

FLETCHER BUILDING FINANCE LIMITED

PROSPECTUS

For an offer of Capital Notes by Fletcher Building Finance Limited
guaranteed on an unsecured subordinated basis by Fletcher Building Limited

21 November 2008

**First NZ Capital Securities
Limited**
**Arranger, Joint Lead Manager
and Organising Participant**

ANZ National Bank Limited
Joint Lead Manager

**Goldman Sachs JBWere (NZ)
Limited**
Joint Lead Manager

IMPORTANT NOTICE

General Information

This is a Prospectus for the purposes of the Securities Act 1978 (the **Securities Act**) and Securities Regulations 1983 (the **Securities Regulations**), relating to an Offer of Capital Notes. It is prepared as at and dated 21 November 2008.

This Prospectus is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the Capital Notes, particularly with regard to their personal circumstances (including financial and tax issues).

If you are in any doubt as to how to deal with this Prospectus please immediately consult a Primary Market Participant or your solicitor, accountant or other financial adviser.

Offer only in New Zealand

This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand. No action has been, or will be, taken by FB Finance which would permit an offer of the Capital Notes, or possession or distribution of any offering material in connection with the Capital Notes, in any other country or jurisdiction.

No person may purchase, offer, sell, distribute or deliver Capital Notes, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the Capital Notes, in any jurisdiction other than in compliance with all applicable laws and regulations.

Registration of Prospectus

A copy of this Prospectus, duly signed, and having attached to it copies of the auditors' report, the signed consent of the auditor to the auditors' report appearing in this Prospectus, all material contracts, the Supplemental Trust Deed, the relevant authorities where an agent has signed this Prospectus on behalf of directors of FB Finance and/or Fletcher Building and an acknowledgement from NZX 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), will be delivered to the Registrar of Companies for registration in accordance with section 42 of the Securities Act.

Definitions

The capitalised terms used in this Prospectus have defined meanings that appear in the Glossary on pages 64 to 66 or within the relevant section of this Prospectus in which the term is used or in the Trust Documents.

CONTENTS

Important Notice	2
Summary of Main Terms of the Offer	4
Business Description of FB Finance and Fletcher Building	12
Summary Financial Information	16
Board of FB Finance and Fletcher Building	21
Fletcher Building Shares	23
Description of the Trust Documents	25
Conditions of Capital Notes	29
Trustee's Statement	40
Additional Statutory Information	41
Financial Statements	49
Auditors' Report	61
Glossary	64
Directory	67

SUMMARY OF 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 Prospectus including in the sections entitled "Conditions of Capital Notes", "Description of the Trust Documents" and "Statutory Information".

Important Dates

Initial Rate Set Date	21 November 2008
Opening Date	24 November 2008
Issue Date	For each Capital Note that FB Finance has agreed to issue to an applicant, the date on which the issue price payable by the applicant for the Capital Note has been lodged to FB Finance's bank account
Closing Date	31 March 2009 or such earlier date that FB Finance may determine
Quotation Date	For all Capital Notes issued, it is intended that quotation on the NZDX will occur within a reasonable time after the Closing Date described above, and in any event not later than 10 Business Days after that date
Interest Payment Dates	15 May and 15 November in each year until the Capital Notes are redeemed or purchased for cash or converted to Fletcher Building Shares
First Interest Payment Date	15 May 2009
First Election Date - May 2014 Capital Notes	15 May 2014
First Election Date - May 2016 Capital Notes	15 May 2016

Capital Notes will not be tradable on the NZDX until they have been quoted, which is intended to occur after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine).

Issuer

The issuer of the Capital Notes is FB Finance, a wholly owned subsidiary of Fletcher Building. FB Finance's principal activity is the partial funding of the operations of the Fletcher Building Group, which it currently does through the issue of capital notes.

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 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 Prospectus, the claims that will rank equally with the claims of Noteholders:

- against FB Finance, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed; and
- against Fletcher Building under the Guarantee, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed and the existing holders of \$250 million principal amount of capital notes issued under the Fletcher Building Trust Deed.

The Capital Notes are to be issued in two Series – May 2014 Capital Notes, having an initial period until the first Election Date of approximately 5 ½ years and May 2016 Capital Notes, having an initial period until the first Election Date of approximately 7 ½ years, in the case of those Capital Notes issued on or about the Opening Date of the Offer. Applicants may apply for May 2014 Capital Notes, May 2016 Capital Notes or a combination of each Series.

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 for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, 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 for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

However, each of FB Finance and Fletcher Building has 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 Guarantee is described further in the section of this Prospectus entitled “Description of the Trust Documents” on pages 25 to 28.

Conditions

The Conditions applicable to the Capital Notes are set out in the section of this Prospectus entitled “Conditions of Capital Notes” on pages 29 to 39.

Trust Deed

The Capital Notes will be constituted by and issued pursuant to the Trust Deed, as supplemented by the Supplemental Trust Deed. The Trust Documents are described in more detail in the section of this Prospectus entitled “Description of the Trust Documents” on pages 25 to 28.

The Trust Documents contain 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.

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 the conversion of Capital Notes to Fletcher Building Shares or purchase of the Capital Notes.

The Trustee holds its rights under the Trust Deed for the benefit of the Noteholders. The Trustee may decline to take any action or exercise any power, unless it is indemnified by the Noteholders for its costs and liabilities in taking any such action or exercising any such power.

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.

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 Documents;
- 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, and auditors of FB Finance 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 are deemed to be included in the Trust Documents. Such duties shall, to the maximum extent permitted by law, be limited and construed 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 to the Trust Documents by reference to certain assumptions upon which the Trustee may base the performance of its duties.

Enforcement by Trustee and/or Noteholders

A breach by FB Finance or Fletcher Building of their respective obligations under the Trust Documents 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 the Capital Notes to Fletcher Building Shares, repay or redeem the Capital Notes.

Prior to any liquidation of FB Finance or Fletcher Building, neither the Trustee nor the Noteholders will have any rights of recourse against FB Finance or Fletcher Building, as applicable, other than rights generally available at law (for example, the right of the Trustee to enforce the covenants given in the Trust Documents).

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:

- (a) the Capital Notes from FB Finance except after the commencement of the liquidation of FB Finance (whether or not Fletcher Building is also in liquidation); or
- (b) the Guaranteed Indebtedness (as defined in the Trust Deed) from Fletcher Building except after the commencement of liquidation of Fletcher Building (whether or not FB Finance is also in liquidation),

and then, in the case of a Noteholder, only as may be necessary to preserve such claim of such Noteholder in such Liquidation.

Offer Period

The Offer will be open from the Opening Date (24 November 2008) until 5.00pm on 31 March 2009 or such earlier date that FB Finance may determine.

Offer Amount and Issue Price

FB Finance is offering for subscription Capital Notes in an aggregate Principal Amount of up to \$100 million with additional Capital Notes having an aggregate Principal Amount of \$100 million being available in over-subscriptions. Therefore the potential maximum aggregate Principal Amount available for subscription is \$200 million.

Capital Notes with an aggregate Principal Amount of up to \$60 million (being 30% of the maximum aggregate Principal Amount of Capital Notes, including over-subscriptions) may be reserved for subscription by clients of the Joint Lead Managers.

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

Interest Rate

A Capital Note will bear interest until the relevant first Election Date at the Interest Rate applicable on the date the application for that Capital Note is received by the Registrar. The initial Interest Rate for each Series of Capital Notes will be set by FB Finance on the initial Rate Set Date (being the Business Day prior to the Opening Date, or such earlier date as may be determined by FB Finance). As such, the initial Interest Rate for each Series of Capital Notes is not known at the date of this Prospectus. The initial Interest Rate for each Series of Capital Notes will be announced to NZX and is set out in the Rate Card accompanying the Investment Statement.

The Interest Rate applicable to each Capital Note until the relevant first Election Date will not change after an application for that Capital Note has been accepted by the Registrar. FB Finance, may at any time prior to the Closing Date, without prior notice, change the Interest Rate it offers in respect of Capital Notes, other than for those Capital Notes for which applications have been accepted at the date of the Interest Rate change. The Interest Rates applicable to the Capital Notes may, therefore differ, depending on when applications are received by the Registrar. Applicants can obtain details of the Interest Rate applicable to each Series of Capital Notes from time to time by contacting any of the Joint Lead Managers or their investment adviser. The Arranger and Organising Participant can be contacted on free phone 0800 162 222.

If an application for a Capital Note is received by the Registrar after a change in the Interest Rate offered and FB Finance has increased the Interest Rate for that Capital Note, the increased rate will apply to that application. If the Interest Rate has been decreased, applicants whose applications are received by the Registrar within two Business Days after the date of announcement of that decrease will be notified of the lower Interest Rate, and within 10 Business Days can elect to either continue with the application (at the lower Interest Rate) or be refunded their application monies. If no response has been received within that 10 Business Day period, applicants will be refunded their application monies in full, without any interest being paid to the applicant. No such notification will be given in respect of applications received by the Registrar after that two Business Day period, and the decreased Interest Rate will apply to all such applications.

If the Interest Rate for a Series of Capital Notes is changed after the Opening Date, Capital Notes issued at the new Interest Rate will be quoted on the NZDX separately from those issued at the initial Interest Rate. This may affect the market liquidity of all Capital Notes issued due to the pool of like Capital Notes that may be traded together being reduced.

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.

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

The first payment of interest for each Series is due on 15 May 2009. Subsequent interest for each Series is scheduled to be paid half-yearly in arrears on 15 May and 15 November in each year (or, if that date is not a Business Day, on the next Business Day) until the relevant first Election Date. Interest (other than the first interest payment) is payable for each Series 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 31).

If interest is not paid by FB Finance 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 for any purpose. However, each of FB Finance and Fletcher Building has 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.

Election Dates

The May 2014 Capital Notes will have a first Election Date of 15 May 2014 and the May 2016 Capital Notes will have a first Election Date of 15 May 2016. 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 and thereafter in multiples of \$1,000 for Capital Notes having the same Election Date and Interest Rate) 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 Market Value of those Fletcher Building Shares. 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. Conversion is conditional on Fletcher Building complying with the requirements of NZX Listing Rule 7.3.1 in relation to the conversion of the Capital Notes into Fletcher Building Shares.

Conversion to Fletcher Building Shares can also occur at an Early Election Date. An Early Election Date occurs if any person, either acting 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 their Capital Notes into Fletcher Building Shares at 98 percent of the then Current Market Value of those Fletcher Building Shares, provided that Fletcher Building complies with the requirements of NZX Listing Rule 7.3.1.

Notwithstanding an election by a Noteholder to convert their Capital Notes into Fletcher Building Shares, FB Finance may, at its option, redeem some or all of such Capital Notes for cash on the relevant 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 at their Principal Amount together with any accrued but unpaid interest.

This process is described in more detail in Condition 4 (Election to Retain or Convert) in the section of this Prospectus entitled "Conditions of Capital Notes" on page 32.

Noteholders may elect to convert their Capital Notes to Fletcher Building Shares only on a relevant Election Date or Early Election Date. However, the right to elect conversion to Fletcher Building Shares may be suspended or forfeited in certain circumstances as described in Condition 4.4 (Conversion to Fletcher Building Shares) in the section of this Prospectus entitled "Conditions of Capital Notes" on page 33.

Applications

Applications for the Capital Notes may be made by completing and lodging the Application Form enclosed with the Investment Statement with the Registrar (Computershare Investor Services Limited), any of the Joint Lead Managers or any other Primary Market Participant. Applicants must complete the Application Form in accordance with the instructions set out in the section of the Investment Statement entitled "Application Instructions".

Applications for May 2014 Capital Notes and May 2016 Capital Notes must be for a minimum Principal Amount of \$5,000 and thereafter in multiples of \$1,000 in relation to each Series. Consequently, if applicants wish to apply for both May 2014 Capital Notes and May 2016 Capital Notes, they must apply for at least \$5,000 of May 2014 Capital Notes and \$5,000 of May 2016 Capital Notes and thereafter in multiples of \$1,000 for each Series.

Applicants should nominate whether they wish to apply for May 2014 Capital Notes, May 2016 Capital Notes or a combination of each Series at the time of application.

FB Finance will issue Capital Notes throughout the period of the Offer to applicants on a "first come, first served" basis, although scaling on a pro rata basis may be required for those applications received on the date that the maximum Principal Amount is received.

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

By signing the Application Form, an applicant irrevocably offers to subscribe for the Capital Notes on the terms set out in this Prospectus, the Investment Statement, the Trust Documents and the Application Form, notwithstanding any changes to any Closing Date 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 should be made payable to "FB Finance Capital Notes Offer", crossed "Not Transferable" and must not be post-dated.

Applications cannot be withdrawn or revoked, except where an application for Capital Notes is received by the Registrar within two Business Days after the date the Interest Rate has been decreased, in which case the applicant may elect to withdraw the application and be refunded the application monies.

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

Refunds

Any application money received in respect of applications that are not accepted, or the balance of any application money if accepted in part only, will be refunded to the applicant as soon as practicable and, in any event, within 10 Business Days after receipt of the application.

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 NZX for permission to list the Capital Notes on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus.

It is intended that quotation of the Capital Notes on the NZDX will commence within a reasonable time after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine), and in any event not later than 10 Business Days after that date.

The Fletcher Building Shares into which the Capital Notes may convert have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Prospectus.

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. Capital Notes will not be tradable on the NZDX until they have been quoted, which, as described above, is intended to occur after the Closing Date (being 31 March 2009 or such earlier date that FB Finance may determine).

Overseas Investors

This Offer is made to New Zealand residents only. No offer or invitation is made under this Prospectus in any jurisdiction outside New Zealand. No person may offer, sell or deliver any Capital Notes or distribute this Prospectus 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.

Further Issues

Subject to NZX 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 in the Investment Statement in the section entitled "Taxation". Those comments relate only to New Zealand taxes and are based on tax legislation current at the date of this Prospectus. 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.

Use of Proceeds

The funds received from the Offer will be provided to the Fletcher Building Group for all its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

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 Primary Market Participants and other approved financial intermediaries where a valid application bears the stamp of that Primary Market Participant and or financial intermediary, at a rate of:

- 1.00 percent of the aggregate Principal Amount in respect of the May 2014 Capital Notes issued; and
- 1.25 percent of the aggregate Principal Amount in respect of the May 2016 Capital Notes issued.

No brokerage is payable by FB Finance where a valid application does not bear the stamp of a Primary Market Participant or approved financial intermediary.

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

Joint Lead Managers

The Joint Lead Managers are First NZ Capital Securities Limited, ANZ National Bank Limited and Goldman Sachs JBVere (NZ) Limited. FB Finance will pay to the Joint Lead Managers a fee for services provided by them in relation to the Offer.

BUSINESS DESCRIPTION OF FB FINANCE AND FLETCHER BUILDING

FB FINANCE

FB Finance is a wholly owned subsidiary of Fletcher Building and 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 in Australia is at 821 Pacific Highway, Chatswood, NSW. As at the date of this Prospectus, FB Finance's principal activity is the issuance of capital notes to investors in New Zealand and the provision of the proceeds of such offers to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

FLETCHER BUILDING

Fletcher Building is the parent company of FB Finance and guarantees FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis. Under the terms of that guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building.

Overview

Fletcher Building is a New Zealand head-quartered building materials manufacturer, distributor and contractor, listed on the NZX and ASX. Fletcher Building's principal activities are as:

New Zealand

- the sole manufacturer of gypsum plasterboard;
- a significant participant in the New Zealand steel industry;
- a major producer of aggregates, cement, readymix concrete and concrete products;
- a wood fibre panel manufacturer and distributor;
- a distributor of a wide range of building materials;
- a substantial construction contractor;
- a builder of residential homes; and
- a manufacturer and distributor of insulation products.

Australia

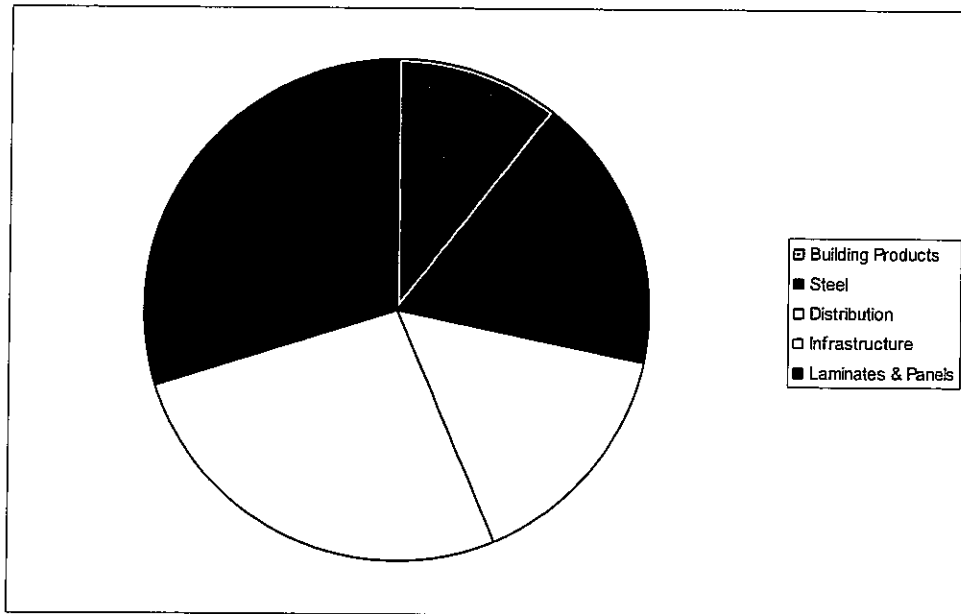
- a wood fibre panel manufacturer and distributor;
- a producer of aggregates and concrete products;
- a manufacturer and distributor of insulation products;
- a rollformer of flat steel products;
- a manufacturer of high pressure laminates; and
- a manufacturer and distributor of sinkware.

Global

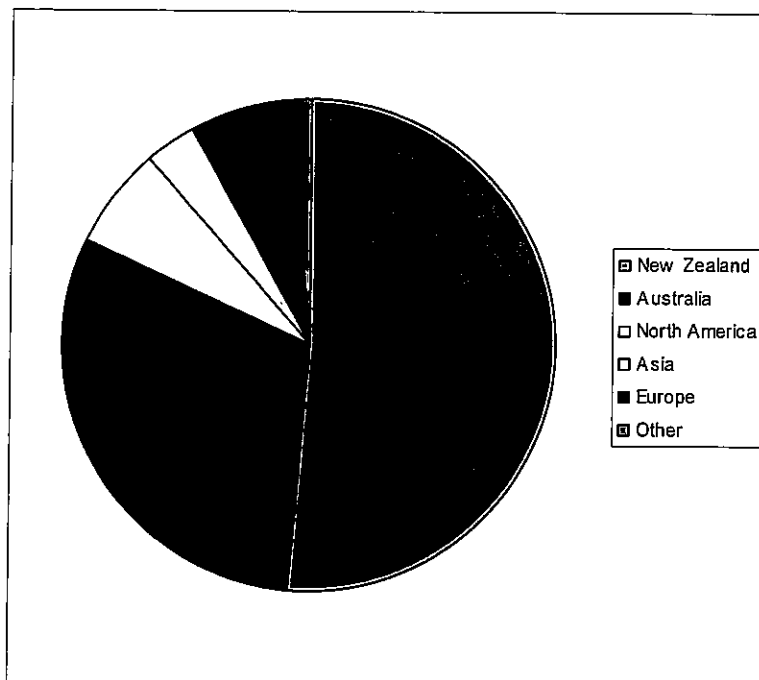
- in North America, Europe and Asia, a manufacturer of high pressure laminates; and
- in New Zealand, Malaysia, the U.S. (and shortly in Hungary), a manufacturer of metal roof tiles.

In the financial year ended 30 June 2008, Fletcher Building generated approximately 51 percent of its revenue within New Zealand, with 31 percent being generated in Australia and the balance of 18 percent coming from the rest of the world.

Fletcher Building Group
Revenue by Division for the year ended 30 June 2008



Fletcher Building Group
Revenue by Geography for the year ended 30 June 2008



Operational Overview

Fletcher Building is organised into five operating divisions – Building Products, Infrastructure, Distribution, Laminates & Panels, and Steel.

Building Products

The Building Products division has a range of New Zealand, Australian and international businesses involved in the manufacture and distribution of a variety of building products including gypsum plasterboard, glasswool insulation, metal roof tiles, aluminium extrusion, sinkware, flooring, and ceiling and wall systems.

Infrastructure

The Infrastructure division manufactures and distributes aggregates, cement, readymix concrete, concrete masonry, paving products, concrete and plastic pipes.

The concrete business in New Zealand is one of two national competitors that have fully integrated positions in the concrete chain (cement, aggregates and readymix concrete). In Australia, the Infrastructure division operates as an operator of sand quarries and as a manufacturer and distributor of concrete pipes and concrete products.

The division also includes Fletcher Construction, which acts in most of its construction activities as a general contractor. Fletcher Construction is active in most areas of New Zealand and has offices in Papua New Guinea, Fiji, Solomon Islands, Western Samoa, Vanuatu, Tonga and American Samoa.

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

Distribution

The Distribution division distributes building materials and related products under the PlaceMakers brand. PlaceMakers operates throughout New Zealand with 62 outlets. The Distribution division provides a channel to market for a number of other Fletcher Building companies. Currently 55 of the 62 PlaceMakers outlets operate under a joint venture franchise arrangement under which PlaceMakers holds a 50.1 percent ownership interest, with the balance of the shareholding being held by a local operator. If the joint venture franchise agreement is terminated, the shareholding of the local operator reverts to PlaceMakers.

Laminates & Panels

The Laminates & Panels division comprises the Australasian-based Laminex Group and the Formica Group, which has operations in North America, Asia and Europe.

Laminex is a marketer, distributor and manufacturer of high-pressure and low-pressure decorative surface laminates in Australia and New Zealand with a portfolio of brands. Laminex also supplies associated products such as natural timber veneer panels, medium density fibreboard and particleboard, cabinet doors and componentry, which complement its core product range.

Formica, which was acquired on 2 July 2007 is a global manufacturer of decorative surface products. Formica's principal product is high pressure laminate but it also distributes solid surface, compact laminate and engineered stone products

Steel

The Steel division became a separate division in October 2006 as a result of a reorganisation of the Building Products division. In New Zealand, the Steel division's operations comprise steel manufacturing, processing and distribution, while in Australia the operations comprise steel processing and distribution.

Financial Overview of the Fletcher Building Group for the year ended 30 June 2008

Sales, at NZ\$7.1 billion for the year ended 30 June 2008, increased by NZ\$1.2 billion compared with the previous year. These included NZ\$1.1 billion contributed by Formica. Operating earnings

(earnings before interest, funding costs and tax) were NZ\$768 million, an increase of 9 percent compared with the NZ\$703 million of operating earnings in the previous year.

Trading post balance date

During the period since the 30 June 2008 balance date, the significant disturbances in global financial markets have continued to impact significantly on the economies in which Fletcher Building operates and, consequently, on the revenues and earnings of the Fletcher Building Group.

In particular, residential housing markets are in recession in many of Fletcher Building's markets. By way of example, and based on information available to Fletcher Building, in the first quarter of the current financial year new housing consents in New Zealand and Australia declined, respectively, 38 percent and 11 percent year on year. Commercial construction activity has also declined in most of Fletcher Building's markets, although not to the same extent yet as the residential housing market. Infrastructure markets in New Zealand and Australia have remained relatively strong, driven by the need to cater for population growth and replacement of essential facilities, along with the availability of government funding.

SUMMARY FINANCIAL INFORMATION

Summary financial information for the issuer of the Capital Notes, FB Finance, is presented in this section of the Prospectus. Summary financial information is also presented for the guarantor of the Capital Notes, Fletcher Building.

In addition, because the primary source of FB Finance's cashflow is the income it receives from the Fletcher Building Group, summary financial information is also presented for the Fletcher Building Group. Investors should note that Fletcher Building is the only member of the Fletcher Building Group that guarantees FB Finance's indebtedness in respect of the Capital Notes, and that such guarantee is on an unsecured and subordinated basis. Under the terms of that guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. Accordingly the financial information for the Fletcher Building Group is provided for the information of investors only.

FLETCHER BUILDING FINANCE LIMITED

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted from the audited financial statements of FB Finance. This summary of financial statements has been prepared in accordance with the Second Schedule to the Securities Regulations.

Prior to and during the year ending on 30 June 2007, FB Finance issued capital notes and borrowed funds under banking facilities available to the Fletcher Building Group. FB Finance then advanced those funds on to other members of the Fletcher Building Group. In the year ended 30 June 2008 with the acquisition of Formica, the external bank funding was restructured and FB Finance repaid all its external bank debt using funds from the settlement of corresponding intra-group advances. This restructuring resulted in a significant change to the assets and liabilities of FB Finance in the year ended 30 June 2008.

Accordingly, as at the date of this Prospectus, FB Finance's principal activity is the issuance of capital notes to investors in New Zealand and the provision of the proceeds of such offers, to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

(NZ\$M)	Years ended and as at 30 June				
	2008	2007	2006	2005	2004
Operating revenue	56	110	107	76	54
Operating expenses	0	(1)	(1)	(1)	0
Operating earnings	56	109	106	75	54
Interest expense	(43)	(101)	(97)	(68)	(52)
Earnings before taxation	13	8	9	7	2
Taxation (expense) / benefit (1)	(9)	68	(5)	(2)	(1)
Net earnings	4	76	4	5	1
Total assets	220	1,573	1,587	1,446	854
Total liabilities	(143)	(1,469)	(1,556)	(1,417)	(831)
Total equity	77	104	31	29	23
Retained earnings (included in total equity)	(131)	(104)	(123)	(54)	(30)
Total tangible assets (included in total assets)	220	1,573	1,587	1,446	854
Total dividend paid to Fletcher Building as sole shareholder	31	57	73	28	25
Total dividend – cents per share	0.15	0.28	0.49	0.35	0.50
Net tangible assets per FB Finance Capital Note (existing capital notes only) (\$)	1.55	1.70	1.21	1.19	1.15

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). If 30 June 2005 was presented under previous New Zealand Financial Reporting Standards the only impact would be to reclassify prepaid borrowing costs of \$2,567,527 as a separate asset, rather than netting it against the capital notes liability. This would increase total assets by \$2,567,527 and total liabilities by \$2,567,527. There was no change to the earnings statement or statement of movements in equity.

Full financial statements of FB Finance for the most recently completed accounting period are contained in the section of this Prospectus entitled "Financial Statements" on pages 49 to 60. Full financial statements of FB Finance can be found on the Companies Office website, www.companies.govt.nz, and are contained in FB Finance's annual report, which can be found at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

Note:

(1) Included in the 2007 tax expense is a tax benefit of \$70 million arising from the election to credit the total balance of the branch equivalent tax account against the income tax liability.

FLETCHER BUILDING LIMITED AND ITS SUBSIDIARIES

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted from the audited consolidated financial statements of the Fletcher Building Group.

Investors should note that Fletcher Building is the only member of the Fletcher Building Group that guarantees FB Finance's indebtedness in respect of the Capital Notes, and that such guarantee is on an unsecured and subordinated basis. Under the terms of that guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. Accordingly the financial information for the Fletcher Building Group is provided for the information of investors only.

(NZ\$M)	Years ended and as at 30 June				
	2008	2007	2006	2005	2004
Operating revenue	7,091	5,926	5,520	4,636	3,958
Operating expenses before unusual items	(6,323)	(5,228)	(4,845)	(4,024)	(3,498)
Operating earnings before unusual items	768	698	675	612	460
Unusual items (1)		5			
Operating earnings	768	703	675	612	460
Interest expense	(136)	(87)	(88)	(77)	(75)
Earnings before taxation	632	616	587	535	385
Taxation (expense) (2)	(150)	(113)	(189)	(166)	(124)
Earnings after taxation	482	503	398	369	261
Minority interest	(15)	(19)	(19)	(22)	(21)
Net earnings	467	484	379	347	240
Total assets	6,235	4,433	4,099	3,657	2,790
Total liabilities	(3,479)	(2,137)	(2,299)	(2,230)	(1,672)
Total equity	2,756	2,296	1,800	1,427	1,118
Retained earnings (included in total equity)	1,193	961	679	467	315
Total tangible assets (included in total assets)	4,979	3,804	3,502	3,143	2,448
Total dividend paid to shareholders	235	202	167	131	91
Total dividend declared in cents per share	48.50	45.00	40.00	32.00	25.00
Net tangible assets per Fletcher Building Group Capital Note (existing capital notes only) (\$)	5.09	5.63	3.90	3.49	2.84
Net assets per Fletcher Building Share (\$)	5.47	4.60	3.83	3.07	2.56

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Full financial statements of the Fletcher Building Group for the most recently completed accounting period can be found on the Companies Office website, www.companies.govt.nz, and are contained in Fletcher Building's annual report, which is available on its website at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

Notes:

(1) During the 2007 financial year there were two significant unanticipated incidents which contributed to the net unusual gain of \$5 million. The first was the destruction of the medium density fibreboard plant in Taupo by fire, and the second was the failure of the transformer at Pacific Steel, which resulted in six weeks of lost billet production. The insurance claim relating to the Taupo fire was settled during the year and the group accepted a gross cash settlement of \$91 million of its claim against the insurers. This was reduced by the \$10 million insurance deductible to give a net receipt of \$81 million. After accounting for plant write-offs, redundancies and business interruption costs, operating earnings increased by \$36 million. Concerning the Pacific Steel transformer failure, the Company wrote off the damaged plant, recognised the increased operating costs and after allowing for the insurance deductible of \$5 million, recognised a net loss of \$4 million. In addition to this, the group wrote off \$20 million of assets and provided for \$7 million of obligations in relation to impairments at certain plants, or assets no longer used in the generation of earnings.

(2) Included in the 2007 tax expense is a tax benefit of \$70 million arising from the election to credit the total balance of the branch equivalent tax account against the income tax liability and \$10 million of tax benefits arising from unusual items detailed in note 1.

FLETCHER BUILDING LIMITED

The following summary of financial statements for the five year period ending on 30 June 2008 has been extracted from the audited financial statements of Fletcher Building Limited.

Fletcher Building is a company domiciled in New Zealand and is registered under the Companies Act. It is the guarantor of FB Finance's indebtedness in respect of the Capital Notes on an unsecured and subordinated basis and is the issuer of the Fletcher Building Shares into which the Capital Notes may convert. Under the terms of that guarantee, the only right of Noteholders against Fletcher Building for payment of indebtedness owed by FB Finance is the right to claim, as a subordinated creditor, in the event of the liquidation of Fletcher Building. No subsidiary of Fletcher Building has guaranteed the obligations of Fletcher Building or FB Finance in relation to the Capital Notes.

(NZ\$M)	Years ended and as at 30 June				
	2008	2007	2006	2005	2004
Operating revenue	276	252	257	187	135
Operating expenses	-	-	-	-	-
Operating earnings	276	252	257	187	135
Interest expense	(54)	(99)	(98)	(58)	(54)
Earnings before taxation	222	153	159	129	81
Taxation benefit	15	18	19	12	11
Net earnings	237	171	178	141	92
Total assets	4,487	3,783	3,334	2,718	2,356
Total liabilities	(3,168)	(2,525)	(2,393)	(1,835)	(1,278)
Total equity	1,319	1,258	941	883	1,078
Retained earnings (included in total equity)	(67)	(69)	(38)	(49)	(47)
Total tangible assets (included in total equity)	4,487	3,783	3,334	2,718	2,356
Total dividend paid to shareholders	235	202	167	131	91
Total dividend declared in cents per share	48.50	45.00	40.00	32.00	25.00
Net tangible assets per Fletcher Building Capital Note (existing capital notes) (\$)	7.13	7.29	4.76	5.42	5.31

The financial information for the year ended 30 June 2004 has been prepared under the previous New Zealand Financial Reporting Standards (NZ FRS or NZ GAAP). The financial information for the years ended 30 June 2005 onwards has been prepared under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Full financial statements of Fletcher Building for the most recently completed accounting period can be found on the Companies Office website, www.companies.govt.nz, and are contained in Fletcher Building's annual report, which is available on its website at: www.fletcherbuilding.co.nz, or can be obtained by contacting Investor Relations at Fletcher Building on (09) 525 9248.

BOARD OF FB FINANCE AND FLETCHER BUILDING

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 director at the date of this Prospectus.

Board of Directors

- Roderick Sheldon Deane, PhD, BCom (Hons), FACA, FCIS, FNZIM, Independent Chairman of Directors

Dr Deane, 67, has been a director of FB Finance since 23 October 2002. His career has been based in business, the executive branch of government, and central banking. He is currently also Chairman of the New Zealand Seed Fund, and the IHC Foundation. Dr Deane is a director of Woolworths and a member of the Advisory Board of Pacific Road Corporate Finance, both of which are headquartered in Australia. He is Patron of New Zealand's largest voluntary welfare organisation, IHC Inc. He is a Distinguished Fellow of the NZ Association of Economists and the Centre for Independent Studies in Australia.

- Paul Edward Alex Baines, BCA, FCA, MPP, FINSTD, Independent Non-Executive Director

Mr Baines, 58, has been a director of FB Finance since 23 October 2002. His background is in financial and strategic management and he has experience as a director in both the public and private sectors. He is chairman of Barnardos New Zealand and is a director of the Reserve Bank of New Zealand, the New Zealand School of Music, The Todd Corporation, and is a board member of the New Zealand Institute of Economic Research. He is a Trustee of the Chamber Music New Zealand Trust.

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

Mr Fletcher, 60, has been a director of FB Finance since 23 October 2002. Previously he has held management positions in the Fletcher Challenge Group and now holds a number of directorships and advisory positions. He is a director of Insurance Australia Group, Rubicon, the Reserve Bank of New Zealand, Vector and Insurance Australia Group, a member of the New Zealand advisory board of L.E.K Consulting and Chancellor of The University of Auckland.

- John Frederick Judge, BCom, IMP, Independent Non-Executive Director

Mr Judge, 54, has been a director of FB Finance since 9 June 2008. He has experience in Australasian business and brings financial and analytical knowledge to the board. His career includes various roles within Ernst & Young culminating in the position of Chief Executive of Ernst & Young New Zealand, which role he relinquished in June 2007. He is Chairman of the Museum of New Zealand Te Papa Tongarewa and a member of both the Auckland and Otago University Business Schools' advisory boards.

- Jonathan Peter Ling, B Eng, MBA, Executive Director

Mr Ling, 54, has been a director of FB Finance since 1 September 2006. He has management experience in competitive manufacturing business through his senior management roles in the Fletcher Building Group's Laminates & Panels division from 2003 to 2006, and before that in Pacifica, Visy and Nylex. Mr Ling is also the chief executive officer and managing director of Fletcher Building. He is a member of the Climate Change Leadership Forum, Capital Market Development Taskforce and Growth and Innovation Advisory Board.

- Geoffrey James McGrath, MIIE, Independent Non-Executive Director

Mr McGrath, 66, has been a director of FB Finance since 1 July 2003. He has management experience in the Australian building products industry, including 10 years as the managing director of GWA International, a manufacturer and marketer of consumer and building products.

Mr McGrath retired as managing director of that company in 2003. He is a director of GWA International and chairman of the Australian listed company, Campbell Brothers.

- Sir Dryden Spring, DSc (Hon), Independent Non-Executive Director

Sir Dryden, 68, has been a director of FB Finance since 23 October 2002. He is chairman of ANZ National Bank and a director of Port of Tauranga, Sky City Entertainment Group and Northport. He is a member of the New Zealand Business and Parliament Trust and a Distinguished Fellow of the Institute of Directors, a member emeritus of the International Policy Council on Agriculture, Food and Trade and is on the advisory board of Visy Industries.

- Kerrin Margaret Vautier, CMG, BA, FINSTD, Independent Non-Executive Director

Mrs Vautier, 63, has been a director of FB Finance since 23 October 2002. She is a research economist specialising in competition law and economics. She has served on a number of Government agencies, including as a member of the New Zealand Commerce Commission, and has been a director of several New Zealand listed companies. Currently, she is an adviser to the Partnership Board of Deloitte and chair of the New Zealand Asia Institute's Advisory Board. She also chairs the Musica Sacra Trust.

Mrs Vautier is a lay member of the High Court under the Commerce Act and a senior part-time lecturer at the University of Auckland, teaching competition law in the Law Faculty.

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

Mr Waters, 59, has been a director of FB Finance since 23 October 2002. He has management experience in the Australasian manufacturing industry including as managing director of Email, a major Australian industrial company, and until 31 August 2006 as the chief executive officer and managing director of Fletcher Building. He is also a director of Fisher & Paykel Appliances Holdings, Fonterra Co-operative Group and Westpac New Zealand.

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 Prospectus the Fletcher Building Shares are listed on the NZSX and the ASX. However, neither NZX nor ASX accepts any responsibility for any of the contents or statements in this Prospectus.

There is no current intention to list the Fletcher Building Shares on any stock exchange other than the NZSX 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 Prospectus. This section contains particulars of all material matters relating to the offer of Fletcher Building Shares not otherwise contained in this Prospectus.

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 Prospectus. 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 NZSX 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 only declare dividends 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.

Fletcher Building does not have a policy of distributing a fixed percentage of earnings by way of dividend in any year. Rather, in fixing a dividend for any year it considers a number of factors including current and forecast earnings, internal capital requirements, growth options, availability of tax

credits and Fletcher Building's debt/equity position. Fletcher Building aspires to ensure a dividend record that means the amount of the dividend is at least maintained and, where circumstances permit, is increased.

It is also the current intention of the board of directors of Fletcher Building to attach imputation credits and, where circumstances permit, Australian franking credits, to dividends paid on Fletcher Building Shares held by New Zealand residents and by non-residents.

Notwithstanding the dividend policies above, and subject to the limitation on dividends in respect of Fletcher Building Shares, the board of directors of Fletcher Building has an absolute 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 in the Investment Statement under the heading "What are my risks?".

The Trust Documents include a covenant by Fletcher Building not to pay any dividends on, or make any other distribution in respect of, its Fletcher Building shares while any interest payable under the 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 Prospectus, there are no claims ranking equally for priority of payment with Fletcher Building Shares on liquidation.

Right to participate in Fletcher Building Share issues

Fletcher Building may issue Fletcher Building Shares with the approval of Fletcher Building shareholders by ordinary resolution or in accordance with the provisions of the listing rules of the NZX and ASX contained, or incorporated by reference, in Fletcher Building's constitution. These permit the placement of new Fletcher Building Shares and any securities convertible into Fletcher Building Shares up to certain prescribed levels in any 12 month period, and the issue of new Fletcher Building Shares and any securities convertible into Fletcher Building Shares 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 NZSX and ASX listing rules.

DESCRIPTION OF THE TRUST DOCUMENTS

Introduction

The Capital Notes will be constituted by and issued pursuant to the Trust Deed dated 12 November 2002 between FB Finance, Fletcher Building and the Trustee, as supplemented by the Supplemental Trust Deed dated 21 November 2008. The Trust Documents set out the rights of Noteholders.

The Trustee acts as trustee for the Noteholders.

In this section, capitalised terms not otherwise defined in this Prospectus have the meanings given to those terms in the Trust Documents.

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

Ranking of Capital Notes

The Capital Notes constitute unsecured subordinated indebtedness of FB Finance.

Under the Trust Documents, 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 the liquidation of FB Finance is set out in Condition 2.2 (Subordination) in the section of this Prospectus entitled "Conditions of Capital Notes" on page 29.

Under the Trust Documents, 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 in the Investment Statement 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 Documents in respect of the Capital Notes. Currently, no other person or entity guarantees the payment of interest or any other amounts due under either the Capital Notes or the Trust Documents. 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 for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, 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 for payment of indebtedness owed by FB Finance 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, upon 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.

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 Prospectus, the claims that will rank equally with the claims of Noteholders:

- against FB Finance, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed; and
- against Fletcher Building under the Guarantee, will be the claims of the existing holders of \$150 million principal amount of capital notes issued under the Trust Deed and the existing holders of \$250 million principal amount of capital notes issued under the Fletcher Building Trust Deed.

Restrictions on FB Finance

The Trust Documents contain 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 Documents contain detailed provisions relating to the conversion of the Capital Notes to Fletcher Building Shares which are set out in the section of this Prospectus entitled "Conditions of Capital Notes" on pages 29 to 39.

Unpaid Interest

The Trust Documents provide 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 the liquidation of FB Finance or Fletcher Building, as set out in the section of this Prospectus entitled "Conditions of Capital Notes" on pages 29 to 39.

FB Finance Covenants

FB Finance has covenanted in the Trust Documents to notify the Trustee immediately if it does not make payment of interest on any capital notes issued by FB Finance (including 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 Documents that if any capital notes issued by FB Finance (including the Capital Notes) are quoted on the NZDX 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 any capital notes issued by FB Finance (including the Capital Notes) are not paid on the due dates and for so long as such interest payments remain outstanding.

In lieu of forwarding to Noteholders copies of the annual report and the half-yearly report of Fletcher Building as contemplated by clause 6.4(b)(i) of the Trust Deed, FB Finance will (as permitted by the Trust Documents) procure that Fletcher Building will make available to Noteholders a copy of the consolidated financial statements of Fletcher Building for each financial year and financial half-year in accordance with Rule 10.5 of the NZX Listing Rules.

Fletcher Building Covenants

Fletcher Building has covenanted in the Trust Documents not to pay any dividends or make any other distributions in respect of Fletcher Building Shares if the interest payments on any capital notes issued by FB Finance (including 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 Documents that if the Capital Notes are quoted on the NZDX 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 Documents 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 NZSX and that such quotation is maintained.

Substitution of FB Finance

The Trust Documents provide 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 Documents provide 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 Documents and the Capital Notes from counsel in FB Finance's proposed new country of incorporation.

Periodic Reporting to Trustee

In the Trust Documents, 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 to Fletcher Building Shares (if any) and compliance with the Trust Documents.

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 Documents reflect 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 any payment in respect of the Capital Notes or amounts payable under the Guarantee except in the event of the liquidation of FB Finance or Fletcher Building, as applicable. However, the Trustee has rights generally available at law, for example the right to enforce the covenants and other obligations (other than payment obligations) of FB Finance and Fletcher Building given in the Trust Documents.

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 Documents;
- 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, and auditors of FB Finance 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 are deemed to be included in the Trust Documents. Such duties shall, to the maximum extent permitted by law, be limited and construed 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 to the Trust Documents by reference to certain assumptions upon which the Trustee may base the performance of its duties.

Amendment of Trust Documents

The Trustee is empowered to agree to amendments to the Trust Documents 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 NZDX and is not prejudicial to the interests of noteholders generally;
- if the amendment is authorised by an Extraordinary Resolution of noteholders;
- if it relates to the assumption by FB Finance of the payment obligations of Fletcher Building under the Capital Notes issued under the Fletcher Building Trust Deed 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.

If, in the opinion of the Trustee, a resolution either affects one class only of capital notes, or more than one class in a way that gives or may give rise to a conflict of interest between the noteholders of the different classes affected, then the resolution will be deemed to have been duly passed only if passed at separate meetings of the noteholders of the capital notes of each such class or classes so affected. Capital notes which are in all respects identical will constitute a separate class of capital notes.

All such amendments will be binding on all relevant noteholders.

An Extraordinary Resolution of Noteholders is binding on all noteholders of the relevant class or classes 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 Documents also contain 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 Documents.

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**) as supplemented by the Supplemental Trust Deed dated 21 November 2008 (together the **Trust Documents**), and the provisions set out below (the **Conditions**). Copies of the Trust Documents may be inspected at the registered office of FB Finance, at the head office of the Trustee, on the Companies Office website (www.companies.govt.nz) and at the office of the Registrar. In this respect the office of the Registrar is:

Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna.

(A) UNDERTAKINGS

1 FB Finance 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 FB Finance to redeem the Capital Notes by payment of the Liquidation Amount in accordance with Condition 2.2(b); and
- (c) if FB Finance 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 2.2 of the Trust Documents; and
- (b) 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 DOCUMENTS

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

2. STATUS AND SUBORDINATION OF THE CAPITAL NOTES

- 2.1 **Status:** The Capital Notes constitute unsecured subordinated obligations of FB Finance and rank *pari passu* and without priority or preference among themselves. FB Finance'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 Documents. None of FB Finance's directors, the directors of Fletcher Building, the Trustee or any other person, other than Fletcher Building, guarantees FB Finance's obligations under the Trust Documents or the Capital Notes in any way.
- 2.2 **Subordination:** The obligations of FB Finance or Fletcher Building to the Noteholder, and the rights of the Noteholder against FB Finance 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 FB Finance or Fletcher Building, as applicable, in that in and upon the Liquidation of FB Finance or Fletcher Building, as applicable, the claims of the Noteholder against FB Finance 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 FB Finance 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 FB Finance 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 Shares, 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 FB Finance 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 Documents:** The Trust Documents contain provisions (which, like all other provisions of the Trust Documents, 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 FB Finance and/or Fletcher Building. These subordination 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 FB Finance 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 FB Finance to the Purchaser (such date, or other date agreed by FB Finance and the Purchaser for the purposes of interest calculation, as entered on the Register being the **Interest Calculation Date**), on the basis of a 365-day year provided that, if such Capital Note is purchased on the Interest Calculation 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 FB Finance 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 FB Finance 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 FB Finance 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. FB Finance 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 FB Finance 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 Interest Calculation 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, FB Finance shall not be obliged to pay interest on any Interest Date but each of FB Finance and Fletcher Building have each covenanted in the Trust Documents not to pay any dividend on, or make any other Distribution in respect of ordinary shares of FB Finance, in the case of FB Finance 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 FB Finance 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 FB Finance or Fletcher Building, as applicable, except to the extent that FB Finance 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 FB Finance and Fletcher Building with such evidence as FB Finance or Fletcher Building, may from time to time, require to satisfy itself in respect of the validity of that claim.
- 3.5 **Approved Issuer Levy:** If a Noteholder elects that any interest payable to him or her under the Capital Notes should be subject to application of the approved issuer levy, FB Finance shall be entitled to reduce the amount of interest otherwise payable to reflect the amount of the approved

issuer levy and only the net amount of interest after the reduction has been made will be payable to the Noteholder.

4. ELECTION TO RETAIN OR CONVERT

4.1 **Election Notice:** FB Finance shall give to each holder of Capital Notes of a Series not later than three days after the date (the **Election Record Date**) which is 33 Business Days before the Election Date for that Series, 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 FB Finance 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 FB Finance (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) FB Finance does not receive an Election Notice from the Noteholder on or before the Notification Date; or
- (d) to the extent that FB Finance 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 FB Finance 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 FB Finance (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,

FB Finance 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 FB Finance 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) FB Finance does not receive an Early Election Notice from the Noteholder on or before the Early Notification Date; or
- (d) to the extent that FB Finance 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 FB Finance 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.

Any Early Election Notice delivered under this Condition 4.3 will supersede any Election Notice which has been delivered under Condition 4.2 and which remains current at the time the Early Election Notice is delivered.

4.4 **Conversion to Fletcher Building Shares:**

- (a) **Basis of Conversion:** Subject to paragraph (b) of this Condition and to Condition 4.5, FB Finance undertakes to convert any Capital Notes which the Noteholder has (or is deemed to have) elected to convert, less any such Capital Notes which FB Finance has elected, pursuant to Condition 4.5, to redeem or FB Finance, Fletcher Building or any subsidiary of Fletcher Building (or their nominee) pursuant to Condition 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 FB Finance 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 FB Finance and agreed to by the Trustee; and
- (iv) the New Election Date (which shall be a business day) to be selected by FB Finance 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:
 - (i) the Government Stock Rate (as defined below) as at the Election Date or Early Election Date (as the case may be); and
 - (ii) 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:
 - (i) 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
 - (ii) 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:
 - (i) for the purposes of (a)(i) 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
 - (ii) for the purposes of (a)(ii) of the definition of Market Rate the period from the Interest Determination Date to the Election Date,

as quoted to FB Finance by any three registered banks, selected by FB Finance and approved by the Trustee at or about 11 a.m. on any relevant date or if, in the opinion of FB Finance, 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 FB Finance, 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:

- (a) FB Finance shall have the option to redeem for cash on the Election Date or Early Election Date (as the case may be); and
- (b) FB Finance, 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 FB Finance 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 FB Finance, 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 FB Finance, 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 FB Finance to redeem Capital Notes or of FB Finance, 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 FB Finance 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 minimum Principal Amounts of \$1,000 or such lesser amount as the Issuer may from time to time permit (except where the holder is a Bank or Primary Market Participant, in which case there shall be no minimum transfer amount), provided that, following any such transfer, the transferee and transferor each holds not less than the Minimum Holding. Subject to Condition 5.1, any such transfer may be effected, by 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 at the office of the Registrar or at the registered office of FB Finance 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 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 FB Finance 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.

For this purpose:

- (a) **Bank** has the meaning set out in the Listing Rules;
- (b) **Minimum Holding** means Capital Notes having the same Interest Rate and Election Date and having an aggregate Principal Amount of \$5,000;
- (c) **Primary Market Participant** has the meaning set out in the Listing Rules;

- 5.3 **Restriction on Transfer:** Except as approved by FB Finance (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 the transferor holding Capital Notes with the same Election Date and Interest Rate 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 FB Finance, 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 FB Finance must issue to the transferee and transferor a statement recording certain details (including, without limitation, those specified in the Stock Exchange listing rules) of such Capital Note. 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 DOCUMENTS

Set out below are the provisions of the Trust Documents 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 FB Finance except after the commencement of the Liquidation of FB Finance (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 FB Finance 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 FB Finance, 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 FB Finance or Fletcher Building, as applicable, or for any other reason whatsoever, shall be paid to FB Finance 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 FB Finance or Fletcher Building, as applicable, to the relevant Senior Creditors according to their respective rights and interests and, pending payment thereof to FB Finance 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 FB Finance or Fletcher Building, as applicable, to be held on the trusts aforesaid.
- (c) If, whether before or after the commencement of the Liquidation of FB Finance 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 FB Finance or Fletcher Building, as applicable, the Noteholder will pay to FB Finance 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 FB Finance or Fletcher Building, as applicable, upon the trusts specified in paragraph (b) of this clause and, pending payment thereof to FB Finance or Fletcher Building, as applicable, the Noteholder shall hold such amount on trust to pay the same to FB Finance 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 FB Finance 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 FB Finance and Fletcher Building whether or not they have consented to such amendment.

3.7 Liquidation of FB Finance: No Noteholder shall claim or prove in the Liquidation of FB Finance or Fletcher Building for any amount owing to such Noteholder under any Capital Note or the Trust Documents 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 the Trust Documents or the Capital Notes in or upon any Liquidation of FB Finance 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 the Trust Documents;
- (b) **Secondly**, in payment to FB Finance 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 FB Finance or Fletcher Building, as applicable, to the Senior Creditors of FB Finance or Fletcher Building, as applicable, according to their respective rights and interests and, pending payment thereof to FB Finance or Fletcher Building, as applicable, any such amount received by the Trustee shall be held by it on trust to pay the same to FB Finance or Fletcher Building, as applicable, to be held on the trusts aforesaid;
- (c) **Thirdly**, subject to the indebtedness of FB Finance or Fletcher Building, as applicable, to the Senior Creditors of FB Finance 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 FB Finance or Fletcher Building, as applicable), and subject to the claims of creditors of FB Finance 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 FB Finance or Fletcher Building, as applicable, or to such other person as may be lawfully entitled thereto.

- 3.9 **Payments to Liquidator of FB Finance or Fletcher Building:** At any time after the commencement of the Liquidation of FB Finance 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 FB Finance 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."

21 November 2008

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



Perpetual Trust

Dear Directors

Fletcher Building Finance Limited – 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 **Capital Notes**) set out in the Prospectus dated 21 November 2008 complies with any relevant provisions of the Trust Deed between the Company, Fletcher Building Limited and Perpetual Trust Limited (the **Trustee**) dated 12 November 2002 as supplemented by the Supplemental Trust Deed dated 21 November 2008 (together the **Trust Documents**). The relevant provisions of the Trust Documents are those which:

- (i) entitle the Company to constitute and issue under the Trust Documents the Capital Notes offered under the Prospectus; and
- (ii) impose restrictions on the right of the Company to offer the Capital Notes,

and are described in the section of this Prospectus entitled "Description of the Trust Documents".

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to any financial information or to any material in the Prospectus which does not relate to the Trust Documents.

We have given the above confirmation on the basis:

- a) set out above; and
- b) that the Trustee relies on the information supplied to it by the Company pursuant to the Trust Documents and does not carry out an independent check of the statements or the figures supplied to it in that information.

The Trustee does not guarantee the repayment of the Capital Notes or the payment of interest thereon, or conversion of the Capital Notes into Fletcher Building Shares or purchase of the Capital Notes.

Yours faithfully

Chris Lithgow
REGIONAL MANAGER - CORPORATE TRUST

ADDITIONAL STATUTORY INFORMATION

This section of the Prospectus includes, but is not limited to information required by the Second Schedule to the Securities Regulations. The Second Schedule to the Securities Regulations requires certain information to be provided in respect of the "Borrowing Group". Investors should be aware that the Borrowing Group is limited to FB Finance.

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.

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 the Capital Notes 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 of this Prospectus entitled "Summary of Main Terms of the Offer" on page 4.

Details of incorporation of Issuer

FB Finance was incorporated in New Zealand under the Companies Act on 23 October 2002. Its registered number is 1248554. Information about the public file in respect of FB Finance is set out on page 45.

Guarantor

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

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 for payment of indebtedness owed by FB Finance to the Trustee or to that Noteholder, 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 for payment of indebtedness owed by FB Finance 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 2008 and excluding any assets which are also assets of FB Finance or its subsidiaries is \$1,319 million.

A description of the terms of the Guarantee is set out in the section of this Prospectus entitled "Description of the Trust Documents" on page 25.

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 Prospectus are as set out in the section of this Prospectus entitled "Board of FB Finance and Fletcher Building" on pages 21 and 22.

The city and country in which the principal residence of each director of FB Finance is situated are set out below:

Roderick Sheldon Deane	Wellington, New Zealand
Paul Edward Alex Baines	Wellington, New Zealand
Hugh Alasdair Fletcher	Auckland, New Zealand
John Frederick Judge	Auckland, New Zealand
Jonathan Peter Ling	Auckland, New Zealand
Geoffrey James McGrath	Chelmer, Brisbane, Australia
Sir Dryden Spring	Matamata, New Zealand
Kerrin Margaret Vautier	Auckland, New Zealand
Ralph Graham Waters	Bellevue Hill, Sydney, Australia

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 Jonathan Peter Ling is Chief Executive Officer and Managing Director of Fletcher Building.

No director has been adjudged bankrupt during the five years preceding the date of registration of this Prospectus.

The names and addresses of the auditor, the Registrar, the Joint Lead Managers and the solicitors who have been involved in the preparation of this Prospectus are set out in the Directory contained on page 67 of this Prospectus.

The trustee for the Capital Notes is Perpetual Trust Limited, whose address is also set out in the Directory on page 67 of this Prospectus.

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 requirement 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 (and has been since its incorporation) the partial funding of the operations of the Fletcher Building Group. The funds received from the Offer will be provided to the Fletcher Building Group for its general operations, including the retirement of debt, on terms intended to deliver an after tax return to FB Finance of not less than the average interest costs on all capital notes issued by FB Finance.

Further information about the activities of FB Finance is set out in the section of this Prospectus entitled "Business Description of FB Finance and Fletcher Building" on page 12.

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 (as the only member of the Borrowing Group) in respect of the 12 month periods ended 30 June 2004, 2005, 2006, 2007 and 2008, are set out in this Prospectus in the section entitled "Summary Financial Information" on pages 16 and 17.

The information contained in the financial statements, in summary form, for the five consecutive accounting periods ended on 30 June 2004, 2005, 2006, 2007 and 2008 has been taken from audited financial statements of FB Finance for each of the relevant accounting periods.

Acquisition of business or subsidiary

FB Finance has not acquired any business or subsidiary at any time in the period of two years preceding the date of registration of this Prospectus. The Formica group was acquired by subsidiaries of Fletcher Building which are not members of the Borrowing Group.

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 of two years preceding the date of registration of this Prospectus:

- (a) Supplemental Trust Deed between FB Finance, Fletcher Building and Perpetual Trust Limited dated 21 November 2008 which establishes the terms of the Capital Notes.
- (b) Cash Equalisation Swap between FB Finance and Fletcher Building dated 29 June 2007 which evidenced a currency hedge transaction governed by an ISDA Master Agreement and which terminated on 30 June 2008.
- (c) Loan Agreement between the Australian Branch of FB Finance and Fletcher Building (Australia) Finance Pty Limited (**Fletcher Building (Australia)**) dated 30 March 2007 pursuant to which Fletcher Building (Australia) lent AUD\$362,057,715.67 to FB Finance in repayment of amounts owing by FB Finance to Fletcher Building (Australia) under the loan agreement between the parties dated 13 November 2002 (as amended and restated on 1 March 2005). On 20 September 2007, FB Finance repaid AUD\$62,057,716 of the principal together with accrued interest of AUD\$13,358,389. On that same date, the balance of AUD\$300,000,000 was converted to New Zealand dollars and on 18 December 2007 was repaid in full.
- (d) Loan Agreement between the Australian Branch of FB Finance and Fletcher Challenge Investments Overseas Limited (**Fletcher Challenge**) dated 30 March 2007 pursuant to which Fletcher Challenge lent \$520,000,000.00 to FB Finance in repayment of amounts owing by FB Finance to Fletcher Challenge under the loan agreement between the parties dated 13 November 2002 (as amended and restated on 1 March 2005). On 20 September 2007, FB Finance repaid in full the principal of the loan together with accrued interest of AUD\$19,186,718.

Pending Proceedings

Under the sale and purchase agreement for the acquisition of Formica Corporation, Fletcher Building agreed to make certain milestone payments to the vendor in respect of the year ended 30 June 2008 provided certain cost saving initiatives were implemented. To date, Fletcher Building has paid US\$28 million in respect of the achievement of two out of the five initiatives. Fletcher Building is in dispute with the vendors over the achievement of three of the other initiatives. On 18 November 2008, the vendors filed proceedings against Fletcher Building in the Supreme Court of the State of New York seeking damages of at least US\$21 million, interest and such other relief as the court considers appropriate.

Other than as described above, there are no legal proceedings or arbitrations that are pending as at the date of registration of this Prospectus that may have a material adverse effect on FB Finance and/or Fletcher Building.

Issue Expenses

Issue expenses, including NZX 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 \$3.3 million based on a maximum issue size of \$200 million. In addition, FB Finance will pay fees to the Trustee in accordance with the Trust Documents.

Brokerage is payable by FB Finance to Primary Market Participants and other approved financial intermediaries where a valid application bears the stamp of that Primary Market Participant or financial intermediary, at a rate of:

- 1.00 percent of the aggregate Principal Amount in respect of the May 2014 Capital Notes issued; and
- 1.25 percent of the aggregate Principal Amount in respect of the May 2016 Capital Notes issued.

No brokerage is payable by FB Finance where a valid application does not bear the stamp of a Primary Market Participant or approved financial intermediary.

Ranking of Securities

As an unsecured, subordinated instrument, the Capital Notes will, in the event of liquidation of FB Finance, rank ahead of the claims of shareholders of FB Finance but are subordinated in right of payment to and will rank behind the claims of all other creditors of FB Finance (including bank lenders and all unsecured and trade creditors of FB Finance) except those creditors (if any) who have agreed to be subordinated to, or to rank equally with, the Noteholders.

The Capital Notes rank equally among themselves and equally with the \$150 million principal amount of capital notes previously issued under the Trust Deed.

As at 30 June 2008 (being the date of the latest statement of financial position set out in this Prospectus), there were no securities that were secured by a mortgage or charge over any of the assets of FB Finance that ranked in point of security ahead of, or equally with, the Capital Notes.

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 (the **Trust Deed**), as supplemented by the Supplemental Trust Deed dated 21 November 2008 (together the **Trust Documents**). A summary of the Trust Documents is set out in the section of this Prospectus entitled "Description of the Trust Documents" on pages 25 to 28.

The Trust Documents do not contain any terms that impose limitations relating to:

- the creation of new mortgages or charges by FB Finance; or
- any ratio of liabilities, or any class of liabilities, to assets, or to any class of assets, of FB Finance.

Brief particulars of the duties stated by the Trust Documents to be those of the Trustee are set out on page 27 of this Prospectus under the heading "The Trustee's Duties".

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 includes FB Finance), the Restricted Group has covenanted not to create or permit to exist any security interest over any of its assets other than certain agreed permitted security interests and not to dispose of assets in any twelve month period the book values of which would exceed 10 percent of the total tangible assets of the Fletcher Building Group at the beginning of the relevant period. The principal borrowing covenants in the Negative Pledge and Guarantee relate to gearing and interest cover. As at 30 June 2008, the Group was in compliance with each of these covenants.

Some members of the Fletcher Building Group are currently, and may in the future be, party to agreements or arrangements with lenders which may limit the ability of, or prevent, those members of the Fletcher Building Group paying dividends or making other distributions to, making loans to, or paying principal or interest on loans from, their parent companies. Ultimately this could restrict the flow of funds from members of the Fletcher Building Group to FB Finance and therefore adversely affect the ability of FB Finance to meet its obligations under the Capital Notes.

The statement required to be made by the Trustee pursuant to clause 13(3) of the Second Schedule to the Securities Regulations is set out in the section of this Prospectus entitled "Trustee's Statement" on page 40.

Other Terms of Offers and Securities

All terms of the Offer and all terms of the securities being offered are set out in this Prospectus, 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 Prospectus.

Financial Statements

The audited financial statements of FB Finance required by clauses 15 to 32 (inclusive) of the Second Schedule to the Securities Regulations are set out in the section of this Prospectus entitled "Financial Statements" on pages 49 to 60.

Places of Inspection of Documents

Copies of the constitution of FB Finance and copies of the material contracts referred to above, may be inspected free of charge during normal business hours at the registered office of FB Finance at 810 Great South Road, Penrose, Auckland.

Copies of these documents may also be viewed at any time on the Companies Office website (www.companies.govt.nz), or by telephoning the Companies Office contact centre on 0508 266 726 during normal business hours. The Companies Office may charge a fee to view or access those documents.

Other Material Matters

There are no material matters relating to the Offer other than those matters set out elsewhere in this Prospectus and contracts entered into in the ordinary course of business of FB Finance.

Directors' Statement

The directors of FB Finance, after due enquiry by them in relation to the period between 30 June 2008 and the date of registration of this Prospectus, 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.

However, investors should take note of the update on trading of the Fletcher Building Group in the period since 30 June 2008 under the section of this Prospectus entitled "Business Description of FB Finance and Fletcher Building" under the heading "Trading post balance date" on page 15.

Auditors' Report

The Auditors' report required by clause 36 of the Second Schedule to the Securities Regulations is set out on pages 61 to 63 of this Prospectus.

Registration Documents

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

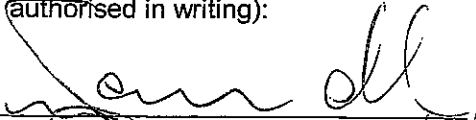
- the Auditors' report in respect of the financial statements for FB Finance set out on pages 61 to 63;
- the signed consent of the Auditor to the above report appearing in this Prospectus;
- the relevant authorities where an agent has signed this Prospectus on behalf of directors of FB Finance and/or Fletcher Building;
- copies of the material contracts referred to in the paragraph headed "Material Contracts" above, including the Supplemental Trust Deed; and
- an acknowledgement from NZX 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.

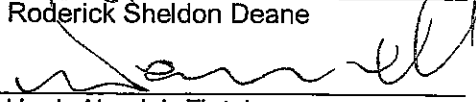
For the purposes of regulation 5(6) of the Regulations, the matters required to be stated or contained in this Prospectus by virtue of the Second Schedule to the Securities Regulations are:

Matter	Second Schedule	Page(s)
Main terms of Offer	Clause 1	41
Details of incorporation of issuer	Clause 3	41
Guarantors	Clause 4	41
Directorate and advisers	Clause 5	41
Restrictions on directors' powers	Clause 5A	42
Description of activities of borrowing group	Clause 6	42
Summary of financial statements	Clause 7	16
Acquisition of business or subsidiary	Clause 8	43
Material contracts	Clause 9	43
Pending proceedings	Clause 10	43
Issue expenses	Clause 11	44
Ranking of securities	Clause 12	44
Provisions of trust deed and other restrictions on the borrowing group	Clause 13	44
Other terms of offer and securities	Clause 14	45
Financial statements	Clauses 15-32	49
Places of inspection of documents	Clause 33	45
Other material matters	Clause 34	45
Directors' statement	Clause 35	45
Auditors' report	Clause 36	61

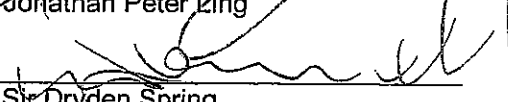
This Prospectus has been signed as follows.

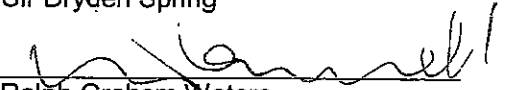
**Signed by each director of
Fletcher Building Finance Limited (as issuer)**
(or by his or her agent
authorised in writing):



Roderick Sheldon Deane



Hugh Alasdair Fletcher

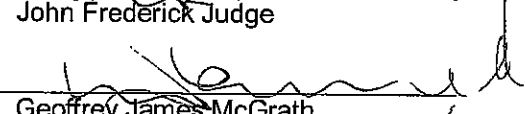

Jonathan Peter Ling

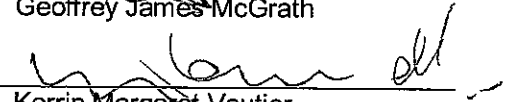

Sir Dryden Spring


Ralph Graham Waters


Paul Edward Alex Baines

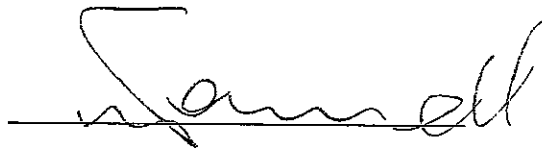

John Frederick Judge


Geoffrey James McGrath



Kerrin Margaret Vautier


Fletcher Building Limited (as promoter)
by:



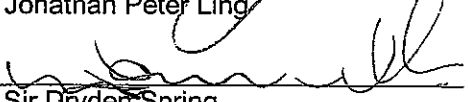


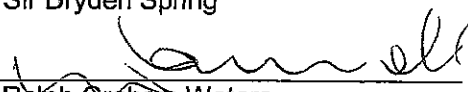
**Signed by each director of
Fletcher Building Limited (as promoter)**
(or by his or her agent authorised in writing):


Roderick Sheldon Deane

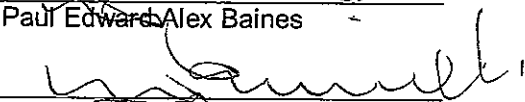

Hugh Alasdair Fletcher

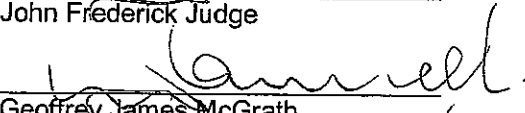

Jonathan Peter Ling

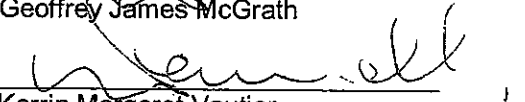

Sir Dryden Spring


Ralph Graham Waters


Paul Edward Alex Baines


John Frederick Judge


Geoffrey James McGrath


Kerrin Margaret Vautier

FINANCIAL STATEMENTS

STATEMENTS OF EARNINGS AND MOVEMENTS IN EQUITY

Earnings statement

For the year ended 30 June 2008

	Notes	Fletcher Building Finance	
		Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
Investment income	2	56,377,959	109,909,880
Operating expenses		(201,967)	(574,307)
Operating earnings		56,175,992	109,335,573
Funding costs	3	(43,461,591)	(101,387,421)
Earnings before taxation		12,714,401	7,948,152
Taxation benefit/(expense)	4	(8,682,795)	67,527,334
Net earnings		4,031,606	75,475,486

Statement of movements in equity

For the year ended 30 June 2008

	Notes	Fletcher Building Finance	
		Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
Total equity			
At the beginning of the year		103,817,560	31,318,144
Net earnings for the year	6	4,031,606	75,475,486
Movement in currency translation reserve	6	(29,601)	(976,070)
Total recognised income and expenses for the year		4,002,005	74,499,416
Increase in share capital	5		55,000,000
Dividend paid to Fletcher Building Limited	6	(31,200,000)	(57,000,000)
Total equity		76,619,565	103,817,560

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

BALANCE SHEET

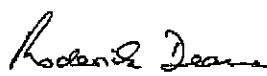
Balance sheet

As at 30 June 2008

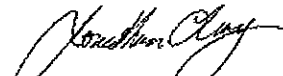
	Notes	Fletcher Building Finance	
		June 2008 NZ\$	June 2007 NZ\$
Assets			
Current assets:			
Cash and liquid deposits		896	1,544
Debtors		249,386	8,370
Provision for current taxation	8	41,775,227	
Amounts owing by related companies	13		538,605,573
Total current assets		42,025,509	538,615,487
Non-current assets:			
Amounts owing by related companies	13	177,832,544	1,034,327,854
Total non-current assets		177,832,544	1,034,327,854
Total assets		219,858,053	1,572,943,341
Liabilities			
Current liabilities:			
Accrued interest		3,722,485	5,667,295
Creditors			61,121
Provision for current taxation	8		41,788,763
Capital notes	9		112,670,000
Total current liabilities		3,722,485	160,187,179
Non-current liabilities:			
Capital notes	9	139,516,003	36,467,683
Term debt	10		281,969,380
Amounts owing to related companies	13		990,501,539
Total non-current liabilities		139,516,003	1,308,938,602
Total liabilities		143,238,488	1,469,125,781
Equity			
Reported capital	5	205,000,000	205,000,000
Reserves	7	(128,380,435)	(101,182,440)
Total equity		76,619,565	103,817,560
Total liabilities and equity		219,858,053	1,572,943,341

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

On behalf of the Board, 13 August 2008



Roderick Deane
Chairman of Directors



Jonathan Ling
Managing Director

STATEMENT OF CASHFLOWS AND RECONCILIATION OF NET EARNINGS TO CASH FROM OPERATING ACTIVITIES

Statement of cashflows

For the year ended 30 June 2008

	Fletcher Building Finance	
	Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
Cashflow from operating activities:		
Revenue received	56,377,959	109,909,880
Payments to suppliers, employees and other	(266,664)	(642,846)
Financial instruments	(37,697,326)	68,910,051
Interest paid	(45,551,840)	(101,130,689)
Taxes paid	(15,678,515)	(30,053,409)
Net cash from operating activities	(42,816,386)	46,992,987
Cashflow from financing activities:		
Advances from/(to) related companies	380,268,739	(44,993,645)
Purchase of capital notes	(7,780,500)	
Net debt drawdowns/(settlements)	(298,472,659)	
Issue of shares		55,000,000
Dividend paid to Fletcher Building Limited	(31,200,000)	(57,000,000)
Net cash from financing activities	42,815,580	(46,993,645)
Net movement in cash held	(806)	(658)
Add opening cash and liquid deposits	1,544	2,417
Effect of exchange rate changes on net cash	158	(215)
Closing cash and liquid deposits	896	1,544

Reconciliation of net earnings to net cash from operating activities

For the year ended 30 June 2008

	Fletcher Building Finance	
	Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
Cash was received from net earnings	4,031,606	75,475,486
Adjustment for items not involving cash:		
Taxation	(6,995,720)	(97,580,743)
Prepayments	(2,090,249)	256,732
Trade creditors and accruals	(64,697)	(68,539)
Cash was (paid)/received on financial instruments	(37,697,326)	68,910,051
Net cash from operating activities	(42,816,386)	46,992,987

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

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2008

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, 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 registered office of the company is 810 Great South Road, Penrose, Auckland. The company is also registered in Australia as an overseas company under the Australian Corporations Act 2001. Fletcher Building Finance Limited is a profit oriented entity.

The financial statements comprise the earnings statement, statement of movements in equity, balance sheet, statement of cashflows, and significant accounting policies, as well as the notes to these financial statements.

Accounting convention

The financial statements are based on the general principles of historical cost accounting, except that financial assets and liabilities as described below are stated at their fair value. These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand which is the New Zealand equivalent to International Financial Reporting Standards (NZ IFRS).

Estimates

The preparation of financial statements in conformity with NZ IFRS requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. For further information on areas of estimation and judgement, refer to the notes to the financial statements.

Valuation of assets

Debtors

Debtors are valued at estimated net realisable value. The valuation is net of a specific provision maintained for doubtful debts. All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable. Trade debtors normally have 30 to 90 day terms.

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.

Foreign currency

Translation of the financial statements of foreign operations

The assets and liabilities of the company'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 which are 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 which are covered by forward exchange contracts, are effectively 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.

Net investments in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the currency translation reserve and are released to earnings upon disposal.

Valuation of liabilities

Derivative financial instruments

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

Company policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All the group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed sales and purchases.

The fair value of derivative financial instruments, as disclosed in the financial instrument note, is estimated based on quoted market prices.

STATEMENT OF ACCOUNTING POLICIES continued

For the year ended 30 June 2008

The company holds derivative 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.

Derivative financial instruments are initially recorded at fair value and are then revalued to fair value at each balance sheet date. The gain or loss on revaluation is recorded either in earnings or equity depending on whether the instruments qualify for hedge accounting and the nature of the item being hedged. 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 and this relationship must be documented from inception.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of a recognised asset or liability, or a firm commitment, any gain or loss is recognised directly in earnings together with any changes in the fair value of the hedged item.

Cashflow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cashflows of assets or liabilities, or of a highly probable forecasted transaction, the effective part of any gain or loss is recognised directly in the cashflow hedge reserve within equity and the ineffective part is recognised immediately in earnings. The effective portion is transferred to earnings when the underlying cashflows affect earnings.

Net investment hedges

Where the derivative financial instruments are designated as a hedge of a net investment in a foreign operation, the derivative financial instruments are accounted for similarly to cashflow hedges through the currency translation reserve within equity.

Derivatives that do not qualify for hedge accounting

Where a derivative financial instrument does not qualify for hedge accounting, or where hedge accounting has not been elected, any gain or loss is recognised directly in earnings.

Taxation

The provision for current tax is the estimated amount due for payment during the next 12 months by the company. The provision for deferred taxation has been calculated using the balance sheet liability method. Deferred tax is recognised

on the temporary difference between the carrying amount of assets and liabilities and their taxable value.

Deferred tax assets are not recognised unless recovery is considered probable.

Borrowings

Interest bearing borrowings are initially recognised at fair value, less any transaction costs, which are amortised over the period of the loans.

Creditors

Trade creditors and other liabilities are stated at cost or estimated liability where accrued.

Provisions

A provision is recognised when the company has a current obligation and it is probable that economic benefits will be required to settle this obligation.

Intercompany guarantees

Where the company enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Equity

Share capital

Ordinary shares are classified as shareholders funds. Incremental costs directly attributable to the issue of new shares or options are shown in shareholders funds as a reduction from the proceeds. Dividends are recognised as a liability in the period in which they are declared.

Income determination

Investment revenue

Interest income is taken to earnings when received or accrued in respect of the period for which it was earned. Dividends and distributions are taken to earnings when received or accrued where declared prior to balance date.

Funding costs

Net funding costs comprise interest expense, amortisation of prepaid expenses and gains/losses on certain financial instruments that are recognised in earnings.

NOTES TO THE FINANCIAL STATEMENTS

1 Changes in accounting policies

During the year ended 30 June 2008, the company adopted NZ IFRS 7 Financial Instruments: Disclosures and Amendment to NZ IAS 1 Capital Disclosures. This has not had a material impact on the company's results. The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective. The company has not yet applied these in preparing these financial statements. Although the application of these standards, amendments and interpretations would require further disclosures, they are not expected to have a material impact on the company's results.

There have been no other changes in accounting policy in the year ended 30 June 2008, however certain comparatives were restated to conform with the current year's presentation.

	Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
2 Investment income		
Investment income Includes interest received from related companies:		
Fletcher Building Limited	24,238,106	17,196,072
Fletcher Building (Australia) Pty Limited	32,139,853	92,713,808
	56,377,959	109,909,880
3 Funding costs		
Interest payable on:		
Term debt	4,544,367	20,094,360
Capital notes Interest	11,619,932	12,993,326
Interest paid to related companies:		
Fletcher Building (Australia) Finance Pty Limited	16,056,359	26,934,999
Fletcher Challenge Investments Overseas Limited	10,534,692	41,065,096
Income from short term deposits	(131)	(572,341)
	42,755,219	100,515,440
Plus bank fees, share registry and issue expenses	706,372	871,981
	43,461,591	101,387,421
4 Taxation expense		
Earnings before taxation:		
New Zealand	11,911,802	3,902,364
Overseas	802,599	4,045,788
	12,714,401	7,948,152
Taxation at 33 cents per dollar	(4,195,752)	(2,622,890)
Adjusted for:		
Tax rate adjustment	24,921	121,374
Tax in respect of prior years	653,215	(35,517)
Tax benefit arising from the election of the branch equivalent tax account		70,000,000
Foreign dividend withholding tax payable	(15,338,045)	(29,332,140)
Non-assessable income	10,172,866	29,396,507
	(8,682,795)	67,527,334
Current taxation:		
New Zealand	(8,953,412)	68,776,587
Overseas	270,617	(1,249,253)
	(8,682,795)	67,527,334

NOTES TO THE FINANCIAL STATEMENTS continued

		Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
4	Taxation expense continued		
	Shareholder tax credits		
	Dividend withholding payment credit account:		
	Dividend withholding payment credits at the beginning of the year		
	Dividend withholding payment credits received from taxation payments	15,338,109	27,051,976
	Dividend withholding payment credits attached to dividends paid	(15,338,109)	(27,051,976)
5	Capital		
	Reported capital:		
	Reported capital at the beginning of the year	205,000,000	150,000,000
	Issue of shares		55,000,000
		205,000,000	205,000,000
		Year ended June 2008	Year ended June 2007
	Number of shares:		
	Number of shares at the beginning of the year	205,000,000	150,000,000
	Issue of shares		55,000,000
		205,000,000	205,000,000
	All ordinary shares carry equal rights in respect of voting, dividend payments and distribution upon winding up.		
		Year ended June 2008 NZ\$	Year ended June 2007 NZ\$
6	Reserve movements		
	Revenue reserve		
	Revenue reserve at the beginning of the year	(104,217,940)	(122,693,426)
	Net earnings	4,031,606	75,475,486
	Dividend paid to Fletcher Building Limited	(31,200,000)	(57,000,000)
		(131,386,334)	(104,217,940)
	Net currency translation reserve		
	Net currency translation reserve at the beginning of the year	3,035,500	4,011,570
	Net currency translations	(29,601)	(976,070)
		3,005,899	3,035,500

NOTES TO THE FINANCIAL STATEMENTS continued

		June 2008 NZ\$	June 2007 NZ\$
7	Reserve balances		
	Reserves comprise:		
	Revenue reserve	(131,386,334)	(104,217,940)
	Net currency translation reserve	3,005,899	3,035,500
		(128,380,435)	(101,182,440)
8	Provision for current taxation		
	Opening provision for taxation	(41,788,763)	97,196,696
	Currency translation	(1,639)	121,206
	Taxation in the earnings statement	(8,682,795)	67,527,334
	Taxation in reserves	35,506,547	(69,172,088)
	Intercompany payment to Fletcher Building Holdings Limited	41,063,362	(167,515,320)
	Net taxation payments	15,678,515	30,053,409
		41,775,227	(41,788,763)
9	Capital notes		
	Capital notes	Coupon	Election date
	Series 2008	8.60%	15 March 2008
	Series 2010	8.85%	15 March 2010
	Series 2010	9.00%	15 March 2010
	Series 2013	8.90%	15 March 2013
	Prepaid expenses		
		(2,703,497)	(862,317)
		139,516,003	149,137,683
<p>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 of Fletcher Building Limited, at approximately 98 per cent of the current market price. Instead of Fletcher Building Limited issuing shares to holders who choose to convert, Fletcher Building Finance Limited may, at its option, purchase or redeem the capital notes for cash at the principal amount plus any accrued but unpaid interest.</p> <p>If interest is not paid when due it is compounded on each subsequent interest payment date at the same rate as applicable to the principal of the capital notes. Non payment of interest does not constitute a default by the company or Fletcher Building Limited. However, each of the company and Fletcher Building Limited have covenanted not to pay dividends on, or make any distribution in respect of, in the case of the company, its ordinary shares, and in the case of Fletcher Building Limited, Fletcher Building shares, while any interest payments on the capital notes which have not been paid on the due date remain outstanding.</p> <p>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.</p> <p>If the principal amount of the capital notes were to be converted to shares, 22.9 million (June 2007 12.4 million) Fletcher Building Limited shares would be issued at the share price as at 30 June 2008, of \$6.35 (June 2007 \$12.35). Net tangible asset backing per capital notes issued at 30 June 2008, \$1.55 (June 2007 \$1.70).</p>			

NOTES TO THE FINANCIAL STATEMENTS continued

10

Term debt

Loans subject to the negative pledge

During the year the company borrowed funds based on group covenants and a group negative pledge and guarantee arrangement. The principal borrowing covenants relate to gearing and interest cover and, at 30 June 2008, 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.

	June 2008 NZ\$	June 2007 NZ\$
Loan subject to the negative pledge		
Floating loans		281,969,380
		281,969,380

Credit rating

The company has not sought and does not hold a credit rating from an accredited rating agency.

11

Financial risk management overview

Exposures to credit, liquidity, currency and interest rate risks arise in the normal course of the company's business. The company is a wholly owned subsidiary of Fletcher Building Limited and does not have an independent policy regarding credit, liquidity, currency and interest rates but is governed by the Fletcher Building group's principles and policy documents approved by the group's Board. The policy documents identify the risk and sets out the group's objectives, policies and processes to measure, manage and report the risk. The policies are reviewed periodically to reflect changes in financial markets and the group's businesses.

To manage the unpredictability of financial markets and minimise the potential adverse effects of these financial risks, the group enters into derivative financial instruments on behalf of the company. Risk management for liquidity, interest rate, and currency exposures are carried out by the group's treasury function.

The company does not enter into derivative financial instruments for trading or speculative purposes, all derivative transactions entered into are to hedge underlying physical positions arising from normal business activities.

Risks and mitigation

(a) Credit risk

To the extent the company has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty which arises principally from receivables from customers, derivative financial instruments and short-term cash deposits. The company only has credit risk exposure to the Fletcher Building group and has no external credit risk exposure.

(b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial commitments as they fall due. The group manages the liquidity risk of the company by having a spread of maturity dates of the group's debt facilities. Furthermore at 30 June 2008, the Fletcher Building group had \$1,988 million of committed bank facilities of which \$378 million was undrawn (June 2007 \$1,251 million; \$618 million).

(c) Currency balance sheet risk

Currency balance sheet risk arises from net investments in foreign operations. It is group policy to hedge this foreign currency balance sheet risk by borrowing in the currency of the asset in proportion to the group's debt to equity ratio. This reduces the variability in the debt to equity ratio due to currency translation.

The company has no balance sheet currency risk as the assets and liabilities are naturally hedged. The company had entered into currency forwards and swaps to hedge the taxation exposure arising from the translation of the Australian operations for up to three years. However these were repaid during the year and are no longer required.

(d) Currency trade risk

Currency trade risk arises from committed or highly probable trade and capital expenditure transactions that are denominated in currencies other than the company's functional currency. The objective in managing this risk is to reduce the variability from changes in currency exchange rates on the operation's income and cashflow to acceptable parameters.

It is group policy that no currency exchange risk may be entered into or allowed to remain outstanding should it arise on committed trade transactions. The company has no trade or capital expenditure transactions outstanding.

(e) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will change due to changes in market interest rates and arises primarily from the company's interest bearing borrowings. The group manages the interest rate risk of the company and it is group policy to manage the fixed interest rate component of its debt and capital notes obligations within the range of 40 to 70 percent. The position in this range is managed depending upon underlying interest rate exposures and economic conditions. Cross currency interest rate swaps, interest rate swaps, forward rate agreements and options are entered into to manage this position.

NOTES TO THE FINANCIAL STATEMENTS continued

11 Financial risk management overview continued

Quantitative Analysis

(a) Credit risk

The company has not renegotiated the terms of any financial assets which would otherwise be past due or impaired.

(b) Liquidity Risk

The following table sets out the principal only contractual cashflows for all financial liabilities and gross settled derivatives. The interest component of the cashflows has not been included in the table.

	June 2008					
	Contractual Cashflows NZ\$	Up To 1 Year NZ\$	1-2 Years NZ\$	2-5 Years NZ\$	Over 5 Years NZ\$	
Bank Loans						
Capital Notes	142,219,500		67,219,500	75,000,000		
Cash and Liquid Deposits	(896)	(896)				
Amounts owing to related companies	(177,821,030)			(177,821,303)		
Amounts owing by related companies						
Net Balance Sheet Exposure	(35,602,426)	(896)	67,219,500	(102,821,303)		
Forward Exchange Contracts						
To pay						
To receive						
Net Trade Exposure						
	June 2007					
	Contractual Cashflows NZ\$	Up To 1 Year NZ\$	1-2 Years NZ\$	2-5 Years NZ\$	Over 5 Years NZ\$	
Bank Loans	281,969,380			281,969,380		
Capital Notes	150,000,000	112,670,000		37,330,000		
Cash and Liquid Deposits	(1,544)	(1,544)				
Amounts owing to related companies	990,501,539			990,501,539		
Amounts owing by related companies	(1,572,933,427)			(1,572,933,427)		
Net Balance Sheet Exposure	(150,464,052)	112,668,456		(263,132,508)		
Forward Exchange Contracts						
To pay	620,793,457	620,793,457				
To receive	(620,801,527)	(620,801,527)				
Net Trade Exposure	(8,070)	(8,070)				
(c) Foreign Currency Risk						
The company's exposure to foreign current risk is summarised as follows:						
	June 2008			June 2007		
	NZD NZ\$	AUD NZ\$	Total NZ\$	NZD NZ\$	AUD NZ\$	Total NZ\$
Bank Loans					281,969,380	281,969,380
Capital Notes	142,219,500		142,219,500	150,000,000		150,000,000
Cash and Liquid Deposits		(896)	(896)		(1,544)	(1,544)
Amounts owing to related companies				583,931,173	406,570,366	990,501,539
Amounts owing by related companies	(177,821,030)		(177,821,030)	(296,486,214)	(1,276,447,213)	(1,572,933,427)
Net Balance Sheet Exposure	(35,601,530)	(896)	(35,602,426)	437,444,959	(587,909,011)	(150,464,052)
Forward Exchange Contracts				(620,801,527)	620,793,457	(8,070)
Net Trade Exposure				(620,801,527)	620,793,457	(8,070)

NOTES TO THE FINANCIAL STATEMENTS continued

11 Financial risk management overview continued

(d) Interest rate risk

Interest rate repricing

The following tables set out the interest rate repricing profile and weighted average interest rate of the company's income earning financial assets and liabilities by the total portfolio and class of assets. As creditors, debtors and investments are not interest rate sensitive they are not included in the tables.

June 2008							
	Interest Rate By Instrument %	Floating NZ\$	Fixed Up To 1 Year NZ\$	Fixed 1-2 Years NZ\$	Fixed 2-5 Years NZ\$	Fixed Over 5 Years NZ\$	Total NZ\$
Bank loans							
Capital notes	9.48			67,219,500	75,000,000		142,219,500
Cash and liquid deposits	5.00	(896)					(896)
Amounts owing to related companies							
Amounts owing by related companies	9.75	(177,821,030)					(177,821,030)
Total		(177,821,926)		67,219,500	75,000,000		(35,602,426)
June 2007							
	Interest Rate By Instrument %	Floating NZ\$	Fixed Up To 1 Year NZ\$	Fixed 1-2 Years NZ\$	Fixed 2-5 Years NZ\$	Fixed Over 5 Years NZ\$	Total NZ\$
Bank loans	6.90	281,969,380					281,969,380
Capital Notes	8.66		112,670,000		37,330,000		150,000,000
Cash and liquid deposits	5.00	(1,544)					(1,544)
Amounts owing to related companies	7.83	990,501,539					990,501,539
Amounts owing by related companies	8.27	(311,413,227)	(1,261,520,200)				(1,572,933,427)
Total		961,056,148	(1,148,850,200)		37,330,000		(150,464,052)

(e) Sensitivity analysis

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

(f) Fair values

The estimated fair values of the company's financial assets and liabilities compared to their carrying values in the balance sheet, are as follows:

		June 2008		June 2007	
	Classifications	Carrying Value NZ\$	Fair Value NZ\$	Carrying Value NZ\$	Fair Value NZ\$
Bank Loans	Amortised cost			281,969,380	281,969,380
Capital Notes	Amortised cost	142,219,500	141,377,099	150,000,000	149,388,476
Cash and liquid deposits	Loans and receivable	(896)	(896)	(1,544)	(1,544)
Amounts owing to related companies	Amortised cost			(990,501,539)	(990,501,539)
Amounts owing by related companies	Loans and receivable	(177,821,030)	(177,821,030)	1,572,933,427	1,572,933,427
Net Balance Sheet Exposure		(35,602,426)	(36,444,827)	1,014,399,724	1,013,788,200
Foreign Exchange Contracts	Fair value through P&L			(8,070)	(9,458,470)
Net Trade Exposure				(8,070)	(9,458,470)

In the fair value tables interest accruals and fees are not included in the carrying values. The fair value of derivative financial instruments is estimated based on the quoted or estimated market prices of those instruments. The fair value of interest bearing loans are based on the net present value of the future principal and interest cashflows. The fair values of amounts owing to and by related companies, cash and liquid deposits is deemed to be the carrying amount. For interest bearing loans and interest rate derivatives the government stock or swap interest rate curves at balance date in the appropriate currency plus an applicable margin are used. For foreign currency derivatives the appropriate quotes or derived forward curve is used.

NOTES TO THE FINANCIAL STATEMENTS continued

12 Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments as at 30 June 2008 (June 2007 nil).

The Fletcher Building group borrows funds based on covenants and a negative pledge and guarantee arrangement. The principal borrowing covenants relate to gearing, interest cover and minimum net tangible assets and at 30 June 2008, the Fletcher Building 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. The guarantee states that Fletcher Building and certain of its subsidiaries, including Fletcher Building Finance Limited, guarantee the debt of the group that has the benefit of the negative pledge and guarantee.

As at 30 June 2008 the guaranteeing group had debt subject to the negative pledge and guarantee and covenants of \$1,500 million (June 2007 \$566 million).

Where the company enters into financial guarantee contracts to guarantee the performance or indebtedness of other companies within the group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

13 Related party transactions

The company is a wholly owned subsidiary of Fletcher Building Limited, which is also the ultimate holding company. All other related companies are also subsidiaries of Fletcher Building Limited.

Term receivable owing from related companies

Fletcher Building Limited ¹

Fletcher Building (Australia) Pty Limited ²

Fletcher Building (Australia) Pty Limited ³

Term payable owing to related companies

Fletcher Challenge Investments Overseas Limited ⁴

Fletcher Building (Australia) Finance Pty Limited ⁴

¹ This unsecured advance represents long term funding even though it is for no fixed term and bears interest at 9.75% (June 2007 9.75%).

² This advance was repaid during the year.

³ This advance was repaid during the year. The remaining balance is an unsecured current account.

⁴ These advances were repaid during the year.

During the year the company paid an amount of \$37,697,326 (30 June 2007 received \$68,910,051) to Fletcher Building Limited in respect of financial instruments.

14 Segmental information

The company is a finance company and operates in New Zealand and Australia.

Geographical segments

	New Zealand NZ\$	Australia NZ\$	Total NZ\$
	June 2008	June 2008	June 2008
Investment income	24,238,106	32,139,853	56,377,959
Earnings before taxation	11,911,802	802,599	12,714,401
Total liabilities	143,238,488		143,238,488
Total assets	219,828,223	29,830	219,858,053
	June 2007	June 2007	June 2007
Investment income	17,196,072	92,713,808	109,909,880
Earnings before taxation	3,902,364	4,045,788	7,948,152
Total liabilities	194,712,181	1,274,413,600	1,469,125,781
Total assets	296,486,214	1,276,457,127	1,572,943,341



KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

PO Box 1584
Shortland Street
Auckland 1140
New Zealand

Telephone	+64 (9) 367 5800
Fax	+64 (9) 367 5875
Internet	www.kpmg.co.nz

The Directors
Fletcher Building Finance Limited
Private Bag 92-114
Auckland

21 November 2008

Auditors' Report for inclusion in prospectus

As auditor of Fletcher Building Finance Limited (the "Company") we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in the Prospectus dated 21 November 2008 and for no other purpose.

Audited financial statements of Fletcher Building Finance Limited

We have audited the financial statements of the Company, set out at pages 49 to 60 of the Prospectus. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 June 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 52 and 53 of the Prospectus.

We report on the historical summary of financial statements of the Company, Fletcher Building Limited ("Fletcher Building") and its subsidiaries (the "Fletcher Building Group") as set out on pages 16 to 20 of the Prospectus. The summary of financial statements has been taken from the respective audited financial statements of the Company and Fletcher Building for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

We report on the information provided in respect of the ranking of securities of the Company as at 30 June 2008, set out on page 44 of the Prospectus. The amounts in respect of the ranking of securities have been taken from the audited financial statements of the Company for the year ended 30 June 2008.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of:

- the financial statements which give a true and fair view of the financial position of the Company (which is the issuer and sole entity comprising the borrowing group) as at 30 June 2008 and its financial performance and cash flows for the year ended on that date, as required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983;
- the historical summary of financial statements of the Company for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and
- the details and amounts in respect of the ranking of securities of the Company as at 30 June 2008 as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

In addition the Company's directors have chosen to present the historical summary financial statements of Fletcher Building and the Fletcher Building Group for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements as at 30 June 2008 presented by the Directors and report our opinion in accordance with clause 36(1) of the Second Schedule of the Securities Regulations 1983.

In addition we are responsible for reporting in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983 on the following matters which have been prepared and presented by the Directors;

- the amounts included in the historical summary of financial statements of the Company for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008 as prepared and presented by the Directors; and
- the amounts included in the ranking of securities as at 30 June 2008.

In addition, we are also responsible for expressing an independent opinion on the historical summary financial statements of Fletcher Building and the Fletcher Building Group for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008 and reporting our opinion to you.

This report has been prepared for inclusion in the Prospectus dated 21 November 2008 for the purpose of meeting the requirements of clause 36 of the Second Schedule to the Securities Regulations 1983. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements and the historical summary of financial statements. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Our firm has provided other services to the Company in relation to assurance (including audit services and tax advice). These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with or interest in the Company.

Basis of opinion on the financial statements

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 judgments made by the Directors in the preparation of the 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. 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.

Basis of opinion on the historical summary of financial statements

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements of the Company on pages 16 and 17 pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company for the years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

We have also undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements of Fletcher Building and the Fletcher Building Group on pages 18 to 20 have been correctly taken from the audited financial statements of Fletcher Building for the years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

Basis of opinion on the ranking of securities

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the ranking of securities on page 44 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 30 June 2008.

Unqualified opinion on the financial statements

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appears from our examination of those records; and
- the financial statements of the Company required by clauses 16 to 32 of the Second Schedule of the Securities Regulations 1983 and set out on pages 49 to 60:
 - comply with those regulations; and
 - subject to those regulations, comply with generally accepted accounting practice in New Zealand;
 - give a true and fair view of the financial position of the Company as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 13 August 2008 and our unqualified opinion is expressed as at that date. We have not undertaken any procedures from the date of completion of our audit.

Unqualified opinion on historical summary of financial statements

In our opinion the amounts set out in the historical summary of financial statements of the Company on pages 16 and 17 of this Prospectus, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

In our opinion the amounts set out in the historical summary of financial statements of Fletcher Building and the Fletcher Building Group on pages 18 to 20 of this Prospectus, have been correctly taken from the audited financial statements of Fletcher Building for the financial years ended 30 June 2004, 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008.

In terms of Regulation 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Unqualified opinion on the ranking of securities

In our opinion the amounts set out in the ranking of securities on page 44 pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 30 June 2008.

Yours faithfully



KPMG
Chartered Accountants
Auckland

GLOSSARY

In this Prospectus unless the context otherwise requires:

Application Form means the application form enclosed with the Investment Statement.

Arranger and Organising Participant means First NZ Capital Securities Limited.

ASX means the Australian Stock Exchange Limited.

Auditor means KPMG.

Business Day means a day (other than a Saturday or Sunday) on which registered banks generally are open for general banking business and the NZDX is open for trading.

Capital Notes means the unsecured, subordinated capital notes offered for subscription under this Prospectus and constituted by the Trust Documents.

Closing Date means 31 March 2009, or such earlier date as FB Finance may determine.

Companies Act means the Companies Act 1993.

Conditions means the conditions of the Capital Notes as set out in Schedule 1 of the Supplemental Trust Deed.

Current Market Value has the meaning given to the term "Value" in Condition 4.4 as set out on page 33 of this Prospectus.

Early Election Date means, in relation to a Series of Capital Notes, the date on which Noteholders may opt to convert the Capital Notes into Fletcher Building Shares in accordance with the Conditions upon which any person, either acting alone or in concert with any other person, acquiring 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.

Election Date means, in relation to a Series of Capital Notes, the date on which the terms of that Series are able to be revised, or that Series is able to be redeemed or purchased for cash or converted in accordance with the Conditions.

Election Record Date has the meaning given it in Condition 4.1 of the Conditions.

Extraordinary Resolution means a resolution passed at a meeting of Noteholders (or a class of Noteholders, if applicable) duly convened and held by a majority consisting of not less than 75% of the votes cast thereon or, if a poll is required, by not less than 75% of the votes cast on the poll.

FB Finance means Fletcher Building Finance Limited.

Fletcher Building means Fletcher Building Limited.

Fletcher Building Group or 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 capital notes of an aggregate principal amount of \$250 million in Fletcher Building.

Guarantee means the guarantee granted by Fletcher Building in favour of the Trustee and is held by the Trustee on behalf of it and all Noteholders, pursuant to the terms of the Trust Deed.

Interest Payment Dates means 15 May and 15 November in each year (commencing on 15 May 2009) in relation to each Series or, if that date is not a Business Day, the next Business Day.

Interest Rate means, in relation to a Capital Note offered under this Prospectus, the initial rate of interest per annum payable on the face value of that Capital Note as set by FB Finance or any subsequent rate of interest set by FB Finance from time to time prior to the Closing Date.

Investment Statement means the investment statement for this Offer dated 21 November 2008.

Issue Date means, for each Capital Note that FB Finance has agreed to issue to an applicant, the date on which the issue price payable by the applicant for the Capital Note has been lodged to FB Finance's bank account.

Joint Lead Managers means First NZ Capital Securities Limited, ANZ National Bank Limited and Goldman Sachs JBVere (NZ) Limited.

May 2014 Capital Notes means Capital Notes designated by FB Finance upon issue as May 2014 Capital Notes.

May 2016 Capital Notes means Capital Notes designated by FB Finance upon issue as May 2016 Capital Notes.

Noteholders means holders of Capital Notes.

NZX means NZX Limited.

NZDX means the debt security market operated by NZX.

NZSX means the main board equity security market operated by NZX or any alternative or substitute market for shares or other arrangement in New Zealand on or through which shares may be freely traded and which is generally regarded as the principal such market or arrangement for the trading of shares in New Zealand.

NZ\$ or \$ means the lawful currency of New Zealand.

Offer means the offer of Capital Notes under this Prospectus and the Investment Statement.

Opening Date means 24 November 2008 or such other date and time as FB Finance in its discretion determines.

Primary Market Participant means an entity designated as such under the NZX Participant Rules.

Principal Amount means, in relation to a Capital Note, the principal amount of such Capital Note as recorded in the register.

Prospectus means this prospectus dated 21 November 2008.

Rate Set Date means initially the Business Day prior to the Opening Date (or such earlier date as may be selected by FB Finance) or any date after the initial Rate Set Date but prior to the Closing Date on which FB Finance changes the Interest Rate it offers in respect of Capital Notes that are yet to be issued.

Registrar means Computershare Investor Services Limited.

Securities Act means the Securities Act 1978.

Securities Regulations means the Securities Regulations 1983.

Series means the May 2014 Capital Notes or the May 2016 Capital Notes, or both of them, as the context requires.

Supplemental Trust Deed means the supplemental trust deed dated 21 November 2008 entered into by FB Finance, Fletcher Building and the Trustee pursuant to the Trust Deed, under which the Capital Notes are constituted.

Trust Deed means the trust deed dated 12 November 2002 between FB Finance, Fletcher Building and the Trustee in respect of the Capital Notes, as supplemented by the Supplemental Trust Deed.

Trust Documents means the Trust Deed and the Supplemental Trust Deed.

Trustee means the trustee under the Trust Documents being, at the date of this Prospectus, Perpetual Trust Limited (or such other trustee as is appointed from time to time).

DIRECTORY

Directors of FB Finance

Roderick Sheldon Deane
Paul Edward Alex Baines
Hugh Alasdair Fletcher
John Frederick Judge
Jonathan Peter Ling
Geoffrey James McGrath
Sir Dryden Thomas Spring
Kerrin Margaret Vautier
Ralph Graham Waters

Registered Office of FB Finance

810 Great South Road
Penrose
Auckland
Telephone: (09) 525 9000

Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland

Solicitors to FB Finance and Fletcher Building

Bell Gully
Vero Centre
48 Shortland Street
P O Box 4199
Shortland Street
Auckland

Trustee

Perpetual Trust Limited
Level 12, AMP Centre
29 Customs Street West
PO Box 3376
Shortland Street
Auckland

Solicitors to the Trustee

Buddle Findlay
PricewaterhouseCoopers Tower
188 Quay Street
P O Box 1433
Auckland

Auditor

KPMG
KPMG Centre
18 Viaduct Harbour Avenue
P O Box 1584
Auckland

Arranger, Joint Lead Manager and Organising Participant

First NZ Capital Securities Limited
Level 10, Fujitsu Tower
282-292 Lambton Quay
Wellington

Level 39, ANZ Centre
23-29 Albert Street
P O Box 5333
Auckland

164 Hardy Street
P O Box 114
Nelson

52 Te Mata Road
P O Box 28-153
Havelock North

Telephone: 0800 162 222

Joint Lead Managers

ANZ National Bank Limited
Level 7, 1 Victoria Street
Wellington

Goldman Sachs JBWere (NZ) Limited
Level 38, Vero Centre
48 Shortland Street
P O Box 887
Auckland
Telephone: 0800 555 555

Level 8, The State Insurance Tower
1 Willis Street
Wellington
Telephone: 0800 555 554

Level 1, HSBC House
141 Cambridge Terrace
Christchurch
Telephone: 0800 555 553