

Fletcher Building Industries Limited

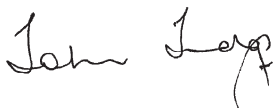
ANNUAL REPORT 2017



This report is dated 16 August 2017
and is signed on behalf of the
board of Fletcher Building
Industries Limited by:



Sir Ralph Norris
Chairman of Directors



John Judge
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 2017.

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 2017 annual report which can be viewed at fbu.com.

RESULTS FOR THE PERIOD

Net earnings after tax for the year to 30 June 2017 were \$38.1 million (2016: \$67.9 million). Shareholders' funds increased to \$414.5 million from \$377.0 million at 30 June 2016.

BUSINESS ACTIVITIES

Fletcher Building Industries has issued capital notes and those funds have been invested in other Fletcher Building group companies.

The company owns 20 per cent of the shares in Fletcher Building Holdings New Zealand Limited which currently holds all of the shares in Fletcher Building's New Zealand operating subsidiaries.

The financial position of the company is dependent on that of Fletcher Building. Further information on the operations and performance of Fletcher Building is available on its website, fbu.com, and I recommend that you take the opportunity to review it.



A handwritten signature in black ink, appearing to read 'Ralph Norris', with a long horizontal flourish extending to the right.

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 2017

	Notes	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Share of profits of associate	5	59,762	89,598
Earnings before interest and taxation		59,762	89,598
Funding costs	2	(30,026)	(30,171)
Earnings before taxation		29,736	59,427
Taxation benefit	3	8,407	8,448
Net earnings		38,143	67,875

Statement of comprehensive income

For the year ended 30 June 2017

	Notes	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Net earnings		38,143	67,875
Share of associate's other comprehensive income	5	(632)	(703)
Total comprehensive income		37,511	67,172

Statement of movements in equity

For the year ended 30 June 2017

	Notes	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Total equity at the beginning of the year		376,987	309,815
Total comprehensive income		37,511	67,172
Total equity		414,498	376,987

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 2017


	Notes	As at June 2017 NZ\$000	As at June 2016 NZ\$000
Assets			
Current assets:			
Debtors and prepayments			14
Amounts owed by related companies	14	71,565	52,247
Current tax asset	9	8,407	8,448
Total current assets		79,972	60,709
Non-current assets:			
Investment in associate	5	843,464	824,334
Total non-current assets		843,464	824,334
Total assets		923,436	885,043
Liabilities			
Current liabilities:			
Accrued interest		8,938	8,056
Capital notes	10	100,000	100,000
Total current liabilities		108,938	108,056
Non-current liabilities:			
Capital notes	10	400,000	400,000
Total non-current liabilities		400,000	400,000
Total liabilities		508,938	508,056
Equity			
Reported capital	6	346,000	346,000
Reserves	7, 8	68,498	30,987
Total equity		414,498	376,987
Total liabilities and equity		923,436	885,043

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

On behalf of the board 16 August 2017



Sir Ralph Norris
Chairman of Directors



John Judge
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 2017

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Cash flow from operating activities:		
Prepayments	14	37
Dividend received	40,000	53,000
Interest paid	(29,144)	(31,201)
Net cash from operating activities	10,870	21,836
Cash flow from investing activities:		
Purchase of investments		(15,000)
Net cash from investing activities		(15,000)
Cash flow from financing activities:		
Maturity of capital notes		(31,320)
Advances from related companies	(10,870)	24,484
Net cash from financing activities	(10,870)	(6,836)
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 2017

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Cash was received from net earnings	38,143	67,875
Adjustment for items not involving cash and other items:		
Share of profits from associate	(59,762)	(89,598)
Dividend received from associate	40,000	53,000
Taxation	(8,407)	(8,448)
Prepayments	14	37
Accruals	882	(1,030)
Net cash from operating activities	10,870	21,836

Statement of accounting policies

For the year ended 30 June 2017

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 that 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 2017.

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
2. Funding costs		
Interest payable on:		
Capital notes interest	30,940	34,232
Plus bank fees, share registry and issue expenses	147	234
Interest receivable on:		
Amounts owed by Fletcher Building Limited	(1,061)	(4,295)
	30,026	30,171
3. Taxation benefit		
Earnings before taxation	29,736	59,427
Taxation at 28 cents per dollar	(8,326)	(16,640)
Adjusted for:		
Non assessable income	16,733	25,088
	8,407	8,448

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 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 2017 NZ\$000	Year ended June 2016 NZ\$000
5. Investment in associate		
Carrying amount of associate – Fletcher Building Holdings New Zealand Group		
Carrying amount at the beginning of the year	824,334	773,439
Share of profits of associate	59,762	89,598
Share of associate's other comprehensive income/(loss)	(632)	(703)
Investment in Fletcher Building Holdings New Zealand Limited		15,000
Dividend received from associate	(40,000)	(53,000)
Investment in associate	843,464	824,334
Associate information – Fletcher Building Holdings New Zealand Group		
Balance sheet information for associate – 100%		
External assets	3,568,856	2,716,878
External liabilities	(1,123,619)	(998,466)
Debt	(54,153)	(27,578)
Intercompany	363,083	966,396
Non-controlling interest	(19,333)	(18,047)
Equity	2,734,834	2,639,183
Equity – Fletcher Building Industries Limited share – 20%	546,967	527,837
Goodwill acquired at cost	296,497	296,497
Investment in associate	843,464	824,334
Equity accounted earnings for Fletcher Building Holdings New Zealand Group comprise:		
Summarised income statement for associate – 100%		
Sales	6,537,801	5,765,321
Earnings before interest and tax	346,998	537,846
Interest income	39,379	83,966
Foreign exchange loss	1,765	(2,445)
Earnings before tax	388,142	619,367
Taxation expense	(89,333)	(171,379)
Net earnings	298,809	447,988
Net earnings – Fletcher Building Industries Limited share – 20%	59,762	89,598

Notes to the financial statements

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
6. Capital		
Reported Capital:		
Reported capital at the beginning of the year	346,000	346,000
	346,000	346,000
Number of shares:		
Number of shares at the beginning of the year	346,000	346,000
	346,000	346,000
All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up.		
7. Reserve movements		
Revenue reserve		
Revenue reserve at the beginning of the year	30,987	(36,185)
Net earnings	38,143	67,875
Other comprehensive income/(loss)	(632)	(703)
	68,498	30,987
8. Reserve balances		
Reserves comprise:		
Revenue reserve	68,498	30,987
	68,498	30,987
9. Current tax asset		
Opening current tax asset	8,448	9,630
Taxation benefit in the income statement	8,407	8,448
Intercompany receipt from Fletcher Building Holdings Limited	(8,448)	(9,630)
	8,407	8,448
10. Capital Notes		
Capital notes	100,000	100,000
Current Portion	100,000	100,000
Capital notes	400,000	400,000
Non-current portion	400,000	400,000
	500,000	500,000

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 are reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any interest into shares of Fletcher Building 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 5.82% (30 June 2016: 6.23%).

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 2017 were to be converted to shares, 64 million (June 2016: 59 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2017, of \$7.99 (June 2016: \$8.58).

At 30 June 2017 \$100 million (June 2016: \$116 million) of capital notes were held by Fletcher Buildings Holdings Limited as Treasury Stock.

	Fletcher Building Industries Group	
	2017	2016
Net tangible asset backing per capital note issued as at 30 June	1.83	1.75

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 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 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 2017, the Fletcher Building group had \$2,666 million of committed funding facilities of which \$536 million of banking facilities were undrawn (June 2016: \$2,224 million; \$608 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 2017				
	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	81,041	28,945	21,796	30,300
Total contractual cash flows	581,041	128,945	121,796	330,300

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
Non-derivative liabilities – Principal cash flows	500,000	100,000	100,000	300,000
Contractual interest cash flows	51,850	22,320	17,322	12,208
Total contractual cash flows	551,850	122,320	117,322	312,208

(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 and forward rate agreements are used by Fletcher Building group to manage this position.

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

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
Floating – non-interest bearing		
Fixed up to 1 year	100,000	100,000
Fixed 1 – 2 years	100,000	100,000
Fixed 2 – 5 years	300,000	300,000
Fixed over 5 years		
Total	500,000	500,000

(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 2017		June 2016		
	Carrying value NZ\$000	Fair value NZ\$000	Carrying value NZ\$000	Fair value NZ\$000	
Capital notes	Amortised cost	500,000	505,750	500,000	516,198
Amounts owing by related companies	Loans and receivables	71,565	71,565	52,247	52,247

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 4.55% and 5.10% (June 2016: 4.00% and 4.40%) including margins.

13. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2017 (June 2016: 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 2017 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 2017 the guaranteeing group had debt subject to the negative pledge arrangement and covenants of \$1,650 million (June 2016: \$1,163 million).

14. Related party transactions

	Year ended June 2017 NZ\$000	Year ended June 2016 NZ\$000
The company is a wholly owned subsidiary of Fletcher Building Limited, which is also the ultimate holding company		
Receivable owing from related companies:		
Fletcher Challenge Finance Investments Limited ¹	63,000	23,000
Fletcher Building Limited ²	8,565	29,247
	71,565	52,247

¹ This unsecured advance is non-interest bearing

² 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 Shareholders of Fletcher Building Industries Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Fletcher Building Industries Limited ("FBIL") and its associate (together the "group"), on pages 2 to 11, which comprise the balance sheet of the group as at 30 June 2017, 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 group, and notes to the financial statements including a summary of significant accounting policies.

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 2017 and its financial performance and its 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 shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 group in accordance with Professional and Ethical Standard 1 (revised) *Code of Ethics for Assurance Practitioners* 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.

EY has not provided any non-audit services for the group. We have no relationship with, or interest in, Fletcher Building Industries Limited or its associate. EY has provided audit, other assurance services, taxation compliance services and taxation advice to various companies within the Fletcher Building Limited 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.

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 the 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 matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How we addressed the key audit matter
Accounting for investment in associate	
<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.</p> <p>The investment in FBHNZ is accounted for under the equity method as FBIL has significant influence but not control. The carrying value of the investment includes goodwill identified on acquisition, net of any impairment loss, and is therefore considered for impairment on an annual basis.</p> <p>Refer to note 5 'Investment in associate'.</p>	<p>In performing our audit procedures we:</p> <ul style="list-style-type: none"> ▶ evaluated the group's basis of accounting; ▶ recalculated the group's share of the equity accounted profits including dividend receipts; ▶ evaluated any indicators of impairment to assess the carrying value of the investment; 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 and will 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 in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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 the group'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 group or to cease operations, or has 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 External Reporting Board's website: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities>. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Simon O'Connor.



Ernst & Young
Auckland
16 August 2017

Information

Noteholder information

Enquiries

Noteholders with enquiries about transactions or changes of address should contact:

Computershare Investor Services Limited

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Auckland 1142

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T. +64 9 488 8777
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Other investor enquiries

Fletcher Building Industries Limited

Private Bag 92114
Auckland 1142
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E. moreinfo@fb.co.nz
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 2017 can be viewed at the Fletcher Building website, at fbu.com. This website contains all news releases to the NZX and ASX and financial presentations made by Fletcher Building.

Regulatory Disclosures

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

Fletcher Building Industries has no quoted voting products under the Financial Markets Conduct Act 2013.

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 Fletcher Building annual report contains details of the spread of Fletcher Building Industries' noteholders and its corporate governance policies, practices and processes.

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

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

Steve Vamos
Member of the Audit and Risk Committee

Bruce Hassall
Member of the Audit and Risk Committee

Management

Mark Adamson
Chief Executive Officer (Resigned 20 July 2017)

Francisco Irazusta
Interim Chief Executive Officer
(Appointed 24 July 2017)

Bevan McKenzie
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 9000

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

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