notes
Custodial Services Limited	1,141,000	1.14
Forsyth Barr Custodians Limited	1,113,000	1.11
Custodial Services Limited	1,047,000	1.05
Custodial Services Limited	783,000	0.78
NZPT Custodians (Grosvenor) Limited - NZCSD	750,000	0.75
Custodial Services Limited	688,000	0.69
FNZ Custodians Limited	558,000	0.56
Wide Trust Limited	500,000	0.50
Custodial Services Limited	375,000	0.38
JBWere (NZ) Nominees Limited	300,000	0.30
Hobson Wealth Custodian Limited	265,000	0.27
Total	70,525,500	70.53

3.90% Capital Notes maturing 15 March 2025 (FBI190)	Number of capital notes	% of FBI160 capital notes
Forsyth Barr Custodians Limited	19,659,250	19.66
Fletcher Building Holdings Limited	19,543,333	19.54
FNZ Custodians Limited	10,792,000	10.79
Pin Twenty Limited	9,164,000	9.16
Citibank Nominees (New Zealand) Limited - NZCSD	6,267,000	6.27
National Nominees Limited - NZCSD	3,175,000	3.18
Investment Custodial Services Limited	1,782,500	1.78
Custodial Services Limited	1,454,000	1.45
Custodial Services Limited	1,097,500	1.10
Custodial Services Limited	989,000	0.99
Forsyth Barr Custodians Limited	878,500	0.88
Custodial Services Limited	828,500	0.83
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
Forsyth Barr Custodians Limited	400,000	0.40
Custodial Services Limited	357,500	0.36
FNZ Custodians Limited	320,000	0.32
FNZ Custodians Limited	306,000	0.31
Total	79,102,083	79.10

2.80% Capital Notes maturing 15 March 2026 (FBI200)	Number of capital notes	% of FBI160 capital notes
Fletcher Building Holdings Limited	45,071,500	45.07
FNZ Custodians Limited	8,188,000	8.19
Pin Twenty Limited	7,864,000	7.86
Forsyth Barr Custodians Limited	5,850,000	5.85
Citibank Nominees (New Zealand) Limited - NZCSD	4,010,000	4.01
Investment Custodial Services Limited	1,081,000	1.08
Custodial Services Limited	930,000	0.93
Custodial Services Limited	814,500	0.81
Forsyth Barr Custodians Limited	709,000	0.71
Custodial Services Limited	706,000	0.71
Philip Maurice Carter	500,000	0.50
Woolf Fisher Trust Incorporated	500,000	0.50
Custodial Services Limited	475,000	0.48
Custodial Services Limited	458,000	0.46
Masfen Securities Limited	450,000	0.45
Nicola Susan Sladden	400,000	0.40
Khia Goom Phua	315,000	0.32
FNZ Custodians Limited	260,000	0.26
FNZ Custodians Limited	224,000	0.22
Kerrin Margaret Vautier	220,000	0.22
Total	79,026,000	79.03

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

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Auckland 1142, New Zealand
Phone: +64 9 525 9000
Email: fbcomms@fbiu.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.

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Phone: +64 9 488 8777
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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.

