

Fletcher Building Industries Limited

# ANNUAL REPORT 2016



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This report is dated 17 August 2016  
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 2016.

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 2016 annual report which can be viewed at [fbu.com](http://fbu.com).

#### RESULTS FOR THE PERIOD

Net earnings after tax for the year to 30 June 2016 were \$67.9 million (2015: \$51.0 million). Shareholders' funds increased to \$377.0 million from \$309.8 million at 30 June 2015.

#### 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](http://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 2016

	Notes	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Share of profits of associate	5	<b>89,598</b>	75,745
Earnings before interest and taxation		<b>89,598</b>	75,745
Funding costs	2	<b>(30,171)</b>	(34,392)
Earnings before taxation		<b>59,427</b>	41,353
Taxation benefit	3	<b>8,448</b>	9,630
<b>Net earnings</b>		<b>67,875</b>	50,983

### Statement of comprehensive income

For the year ended 30 June 2016

	Notes	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Net earnings		<b>67,875</b>	50,983
Share of associate's other comprehensive income	5	<b>(703)</b>	1,073
<b>Total comprehensive income</b>		<b>67,172</b>	52,056

### Statement of movements in equity

For the year ended 30 June 2016

	Notes	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Total equity at the beginning of the year		<b>309,815</b>	257,759
Total comprehensive income		<b>67,172</b>	52,056
<b>Total equity</b>		<b>376,987</b>	309,815

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 2016

	Notes	As at June 2016 NZ\$000	As at June 2015 NZ\$000
<b>Assets</b>			
Current assets:			
Debtors and prepayments		14	51
Amounts owed by related companies	13	52,247	67,101
Current tax asset	9	8,448	9,630
<b>Total current assets</b>		<b>60,709</b>	76,782
Non-current assets:			
Investment in associate	5	824,334	773,439
<b>Total non-current assets</b>		<b>824,334</b>	773,439
<b>Total assets</b>		<b>885,043</b>	850,221
<b>Liabilities</b>			
Current liabilities:			
Accrued interest		8,056	9,086
Capital notes	10	100,000	94,463
<b>Total current liabilities</b>		<b>108,056</b>	103,549
Non-current liabilities:			
Capital notes	10	400,000	436,857
<b>Total non-current liabilities</b>		<b>400,000</b>	436,857
<b>Total liabilities</b>		<b>508,056</b>	540,406
<b>Equity</b>			
Reported capital	6	346,000	346,000
Reserves	7, 8	30,987	(36,185)
<b>Total equity</b>		<b>376,987</b>	309,815
<b>Total liabilities and equity</b>		<b>885,043</b>	850,221

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

On behalf of the board 17 August 2016



**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 2016

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Cash flow from operating activities:		
Prepayments	37	59
Dividend received	53,000	53,000
Interest paid	(31,201)	(34,467)
<b>Net cash from operating activities</b>	<b>21,836</b>	18,592
Cash flow from investing activities:		
Purchase of investments	(15,000)	(15,000)
<b>Net cash from investing activities</b>	<b>(15,000)</b>	(15,000)
Cash flow from financing activities:		
Maturity of capital notes	(31,320)	
Advances from related companies	24,484	(3,592)
<b>Net cash from financing activities</b>	<b>(6,836)</b>	(3,592)
Net movement in cash held		
Add opening cash and liquid deposits		
<b>Closing cash and liquid deposits</b>		

### Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2016

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Cash was received from net earnings	67,875	50,983
Adjustment for items not involving cash and other items:		
Share of profits from associate	(89,598)	(75,745)
Dividend received from associate	53,000	53,000
Taxation	(8,448)	(9,630)
Prepayments	37	59
Accruals	(1,030)	(75)
<b>Net cash from operating activities</b>	<b>21,836</b>	18,592



# Statement of accounting policies

For the year ended 30 June 2016

## Basis of presentation

The financial statements presented are those of Fletcher Building Industries Limited (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 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 group's results.

There have been no changes in accounting policies in the year ended 30 June 2016.

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
<b>2. Funding costs</b>		
Interest payable on:		
Capital notes interest	<b>34,232</b>	36,942
Plus bank fees, share registry and issue expenses	<b>234</b>	218
Interest receivable on:		
Amounts owed by Fletcher Building Limited	<b>(4,295)</b>	(2,768)
	<b>30,171</b>	34,392
<b>3. Taxation benefit</b>		
Earnings before taxation	<b>59,427</b>	41,353
Taxation at 28 cents per dollar	<b>(16,640)</b>	(11,579)
Adjusted for:		
Non assessable income	<b>25,088</b>	21,209
	<b>8,448</b>	9,630

### 4. 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 5).

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 10 and 12.



## Notes to the financial statements

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
<b>5. Investment in associate</b>		
<b>Carrying amount of associate – Fletcher Building Holdings New Zealand Group</b>		
Carrying amount at the beginning of the year	773,439	734,621
Share of profits of associate	89,598	75,745
Share of associate's other comprehensive income/(loss)	(703)	1,073
Investment in Fletcher Building Holdings New Zealand Limited	15,000	15,000
Dividend received from associate	(53,000)	(53,000)
<b>Investment in associate</b>	<b>824,334</b>	<b>773,439</b>
<b>Associate information – Fletcher Building Holdings New Zealand Group</b>		
<b>Balance sheet information for associate – 100%</b>		
External assets	2,716,878	2,632,250
External liabilities	(998,466)	(1,024,041)
Debt	(27,578)	(5,218)
Intercompany	966,396	803,745
Non-controlling interest	(18,047)	(22,027)
<b>Equity</b>	<b>2,639,183</b>	<b>2,384,709</b>
Equity – Fletcher Building Industries Limited share – 20%	527,837	476,942
Goodwill acquired at cost	296,497	296,497
<b>Investment in associate</b>	<b>824,334</b>	<b>773,439</b>
<b>Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:</b>		
<b>Summarised income statement for associate – 100%</b>		
Sales	5,765,321	5,307,869
Earnings before interest and tax	537,846	474,853
Interest income	83,966	56,716
Foreign exchange loss	(2,445)	(1,119)
Earnings before tax	619,367	530,450
Taxation expense	(171,379)	(151,725)
Net earnings	447,988	378,725
<b>Net earnings – Fletcher Building Industries Limited share – 20%</b>	<b>89,598</b>	<b>75,745</b>

## Notes to the financial statements

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
<b>6. Capital</b>		
<b>Reported Capital:</b>		
Reported capital at the beginning of the year	346,000	346,000
	<b>346,000</b>	346,000
<b>Number of shares:</b>		
Number of shares at the beginning of the year	346,000	346,000
	<b>346,000</b>	346,000
All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up.		
<b>7. Reserve movements</b>		
<b>Revenue reserve</b>		
Revenue reserve at the beginning of the year	(36,185)	(88,241)
Net earnings	67,875	50,983
Other comprehensive income/(loss)	(703)	1,073
	<b>30,987</b>	(36,185)
<b>8. Reserve balances</b>		
Reserves comprise:		
Revenue reserve	30,987	(36,185)
	<b>30,987</b>	(36,185)
<b>9. Current tax asset</b>		
Opening current tax asset	9,630	11,541
Taxation benefit in the income statement	8,448	9,630
Intercompany receipt from Fletcher Building Holdings Limited	(9,630)	(11,541)
	<b>8,448</b>	9,630
<b>10. Capital Notes</b>		
Capital notes	100,000	94,463
Current Portion	100,000	94,463
Capital notes	400,000	436,857
Non-current portion	400,000	436,857
	<b>500,000</b>	531,320

## Notes to the financial statements

### 10. 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 6.23% (30 June 2015: 6.97%).

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 2016 were to be converted to shares, 59 million (June 2015: 69 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2016, of \$8.58 (June 2015: \$8.12).

At 30 June 2016 \$116 million (June 2015: \$142 million) of capital notes were held by Fletcher Buildings Holdings Limited as Treasury Stock.

	Fletcher Building Industries Group	
	2016	2015
Net tangible asset backing per capital note issued as at 30 June	1.75	1.58

### 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 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 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. 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 2016, the Fletcher Building group had \$2,224 million of committed bank facilities of which \$608 million were undrawn (June 2015: \$2,483 million; \$614 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.

## Notes to the financial statements

### 12. Financial risk management overview continued

#### (b) Liquidity risk continued

Fletcher Building Industries Group - June 2016				
	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
<b>Non-derivative liabilities – Principal cash flows</b>	<b>500,000</b>	<b>100,000</b>	<b>100,000</b>	<b>300,000</b>
Contractual interest cash flows	51,850	22,320	17,322	12,208
<b>Total contractual cash flows</b>	<b>551,850</b>	<b>122,320</b>	<b>117,322</b>	<b>312,208</b>

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

#### (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:

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
Floating – non-interest bearing		
Fixed up to 1 year	100,000	94,463
Fixed 1 – 2 years	100,000	68,252
Fixed 2 – 5 years	300,000	368,605
Fixed over 5 years		
<b>Total</b>	<b>500,000</b>	<b>531,320</b>

#### (d) Sensitivity analysis

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

## Notes to the financial statements

### 12. 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 2016		June 2015	
		Carrying value	Fair value	Carrying value	Fair value
		NZ\$000	NZ\$000	NZ\$000	NZ\$000
Capital notes	Amortised cost	<b>500,000</b>	<b>516,198</b>	531,320	547,663
Amounts owing by related companies	Loans and receivables	<b>52,247</b>	<b>52,247</b>	67,101	67,101

#### 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 4.00% and 4.40% (June 2015: 4.40% and 5.00%) including margins.

### 13. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2016 (June 2015: 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 at 30 June 2016 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 2016 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$1,163 million (June 2015: \$1,418 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.

	Year ended June 2016 NZ\$000	Year ended June 2015 NZ\$000
<b>Related party transactions</b>		
The company is a wholly owned subsidiary of Fletcher Building Limited, which is also the ultimate holding company		
Receivable owing from related companies:		
Fletcher Building Limited	<b>52,247</b>	67,101
	<b>52,247</b>	67,101

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

#### To the Shareholder of Fletcher Building Industries Limited

#### Report on the Financial Statements

We have audited the financial statements of Fletcher Building Industries Limited and its associate ("the Group") on pages 2 to 11 which comprise the balance sheet of the Group as at 30 June 2016, and income statement, statement of comprehensive income, statement of movements in equity and statement of cash flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

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.

#### Directors' Responsibility for the Financial Statements

The directors are responsible on behalf of the company 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.

#### 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 entity'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 entity'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 provide tax advisory, tax compliance and other assurance services to the Group. We have no other relationship with, or interest in, the Group.

Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

#### Opinion

In our opinion, the financial statements on pages 2 to 11 present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and the financial performance and cash flows of the Group for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

17 August 2016  
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

w. fbu.com

#### Interest payment dates

Interest on capital notes is paid semi-annually on 15 March and 15 September.

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 2016 can be viewed at the Fletcher Building website, at [fbu.com](http://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.

#### 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.

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**

Member of the Audit and Risk Committee

#### 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  
T. +64 9 525 900

#### Trustee

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.

#### The Trustee is:

Covenant Trustee Services Ltd  
PO Box 4243  
Shortland Street  
Auckland 1140  
New Zealand

Level 6  
191 Queen Street  
Auckland 1140  
New Zealand  
T. +64 9 302 0638



