

**Fletcher Building Industries Limited**  
**2020 Interim Financial Statements**



# Financial Statements

## Income Statement (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
Share of profits of associate	7	36,955	39,604	90,674
Earnings before interest and taxation		36,955	39,604	90,674
Net interest expense		(15,690)	(17,560)	(34,421)
Earnings before taxation		21,265	22,044	56,253
Taxation benefit	4	4,393	4,917	9,638
<b>Net earnings</b>		<b>25,658</b>	26,961	65,891

## Statement of Comprehensive Income (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
Net earnings		25,658	26,961	65,891
Share of associate's other comprehensive income		(276)	(259)	(173)
<b>Total comprehensive income</b>		<b>25,382</b>	26,702	65,718

## Statement of Movements in Equity (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Notes	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
Total equity at the beginning of the period		442,398	380,159	380,159
Impact from associate adopting NZ IFRS 15				(3,479)
Impact from associate adopting NZ IFRS 16		(14,613)		
Total comprehensive income		25,382	26,702	65,718
<b>Total equity</b>		<b>453,167</b>	406,861	442,398

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

## Financial Statements (Continued)

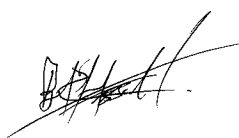
### Balance Sheet (Unaudited)

AS AT 31 DECEMBER 2019

Assets	Notes	As at Dec 2019 NZ\$'000	As at Dec 2018 NZ\$'000	As at Jun 2019 NZ\$'000
<i>Current assets:</i>				
Amounts owed by related companies		113,929	66,757	129,261
Current tax asset		14,031	14,455	9,638
<b>Total current assets</b>		<b>127,960</b>	81,212	138,899
<i>Non-current assets:</i>				
Investment in associate	7	882,739	982,996	910,673
<b>Total non-current assets</b>		<b>882,739</b>	982,996	910,673
<b>Total assets</b>		<b>1,010,699</b>	1,064,208	1,049,572
<b>Liabilities</b>				
<i>Current liabilities:</i>				
Accrued interest		7,532	7,347	7,174
Capital notes		150,000	200,000	200,000
<b>Total current liabilities</b>		<b>157,532</b>	207,347	207,174
<i>Non-current liabilities:</i>				
Capital notes		400,000	450,000	400,000
<b>Total non-current liabilities</b>		<b>400,000</b>	450,000	400,000
<b>Total liabilities</b>		<b>557,532</b>	657,347	607,174
<b>Equity</b>				
Share capital		346,000	346,000	346,000
Reserves		107,167	60,861	96,398
<b>Total equity</b>		<b>453,167</b>	406,861	442,398
<b>Total liabilities and equity</b>		<b>1,010,699</b>	1,064,208	1,049,572

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

On behalf of the Board, 19 February 2020



**Bruce Hassall**  
Chair



**Robert McDonald**  
Director

## Financial Statements (Continued)

### Statement of Cash Flows (Unaudited)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
<i>Cash flow from operating activities:</i>			
Dividend received			70,000
Interest paid	(15,332)	(17,040)	(34,074)
<b>Net cash from operating activities</b>	<b>(15,332)</b>	<b>(17,040)</b>	<b>35,926</b>
<i>Cash flow from investing activities:</i>			
Purchase of investments in associate			
Capital redemption by associate	50,000		50,000
<b>Net cash from investing activities</b>	<b>50,000</b>		<b>50,000</b>
<i>Cash flow from financing activities:</i>			
Advances from related companies	15,332	17,040	(35,926)
Issue of capital notes			100,000
Redemption of capital notes	(50,000)		(150,000)
<b>Net cash from financing activities</b>	<b>(34,668)</b>	<b>17,040</b>	<b>(85,926)</b>
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 SIX MONTHS ENDED 31 DECEMBER 2019

	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
Net earnings	25,658	26,961	65,891
<i>Add/(Less) non-cash items:</i>			
Share of profits from associate	(36,955)	(39,604)	(90,674)
Dividend received from associate			70,000
Taxation	(4,393)	(4,917)	(9,638)
Accruals	358	520	347
<b>Net cash from operating activities</b>	<b>(15,332)</b>	<b>(17,040)</b>	<b>35,926</b>



# Notes to the Financial Statements

## 1. BASIS OF PRESENTATION

The condensed interim financial statements presented are those of Fletcher Building Industries Limited (the "Company") and its investment in its associate. The Company is domiciled in New Zealand and is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013. The Company is a for-profit entity. The interim 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 comply with NZ IAS 34 Interim Financial Reporting and should be read in conjunction with Fletcher Building Limited's 2020 Interim Financial Results.

## 2. COMPARATIVE INFORMATION

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

## 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies and computation methods applied in the preparation of the interim 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.

<b>4. TAXATION BENEFIT</b>	<b>Six months Dec 2019 NZ\$'000</b>	<b>Six months Dec 2018 NZ\$'000</b>	<b>Year ended Jun 2019 NZ\$'000</b>
Earnings before taxation	<b>21,265</b>	22,044	56,253
Taxation at 28 cents per dollar	<b>(5,954)</b>	(6,172)	(15,751)
<i>Adjusted for:</i>			
Non assessable income	<b>10,347</b>	11,089	25,389
	<b>4,393</b>	4,917	9,638

## 5. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities or capital commitments as at 31 December 2019 (December 2018: nil; June 2019: nil).

## Notes to the Financial Statements (Continued)

### 6. FAIR VALUE MEASUREMENT

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		Dec 2019		Jun 2019	
		Carrying value NZ\$'000	Fair value NZ\$'000	Carrying value NZ\$'000	Fair value NZ\$'000
Capital notes	Amortised cost	550,000	562,875	600,000	619,605
Amounts owing by related companies	Loans and receivables	113,929	113,929	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 used to discount future principal and interest cash flows are between 3.30% and 4.30% (June 2019: 3.30% and 3.55%) including margins.

### 7. INVESTMENT IN ASSOCIATE

	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
<b>Carrying amount of associate – Fletcher Building Holdings New Zealand Group</b>			
Carrying amount at the beginning of the period	910,673	943,651	943,651
Impact from associate adopting NZ IFRS 15			(3,479)
Impact from associate adopting NZ IFRS 16	(14,613)		
Share of profits/(losses) of associate	36,955	39,604	90,674
Share of associate's other comprehensive income/(loss)	(276)	(259)	(173)
Capital redemption by associate	(50,000)		(50,000)
Dividend received from associate			(70,000)
<b>Investment in associate</b>	<b>882,739</b>	982,996	910,673

#### Associate information – Fletcher Building Holdings New Zealand Group

##### Balance sheet information for associate – 100%

External assets	4,283,892	3,553,293	3,566,508
External liabilities	(1,905,145)	(1,328,682)	(1,244,062)
Intercompany	566,213	1,227,701	778,867
Non-controlling interest	(13,750)	(19,818)	(30,433)
<b>Equity</b>	<b>2,931,210</b>	3,432,494	3,070,880
Equity – Fletcher Building Industries Limited share – 20%	586,242	686,499	614,176
Goodwill acquired at cost	296,497	296,497	296,497
<b>Investment in associate</b>	<b>882,739</b>	982,996	910,673

## Notes to the Financial Statements (Continued)

### 7. INVESTMENT IN ASSOCIATE (Continued)

	Six months Dec 2019 NZ\$'000	Six months Dec 2018 NZ\$'000	Year ended Jun 2019 NZ\$'000
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise: Summarised financial information for associate – 100%			
Revenue	<b>2,833,532</b>	3,020,213	6,072,259
Net earnings	<b>184,776</b>	198,022	453,368
<b>Net earnings – Fletcher Building Industries Limited share – 20%</b>	<b>36,955</b>	39,604	90,674

# Independent Auditor's Review Report



Chartered Accountants

## REVIEW REPORT TO THE SHAREHOLDER OF FLETCHER BUILDING INDUSTRIES LIMITED (“THE COMPANY”)

We have reviewed the interim financial statements on pages 2 to 7, which comprise the balance sheet of the company as at 31 December 2019, and the income statement, statement of comprehensive income, statement of movements in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholder, as a body. Our review has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in a review 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 as a body, for our review work, for this report, or for our findings.

## DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

## REVIEWER'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

## BASIS OF STATEMENT

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

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

## CONCLUSION

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 2 to 7, do not present fairly, in all material respects, the financial position of the company as at 31 December 2019 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 19 February 2020 and our findings are expressed as at that date.

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Ernst & Young  
Auckland