



FLETCHER BUILDING FINANCE LIMITED

INVESTMENT STATEMENT AND PROSPECTUS

Offer of up to \$150 million Capital Notes by Fletcher Building Finance Limited guaranteed on an unsecured subordinated basis by Fletcher Building Limited

JOINT LEAD MANAGERS AND ORGANISING BROKERS

JBWere

 UBS Warburg

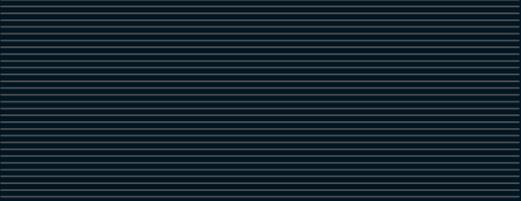
8.60%
Minimum coupon March 2008 Capital Notes

8.85%
Minimum coupon March 2010 Capital Notes

PER ANNUM

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Important Information

(The information in this section is required under the Securities Act 1978)

-  Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

• What sort of investment is this?	42
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In addition to the information set out in the section entitled “Answers to Important Questions” on pages 42 to 64 of this Offer Document, important information can be found in the other sections of this Offer Document.

CHOOSING AN INVESTMENT ADVISER

You have the right to request from an investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you -

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition -

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

GENERAL INFORMATION

This Offer Document is a combined Prospectus and Investment Statement for the purposes of the Securities Act 1978, relating to an Offer of Capital Notes having an aggregate Principal Amount of up to \$125 million, with additional Capital Notes having an aggregate Principal Amount of \$25 million being available in over-subscriptions. It is dated and is prepared as at 15 November 2002. This Offer Document is an important document and should be read in its entirety.

The purpose of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for the Capital Notes under this Offer. Applicants should note that other important information about the Capital Notes and the terms of this Offer is available in the Trust Deed.

U.S. SECURITIES ACT OF 1933

The securities referred to in this Offer Document have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States or to U.S. Persons (as such term is defined in Rule 902(k) under the U.S. Securities Act of 1933, as amended) absent registration or an available exemption from registration. The Capital Notes have not been approved or recommended by any U.S. national, state, provincial or foreign securities authorities, nor have any of these authorities passed upon the merits of this offering or determined that this Offer Document is accurate or complete. Any representation to the contrary is a criminal offence.

REGISTRATION OF OFFER DOCUMENT

A copy of this Offer Document, duly signed, and having attached to it copies of the auditor's report, the independent accountant's report, the signed consents of the auditor and the independent accountant to their respective reports appearing in this Offer Document, all material contracts, the Trust Deed and an acknowledgement from the NZSE to the effect that application has been made for permission to quote the Capital Notes (being the documents required by section 41 of the Securities Act 1978) were delivered to the Registrar of Companies for registration in accordance with section 42 of the Securities Act 1978.

DEFINITIONS

The capitalised terms used in this Offer Document have defined meanings that appear in the Glossary on pages 143 to 145 or within the relevant section of this Offer Document in which the term is used.

IMPORTANT DOCUMENT

If you are in any doubt as to how to deal with this document please immediately consult a member of the New Zealand Stock Exchange or your solicitor, accountant or other financial adviser.

Summary Information

• Issuer of the Capital Notes	Fletcher Building Finance Limited
• Series	March 2008 Capital Notes March 2010 Capital Notes
• Guarantor of the Capital Notes	Fletcher Building Limited, on an unsecured subordinated basis
• Shares issued on conversion of the Capital Notes	Fletcher Building ordinary shares
• Maximum Principal Amount to be issued	\$125 million (with an additional \$25 million in over-subscriptions available)
• Minimum Interest Rate March 2008 Capital Notes ¹	8.60 percent per annum ²
• Minimum Interest Rate March 2010 Capital Notes ¹	8.85 percent per annum ²
• First Election Date March 2008 Capital Notes	15 March 2008
• First Election Date March 2010 Capital Notes	15 March 2010
• Minimum subscription and holding amount for each Series	\$5,000
• Priority Pool	\$25 million allocation to persons resident in New Zealand who are registered as Fletcher Building Limited shareholders or capital noteholders as at the date of their application for subscription of Capital Notes

¹ Applies until the first relevant Election Date.

² Please see page 13 setting out the details as to how the Interest Rate will be set.

Important Dates

• Opening Date of the Offer	19 November 2002
• Closing Time for receiving applications for the Priority Pool ¹	5.00pm, 3 December 2002
• Allocations and allotment under the Priority Pool ^{1,2}	5 December 2002
• Allocations and allotment under the Public Pool commences ²	5 December 2002
• Closing Time for receiving applications under the firm allocations ^{1,3}	5.00pm, 13 December 2002
• Closing Time of the Offer and the public pool ¹	5.00pm, 17 December 2002
• Interest Rate Set Date ¹	18 December 2002
• Expected date of initial quotation and commencement of trading of Capital Notes ¹	20 December 2002
• First interest payment	15 March 2003
• Subsequent interest payments	15 March and 15 September
• First Election Date in respect of the March 2008 Capital Notes	15 March 2008
• First Election Date in respect of the March 2010 Capital Notes	15 March 2010

¹ These times may be changed by FB Finance.

² Interest will accrue from date of banking of application moneys for valid applications accepted and allotted.

³ Capital Notes under the firm allocations will be allotted on each Business Day prior to the relevant Closing Time after receipt and acceptance of valid applications.



MDF

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DISTRIBUTION

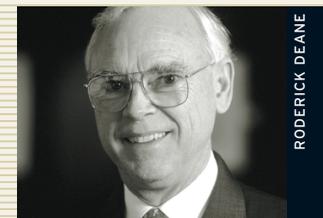


GIB WALL & CEILING LININGS



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Chairman's Letter



RODERICK DEANE

Dear Investor

I am writing to introduce a new offer of Capital Notes that will be issued by Fletcher Building Finance Limited ("FB Finance"), a wholly-owned subsidiary of Fletcher Building Limited ("Fletcher Building"), and guaranteed by Fletcher Building on an unsecured subordinated basis. On behalf of the board of directors of FB Finance, I commend this offer to you for your consideration.

I encourage you to read this document and consider it carefully as it sets out in detail what you need to do to apply.

This issue of Capital Notes is being made to complement the existing funding arrangements of Fletcher Building, maintaining a balance between ordinary shares, bank finance and capital notes. It follows an expansion of Fletcher Building's capital base earlier in the year and is part of the funding for the acquisition of Laminex Group Limited.

The Capital Notes are long-term, fixed-rate, unsecured, subordinated notes. The obligations of FB Finance in respect of the Capital Notes are guaranteed on an unsecured subordinated basis by Fletcher Building. The Capital Notes are being offered on terms that reflect market conditions - with initial terms of approximately five and seven years and a minimum interest rate of 8.60 percent and 8.85 percent, respectively. The interest rate and term will be reset at the end of the initial term, at which time Noteholders will have the option of accepting the new interest rate and term or converting the Capital Notes to shares in Fletcher Building. If Noteholders elect to convert, Fletcher Building will have the option of purchasing the Capital Notes for cash.

Shareholders and capital noteholders in Fletcher Building who are resident in New Zealand have had a pool of \$25 million of the Capital Notes set aside for subscription by them.

Again, I commend this offer of Capital Notes to you for your consideration, and welcome your participation in what promises to be a significant period of development for Fletcher Building.

Yours faithfully

Roderick Deane
CHAIRMAN

Main Terms of the Offer

 The following is a summary of the main terms of the Offer. Applicants should also refer to the more detailed information in the other sections of this Offer Document including the sections entitled "Answers to Important Questions", "Conditions of Capital Notes" and "Description of the Trust Deed."

ISSUER

The issuer of the Capital Notes is FB Finance, a recently incorporated, wholly owned subsidiary of Fletcher Building. FB Finance's principal activity is the funding of Fletcher Building's operations in Australia.

TYPE OF INVESTMENT

The Capital Notes are long-term fixed rate unsecured notes issued by FB Finance, subordinated in right of payment to all creditors of FB Finance other than creditors whose claims rank, or are intended or expressed to rank, subordinate to or equal with the obligations of FB Finance in respect of the Capital Notes.

The Capital Notes are to be issued in two Series - March 2008 Capital Notes, having an initial term of approximately five years and March 2010 Capital Notes, having an initial term of approximately seven years. Applicants may apply for March 2008 Capital Notes, March 2010 Capital Notes or a combination of each Series.

A further description of the terms and conditions of the Capital Notes is set out in the section entitled "Answers to Important Questions" on pages 42 to 64.

GUARANTEE

The indebtedness of FB Finance in respect of the Capital Notes is guaranteed under the Trust Deed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders.

The Guarantee is subordinated such that, in the event of a liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building other than creditors whose claims rank, or are intended or expressed to rank, subordinate to or equal with the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation,

unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

The Guarantee is described further in the section entitled "Description of the Trust Deed" on pages 67 to 70.

CONDITIONS

The Conditions applicable to the Capital Notes are set out in the section entitled "Conditions of Capital Notes" on pages 71 to 82.

TRUST DEED

The Capital Notes will be constituted by and issued pursuant to the Trust Deed. The Trust Deed sets out the rights of Noteholders and is described in more detail in the section entitled "Description of the Trust Deed" on pages 67 to 70.

TRUSTEE

The Trustee for the Noteholders is Perpetual Trust Limited. The Trustee does not guarantee the repayment of the Capital Notes or the payment of interest thereon, or conversion or purchase of the Capital Notes.

OFFER PERIOD

The Offer will be open from the Opening Date (19 November 2002) until the earlier of 5.00 pm on 17 December 2002 and the time that applications are received and accepted for the maximum aggregate Principal Amount of the Capital Notes, including over-subscriptions, if any. However, FB Finance has the absolute discretion, without giving notice, to otherwise vary the Opening Date and the Closing Time.

OFFER AMOUNT AND ISSUE PRICE

FB Finance is offering for subscription Capital Notes with an aggregate Principal Amount of up to \$125 million, with additional Capital Notes having an aggregate Principal Amount of \$25 million being available in over-subscriptions. Therefore, the potential maximum aggregate Principal Amount available for subscription is \$150 million.

Each Capital Note has an issue price of \$1.00.

ELIGIBLE SHAREHOLDER AND NOTEHOLDER PRIORITY

A priority pool of \$25 million (being 16.67% of the maximum aggregate Principal Amount of Capital Notes) has been reserved for Eligible Shareholders and Noteholders (the "Priority Pool") with a minimum of \$5,000 and a maximum of \$20,000 of Capital Notes available for each applicant. If an applicant is either an existing Fletcher Building shareholder or an existing Fletcher Building capital noteholder, or both, the maximum Principal Amount available for that applicant under the Priority Pool is \$20,000.

Eligible Shareholders and Noteholders wishing to apply for more than \$20,000 of Capital Notes may also apply for Capital Notes under a firm allocation or the public pool and should complete a separate Application Form for Capital Notes in excess of that amount. Any excess over \$20,000 may be considered as an application for subscription of Capital Notes from the public pool, if any, on a "first come first served" basis, but will not be considered under the Priority Pool.



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Capital Notes forming part of the Priority Pool will be reserved until the earlier of the Closing Time for the Priority Pool or such other time or date as determined by the board of directors of FB Finance. If applications from Eligible Shareholders and Noteholders are received after the Closing Time for the Priority Pool, but before the Closing Time for the public pool, they will be treated as applications under the public pool, if any.

Applications for Capital Notes in the Priority Pool will be determined on the following basis:

- If applications for allotment from the Priority Pool do not exceed \$25 million, each applicant will be allotted the number of Capital Notes applied for, up to a maximum of \$20,000 of Capital Notes.
- If applications for allotment from the Priority Pool exceed \$25 million, then any excess may be allocated on a "first come first served" basis from the public pool, if any. If, following such allocations, applications under the Priority Pool are still in excess of the total available amount, then FB Finance will scale the applications on a proportionate basis. In no case will the applications be scaled below the minimum Principal Amount of \$5,000. This may necessitate early closing of the Priority Pool.

Capital Notes forming part of the Priority Pool will be allotted on 5 December 2002.

FIRM ALLOCATIONS

Capital Notes with an aggregate Principal Amount of up to \$100 million (being 66.67% of the maximum aggregate Principal Amount of Capital Notes) are reserved for subscription by clients of members of the NZSE, the Joint Lead Managers and Organising Brokers and the Co-Managers. The aggregate Principal Amount of Capital Notes so reserved will be determined by the Joint Lead Managers and FB Finance and notified to applicants by way of general announcement to the NZSE on or before the Closing Time for applications under firm allocations.

Capital Notes forming part of the firm allocations will be allotted on a daily basis.

PUBLIC POOL

If:

- FB Finance exercises its right to accept over-subscriptions; or
- Capital Notes of less than \$25 million are allocated under the Priority Pool; or
- there are Capital Notes remaining in the firm allocation pool after the Closing Time for that pool,

then some or all of those over-subscriptions or unallocated Capital Notes, as applicable, may be available for subscription by applicants through the public pool.

Applications under the public pool, if any, will be accepted on a "first come first served" basis and allotments will be made on a daily basis following the Closing Time for the Priority Pool.

INTEREST RATE

The March 2008 Capital Notes will bear interest until the first Election Date payable on a half-yearly basis, at the rate fixed on the Interest Rate Set Date, being the greater of:

- 8.60 percent per annum; and
- the Interpolated Government Stock Rate plus a margin of 2.40 percent,

or such higher rate as FB Finance and the Joint Lead Managers determine and advise by general announcement to the NZSE prior to the Interest Rate Set Date.

The March 2010 Capital Notes will bear interest until the first Election Date payable on a half-yearly basis, at the rate fixed on the Interest Rate Set Date, being the greater of:

- 8.85 percent per annum; and
- the final interest rate for the March 2008 Capital Notes plus an additional 0.25 percent per annum,

or such higher rate as FB Finance and the Joint Lead Managers determine and advise by general announcement to the NZSE prior to the Interest Rate Set Date.

PAYMENT OF INTEREST

Interest on the Capital Notes will accrue daily on the basis of a 365-day year from the date of banking of application moneys for valid applications accepted and allotted.

The first interest payment for each Series will be made by FB Finance to the original subscriber of the Capital Notes, irrespective of any sale or transfer of the Capital Notes by that subscriber prior to the relevant first Interest Date.

The first interest payment for each Series will be made on 15 March 2003. Subsequent interest payments for each Series will be made half-yearly in arrears on 15 March and 15 September in each year until the relevant first Election Date. Interest (other than the first interest payment) will be paid to the persons registered as holders of the Capital Notes on the date for determining the entitlement to interest payments (refer to Condition 3.3 of the Conditions of Capital Notes on page 74).

Reference should be made to "New Zealand Withholding Tax" set out under the heading "What returns will I get?" in the section entitled "Answers to Important Questions" on pages 50 to 51 for a summary of withholding tax applicable to interest payments.

If interest is not paid when due it is compounded on each subsequent Interest Payment Date. Non-payment of interest does not constitute a default by FB Finance or Fletcher Building. However, each of FB Finance and Fletcher Building have covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

TERM

The March 2008 Capital Notes will have a first Election Date of 15 March 2008 and the March 2010 Capital Notes will have a first Election Date of 15 March 2010. FB Finance will determine the subsequent Election Dates as part of the revised terms it offers to Noteholders on the relevant Election Date. On the relevant Election Date Noteholders of the relevant Series may either elect:

- to retain some (subject to a minimum of \$5,000 each and thereafter in multiples of \$1,000 for each Series) or all of their Capital Notes for a further period on the new terms and conditions offered by FB Finance; or

- to convert some or all of their Capital Notes into Fletcher Building Shares at 98 percent of the then current value of those Fletcher Building Shares (as described in Condition 4.4, (Conversion to Fletcher Building Shares) of the Conditions of Capital Notes on pages 76 to 78). The conversion at 98 percent means that the value of the Fletcher Building Shares to be issued on conversion is approximately 102 percent of the Principal Amount of the Capital Notes.

Instead of Fletcher Building issuing Fletcher Building Shares to Noteholders who have elected to convert their Capital Notes, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date at their Principal Amount plus accrued but unpaid interest.

This rollover process is described in more detail in Condition 4 (Election to Retain or Convert) of the Conditions of Capital Notes on pages 75 to 79.

Noteholders may elect to convert their Capital Notes only on a relevant Election Date. However, the right to elect conversion may be suspended or forfeited in certain circumstances as described in Condition 4.4 (Conversion to Fletcher Building Shares) of the Conditions of Capital Notes on pages 75 to 79.

APPLICATIONS

Applications for March 2008 Capital Notes and March 2010 Capital Notes must be for a minimum Principal Amount of \$5,000 each and thereafter in multiples of \$1,000 in relation to each Series. Consequently, if applicants wish to apply for both March 2008 Capital Notes and March 2010 Capital Notes, they must apply for at least \$5,000 of March 2008 Capital Notes and \$5,000 of March 2010 Capital Notes and multiples of \$1,000 for each Series thereafter.

Applicants should nominate whether they wish to apply for March 2008 Capital Notes, March 2010 Capital Notes or a combination of each Series at the time of application.

Applications for Capital Notes must be made on the Application Form contained in this Offer Document. Applicants must complete the Application Form in accordance with the instructions set out in the section entitled "Application Instructions" on pages 146 to 147.

By signing the Application Form, an applicant irrevocably offers to subscribe for the Capital Notes on the terms set out in this Offer Document, the Trust Deed and the Application Form, notwithstanding any changes to any Closing Time which FB Finance is entitled to make.

The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full on application. Cheques must be made payable to "FB Finance Capital Notes Offer", crossed "Not Transferable" and must not be post-dated.

FB Finance reserves the right to refuse all or any part of any application without giving a reason.

Priority Pool

Applications by Eligible Shareholders and Noteholders for allocations from the Priority Pool must be made on the Application Form contained in this Offer Document. Eligible Shareholders and Noteholders must tick the Priority Pool box in order for their application to be considered under the Priority Pool. Applications by Eligible Shareholders and Noteholders for amounts up to \$20,000 of Capital Notes should be made on one Application Form and any excess over that amount should be made on a separate Application Form. Applications must be lodged with the Registrar on or before the Closing Time for the Priority Pool or alternatively may be lodged with FB Finance, any member of the NZSE, an Organising Broker and Joint Lead Manager, a Co-Manager or other person approved by the NZSE in time to enable such applications to be forwarded to the Registrar before the Closing Time for the Priority Pool. Any such applications lodged after that time will be treated as if they are applications received under the public pool, if any.

Firm Allocations

Applications from clients of members of the NZSE, the Organising Brokers and Joint Lead Managers, the Co-Managers or other person approved by the NZSE who have a firm allocation must be made on the Application Form contained in this Offer Document and must be lodged with the member of the NZSE, the Organising Broker and Joint Lead Manager or the Co-Manager through which the firm allocation was obtained, in sufficient time for such application to be received by the Registrar prior to the Closing Time for firm allocations.

Public Pool

All public pool applications must be made on the Application Form enclosed with this Offer Document and must be lodged as soon as possible with the Registrar and, in any event, on or before the Closing Time for the public pool or alternatively may be lodged with FB Finance, any member of the NZSE, an Organising Broker and Joint Lead Manager, a Co-Manager or other person approved by the NZSE in time to enable such applications to be forwarded to the Registrar before the Closing Time for the public pool.

ALLOTMENT

FB Finance will allot Capital Notes forming part of the Priority Pool to Eligible Shareholders and Noteholders who apply by the Closing Time for the Priority Pool, on 5 December 2002 or such other time as determined by the board of directors of FB Finance, after receipt and acceptance of valid applications, accompanied by payment for immediate value.

FB Finance will allot Capital Notes under the firm allocations on each Business Day during the period commencing on the Opening Date and ending on the Closing Time for firm allocations after receipt and acceptance of valid applications, accompanied by payment for immediate value.



AGGREGATE



CRASH BARRIERS



REINFORCING RODS

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If there is a public pool, FB Finance may allot Capital Notes on each Business Day during the period commencing after the Closing Time of the Priority Pool and ending on the Closing Time for the public pool after receipt and acceptance of valid applications, accompanied by payment for immediate value. Allotments under the public pool, if any, will be made on a "first come first served" basis so applications will be accepted in the order they are received. Any applications for consideration under the public pool should therefore be lodged as soon as possible after the Opening Date.

FB Finance will advise successful applicants of the allotment of Capital Notes to them as soon as practicable after the relevant date of allotment.

REFUNDS

If FB Finance accepts an application in part, the balance of the application money will be refunded as soon as practicable and in any event within five Business Days after the relevant Closing Time. Any application money received in respect of applications that are not accepted will be refunded to the applicant as soon as practicable and, in any event, no later than five Business Days after the relevant Closing Time.

No interest will be paid on any refund or any application not accepted.

QUOTATION

The Capital Notes are intended to be tradable. Application has been made to the NZSE for permission to list the Capital Notes and all requirements of the NZSE relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, the NZSE accepts no responsibility for any statement in this Offer Document. Quotation of the Capital Notes on the NZSE is expected to occur on or about 20 December 2002.

OVERSEAS INVESTORS

This Offer, including the preference given to Eligible Shareholders and Noteholders, is made to New Zealand residents only. No offer or invitation is made under this Offer Document in any jurisdiction outside New Zealand. No person may offer, sell or deliver any Capital Notes or distribute this Offer Document to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction. This Offer is not being made to U.S. Persons.

NO CERTIFICATES

No certificates for the Capital Notes will be issued. A FASTER statement will be forwarded to Noteholders following allotment.

SALE AND TRANSFER

Applicants should not attempt to sell any Capital Notes until they know whether, and how many, Capital Notes have been allotted to them. FB Finance does not accept any liability should any person attempt to sell or otherwise deal with the Capital Notes before the applicant receives his or her FASTER statement.

No transfers will be registered during the period of three Business Days immediately preceding the relevant final Interest Payment Date or during the period between the relevant Election Record Date and the relevant Election Date, or if the registration would result in the transferor or the transferee holding Capital Notes of any Series with an aggregate Principal Amount of less than \$5,000. Subject to this minimum holding, transfers of Capital Notes of any Series must be in multiples of \$1,000.

FURTHER ISSUES

Subject to the NZSE and ASX listing rules, as applicable, and the constitutions of FB Finance and Fletcher Building, FB Finance or Fletcher Building may, from time to time without the consent of the Noteholders, create and issue further capital notes, ordinary shares or other securities or incur indebtedness or issue obligations ranking pari passu in all respects with, junior to, or senior to, the Capital Notes and otherwise on such terms as FB Finance or Fletcher Building, as applicable, may determine.

Any issue of further capital notes may be subject to the appointment of a trustee in respect of those capital notes and to FB Finance and/or Fletcher Building shareholder approval.

TAXATION IMPLICATIONS RELATING TO THE OFFER

The taxation implications relating to the Offer are set out under the heading "What returns will I get?" in the section entitled "Answers to Important Questions" on pages 50 to 51. Those comments relate only to New Zealand taxes and are based on tax legislation current at the date of this Offer Document. Noteholders should consult their own taxation advisers concerning the taxation implications, in their particular circumstances, of acquiring, holding and/or disposing of the Capital Notes.

UNDERWRITING

This Offer of Capital Notes is not underwritten.

BROKERAGE

No brokerage is payable by any applicant for Capital Notes under the Offer. Brokerage is payable by FB Finance to members of the NZSE or other approved financial intermediaries where a valid application bears the stamp of that member or financial intermediary, at a rate of:

- 1.25 percent of the aggregate Principal Amount in respect of the March 2008 Capital Notes and 1.50 percent in respect of the March 2010 Capital Notes, in each case allotted; and
- additional brokerage of 0.50 percent of the aggregate Principal Amount of Capital Notes allotted under firm allocations.

Brokerage is payable by FB Finance to the Joint Lead Managers where a valid application does not bear the stamp of a member of the NZSE or approved financial intermediary, at a rate of 0.75 percent of the aggregate Principal Amount of Capital Notes allotted.

JOINT LEAD MANAGERS

The Joint Lead Managers for the Offer are JBWere (NZ) Limited and UBS Warburg New Zealand Equities Limited.

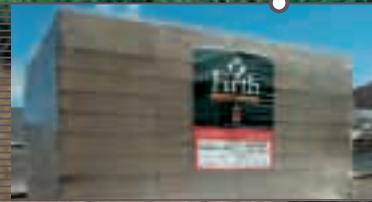


MORTAR

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ALUMINIUM WINDOWS



PAVERS

Business Description of FB Finance and Fletcher Building

FB FINANCE

FB Finance has been established for the purposes of funding Fletcher Building's operations in Australia, including the recent acquisition of Laminex. FB Finance is incorporated in New Zealand with its registered office at 810 Great South Road, Penrose, Auckland. FB Finance is also registered to carry on business in Australia and its registered office is at 2 Park Street, Sydney.

As at the date of registration of this Offer Document, FB Finance's business has involved borrowing, lending and investing within the Fletcher Building Group.

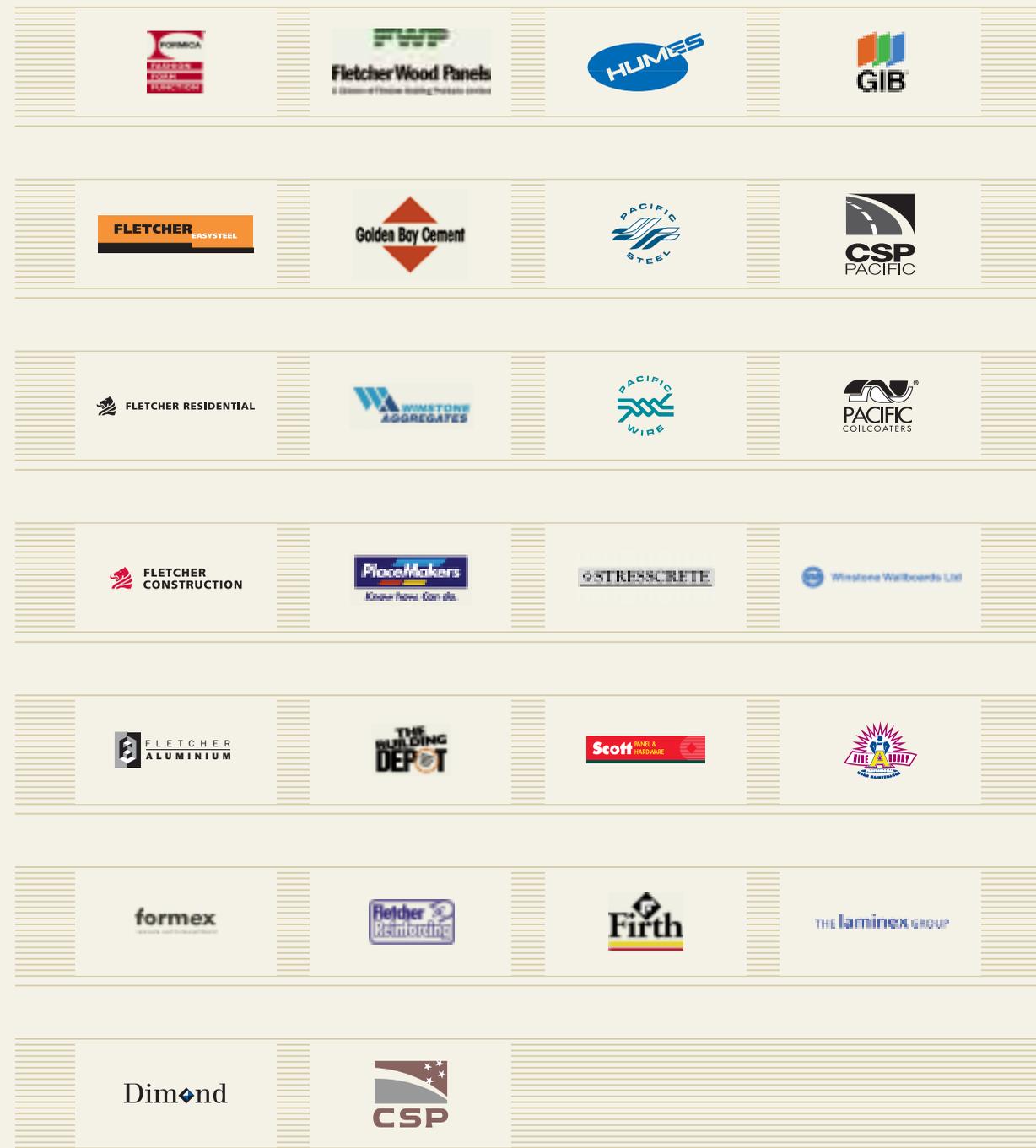
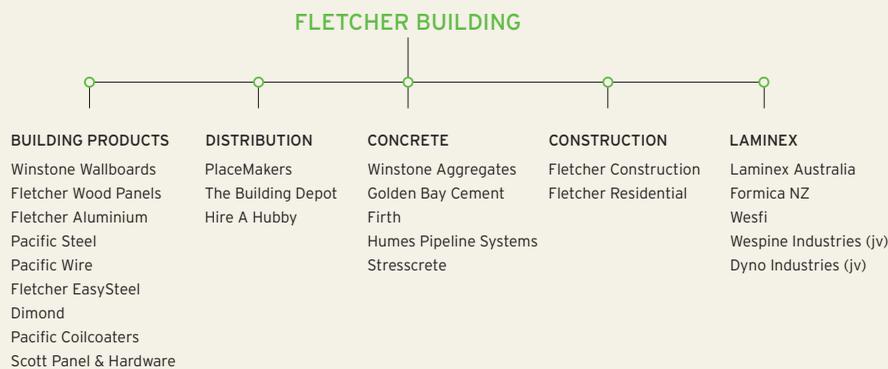
FLETCHER BUILDING

Fletcher Building is the parent company of FB Finance and guarantees FB Finance's obligations under the Capital Notes on an unsecured and subordinated basis.

Fletcher Building is a New Zealand head-quartered company which is:

- New Zealand's sole manufacturer of gypsum plasterboard;
- a wood fibre panel manufacturer with associated value adding operations;
- a significant participant in the New Zealand steel industry;
- a major producer of aggregate, cement and concrete products in New Zealand;
- an extruder of aluminium components for windows and doors;
- a distributor of a wide range of building materials in New Zealand;
- a substantial construction contractor in New Zealand and the South Pacific Islands;
- a builder of residential homes in New Zealand; and
- following the recent acquisition of Laminex, an Australian marketer, distributor and producer of decorated laminates and decorated wood panels for use in commercial and residential applications.

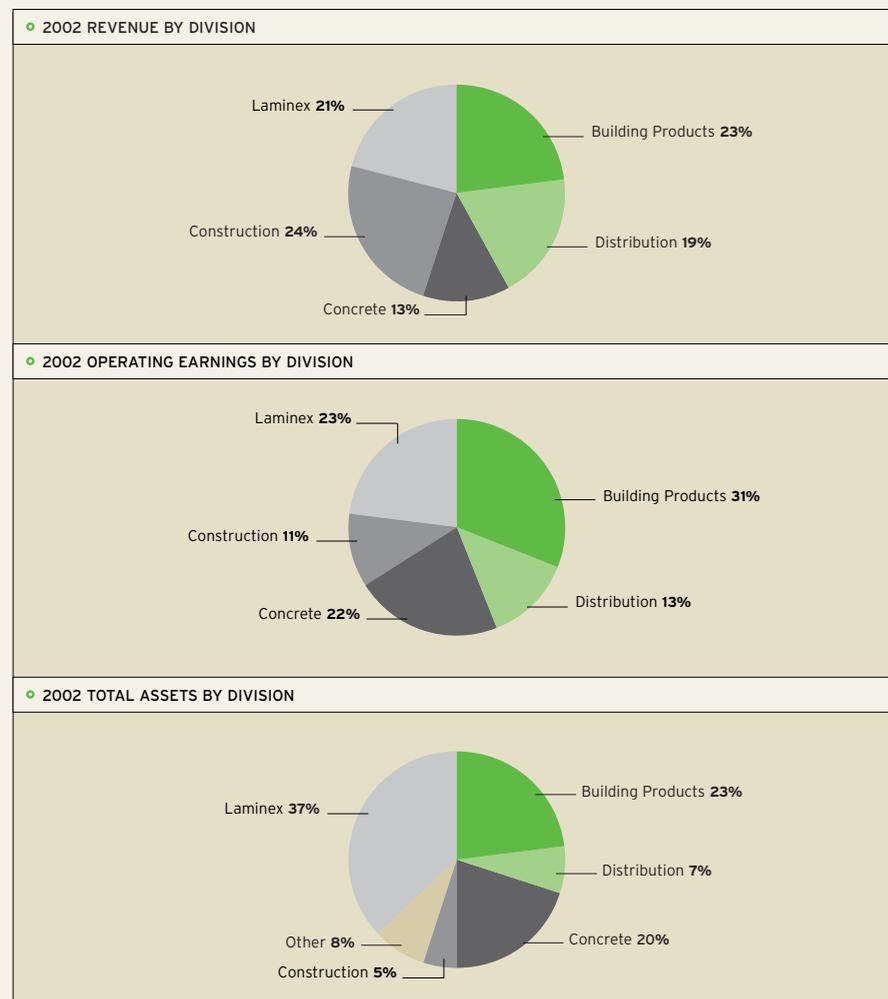
A diagram of Fletcher Building's principal trading businesses is set out below:



BUSINESS STRATEGY

Fletcher Building is organised into five divisions, Building Products, Concrete, Construction, Distribution and the recently acquired Laminex. Building Products and Concrete have historically accounted for most of Fletcher Building's earnings. Nevertheless, the Construction and Distribution divisions provide a channel to market for Fletcher Building's products and materials. Construction is a major user of concrete, aggregates, infrastructure products, steel, wallboards and wood panels, and Fletcher Building's businesses are major suppliers of these products in New Zealand. Distribution, through the PlaceMakers chain of over 50 outlets, provides a national distribution network for many of the company's products.

The revenue (excluding inter-company sales), operating earnings (EBIT) and assets for the year ended 30 June 2002 by operations are represented in the following charts. The results for Laminex have been included on a pro forma 12 month basis as if Laminex had been acquired on 1 July 2001.



Source: Fletcher Building 2002 Annual Report and Laminex 30 June 2002 Audited Financial Statements.

Building Products

Building Products manufactures and distributes wood based panels, gypsum plasterboard, aluminium shapes, windows and doors, building papers, doors and steel products.

Winstone Wallboards is the sole domestic producer of gypsum plasterboard, and Pacific Steel is the only local manufacturer of reinforcing bar.

A number of the businesses in the Building Products Group are highly integrated and this integration extends into Fletcher Building's other businesses. Fletcher Wood Panels' products are distributed to the furniture and joinery industry by Scott Panel & Hardware, whilst another of Fletcher Wood Panels' largest customers is PlaceMakers.

Plasterboard

Winstone Wallboards is New Zealand's sole manufacturer of gypsum plasterboard, which it sells together with associated drywall systems, products and services.

Winstone Wallboards began producing gypsum plasterboard in 1927 and manufactures and markets a broad range of gypsum plasterboard and other gypsum products. These are used mainly to finish interior walls and ceilings in residential and commercial structures. Winstone Wallboards markets most of its products under the "Gib"® brand name. Winstone Wallboards also manufactures and/or distributes related products including jointing cements, cove cornice, fixing and jointing accessories and surface sealer.

Approximately 65 percent of Winstone Wallboards' products are sold to the New Zealand residential housing market, with most of the balance being sold to the New Zealand commercial construction market. Winstone Wallboards has manufacturing facilities in Auckland and Christchurch. It also has distribution centres in Auckland, Wellington and Christchurch to support merchant networks such as PlaceMakers.

Demand for its wallboard products is affected by the level of new residential and commercial construction activity and by the demand for repair and remodelling of existing residential and commercial properties. These industries are cyclical, being sensitive to fluctuations in the general level of economic activity. Exports are not significant.

Wood Panels and Doors

Fletcher Wood Panels' products are sold into the furniture and joinery and building and construction market sectors. Approximately 60 percent of its revenue comes from the furniture and joinery market and 40 percent from the building and construction market. Of Fletcher Wood Panels' total revenue for the year ended 30 June 2002, 62 percent was generated in New Zealand. Wood panel products are manufactured at 8 sites. Manufacturing facilities include:

- two particleboard plants;
- a medium density fibreboard ("MDF") plant;
- a hardboard and softboard plant;
- two low pressure melamine ("LPM") laminating plants (one in New Zealand and one in Australia);
- a joint venture in a MDF based mouldings/millwork plant; and
- door manufacturing plant and prehung operations.

With these operations, Fletcher Wood Panels is a diverse producer of composite wood based panels and doors in New Zealand.

Fletcher Wood Panels has an active strategy to move away from commodity products. Its Melteca product line has developed a colour/décor franchise for the high value fashion end of the New Zealand interior wood panel market. This colour and service model is being introduced to the Australian market from its Brisbane LPM plant. New panel products such as Colorati (coloured MDF for the furniture and joinery markets) and Armour (high density fibreboard for foundry and hard use applications) have also been introduced as part of this strategy.

Scott Panel & Hardware is a specialist marketer and distributor of product and value added services to the New Zealand furniture and joinery market. This market comprises numerous small independent businesses. It supports these customers by providing a bundle of the components needed for their businesses together with computer design and optimisation software and business support services from logistics to supply chain and debtor management.

The wood panels industry is characterised by large capacity additions which, in the Pacific Rim, have often been driven by resource availability rather than market demand. The Asian markets are served by many international suppliers and competition is intense. Product quality and price are key factors in these markets. Historically, approximately 70 percent of Fletcher Wood Panels' MDF production has been sold internationally, where prices have been low in response to excess MDF production capacity.

Steel Processing and Distribution

Fletcher EasySteel is a major merchant of steel related products throughout New Zealand. Its distribution capability includes a nation-wide network of branches and metal processing facilities. Fletcher EasySteel offers services ranging from an ex-stock supply of mild steel, alloy steels, aluminium, stainless steel, welding and fastening products, pipe and fittings, to the processing of flat rolled product and plate. Services also include sheeting, slitting, profile cutting and guillotining of product to customer requirements.

Pacific Coilcoaters is one of two coil painting businesses in New Zealand. At Pacific Coilcoaters, zincalume and galvanised steel coil are treated and coated with a protective and decorative paint coating in a continuous factory controlled process. Product is painted to order for customers who rollform it into profiles for roofing and cladding. A wide range of standard colours is available and Pacific Coilcoaters has the ability to produce small quantities with short lead times. BHP NZ Steel supplies almost all of Pacific Coilcoaters' steel requirements.

Dimond Industries ("Dimond") is a major New Zealand manufacturer and distributor of long run metal roofing, structural building products, and profile fibreglass sheeting. Dimond manufactures a wide range of products for both commercial and residential applications. Dimond's market is predominantly New Zealand based, with small volumes being sold into Australia and the Pacific Islands.

Steel Manufacturing

Pacific Steel operates New Zealand's only electric arc furnace and rolling mill. These are located in Auckland and manufacture reinforcing bar, merchant bar and wire rod from scrap. Pacific Steel expects to continue to sell the majority of its output in New Zealand.

Pacific Steel's customers are steel merchants and steel processors, including Fletcher Reinforcing. In the year ended 30 June 2002, 40 percent of Pacific Steel's total sales were to Fletcher Building steel operations. Pacific Steel's export strategy is focused on niche markets.

Pacific Steel sources most of its scrap through Sims Pacific, which collects scrap from throughout New Zealand and offshore. Sims Pacific is a 50% joint venture with Simsmetal Limited, an Australian company.

Pacific Wire manufactures wire and is the only fully integrated wire mill manufacturer in New Zealand.

Aluminium

Fletcher Aluminium is involved in the manufacture and distribution of mill finish and powder coated aluminium extrusions and accessories. Fletcher Aluminium serves its windows and doors customers through a franchise distribution network of approximately 90 fabricators operating throughout New Zealand. The fabricators assemble the aluminium components into windows and doors and market the products under six Fletcher Aluminium brands.

Fletcher Aluminium operates two presses at its Auckland manufacturing plant. It also has a remelt facility in Auckland where it recycles scrap. There are five aluminium manufacturers in New Zealand operating nine extrusion presses.

Distribution

Fletcher Distribution has a national presence in New Zealand through its PlaceMakers, The Building Depot and Hire A Hubby operations which provide channels to market for Fletcher Building's manufactured products. PlaceMakers is the largest, with a chain of over 50 outlets.

PlaceMakers focuses predominantly on trade customers with approximately 80 percent of sales being in this market segment. The majority of the outlets operate under a joint venture franchise arrangement where PlaceMakers holds a 50.1 percent interest with local branch operators. PlaceMakers also manufactures wall frames and roof trusses at strategically placed manufacturing units to support local branches.

The Building Depot has 10 outlets, all of which are based in urban areas. The Building Depot is a "No Frills" brand that operates off a low cost base. The Building Depot operates with a basic range of building materials, hardware and home improvement products that are essential for the cash and carry "Do-It-Yourself" retail customer.

Hire A Hubby is a nation-wide franchise organisation with over 124 franchisees. It provides solutions for the "Do-It-For-Me" customer segment and also provides an installation solution for the same customers for products sold by PlaceMakers. Hire A Hubby provides a service solution for home maintenance and home improvement.

Concrete

The Concrete division manufactures and distributes aggregates, cement, readymix concrete, concrete masonry, paving products, pre-stressed and pre-cast concrete products, concrete pipes and plastic pipes.

The Concrete business is one of two national competitors that have fully integrated positions in the concrete chain (cement, aggregates and readymix concrete). Holcim (New Zealand) Limited (previously Milburn New Zealand), a Swiss-based cement manufacturer with global interests, is the other integrated producer.

Fletcher Building considers that the integrated nature and geographic spread of its domestic operations, together with the cost of transportation and "island" nature of New Zealand, place the company in a favourable position with respect to imports and other competitors.

Aggregates

Winstone Aggregates operates a quarrying and sand extraction business. It is involved in the extraction, processing, transport and sale of natural raw materials used primarily in the road works, building and construction industries. The main products produced are crushed rock, sand, shingle and scoria. Winstone Aggregates operates:

- 14 hard rock quarries;
- 5 shingle plants;
- 5 sand plants; and
- 1 scoria pit.

Winstone Aggregates estimates it has over 80 million tonnes of either proven or probable reserves. Reserve life varies from deposit to deposit. On average, and based on current extraction rates, resources are estimated to be sufficient for more than 30 years at the hard rock sites. Sand and gravel extraction is generally occurring at sustainable levels.

The aggregates business is capital intensive and characterised by high fixed costs. Profitability is sensitive to changes in sales and production volumes. Transportation costs represent a significant portion of the selling price. Historically, this factor has limited the geographic area that could be serviced from any particular resource. However, the high cost of establishing new quarries, together with increasing customer demands for quality product, has changed the nature of the business and made greater geographic penetration a necessity.

Demand for aggregates is determined primarily by the overall level of construction and road works activity in New Zealand. The level of spending by Transit New Zealand (the Government agency responsible for road works) and local governmental authorities is a significant demand determinant for the volume of aggregates used for road works. The level of new residential subdivisions and commercial development are the other key determinants for the volume of aggregates used for concrete production. While construction levels and demand tend to track the general level of economic activity in New Zealand, and thus are cyclical in nature, governmental spending on infrastructure, such as roads, hospitals and educational facilities, is less influenced by these factors and therefore tends to be more stable.

Furthermore, the substantial road infrastructure within New Zealand provides strong demand for maintenance materials.

Cement

Golden Bay is one of the two cement manufacturers in New Zealand, the other being Holcim. Golden Bay's dry process cement plant at Portland in the North Island of New Zealand has an annual cement production capacity of 600,000 tonnes and a cement milling capacity of approximately 700,000 tonnes.

Golden Bay's customers are:

- readymix concrete producers (including Firth);
- concrete product manufacturers (including Firth and Humes Pipeline Systems);
- building materials distributors (including the PlaceMakers operations);
- paving and construction contractors; and
- other major users of cement board cladding, concrete roof tiles, concrete pipes and road stabilisation materials.

Cement is sold in bulk form and in multi-wall bags. Bulk cement is distributed using Golden Bay's bulk cement vessel and bulk road tankers. Golden Bay's distribution network is based around customer service centres strategically located near port facilities around New Zealand. Golden Bay exports bagged cement to Pacific Island countries.

The manufacture of cement is capital intensive. Because of the high fixed costs involved, profitability is sensitive to changes in sales and production volumes.

Readymix Concrete

Firth sells readymix concrete to building contractors and others engaged in residential, commercial and industrial construction, public works and infrastructure projects. Demand for readymix concrete depends upon the level of construction activity, which tends to track general economic conditions and is therefore cyclical. Firth's major competitors include Holcim and the associated Allied group of companies. These firms supply approximately 65 percent of the New Zealand market, with the balance supplied by a number of regionally based operators. Firth purchases approximately 85 percent of its cement from Golden Bay and approximately 75 percent of its aggregates requirements from Winstone Aggregates.

Because of the specialised transportation requirements and the perishability of readymix concrete, producers typically market their products within a short distance of the mixing facility. Firth operates 47 fixed plants, seven joint venture plants and two mobile plants located throughout New Zealand.

Concrete Products

Firth is New Zealand's largest manufacturer and distributor of concrete masonry and associated products. Products include hollow blocks, bricks, and a wide range of paving and retaining wall products. Firth also manufactures pre-cast concrete, dry bagged concrete and mortar mixes. Concrete products are manufactured at seven masonry plants, two joint venture plants and at two dry mix bagging plants.

Stresscrete produces a variety of pre-stressed concrete products at eight operating plants, including extruded hollow core flooring, double tees, unispan and interspan flooring, shell beams, solid columns and beams, power poles and railway sleepers. Its main customers are commercial and civil construction contractors.

Humes' extended single shift production capacities for concrete pipes and pre-cast concrete products are 70,000 tonnes and 40,000 tonnes per year, respectively. Humes also manufactures and distributes plastic pipes and fittings.

Golden Bay and Winstone Aggregates are significant suppliers of cement and aggregates to Firth, Stresscrete and Humes.

International Operations

The Concrete division has investments in Peru, Bolivia, India and Fiji. The Peruvian business includes readymix concrete, concrete products and aggregates positions. The Bolivian businesses which comprises a 130,000 tonnes per annum cement plant, a concrete products and a readymix business was recently sold, with settlement due in November 2002.

The investments in India and Fiji are relatively small with the Indian business being a joint venture with Hanson Plc.

Construction

Headquartered in New Zealand, Fletcher Construction operates in New Zealand and the South Pacific. Fletcher Construction has over the last six years exited its international construction activities in the United States, Australia, Asia and the North Pacific region.

Fletcher Construction is active in most areas of New Zealand and also has offices in Papua New Guinea, Fiji, Solomon Islands, Western Samoa, Vanuatu, Tonga and American Samoa. In New Zealand and the South Pacific, it is the largest general construction company operating in the fields of commercial, industrial, engineering and marine construction and interior fitouts and refurbishments.

In most of its construction activities, Fletcher Construction acts as a general contractor. Fletcher Construction normally contracts to deliver a project and is paid a price for the completed project. Most aspects of the construction, however, are performed by subcontractors who are retained and paid by Fletcher Construction. The functions normally directly performed by Fletcher Construction include the planning and scheduling of the project, the procurement of materials and plant, the marshalling of resources required for the project, the awarding of subcontracts and the direction and management of the construction operation.

Fletcher Construction's projects vary in duration from those spanning one fiscal period to major contracts that could have up to a four or five year duration. Profit recognition is based on the estimated percentage of completion method and therefore, in any given fiscal period, earnings can vary depending on the timing of transactions and the profitability of the projects being reported.

The property operations of Fletcher Building are now confined to the management of any surplus leased property and the realisation of its remaining property assets. It is anticipated that it will take up to three years to complete the realisation of the portfolio.

Fletcher Building has had a long history in house building in New Zealand. Fletcher Residential concentrates on single unit dwellings, primarily in Auckland, New Zealand. Fletcher Building's other businesses supply a substantial amount of the materials purchased for the construction of these homes.

Laminex

On 13 November 2002 Fletcher Building completed the acquisition of Laminex, an Australian based marketer, distributor and producer of decorative laminates and decorated wood panels for use in commercial and residential applications. It has a portfolio of brands including Laminex, Formica and Formex.

Laminex also supplies associated products such as natural timber veneer panels, cabinet doors and vanity units, which complement its core product range. Laminex also produces raw wood panels, which are an input for its decorated wood panels and allow it to market a broad range of premium and trade products.

Laminex has a national network of 43 distribution points in Australia, including 30 Laminex Service Centres and a number of third party distribution arrangements. It also has a manufacturing plant and national distribution in New Zealand, where Fletcher Building is a licenced distributor of Laminex and Formica products. It also exports customised wood panel products to a network of regular customers in Asia.

LAMINEX BUSINESS PROFILE

PRODUCT SEGMENT	PREMIUM DECORATIVE SURFACES		TRADE WOODPANELS		ASSORTED PRODUCTS	EXPORTS
	PRODUCTS	high pressure laminates (HPL)	colour decorated woodpanels	white & raw medium density fibreboard (MDF)	white & raw particleboard	natural timber veneer panels, cabinet doors, vanity units & componentry
FY02 SALES	18%	29%	9%	17%	13%	14%
USES	kitchen & commercial benchtops, marine panels	kitchen & bathroom cupboards, commercial furniture, commercial office & shop fittings	cupboards, benches & furniture, substrate for decorative surfaces	furniture, shelving, flooring, cabinetry, substrate for decorative surfaces	residential & commercial applications	furniture, fan blades, partitioning, & other uses

Business Strategy

Laminex is focused on the continued development of the business to strengthen its position in Australia and New Zealand, and to expand its influence within the region. More specifically, Laminex is focused on:

- consolidating its market position in premium decorative surfaces by continuing to invest in its key brands;
- continuing to invest in developing innovative products to maintain its position in the premium decorative surfaces market;
- continuing productivity programmes that focus on manufacturing and distribution efficiencies;

- extracting cost savings from the integration of recently acquired businesses;
- exploring growth and value adding opportunities to the export markets of Asia; and
- investing in the development of its employees to maintain high levels of service and technical and product expertise.

Leading Brands

Laminex has built a portfolio of strong brands over the past 50 years through continued investment in brand positioning, new product developments, the acquisition of the Formica brand in Australia and New Zealand in August 1999 and the establishment of the Formex brand in Australia in February 2001.

Each of Laminex's key brands - Laminex, Formica and Formex - has been positioned for targeted market segments. The positioning of these brands has enabled Laminex to expand its customer base and introduce new products.

Key Products and Market Shares

<p>o High Pressure Laminates ("HPL")</p> <p>Laminex has approximately 65 percent of the Australian and New Zealand HPL markets through its key Laminex, Formica and Formex brands in Australia and the Laminex and Formica brands in New Zealand.</p> <p>In Australia, the Laminex brand has increased its market share as a result of a substantial colour range update in April 2001. The Formica brand's market share has benefited from the growth in the new home market.</p> <p>In New Zealand, the Formica brand leads the HPL market and the Laminex brand has quickly grown to have an approximate six percent share after being recently reintroduced into New Zealand.</p>
<p>o Colour Decorated Wood Panels</p> <p>Laminex holds approximately 80 percent of the decorated MDF market (including white MDF), and approximately 45 percent of the decorated particleboard market (including white particleboard) in Australia through its Laminex, Formica and Formex brands.</p>
<p>o Trade Wood Panels</p> <p>Laminex holds approximately 30 percent of both the Australian raw and white MDF market and the Australian raw and white particleboard market, principally through its key Laminex and Formex brands, with limited product sold under the Formica brand.</p>

Associated Products

Laminex produces, markets and distributes a range of products complementary to its premium decorative surfaces and trade wood panels ranges. Associated products include natural timber veneer, doors, bathroom furniture, the Azteque non-porous surface product, decorated MDF flooring, laminated edge strips, mouldings, accessories, timber products and hardware products.

Product Development

Laminex continues to seek growth in its business through the development of new innovative products and technologies, and has a commitment to maintaining a leading edge in design. Laminex regularly updates the colours and designs of its products and works closely with architects and trade customers to specify new products.

Production

Laminex has a range of production capabilities in Australia, covering both laminate and wood panel production. The geographic spread of Laminex's facilities provides operational flexibility through their ability to produce a range of products and brands.

Products are manufactured at six sites in Australia and one in New Zealand.

Laminex's main raw materials and input costs are plantation thinnings and sawmill residues, resin, paper, energy, freight and purchased particleboard. It has two major wood supply contracts - a contract extending to 2014 with the Queensland Department of Primary Industries and a contract extending to 2025 with the State of Western Australia. These contracts are subject to periodic price increases or renegotiations. Laminex also sources raw materials from other long-term relationship suppliers.

Market Diversification

Laminex has a diverse customer base across a number of sectors, helping to smooth the effects of the Australian and New Zealand building industry cycles. The split of Laminex's sales in the financial year ended 30 June 2002 is estimated at:

- Residential: 21 percent
- Renovations: 33 percent
- Commercial: 32 percent
- Exports: 14 percent

Exports

Laminex has implemented a strategy focused on being a long-term preferred supplier to its customers of wood panel products into Asia. The major export markets for Laminex include Korea, China and Taiwan. Other markets include Japan, Indonesia, Hong Kong, the Philippines and Vietnam.

Joint Ventures

<p>o Wespine</p> <p>Laminex has a 50 percent interest in a softwood sawmilling operation, Wespine Industries Pty Limited ("Wespine"). The joint venture was established in 1992. Laminex's partner in Wespine is Bunnings Wesfarmers Limited ("Bunnings").</p> <p>The Wespine sawmill is located near the Dardanup, Western Australia, production facility. Wespine's principal product is premium quality softwood timber that is dressed and stress graded. The principal markets for these products are the residential construction and furniture making sectors, as well as timber product wholesalers. Approximately 75 percent of Wespine's sales are in Western Australia. Wespine provides shavings and chip to Laminex's Western Australia operations, ensuring an important, low-cost resource for wood panels production.</p> <p>Bunnings has advised that it is considering the disposal of its shareholding in Wespine. If this occurs, Laminex will have a right of first refusal to buy Bunnings' interest in the joint venture.</p>
<p>o DIWA</p> <p>Laminex has a 50 percent interest in a resin manufacturing joint venture, Dyno Industries (WA) Pty Limited ("DIWA"), which was established in 1984. Laminex's partner in DIWA is Dyno Industries A.S. of Norway. DIWA provides Laminex's Western Australian operations with a reliable supply of synthetic liquid resins for its production processes.</p> <p>DIWA's plant is located near the Dardanup production facility and DIWA has an exclusive contract to supply resins to Laminex's Western Australian MDF and particleboard production facilities.</p>

Summary Financial Information

The table below summarises Laminex's historical financial performance. These are extracted from the audited financial statements of Laminex.

AS MILLION	ACTUAL YEARS ENDED 30 JUNE			
	2002	2001	2000	1999
Sales revenue	608	438	380	284
EBITDA ¹ before unusual items	88	64	68	53
EBIT ² before unusual items	58	40	50	37

¹ Operating earnings before interest, taxation, depreciation and amortisation.

² Operating earnings before interest and taxation.

The selected summary financial information outlined above reflects the impact of additional sales, earnings and synergies from the effective date of acquisition of the Formica business on 27 August 1999 and of Wesfi on 26 February 2001.

Summary Financial Information

FLETCHER BUILDING FINANCE LIMITED

The following summary of financial statements for the period from incorporation on 23 October 2002 until 31 October 2002 has been extracted from the audited interim financial statements of FB Finance. The summary of financial statements has been prepared in accordance with the Second Schedule to the Securities Regulations 1983.

FB FINANCE SUMMARY NZ\$M	PERIOD ENDED AND AS AT 31 OCTOBER 2002
Operating revenue	
Operating earnings	
Interest expense	
Earnings before taxation	
Taxation	
Net earnings	
Total assets	10
Total tangible assets	10
Total liabilities	
Total ownership interests	10
Net tangible assets per FB Finance Share (\$)¹	1.00
Net assets per FB Finance Share (\$)¹	1.00

¹ Based on the 10 million FB Finance ordinary shares as at 31 October 2002.

FLETCHER BUILDING GROUP YEARS ENDED AND AS AT 30 JUNE

The following summary financial information presented is that of the Fletcher Building Group.

Fletcher Building is a company domiciled in New Zealand and is registered under the Companies Act. It is the guarantor of FB Finance's obligations in relation to the Capital Notes on an unsecured subordinated basis and is the issuer of the Fletcher Building Shares into which the Capital Notes may convert. No subsidiary of Fletcher Building has guaranteed the obligations of Fletcher Building or FB Finance in relation to the Capital Notes.

On 23 March 2001 Fletcher Challenge Limited - Building Operations, a division of Fletcher Challenge Limited under the targeted share structure, became a stand-alone publicly listed company called Fletcher Building under a court approved arrangement. Fletcher Building was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited - Building Operations on 23 March 2001. Fletcher Building and the Group therefore began trading on 24 March 2001.

The following financial information for the year ended 30 June 2002 reflects the results of the Fletcher Building Group for the period 1 July 2001 to 30 June 2002. This information is derived from the audited consolidated financial statements of the Fletcher Building Group. Accordingly, the financial information does not include the financial results of Laminex as this company was only acquired after 30 June 2002. For the periods until 23 March 2001, Fletcher Challenge Limited - Building Operations was a division of Fletcher Challenge Limited. As a result, the results for the 12 months ended 30 June 2001 consist of the audited results of Fletcher Challenge Limited - Building Operations for the period 1 July 2000 to 23 March 2001 and the audited results of the Fletcher Building Group for the period 24 March 2001 to 30 June 2001. The results for the years ended 30 June 2000, 1999 and 1998 are the audited results of Fletcher Challenge Limited - Building Operations.

As the financial statements of Fletcher Challenge Limited - Building Operations are derived from the audited financial statements of Fletcher Challenge Limited, they should at all times be read in conjunction with the financial statements of Fletcher Challenge Limited and in particular with the basis of attributing assets, liabilities, income and expenses to the then divisions of Fletcher Challenge Limited as set out in the statement of adopted policies.

Certain comparatives have been restated to conform with the presentation for the year ended, and as at 30 June 2002.

The summary of financial statements complies with the Second Schedule to the Securities Regulations 1983.

FLETCHER BUILDING GROUP SUMMARY

NZ\$M	2002	2001	2000	1999	1998
Operating revenue	2,966	2,273	2,380	2,665	3,015
Operating earnings before unusual items	205	94	170	121	177
Unusual items ^{1,2,3,4}	5	-181	-43	-49	
Operating earnings	210	-87	127	72	177
Interest expense ⁵	-51	-36	-34	-35	-44
Earnings before taxation	159	-123	93	37	133
Taxation	-54	-148	-31	-16	1
Earnings after taxation	105	-271	62	21	134
Minority interest	-12	-1	1	2	
Net earnings	93	-272	63	23	134
Total assets	1,538	1,756	1,971	1,989	2,309
Total tangible assets	1,535	1,749	1,949	1,968	2,295
Total liabilities ⁵	947	966	999	1,029	1,282
Total ownership interests ⁵	591	790	972	960	1,027
Net tangible assets per Fletcher Building Share (\$) ⁶	1.70				
Net tangible assets per Fletcher Building capital note (\$) ⁶	2.56				
Net assets per Fletcher Building Share (\$) ⁶	1.71				

¹ Included in operating earnings are restructuring and separation costs of \$43 million in June 2001 and \$3 million in June 2000 associated with the separation of the Fletcher Challenge Group targeted share structure, and the write off of \$30 million upon the reorganisation of the Fletcher Challenge Employee Educational Fund in June 2000.

² Included in operating earnings is a permanent impairment which relates to the Concrete division operations overseas of \$11 million in June 2002 and \$70 million in June 2001. In addition June 2001 includes impairment to the Concrete division operations in New Zealand of \$17 million and the Fletcher Building Group's owned properties in Auckland of \$14 million. An impairment of \$10 million in June 2000 relates to the Fijian operations. An impairment in 1999 was for the Xinda Iron and Steel operations in China of \$49 million.

³ Included in operating earnings are other gains in June 2002 which relate to the \$14 million profit on sale of Varnsdorf Pty Limited, the gain on sale of land at Lunn Avenue of \$6 million and a loss of \$8 million relating to the sale of the construction activities in Australia. Other losses of \$37 million in June 2001 relate to the settlement of a dispute over the construction of co-generation plants in Australia (Varnsdorf Pty Limited).

⁴ Included in operating earnings in June 2002 is an additional three months of PlaceMakers income of \$4 million as a result of consolidating the joint ventures.

⁵ For the 2002 year, the directors of Fletcher Building reviewed the accounting treatment for capital notes and concluded that they are more fairly reflected as debt. As a result, the interest expense for the year ended June 2002 includes \$22 million of capital notes interest. Capital notes at 30 June 2002 of \$230 million have been reclassified from total ownership interest to total liabilities. Prior periods have not been restated.

⁶ Based on the number of Fletcher Building Shares as at 30 June 2002 (346.6 million).

During the five year period ended 30 June 2002, there have been the following material changes in the business activities of the Fletcher Building Group:

- the expansion of concrete activities in Peru and Bolivia between 1998 and 1999;
- the exit of construction activities in the United States, Asia and the North Pacific and the downsizing of construction activities in Australia between 1998 and 2000;
- the exit from Xinda Iron and Steel operations in China in 1999;
- the purchase of Varnsdorf Pty Limited as part of the settlement of a dispute over the construction of co-generation plants in Australia in 2001;
- the exit of construction activities in Australia in 2002; and
- the exit of Varnsdorf Pty Limited in 2002.

In addition, in the year ended 30 June 2002 Fletcher Building consolidated the PlaceMakers joint ventures, which were previously accounted for at cost.

FLETCHER BUILDING LIMITED

The following summary financial information presented is that of Fletcher Building only. Fletcher Building was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited - Building Operations on 23 March 2001. Fletcher Building therefore began trading on 24 March 2001. It is the guarantor of FB Finance's obligations in relation to the Capital Notes on an unsecured subordinated basis and is the issuer of the Fletcher Building Shares into which the Capital Notes may convert.

The financial information reflects the results of Fletcher Building for the financial year ended 30 June 2002 and the period ended 30 June 2001. This information is derived from the audited financial statements of Fletcher Building as discussed on pages 99 to 131 of this Offer Document. These financial statements differ from the financial statements shown in the Fletcher Building annual report, as the Securities Regulations 1983 do not permit the use of equity accounting, and the investment in subsidiaries is now held at cost.

The summary of financial statements complies with the Second Schedule to the Securities Regulations 1983.

FLETCHER BUILDING LIMITED SUMMARY

NZ\$M	YEAR ENDED	PERIOD ENDED
	AND AS AT 30 JUNE 2002	AND AS AT 30 JUNE 2001
Operating revenue	62	28
Operating earnings	60	20
Interest expense ¹	-46	-9
Earnings before taxation	14	11
Taxation benefit	10	3
Net earnings	24	14
Total assets	1,208	1,278
Total tangible assets	1,208	1,278
Total liabilities¹	761	573
Total ownership interests¹	447	705
Net tangible assets per Fletcher Building Share (\$) ²	1.29	
Net tangible assets per Fletcher Building capital note (\$)	1.94	
Net assets per Fletcher Building Share (\$) ²	1.29	

¹ For the 2002 year, the directors of Fletcher Building reviewed the accounting treatment for capital notes and concluded that they are more fairly reflected as debt. As a result, the interest expense for the year ended 30 June 2002 includes \$22 million of capital notes interest. Capital notes at 30 June 2002 of \$230 million have been reclassified from total ownership interest to total liabilities. Prior periods have not been restated.

² Based on the number of Fletcher Building Shares as at 30 June 2002 (346.6 million).

Board of Fletcher Building Finance

BOARD OF DIRECTORS



THE BOARD OF DIRECTORS OF FB FINANCE IS THE SAME AS THAT OF ITS ULTIMATE PARENT COMPANY, FLETCHER BUILDING. SET OUT BELOW ARE BACKGROUND BIOGRAPHICAL DETAILS OF EACH FB FINANCE DIRECTOR.

Appropriate governance structures will be established between FB Finance and Fletcher Building in view of the parent-subsidiary relationship and the guarantee granted by Fletcher Building in respect of the Capital Notes. A common board of directors for both companies may not be the most desirable governance structure in the longer term, and the FB Finance board of directors may, in time, become an executive board of Fletcher Building, overseen under strict governance arrangements by the Fletcher Building board of directors.

Roderick Sheldon Deane
PhD, LL.D (Hon), BCom (Hons), FACA, FCIS, FNZIM
Chairman of Directors

Dr Deane, 61, has had a career in business and in the executive branch of government. He was appointed a director of FB Finance on 23 October 2002. He is currently chairman of several organisations in addition to FB Finance, including Fletcher Building, Telecom New Zealand (having retired as Chief Executive in 1999), ANZ Banking Group (New Zealand), Te Papa Tongarewa (the Museum of New Zealand), and the New Zealand Seed Fund. Dr Deane is a director of TransAlta Corporation of Canada, and Australia and New Zealand Banking Group and Woolworths, both Australian companies. He is a Professor of Economics and Management at Victoria University of Wellington and is on the Board of Governance of IHC Inc.

Dr Deane has previously been Chief Executive of the Electricity Corporation of New Zealand, Chairman of Fletcher Challenge and the State Services Commission of New Zealand, Deputy Governor of the Reserve Bank of New Zealand and Alternative Executive Director of the International Monetary Fund.

Paul Edward Alex Baines
BCA, CA, MPP
Non-Executive Director

Mr Baines, 52, has an extensive background in financial and strategic management and as a director. He was appointed a director of FB Finance on 23 October 2002. He is a director of Fletcher Building, Comalco New Zealand, Gough Gough and Hamer, Greenstone Fund, the Reserve Bank of New Zealand, Telecom New Zealand and Wrightson. Mr Baines was previously a director of Fletcher Challenge. He was also Chief Executive Officer of CS First Boston New Zealand from 1990 until 1993, and prior to that held a number of senior positions in the sharebroking and investment banking firm Jarden & Co.

Hugh Alasdair Fletcher
MCom (Hons), MBA (Stanford), BSc
Non-Executive Director

Mr Fletcher, 54, has had extensive management experience and now holds a number of directorships and advisory positions. He was appointed a director of FB Finance on 23 October 2002. He is chairman of New Zealand Insurance and CGNU Insurance Australia. He is a director of Fletcher Building, VCU Technology, the Reserve Bank of New Zealand, Rubicon, Ports of Auckland and is a member of the Asia Pacific Advisory Committee of the New York Stock Exchange, the Business Advisory Council of the United Nations Office for Project Services, the Investment Committee of No 8 Ventures and the Council of the University of Auckland. Mr Fletcher was previously a director of Fletcher Challenge, and was its Chief Executive Officer from 1987 until his retirement in 1997.

Ralph James Norris
FNZCS, FNZIM
Non-Executive Director

Mr Norris, 53, is Chief Executive Officer and Managing Director of Air New Zealand, having been appointed in February 2002 after the New Zealand Government-led reorganisation of that company. He was appointed a director of FB Finance on 23 October 2002. Before taking up his executive role at Air New Zealand, Mr Norris was Head of International Financial Services for the Commonwealth Bank Group, responsible for operations in New Zealand, the Pacific and Asia; and Managing Director and Chief Executive Officer of ASB Group. He was also Chairman of Sovereign Assurance and the New Zealand Business Roundtable, and Deputy Chairman of the New Zealand Bankers Association. He is now a director of Fletcher Building and Team New Zealand Defence 2003 and a consultant to the Commonwealth Bank of Australia.

Sir Dryden Spring
DSc (Hon)
Non-Executive Director

Sir Dryden, 62, has had a career in management and directorship, with involvement in a range of industries. He was appointed a director of FB Finance on 23 October 2002. He has also been heavily involved in New Zealand and international forums relating to agriculture and trade policy issues. Sir Dryden is chairman of WEL Energy Group, Fletcher Challenge Forests, the New Zealand APEC Business Advisory Council, the Asia 2000 Foundation of New Zealand and Ericsson Communications. He is Deputy Chairman of Goodman Fielder, and a director of Fletcher Building and Nufarm, The National Bank of New Zealand Limited, Ericsson Synergy and Maersk New Zealand. He is a member of the New Zealand Business and Parliament Trust. He is a distinguished Fellow of the Institute of Directors and a member of the Washington DC-based International Policy Council on Agriculture, Food and Trade.

Kerrin Margaret Vautier
CMG, BA
Non-Executive Director

Mrs Vautier, 57, is a research economist specialising in competition law and economics, and has an academic and business background with long-standing experience in directorship. She was appointed a director of FB Finance on 23 October 2002. She is chair of the Advisory Board of the New Zealand Asia Institute, and a director of Fletcher Building, Deloitte Touche Tohmatsu (NZ) and News & Media (NZ) Ltd. Mrs Vautier is a lay member of the High Court under the Commerce Act, an External Monetary Policy Advisor to the Reserve Bank of New Zealand, a senior part-time lecturer in the Department of Commercial Law at the University of Auckland, and a member of the International Advisory Group of PECC's Trade Forum. She was previously a director of Fletcher Challenge and Norwich Union Holdings (NZ) and its subsidiary State Insurance. She is a former member of the Commerce Commission and the Board of Trustees of the Asia 2000 Foundation and previously held the chair of NZPECC and the New Zealand Institute of Economic Research.

Ralph Graham Waters
CP Eng, FIE Aust, M Bus
Executive Director

Mr Waters, 53, was appointed a director of FB Finance on 23 October 2002. He was recruited as Chief Executive Officer of Fletcher Building in May 2001 and was appointed to the board of Fletcher Building in July 2001. Prior to joining Fletcher Building, Mr Waters was Managing Director of Email Limited, a major Australian industrial company. In his 18 years with Email, he was General Manager Planning, Group Manager Industrial Products, Group General Manager Major Appliances, and finally Managing Director from 1998. Mr Waters is also a director of Fisher and Paykel Appliances Holdings.

Answers to Important Questions

○ What sort of investment is this?

Capital Notes

This Offer Document relates to Capital Notes, which are long-term, unsecured, subordinated, fixed interest bearing securities issued by FB Finance.

The Capital Notes will be constituted by, and issued under, the Trust Deed. For a more detailed description of the terms of the Trust Deed and the Conditions of the Capital Notes see the sections entitled "Description of the Trust Deed" on pages 67 to 70 and "Conditions of Capital Notes" on pages 71 to 82.

The rights and claims of the Noteholders, in the event of the liquidation of FB Finance will be subordinated in right of payment to the claims of all other creditors of FB Finance, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to or equal with the obligations of FB Finance under the Capital Notes.

Guarantee

The indebtedness of FB Finance in respect of the Capital Notes is guaranteed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders. The Guarantee is subordinated such that, in the event of a liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to or equal with the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

Further information regarding the Guarantee is set out in the section entitled "Description of the Trust Deed" on pages 67 to 70.

The principal terms of the Capital Notes are set out below.

The Offer

FB Finance is offering for subscription Capital Notes with an aggregate Principal Amount of \$125 million, with additional Capital Notes having an aggregate Principal Amount of \$25 million being available in over-subscriptions, if any. Therefore, the potential maximum aggregate Principal Amount available for subscription is \$150 million.

A Priority Pool of \$25 million of Capital Notes has been reserved for Eligible Shareholders and Noteholders with a minimum of \$5,000 and a maximum of \$20,000 of Capital Notes available for each applicant. If an applicant is either an existing Fletcher Building shareholder or an existing Fletcher Building capital noteholder, or both, the maximum Principal Amount available for that applicant under the Priority Pool is \$20,000.

Eligible Shareholders and Noteholders wishing to apply for more than \$20,000 of Capital Notes may also apply for Capital Notes under a firm allocation or the public pool and should complete a separate Application Form for any Capital Notes in excess of that amount.

This Offer, including the preference given to Eligible Shareholders and Noteholders, is made to New Zealand residents only. No offer or invitation is made under this Offer Document in any jurisdiction outside New Zealand. No person may offer, sell or deliver any Capital Notes or distribute this Offer Document to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction. This Offer is not being made to U.S. Persons.

Series

The Capital Notes will be issued in two Series:

- March 2008 Capital Notes; and
- March 2010 Capital Notes.

Applicants must nominate whether they wish to apply for March 2008 Capital Notes, March 2010 Capital Notes or a combination of each Series at the time of application.

Interest

Interest on the Capital Notes will be calculated and will accrue daily on a 365-day year basis from the date of banking of application moneys for valid applications accepted and allotted.

Interest will be payable half-yearly in arrears on 15 March and 15 September in each year until the relevant first Election Date. The first payment of interest for each Series is due on 15 March 2003 to the original subscriber even where that subscriber has subsequently sold or transferred the relevant Capital Notes.

The Interest Rate for each Series is set out under the paragraph headed "What returns will I get?" on pages 48 to 49 below.

Election Date

The Capital Notes have an Election Date of 15 March 2008 in respect of the March 2008 Capital Notes and 15 March 2010 in respect of the March 2010 Capital Notes.

Before the Election Date, FB Finance will offer new terms and conditions to Noteholders (including a new Interest Rate, Interest Payment Dates and Election Date) to apply as from the relevant first Election Date.

On the Election Date for the Series, Noteholders may elect:

- to retain some (subject to a minimum of \$5,000 each and thereafter in multiples of \$1,000 for each Series) or all of their Capital Notes for a further period on new terms and conditions offered by FB Finance; or
- to convert some or all of their Capital Notes into Fletcher Building Shares at 98 percent of the then current market value of Fletcher Building Shares (as further described in Condition 4.4 of the Conditions of Capital Notes on pages 76 to 78). The conversion at 98 percent means that the value of the Fletcher Building Shares to be issued on conversion is approximately 102 percent of the Principal Amount of the Capital Notes.

Instead of Fletcher Building issuing Fletcher Building Shares to Noteholders who have elected to convert their Capital Notes, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date at their Principal Amount plus accrued but unpaid interest.

Noteholders do not benefit from any capital growth in the Fletcher Building Shares and will not participate in any dividend, bonus issue, rights issue, or any other distribution made in respect of the Fletcher Building Shares prior to any conversion. The Capital Notes do not confer on the Noteholders any right to vote at shareholder meetings of FB Finance or Fletcher Building.

Fletcher Building Shares

The Fletcher Building Shares that Capital Notes may convert into are fully paid Fletcher Building Shares. Each Fletcher Building Share held gives the Fletcher Building shareholder the right to:

- attend and vote at a meeting of Fletcher Building shareholders including the right to cast one vote per Fletcher Building Share on a poll;
- an equal share in dividends authorised by the board of directors of Fletcher Building in respect of Fletcher Building Shares;
- an equal share with other Fletcher Building shareholders in the distribution of surplus assets in the event of the liquidation of Fletcher Building;
- be sent certain information relating to Fletcher Building; and
- any other rights as a Fletcher Building shareholder conferred by the Companies Act and Fletcher Building's constitution.

Further information on the rights attaching to Fletcher Building Shares is set out under the section entitled "Fletcher Building Shares" on pages 65 to 66.

Quotation

The Capital Notes are intended to be tradable. Application has been made for permission to list the Capital Notes and all requirements of the NZSE relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, the NZSE accepts no responsibility for any statement in this Offer Document.

Who is involved in providing it for me?

FB Finance and Fletcher Building

The issuer of the Capital Notes is FB Finance, whose registered office is 810 Great South Road, Penrose, Auckland. FB Finance was incorporated in New Zealand on 23 October 2002. FB Finance is also registered to carry on business in Australia and its Australian registered office is at 2 Park Street, Sydney. Since incorporation, FB Finance's principal activity has been the funding of Fletcher Building's operations in Australia. A brief summary of FB Finance is contained in the section entitled "Business Description of FB Finance and Fletcher Building" on page 22. The directors of FB Finance are the same as the directors of Fletcher Building, as set out below.

The issuer of any Fletcher Building Shares will be Fletcher Building, whose registered office is 810 Great South Road, Penrose, Auckland. Fletcher Building was incorporated in New Zealand on 19 December 2000. Fletcher Building is the holding company of a group whose principal activities are as a building materials manufacturer, distributor and contractor. A brief summary of Fletcher Building is contained in the section entitled "Business Description of FB Finance and Fletcher Building" on pages 22 to 34. The directors of Fletcher Building on the date of this Offer Document are: Roderick Sheldon Deane, Paul Edward Alex Baines, Hugh Alasdair Fletcher, Ralph James Norris, Sir Dryden Spring, Kerrin Margaret Vautier and Ralph Graham Waters.

Substantial equity security holders

FB Finance is a wholly-owned subsidiary of Fletcher Building.

The only substantial security holders (as defined in the Securities Amendment Act 1988) of Fletcher Building that have been disclosed to Fletcher Building as at 31 October 2002 are as follows:

	EQUITY SECURITIES HELD	DATE OF NOTIFICATION
Perpetual Trust Australia Limited	17,391,627	2 October 2002
AXA Asia Pacific Holdings Limited	24,481,878	17 October 2002
Tower Asset Management Limited	18,107,702	17 September 2002
Commonwealth Bank of Australia	33,524,711	11 October 2002

Trustee

The Trustee of the Capital Notes is Perpetual Trust Limited, whose address is Level 3, Perpetual Trust House, 125 Albert Street, Auckland.

Promoters

Fletcher Building and each of its directors are the Promoters of the Offer. The names of each director of Fletcher Building are set out under "FB Finance and Fletcher Building" above. The address of Fletcher Building is 810 Great South Road, Penrose, Auckland. Each of its directors can be contacted at that address.

A Directory of the parties involved in this Offer is contained inside the back cover of this Offer Document.

○ How much do I pay?

Issue Price

Under the Offer applicants are required to pay the issue price of \$1.00 per Capital Note, being the Principal Amount of each Capital Note. The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full by applicants on application.

Applications

Applications to subscribe for March 2008 Capital Notes and March 2010 Capital Notes must be for a minimum Principal Amount of \$5,000 each and thereafter in multiples of \$1,000 in relation to each Series. Consequently, if applicants wish to apply for both March 2008 Capital Notes and March 2010 Capital Notes, they must apply for at least \$5,000 of March 2008 Capital Notes and \$5,000 of March 2010 Capital Notes and multiples of \$1,000 for each Series thereafter.

The aggregate Principal Amount of the Capital Notes for which an application is made must be paid in full on application. Cheques should be made payable to “FB Finance Capital Notes Offer”, crossed “Not Transferable”, must not be post-dated and should be delivered or sent, together with the completed Application Form, to Fletcher Building Finance Limited, c/- Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Private Bag 92-119, Auckland.

Applications by Eligible Shareholders and Noteholders for allocations from the Priority Pool must be lodged before 5.00 pm on 3 December 2002, or such other time as the board of directors of FB Finance may determine. Any application lodged after that time will be treated as an application for subscription of Capital Notes under the public pool, if any.

Applications for Capital Notes in the Priority Pool will be determined on the following basis:

- If applications for allotment from the Priority Pool do not exceed \$25 million, each applicant will be allotted the number of Capital Notes applied for, up to a maximum of \$20,000 of Capital Notes.
- If applications for allotment from the Priority Pool exceed \$25 million, then any excess may be allocated on a “first come first served” basis from the public pool, if any. If, following such allocation, applications under the Priority Pool are still in excess of the total available amount, then FB Finance will scale the applications on a proportionate basis. In no case will the applications be scaled below the minimum Principal Amount of \$5,000. This may necessitate early closing of the Priority Pool.

Eligible Shareholders and Noteholders wishing to apply for more than \$20,000 of Capital Notes may also apply for Capital Notes under a firm allocation or the public pool and should complete a separate Application Form for any Capital Notes in excess of that amount.

Capital Notes forming part of the Priority Pool will be allotted on 5 December 2002.

Applications for allocations under the firm allocations and the public pool must be made on the Application Form enclosed with this Offer Document and are to be lodged with the Registrar, Computershare Investor Services Limited on or before the relevant Closing Time or may be lodged with FB Finance, any member of the NZSE, an Organising Broker and Joint Lead Manager, a Co-Manager or other channel approved by the NZSE in time to enable such applications to be forwarded to the Registrar before the relevant Closing Time.

Further information on how to apply for Capital Notes is set out in the section entitled “Application Instructions” on pages 146 to 147.

Allotment

FB Finance will allot Capital Notes under the firm allocations on each Business Day during the period commencing on the Opening Date and ending on the Closing Time for the firm allocations, after receipt and acceptance of valid applications, accompanied by payment for immediate value.

If there is a public pool, Capital Notes may be allotted on each Business Day during the period commencing after the Closing Time for the Priority Pool and ending on the Closing Time for the public pool after receipt and acceptance of valid applications, accompanied by payment for immediate value. Allotments under the public pool will be made on a “first come first served” basis meaning that applications will be accepted in the order they are received. However, applicants should be aware that it is possible that there will be no public pool if FB Finance does not elect to accept over-subscriptions. The aggregate Principal Amount of the public pool, if any, will be determined by FB Finance, after consultation with the Joint Lead Managers, and notified to subscribers by way of a general announcement to the NZSE on or before the Closing Time for the public pool.

FB Finance will advise successful applicants of the allotment of Capital Notes to them as soon as practicable after the date of allotment.

FB Finance reserves the right to refuse all or any part of any application without giving a reason.

Refunds

If FB Finance accepts an application in part, the balance of the application money will be refunded as soon as practicable and in any event within five Business Days after the relevant Closing Time. Any application money received in respect of applications that are not accepted will be refunded to the applicant as soon as practicable and, in any event, no later than five Business Days after the relevant Closing Time.

No interest will be paid on refunds or on any application not accepted.

Conversion

On the relevant Election Date, Noteholders may elect to convert some or all of their Capital Notes into Fletcher Building Shares. Provided that FB Finance does not elect to redeem the relevant Capital Notes or FB Finance, Fletcher Building or any subsidiary of Fletcher Building do not elect to purchase, or have a nominee purchase, the relevant Capital Notes, then the Fletcher Building Shares to be issued on conversion of the Capital Notes will be the number equal to the Principal Amount of, and accrued and unpaid interest on, those Capital Notes at 98 percent of the weighted average sale price of a Fletcher Building Share sold on the NZSE on each of the 10 Business Days immediately following the relevant notification date (being the date specified by FB Finance and being not later than 20 Business Days after the relevant Election Record Date). If no Fletcher Building Shares have been sold during that period, the weighted average sale price will be deemed to be the price at which Fletcher Building Shares were last sold on the NZSE prior to such period, as determined by the NZSE.

○ What are the charges?

Applicants are not required to pay any charges to FB Finance or Fletcher Building in relation to this Offer.

FB Finance and Fletcher Building will pay all costs and expenses incurred by them in connection with this Offer including legal fees, trustee and administration fees, accounting and audit fees, printing and postage, registry fees and other costs. An estimate of the costs and expenses to be incurred is \$6 million.

Brokerage is payable by FB Finance to members of the NZSE and other approved financial intermediaries where a valid application bears the stamp of that member or financial intermediary, at a rate of:

- 1.25 percent of the aggregate Principal Amount in respect of the March 2008 Capital Notes and 1.50 percent in respect of the March 2010 Capital Notes, in each case allotted; and
- additional brokerage of 0.50 percent of the aggregate Principal Amount of Capital Notes allotted under firm allocations.

Brokerage is payable by FB Finance to the Joint Lead Managers where a valid application does not bear the stamp of a member of the NZSE or financial intermediary at a rate of 0.75 percent of the aggregate Principal Amount of Capital Notes allotted.

Noteholders or Fletcher Building shareholders may be required to pay brokerage if they sell their Capital Notes or Fletcher Building Shares.

The issue of Capital Notes is not underwritten.

○ What returns will I get?

CAPITAL NOTES

Interest

The March 2008 Capital Notes will bear interest until the first Election Date payable on a half-yearly basis, at the rate fixed on the Interest Rate Set Date, being the greater of:

- 8.60 percent per annum; and
- the Interpolated Government Stock Rate plus a margin of 2.40 percent,

or such higher rate as FB Finance and the Joint Lead Managers determine and advise by general announcement to the NZSE prior to the Interest Rate Set Date.

The March 2010 Capital Notes will bear interest until the first Election Date payable on a half-yearly basis, at the rate fixed on the Interest Rate Set Date, being the greater of:

- 8.85 percent per annum; and
- the final interest rate for the March 2008 Capital Notes plus an additional 0.25 percent,

or such higher rate as FB Finance and the Joint Lead Managers determine and advise by general announcement to the NZSE prior to the Interest Rate Set Date.

The first interest payment for each Series will be on 15 March 2003. Subsequent interest payments for each Series will be made half-yearly in arrears on each of 15 March and 15 September in each year until the relevant first Election Date (15 March 2008 in respect of the March 2008 Capital Notes and 15 March 2010 in respect of the March 2010 Capital Notes).

The first interest payment on the Capital Notes will be payable to the original subscriber of the Capital Notes regardless of whether they have sold their Capital Notes subsequent to allotment and prior to the first Interest Payment Date. Subsequent interest payments will be paid to Noteholders who are registered as Noteholders on the entitlement date for each interest payment (refer to Condition 3.3 of the Conditions of Capital Notes on page 74).

If interest is not paid when due it is compounded on each subsequent Interest Payment Date. Non-payment of interest does not constitute a default by FB Finance or Fletcher Building.

FB Finance is the party legally liable to pay interest due on the Capital Notes. That obligation is guaranteed, on an unsecured subordinated basis, by Fletcher Building under the Trust Deed in accordance with the provisions of the Guarantee.

Key Factors Determining Returns

The key factors that will determine the returns to Noteholders are:

- the fixed rate of interest attaching to the Capital Notes;
- the performance by FB Finance of its obligations as the issuer of the Capital Notes, including the payment of interest on the Interest Dates;
- the new terms offered by FB Finance prior to each Election Date, the election made by Noteholders prior to such Election Date and whether FB Finance, Fletcher Building or any subsidiary of Fletcher Building elects to purchase, or have a nominee purchase, any or all of the Capital Notes on any Election Date if a Noteholder elects to convert his or her Capital Notes on that Election Date; and
- each Noteholder's individual circumstances for tax purposes.

General

Noteholders may sell their Capital Notes at any time subject to the terms of the Trust Deed and applicable securities laws and regulations. For further information, see the paragraph of this section entitled "How do I cash in my investment?" on page 62.

Noteholders do not benefit from any capital growth in the Fletcher Building Shares and will not participate in any dividend, bonus issue, rights issue, or any other distribution made in respect of the Fletcher Building Shares prior to conversion.

No person promises the return of capital or the amount of any returns in relation to any Fletcher Building Shares issued upon conversion of the Capital Notes. Except to the extent set out above, no return in relation to the Offer or the Capital Notes has been promised to Noteholders.

Early Election Date

Conversion can only occur at an Election Date or an Early Election Date. An Early Election Date occurs if any person, either alone or acting in concert with any other person, acquires 70 percent or more, in aggregate, of the Fletcher Building Shares or the right to cast more than 70 percent of the votes on a poll at a shareholders' meeting of Fletcher Building on a matter on which Fletcher Building shareholders are entitled to vote. In such circumstances Noteholders will have the option to convert the Principal Amount of their Capital Notes together with any accrued but unpaid interest into Fletcher Building Shares at 98 percent of the then current market value of Fletcher Building Shares. Instead of Fletcher Building

issuing Fletcher Building Shares, FB Finance may elect to redeem some or all of such Capital Notes for cash at the Election Date or Early Election Date at their Principal Amount together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of such Capital Notes for cash on the Election Date or Early Election Date at their Principal Amount together with any accrued but unpaid interest.

If Fletcher Building is unable lawfully to issue Fletcher Building Shares upon conversion of the Capital Notes or if the Fletcher Building Shares are not eligible to be quoted on the NZSE at such time, the relevant Capital Notes will not be converted but will continue and the Interest Rate from the relevant Election Date or Early Election Date, as the case may be, will be fixed by reference to a Market Rate (as defined in Condition 4.4(b) of the Conditions of Capital Notes on pages 77 to 78. The period until the next Election Date can be no more than five years. For further information on this, see Condition 4.4(b) of the Conditions of Capital Notes on pages 77 to 78.

Based on legislation and circumstances pertaining at the date of this Offer Document, no reserve or retention will or is likely to affect returns on the Capital Notes.

Taxation

Accrual Rules

The Capital Notes comprise both debt and equity components, the debt component of which is subject to the accrual rules under the Income Tax Act 1994. For Noteholders (other than those who are taxed on a cash basis) who are either New Zealand resident or whose Capital Notes relate to a business carried on in New Zealand through a fixed establishment in New Zealand, all income and expenditure from the Capital Notes must be recognised under a prescribed accruals method and returned for tax purposes accordingly. Noteholders who are taxed on a cash basis are not required to accrue income and expenditure relating to the Capital Notes. Instead, they may account for any income, gain, expenditure or loss arising in respect of the Capital Notes in the income year such income, gain, expenditure or loss is realised. Whether or not a person is taxed on a cash basis will depend on, among other things, the value of debt instruments that are held by that person.

Where the Capital Notes are converted, redeemed, sold or transferred, a gain or loss for tax purposes will arise to the extent of any difference between the acquisition price, being the issue price for initial subscribers, for the Capital Notes and the amount received for their disposal. That gain or loss must be returned in the income year in which the disposal takes place.

New Zealand Withholding Tax

In accordance with current provisions of the Income Tax Act 1994, interest paid or compounded to or for the benefit of Noteholders who are resident in New Zealand will be subject to resident withholding tax at the appropriate rate unless the Noteholder holds a current certificate of exemption and produces a copy of the certificate to FB Finance. If appropriate, a copy of the certificate of exemption should be attached to the Application Form.

Interest paid or compounded to or for the benefit of Noteholders not resident in New Zealand and without a fixed establishment in New Zealand is potentially subject to deduction of non-resident withholding tax. The rate of deduction is 15 percent of the gross amount of the interest paid or compounded, reducible to 10 percent of the gross amount of the interest paid or compounded by many of the double tax treaties to which New Zealand is a party. Non-resident withholding tax is usually a final tax in New Zealand. FB Finance will make such deductions unless it is satisfied by the Noteholder that such deductions are not required by law.

As an alternative to non-resident withholding tax, under the current provisions of the Income Tax Act 1994, FB Finance may upon request by the Noteholder, subject to being legally entitled to do so and on any terms it requires, agree to deduct and pay an approved issuer levy of two percent of the gross amount of the interest that has become subject to non-resident withholding tax. The relevant Noteholders will reimburse the cost of the levy from the interest otherwise to be paid or compounded to or for the benefit of those Noteholders. Approved issuer levy is a final tax in New Zealand.

Taxation of Returns on Shares

If the Capital Notes are converted into Fletcher Building Shares, a Noteholder may incur a liability for New Zealand income tax if the Noteholder subsequently sells the Fletcher Building Shares. A Noteholder will be taxed on a subsequent sale if they are a share dealer, acquired the Fletcher Building Shares for the purpose of resale or otherwise held the Fletcher Building Shares on revenue account. A Noteholder not resident in New Zealand may be able to claim the benefit of an exemption from such income tax set out in many double tax treaties to which New Zealand is a party.

There are also tax implications, including the deduction of resident or non-resident withholding tax, in relation to any dividends received on any Fletcher Building Shares, that should be considered if the Capital Notes are converted.

FLETCHER BUILDING SHARES

Ranking and Returns

If a Noteholder receives Fletcher Building Shares upon conversion of Capital Notes at an Election Date or Early Election Date, those Fletcher Building Shares will rank equally with and enjoy the same benefits as other Fletcher Building Shares existing at that time, provided that the dividend entitlement on such Fletcher Building Shares will only apply from the date of issue of such Fletcher Building Shares. The dividend entitlement on such Fletcher Building Shares is subject to the rights of holders of any other securities of Fletcher Building from time to time entitled to special or prior rights to dividends.

Returns on Fletcher Building Shares following conversion can be by way of capital appreciation (although the market price of the Fletcher Building Shares may also fall), and Fletcher Building shareholders will also be entitled to any distributions made by Fletcher Building in accordance with the Companies Act, its constitution and its distribution policy.

Key Factors Determining Returns

Key factors determining the level of distributions paid on Fletcher Building Shares are profitability and liquidity of Fletcher Building and capital expenditure, and/or other alternative applications of funds available to it.

Transfer and Sale

Subject to compliance with general statutory filing, disclosure, NZSE and ASX listing rules, the constitution of Fletcher Building and other requirements in applicable jurisdictions, Fletcher Building shareholders are entitled to sell or transfer Fletcher Building Shares. For further information, see the paragraph of this section entitled "How do I cash in my investment?" on page 62.

Dividends

Each of FB Finance and Fletcher Building has covenanted in the Trust Deed not to pay dividends or make any other distribution in respect of, in the case of FB Finance, its ordinary

shares and, in the case of Fletcher Building, Fletcher Building Shares, if the interest payments on the Capital Notes are not paid on the due dates and for so long as the interest payments remain outstanding.

Dividends on ordinary shares of FB Finance are declared at the discretion of the board of directors of FB Finance. Dividends on Fletcher Building Shares are declared at the discretion of the board of directors of Fletcher Building.

The board of directors of Fletcher Building may declare dividends in respect of any financial year if the board is satisfied on reasonable grounds that Fletcher Building will, immediately after the distribution, satisfy the solvency test as defined in the Companies Act. Fletcher Building is legally liable to pay any such dividends.

The policy of the board of directors of Fletcher Building is to pay, over time, dividends to the holders of Fletcher Building Shares representing approximately 60 percent of the reported net earnings of Fletcher Building.

Notwithstanding the dividend policy above, the board of directors of Fletcher Building has a discretion to change its intentions, to increase or reduce dividends, to authorise dividends at different rates in respect of different classes of Fletcher Building shares, or to authorise no dividends at all on any or all classes of Fletcher Building shares.

Fletcher Building can give no assurance about the level of dividends, if any, or the level of taxation credits attached to dividends. These levels will depend on a number of factors, including those discussed on pages 53 to 61 of this Offer Document under the heading "What are my risks?".

No return on Fletcher Building Shares has been promised and there can be no assurance that distributions will be paid on Fletcher Building Shares.

GUARANTEE OF CAPITAL NOTES

The indebtedness of FB Finance, a wholly-owned subsidiary of Fletcher Building, under the Trust Deed in respect of the Capital Notes is guaranteed on an unsecured subordinated basis by Fletcher Building. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders.

Although the Guarantee is unlimited, the obligations of Fletcher Building under the Guarantee are subordinated such that, in the event of the liquidation of Fletcher Building, the rights and claims of the Noteholders are subordinated in right of payment to the claims of all other creditors of Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of Fletcher Building under the Guarantee. Accordingly, in the event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to the Noteholders in respect of the Capital Notes is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

The Guarantee is not secured by any mortgage or charge.

Further information regarding the Guarantee is set out in the section entitled "Description of the Trust Deed" on pages 67 to 70.

Fletcher Building is the only person who has given any guarantee in respect of the Capital Notes. None of FB Finance's or Fletcher Building's directors, any subsidiaries of Fletcher Building, the Organising Brokers and the Joint Lead Managers, any Co-Manager, the Trustee, nor any of their respective directors or employees, nor any other person, guarantees the payment of interest or any other amounts due under the Capital Notes.

What are my risks?

The following risk factors should be considered in evaluating whether to subscribe for Capital Notes. Some of these risk factors are normal commercial risks and others relate directly to the business and prospects of FB Finance, Fletcher Building and their respective affiliates. These risk factors should be considered in conjunction with the other information included in this Offer Document. Investors are urged to read carefully this section in its entirety.

Capital Notes

The original investment may not be recovered in full

The principal risk to Noteholders is that they may not be able to recover their original investment. This could happen for a number of reasons including if:

- there is a material deterioration in FB Finance's and/or Fletcher Building's operations or financial performance;
- FB Finance and/or Fletcher Building becomes insolvent, is placed in receivership or liquidation, or otherwise becomes financially unable to pay interest due on, or other amounts in respect of, the Capital Notes;
- the price at which subscribers are able to sell their Capital Notes on the market is less than the price they have paid for them owing to market volatility, a change in interest rates or other reasons;
- subscribers are unable to sell their Capital Notes because there is no market for them;
- there is no market for the Fletcher Building Shares into which the Capital Notes can, in certain circumstances, convert;
- the price at which subscribers are able to sell their Fletcher Building Shares is less than their market value at the time of conversion; or
- Fletcher Building is unable to lawfully issue Fletcher Building Shares upon conversion or if Fletcher Building Shares are not eligible to be quoted on the NZSE, the Interest Rate from the relevant Election Date or Early Election Date (as the case may be) will be fixed by reference to a Market Rate (as defined in Condition 4.4(b) of the Conditions of Capital Notes), unless the Trustee otherwise agrees. For further information on this see Condition 4.4(b) the Conditions of Capital Notes on pages 77 to 78.

A breach by FB Finance or Fletcher Building of their respective obligations under the Trust Deed or the Conditions, whether a monetary or non-monetary breach, does not entitle the Trustee or the Noteholders to require either FB Finance or Fletcher Building to convert, repay or redeem the Capital Notes.

Interest may not be paid on the Capital Notes

There is also a risk that FB Finance will not be able to meet the interest payments described above. This could happen for a number of reasons including a reduction in the profitability and/or liquidity of FB Finance or Fletcher Building or the businesses Fletcher Building directly or indirectly owns and controls. Fletcher Building has no obligation to, and there is also a risk it may not, meet the interest payments.

FB Finance is a wholly-owned subsidiary of Fletcher Building and has no material revenue streams other than returns on moneys lent to other Fletcher Building subsidiaries or related companies.

Fletcher Building is a holding company and has no material revenue streams other than distributions from its subsidiaries. While Fletcher Building guarantees FB Finance's obligations in respect of the Capital Notes on an unsecured subordinated basis, none of its subsidiaries guarantee the Capital Notes.

Non-payment of interest does not constitute a default. Each of FB Finance and Fletcher Building have covenanted not to pay any dividends on, or make any distribution in respect of, in the case of FB Finance, its ordinary shares and, in the case of Fletcher Building, Fletcher Building Shares, while any interest payments on the Capital Notes which have not been paid on the due date remain outstanding.

The subordinated nature of Capital Notes

The Capital Notes are subordinated instruments and Noteholders are in a position akin to that of shareholders with rights, including a ranking in the liquidation of FB Finance or Fletcher Building, behind that of all other creditors except certain categories of subordinated creditors. The Trust Deed under which the Capital Notes are constituted, and the duties and powers of the Trustee, are very limited and quite different from those generally relating to debt securities.

FB Finance's and Fletcher Building's obligations and the Noteholders' rights and claims, each in respect of the Capital Notes are subordinated to the claims of all other creditors of FB Finance and Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, equally with or subordinate to the Noteholders' claims. Accordingly, all such claims rank ahead of the rights and claims of Noteholders in the event of FB Finance or Fletcher Building being put into liquidation.

In accordance with their subordinated nature, special terms apply to the Capital Notes, which, amongst other things, restrict the payments which may be made on the Capital Notes and restrict the rights and powers of the Trustee and/or the Noteholders to enforce or compel payment by FB Finance or Fletcher Building. The subordination provisions are set out in Condition 2.2 (Subordination) of the Conditions of Capital Notes on page 72 and limitations on rights are set out in clause 3 of the Trust Deed.

Further issues of securities may be made

Subject to the NZSE and ASX listing rules, if applicable, and the constitutions of FB Finance and Fletcher Building, FB Finance and Fletcher Building may, from time to time without the consent of the Noteholders, create and issue further capital notes, ordinary shares or other

securities or incur indebtedness or issue obligations ranking pari passu in all respects with, junior to, or senior to, the Capital Notes and otherwise on such terms as FB Finance or Fletcher Building, as appropriate, may determine. Any such issues of further capital notes may be subject to the appointment of a trustee in respect of such further capital notes and to FB Finance and/or Fletcher Building shareholder approval.

The only rights and claims that will rank equally with the rights and claims of the Noteholders will be claims in respect of debt or notes which, by their terms of issue, are specifically stated or intended to rank equally with the Capital Notes. As at the date of this Offer Document there are no claims that will rank equally with the claims of Noteholders against FB Finance in relation to the Capital Notes. As at the date of this Offer Document the only claims that will rank equally with the claims of Noteholders against Fletcher Building under the Guarantee are claims of the Existing Noteholders under the Fletcher Building Trust Deed.

FB Finance or Fletcher Building could be placed in liquidation or become insolvent

Prior to any liquidation of FB Finance or Fletcher Building, neither the Trustee nor the Noteholders would have any rights of recourse against FB Finance or Fletcher Building, as applicable.

Noteholders or, as the case may be, FB Finance or Fletcher Building shareholders will not be required to pay additional amounts over and above the Principal Amount of the Capital Notes for any reason, to any person as a result of any insolvency of FB Finance or Fletcher Building, as applicable.

Fletcher Building Shares

The original investment may not be recovered

The major risk to holders of Fletcher Building Shares is that of being unable to recover their original investment. This could happen for a number of reasons including if:

- the price at which holders are able to sell their Fletcher Building Shares is less than the market value of the Fletcher Building Shares at the time of conversion;
- holders are unable to sell their Fletcher Building Shares because the market for Fletcher Building Shares becomes illiquid or ceases to exist;
- Fletcher Building is placed in receivership or liquidation or becomes insolvent for any reason;
- there is a material deterioration in Fletcher Building's operating performance which affects the market price of Fletcher Building Shares; or
- if Fletcher Building's operational and financial performance deteriorates from market expectations at the time of conversion, the future market price for Fletcher Building Shares may be less than their market value at the time of conversion and subscribers' returns on their Fletcher Building Shares may be less than anticipated.

The Fletcher Building Share price performance is dependent on a number of complex and interrelated factors, any of which could have a material adverse effect on Fletcher Building's results or operations or its ability to pay dividends. A brief description of the principal risks which may affect the Fletcher Building Share price are set out below. These include:

- the cyclical nature of the building industry, including the levels of demand and manufacturing capacity;
- increased competition, including competitors with greater financial resources and lower cost of production;

- variations in exchange rates;
- variations in interest rates;
- variations in immigration levels;
- any significant decline in the price of products produced by Fletcher Building;
- any significant decline in the ability to secure adequate supplies of raw materials;
- any significant increase in the price of raw materials required by Fletcher Building;
- any significant expenditure required to allow Fletcher Building to comply with environmental and other laws;
- increased requirements for capital expenditure;
- actions by government authorities; and
- other factors influencing returns described under “What returns will I get?” above.

The Fletcher Building Shares that Noteholders receive on conversion will be fully paid. Noteholders will not be liable to pay any money to any person at any time, including in the event of Fletcher Building’s insolvency. In the event that Fletcher Building is put into liquidation, Fletcher Building shareholders would not receive any return of capital until Fletcher Building had paid all its creditors and fully discharged any equity securities ranking prior to the Fletcher Building Shares. Any assets remaining after such payments would be distributed to Fletcher Building shareholders in proportion to their respective holdings. There are no other claims ranking equally for priority of payment with Fletcher Building Shares.

Risks relating to the industry and the business of Fletcher Building

Fletcher Building is dependent upon the general performance of the national economies in which it operates

Demand for Fletcher Building products, and both the volumes it can sell and the prices at which it can sell them, is dependent upon the general performance of the different national and regional economies in which it operates, especially the economies of New Zealand and Australia. Reduced or negative growth of any of these economies generally, or reduced demand in their construction industries in particular, could have a material adverse effect on the financial condition or financial results of Fletcher Building. Fletcher Building is also dependent upon the economies into which it exports products, or from which imports originate that may affect Fletcher Building’s market share or the prices of Fletcher Building’s products in New Zealand.

Fletcher Building is not able to predict the timing, extent or duration of the economic cycles in the markets in which it operates. Because a number of Fletcher Building’s costs are fixed, if a downturn occurs, it may not readily be able to reduce its costs in proportion to the extent of the downturn. Any significant or extended downturn in the Australian, New Zealand or Asian building industries will negatively affect Fletcher Building’s revenues, profits and financial condition.

Fletcher Building has specific short-term risks relating to the current economic conditions in its principal markets

During the most recent financial year, 85 percent of Fletcher Building’s operating revenue was attributable to New Zealand markets. The acquisition of Laminex is expected to reduce the operating revenues attributable to New Zealand to around 70 percent on a yearly basis.

With respect to Fletcher Building’s South American operations, the unstable political and economic situation in both Peru and Bolivia has affected the trading outlook for Fletcher Building’s operations in these countries, resulting in the Bolivian operations being sold. The settlement of the sale of the Bolivian operation is due in late 2002.

Competition from other producers and distributors

Fletcher Building is and will be subject to competition from other domestic and international producers and distributors of building materials products in New Zealand, Australian and international markets. The market share of these competitor producers and distributors in each market may increase as a result of various factors including a change in consumer preference towards products offered by those producers or distributors, improved distribution of those products in each market, including distribution through companies other than Fletcher Building, and enhanced price competitiveness due to exchange rate fluctuations. Additionally, new producers or distributors may attempt to enter the markets in which Fletcher Building operates by selling products or facilitating distribution at low prices to gain market share. These competitive actions may reduce the prices that Fletcher Building is able to charge for its products or reduce the volume of products sold, both of which would impact negatively upon the financial performance of Fletcher Building.

Fletcher Building self-insures up to \$10 million

Fletcher Building takes out coverage for those insurable risks associated with its business operations that it considers would result in a loss of \$10 million or more for any one loss. Fletcher Building effectively self-insures up to \$10 million for each event.

The construction industry is high-risk

Construction is a high-risk industry and earnings can be volatile. The industry by its nature can be adversarial and differences can arise between the parties involved with any construction project. Dealing with and resolving these differences and any resulting legal proceedings is part of the normal course of business for Fletcher Construction and can affect earnings significantly. There are no current or pending legal proceedings which could have a material adverse effect on its financial condition or results of operation.

Fletcher Construction has residual obligations on operations that have been exited

Over the last five years, Fletcher Construction has closed or sold a number of operations in Asia and Australia. It retains liability for any latent defects with respect to work completed in these jurisdictions.

In the United States, Fletcher Construction sold its construction businesses and provided purchasers with indemnities from any liabilities with respect to work completed prior to the sale of the business taking effect and defects in any assets transferred.

Fletcher Construction has provided for all known liabilities associated with the exit from Asia, the United States and Australia but it cannot discount the possibility of future claims being made with respect to its operations in these geographies.

Kyoto Protocol

The current New Zealand Government policy is to ratify the Kyoto Protocol on climate change and greenhouse gas emissions. This will commit New Zealand industry to reduce and maintain greenhouse gas emissions at levels prevailing in 1990. Fletcher Building is one of New Zealand’s major energy users and thus the potential exists to incur significantly increased costs were a carbon tax to be introduced.

The mechanism to provide an incentive to reduce gas emissions is to be a carbon tax, currently estimated to be levied at a rate of \$25 per tonne of carbon dioxide emitted. This tax is currently scheduled to be introduced in 2007. Government policy for businesses classified as at risk of competition from countries that do not intend signing the Kyoto Protocol can seek to negotiate a Negotiated Greenhouse Agreement (“NGA”) with the Government. Fletcher Building will seek to negotiate a NGA. Companies that commit to achieve world best practice in gas emissions management in a NGA will be exempt from all, or part, of the carbon tax costs.

Fletcher Building will be exposed to this carbon tax through its own direct gas emissions and through cost increases to electricity, diesel and wood waste used as raw material in some of its operations. It is not possible at this stage to estimate reliably the likely cost of a carbon tax.

Fletcher Building is subject to compliance costs under environmental regulations

Fletcher Building regards environmental performance as a key element of sustainable value creation. Fletcher Building’s operating units are required to comply with applicable environmental legislation and regulations and to report regularly on key aspects of their performance in relation to environmental regulatory compliance. From time to time Fletcher Building commissions external audits of environmental performance.

Fletcher Building’s operations are subject to extensive national and local environmental laws and regulations. These laws and regulations set out various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. Fletcher Building will be responsible for past and future environmental liabilities relating to its operations, including liabilities presently unforeseen or unquantifiable. Significant liability could be imposed on Fletcher Building for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage, even where it is caused by previous owners of property acquired by Fletcher Building, or non-compliance with environmental laws or regulations. Compliance or non-compliance with environmental laws or regulations may require Fletcher Building to carry out remedial work or install additional equipment at substantial cost. It could also restrict the ability of Fletcher Building to conduct its business economically or restrict some activities altogether.

A risk of environmental liability, including soil and groundwater contamination, may arise as some sites commenced operation prior to the development of modern environmental practices and laws. No assurances can be given that these laws and regulations or the adoption of new laws and regulations will not have a material adverse effect on Fletcher Building’s operations, financial performance or prospects.

Fletcher Building considers that its activities are currently in compliance in all material respects with applicable environmental laws and regulations and has made significant investments in plant and equipment in order to comply with applicable environmental laws and regulations. Fletcher Building cannot reasonably estimate the cost of future compliance or remedial work. Nevertheless, Fletcher Building expects that its businesses will have to continue to invest in order to ensure continued compliance as applicable environmental laws and regulations and their enforcement grow more stringent. The precise cost of future compliance and remedial work will depend on, among other things, the nature and extent of the current and future environmental laws and regulations, the timing and nature of any required remedial work, the extent of any contamination, the technology available to meet

the required standards, the determination of any liability in proportion to that of other parties and the extent to which any costs are recoverable from insurance and third parties. Assuming that the environmental laws and regulations are applied uniformly, Fletcher Building considers that its environmental compliance costs are not likely to have a material adverse effect on its relative competitive position or its financial position or results of operation.

Acquisition of Laminex

Laminex was acquired by a subsidiary of Fletcher Building on 13 November 2002. Prior to entering into the agreement with Amatek Investments Limited (“Amatek”) to acquire Laminex, Fletcher Building undertook due diligence on the businesses it was acquiring. It also sought and obtained representations and warranties from Amatek, including representations that the due diligence materials were not in aggregate materially inaccurate or misleading and that it had not deliberately concealed any material information from Fletcher Building. Fletcher Building is exposed to the risk that the representations and warranties may not be correct and that Amatek may not make any required payment or that Fletcher Building may not be able to make a claim under the representations and warranties. If this were to occur, this could have a material adverse effect on the financial performance of Fletcher Building.

Laminex was part of the Amatek group of companies. Prior to completion of the Laminex acquisition, the Amatek group was restructured to separate Laminex from the remainder of the Amatek group. It is intended that Fletcher Building will be responsible for all liabilities and risks of the Laminex business and for liabilities and risks of companies within Laminex except where certain liabilities are subject to indemnities from Amatek. Fletcher Building is exposed to the risk that Amatek will not make any required payment under those arrangements which, if such non-payment was to occur, could have a material adverse effect on the financial performance of Fletcher Building.

The acquisition of Laminex may not be successful

Laminex’s business is subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of Laminex and the value of Fletcher Building’s investment in Laminex. There can be no guarantee that Laminex will achieve its stated objectives or that any prospects, expectations or forecasts will eventuate.

Laminex is and will be subject to competition from other domestic and international producers of decorative surfaces and wood panel products and from substitute products in Australian and international markets. The market share of these competitive producers in each market may increase as a result of various factors including a change in consumer preference towards products offered by those producers, improved distribution of those products in each market, including distribution through companies outside Laminex, and enhanced price competitiveness due to exchange rate fluctuations.

Additionally, new producers may attempt to enter the markets in which Laminex operates by selling products at low prices to gain market share. These competitive actions may reduce the prices that Laminex is able to charge for its products or reduce the volume of products sold, both of which would impact negatively upon the financial performance of Laminex.

Also, future operations may be affected by an increase in costs associated with moving into new businesses, the risk of not achieving forecast productivity improvements from warehouse optimisation, distribution network reorganisation or other initiatives, or the failure of any new branding strategies.

Operational risk

Fletcher Building is and will be exposed to a range of operational risks related to both current and future operations. Fletcher Building will be exposed to operations risks present in the current business including equipment failures and other accidents, information technology system failure, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster. Fletcher Building will endeavour to take appropriate action or take out appropriate insurance to mitigate these risks, however, certain residual risk will remain with Fletcher Building.

Occupational health & safety

The production processes used in conducting Fletcher Building's business can be dangerous as heavy machinery is generally involved. While appropriate safeguards have been put in place by Fletcher Building, such production processes and use of machinery can result in serious injury to employees or other persons.

In addition, production of wood panels and like products in Fletcher Building's business can involve exposure to certain chemicals (such as resin) and by-products (such as wood dust) which could have an adverse effect on human health where exposure is extensive (above worksafe limits) and continuous. Also, third parties who further process products of Fletcher Building (such as MDF) through, for example, sanding, can be exposed to wood dust and other emissions which could also have an adverse effect on human health where exposure is extensive and continuous. Fletcher Building could be exposed to a claim from an employee or other third party or groups of such people in relation to the above which could have an adverse impact on Fletcher Building.

Industrial disputes between Fletcher Building and unions could disrupt Fletcher Building's operations

The majority of Fletcher Building's production and maintenance employees are members of trade unions. These employees are generally covered by collective bargaining agreements, which periodically come up for renegotiation and renewal. Disputes with trade unions could lead to strikes or other forms of industrial action (for example bans and limitations) that could disrupt Fletcher Building's operations, raise costs and therefore reduce Fletcher Building's revenues and profits. The outcome of these disputes could also limit Fletcher Building's ability to implement cost saving initiatives, resulting in a loss of market competitiveness.

Potential liability for defective products

Due to the nature of its operations, it is possible that claims against Fletcher Building could arise from defects in materials or products manufactured and/or supplied by Fletcher Building. Purchasers and third parties could make claims against Fletcher Building based on Fletcher Building's delivery of defective materials or products, or for damage or loss arising from the use of materials or products. If any claims of this type are determined against Fletcher Building and Fletcher Building's existing insurance arrangements do not cover the liability, it could have an adverse effect on the financial performance of Fletcher Building. However, Fletcher Building has no material claims history in relation to defective materials or products manufactured or supplied by it.

Can the investment be altered?

The terms and conditions on which applicants may apply for and acquire the Capital Notes may be altered by an amendment to this Offer Document by FB Finance and Fletcher Building. Details of any such amendment must be filed with the Registrar of Companies.

Capital Notes

The terms and conditions attaching to Capital Notes may only be altered during the term of the Capital Notes with the approval of an extraordinary resolution of Noteholders or otherwise by an amendment to the Trust Deed.

The terms and conditions of the Trust Deed itself (including the terms of the Guarantee) may be altered with the approval of the Trustee, FB Finance and Fletcher Building. The following amendments do not require Noteholder consent:

- minor or non-prejudicial amendments; or
- amendments required in order to ensure compliance with statutory or regulatory requirements; or
- amendments relating to the assumption by FB Finance of the payment obligations of Fletcher Building under the Existing Capital Notes, provided those payment obligations are guaranteed by Fletcher Building; or
- any amendment necessary or desirable in connection with FB Finance being incorporated under the law in force in, or in any part of, another country.

Otherwise, amendments must be approved by an extraordinary resolution of Noteholders. Further details on the circumstances in which the Trust Deed may be amended are set out in the section entitled "Description of the Trust Deed" on pages 67 to 70.

At each relevant Election Date, FB Finance may vary the terms of the Capital Notes in the manner set out in the section entitled "Conditions of Capital Notes" on pages 71 to 82.

Fletcher Building Shares

The rights of Fletcher Building shareholders are subject to the provisions of the Companies Act, the constitution of Fletcher Building and the NZSE and ASX listing rules. The constitution of Fletcher Building can be altered by special resolution of the Fletcher Building shareholders, subject to the rights of interest groups under the Companies Act, or in certain circumstances by court order. Section 117 of the Companies Act restricts Fletcher Building from taking any action that affects the rights attached to its shares unless that action has been approved by a special resolution of shareholders whose rights are affected by the action. Under certain circumstances a Fletcher Building shareholder whose rights are affected by a special resolution may require Fletcher Building to purchase that shareholder's Fletcher Building shares. However, a Noteholder has no voting rights or other rights in relation to Fletcher Building's constitution until the Noteholder's Capital Notes have been converted into Fletcher Building Shares.

○ How do I cash in my investment?

Election Date

On each relevant Election Date a Noteholder can elect to convert Capital Notes into Fletcher Building Shares. If a Noteholder elects to convert some or all of their Capital Notes, at that time, FB Finance has the right to redeem some or all of such Capital Notes for cash, on the Election Date at their Principal Amount, together with any accrued but unpaid interest. Alternatively, FB Finance, Fletcher Building or any subsidiary of Fletcher Building may elect to purchase, or have a nominee purchase, some or all of, such Capital Notes for cash on the Election Date at their Principal Amount plus accrued but unpaid interest.

Sale and Transfer

Noteholders are entitled to sell and/or transfer their Capital Notes at any time subject to the terms of the Trust Deed and any applicable securities laws and regulations. The Trust Deed provides that, by becoming the registered holder of a Capital Note, the transferee automatically agrees to be bound by all of the terms of the Trust Deed.

Capital Notes may be transferred by contacting a member of the NZSE and supplying the relevant FASTER identification number, along with the holder number for the Capital Notes, or by any other method of transfer of marketable securities which is not contrary to any law, and which may be operated in accordance with the listing rules of the NZSE, or any other applicable stock exchange which is approved by FB Finance.

No transfer will be registered during the periods specified in Condition 5.3(a) of the Conditions of Capital Notes on page 80 or if registration would result in the transferee or transferor holding less than \$5,000 of Capital Notes of any Series. Subject to this minimum holding, transfers of Capital Notes must be in multiples of \$1,000 of Capital Notes for each Series.

As this Offer is for an initial issue of Capital Notes, there is no currently established market for the sale of the Capital Notes. FB Finance is of the opinion that a secondary market for the Capital Notes will develop over time given the liquidity of the Existing Capital Notes. Brokerage at applicable rates would be payable by Noteholders on the transfer of such Noteholder's Capital Notes.

Quotation

Application has been made to the NZSE for permission to list the Capital Notes. All requirements of the NZSE relating thereto that can be complied with on or before the date of distribution of this Offer Document have been duly complied with. However, the NZSE accepts no responsibility for any statement in this Offer Document.

The Fletcher Building Shares are quoted and tradable on the NZSE and the ASX. However, neither of the NZSE nor the ASX accepts any responsibility for any of the contents or statements in this Offer Document.

Fletcher Building has covenanted in the Trust Deed to use its reasonable endeavours to ensure that the Fletcher Building Shares that are issued on conversion are entitled to be quoted on the NZSE and that such quotation is maintained.

Subject to compliance with general statutory filing, disclosure, NZSE and ASX listing rules, the constitution of Fletcher Building and other requirements in applicable jurisdictions, Fletcher Building shareholders are entitled to sell or transfer Fletcher Building Shares. In the opinion of Fletcher Building, there will be an established market for Fletcher Building Shares. No charges are payable to Fletcher Building in respect of any sale or transfer of Fletcher Building Shares although brokerage at applicable rates may be payable by the investor.

○ Who do I contact with enquiries about my investment?

Enquiries about Capital Notes and/or Fletcher Building Shares should be directed to:

Company Secretary
Fletcher Building Limited
810 Great South Road
Penrose
Auckland
Telephone: (09) 525 9000

○ Is there anyone to whom I can complain if I have problems with the investment?

Complaints about Capital Notes and/or Fletcher Building Shares can be directed to:

Company Secretary
Fletcher Building Limited
810 Great South Road
Penrose
Auckland
Telephone: (09) 525 9000

Further, in relation to the Capital Notes, the Trustee has an obligation to call a meeting of Noteholders if the holders of not less than 10 percent of the aggregate Principal Amount of all capital notes issued under the Trust Deed make a written request to do so. Any such request, should be directed to the Trustee at the address below:

Corporate Services Manager
Perpetual Trust Limited
Level 3
Perpetual Trust House
125 Albert Street
Auckland
Telephone: (09) 366 3297
Facsimile: (09) 366 3299

There is no ombudsman for this type of investment and therefore no complaints can be made to an ombudsman.

○ What other information can I obtain about this investment?

Other information about the Capital Notes, the Fletcher Building Shares, FB Finance and/or Fletcher Building is contained in this Offer Document, the Trust Deed and/or in Fletcher Building's financial statements.

Further copies of this Offer Document, and copies of the Trust Deed and the most recent financial statements of FB Finance and Fletcher Building, can be obtained free of charge from FB Finance or Fletcher Building during normal business hours at the address set out above.

A copy of this Offer Document, the documents attached to it when it was registered (being copies of the auditor's report, the independent accountant's report, the signed consent of the auditor and the independent accountant to their respective reports appearing in this Offer Document, all material contracts, the Trust Deed and an acknowledgement from the NZSE to the effect that application has been made for permission to list the Capital Notes (being the documents required by section 41 of the Securities Act 1978)) can be viewed at any time on the Companies Office website (www.companies.govt.nz). Where the relevant documents are not available online, they can be requested by contacting Searchlink at info@searchlink.co.nz.

At any time prior to the Closing Time for the public pool or the Closing Time for the firm allocations, whichever is the later, you can also obtain further copies of this Offer Document free of charge, on request in writing or by telephone, from the Joint Lead Managers, the Co-Managers or any other member of the NZSE.

Annual and Half-Yearly Reports

Noteholders will receive, unless they notify otherwise, on an annual basis, a copy of FB Finance's and Fletcher Building's most recent annual report which will include FB Finance's and Fletcher Building's audited financial statements and a report on the activities of FB Finance and Fletcher Building. In addition, Noteholders will receive interim reports that will include FB Finance and Fletcher Building unaudited half-yearly financial statements.

Fletcher Building shareholders will receive, unless they notify otherwise, on an annual basis, a copy of Fletcher Building's most recent annual report which will include Fletcher Building's audited financial statements and a report on the activities of Fletcher Building. In addition, Fletcher Building shareholders will receive interim reports that will include Fletcher Building's unaudited half-yearly financial statements.

On request information

FB Finance shareholders and Noteholders and Fletcher Building shareholders may at any time, in accordance with section 54B of the Securities Act 1978 and regulation 23A of Securities Regulations 1983, request FB Finance or Fletcher Building, as the case may be (by written notice to the address set out under the heading "Who do I contact with enquiries about my investment?" on page 63) to provide, and are entitled on payment of any fee prescribed by statute to be sent:

- a copy of the most recent financial report of FB Finance and/or Fletcher Building;
- a copy of the most recent financial statements of FB Finance and/or Fletcher Building required to be registered under the Financial Reporting Act 1993 and all documents required to be registered with those financial statements;
- a copy of the Trust Deed; and
- a copy of the most recent registered prospectus and investment statement in respect of the Capital Notes.

Fletcher Building Shares

- The following information is included to provide all information material to the issue of Fletcher Building Shares. It is included in order to meet the requirements of the Securities Act (Rights, Options and Convertible Securities) Exemption Notice 2002.

Stock Exchange listings

At the date of this Offer Document the Fletcher Building Shares are listed on the NZSE and the ASX. However, neither the NZSE nor the ASX accepts any responsibility for any of the contents or statements in this Offer Document.

There is no current intention to list the Fletcher Building Shares on any stock exchange other than the NZSE and the ASX.

Fletcher Building Shares and Shareholders' Rights

Introduction

Fletcher Building Shares may be issued by Fletcher Building upon conversion of the Capital Notes in the circumstances and in the manner described elsewhere in this Offer Document. This section contains particulars of all material matters relating to the offer of Fletcher Building Shares not otherwise contained in this Offer Document.

The Fletcher Building Shares provide holders with rights to receive dividends and distributions, voting rights and rights to share in Fletcher Building's surplus assets on liquidation. The following is a summary of the material rights, privileges, restrictions and conditions attached to Fletcher Building Shares. These rights are the rights of shareholders as at the date of this Offer Document. They are subject to change in accordance with the provisions of the constitution of Fletcher Building.

General

Each Fletcher Building Share confers on the holder the right to:

- attend and vote at any meeting of shareholders including, on a poll, the right to cast one vote for each Fletcher Building Share held, subject to the prohibitions in the NZSE and ASX listing rules;
- an equal share with other holders of Fletcher Building Shares in dividends authorised by the Fletcher Building board of directors in respect of Fletcher Building Shares;
- an equal share with other holders of Fletcher Building Shares in the distribution of surplus assets in the event of the liquidation of Fletcher Building; and
- be sent certain shareholder information relating to Fletcher Building,

and any other rights as a holder of Fletcher Building Shares conferred by the Companies Act and the constitution of Fletcher Building.

Dividends and distributions

Holders of Fletcher Building Shares are entitled to dividends and other distributions as and when declared subject only to the rights of holders of any other securities in Fletcher Building from time to time entitled to special or prior rights to dividends.

The board of directors of Fletcher Building may declare dividends in respect of any financial year only if the board is satisfied on reasonable grounds that Fletcher Building will, immediately after the distribution, satisfy the solvency test as defined in the Companies Act. Fletcher Building is legally liable to pay such dividends.

It is the current policy of the Board to pay, over time, dividends to the holders of Fletcher Building shares representing approximately 60 percent of the reported net earnings of Fletcher Building. It is also the current policy to attach full dividend withholding tax credits to those dividends paid.

Notwithstanding the dividend policy above, the board of Fletcher Building has a discretion to change its intentions, to increase or reduce dividends, to authorise dividends at different rates in respect of different classes of Fletcher Building shares or to authorise no dividends at all on any or all classes of Fletcher Building shares.

Fletcher Building can give no assurance about the level of dividends, if any, or the level of taxation credits attached to dividends. These levels will depend on a number of factors, including those discussed on pages 53 to 61 of this Offer Document under the heading "What are my risks?".

The Capital Notes will include a covenant by Fletcher Building not to make any distribution or pay any dividend while any interest payable under such Capital Notes is due and outstanding.

Liquidation

In the event of the liquidation of Fletcher Building, Fletcher Building shareholders will not receive any return on capital until Fletcher Building has paid all its creditors (including the costs of liquidation or receivership) and fully discharged any equity securities ranking prior to the Fletcher Building Shares. Any assets remaining after such payments would be distributed to Fletcher Building shareholders in proportion to their respective holdings. As at the date of this Offer Document, there are no claims ranking equally for priority of payment with Fletcher Building Shares on liquidation.

Right to participate in Fletcher Building Share issues

Unless otherwise agreed by Fletcher Building shareholders at a general meeting, or subject to specific exemptions contained in Fletcher Building's constitution, any new Fletcher Building Shares and any securities convertible into Fletcher Building Shares must be offered on a pro rata basis to existing holders of Fletcher Building Shares in proportion to the number of Fletcher Building Shares held by them. Such offers may be renounceable, in which case the transfer of the rights arising under the offers will be subject to any restrictions imposed on the transfer of Fletcher Building Shares under Fletcher Building's constitution.

Buybacks

Fletcher Building's constitution permits Fletcher Building to buyback its Fletcher Building Shares subject to certain requirements under the NZSE and ASX listing rules.

Description of the Trust Deed

INTRODUCTION

The Capital Notes will be constituted under a Trust Deed dated 12 November 2002 between FB Finance, Fletcher Building and the Trustee.

The Trustee acts as trustee for the Noteholders.

In this section, capitalised terms not otherwise defined in this Offer Document have the meanings given to those terms in the Trust Deed.

The following is a summary of the principal provisions of the Trust Deed.

Ranking of Capital Notes

The Capital Notes constitute unsecured subordinated indebtedness of FB Finance.

Under the Trust Deed, the rights of Noteholders are, in the event of a liquidation of FB Finance, subordinated in right of payment to the claims of all other creditors of FB Finance, other than creditors whose securities, obligations or indebtedness are subordinated to the same extent as, or a greater extent than, the Capital Notes. The entitlement of Noteholders in the event of a liquidation of FB Finance is set out in Condition 2.2 (Subordination) of the Conditions of Capital Notes on page 72 .

Under the Trust Deed, power is reserved by FB Finance and Fletcher Building to create and issue additional capital notes or other securities or incur indebtedness or issue obligations ranking equally with, senior to or junior to the Capital Notes or the Guaranteed Indebtedness as described on page 55 in the section "What are my Risks?" and otherwise on such terms as FB Finance or Fletcher Building may determine.

Guarantee

Fletcher Building has agreed to guarantee, on an unsecured subordinated basis all indebtedness of FB Finance to the Trustee and the Noteholders under the Trust Deed in respect of the Capital Notes. Currently, no other person or entity guarantees the payment of interest or any other amounts due under the Capital Notes and the Trust Deed. The Guarantee has been granted in favour of the Trustee and is held by the Trustee on behalf of itself and all Noteholders. The Guarantee is not secured by any mortgage or charge.

Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

In the event of the liquidation of Fletcher Building, the rights of the Noteholders under the Guarantee will rank ahead of the rights of shareholders of Fletcher Building, but will otherwise be subordinated in right of payment to the claims of all other creditors of Fletcher Building, other than creditors whose claims rank, or are intended or expressed to rank, subordinate to, or equal with, the obligations of Fletcher Building under the Guarantee. Accordingly, in the

event of the liquidation of Fletcher Building, the obligation of Fletcher Building to make payments to Noteholders is contingent on prior payment in full of all creditors of Fletcher Building, other than those who have agreed to accept payment of the indebtedness due to them after, or equally with, the Noteholders.

Fletcher Building has agreed that, in the event of the liquidation of Fletcher Building, the claims of Noteholders will rank equally with the claims of the Existing Noteholders under the Fletcher Building Trust Deed.

Restrictions on FB Finance

The Trust Deed contains no limitations in relation to the creation of mortgages or charges or other security interests or borrowings or any financial covenants, whether as to the ratio of assets to liabilities or otherwise.

Election and Conversion Procedures

The Trust Deed contains detailed provisions relating to the conversion of the Capital Notes which are set out in the section "Conditions of Capital Notes" on pages 71 to 82.

Unpaid Interest

The Trust Deed provides that, in the event interest is not paid on the Capital Notes on the due dates for payment, that interest will itself bear interest, accruing daily and it will compound on the relevant Interest Payment Dates. Such event does not constitute a default by FB Finance or Fletcher Building and Noteholders have no claim against FB Finance or Fletcher Building other than in the event of a liquidation of FB Finance or Fletcher Building, as set out in the section "Conditions of Capital Notes" on pages 71 to 82.

FB Finance Covenants

FB Finance has covenanted in the Trust Deed to notify the Trustee immediately if it does not make payment of interest on the Capital Notes and to provide financial statements and reports of the directors of FB Finance as to various matters to the Trustee.

FB Finance has also covenanted in the Trust Deed that if the Capital Notes are quoted on the NZSE it will use its reasonable endeavours to maintain such quotation.

In addition, FB Finance has covenanted that it will not pay any dividends or make any other distributions in respect of its ordinary shares if the interest payments on the Capital Notes are not paid on the due dates and for so long as such interest payments remain outstanding.

Fletcher Building Covenants

Fletcher Building has covenanted in the Trust Deed not to pay any dividends or make any other distributions in respect of Fletcher Building Shares if the interest payments on the Capital Notes are not paid on the due dates and for so long as such interest payments remain outstanding.

Fletcher Building has covenanted in the Trust Deed that if the Capital Notes are quoted on the NZSE it will use its reasonable endeavours to maintain such quotation. Fletcher Building has also covenanted to issue Fletcher Building Shares on conversion of the Capital Notes in accordance with the Trust Deed and to use its reasonable endeavours to ensure that the Fletcher Building Shares that are issued on conversion are entitled to be quoted on the NZSE and that such quotation is maintained.

Pursuant to the Trust Deed, Fletcher Building will forward to the Trustee and to every Noteholder, other than any Noteholder who requests to the contrary and has not revoked that request, without charge, copies of the annual report of Fletcher Building and the half-yearly report of Fletcher Building at the same time as they are distributed to Fletcher Building shareholders. Fletcher Building must also forward to the Trustee and every Noteholder communications sent to Fletcher Building shareholders at the same time as those communications are distributed to those shareholders.

Substitution of FB Finance

The Trust Deed provides that FB Finance may substitute another company in place of itself as issuer of the Capital Notes. The Trustee and Fletcher Building shall agree to this substitution if the substituted company is Fletcher Building and otherwise if certain criteria are met, including but not limited to:

- an amended trust deed being executed in a form agreed by the Trustee;
- the Capital Notes remaining convertible into Fletcher Building Shares and guaranteed by Fletcher Building on the same terms; and
- the substitution not prejudicing the interests of Noteholders generally.

Transfer of Residence

The Trust Deed provides that FB Finance may transfer its country of incorporation by giving the Trustee 30 days written notice. FB Finance must give such undertakings or covenants in respect of taxes on such terms as the Trustee may reasonably require. In such circumstances, the Trustee may require a legal opinion as to the enforceability of FB Finance's obligations under the Trust Deed and the Capital Notes from counsel in FB Finance's proposed new country of incorporation.

Periodic Reporting to Trustee

In the Trust Deed, FB Finance has undertaken to supply the following to the Trustee within four months after the end of each of its financial years and half years:

- copies of its consolidated financial statements; and
- reports of the directors of FB Finance as to various matters relating to the Capital Notes, including details of the Capital Notes converted and compliance with the Trust Deed.

The Trustee's Duties

As subordinated indebtedness of FB Finance, the Capital Notes have features which distinguish them from ordinary debt securities, particularly in their limited payment rights, subordination and priority. The Trust Deed reflects these features. The Trustee's duties may therefore be summarised as being to act on behalf of the Noteholders in certain limited circumstances and in particular if steps become necessary to collect or protect amounts for them. The Trustee's powers and responsibilities are accordingly circumscribed.

In particular the Trustee cannot:

- demand or take steps to recover overdue amounts or initiate any other enforcement procedures whether in respect of monetary or non-monetary defaults except in the event of the liquidation of FB Finance or Fletcher Building, as applicable; or
- initiate or press for issue of Fletcher Building Shares if the conversion does not take place in due course, although it may agree to act in accordance with instructions from Noteholders if Fletcher Building should fail to convert the Capital Notes when due.

The Trustee may among other things:

- represent the Noteholders in certain matters or proceedings concerning them;
- concur in and execute on its own behalf and on behalf of Noteholders instruments varying the provisions of the Trust Deed;
- receive and distribute amounts paid in respect of Capital Notes, if they are not paid directly to Noteholders, holding and returning to FB Finance or Fletcher Building any amounts required by the terms of subordination;
- in performance of its duties, rely on reports from directors of FB Finance and auditors and, in the event of the liquidation of FB Finance, its liquidator; and
- decline to act unless protected for its costs and expenses.

In addition, the duties set out in clause 1 of the Fifth Schedule to the Securities Regulations 1983 are deemed to be included in the Trust Deed. Such duties shall, to the maximum extent permitted by law, be limited and constructed by reference to the special features of the Capital Notes. The Trustee's duties and responsibilities are, to the maximum extent permitted by law, further limited in the Trust Deed by reference to certain assumptions upon which the Trustee may base the performance of its duties.

Amendment of Trust Deed

The Trustee is empowered to agree to amendments to the Trust Deed with FB Finance and Fletcher Building in certain cases, including:

- if in the opinion of the Trustee it is made to correct a manifest error, or is of a formal or technical nature, or is convenient for the purpose of obtaining or maintaining any quotation on the NZSE and is not prejudicial to the interests of Noteholders generally;
- if the amendment is authorised by an Extraordinary Resolution of the Noteholders;
- if it relates to the assumption by FB Finance of the payment obligations of Fletcher Building under the Existing Capital Notes and those payment obligations are guaranteed by Fletcher Building on the same terms;
- if the Trustee is of the opinion that the amendment is not or is not likely to become prejudicial to the interests of Noteholders generally; or
- if it is necessary or desirable in connection with FB Finance being incorporated under the law in force in or in any part of, another country.

All such amendments will be binding on all Noteholders.

An Extraordinary Resolution of Noteholders is binding on all Noteholders whether or not present or represented at the meeting and is a resolution supported by not less than 75 percent of the votes cast in person or by proxy.

Miscellaneous

The Trust Deed also contains detailed provisions as to meetings of Noteholders, registration of Noteholders, transfer of Capital Notes and various other matters.

Conditions of Capital Notes

IN THIS SECTION CAPITALISED TERMS NOT OTHERWISE DEFINED HAVE THE MEANINGS GIVEN TO THEM IN THE TRUST DEED.

The Capital Notes have the benefit of, and are subject to the terms and conditions of, the trust deed dated 12 November 2002 between Fletcher Building Finance Limited, Fletcher Building Limited and Perpetual Trust Limited (the "Trust Deed"), the applicable constituting Supplemental Deed (if any) and the provisions set out below (the "Conditions"). Copies of the Trust Deed may be inspected at the registered office of the Company, at the head office of the Trustee and at the Transfer Office of the Registrar.

In this respect the Transfer Office of the Registrar is:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna.

A UNDERTAKINGS

1. The Company undertakes to each Noteholder as follows:

- (a) to pay interest on the Capital Notes in accordance with Conditions 3.1 to 3.4, but subject to Conditions 2.2, 4.3, 4.4 and 4.5;
- (b) in and upon the Liquidation of the Company to redeem the Capital Notes by payment of the Liquidation Amount in accordance with Condition 2.2(b); and
- (c) if the Company elects to do so pursuant to Condition 4.5, to purchase the Capital Notes in accordance with that Condition.

2. Fletcher Building undertakes to each Noteholder as follows:

- (a) to convert the Capital Notes into Fletcher Building Shares in accordance with Conditions 4.3 and 4.4;
- (b) in and upon the Liquidation of Fletcher Building to pay the Liquidation Amount in accordance with clause 4 of the Trust Deed; and
- (c) if Fletcher Building elects to do so pursuant to Condition 4.5, to purchase the Capital Notes in accordance with that Condition.

B GENERAL CONDITIONS

1. Trust Deed

Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed.

2. Status and Subordination of the Capital Notes

2.1 Status:

The Capital Notes constitute unsecured subordinated obligations of the Company and rank *pari passu* and without priority or preference among themselves. The Company's obligations in respect of the Capital Notes are guaranteed on a subordinated basis by Fletcher Building on the terms set out in the Trust Deed. None of the Company's directors, the directors of Fletcher Building, the Trustee or any other person, other than Fletcher Building, guarantees the Company's obligations under the Trust Deed or the Capital Notes in any way.

2.2 Subordination:

The obligations of the Company or Fletcher Building to the Noteholder, and the rights of the Noteholder against the Company or Fletcher Building, as applicable, in respect of the Capital Notes or the Guaranteed Indebtedness, as applicable, are subordinated to the claims of the Senior Creditors of the Company or Fletcher Building, as applicable, in that in and upon the Liquidation of the Company or Fletcher Building, as applicable, the claims of the Noteholder against the Company or Fletcher Building, as applicable, in respect of the Capital Notes or the Guaranteed Indebtedness in such Liquidation shall be:

- (a) subordinated in point of priority and right of payment to the claims of the Senior Creditors of the Company or Fletcher Building, as applicable; and
- (b) limited to the "Liquidation Amount" (as defined below).

For this purpose:

- (i) "Liquidation Amount" means the amount which is equal to the aggregate Value (as defined below) of the Fletcher Building Shares the Noteholder would have received had the Capital Notes been converted immediately prior to the commencement of the Liquidation of the Company or Fletcher Building, whichever occurs first into such number (fractions being rounded to the next whole number) of Fletcher Building Shares as is obtained by dividing the Relevant Amount by the Value of one Fletcher Building Share;
- (ii) "Relevant Amount" means, in respect of any Capital Notes on any date, the aggregate of the Principal Amount plus Accrued Interest and Unpaid Interest in respect of the relevant Capital Notes as at that date;
- (iii) "Value" means, in respect of any Fletcher Building Share, 98 percent of the weighted average sale price of the Fletcher Building Shares (expressed in cents and fractions of cents) sold on the Stock Exchange on each of the 10 business days immediately preceding the date of commencement of the Liquidation of the Company or Fletcher Building, as applicable, and, if no Fletcher Building Shares have been so sold during such period, the weighted average sale price will be deemed to be the price at which Fletcher Building Shares were last sold on the Stock Exchange prior to such period, as determined by the Stock Exchange.

2.3 Relevant Provisions of Trust Deed:

The Trust Deed contains provisions (which, like all other provisions of the Trust Deed, are binding on the Trustee and each Noteholder) restricting the remedies of the Trustee and the Noteholder in respect of the Capital Notes and providing that the Trustee and the Noteholder shall hold on trust various amounts in favour of the Senior Creditors of the Company and/or Fletcher Building. These provisions are set out verbatim at the end of these Conditions.

3. Interest

3.1 Interest Rate and Calculation of interest:

- (a) Each Capital Note bears interest at the Interest Rate, calculated on its Principal Amount, and, unless otherwise agreed by the Company and the first Noteholder (the "Purchaser"), accruing daily from the date specified in any investment statement, prospectus or other offer document relating to the Capital Notes by the Company to the Purchaser (such date, or other date agreed by the Company and the Purchaser for the purposes of interest calculation, as entered on the Register being the "Issue Date"), on the basis of a 365-day year provided that, if such Capital Note is purchased on the Issue Date at a discount or premium to its Principal Amount, the interest payable on the First Interest Date shall be calculated by applying the yield to maturity (as notified by the Company to the Purchaser at the time of purchase) to the purchase price. Interest shall cease to accrue on each Capital Note on the date upon which it is converted into Fletcher Building Shares in accordance with these Conditions (the "Conversion Date") or, in the event of the Liquidation of the Company or Fletcher Building, on the date (the "Redemption Date") on which the Capital Note is redeemed by payment of the Liquidation Amount in accordance with Condition 2.2.
- (b) In these Conditions all interest on the Principal Amount of the Capital Notes which has accrued but not become payable in accordance with these Conditions is referred to as "Accrued Interest".
- (c) Unless otherwise agreed by the Company and the Purchaser including in any investment statement, prospectus or other offer document in relation to the Capital Notes (and subject to any previous Conditions applicable to the Capital Notes), any interest paid on the First Interest Date shall be paid to the Purchaser of the Capital Notes, whether or not on that date the Noteholder of the Capital Notes is some other person. All other interest shall be paid to the Noteholder in accordance with these Conditions.

3.2 Interest and Unpaid Interest:

Interest on the Principal Amount of the Capital Notes accrued during each Interest Period is payable in arrears on the relevant Interest Date. If an Interest Date falls on a day that is not a business day, then interest shall be paid on the next business day. All interest not so paid shall, so long as it remains unpaid, bear interest ("Additional Interest") at the Interest Rate accruing daily and compounded on each subsequent Interest Date. The Company may, at its option and upon giving not more than 14 days nor less than seven days notice to Noteholders (which notice may be accompanied by a postdated cheque), pay all or part of such interest and Additional Interest (together "Unpaid Interest") being, if part only, not less than all of the Unpaid Interest relating to one or more Interest Periods, but so that no Unpaid Interest relating to any Interest Period may be paid before the Unpaid Interest relating to any earlier Interest Period has been paid. All Unpaid Interest and Accrued Interest shall become due and payable in and upon the Liquidation of the Company or Fletcher Building, but subject to Condition 2.2.

For this purpose:

- (a) "Final Interest Date" means the first to occur of the Conversion Date and the Redemption Date (as those terms are defined in Condition 3.1); and
- (b) "Interest Period" means the period from and including one Interest Date (or in the case of the first Interest Period the Issue Date) to, but excluding, the next (or, in the case of the first Interest Period, the First) Interest Date. For the purposes of this definition, if the relevant Interest Date falls on a non-business day, the Interest Period will only be extended to the next business day if that Interest Date is also an Election Date.

Except as provided in this Condition, the Company shall not be obliged to pay interest on any Interest Date but each of the Company and Fletcher Building have each covenanted in the Trust Deed not to pay any dividend on, or make any other Distribution in respect of, ordinary shares of the Company, in the case of the Company and Fletcher Building Shares in the case of Fletcher Building, while any such interest remains unpaid. Any non-payment of interest on an Interest Date, other than the Final Interest Date, shall not constitute a default by the Company or Fletcher Building for any purpose.

3.3 Payments:

Subject to Condition 3.1, all payments under the Capital Notes may be satisfied by mailing cheques on the relevant Interest Date to the Noteholders at their addresses entered in the Register as at 5.00 pm on the Friday immediately prior to the date which is seven business days prior to such Interest Date or where that Friday is not a business day, the business day immediately preceding that Friday or by direct credit to any bank account nominated by the Noteholder.

3.4 Withholding Tax:

All payments or credits to, or to the account of, Noteholders (including payments of, and credits in respect of, interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Company or Fletcher Building, as applicable, except to the extent that the Company or Fletcher Building, as applicable, is satisfied that the Noteholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Noteholder claiming any such exemption or to be such a person shall provide the Company and Fletcher Building with such evidence as the Company or Fletcher Building, may from time to time, require to satisfy itself in respect of the validity of that claim.

4. Election to Retain or Convert

4.1 Election Notice:

The Company shall give to each Noteholder not later than three days after the date (the "Election Record Date") which is 33 business days before the Election Date, a notice (an "Election Notice") specifying the new terms (the "New Terms") as to interest rate, interest dates, new election date (a "New Election Date", which expression shall also include a new election date specified in an Early Election Notice, as defined below) and otherwise varying the terms to apply to the Capital Notes after the Election Date.

4.2 Noteholder's Election to Retain or Convert:

The Noteholder shall complete and sign the Election Notice and return it to the Company not later than the date (the "Notification Date") which is 20 business days after the Election Record Date and shall indicate in the Election Notice either or both of:

- (a) the Capital Notes (being Capital Notes having, except as approved by the Company (in its absolute discretion) which approval may be recorded in any investment statement, prospectus or other offer document in relation to the Capital Notes, an aggregate Principal Amount of not less than \$5,000 or any greater amount which is a multiple of \$1,000) in respect of which the Noteholder accepts the New Terms with effect from the Election Date; and
- (b) the Capital Notes which the Noteholder wishes to convert into Fletcher Building Shares on the Election Date.

If, in relation to a Capital Note:

- (c) the Company does not receive an Election Notice from the Noteholder on or before the Notification Date; or
- (d) to the extent that the Company does so receive an Election Notice but such Election Notice does not indicate whether or not the Noteholder elects to convert all or part of the Capital Notes into Fletcher Building Shares; or
- (e) if the Election Notice requires a declaration to be completed by the Noteholder as to the name and domicile of the beneficial owner of the Capital Notes and such declaration is not duly completed; or
- (f) if for any reason, (not attributable to the Company or Fletcher Building) the Election Notice is otherwise defective,

the Noteholder shall be deemed to have accepted the New Terms in respect of, in the case of (c), (e) and (f) above, all such Capital Notes and, in the case of (d) above, such number of such Capital Notes in respect of which no such indication has been given.

4.3 Early Conversion Rights of Noteholders:

If, in the opinion of the Company (and whether as a result of a general offer to purchase made to some or all holders of Fletcher Building Shares or otherwise), any person, whether alone or acting in concert with any other person:

- (a) is, or is entitled to become, the holder (absolutely or beneficially, and whether directly or indirectly) of 70 percent or more, in aggregate, of the Fletcher Building Shares; or
- (b) has, or will have, the right to cast more than 70 percent of the votes on a poll at a general meeting of Fletcher Building on a matter on which the holders of Fletcher Building Shares are entitled to vote,

the Company shall give notice (an "Early Election Notice") of such fact as soon as practicable after it has formed such opinion to the Noteholders whose names are entered in the Register on the date (the "Early Election Record Date") which is three days prior to the date the Early Election Notice is given. The Early Election Notice shall specify a date (an "Early Notification Date") which must be a business day not later than 10 days after the Early Election Notice is given and shall state that Noteholders may, at their option (but subject to Condition 4.5), by completing, signing and returning the Early Election Notice to the Company not later than the Early Notification Date, elect to convert all or some (as indicated by the Noteholder on the Early Election Notice) of the Capital Notes held by the Noteholder into Fletcher Building Shares on the date (the "Early Election Date") which is 13 business days after the Early Notification Date.

If, in relation to a Capital Note:

- (c) the Company does not receive an Early Election Notice from the Noteholder on or before the Early Notification Date; or
- (d) to the extent that the Company does so receive an Early Election Notice but such Early Election Notice does not indicate whether or not the Noteholder elects to convert all or part of the Capital Notes; or
- (e) if the Early Election Notice requires a declaration to be completed by the Noteholder as to the name and domicile of the beneficial owner of the Capital Notes and such declaration is not duly completed; or
- (f) if for any reason (not attributable to the Company or Fletcher Building) the Early Election Notice is otherwise defective,

the Noteholder shall be deemed to have elected not to convert, in the case of (c), (e) and (f) above, all such Capital Notes and, in the case of (d) above, such number of such Capital Notes in respect of which no such indication has been given.

4.4 Conversion to Fletcher Building Shares:

- (a) Basis of Conversion: Subject to paragraph (b) of this Condition and to Condition 4.5, the Company undertakes to convert any Capital Notes which the Noteholder has (or is deemed to have) elected to convert, less any such Capital Notes which the Company has elected to redeem or the Company, Fletcher Building or any subsidiary of Fletcher Building (or their nominee) pursuant to Conditions 4.5, to purchase, by the issue to the Noteholder on the Election Date or the Early Election Date (as the case may be) of such number (fractions being rounded to the next whole number) of Fletcher Building Shares as is obtained by dividing the Relevant Amount by the Value of one Fletcher Building Share.

For this purpose:

- (i) "Relevant Amount" means, in respect of any Capital Notes, the aggregate as at the Election Date or Early Election Date (as the case may be) of the Principal Amounts of, and Accrued Interest and Unpaid Interest in respect of, such Capital Notes; and
- (ii) "Value" means, in respect of any Fletcher Building Share, 98 percent of the weighted average sale price of Fletcher Building Shares (expressed in cents and fractions of cents) sold on the Stock Exchange on each of the 10 business days immediately following the Notification Date or Early Notification Date (as the case may be). If no Fletcher Building Shares have been so sold during such period, the weighted average sale price will be deemed to be the price at which Fletcher Building Shares were last sold on the Stock Exchange prior to such period, as determined by the Stock Exchange.

Each Fletcher Building Share issued pursuant to this Condition shall rank *pari passu* in all respects with the Fletcher Building Shares then on issue, except that such Fletcher Building Shares will not carry any rights to any dividend or other Distribution declared or paid or made on such Fletcher Building Shares by reference to a record date prior to the Election Date or the Early Election Date (as the case may be). If any dividends or other Distributions are declared or paid or made on Fletcher Building Shares by reference to a record date after the Notification Date or Early Notification Date (as the case may be), but before or on the Election Date or Early Election Date (as the case may be), then, for the purposes of this Condition, the sale price for such Fletcher Building Shares on the day of and preceding such record date will be adjusted by the directors of Fletcher Building to such extent as they consider reasonable having regard to such dividend or other Distribution. Letters of allotment or certificates (if any) in respect of the Fletcher Building Shares so issued shall be posted to the relevant Noteholders on, or as soon as practicable after, the Election Date or the Early Election Date (as the case may be).

- (b) Alternatives to Conversion: If, at any time prior to the Election Date, Fletcher Building is unable lawfully (other than by reason of its own action or inaction) to issue Fletcher Building Shares to Noteholders in conversion of Capital Notes in accordance with these Conditions or Fletcher Building Shares cease to be eligible to be quoted on the Stock Exchange, the Capital Notes will be unaffected and continue in force on their then terms (including as to Interest Rate) until the Election Date or any earlier Early Election Date, and if on the Election Record Date or any earlier Early Election Record Date Fletcher Building is still so unable, or any Fletcher Building Shares are still not so eligible to be quoted and the Trustee is not satisfied that such Fletcher Building Shares will become eligible to be so quoted within 30 days, the Noteholders' right to elect to convert their Capital Notes into Fletcher Building Shares on the Election Date or Early Election Date (as the case may be) shall be deemed to be suspended and the Election Notice or Early Election Notice (as the case may be) will specify:
 - (i) that the Interest Rate to apply to the Capital Notes from the Election Date or Early Election Date (as the case may be) to the New Election Date will be the "Market Rate" (as defined below) as at the Election Date or Early Election Date (as the case may be); and
 - (ii) a New Election Date (which shall be a business day) to be selected by the Company such that the period from the Election Date or Early Election Date (as the case may be) to the New Election Date shall not exceed five years.

If, between the Election Record Date and the Election Date or between any Early Election Record Date and any Early Election Date, Fletcher Building becomes unable lawfully (other than by reason of its own action or inaction) to issue any Fletcher Building Shares to Noteholders in conversion of Capital Notes in accordance with these Conditions or any Fletcher Building Shares cease to be eligible to be quoted on the Stock Exchange, any election by a Noteholder to convert Capital Notes will be deemed to be void and the Capital Notes will be unaffected and continue in force from the Election Date or Early Election Date (as the case may be) on the terms specified in the Election Notice or Early Election Notice (as the case may be), except that:

- (iii) the rate of interest payable on the Capital Notes from the Election Date or Early Election Date (as the case may be) to the New Election Date will be the Market Rate (as defined below) as at the Election Date or Early Election Date (as the case may be), or such other rate as may be proposed by the Company and agreed to by the Trustee; and
- (iv) the New Election Date (which shall be a business day) to be selected by the Company and notified to the Noteholders, shall be such that the period from the Election Date or Early Election Date (as the case may be) to the New Election Date shall not exceed five years.

For this purpose:

(a) "Market Rate" means the rate percent per annum which is equal to the aggregate of:

- (A) the Government Stock Rate (as defined below) as at the Election Date or Early Election Date (as the case may be); and
- (B) the margin, expressed as a rate percent per annum, by which the Interest Rate on the Capital Notes exceeds the Government Stock Rate as at the Interest Determination Date (as defined below); and

(b) "Interest Determination Date" means the later of:

- (A) the date on which the Capital Note was issued or, if the Capital Note was issued as one or more of a series, the first date on which any of the Capital Notes of such series were issued; and
- (B) the last date on which any New Terms applicable to the Capital Note came into effect; and

(c) "Government Stock Rate" means the average of the bid rates for the purchase of New Zealand Government Stock of a term which is the nearest equivalent to:

- (A) for the purposes of (a)(A) of the definition of Market Rate the period from the Election Date or Early Election Date (as the case may be) to the New Election Date; and
- (B) for the purposes of (a)(B) of the definition of Market Rate the period from the Interest Determination Date to the Election Date,

as quoted to the Company by any three registered banks, selected by the Company and approved by the Trustee at or about 11 a.m. on any relevant date or if, in the opinion of the Company, the average of such bid rates does not accurately reflect the then current market yield to maturity (expressed as a rate percent per annum) obtainable on such New Zealand Government Stock or on other then available New Zealand Government debt securities or if, at or about that time, for any reason, less than three registered banks are quoting such bid rates, the Government Stock Rate shall be the rate determined by an independent financial expert to be selected by the Trustee after consultation with the Company, as being equal to the then current yield to maturity (expressed as a rate percent per annum) obtainable on New Zealand Government Stock (or if there is none, other fixed interest securities or other securities considered by such expert to be substantially the equivalent of New Zealand Government Stock) having a term which is the nearest equivalent to the relevant term.

4.5 Option to Redeem or Purchase:

Notwithstanding any other Condition:

- (i) the Company shall have the option to redeem for cash on the Election Date or Early Election Date (as the case may be); and
- (ii) the Company, Fletcher Building or any subsidiary of Fletcher Building (or their nominee) shall have the option to purchase for cash on the Election Date or Early Election Date (as the case may be),

all or any Capital Notes which, but for this Condition, Fletcher Building would be obliged to convert into Fletcher Building Shares pursuant to Conditions 4.3 or 4.4. The redemption or purchase price shall be an amount equal to the aggregate of the Principal Amount of, and the Accrued Interest and Unpaid Interest in respect of, such Capital Notes as at the date of payment of the redemption or purchase price. Payment for such Capital Notes shall be made

by cheque drawn in favour of, and posted not later than the Election Date or Early Election Date (as the case may be) to the address in the Register of the relevant Noteholder or may be direct credited on such day to any bank account nominated by such Noteholder. Each such payment, when cleared, shall be a complete satisfaction and discharge of any obligation of the Company or Fletcher Building to the relevant Noteholder in relation to such Capital Notes, including the obligation of Fletcher Building to issue Fletcher Building Shares in conversion of the relevant Capital Notes.

If and to the extent that the Company, Fletcher Building or any subsidiary of Fletcher Building (or their nominee) elects to exercise such option it shall give notice of such exercise to the relevant Noteholders not later than three business days prior to the Election Date or Early Election Date (as the case may be) in such manner as the Company, Fletcher Building or the subsidiary of Fletcher Building (as the case may be) determines to be the most practicable in all the circumstances (including by telephone subject to later confirmation in writing), but any omission to give such notice and/or the non receipt of such notice by any Noteholder shall not invalidate or otherwise affect the rights and obligations of the Company to redeem Capital Notes or of the Company, Fletcher Building or the subsidiary of Fletcher Building (or their nominee) to purchase Capital Notes.

4.6 Share Registry:

All Fletcher Building Shares issued upon the conversion of Capital Notes will be entered on the Share Register of Fletcher Building in New Zealand.

5. Transfers of Capital Notes

5.1 Electronic Transfer:

Subject to Condition 5.3, a Capital Note may be transferred in accordance with any system approved under section 7(1) of the Securities Transfer Act 1991. The directors of the Company must register any transfer of Capital Notes presented for registration in accordance with such system and will not be obliged to enquire as to due execution or authorisation of any transfer effected by reason of such system.

5.2 Transfer:

The Capital Notes may be transferred in such minimum Principal Amounts as the Company may from time to time stipulate by, subject to Condition 5.1, an instrument in writing in the usual or common form subject to the following provisions:

- (a) every instrument of transfer must be signed by the transferor and the transferor shall be deemed to remain the owner of each Capital Note concerned until the name of the transferee is entered in the Register;
- (b) every instrument of transfer must be left duly stamped with all (if any) duty payable on it at the office of the Registrar or at the registered office of the Company for registration accompanied by such evidence as the Directors may require to prove the title of the transferor or his right to transfer each such Capital Note. Upon being satisfied as to the due execution of the transfer and the due payment of any applicable stamp duty the Directors will, subject to Condition 5.3 below, register the transfer and will recognise the transferee as the Noteholder of each Capital Note comprised in the transfer;

- (c) all instruments of transfer which are registered will be retained by the Company but any instrument of transfer which the directors decline to register shall be returned to the person submitting it; and
- (d) no fee shall be charged for the registration of a transfer.

5.3 Restriction on Transfer:

- (a) The Company shall not be obliged to register any transfer of a Capital Note during the period of three business days immediately preceding the Final Interest Date nor during the period between the Election Record Date and the Election Date.
- (b) Except as approved by the Company (at its absolute discretion) which approval may be recorded in any prospectus or other offer document in relation to the Capital Notes, no transfer shall be permissible or be accepted for registration where any proposed transfer would result in the transferee or transferor holding Capital Notes with the same Election Date having an aggregate Principal Amount of less than \$5,000.

5.4 Transmission by Operation of Law:

Any person becoming entitled to any Capital Note by operation of law (including the death or bankruptcy of any Noteholder) may, upon producing such evidence of his entitlement as shall be acceptable to the Company, obtain registration as the Noteholder of such Capital Note or execute a transfer of such Capital Note. This provision includes any case where a person becomes entitled as a survivor of persons registered as joint Noteholder.

5.5 FASTER Transaction Statement:

Upon the issue of Further Capital Notes and upon registration of a transfer of a Capital Note pursuant to Conditions 5.1, 5.2, 5.3 or 5.4 the Company must issue to the transferee a statement recording certain details (including, without limitation, those specified in the Stock Exchange listing rules) of such Capital Note together with a copy of these Conditions. For the avoidance of doubt, any such notice (or copy of these Conditions) does not constitute, comprise or evidence such Capital Note.

5.6 Notices:

All notices given by Noteholders pursuant to these Conditions shall be irrevocable.

SUBORDINATION PROVISIONS OF THE TRUST DEED

Set out below are the provisions of the Trust Deed relating to subordination of the Capital Notes.

"3.5 No Enforcement by Trustee or Noteholders:

- (a) Neither the Trustee nor any Noteholder shall be entitled to ask, demand, sue or prove for, take or receive, directly or indirectly, whether by exercise of set-off, counterclaim or in any other manner any payment of or in respect of:
 - (i) the Capital Notes from the Company except after the commencement of the Liquidation of the Company (whether or not Fletcher Building is also in Liquidation); or
 - (ii) the Guaranteed Indebtedness from Fletcher Building except after the commencement of Liquidation of Fletcher Building (whether or not the Company is also in Liquidation),
 and then, in the case of a Noteholder, only as may be necessary to preserve the claim thereto of such Noteholder in such Liquidation.

- (b) Notwithstanding paragraph (a) of this clause, after the commencement of the Liquidation of the Company, or Fletcher Building, as applicable, any amount, other than a payment by the Trustee pursuant to clause 3.8(c), which a Noteholder may receive on account of the Capital Notes, whether in or upon the Liquidation of the Company or Fletcher Building, as applicable, or for any other reason whatsoever, shall be paid to the Company or Fletcher Building, as applicable, to be held by it upon trust to apply the same in or towards the discharge of the indebtedness of the Company or Fletcher Building, as applicable, to the relevant Senior Creditors according to their respective rights and interests and, pending payment thereof to the Company or Fletcher Building, as applicable, any such amount received by a Noteholder shall be held by the Noteholder on trust to pay the same to the Company or Fletcher Building, as applicable, to be held on the trusts aforesaid.
- (c) If, whether before or after the commencement of the Liquidation of the Company or Fletcher Building and notwithstanding paragraphs (a) and (b) of this clause, a Noteholder becomes entitled to, or does, exercise any right of set-off, counterclaim or other such remedy in respect of any amount owing by the Noteholder to the Company or Fletcher Building, as applicable, the Noteholder will pay to the Company or Fletcher Building, as applicable, an amount equal to the amount in respect of which such right is exercised, such amount to be held by the Company or Fletcher Building, as applicable, upon the trusts specified in paragraph (b) of this clause and, pending payment thereof to the Company or Fletcher Building, as applicable, the Noteholder shall hold such amount on trust to pay the same to the Company or Fletcher Building, as applicable, to be held on the trusts aforesaid.

3.6 Contracts (Privity) Act 1982:

- (a) For the purposes of the Contracts (Privity) Act 1982, but subject to (b) below, this clause 3 is intended to confer a benefit upon, and be enforceable by, the Senior Creditors of each of the Company and Fletcher Building directly.
- (b) For the purposes of section 6 of the Contracts (Privity) Act 1982, it is agreed that any amendments made to this Deed in accordance with clause 8.5 shall be binding upon Senior Creditors of each of the Company and Fletcher Building whether or not they have consented to such amendment.

3.7 Liquidation of Company:

No Noteholder shall claim or prove in the Liquidation of the Company or Fletcher Building for any amount owing to such Noteholder under any Capital Note or this Deed to the extent that the Trustee has claimed or proved for, or has determined to claim or prove for, such amount in such Liquidation on behalf of such Noteholder, and any claim or proof made contrary to this clause 3.7 shall be withdrawn by such Noteholder.

3.8 Distribution on Liquidation:

Any amount received by the Trustee under or in respect of this Deed or the Capital Notes in or upon any Liquidation of the Company or Fletcher Building shall be applied, and pending such application shall be held by the Trustee upon trust to be applied:

- (a) First, in payment or retention of all costs, charges, expenses and liabilities incurred and payments made by or on behalf of the Trustee and of all remuneration and other moneys payable to the Trustee as provided in this Deed;
- (b) Secondly, in payment to the Company or Fletcher Building, as applicable, to be held by it upon trust to apply the same in or towards the discharge of the indebtedness of the Company or Fletcher Building, as applicable, to the Senior Creditors of the Company or

Fletcher Building, as applicable, according to their respective rights and interests and, pending payment thereof to the Company or Fletcher Building, as applicable, any such amount received by the Trustee shall be held by it on trust to pay the same to the Company or Fletcher Building, as applicable, to be held on the trusts aforesaid;

- (c) Thirdly, subject to the indebtedness of the Company or Fletcher Building, as applicable, to the Senior Creditors of the Company or Fletcher Building, as applicable, having been paid or satisfied or provided for in full (for which purpose the Trustee may rely upon any written advice from the Liquidator of the Company or Fletcher Building, as applicable), and subject to the claims of creditors of the Company or Fletcher Building, as applicable, whose claims (including the claims of holders of the Fletcher Building Capital Notes) rank, or are intended or expressed to rank pari passu with the claims of the Noteholders in or towards payment to the Noteholders, pari passu in proportion to the Principal Amounts of the Capital Notes held by the respective Noteholders, of the aggregate Liquidation Amounts in respect of the Capital Notes held by each Noteholder; and
- (d) Fourthly, in payment of the surplus (if any) of such moneys to the Company or Fletcher Building, as applicable, or to such other person as may be lawfully entitled thereto.

3.9 Payments to Liquidator of Company or Fletcher Building:

At any time after the commencement of the Liquidation of the Company or Fletcher Building, as applicable, the Trustee and any Noteholder may satisfy its obligations under clause 3.5 and, in the case of the Trustee, under paragraphs (b) and (c) of clause 3.8, by paying any amounts referred to in such provisions to the Liquidator of the Company or Fletcher Building, as applicable, with instructions to the Liquidator to effect such application as is required by such provisions, and any such payment shall be a complete discharge of such obligations."

TRUSTEE'S STATEMENT

15 November 2002

The Directors
Fletcher Building Finance Limited
810 Great South Road
Penrose
Auckland



Dear Directors

Capital Notes

As required by Clause 13(3) of the Second Schedule to the Securities Regulations 1983, we confirm that the offer by Fletcher Building Finance Limited (the "Company") of Capital Notes (the "Securities") set out in the Investment Statement and Prospectus which forms part of this Offer Document dated 15 November 2002 complies with any relevant provisions of the Trust Deed between the Company, Fletcher Building Limited and Perpetual Trust Limited dated 12 November 2002 (the "Trust Deed"). These provisions are those which:

- (i) entitle the Company to constitute and issue under the Trust Deed the Securities offered in the Investment Statement and Prospectus; and
- (ii) impose restrictions on the right of the Company to offer the Securities, and are described in the summary of the Trust Deed contained in the Investment Statement and Prospectus which forms part of this Offer Document.

The Auditors and Independent Accountant have reported on certain of the financial information set out in the Investment Statement and Prospectus which forms part of this Offer Document and our statement does not refer to any financial information or to any material in the Investment Statement and Prospectus which forms part of this Offer Document which does not relate to the Trust Deed. Subject to the duties imposed by the Fifth Schedule to the Securities Regulations 1983, Perpetual Trust Limited relies on the information supplied to it by the Company pursuant to the Trust Deed and does not carry out an independent check of that information.

Perpetual Trust Limited does not guarantee the repayment of the Securities or the payment of interest thereon, or conversion or purchase of the Securities.

Yours faithfully

Perpetual Trust Limited

Additional Statutory Information

This section of the Offer Document sets out or cross-refers to the information required in a prospectus by the Second Schedule to the New Zealand Securities Regulations 1983 (the "Regulations").

Main terms of Offer

The issuer of the Capital Notes is FB Finance. FB Finance's registered office is at 810 Great South Road, Penrose, Auckland, New Zealand. Its registered office in Australia is situated at 2 Park Street, Sydney.

The securities being offered are unsecured, subordinated, fixed interest debt obligations of FB Finance. Information is also provided in relation to the Fletcher Building Shares into which they may in certain circumstances convert.

The issuer of the Fletcher Building Shares into which the Capital Notes may convert is Fletcher Building. Fletcher Building's registered office is at 810 Great South Road, Penrose, Auckland, New Zealand.

A further description of the Capital Notes, including the maximum amount being offered and the price to be paid for the Capital Notes, is set out in the section entitled "Main Terms of the Offer" on pages 8 to 19.

Details of incorporation of Issuer

FB Finance was incorporated in New Zealand under the Companies Act on 23 October 2002. FB Finance is also registered to carry on business in Australia. FB Finance's registered number is AK/1248554 and its ARBN number is 102 568 178. Information about the public file in respect of FB Finance is set out on page 88.

Guarantor

The indebtedness of FB Finance under the Capital Notes is not guaranteed by any "guaranteeing subsidiary" as defined in the Securities Act 1978. Accordingly, FB Finance constitutes the "borrowing group" as defined in the Securities Act 1978.

The indebtedness of FB Finance under the Capital Notes is guaranteed on an unsecured subordinated basis by Fletcher Building pursuant to the Guarantee. Under the Guarantee, neither the Trustee nor any Noteholder may demand repayment or otherwise initiate enforcement or recovery proceedings against Fletcher Building, even if FB Finance is in default of its obligations under the Capital Notes or is in liquidation, unless Fletcher Building is in liquidation. Therefore, the only right of Noteholders against Fletcher Building is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

The Guarantee is not secured by any mortgage or charge.

The amount of the net tangible assets of Fletcher Building as shown in its most recent audited statement of financial position as at 30 June 2002 and excluding any assets which are also assets of FB Finance or its subsidiaries is \$588 million.

A description of the terms of the Guarantee is set out in the section entitled "Description of Trust Deed" on pages 67 to 68.

Directorate and Advisers

The names and technical or professional qualifications and date of appointment of each director of FB Finance as at the date of registration of this Offer Document are as set out in the section entitled "Board of FB Finance" on pages 40 to 41.

Any and all of the directors of FB Finance can be contacted in New Zealand at the registered office of FB Finance:

810 Great South Road
Penrose
Auckland

No director of FB Finance is an employee of FB Finance or of any subsidiary of FB Finance although Ralph Waters is Chief Executive Officer of Fletcher Building. No director has been adjudged bankrupt during the five years preceding the date of registration of this Offer Document.

The names and addresses of the auditors, the Registrar, the Organising Brokers and Joint Lead Managers, the Co-Managers and the solicitors who have been involved in the preparation of this Offer Document are set out in the Directory contained inside the back cover of this Offer Document.

The independent accountant has reviewed the condensed unaudited financial statements on pages 134 to 141, and a copy of their report is set out on page 142. The qualifications of the independent accountants are contained in this report. The address of the independent accountant is set out in the Directory which is contained inside the back cover of this Offer Document. There is no current intention for the independent accountant to be a director, officer or employee of, or professional adviser to, FB Finance.

The trustee for the Capital Notes is Perpetual Trust Limited, whose address is set out in the Directory which is contained inside the back cover of this Offer Document.

Restrictions on directors' powers

The Companies Act contains a number of provisions that could have the effect or consequence, in certain circumstances, of imposing modifications, exceptions or limitations on the powers of the board of directors of FB Finance, such as the rule that major transactions (as defined in the Companies Act) must be approved by a special resolution of shareholders. These restrictions apply to any company incorporated under the Companies Act. The constitution of FB Finance does not impose any other modifications, exceptions or limitations on the powers of the board of directors of FB Finance.

Description of activities of borrowing group

The borrowing group, for the purposes of the Securities Act, is FB Finance. FB Finance is a wholly owned subsidiary of Fletcher Building and its principal activity is the funding of Fletcher Building's operations in Australia. It may lend the funds raised by the issue of Capital Notes to Fletcher Building or any related company of Fletcher Building. FB Finance was incorporated on 23 October 2002.

FB Finance has entered into the contracts referred to in the paragraph entitled "Material Contracts" on page 86 of this Offer Document.

No assets of FB Finance are charged as security for the Capital Notes.

Summary of financial statements

Financial statements, in summary form, for FB Finance in respect of the period beginning on 23 October 2002 (the date of FB Finance's incorporation) to 31 October 2002 are set out in this Offer Document in the section entitled "Summary Financial Information" on page 35. The information contained in the summary financial statements has been taken from audited financial statements of FB Finance for that period.

Financial statements in summary form for Fletcher Building, which guarantees FB Finance's indebtedness in relation to the Capital Notes, in respect of the consecutive accounting periods

ended 30 June 2002 and 30 June 2001, and for the Fletcher Building Group in respect of each of the five consecutive accounting periods preceding 30 June 2002 are set out under the section entitled "Summary Financial Information" on pages 36 to 39.

Acquisition of business or subsidiary

FB Finance was incorporated on 23 October 2002. It has not acquired, and will not, prior to the date of registration of this Offer Document, acquire, any business or subsidiary.

Material Contracts

The following material contracts (not being contracts entered into in the ordinary course of business of FB Finance) have been entered into by FB Finance during the period since its incorporation:

- a trust deed dated 12 November 2002 between FB Finance, Fletcher Building and Perpetual Trust Limited providing for the issue of the Capital Notes and of other capital notes;
- a loan agreement dated 13 November 2002 between FB Finance (acting through its Australian branch) as borrower and Fletcher Building (Australia) Finance Pty Limited as lender pursuant to which the lender has agreed to lend A\$350 million to the borrower;
- a loan agreement dated 13 November 2002 between FB Finance (acting through its Australian branch) as borrower and Fletcher Building Limited as lender pursuant to which the lender has agreed to lend A\$139 million to the borrower;
- a subscription on 13 November 2002 for redeemable preference shares in Fletcher Building Australia Pty Limited at an aggregate price of A\$489 million; and
- a listing agreement dated 12 November 2002 between FB Finance and the NZSE.

The following material contracts (not being contracts entered into in the ordinary course of business of Fletcher Building) have been entered into by Fletcher Building during the period since its incorporation:

- an arrangement agreement dated 20 December 2000 between Fletcher Challenge Limited, Fletcher Challenge Industries Limited and Fletcher Building relating to the separation of Fletcher Challenge Limited's building division from the Fletcher Challenge Limited group;
- a capital notes arrangement deed dated 24 January 2001 entered into between Fletcher Challenge Limited, Fletcher Challenge Industries Limited, Fletcher Building and Perpetual Trust Limited relating to the rearrangement of the Existing Capital Notes (other than the March 2006 Capital Notes);
- a deed of accession dated 20 December 2000 between Fletcher Challenge Building Limited (now Fletcher Building Holdings Limited) and Fletcher Challenge Limited relating to an amended and restated deed relating to assets and liabilities;
- a \$525 million syndicated senior credit facilities agreement dated 9 March 2001 between Fletcher Building as borrower, the banks and financial institutions listed therein as lenders, Credit Suisse First Boston, Melbourne branch as facility agent (now replaced by The National Bank of New Zealand Limited) and Credit Suisse First Boston, Melbourne branch as arranger, as amended from time to time, under which the lenders have agreed to lend to Fletcher Building NZ\$525 million for the purposes of assisting with the separation of Fletcher Challenge Limited's building division from the Fletcher Challenge Limited group and for working capital purposes;
- a deed of negative pledge and guarantee dated 21 March 2001 given by Fletcher Building and certain of its subsidiaries in favour of the lenders (as defined therein) pursuant to which Fletcher Building and those subsidiaries have given certain negative undertakings, covenants and guarantees to the lenders;
- a \$50 million financing facility dated 21 May 2001 between Fletcher Building as borrower and The National Bank of New Zealand Limited as lender under which the lender has agreed to lend Fletcher Building \$50 million for general corporate purposes;

- an amended and restated trust deed dated 24 September 2001 between Fletcher Building and Perpetual Trust Limited providing for the issue of the Existing Capital Notes and other capital notes;
- a share sale agreement dated 18 September 2002 between Amatek Investments Limited as seller, Amatek Holdings Limited as seller's guarantor, Fletcher Building (Australia) Pty Limited as buyer, Fletcher Building Holdings Limited as buyer's guarantor and Fletcher Building pursuant to which the seller agreed to sell to the buyer all of the share capital in Laminex;
- an A\$350 million bridging financing facility dated 11 November 2002 between Fletcher Building as company, Fletcher Building (Australia) Finance Pty Limited as borrower and Westpac Banking Corporation as lender under which the lender has agreed to lend up to A\$350 million to assist in the funding of the acquisition of the shares in Laminex;
- a \$200 million bridging financing facility dated 11 November 2002 between Fletcher Building as borrower and The National Bank of New Zealand Limited as lender under which the lender has agreed to lend up to \$200 million to assist in the funding of the acquisition of the shares in Laminex; and
- a \$100 million financing facility dated 11 November 2002 between Fletcher Building as borrower and Bank of New Zealand as lender under which the lender has agreed to lend up to \$100 million to assist in the funding of the acquisition of the shares in Laminex and for working capital purposes.

Pending Proceedings

No legal proceedings or arbitrations that may have a material adverse effect on FB Finance and/or Fletcher Building were pending at the date of registration of this Offer Document.

Issue Expenses

Issue expenses, including NZSE fees, registry expenses, legal, accounting, financial advisory, issue management costs and printing and distribution costs to be incurred in relation to the Offer are estimated at \$6 million based on a maximum issue size of \$150 million. In addition, FB Finance will pay fees to the Trustee in accordance with the Trust Deed.

Brokerage is payable by FB Finance to members of the NZSE and other approved financial intermediaries where a valid application bears the stamp of that member or financial intermediary, at a rate of:

- 1.25 percent of the aggregate Principal Amount in respect of the March 2008 Capital Notes and 1.50 percent in respect of the March 2010 Capital Notes, in each case allotted; and
- additional brokerage of 0.50 percent of the aggregate Principal Amount of Capital Notes allotted under firm allocations.

Brokerage is payable by FB Finance to the Joint Lead Managers where a valid application does not bear the stamp of a member or financial intermediary at a rate of 0.75 percent of the aggregate Principal Amount of Capital Notes allotted.

Ranking of Securities

As at 31 October 2002 there are no securities that are secured by a mortgage or charge over any of the assets of FB Finance.

Provisions of the Trust Deed and Other Restrictions on FB Finance

FB Finance and Fletcher Building entered into a trust deed with Perpetual Trust Limited as trustee on 12 November 2002 relating to the Capital Notes. A summary of the Trust Deed is set out in the section entitled "Description of the Trust Deed" on pages 67 to 70.

The Trust Deed does not contain any terms that impose limitations relating to:

- the creation of new mortgages or charges ranking in point of security ahead of, or equal with, any mortgage or charge securing the securities being offered; or
- any ratio of liabilities, or any class of liabilities, to assets, or to any class of assets, of FB Finance.

Pursuant to the terms of the Negative Pledge and Guarantee given by Fletcher Building and certain of its subsidiaries in favour of lenders (together, the "Restricted Group") (which will, on or shortly after the date of this Offer Document, include FB Finance), the Restricted Group has covenanted not to create or permit to exist any security interest over any of their assets other than certain agreed permitted security interests.

The statement required to be made by the Trustee pursuant to clause 13(3) of the Second Schedule to the Securities Regulations 1983 is set out in the section entitled "Trustee's Statement" on page 83.

Under each of the financing facility agreements referred to in the list of material contracts of Fletcher Building on pages 86 and 87, Fletcher Building has covenanted to comply with certain financial ratios. If those ratios are not met, Fletcher Building may be restrained from incurring further debt.

Other Terms of Offer and Securities

All terms of the Offer and all terms of the securities being offered are set out in this Offer Document, other than those:

- implied by law; or
- set out in a document that:
 - (i) is registered with a public official;
 - (ii) is available for public inspection; and
 - (iii) is referred to in this Offer Document.

Financial Statements

The audited financial statements of FB Finance required by clauses 15 to 32 (inclusive) of the Second Schedule to the Regulations are set out in the section entitled "Financial Statements" on pages 91 to 96.

The audited financial statements of Fletcher Building, as guarantor on an unsecured subordinated basis of FB Finance's indebtedness in respect of the Capital Notes and the Fletcher Building Group, each for the period ended 30 June 2002 are set out in the section entitled "Financial Statements" on pages 99 to 131.

The condensed unaudited pro forma financial statements set out in the section entitled "Financial Information" on pages 134 to 141 have been prepared from the 30 June 2002 financial statements of Fletcher Building and Laminex. The independent accountant's report relating to these pro forma financial statements is set out on page 142.

Places of Inspection of Documents

Copies of the constitution of FB Finance and copies of the material contracts referred to above, can be viewed at any time on the Companies Office website (www.companies.govt.nz). Where the relevant documents are not available online, they can be requested by contacting Searchlink at info@searchlink.co.nz. In addition, these documents are available for inspection at the registered office of FB Finance during normal business hours. These documents may be inspected without fee at the registered office of FB Finance. The Companies Office may charge a fee for inspection of certain documents.

Other Material Matters

There are no material matters relating to the Offer other than those matters set out elsewhere in this Offer Document, the financial statements referred to in this Offer Document and contracts entered into in the ordinary course of business.

Directors' Statement

The directors of FB Finance, after due enquiry by them in relation to the period between 31 October 2002 and the date of registration of this Offer Document, are of the opinion that no circumstances have arisen that materially adversely affect:

- the trading or profitability of FB Finance; or
- the value of FB Finance's assets; or
- the ability of FB Finance to pay its liabilities (including interest on its Capital Notes) due within the next 12 months.

Auditor's Report

The Auditor's report required by clause 36 of the Second Schedule to the Securities Regulations 1983 is set out in the section entitled "Report of the Auditors" on page 97.

Registration Documents

The documents required by section 41 of the Securities Act 1978 to be attached to the copy of this Offer Document registered with the Registrar of Companies are:

- the Auditor's report in respect of the financial statements for FB Finance set out on page 97;
- the signed consent of the Auditor to the above report appearing in this Offer Document;
- the signed consent of the Independent Accountant to the report on page 142 appearing in this Offer Document;
- copies of the material contracts referred to in the paragraph headed "Material Contracts" above; and
- an acknowledgement from the NZSE to the effect that all its requirements (other than those relating to the number of Noteholders) for the listing of the Capital Notes have been met. For the purposes of regulation 5(6) of the Regulations, the matters required to be stated or contained in this Offer Document by virtue of the Second Schedule to the Securities Regulations 1983 are:

MATTER	SECOND SCHEDULE	PAGE(S)
Main terms of Offer	Clause 1	8 to 19, 84
Name and address of offeror	Clause 2	84
Details of incorporation of issuer	Clause 3	84, 88
Guarantors	Clause 4	67, 68, 84
Directorate and advisers	Clause 5	40, 41, 85
Restrictions on directors' powers	Clause 5A	85
Description of activities of borrowing group	Clause 6	35, 85
Summary of financial statements	Clause 7	85, 86
Acquisition of business or subsidiary	Clause 8	86
Material contracts	Clause 9	86, 87
Pending proceedings	Clause 10	87
Issue expenses	Clause 11	87
Ranking of securities	Clause 12	87
Provisions of trust deed and other		
Restrictions on the borrowing group	Clause 13	87, 88
Other terms of offer and securities	Clause 14	88
Financial statements	Clauses 15-32	88, 91 to 96
Places of inspection of documents	Clause 33	88
Other material matters	Clause 34	88
Directors' statement	Clause 35	88, 89
Auditor's report	Clause 36	88

NZSE RULING AND WAIVER

Minimum Holding

The NZSE has approved the setting of the minimum holding in relation to the Capital Notes at \$5,000.

Size of Text

The NZSE has granted FB Finance a waiver in respect of Listing Rule 7.1.17. This waiver relieves FB Finance from the requirement to make certain statements in this Offer Document that are required by the NZSE listing rules in a particular text size.

This Offer Document has been signed as follows.

Signed by each director of Fletcher Building Finance Limited (as issuer)
(or by his or her agent authorised in writing):



Roderick Sheldon Deane



Paul Edward Alex Baines



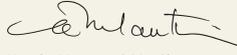
Hugh Alasdair Fletcher



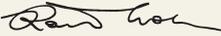
Ralph James Norris



Sir Dryden Spring

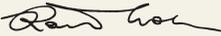


Kerrin Margaret Vautier



Ralph Graham Waters

Fletcher Building Limited (as promoter) by:



Signed by each director of Fletcher Building Limited (as promoter)
(or by his or her agent authorised in writing):



Roderick Sheldon Deane



Paul Edward Alex Baines



Hugh Alasdair Fletcher



Ralph James Norris



Sir Dryden Spring



Kerrin Margaret Vautier



Ralph Graham Waters

FLETCHER BUILDING FINANCE LIMITED

**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 OCTOBER 2002**

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Statement of Financial Position	92
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Fletcher Building Finance Limited

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE PERIOD ENDED 31 OCTOBER 2002

	NOTE	9 DAYS TO 31 OCTOBER 2002 \$
Turnover		6,164
Operating earnings before taxation	1	6,164
Taxation expense	2	(2,034)
Net earnings after taxation		4,130

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE PERIOD ENDED 31 OCTOBER 2002

Opening Equity		
Net earnings for the period		4,130
Total recognised revenue and expenses for the period		4,130
Increase in share capital	3	10,000,000
Equity as at 31 October 2002		10,004,130

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2002

	NOTE	31 OCTOBER 2002 \$
Funds Employed		
Equity:		
Reported capital	3	10,000,000
Reserves	4	4,130
Total equity		10,004,130
Current liabilities:		
Current tax liability	5	2,034
Total current liabilities		2,034
Total equity and liabilities		10,006,164
Employment of Funds		
Non current assets:		
Amounts owing by parent company	6	10,006,164
Total assets		10,006,164

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

On behalf of the board, 1 November 2002



Director



Director

Fletcher Building Finance Limited

STATEMENT OF CASHFLOWS

FOR THE PERIOD ENDED 31 OCTOBER 2002

	NOTE	9 DAYS TO 31 OCTOBER 2002 \$
Cashflow from operating activities:		
Receipts from customers		
Dividends and interest received		
Total received		
Payments to suppliers, employees and other		
Interest paid		
Income tax paid		
Total applied		
Net cash from operating activities	7	
Cashflow from investing activities:		
Sale of assets		
Total received		
Purchase of assets		
Total applied		
Net cash from investing activities		
Cashflow from financing activities:		
Issue of shares	3	10,000,000
Total received		10,000,000
Advance to Fletcher Building Limited		10,000,000
Total applied		10,000,000
Net cash from financing activities		
Net movement in cash held		
Add opening cash and liquid deposits		
Closing cash and liquid deposits		

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

Fletcher Building Finance Limited

STATEMENT OF ACCOUNTING POLICES FOR THE PERIOD ENDED 31 OCTOBER 2002

Basis of presentation

The financial statements presented are those of Fletcher Building Finance Limited (the Company). Fletcher Building Finance Limited is a company domiciled in New Zealand and is registered under the Companies Act 1993. The Company is also registered in Australia.

The financial statements comprise statements of the following: financial performance, movements in equity, financial position, cashflows and significant accounting policies, as well as the notes to these financial statements.

Fletcher Building Finance Limited was incorporated on 23 October 2002 and commenced trading on 29 October 2002. There are no comparative balances and no changes in accounting policies.

On 18 September 2002 Fletcher Building Limited announced that it would acquire The Laminex Group for A\$645 million. The purchase of The Laminex Group requires the approval of Fletcher Building Limited's shareholders, which will be sought at the annual shareholders meeting on 12 November 2002. It is expected that if the shareholders approve the acquisition, then settlement will occur around the 13 November 2002.

Fletcher Building Finance Limited was incorporated with the intention that it will participate in the funding for the acquisition of The Laminex Group and will issue up to \$150 million of capital notes as part of the proposed acquisition.

Accounting convention

The financial statements are based on the general principles of historical cost accounting. These financial statements have been prepared in accordance with generally accepted accounting practice (GAAP) in New Zealand. Where no financial reporting standard or statement of standard accounting practice exists in New Zealand in relation to a particular issue, the accounting policies adopted have been determined having regard to authoritative support.

Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

VALUATION OF ASSETS

Receivables

Receivables are valued at estimated net realisable value. The valuation is net of a 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.

Cash

Cash and liquid deposits comprise cash and demand deposits with banks or other financial institutions and highly liquid investments that are readily convertible to cash.

Impairment

Impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined to be the sum of expected future discounted net cashflows arising from the ownership of the asset. Future net cashflows take into account remaining useful life and the expected period of continued ownership, including any intended disposals, and any costs or proceeds expected to eventuate at the end of the remaining useful life or the end of the expected period of continued ownership.

For the purposes of considering whether there has been an impairment, assets are grouped at the lowest level for which there are identifiable cashflows that are largely independent of the cashflows of other groups of assets. When an impairment loss arises the impairment is measured as the amount by which the book value exceeds the recoverable amount.

VALUATION OF LIABILITIES

Taxation

The provision for current tax is the estimated amount due for payment in the next 12 months by the Company.

INCOME DETERMINATION

Investment revenue

Investment income is taken to earnings when received or accrued in respect of the period for which it was earned.

Fletcher Building Finance Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2002

	9 DAYS TO 31 OCTOBER 2002 \$
1 Operating earnings before taxation	
Interest receivable from Fletcher Building Limited	6,164
	6,164

2 Taxation expense

Earnings before tax	6,164
Taxable earnings	6,164
Taxation at 33 cents per dollar	(2,034)
Taxation expense	(2,034)

The income tax expense is represented by:

Current taxation	(2,034)
	(2,034)

There are no taxation credits available at 31 October 2002.

	31 OCTOBER 2002 \$
3 Reported capital	
Issued and paid-up capital:	
10,000,000 ordinary shares	10,000,000
	10,000,000

During the period the Company issued 10,000,000 ordinary shares for a total consideration of \$10,000,000. All shares carry equal rights in respect of voting, dividend payments and distribution upon winding up.

4 Reserve balances

Revenue reserves	4,130
	4,130

	9 DAYS TO 31 OCTOBER 2002 \$
5 Current taxation liability	
Opening balance	
Current taxation in the earnings statement	2,034
Balance as at 31 October 2002	2,034

	31 OCTOBER 2002 \$
6 Amounts owing by parent company	
Term advances	10,006,164
	10,006,164

The term advance is owing from Fletcher Building Limited and bears interest at 7.5% per annum. Amounts owing from related companies which have no fixed term for repayment are recognised as non-current. Amounts owing from related companies which are at call and trading accounts are included as current assets.

Fletcher Building Finance Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 OCTOBER 2002

	9 DAYS TO 31 OCTOBER 2002 \$
7 Reconciliation of net earnings to net cash from operating activities	
Cash was received from net earnings	4,130
Adjustment for items not involving cash:	
Accruals	(4,130)
Net cash from operating activities	—

8 Financial Instruments

Exposures to various risks arise in the normal course of the Company's business. To manage and limit the effects of these financial risks the Company operates within the following policies.

Management policies

The Company does not enter into derivative financial instruments for trading or speculative purposes.

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. At 31 October 2002 there were no external concentrations of credit risks in respect of receivables.

	31 OCTOBER 2002 \$
Carrying value and fair value	
The estimated fair values of the Company's financial assets and liabilities are as follows:	
Receivables	10,006,164

9 Ultimate holding company

The direct and ultimate holding company of Fletcher Building Finance Limited is Fletcher Building Limited.

10 Related party disclosure

Except as disclosed in these financial statements there have been no related party transactions during the period.

11 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 31 October 2002.

12 Segmental information

As at 31 October 2002 the Company operated as a finance company wholly in New Zealand.

REPORT OF THE AUDITOR

The Directors
Fletcher Building Finance Limited
Private Bag 92 114
AUCKLAND

1 November 2002

Dear Directors

**INTERIM FINANCIAL STATEMENTS AND HISTORICAL FINANCIAL INFORMATION
FLETCHER BUILDING FINANCE LIMITED**

We have examined the interim financial statements set out on pages 92 to 96 and the Company historical financial information on page 35. These interim financial statements and historical financial information have been presented pursuant to Clauses 16 to 31 and Clause 7 of the Second Schedule of the Securities Regulations 1983. The interim financial statements provide information about the past financial performance of the Company and its financial position as at 31 October 2002. This information is stated in accordance with the accounting policies set out on page 94.

Directors' responsibilities

The Directors are responsible for the preparation of the Company interim financial statements and historical financial information as required by the Securities Regulations 1983.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to the Directors and to report whether the historical financial information set out on page 35 has been correctly extracted from audited interim financial statements.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the interim financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the interim financial statements; and
- whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the interim financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the interim financial statements.

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

Unqualified opinion

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appeared from our examination of those records;
- the interim financial statements on pages 92 to 96:
 - are in accordance with Clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983;
 - subject to these regulations, comply with New Zealand generally accepted accounting practice; and
 - give a true and fair view of the financial position of the Company as at 31 October 2002 and the results of its operations and cashflows for the nine day period ended on that date.

Our audit was completed on 1 November 2002 and our unqualified opinion was expressed as at that date.

In respect of the amounts stated pursuant to Clause 7 of the Second Schedule of the Securities Regulations 1983, set out on page 35 in our opinion the Company statement of financial performance amounts for the nine day period ended 31 October 2002 and the statement of financial position amounts as at 31 October 2002 on page 35 have been correctly extracted from the audited interim financial statements.

KPMG take no responsibility for, nor do we report on, any part of the Offer Document not mentioned in this report.

Consent

We consent to the issuing of this report in the form and in the context in which it is included in the Offer Document to be sent to applicants for Capital Notes.

Yours faithfully



KPMG
Chartered Accountants
Auckland
New Zealand

FLETCHER BUILDING GROUP

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2002

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The financial information of the Fletcher Building Group, which is set out in this section, has been included to give further background information about Fletcher Building, the guarantor of FB Finance's obligations in relation to the Capital Notes on an unsecured subordinated basis and the issuer of the Fletcher Building Shares with which the Capital Notes may convert. No subsidiary of Fletcher Building has guaranteed the obligations of Fletcher Building or FB Finance in relation to the Capital Notes.

These financial statements comply with the Securities Act 1983, which do not permit the use of equity accounting. Accordingly, they differ in a number of respects from the Annual Report previously published. There has been no significant change to the Group accounts, and only one significant change to the parent company's accounts. The parent now holds its investments in subsidiaries at cost, rather than revaluing the investment to net book value. The financial statements, subject to the requirements of the Securities Regulations 1983, comply with New Zealand generally accepted accounting practice.

Fletcher Building

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
		YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
Operating revenue	2, 4	2,966	2,273	62	28
Operating expenses before unusuals		(2,761)	(2,179)	(2)	(8)
Operating earnings before unusuals	3, 4	205	94	60	20
Unusual items	3	5	(181)		
Operating earnings	3, 4	210	(87)	60	20
Funding costs	5	(51)	(36)	(46)	(9)
Earnings before taxation		159	(123)	14	11
Taxation expense	6	(54)	(148)	10	3
Earnings after taxation		105	(271)	24	14
Minority interest		(12)	(1)		
Net earnings		93	(272)	24	14
Net earnings per share (cents)	8				
Basic		27.0	(83.7)		
Diluted		25.1	(83.7)		
Weighted average number of shares outstanding (millions of shares)	8				
Basic		345	344		
Diluted		430	344		
Dividends declared per share (cents)		14.00	12.00		

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

Fletcher Building

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
		YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
Total equity and capital funds					
At the beginning of the year		790	969	705	
Net earnings - parent interest		93	(272)	24	14
Net earnings - minority interest	13	12	1		
Revaluation of fixed assets	11	(11)	91		
Taxation on revaluation of fixed assets	11, 22	(5)	(18)		
Movement in currency translation reserve	11	(19)	30		
Total recognised revenues and expenses for the year		70	(168)	24	14
Movement in minority equity	13	13			
Movement in reported capital	10	6	3	6	449
Movement in capital notes	23	(20)	59	(20)	250
Restatement of capital notes as debt	23	(230)		(230)	
Dividends and distributions	9	(38)	(73)	(38)	(8)
Total equity and capital funds		591	790	447	705

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

Fletcher Building

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	NOTE	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
		JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Assets					
Current assets:					
Cash and liquid deposits	14	59	132	9	32
Stocks	15	318	298		
Debtors	16	410	420	6	3
Contracts	17	(86)	(79)		
Total current assets		701	771	15	35
Non current assets:					
Fixed assets	18	669	759		
Investments	19	72	90	902	902
Provision for deferred taxation	22	96	136	1	
Advances to subsidiaries				290	341
Total non current assets		837	985	1,193	1,243
Total assets		1,538	1,756	1,208	1,278
Liabilities					
Current liabilities:					
Short-term loans		3	2	2	2
Accruals and provisions	20	101	98	3	
Creditors	21	401	463	8	16
Provision for current taxation	22	(12)	(1)	(6)	(5)
Capital notes	23	53		53	
Total current liabilities		546	562	60	13
Non current liabilities:					
Capital notes	23	177		177	
Term debt	24	224	404	190	390
Advances from subsidiaries				334	170
Total non current liabilities		401	404	701	560
Total liabilities		947	966	761	573
Equity					
Reported capital	10	455	449	455	449
Revenue reserves	12	66	11	(8)	6
Other reserves	12	43	78		
Shareholders funds		564	538	447	455
Capital notes	23		250		250
Minority equity	13	27	2		
Total equity		591	790	447	705
Total liabilities and equity		1,538	1,756	1,208	1,278

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

On behalf of the Board, 14 August 2002


Roderick Deane
Chairman of Directors


Ralph Waters
Managing Director

Fletcher Building

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002 NZ\$M	PRO FORMA YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
Cashflow from operating activities				
Receipts from customers	2,972	2,270	4	
Dividends received	12	12	41	20
Interest received	2	3	19	8
Total received	2,986	2,285	64	28
Payments to suppliers, employees and other	2,723	1,983	13	8
Interest paid	53	45	48	7
Income tax paid	23	6		
Total applied	2,799	2,034	61	15
Net cash from operating activities	187	251	3	13
Cashflow from investing activities				
Sale of fixed assets	12	14		
Sale of investments		17		
Sale of subsidiaries	42			
Total received	54	31		
Purchase of fixed assets	50	84		
Purchase of investments	1	3		
Purchase of subsidiaries		50		509
Net debt in subsidiaries acquired	14	9		
Total applied	65	146		509
Net cash from investing activities	(11)	(115)		(509)
Cashflow from financing activities				
Net debt settlements	(179)	(151)	(200)	392
Sale of taxation benefits to other Fletcher Challenge divisions		99		
Advances from subsidiaries			226	167
Issue of capital notes		185		2
Total received	(179)	133	26	561
Repurchase of capital notes	20	126	20	
Distribution to minority shareholders	14			
Dividends and distributions paid to stakeholders	32	77	32	33
Total applied	66	203	52	33
Net cash from financing activities	(245)	(70)	(26)	528
Net movement in cash held	(69)	66	(23)	32
Add opening cash and liquid deposits	132	64	32	
Effect of exchange rate changes on net cash	(4)	2		
Closing cash and liquid deposits	59	132	9	32

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

Fletcher Building

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Analysis of subsidiaries disposed¹				
Proceeds from sale of subsidiaries	42			
Fixed assets	17			
Current assets	22			
Term liabilities				
Current liabilities	(3)			
Minority interest				
Net assets of subsidiaries disposed	36			
Gain on disposal of subsidiaries	6			
Analysis of subsidiaries acquired²				
Fixed assets		63		
Goodwill on acquisition				
Term liabilities		(27)		
Cash acquired		18		
Current liabilities		(4)		
Net assets of subsidiaries acquired		50		

¹ Subsidiaries disposed were Varnsdorf Pty Limited for a profit of \$14 million; the rural business of Cyclone, a division of Fletcher Steel Limited, at book value; and the construction activities in Australia, upon which a loss of \$8 million was provided.

² Cash outflow on purchase of subsidiaries includes \$50 million for Varnsdorf Pty Limited in March 2001. Fletcher Construction was involved in an arbitration in Australia, concerning a project known as the Victorian Hospitals Co-generation Project. Under the arbitration settlement agreement, Fletcher Challenge Limited - Building Operations purchased Varnsdorf Pty Limited, the owner of the project, for A\$42 million in cash. The acquisition cost was then charged to earnings and provisions were reversed.

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

Fletcher Building

RECONCILIATION OF NET EARNINGS TO NET CASH FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2002

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Cash was received from:				
Net earnings	93	(272)	24	14
Adjustment for items not involving cash:				
Depreciation, depletions, amortisation and provisions	93	224	(3)	
Taxation	31	142	(10)	(3)
Minority interest in earnings of subsidiaries	12	1		
Non cash adjustments	136	367	(13)	(3)
Cashflow from operations ¹	229	95	11	11
Less (gain)/loss on disposal of affiliates and fixed assets	(16)	1		
Cashflow from operations before net working capital movements	213	96	11	11
Net working capital movements	(26)	155	(8)	2
Net cash from operating activities ²	187	251	3	13
Net working capital movements:				
Debtors	54	38	(3)	
Stocks	19	73		
Contracts	7			
Creditors	(106)	44	(5)	2
Net working capital movements	(26)	155	(8)	2

¹ Includes loss on disposal of affiliates and fixed assets.

² As per the Statement of Cashflows.

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

Fletcher Building

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2002

BASIS OF PRESENTATION

The financial statements presented are those of Fletcher Building Limited (the "company") and its subsidiaries (the "group"). Fletcher Building Limited is a company domiciled in New Zealand, is registered under the Companies Act 1993, and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993.

The financial statements comprise statements of the following: financial performance, movements in equity, financial position, cashflows and significant accounting policies, as well as the notes to these financial statements.

On 23 March 2001 Fletcher Challenge Limited – Building Operations, a targeted share of Fletcher Challenge Limited, became a stand-alone publicly listed company called Fletcher Building Limited under a court approved arrangement. Fletcher Building Limited was incorporated on 19 December 2000 and acquired the net assets of Fletcher Challenge Limited – Building Operations on 23 March 2001. The company and group therefore began trading on 24 March 2001.

The results of Fletcher Building group are for the period 1 July 2001 to 30 June 2002. The pro forma results for the twelve months ended 30 June 2001 consist of the results of Fletcher Challenge Limited – Building Operations for the period 1 July 2000 to 23 March 2001 and the results of the Fletcher Building group for the period 24 March 2001 to 30 June 2001. For the period ended 23 March 2001, Fletcher Challenge Limited – Building Operations was a division and targeted share of Fletcher Challenge Limited. As the financial statements of Fletcher Challenge Limited – Building Operations are derived from the financial statements of Fletcher Challenge Limited, they should at all times be read in conjunction with the financial statements of Fletcher Challenge Limited and in particular with the basis of attributing assets, liabilities, income and expenses to the then divisions of Fletcher Challenge Limited as set out in the statement of adopted policies.

The results of Fletcher Building Limited are for the period 1 July 2001 to 30 June 2002. The results for the period ended June 2001 are for the period 24 March 2001 to 30 June 2001.

ACCOUNTING CONVENTION

The financial statements are based on the general principles of historical cost accounting with the exception of specific fixed assets as noted below. These financial statements have been prepared in accordance with generally accepted accounting practice (GAAP) in New Zealand. Where no financial reporting standard or statement of standard accounting practice exists in New Zealand in relation to a particular issue, the accounting policies adopted have been determined having regard to authoritative support. These policies have been applied on a consistent basis except as disclosed in note 1, changes in accounting policies.

ESTIMATES

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the company and its subsidiaries and the group's interest in associates, partnerships and joint ventures. Inter-company transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries

Subsidiaries are included in the consolidated financial statements using the purchase method of consolidation, except for the acquisition of the assets and liabilities of Fletcher Challenge Limited – Building Operations, which were at book value. The company holds its investment in subsidiaries at cost.

Associates

The company holds its investment in associates at cost. Impairments in value of investments are written off to earnings as they arise.

Fletcher Building

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2002

Goodwill on Acquisition

Fair values are assigned to the assets and liabilities of subsidiaries of the group at the date they are acquired. Goodwill arises to the extent that the fair value is determined to be less than the purchase cost and this goodwill is amortised to earnings on a systematic basis over the period it is believed benefits will arise.

The period of amortisation will generally be five years or less; however, in individual cases it may be up to twenty years. The period of amortisation of any goodwill is regularly reviewed and, if it is believed that the amount remaining to be amortised will not be recovered by future benefits to be realised, the unrecoverable amount is written off to earnings and the balance amortised over the period it is believed benefits will be realised. Negative goodwill on acquisition arises to the extent the fair value is determined to exceed the purchase cost and this surplus is applied to reduce the book value of non-monetary assets acquired and, to the extent there are insufficient non-monetary assets, taken to earnings.

Joint Ventures

Where the ownership interest in the joint venture is in the net residue of the business and does not give rise to an economic or controlling interest in excess of 50 percent, the share of the net assets and liabilities and earnings of the investment is included on an equity basis. If the interest does give rise to a controlling interest in excess of 50 percent, the investment is consolidated.

Joint ventures in which the ownership interest is directly in the assets and liabilities rather than the net residue are included in proportion to the group's interest in the assets, liabilities and earnings.

FOREIGN CURRENCY

Translation of the Financial Statements of Foreign Operations

The assets and liabilities of the group's overseas operations are translated into New Zealand currency at the rates of exchange ruling at balance date. The revenue and expenditure of these entities are translated using an average exchange rate reflecting an approximation of the appropriate transaction rates. Exchange variations arising on the translation of these entities are recognised directly in the currency translation reserve.

Exchange Differences

Monetary assets and liabilities in foreign currencies at balance date, not covered by forward exchange contracts, are translated at the rates of exchange ruling at balance date.

Monetary assets and liabilities in foreign currencies at balance date, covered by forward exchange contracts, are translated at the exchange rates specified in those contracts.

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect when the amounts of these assets and liabilities were determined. If a foreign currency liability is designated as a hedge of a foreign currency non-monetary asset (or vice versa), both the asset and the liability are translated at the closing rate and the exchange difference taken to the currency translation reserve.

VALUATION OF ASSETS

Land, Buildings, Plant and Machinery, Fixtures and Equipment

Initial recording

The cost of purchasing land, buildings, plant and machinery, fixtures and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and the condition necessary for their intended service.

The costs of self-constructed assets include, where appropriate, the costs of all materials used in construction, direct labour on the project, site preparation and installation costs, costs of obtaining resource consents, financing costs that are directly attributable to the project, variable and fixed overheads and unrecovered operating costs incurred during planned commissioning. Costs cease to be capitalised as soon as the asset is ready for productive use. All feasibility costs are expensed as incurred.

Fletcher Building

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2002**Revaluations**

Land, buildings, plant and machinery are revalued by independent registered valuers on the basis of fair value. Revaluations are conducted on a systematic basis across the group so that each asset is revalued at least every five years. The values are reviewed annually to ensure that no asset is held at a value materially different from fair value.

Fixtures and equipment are stated at cost. Land, buildings, plant and machinery, fixtures and equipment are stated at cost or valuation, less accumulated depreciation.

Investments

Investments are valued at historical cost. Impairments in value of investments are written off to earnings as they arise.

Stocks

Trading stock, raw materials and work in progress are valued at the lower of cost or net realisable value determined principally on the first-in-first-out basis. Cost includes direct manufacturing costs and manufacturing overheads at normal operating levels.

Construction Contracts

Earnings on construction contracts (including sub-contracts) are determined using the percentage-of-completion method. Earnings are not recognised until the outcome can be reliably estimated. Provision is made for estimated future losses on the entire contract from the date it is first recognised that a contract loss may be incurred.

Debtors

Debtors are valued at estimated net realisable value. The valuation is net of a 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.

Cash

Cash and liquid deposits comprise cash and demand deposits with banks or other financial institutions and highly liquid investments that are readily convertible to cash.

Impairment

Impairment is deemed to occur when the recoverable amount falls below the book value of the asset. The recoverable amount is determined to be the sum of expected future discounted net cashflows arising from the ownership of the asset. Future net cashflows take into account remaining useful life, and the expected period of continued ownership, including any intended disposals, and any costs or proceeds expected to eventuate at the end of the remaining useful life or end of the expected period of continued ownership.

For the purposes of considering whether there has been an impairment, assets are grouped at the lowest level for which there are identifiable cashflows that are largely independent of the cashflows of other groups of assets. When an impairment loss arises the impairment is measured as the amount by which the book value exceeds the recoverable amount of the asset.

VALUATION OF LIABILITIES**Derivative Financial Instruments**

Derivative financial instruments including foreign exchange contracts, interest rate swaps, currency swaps, options, forward rate agreements and electricity price swaps are utilised to reduce exposure to market risks.

Group policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All derivative financial instruments are held to hedge risk on underlying assets, liabilities and sales and purchases. For a derivative instrument to be classified and accounted for as a hedge, it must be highly correlated with and effective as a hedge of the underlying risk being managed.

Derivative financial instruments are reported in the financial statements on a basis consistent with the underlying hedged item. The fair value of derivative financial instruments, as disclosed in the financial instrument note, is estimated based upon quoted market prices.

The group holds instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability which the instrument hedges no longer exists, in which case early termination occurs.

Fletcher Building

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2002**Taxation**

The provision for current tax is the estimated amount due for payment in the next 12 months by the group. The provision for deferred tax of the group is the liability for taxation that has been deferred because of timing differences less taxation benefits which will offset the deferred liability as it arises. The provision for deferred taxation of the group has been calculated by applying the liability method.

In the group, the future tax benefit of past and current tax losses, to the extent they exceed related deferred taxation liabilities, is not recognised unless recovery is considered certain.

Finance Leases

Finance leases are capitalised to reflect the term borrowing incurred and the cost of the asset acquired. Such obligations are classified within term debt. The finance cost portion of lease payments is written off to earnings. The leased asset is depreciated on a straight line basis over the estimated useful life of the asset with regard to residual values.

INCOME DETERMINATION**Revenue Recognition**

Operating revenue is recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer.

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.

Depreciation

Depreciation of fixed assets is calculated on the straight line method. Expected useful lives, which are regularly reviewed, are on a weighted average basis:

Buildings	30 years
Plant and machinery	13 years
Leased assets capitalised	10 years
Fixtures and equipment	5 years

Leasing Commitments

Expenditure arising from operating leasing commitments is written off to earnings in the period incurred. Purchased head leases are valued at cost and amortised over the unexpired period of the lease.

Pension Plan Expense

The actuarial cost of providing pension plan benefits in respect of services provided by pension plan members to the group is expensed as it accrues over the service life of the employees, taking account of the income earned by the income generating assets owned by the plan. Any over or under accrual of expenses or income from previous periods is amortised to earnings over a maximum period of the remaining average service life of plan members employed by the group.

Share Options Granted

Share options have been granted under a senior executive option scheme. The fair value of the option is recognised as an expense over the restricted period of the senior executive option scheme and a corresponding amount is recognised in shareholders' funds.

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NOTES TO THE FINANCIAL STATEMENTS

1 Changes in accounting policies

Financial Reporting Standard (FRS) 36, Accounting for Acquisitions Resulting in Combinations of Entities or Operations, and FRS 37, Consolidating Investments in Subsidiaries have been issued with a mandatory implementation date for accounting periods ending on or after 31 December 2002. The directors elected to comply with the requirements of FRS 36 and 37 prior to their mandatory implementation date. There has been no material impact on the financial statements in complying with FRS 36.

(a) Capital notes

Capital notes are long-term, fixed rate, unsecured subordinated notes. At each election date the coupon and term to the next election date of that series of notes is reset. Holders may then choose either to keep their capital notes on the new terms or to convert the notes to shares. Fletcher Building Limited may, at its option, purchase or redeem the capital notes for cash. Capital notes have previously been accounted for as a component of equity. The directors have reviewed this accounting treatment and have concluded that the capital notes are more fairly reflected if accounted for as debt. This change has been made for the year ended 30 June 2002.

As a result of this reclassification, interest on the capital notes is recorded as funding costs within the Statement of Financial Performance and in cashflow from operations within the Statement of Cashflows, rather than as a distribution from equity.

In accordance with the requirements of FRS 2, Presentation of Financial Reports, the comparative balances have not been restated.

(b) Share options

The company has changed how it accounts for share options. Previously, no expense was recognised for these.

The company now accounts for the fair value of the options at their grant date, and recognises this as an expense over the restricted period provided by the scheme. A corresponding amount is recognised in shareholders' funds. For the year ended 30 June 2002 an amount of \$256,000 has been expensed. There is no material impact on the Statement of Financial Position or the Statement of Cashflows.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

1 Changes in accounting policies continued

(c) Consolidation of PlaceMakers

As a result of FRS 37 the group has changed how it accounts for the PlaceMakers joint ventures comprising 42 legal entities. Previously these were held at cost. However, for the year ended 30 June 2002, they have been consolidated.

The effect of the change is as per the following table.

	15 MONTHS TO JUNE 2002 NZ\$M
Operating revenue	670
Operating expenses	(644)
Operating earnings	26
Funding costs	(3)
Earnings before taxation	23
Taxation expense	(9)
Earnings after taxation	14
Minority interest	(12)
Net earnings	2
Total current assets	113
Investments	(21)
Fixed assets	10
Total assets	102
Total current liabilities	51
Term liabilities	22
Total liabilities	73
Shareholders funds	3
Minority equity	26
Total equity	29
Total liabilities and equity	102
Net cash from operating activities	(1)
Net cash from investing activities	(5)
Net cash from financing activities	6
Net movement in cash held	0

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**1 Changes in accounting policies continued****(d) PlaceMakers change in balance date**

Changes in the ownership percentage for the PlaceMakers joint ventures now make it appropriate to recognise earnings on a consistent basis with the rest of the group. Previously income was recognised on an April to March year, in line with the joint venture companies balance date. This period's earnings include 15 months of the joint ventures earnings from 1 April 2001 to 30 June 2002.

The earnings from 1 April 2001 to 30 June 2001 are stated in the following table.

	THREE MONTHS ENDED JUNE 2001 NZ\$M
Operating revenue	119
Operating expenses	(115)
Operating earnings	4
Funding costs	
Earnings before taxation	4
Taxation expense	(1)
Earnings after taxation	3
Minority interest	(1)
Net earnings	2

These operating earnings have been disclosed as unusual income in note 3.

(e) Restatement of results

In the segmental analysis in note 34 the comparative balances have been restated for Distribution for operating revenue, operating earnings and total assets. Previously the results for 30 June 2001 were for twelve months with the joint ventures reported at cost, and the results for 30 June 2002 are for fifteen months on a consolidated basis. To ensure comparability the results of Distribution have been restated for both years on a twelve month consolidated basis.

Certain comparatives have been restated to conform with the current year's presentation.

There were no other changes in accounting policies during the year.

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NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M	YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
2 Operating revenue				
Operating revenue includes:				
Trading sales to external customers	2,955	2,249	2	
Dividends	11	12	41	20
Interest			19	8
Income from joint ventures		12		
	2,966	2,273	62	28
3 Operating earnings				
Operating earnings includes:				
Net gains on disposal of fixed assets	(2)			
Amortisation of goodwill and intangibles	7	9		
Depreciation and depletions:				
Buildings	5	6		
Plant and machinery	56	67		
Fixtures and equipment	20	7		
Resource extraction assets	1	1		
Total depreciation and depletions	82	81		
Net periodic pension cost/(benefit)	(8)	(6)		
Unusual items:				
Restructuring and separation costs ¹			43	
Impairment ²	11	101		
Other (gains)/losses ³	(12)	37		
PlaceMakers joint ventures three month income to 30 June 2001 ⁴	(4)			
Research and development	2	3		
Bad debts written off	7	8		
Directors' fees	1			
Donations	1	1		
Maintenance and repairs	54	59		
Operating lease expense	38	34		
Auditors' fees and expenses payable for:				
Statutory audit	1	1		
Other services ⁵	1	5		

¹ Restructuring and separation costs relate to costs of \$43 million in June 2001 arising from the separation of the Fletcher Challenge targeted share structure.

² The impairment relates to the overseas concrete operations of \$11 million in June 2002 and \$70 million in June 2001. In addition June 2001 includes impairment to the concrete operations in New Zealand of \$17 million and the group's owned properties in Auckland of \$14 million.

³ Other gains in June 2002 relate to the \$14 million profit on sale of Varnsdorf Pty Limited, a gain on sale of land at Lunn Avenue of \$6 million, and a loss of \$8 million relating to the sale of the construction activities in Australia. Other losses of \$37 million in June 2001 relate to the settlement of a dispute over the construction of co-generation plants in Australia.

⁴ Refer note 1 (d).

⁵ Fees paid to the auditors for other services in 2002 consist mainly of the half annual review and taxation work in overseas jurisdictions.

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NOTES TO THE FINANCIAL STATEMENTS**4 Discontinued operations**

During the year, Fletcher Building Limited disposed of the following business operations by way of sale: Varnsdorf Pty Limited, an Australian co-generation power business, the Australian construction business, and the rural business of Cyclone, a division of Fletcher Steel Limited.

The impact on the 2002 financial year of the discontinued operations is shown below.

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Operating revenue				
Discontinued operations	272			
Continuing operations	2,694	2,273	62	28
Total group	2,966	2,273	62	28
Operating earnings				
Discontinued operations	5			
Continuing operations	205	(87)	60	20
Total group	210	(87)	60	20
5 Funding costs				
Interest payable on:				
Term debt	28	10	24	9
Attributed debt		26		
Short term loans and bank overdrafts	3	2		
Capital notes interest	22		22	
Income from short term deposits	(2)	(3)		
	51	35	46	9
Plus share registry and issue expenses		1		
	51	36	46	9

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
6 Taxation expense				
Earnings before taxation:				
Domestic	154	2	14	11
Foreign	5	(125)		
	159	(123)	14	11
Taxation at 33 cents per dollar	52	(40)	5	4
Adjusted for:				
Impairment	4	23		
Restructuring and separation costs		10		
Non assessable income	(9)		(15)	(7)
Non deductible expenses	4			
Taxation charge from overseas jurisdictions	2			
Other permanent differences	1	12		
Unusual tax items:				
Attributed taxation benefits lost upon separation		133		
Permanent differences		3		
Taxation in respect of prior periods		7		
	54	148	(10)	(3)
Taxation expense on earnings before unusuals	54	23	(10)	(3)
Taxation expense/(benefit) on unusual items		(18)		
Unusual tax expense arising upon separation		143		
	54	148	(10)	(3)
Current taxation				
New Zealand	44	(3)	(9)	(3)
Non New Zealand	5	8		
Deferred taxation				
New Zealand	3	99	(1)	
Non New Zealand	2	44		
	54	148	(10)	(3)

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
7 Shareholder tax credits				
Imputation credit account				
Imputation credits at the beginning of the year			2	
Imputation credits received	1			
Imputation credits lost upon separation		(2)		
	<u>1</u>			
Imputation credits available to Shareholders at year end are:				
Subsidiaries	1			
	<u>1</u>			
Dividend withholding payment credit account				
Dividend withholding payment credits at the beginning of the year	(7)	(7)	(7)	
Dividend withholding payment credits received	20	14	20	
Transfer to conduit tax relief account	(7)		(7)	
Dividend withholding payment credits attached to dividends paid	(16)	(14)	(16)	(7)
	<u>(10)</u>	<u>(7)</u>	<u>(10)</u>	<u>(7)</u>
Dividend withholding payment credits available to Shareholders at year end are:				
Parent company	(10)	(7)	(10)	(7)
	<u>(10)</u>	<u>(7)</u>	<u>(10)</u>	<u>(7)</u>
Conduit tax relief account				
Conduit tax relief credits at the beginning of the year	(3)	(7)	(3)	
Conduit tax relief credits received		12		
Conduit tax relief lost upon separation		1		
Transfer from dividend withholding payment credit account	7		7	
Conduit tax relief credits attached to dividends paid	(4)	(9)	(4)	(3)
		<u>(3)</u>		<u>(3)</u>
Conduit tax relief credits available to Shareholders at year end are:				
Parent company		(3)		(3)
		<u>(3)</u>		<u>(3)</u>

Fletcher Building Limited has until March 2003 to fund any deficiency in its dividend withholding payment credit account.

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NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP	
	PRO FORMA	
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M
8 Net earnings per share		
Diluted net earnings per share applies the weighted average number of shares used for basic net earnings per share, adjusted for dilutive securities. Capital notes and options are convertible into the company's shares, and are therefore considered dilutive securities for diluted net earnings per share.		
Numerator		
Net earnings	93	(272)
Capital note distributions		(16)
Numerator for basic earnings per share	93	(288)
Dilutive capital notes distribution	15	
Numerator for diluted net earnings per share	108	(288)
Denominator (millions of shares)		
Denominator for basic net earnings per share	345	344
Conversion of dilutive capital notes	85	
Denominator for diluted net earnings per share	430	344

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
9 Dividends and distributions				
Dividends and distributions paid to holders of:				
Shares ¹	41	48	41	
Conduit tax relief paid	4	9	4	3
Refund of conduit tax relief	(7)		(7)	
Capital notes ²		16		5
	<u>38</u>	<u>73</u>	<u>38</u>	<u>8</u>

¹ No final dividend for June 2002 was provided for in the June 2002 financial statements. On 14 August 2002, the directors declared a final dividend for the 2002 year of eight cents per share. This will be paid on 14 November 2002.

² For the year ended 30 June 2002, capital notes have been reclassified as debt. Interest paid on these notes is classified as interest within the Statement of Financial Performance.

10 Capital

Reported capital:

Reported capital at the beginning of the year	449	500	449	
Issue of shares	6	3	6	449
Adjustment to reserves required on issue of shares on separation		(54)		
Reported capital	455	449	455	449

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		

10 Capital continued**Shares:**

Number of shares at the beginning of the year	344,540,655	342,632,401	344,540,655	
Issue of shares		2	344,540,655	
Shares issued under the dividend reinvestment plan	2,020,171	1,908,252	2,020,171	
Shares on issue	346,560,826	344,540,655	346,560,826	344,540,655

Share options:

On 13 June 2001, the company issued 1,000,000 share options under the executive option scheme. The exercise price of the share options is \$2.28. The restrictive period is until 16 May 2004 and the final exercise date is 13 June 2007.

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001		

11 Reserve movements

Reserves at the beginning of the year	89	277	6	
Net earnings	93	(272)	24	14
Asset revaluation	(16)	73		
Net currency translations	(19)	30		
Adjustment to capital required on issue of shares on separation		54		
Dividends and distributions paid ¹	(38)	(73)	(38)	(8)
Total reserves	109	89	(8)	6

¹refer note 9

12 Reserve balances

Reserves comprise:

Revenue reserves	66	11	(8)	6
Asset revaluation - land and buildings	13	15		
Asset revaluation - plant and machinery	44	58		
Net currency translation	(14)	5		
Total reserves	109	89	(8)	6

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002	JUNE 2001	JUNE 2002	JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M

13 Minority equity

Share capital	21			
Reserves	6	2		
	27	2		

14 Cash and liquid deposits

Cash and bank balances	51	100	1	1
Short term deposits	8	32	8	31
	59	132	9	32

\$2 million of the cash at 30 June 2002 (June 2001 \$18 million) represents cash held by the group on behalf of former divisions of the Fletcher Challenge Limited Group. The obligation to these other parties is included within other liabilities in creditors.

15 Stocks

Raw materials	45	48		
Work in progress	20	21		
Finished goods	247	210		
Consumable stores and spare parts	6	19		
	318	298		

16 Debtors

Trade debtors	298	259		
Contract debtors	75	118		
Less provision for doubtful debts	(14)	(22)		
	359	355		
Other receivables	51	65	6	3
	410	420	6	3

17 Contracts

Gross construction work in progress	793	614		
Progress billings	(879)	(693)		
Work in progress	(86)	(79)		

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
18 Fixed assets				
Valuation				
Land	55	61		
Buildings	79	75		
Plant and machinery	513	545		
Cost				
Fixtures and equipment	175	117		
Resource extraction assets	5	4		
Leased assets capitalised	18	17		
Total cost or valuation	845	819		
Accumulated depreciation				
Buildings	(5)			
Plant and machinery	(51)			
Fixtures and equipment	(116)	(62)		
Leased assets capitalised	(7)	(5)		
Total accumulated depreciation	(179)	(67)		
Net book value				
Land	55	61		
Buildings	74	75		
Plant and machinery	462	545		
Fixtures and equipment	59	55		
Resource extraction assets	5	4		
Leased assets capitalised	11	12		
Total net book value	666	752		
Goodwill	3	7		
Total fixed assets	669	759		

All land, buildings, plant and machinery were revalued to fair value at 30 June 2001. The values were determined by an independent registered valuer, Beca Valuations Ltd, which is a registered and chartered engineer and a member of the New Zealand Institute of Valuers.

Assets held in South America were revalued at 30 June 2002 by independent valuers and \$11 million has been written off to the asset revaluation reserve. The directors then wrote down the value of the assets by a further \$8 million to recognise the impairment on assets available for sale. These assets have a total net book value of \$33 million.

During the year \$2 million was capitalised to the cost of fixed assets. This represents employment and overhead costs arising from the construction activities undertaken by The Fletcher Construction Company Limited for another group subsidiary. No interest costs were capitalised.

The government valuations of land and buildings at 30 June 2002, where we have received them, is \$158 million.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
19 Investments				
Investment in associates (at cost)	17	21		
Investment in other companies	1	1		
Joint ventures				21
Pension plan surplus ¹	53	45		
Other investments	1	2		
Investment in subsidiary companies ²			902	902
	72	90	902	902
Carrying amount of associates				
Carrying amount at the beginning of the year	21	21		
Impairment of assets	(4)			
Carrying amount at the end of the year	17	21		

¹ refer note 33

² refer note 32

20 Accruals and provisions

Employee entitlements	39	36		
Construction, property and product warranty claims	47	52		
Other liabilities	15	10	3	
	101	98	3	

The group has provided for various construction claims, onerous property contracts and product warranty obligations. During the year \$5 million was charged to earnings, \$4 million was settled, \$3 million was utilised and \$3 million released to earnings. The provisions are expected to be utilised over the next seven years.

21 Creditors

Trade creditors	359	419		
Accrued interest	6	6	6	6
Other liabilities	36	38	2	10
	401	463	8	16

22 Taxation assets

Current taxation	12	1	6	5
Deferred taxation	96	136	1	
Provision for taxation	108	137	7	5
Provision for deferred taxation:				
Provisions	31	36	1	
Provision for doubtful debts	5	7		
Depreciation and amortisation	58	88		
Other	2	5		
Provision for deferred taxation	96	136	1	

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	PRO FORMA		YEAR ENDED JUNE 2002 NZ\$M	PERIOD ENDED JUNE 2001 NZ\$M
	YEAR ENDED JUNE 2002 NZ\$M	YEAR ENDED JUNE 2001 NZ\$M		
22 Taxation assets continued				
Provision for current taxation:				
Opening provision for taxation	1		5	
Taxation in the Statement of Financial Performance	(49)	(5)	9	3
Transfer from deferred taxation	29			
Consolidation of PlaceMakers	2			
Minority share of taxation expense	7			
Intercompany payment			(6)	
Taxation in reserves	(1)	6	(2)	2
Net taxation payments	23			
Provision for current taxation	12	1	6	5
Provision for deferred taxation:				
Opening provision for taxation	136	359		
Taxation in the Statement of Financial Performance	(5)	(143)	1	
Transfer to current taxation	(29)			
Sale of losses to other Fletcher Challenge divisions		(99)		
Taxation on asset revaluation	(5)	(18)		
Net taxation payments		15		
Taxation in reserves	(1)	22		
Provision for deferred taxation	96	136	1	

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
	23 Capital notes			
Capital notes	Coupon	Election date		
Series 2001	12.75%	31 October 2001		36
Series 2002	11.75%	15 December 2002	28	28
Series 2003	8.55%	15 June 2003	25	25
Series 2003	10.80%	30 November 2003	17	17
Series 2004	8.50%	15 April 2004	43	43
Series 2005	10.50%	30 April 2005	68	68
Series 2006	8.75%	15 March 2006	33	33
Series 2006	7.90%	31 October 2006	16	16
Capital notes of Fletcher Building	230	250	230	250
Capital notes due for election within 12 months	53	36	53	36
Capital notes due for election after 12 months	177	214	177	214
Capital notes of Fletcher Building	230	250	230	250

During the year the company repurchased \$20 million of capital notes. In the prior year \$59 million were issued.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**23 Capital notes continued**

Capital notes are long-term fixed rate unsecured subordinated notes. On each election date, the coupon rate and term to the next election date of that series of the capital notes will be reset. Holders may then choose either to keep their capital notes on the new terms or to convert the principal amount and any accrued but unpaid interest into shares, in the prescribed ratio at approximately 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 but unpaid 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. Fletcher Building Limited has covenanted not to pay dividends to its shareholders, while interest that is due and payable on any capital notes has not been paid.

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 were to be converted to shares, 85 million shares would be issued at the share price as at 30 June 2002, of \$2.75.

24 Term debt**Loans subject to the negative pledge**

The group borrows funds based on covenants and a negative pledge arrangement. The principal borrowing covenants relate to gearing, interest cover and minimum net tangible assets and at 30 June 2002, the group was in compliance with all its covenants. The negative pledge ensures that external senior indebtedness ranks equally in all respects and includes the covenant that security can be given only in very limited circumstances.

Loans not subject to the negative pledge

Loans not having the benefit of the negative pledge are secured against the subsidiaries' own statement of financial position or specific assets.

Unused committed lines of credit

At 30 June 2002, the group had \$614 million of committed facilities of which \$385 million was undrawn.

At 30 June 2001, there were \$639 million committed facilities of which \$235 million was undrawn.

	FLETCHER BUILDING GROUP		FLETCHER BUILDING LIMITED	
	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Floating loans	84	332	84	332
Fixed loans	106	58	106	58
Loans not subject to the negative pledge - floating	22			
Loans not subject to the negative pledge - fixed	12	14		
Term debt	224	404	190	390

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**24 Term debt continued****Summary of repayment terms and interest rates by repayment period**

	FLETCHER BUILDING GROUP			
	JUNE 2002 NZ\$M	JUNE 2002 INT. RATE %	JUNE 2001 NZ\$M	JUNE 2001 INT. RATE %
Due for repayment:				
within one year	25	8.1	3	9.9
two years	2	10.6	3	10.2
three years	2	10.6	3	10.2
four years	192	7.0	2	10.1
five years	1	10.5	391	6.8
after five years	2	10.5	2	10.0
Term debt	224	7.2	404	6.9

The amount due for repayment within one year relates to the PlaceMakers joint ventures. This facility is reviewed annually.

Summary of repayment terms and interest rates by repayment period

	FLETCHER BUILDING LIMITED			
	JUNE 2002 NZ\$M	JUNE 2002 INT. RATE %	JUNE 2001 NZ\$M	JUNE 2001 INT. RATE %
Term debt due for repayment within four years	190	7.0		
Term debt due for repayment within five years			390	6.8

25 Financial instruments

Exposures to currency, interest rate, and commodity risks arise in the normal course of the group's business.

To manage and limit the effects of these financial risks the group operates within the following policies and utilises the following financial instruments.

Management policies

The group does not enter into derivative financial instruments for trading or speculative purposes. The group's policies are:

Currency balance sheet risk

To manage foreign exchange exposure to balance sheet currency risk by utilising currency swaps. The only significant unhedged assets are in South America where it is not practical to manage the currency exposures. Net assets in South America at 30 June 2002 total \$30 million.

Currency trade risk

No currency exchange risk may be entered into or allowed to remain outstanding should it arise on trade transactions. When exposures are incurred by operations in currencies other than their functional currency, currency forwards, swaps, forward rate agreements and options are entered into to eliminate the exposure.

Interest rate risk

To manage the fixed interest rate ratio on its debt and capital notes portfolio within the range of 40 to 60 percent. The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Interest rate swaps, forward rate agreements and options are entered into to manage this position.

Commodity price risk

To use commodity price swaps and options to manage the market price risk of a commodity. The group manages its commodity price risk depending on the underlying exposures, economic conditions, and access to active derivatives markets.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**25 Financial instruments continued****Off balance sheet risk**

Financial instruments are used as a means of reducing exposure to fluctuations in foreign exchange rates, interest rates and commodity prices. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset with an opposite effect on the items being hedged. The principal or contract amounts of forward exchange contracts and financial instruments with off balance sheet risk for the group are as follows:

PRINCIPAL OR CONTRACT AMOUNT	JUNE 2002	JUNE 2001
	NZ\$M	NZ\$M
Foreign currency forward exchange contracts		
To pay	106	112
To receive	(107)	(113)
	(1)	(1)
Foreign currency options purchased		3
Foreign currency options sold		1
Interest rate swaps	109	63
Electricity price swaps	13	16

The cash settlement amounts of these instruments, if they had settled on 30 June 2002, approximates the principal or contract amounts, except for interest rate swaps, currency options and commodity price swaps for which the cash settlement is limited to the fair value.

Credit risk

To the extent that the group has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. At balance date there were no significant concentrations of credit risks in respect of trade receivables. The group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments. In accordance with the established counterparty restrictions, there are no significant concentrations of credit risk in respect of financial instruments.

Interest rate repricing

The following table sets out the interest rate repricing profile and weighted average interest rate of the group's term debt, capital notes and interest rate hedges:

	JUNE 2002	JUNE 2002	JUNE 2001	JUNE 2001
	NZ\$M	INT. RATE %	NZ\$M	INT. RATE %
Interest rate repriced:				
within one year	218	7.9	371	7.2
two years	63	9.2	114	9.3
three years	70	10.5	63	9.2
four years	84	7.5	70	10.5
five years	17	8.0	34	8.8
after five years	2	10.0	2	10.0
	454	8.4	654	8.2

The net effective interest rate for cash and liquid deposits and bank overdrafts as at 30 June 2002 is 2 percent. Debtors and creditors are not interest rate sensitive.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**25 Financial instruments continued****Fair values**

The estimated fair values of the group's financial assets and liabilities which differ from their carrying values are as follows:

	JUNE 2002 CARRYING VALUE NZ\$M	JUNE 2002 FAIR VALUE NZ\$M	JUNE 2001 CARRYING VALUE NZ\$M	JUNE 2001 FAIR VALUE NZ\$M
Currency forward exchange contracts		1		
Currency options				
Interest rate swaps				(2)
Electricity price swaps		(1)		9
				7

The carrying values in the fair value table include interest accruals which are included within current assets and current liabilities. Term debt of \$224 million (refer note 24) includes cross-currency and interest rate swaps and currency forward exchange contracts.

The fair value of derivative financial instruments is based on the quoted or estimated market prices of those instruments.

Foreign currencies

Included in creditors are the following foreign currency amounts translated into New Zealand dollars:

	NZ\$1.00 EQUALS	NEW ZEALAND DOLLAR AMOUNT
Foreign currency amount		
36 million Australian dollars	A\$0.8684	\$42 million
5 million Peruvian soles	Soles 1.7181	\$3 million
40 million Bolivian boliviano	Bob 3.4987	\$11 million
9 million United States dollars	US\$0.4897	\$17 million

There are no other material monetary assets or liabilities translated from foreign currencies.

26 Capital expenditure commitments

	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Approved by the directors but uncommitted at period end	10	6
Committed at period end	11	8
	21	14

27 Lease commitments

The expected future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at 30 June are as follows:

within one year	37	31
two years	34	27
three years	27	24
four years	24	23
five years	22	21
after five years	38	72
	182	198

Operating lease commitments relate mainly to occupancy leases of buildings.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**28 Contingent liabilities**

Provision has been made in the ordinary course of business for all known and probable future claims but not for such claims as are considered remote. Contingent liabilities arise in respect of the following categories:

	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Contingent liabilities with respect to guarantees extended on trading transactions, performance bonds and other transactions	158	123
Letters of credit	5	6

29 Environment

It is group policy to monitor environmental performance on an ongoing basis and to require that all of its operations comply with applicable environmental regulatory requirements. As part of this policy, management is required to report regularly to the Board of Directors on current and future environmental performance. The group also commissions regular independent reports with respect to environmental management systems and the implementation of this policy.

The group is subject to numerous national and local environmental laws and regulations concerning its products, operations and other activities. Failure to comply with these laws and regulations may result in orders being issued that could cause certain of the group's operations to cease or be curtailed or may require installation of additional equipment at substantial cost. Violators may be required to compensate those suffering loss or damage by reason of violations and may be fined if convicted of an offence under such legislation.

Management believes that the group's activities are in compliance in all material respects with applicable environmental laws and regulations.

30 Self-insurance

The company has completed an analysis of its capacity to retain otherwise insurable loss. The directors believe that the group's risk management programmes are adequate to protect its assets and earnings against losses incurred, within the self-insurance level of \$10 million.

Based on past experience, the directors do not anticipate that future losses within these levels would have a significant impact on the group's financial position or performance.

In certain circumstances, where required by law or where management considers it appropriate, insurance may be arranged for exposures within the self-insurance levels.

In general terms, subject to the self-insurance levels, the group remains insured with insurers of high credit quality for the following risks at 30 June 2002:

	LOSS INSURED FOR EACH EVENT NZ\$M
Public and product liability	100
Loss or damage to group property including business interruption	100
Marine public liability	50
Public and product liability resulting from construction activities	50
Property in the course of construction	50

The group has made provision for reported and estimated unreported losses incurred at balance date.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**31 Related party transactions**

	FLETCHER BUILDING GROUP PRO FORMA		FLETCHER BUILDING LIMITED	
	YEAR ENDED JUNE 2002	YEAR ENDED JUNE 2001	YEAR ENDED JUNE 2002	PERIOD ENDED JUNE 2001
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Fletcher Building Group				
Purchase of lumber and wood products from Fletcher Challenge Forests ¹		47		
Purchase of scrap metal from Sims Pacific Metals Limited	46	41		
Amounts owing relating to the purchase of scrap metal from Sims Pacific Metals Limited and included within creditors	3			
Fletcher Building Limited				
Interest income received from subsidiary companies			19	8
Dividend received from subsidiary companies			41	20
Term receivable owing from subsidiary companies ²			290	341
Term liability owing to subsidiary companies ²			(334)	(170)

¹ All trading activities with other Fletcher Challenge divisions were carried out on a commercial and arm's length basis and relate to the period prior to the separation of the Fletcher Challenge group.

² These advances are for no fixed term but represent long term funding advances, and bear interest at 7.5 percent. The principal subsidiaries included within investment in subsidiary companies are disclosed in note 32, Principal operations.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**32 Principal operations**

Fletcher Building Limited is the holding company of the Fletcher Building group. The principal subsidiaries and associates, as at 30 June 2002, are outlined below:

	COUNTRY OF DOMICILE	% HOLDING	PRINCIPAL ACTIVITY
Principal subsidiaries			
Fletcher Building Holdings Limited	NZ	100	Holding company
Fletcher Building Products Limited	NZ	100	Building products
Fletcher Concrete and Infrastructure Limited	NZ	100	Concrete products
Fletcher Distribution Limited	NZ	100	Merchandising
Fletcher Steel Limited	NZ	100	Steel production
Fletcher Residential Limited	NZ	100	Housing
The Fletcher Construction Company Limited	NZ	100	Construction
Winstone Wallboards Limited	NZ	100	Gypsum plasterboards
Fletcher Property Limited	NZ	100	Property management
PlaceMakers subsidiaries	NZ	50.1	Retail
Firth Industries Peru S.A.	Peru	100	Concrete products
Fletcher Challenge Industries S.A.	Bolivia	100	Concrete products
Fletcher Challenge Building Bolivia S.A.	Bolivia	100	Holding company
Cemac (Hong Kong) Limited	Hong Kong	100	Wall partitions & ceiling systems
Fletcher Construction Company (Fiji) Limited	Fiji	100	Construction
Fletcher Challenge Concrete Industries (Fiji) Limited	Fiji	100	Quarrying
Metromix Concrete Company Limited	Fiji	100	Concrete products
Fletcher Projects Pty Limited	Australia	100	Construction
Fletcher Building (Australia) Pty Limited	Australia	100	Holding company
Fletcher Aluminium Pty Limited	Australia	100	Aluminium extrusion
Fletcher Construction (Solomon Islands) Limited	Solomon Is.	100	Construction
Fletcher Morobe Construction Pty Limited	PNG	100	Construction
Fletcher Building Netherlands BV	Netherlands	100	Finance
Tasman Investments (NA) NV	Neth. Antilles	100	Finance
Associates			
Fletcher Pioneer Mauritius Limited	India	50	Readymix
Sims Pacific Metals Limited	NZ	50	Metal recycling

33 Pension plan

Fletcher Building Limited is the principal sponsoring company of a defined benefit pension plan covering certain employees. Membership to the plan has been closed for a number of years. This plan is accounted for in accordance with Statement of Financial Accounting Standard (FAS) 87, Employers Accounting for Pensions. This has the effect of smoothing the volatility in the returns earned by the plan through amortising gains and losses over the life of the plan. At balance date \$32 million of net losses are to be expensed in future periods.

If the funding ratio of the plan falls below 115 percent at any two consecutive annual actuarial valuations, Fletcher Building Limited has an obligation to ensure that the value of the assets is re-established to at least 115 percent of the plan's accrued actuarial liability, as calculated by the plan's actuary. This calculation is done on the plan's funding basis which differs from the calculation under FAS 87. At 31 March 2002, being the plan's balance date and the date of the actuarial assessment, the value of the assets exceeded 115 percent of the actuarial liability and no contributions have been made by the company in this period.

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**33 Pension plan continued**

The benefits are based on years of service and the employees' compensation during that service. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Plan assets consist primarily of property, equity and fixed income securities.

	JUNE 2002 NZ\$M	JUNE 2001 NZ\$M
Assets of the plan		
Assets of plan at fair value	268	304
Total projected benefit obligation	(247)	(267)
Funded surplus	21	37
Projected unrecognised funded (surplus)/obligation consists of:		
Prior service costs	1	1
Net (gain)/loss ¹	50	35
Transition asset ²	(19)	(28)
Projected unrecognised funded (surplus)/obligation	32	8
Recognised funded surplus ³	53	45

¹ The unrecognised net loss is being amortised over ten years.

² The net transition asset is being amortised over two years as per the requirements of FAS 87.

³ Recognised funded surplus included within note 19, Investments.

Net periodic pension cost

Service cost earned during the year	(3)	(3)
Interest cost on projected benefit obligation	(12)	(9)
Actual return on assets	2	7
Net amortisation of:		
Transition asset	9	6
Amortisation of net (gain)/loss	(4)	
Difference between expected and actual return on assets	16	5
Net periodic pension (cost)/benefit	8	6

Assumptions used

The following table provides the weighted average assumptions used to develop the net periodic pension cost and the actuarial present value of projected benefit obligations for the group's plan:

	2002 %	2001 %
Assumed discount rate on benefit obligations	4.75	4.8
Expected long term rate of return on plan assets	5.5	6.0
Rate of increase in future compensation levels	3.5	4.0

Fletcher Building

NOTES TO THE FINANCIAL STATEMENTS**34 Segmental information**

NZ\$M	PRO FORMA		PRO FORMA		JUNE 2002 TOTAL ASSETS	JUNE 2001 TOTAL ASSETS
	JUNE 2002 OPERATING REVENUE	JUNE 2001 OPERATING REVENUE	JUNE 2002 OPERATING EARNINGS (EBIT)	JUNE 2001 OPERATING EARNINGS (EBIT)		
Industry Segments						
Building Products	820	840	85	58	571	583
Distribution	686	638	34	18	180	169
Concrete	470	454	60	31	479	562
Construction	871	808	30	5	123	254
Other			(4)	(6)	185	266
	2,847	2,740	205	106	1,538	1,834
Adjustment for						
Distribution ¹	119 ²	(467) ³	4 ²	(12) ³		(78)
Other unusual items			1	(181)		
Group	2,966	2,273	210	(87)	1,538	1,756

¹ In the segmental analysis the comparative balances have been restated for Distribution for operating revenue, operating earnings and total assets. Previously the results for 30 June 2001 were for twelve months with the joint ventures accounted for at cost, and the results for 30 June 2002 are for 15 months on a consolidated basis. To ensure comparability, the results for Distribution have been restated for both years on a twelve months consolidated basis.

² Additional three months results recognised in June 2002.

³ Adjustments required to remove the impact of consolidating PlaceMakers in the comparative results.

NZ\$M	PRO FORMA		PRO FORMA		JUNE 2002 TOTAL ASSETS	JUNE 2001 TOTAL ASSETS
	JUNE 2002 OPERATING REVENUE BY ORIGIN	JUNE 2001 OPERATING REVENUE BY ORIGIN	JUNE 2002 OPERATING EARNINGS (EBIT)	JUNE 2001 OPERATING EARNINGS (EBIT)		
Geographical segments						
Australia	315	272	4	(43)	39	83
New Zealand	2,513	1,870	210	41	1,420	1,504
Other	138	131	(4)	(85)	79	169
Group	2,966	2,273	210	(87)	1,538	1,756

REPORT OF THE AUDITOR



The Directors
Fletcher Building Limited
Private Bag 92 114
AUCKLAND

14 August 2002

Dear Directors

FINANCIAL STATEMENTS AND HISTORICAL FINANCIAL INFORMATION FLETCHER BUILDING LIMITED AND SUBSIDIARIES

We have examined the financial statements set out on pages 100 to 131 and the Company and Group historical financial information on pages 36 to 39. These financial statements and historical financial information have been presented pursuant to Clauses 16 to 31 and Clause 7 of the Second Schedule of the Securities Regulations 1983. The financial statements provide information about the past financial performance of the Company and Group and its financial position as at 30 June 2002. This information is stated in accordance with the accounting policies set out on pages 106 to 109.

Directors' responsibilities

The Directors are responsible for the preparation of the Company and Group financial statements and historical financial information in a manner consistent with the Securities Regulations 1983.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to the Directors and to report whether the historical financial information set out on pages 36 to 39 has been correctly extracted from audited financial statements.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Company and certain subsidiaries in relation to taxation and general accounting services. A related firm, KPMG Legal has provided legal services to the Company and certain subsidiaries. Partners and employees of our firm may also deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. These matters have not impaired our independence as auditors of the Company and Group. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

Unqualified opinion

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appeared from our examination of those records;
- the financial statements on pages 100 to 131:
 - comply with Clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983;
 - subject to these regulations, comply with New Zealand generally accepted accounting practice; and
 - give a true and fair view of the financial position of the Company and Group as at 30 June 2002 and the results of its operations and cashflows for the year ended on that date.

Our audit was completed on 14 August 2002 and our unqualified opinion was expressed as at that date.

In respect of the amounts stated pursuant to Clause 7 of the Second Schedule of the Securities Regulations 1983, set out on pages 36 to 39 in our opinion:

- the Company statement of financial performance amounts for the period ended 30 June 2001 and the year ended 30 June 2002 and the statement of financial position amounts as at 30 June 2001 and 2002 on page 39 have been correctly extracted from the audited financial statements.
- the Group statement of financial performance amounts for the year ended 30 June 2002 and 2001 and the statement of financial position amounts as at 30 June 2001 and 2002 on page 37 have been correctly extracted from the audited Fletcher Building Group financial statements.
- the Group statement of financial performance amounts for the years ended 30 June 1998, 1999 and 2000 and the statement of financial position amounts as at 30 June 1998, 1999 and 2000 on page 37 represent amounts that would have appeared in the Group financial statements if they had been prepared. These amounts have been correctly derived from the audited financial statements of the Fletcher Challenge Group, of which the Group was formally a Division.

KPMG take no responsibility for, nor do we report on, any part of the Offer Document not mentioned in this report.

Consent

We consent to the issuing of this report in the form and in the context in which it is included in the Offer Document to be sent to applicants for Capital Notes.

Yours faithfully

KPMG
Chartered Accountants
Auckland
New Zealand

Fletcher Building

CONDENSED UNAUDITED PRO FORMA FINANCIAL STATEMENTS

On 13 November 2002 Fletcher Building bought Laminex for A\$645 million (NZ\$750 million), plus a A\$20 million (NZ\$23 million) payment contingent on performance. Following settlement an adjustment to the purchase price may also be made depending upon the extent of any movement in Laminex's working capital position. The transaction was funded through a mixture of bank debt and an equity placement of 43.7 million shares.

The condensed unaudited pro forma financial statements have been prepared from the 30 June 2002 audited financial statements of Fletcher Building and Laminex. The condensed unaudited pro forma statements of financial performance and cashflows have been prepared as if the transaction had taken place on 1 July 2001. The condensed unaudited pro forma statement of financial position has been prepared as if the transaction had taken place on 30 June 2002. The pro forma financial statements must be read in conjunction with the underlying assumptions as described on pages 139 to 141. They should not be regarded as indicating future performance.

The following assumptions were made at 18 October 2002:

- Acquisition of 100 percent of the share capital of Laminex for A\$654 million (NZ\$761 million) including estimated transaction costs of A\$9 million (NZ\$11 million). A further payment of A\$20 million is contingent upon the performance of Laminex for the year ended 30 June 2003 and is accounted for as a separate non-current liability.
- Placement of 43.7 million new Fletcher Building shares to institutional subscribers for NZ\$129 million.
- Issue of up to NZ\$150 million of new capital notes.
- Borrowing of NZ\$482 million from new longer term debt facilities.
- Acquisition-related goodwill of NZ\$75 million is charged to the statement of financial performance on a straight line basis over a period of 20 years i.e. NZ\$4 million per annum.
- Trade names have been recognised at their expected fair value of NZ\$144 million and, as allowed by New Zealand GAAP, have not been amortised but will be subject to an annual test for impairment. No impairment is anticipated.
- Fixed assets have been recognised at their fair value of NZ\$324 million.

The pro forma adjustments are based upon information and certain estimates and assumptions available at 18 October 2002. The actual transaction may differ from the pro forma adjustments. The condensed unaudited pro forma financial statements presented are not necessarily indicative of the financial performance, financial position or cashflows that would have occurred had the transactions actually taken place on the dates specified or that may be expected to occur in the future.

The condensed unaudited pro forma financial statements included in this explanatory memorandum do not purport to be in compliance with Article 11 of Regulation S-X of the Rules and Regulations of the U.S. Securities and Exchange Commission, nor do they comply with generally accepted accounting practice in the U.S.

FLETCHER BUILDING

PRO FORMA FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2002

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These condensed unaudited pro forma financial statements were prepared as at 18 October 2002 and were included in the explanatory memorandum accompanying the notice of the 2002 Annual Shareholders' Meeting. The assumptions have not been updated for inclusion in this Offer Document.

Fletcher Building

PRO FORMA STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2002

NZ\$ MILLIONS	FLETCHER BUILDING GROUP (NOTE 1)	LAMINEX (NOTE 2)	PRO FORMA ADJUSTMENTS (NOTE 3)	PRO FORMA FLETCHER BUILDING GROUP
Trading sales	2,955	742		3,697
Equity earnings	11	5		16
Operating revenue	2,966	747		3,713
Operating earnings before depreciation, amortisation and unusual items	294	107		401
Depreciation	(82)	(34)		(116)
Amortisation	(7)	(1)	(4)	(12)
Amortisation of goodwill of associate		(2)		(2)
Unusual items	5	(5)		
Operating earnings	210	65	(4)	271
Interest debt	(29)		(37)	(66)
Interest capital notes	(22)		(13)	(35)
Funding costs	(51)		(50)	(101)
Earnings before tax	159	65	(54)	170
Taxation expense	(54)	(22)	15	(61)
Earnings after taxation	105	43	(39)	109
Minority interest	(12)			(12)
Net earnings	93	43	(39)	97

Fletcher Building

PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

NZ\$ MILLIONS	FLETCHER BUILDING GROUP (NOTE 1)	LAMINEX (NOTE 2)	PRO FORMA ADJUSTMENTS (NOTE 3)	PRO FORMA FLETCHER BUILDING GROUP
Assets				
Current assets:				
Cash and liquid deposits	59	33		92
Stocks	318	123		441
Debtors	410	116		526
Contracts	(86)			(86)
Total current assets	701	272		973
Non current assets:				
Fixed assets	666	254	70	990
Goodwill	3	28	75	106
Intangible assets		37	107	144
Investments	72	53		125
Provision for deferred taxation	96	17		113
Total non current assets	837	389	252	1,478
Total assets	1,538	661	252	2,451
Liabilities				
Current liabilities:				
Short term loans	3	3	(3)	3
Accruals and provisions	101	19		120
Creditors	401	73		474
Provision for current taxation	(12)	5		(7)
Capital notes	53			53
Total current liabilities	546	100	(3)	643
Non current liabilities:				
Capital notes	177		150	327
Provisions		10		10
Provision for deferred taxation		22		22
Advances from related entities		510	(510)	
Purchase consideration			23	23
Term debt	224		482	706
Total non current liabilities	401	542	145	1,088
Total liabilities	947	642	142	1,731
Equity				
Reported capital	455		129	584
Reserves	109			109
Owners divisional equity		19	(19)	
Shareholders funds	564	19	110	693
Minority equity	27			27
Total equity	591	19	110	720
Total liabilities and equity	1,538	661	252	2,451

Fletcher Building

PRO FORMA STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2002

NZ\$ MILLIONS	FLETCHER BUILDING GROUP (NOTE 1)	LAMINEX (NOTE 2)	PRO FORMA ADJUSTMENTS (NOTE 3)	PRO FORMA FLETCHER BUILDING GROUP
Cash flow from operating activities				
Receipts from customers	2,972	798		3,770
Dividends received	12	8		20
Interest received	2			2
Total received	2,986	806		3,792
Payments to suppliers, employees and other	2,723	702		3,425
Interest paid	53		50	103
Income tax paid	23		6	29
Total applied	2,799	702	56	3,557
Net cash from operating activities	187	104	(56)	235
Cash flow from investing activities				
Sale of fixed assets	12	7		19
Sale of investments	42			42
Total received	54	7		61
Purchase of fixed assets	50	24		74
Purchase of investments	1		761	762
Net debt in subsidiaries acquired	14			14
Total applied	65	24	761	850
Net cash from investing activities	(11)	(17)	(761)	(789)
Cash flow from financing activities				
Drawdown of debt			482	482
Issue of shares			129	129
Issue of capital notes			150	150
Total received			761	761
Purchase of capital notes	20			20
Advances to related entities		66	(66)	
Net debt settlement	179		63	242
Distribution to minority shareholders	14			14
Dividends to shareholders	32		6	38
Total applied	245	66	3	314
Net cash from financing activities	(245)	(66)	758	447
Net movement in cash held	(69)	21	(59)	(107)
Add opening cash and liquid deposits	132	13		145
Effect of exchange rate changes on net cash	(4)	(1)	3	(2)
Closing cash and liquid deposits	59	33	(56)	36

Fletcher Building

NOTES TO THE UNAUDITED CONDENSED PRO FORMA FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION

The unaudited pro forma financial statements of Fletcher Building are presented in New Zealand dollars (NZ\$) and have been prepared in accordance with the accounting policies of Fletcher Building and generally accepted accounting practice (GAAP) in New Zealand.

2 ACQUISITION OF LAMINEX

On 13 November 2002 Fletcher Building acquired 100 percent of the share capital of Laminex for A\$645 million (NZ\$750 million).

Under the terms of the transaction Fletcher Building may be required to make an additional payment of up to A\$20 million (NZ\$23 million) contingent on Laminex's earnings before interest, tax, depreciation and amortisation performance for the year ending 30 June 2003. Full payment of the additional A\$20 million consideration will be required if EBITDA equals or exceeds A\$105 million (NZ\$122 million). Fletcher Building considers that it is likely that this payment will be made and therefore the amount of NZ\$23 million has been included within non current liabilities and goodwill in the pro forma statement of financial position, and has been amortised in the pro forma statement of financial performance. The payment of the contingent consideration will have no effect on the pro forma statement of cashflows for the year ended 30 June 2002.

An additional payment may also be required for movements in Laminex's working capital. This would affect the fair value of the assets and liabilities recognised in the pro forma statement of financial position. However, this cannot be estimated with any reliability.

Direct costs of A\$9 million (NZ\$11 million) related to the purchase of Laminex have been capitalised as part of the cost of acquisition.

Fletcher Building has estimated the fair value of certain assets and trading liabilities acquired as part of the proposed Laminex Acquisition. Actual results could differ from these estimates. Resulting fair value adjustments incorporated into the pro forma financial statements are described in note 3.

A NZ\$/A\$ exchange rate of \$1.00 to \$0.86 has been applied to the pro forma adjustments and Laminex financial information in the pro forma statement of financial position. A NZ\$/A\$ exchange rate of \$1.00 to \$0.82 (being the average for the 12 months to 30 June 2002) has been applied to the pro forma adjustments and Laminex financial information in the pro forma statements of financial performance and cashflows.

Existing goodwill of NZ\$28 million held separately in intangibles in Laminex's statement of financial position has been reclassified to goodwill in the pro forma statement of financial position.

Investments of NZ\$53 million for Laminex represent its interest in associates and include goodwill of NZ\$40 million.

3 PRO FORMA ADJUSTMENTS

a) Funding

Equity placement

Fletcher Building has raised NZ\$129 million of new equity through the placement of 43.7 million ordinary shares with investors on 18 September 2002. The placement proceeds were received on 26 September 2002.

Capital Notes issue

Fletcher Building expects to raise up to NZ\$150 million through this issue of Capital Notes. An interest rate of 8.5 percent has been assumed in the pro forma statement of financial performance.

External debt

Fletcher Building expects to raise NZ\$482 million of long term debt through external funding. An interest rate of 7.25 percent has been assumed in the pro forma statement of financial performance. The pro forma statement of cashflows assumes \$63 million of long term debt repayment in the period to 30 June 2002.

Fletcher Building

NOTES TO THE UNAUDITED CONDENSED PRO FORMA FINANCIAL STATEMENTS

Interest costs

Interest on the new debt and capital notes of NZ\$37 million and NZ\$13 million respectively has been charged in the pro forma statement of financial performance. A tax benefit of NZ\$15 million has been recognised in relation to these interest costs at the Australian tax rate of 30 percent.

Dividends

Dividends at 14 cents per share on the new equity placement amounting to NZ\$6 million have been recorded in the pro forma statement of cashflows.

b) Fair value adjustments

As part of the acquisition of Laminex, adjustments have been made to certain asset categories in order to reflect their fair value as at acquisition date. There may be additional fair value adjustments required at settlement date beyond those detailed below. The items adjusted are as follows:

i) Trade names

Brand names owned by Laminex have been recognised at their fair value of NZ\$144 million. This represents an increase of NZ\$107 million from the previous carrying amount of NZ\$37 million. This upward valuation is based upon an independent valuation prepared for Laminex in July 2002.

ii) Fixed assets

Fixed assets have been recognised at their fair value of NZ\$324 million. This represents an increase in the carrying amount of NZ\$12 million in regard to land and buildings and NZ\$58 million in regard to plant and machinery. The upward valuation of land and buildings is based on a revaluation performed by Laminex. The upward valuation of plant and machinery has been made based upon Fletcher Building management's best estimate of the likely fair value adjustment to plant and machinery, which is expected to be confirmed by independent valuation.

The assumed useful economic life of these assets have been extended to reflect Fletcher Building management's best estimate thereof, and as such this upward revaluation has had no impact on the pro forma statement of financial performance.

The tax balances in the pro forma financial statements have been calculated on the assumption that the depreciation on the uplift in fixed asset values is allowable for tax purposes.

c) Other pro forma adjustments

i) Acquisition-related goodwill of NZ\$52 million has been recorded in the pro forma statement of financial position arising from the consolidation of the fair value of Laminex as described above. In addition an amount of NZ\$23 million has been recognised to allow for the contingent consideration. Amortisation of NZ\$4 million has been charged in the pro forma statement of financial performance relating to this goodwill. This is in addition to the existing goodwill amortisation charged by Laminex of NZ\$1 million.

ii) Under the terms of the transaction all external and related party debt of Laminex as shown in the pro forma statement of financial position as at 30 June 2002 will be repaid, and has therefore been reversed in the pro forma adjustments.

4 PRO FORMA STATEMENTS OF FINANCIAL PERFORMANCE AND CASHFLOWS

The pro forma statements of financial performance and cashflows include the interest expense of NZ\$13 million incurred on the additional capital notes and the term debt borrowings of NZ\$37 million. Laminex's historical financial statements did not reflect any interest cost on its related party debt.

Fletcher Building

NOTES TO THE UNAUDITED CONDENSED PRO FORMA FINANCIAL STATEMENTS

5 UNUSUAL ITEMS

The following items have been disclosed as unusual items in the statement of financial performance:

a) Laminex

- Gain on disposal of plant and equipment from the closed MDF manufacturing facility at Wagga, NSW, of NZ\$0.3 million;
- Wesfi integration costs of NZ\$4.3 million; and
- Brand rationalisation and merchandising costs of NZ\$1.4 million.

b) Fletcher Building

- Impairment of overseas concrete operations of NZ\$11 million;
- Gain on sale of Varnsdorf Pty Limited of NZ\$14 million, gain on sale of Lunn Avenue quarry of NZ\$6 million and a loss of NZ\$8 million on disposal of construction activities in Australia; and
- PlaceMakers joint ventures additional three months income of NZ\$4 million.

6 SYNERGIES

It is anticipated that synergies will arise from the proposed transaction. However these have not been reflected in the pro forma financial statements.

7 INFORMATION FOR U.S. SHAREHOLDERS

The condensed unaudited pro forma financial statements included in this Offer Document do not purport to be in compliance with Article 11 of Regulation S-X of the Rules and Regulations of the U.S. Securities and Exchange Commission, nor do they comply with U.S. GAAP.

REPORT OF THE INDEPENDENT ACCOUNTANT



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

The Directors
Fletcher Building Group
Private Bag 92 114
AUCKLAND

15 November 2002

Dear Directors

Independent Accountant's report for inclusion in the Offer Document

We have prepared this report for inclusion in the Offer Document to be dated 15 November 2002.

Directors' responsibilities

The Directors of Fletcher Building Limited (the "Company") are responsible for the preparation and presentation of the condensed unaudited pro forma financial statements of the Company and its subsidiaries (the "Group") for the year ending 30 June 2002.

Independent Accountant's responsibilities

We are responsible for expressing an independent opinion on the compilation of the condensed unaudited pro forma financial statements of the Group for the year ending 30 June 2002. The financial statements of the Group for the year ended 30 June 2002 have been audited by KPMG. The financial statements of The Laminex Group for the year ended 30 June 2002 have been audited by Ernst & Young.

Basis of opinion on the condensed unaudited pro forma financial statements

To meet our reporting responsibilities we have examined the condensed unaudited pro forma financial statements for the year ending 30 June 2002 to confirm that, so far as the accounting policies and calculations are concerned, the condensed unaudited pro forma financial statements have been properly compiled on the footing of the assumptions made or adopted by the Directors as set out on pages 139 to 141 of this Offer Document and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Unqualified opinion on the condensed unaudited pro forma financial statements

In our opinion, the condensed unaudited pro forma financial statements for the year ending 30 June 2002 on pages 134 to 141, so far as the accounting policies and calculations are concerned, have been properly compiled on the footing of the assumptions made or adopted by the Directors of the Group as set out on pages 139 to 141 of this Offer Document and are presented on a basis consistent with the accounting policies normally adopted by the Group.

Qualifications

PricewaterhouseCoopers is a professional services firm registered with the Institute of Chartered Accountants of New Zealand.

Consent

We consent to the issuing of this report in the form and in the context in which it is to be included in the Offer Document to be sent to applicants for Capital Notes.

Yours faithfully

Chartered Accountants
Auckland

Glossary

In this Offer Document unless the context otherwise requires:

A\$ means the lawful currency of Australia.

Application Form means each application form relating to the Offer.

ASX means the Australian Stock Exchange Limited and includes an alternative or substitute market for shares or other arrangement in Australia on which, or through the medium of which, shares may be freely traded and which is generally regarded as the principal market or other arrangement for trading of shares in Australia.

Auditor means KPMG.

Business Day means a day (other than a Saturday or Sunday) on which banks generally are open for general banking business in Auckland and Wellington.

Capital Notes means the capital notes offered for subscription under this Offer Document.

Closing Time means, unless in each case the board of directors of FB Finance determine otherwise:

- in respect of the Priority Pool, the earlier to occur of:
 - (i) 5.00pm on 3 December 2002; and
 - (ii) the time at which the maximum aggregate Principal Amount of the Capital Notes available under the Priority Pool, together with over-subscriptions, if any, is subscribed for; and
- in respect of the firm allocations, the earlier to occur of:
 - (i) 5.00pm on 13 December 2002; and
 - (ii) the time at which the maximum aggregate Principal Amount of the Capital Notes under the firm allocation is subscribed for; and
- in respect of the public pool, the earlier to occur of:
 - (i) 5.00pm on 17 December 2002;
 - (ii) the time at which the maximum aggregate Principal Amount of the Capital Notes under the public pool, if any, is subscribed for.

Co-Managers means ABN AMRO Craigs Limited, First NZ Securities Limited, Forsyth Barr Limited and Westpac Banking Corporation.

Companies Act means the Companies Act 1993.

Conditions means the conditions of the Capital Notes as set out under "(B) General Conditions" of Schedule 2 of the Trust Deed.

Election Date means, in relation to a Series of Capital Notes, the date on which that Series is able to be revised, redeemed, converted or purchased in accordance with the Conditions.

Election Record Date has the meaning given it in Condition 4.1 of the Conditions.

Eligible Shareholders and Noteholders means Fletcher Building shareholders or Existing Noteholders with registered addresses in New Zealand on the date of receipt of their Application Form.

Existing Capital Notes means the aggregate principal amount of \$250 million capital notes issued under the Fletcher Building Trust Deed.

Existing Noteholders means holders of Existing Capital Notes.

FB Finance means Fletcher Building Finance Limited.

Fletcher Building means Fletcher Building Limited.

Fletcher Building Group means Fletcher Building and its subsidiaries.

Fletcher Building Shares means fully paid ordinary shares in Fletcher Building.

Fletcher Building Trust Deed means the amended and restated trust deed dated 24 September 2001 between Fletcher Building and the Trustee for and in respect of the Existing Capital Notes.

Government Stock Yield Rate has the meaning in Condition 4.4(b) of the Conditions.

Guarantee means the guarantee granted by Fletcher Building in favour of the Trustee, for the benefit of the Noteholders, pursuant to the terms of the Trust Deed.

Independent Accountant means PricewaterhouseCoopers.

Interest Payment Dates means 15 March and 15 September in each year (commencing on 15 March 2003) in relation to each Series.

Interest Rate means the rate of interest payable on a Capital Note.

Interest Rate Set Date means 18 December 2002 or such other date determined by the board of directors of FB Finance.

Interpolated Government Stock Rate means the rate based on an interpolation of New Zealand Government Bonds maturing 15 November 2006 and 15 July 2009, such rate being expressed on a percentage yield basis and rounded to the nearest five basis points and being based on the bid rate as displayed at or about 11.00 am on the Interest Rate Set Date on page NZMKT of the Reuters Monitor Screen or, if on that day no such rates are displayed, the bid rates quoted to FB Finance on or about 11.00 am on that day by three registered banks selected by FB Finance and, if fewer than three registered banks quote rates, the rates FB Finance determines to be the nearest practicable equivalent.

Investment Statement means the investment statement incorporated in this Offer Document.

Laminex means Laminex Group Limited.

March 2008 Capital Notes means Capital Notes designated by FB Finance upon issue as March 2008 Capital Notes.

March 2010 Capital Notes means Capital Notes designated by FB Finance upon issue as March 2010 Capital Notes.

Noteholders means holders of Capital Notes.

NZSE means the New Zealand Stock Exchange and includes an alternative or substitute market for shares or other arrangement in New Zealand on which, or through the medium of which, shares may be freely traded and which is generally regarded as the principal market or other arrangement for trading of shares in New Zealand.

NZ\$ or \$ means the lawful currency of New Zealand.

Offer means the offer of Capital Notes under this Offer Document.

Opening Date means 19 November 2002 or such other date and time as FB Finance in its discretion determines.

Organising Brokers and Joint Lead Managers means JBWere (NZ) Limited and UBS Warburg New Zealand Equities Limited.

Principal Amount means the nominal amount of a Capital Note, being \$1.00.

Priority Pool means the priority pool of a maximum aggregate principal amount of \$25 million reserved for Eligible Shareholders and Noteholders under this Offer.

Prospectus means the prospectus incorporated in this Offer Document.

Registrar means Computershare Investor Services Limited.

Series means the March 2008 Capital Notes or the March 2010 Capital Notes, or both of them, as the context requires.

Trust Deed means the trust deed dated 12 November 2002 between FB Finance, Fletcher Building and the Trustee in respect of the Capital Notes.

Trustee means the trustee under the Trust Deed being, at the date of this Offer Document, Perpetual Trust Limited (or such other trustee as is appointed from time to time).

Application Instructions

APPLICATION DETAILS

Set out your full name(s), addresses and telephone number.

Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three applicants. At least one full first name and surname is required for each natural person. Applications in the name of a minor, trust, fund or estate, business, firm or partnership, club or other unincorporated body cannot be accepted unless they are made in the individual name(s) of the person(s) who is (are) legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) as appropriate.

ELIGIBLE SHAREHOLDER AND NOTEHOLDER PRIORITY POOL APPLICATION

If you are applying for Capital Notes from the Priority Pool as an Eligible Shareholder and Noteholder you must complete the Application Form enclosed with this Offer Document and tick the Priority Pool box. You must also include your existing Holder Number in the space provided. The Holder Number must be consistent with the person(s) named as the applicant in the relevant form.

Complete the Principal Amount of the March 2008 Capital Notes and/or March 2010 Capital Notes applied for. Please note the minimum application amount of \$5,000 and minimum multiples of \$1,000 thereafter for each Series of Capital Notes. If you wish to apply for March 2008 Capital Notes and March 2010 Capital Notes you must apply for a minimum amount of \$5,000 for each Series and multiples of \$1,000 for each Series thereafter.

A maximum of \$20,000 of Capital Notes is available for each applicant under the Priority Pool. Eligible Shareholders and Noteholders may apply for more than \$20,000 of Capital Notes. Any excess over \$20,000 may be considered as an application for subscription of Capital Notes under the public pool, if any, but will not be considered under the Priority Pool.

Eligible Shareholders and Noteholders wishing to apply for more than \$20,000 of Capital Notes may also apply for Capital Notes under a firm allocation or the public pool and should complete a separate Application Form for Capital Notes in excess of that amount.

Applications by Eligible Shareholders and Noteholders under the Priority Pool, if any, must be forwarded to the Registrar by the Closing Time for the Priority Pool, or such other time as determined by the directors of FB Finance, or alternatively may be lodged with FB Finance, any member of the NZSE, an Organising Broker and Joint Lead Manager, a Co-Manager or other person approved by the NZSE in time to enable such applications to be forwarded to the Registrar before the Closing Time for the Priority Pool. Any application received after this time will be treated as an application under the public pool (if any).

FIRM ALLOCATIONS AND PUBLIC POOL

Applications from clients of members of the NZSE, the Organising Brokers, the Co-Managers or other person approved by the NZSE who have a firm allocation must be lodged with the member of the NZSE, the Organising Broker and Joint Lead Managers, the Co-Manager or other person approved by the NZSE through which the firm allocation was obtained, in sufficient time for such application to be received by the Registrar prior to the Closing Time for the firm allocations.

Applications for Capital Notes under the public pool, if any, must be lodged with the Registrar on or before the Closing Time for the public pool, or alternatively may be lodged with FB Finance, any member of the NZSE, an Organising Broker and Joint Lead Manager, a Co-Manager or other person approved by the NZSE in time to enable such applications to be forwarded to the Registrar before the Closing Time for the public pool.

Applicants should remember that the applications under the public pool (if there is a public pool) will be processed on a "first come first served" basis and allotments will be made on a daily basis following the Closing Time of the Priority Pool. Applicants should therefore submit applications as soon as possible following 19 November 2002.

Complete the Principal Amount of the March 2008 Capital Notes and/or March 2010 Capital Notes applied for.

INTEREST PAYMENTS

If you wish to be paid by direct credit and Computershare Investor Services Limited does not already hold your bank account details or if you wish to have your interest direct credited to another account, please provide your bank account number into which interest payments are to be paid. Otherwise, interest payments will be paid by cheque.

SIGNING AND DATING

Read the Application Form carefully and sign and date it.

This Application Form must be signed by the applicant(s) personally or by two directors of a company (or one director if there is only one director whose signature must be witnessed), or in either case by an attorney or duly authorised agent.

If your Application Form is signed by an attorney, the attorney must complete the Certificate of Non-Revocation of Power of Attorney on the reverse of the Application Form.

Joint applicants must each sign the Application Form.

Only the address of the first named of the joint applicants will be recorded by the Registrar and all interest payments, distributions and notices etc will be sent to that address.

PAYMENT

Full payment of the subscription price of the Capital Notes applied for must accompany the Application Form.

Payment must be in New Zealand dollars for immediate value. Cheques must be drawn on a registered New Zealand bank and made in favour of "FB Finance Capital Notes Offer", crossed "Not Transferable" and must not be post-dated. If an applicant's cheque does not subsequently clear when presented, FB Finance reserves the right to cancel that applicant's allotment of Capital Notes.

Cheques will be banked immediately on receipt. The banking of application moneys will not constitute an allotment of Capital Notes nor acceptance of an offer to purchase Capital Notes.

TERMS OF APPLICATION

By signing this Application Form, the applicant offers to subscribe for Capital Notes on the terms set out in this Offer Document, the Trust Deed and this Application Form. An application cannot be withdrawn or revoked by the applicant. FB Finance reserves the right to reject any application in whole or in part without giving any reason.

The Offer, unless closed earlier by FB Finance, will, in respect of the Priority Pool, close at 5.00 pm on 3 December 2002, in respect of the firm allocations, at 5.00 pm on 13 December 2002 and, in respect of any public pool on the earlier of 5.00 pm on 17 December and the date on which applications for the maximum aggregate Principal Amount of Capital Notes offered (together with over-subscriptions, if any) have been received and accepted. FB Finance reserves the right to vary any Closing Time without notification.

Applications that are received after the Closing Time for the public pool will not be accepted unless FB Finance determines otherwise.

FASTER Statements for the Capital Notes will be dispatched as soon as practicable after allotment, but in any event, no later than five Business Days after the allotment.

If you are interested in receiving FB Finance and Fletcher Building reports electronically instead of in hard copy format, please tick the Electronic Reports box on the Application Form.

If you have a certificate of exemption from New Zealand resident withholding tax, you should attach a copy of that certificate to your Application Form.

Applicants will be required to represent that they are neither in the United States nor are they U.S. persons.

PERSONAL INFORMATION

Personal information provided by you will be held by FB Finance, Fletcher Building, the Registrar and/or the Trustee at the addresses shown in the Directory on the inside back cover of the Offer Document or such other place as notified upon request. This information will be used for the purpose of managing your investment in the Capital Notes. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

Notes



BROKER'S STAMP
ADVISER CODE

Fletcher Building Finance Limited Application Form

This Application Form constitutes an offer to acquire the Capital Notes described below. Completed Application Forms, together with payment of the application monies payable in respect of the Principal Amount of Capital Notes applied for must be received by Computershare Investor Services before 5pm on:

- 3 December 2002 for applications under the Eligible Shareholder and Noteholder Priority Pool
- 13 December 2002 for applications under the firm allocations
- 17 December 2002 for applications under the Public Pool

This Application Form must not be issued, circulated or distributed unless accompanied by the Offer Document prepared as at, and dated 15 November 2002.

Please refer to the "Main Terms of Offer" and the "Application Instructions" in the Offer Document for assistance regarding the completion and lodgement of this form.

APPLICATION DETAILS - Please print in BLOCK LETTERS

Title	First Names	Surname
Title	First Names	Surname
Title	First Names	Surname
Corporate Name		
Postal Address (including post code)		Telephone Home ()
		Telephone Work ()
Email (optional)		

If you would like to receive by electronic means any information including annual and half year report(s) that Fletcher Building and FB Finance may in future decide to provide Shareholders and/or Noteholders in electronic form, please tick the box and enter your email address details above:

APPLICATION AMOUNT

Principal amount applied for:

- March 2008 Capital Notes: NZ\$ (Minimum of \$5,000, and thereafter in multiples of \$1,000)
- March 2010 Capital Notes: NZ\$ (Minimum of \$5,000, and thereafter in multiples of \$1,000)

Cheques must be payable to "FB Finance Capital Notes Offer", crossed "not transferable" and should be for immediate value. Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank. Cheques must not be post-dated.

PRIORITY APPLICATION

If you are a Fletcher Building Shareholder and/or Noteholder and are applying for Capital Notes under the Priority Pool, please tick the box:

HOLDER NUMBER

If you already hold shares in a New Zealand company which has Computershare Investor Services Limited as its registrar or if you have been allocated a Common Shareholder Number please enter the Holder Number here:

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RESIDENT WITHHOLDING TAX RATE

Please complete this section if Computershare Investor Services does not hold your IRD Number

IRD Number:

(Tick one box)

<input type="checkbox"/>	19.5%	<input type="checkbox"/>	33%	<input type="checkbox"/>	39%	<input type="checkbox"/>							
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(19.5% and 33% are only applicable if IRD number is supplied)

If you hold a current Resident Withholding Tax Exemption Certificate, please tick this box and return a copy of the Certificate with this Application Form:

INTEREST PAYMENTS

If you currently receive interest or dividend payments from Computershare by direct credit, Computershare will pay the interest from the Capital Notes by direct credit to the same account unless you indicate otherwise.

If you wish to have your interest credited to another account or Computershare do not have your account details please complete this section. Please complete only one option.

Option 1

My New Zealand Bank Account Details:

Account Name
Bank Account Number: <input type="text"/>

Option 2

My Cash Management Account Details:

Name of NZSE Member Firm where Cash Management Account held:
Cash Management Client Account Number: <input type="text"/>

I/We irrevocably apply for the Principal Amount of Capital Notes shown above on the terms and conditions set out in the Offer Document, Trust Deed and this Application Form and, by signing this Application Form, represent that I/We:

- am/are neither in the United States nor a U.S. Person, as such terms are defined in Rule 902(k) of Regulation S under the U.S. Securities Act of 1933, as amended; and
- have read the Offer Document and in particular, the section "Answers to Important Questions" carefully, before applying for Capital Notes and lodging this Form.

Signature	Date
Signature	Date
Signature	Date

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

Please complete this section if you wish to appoint an attorney to act on your behalf

I (Name of Attorney)
Of (Address and Occupation of Attorney)

Hereby certify that by a Power of Attorney dated the day of

(Name and Occupation of person for whom Attorney is signing)
(Address of person for whom Attorney is signing)

Appointed me his/her/its Attorney on the terms and conditions set out in the Power of Attorney and that:

1. I have executed the application for Capital Notes printed on this Form as Attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.
2. At the date of this certificate I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the donor or otherwise.

Signed at this day of

Signature of Attorney



BROKER'S STAMP
ADVISER CODE

Fletcher Building Finance Limited Application Form

This Application Form constitutes an offer to acquire the Capital Notes described below. Completed Application Forms, together with payment of the application monies payable in respect of the Principal Amount of Capital Notes applied for must be received by Computershare Investor Services before 5pm on:

- 3 December 2002 for applications under the Eligible Shareholder and Noteholder Priority Pool
- 13 December 2002 for applications under the firm allocations
- 17 December 2002 for applications under the Public Pool

This Application Form must not be issued, circulated or distributed unless accompanied by the Offer Document prepared as at, and dated 15 November 2002.

Please refer to the "Main Terms of Offer" and the "Application Instructions" in the Offer Document for assistance regarding the completion and lodgement of this form.

APPLICATION DETAILS - Please print in BLOCK LETTERS

Title	First Names	Surname
Title	First Names	Surname
Title	First Names	Surname
Corporate Name		
Postal Address (including post code)		Telephone Home ()
		Telephone Work ()
Email (optional)		

If you would like to receive by electronic means any information including annual and half year report(s) that Fletcher Building and FB Finance may in future decide to provide Shareholders and/or Noteholders in electronic form, please tick the box and enter your email address details above:

APPLICATION AMOUNT

Principal amount applied for:

- March 2008 Capital Notes: NZ\$ (Minimum of \$5,000, and thereafter in multiples of \$1,000)
- March 2010 Capital Notes: NZ\$ (Minimum of \$5,000, and thereafter in multiples of \$1,000)

Cheques must be payable to "FB Finance Capital Notes Offer", crossed "not transferable" and should be for immediate value. Payment must be made in New Zealand dollars and drawn on a registered New Zealand bank. Cheques must not be post-dated.

PRIORITY APPLICATION

If you are a Fletcher Building Shareholder and/or Noteholder and are applying for Capital Notes under the Priority Pool, please tick the box:

HOLDER NUMBER

If you already hold shares in a New Zealand company which has Computershare Investor Services Limited as its registrar or if you have been allocated a Common Shareholder Number please enter the Holder Number here:

RESIDENT WITHHOLDING TAX RATE

Please complete this section if Computershare Investor Services does not hold your IRD Number

IRD Number:

(Tick one box)

19.5% 33% 39%

(19.5% and 33% are only applicable if IRD number is supplied)

If you hold a current Resident Withholding Tax Exemption Certificate, please tick this box and return a copy of the Certificate with this Application Form:

DIRECTORY

DIRECTORS OF FB FINANCE

Roderick Sheldon Deane
Paul Edward Alex Baines
Hugh Alasdair Fletcher
Ralph James Norris
Sir Dryden Spring
Kerrin Margaret Vautier
Ralph Graham Waters

REGISTERED OFFICE OF FB FINANCE

810 Great South Road
Penrose
Auckland
Telephone: (09) 525 9000
Facsimile: (09) 525 9030

REGISTRAR

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland

SOLICITORS TO FB FINANCE AND FLETCHER BUILDING

Bell Gully
Level 21
Royal & SunAlliance Centre
48 Shortland Street
P O Box 4199
Auckland

JOINT LEAD MANAGERS AND ORGANISING BROKERS

JBWere (NZ) Limited
Level 38
Royal & SunAlliance Centre
48 Shortland Street
P O Box 887
Auckland

UBS Warburg New Zealand
Equities Limited
Level 23
Qantas House
191 Queen Street
P O Box 45
Auckland

CO-MANAGERS

ABN AMRO Craigs Limited
First NZ Securities Limited
Forsyth Barr Limited
Westpac Banking Corporation

TRUSTEE

Perpetual Trust Limited
Level 3
Perpetual Trust House
125 Albert Street
P O Box 3376
Auckland

SOLICITORS TO THE TRUSTEE

Buddle Findlay
Level 18
PricewaterhouseCoopers Tower
188 Quay Street
P O Box 1433
Auckland

AUDITOR

KPMG
KPMG Centre
9 Princes Street
P O Box 1584
Auckland

INDEPENDENT ACCOUNTANT

PricewaterhouseCoopers
Level 22
PricewaterhouseCoopers Tower
188 Quay Street
Private Bag 92162
Auckland

