

Fulton Hogan

Tax Transparency Report - 2017

1. Introduction

This Report provides information on Fulton Hogan's approach to Tax Governance and Strategy, and details tax-related payments made for the year ended 30 June 2017. Fulton Hogan is made up of entities based in New Zealand, Australia and Fiji. Fulton Hogan has chosen to voluntarily disclose this information – our approach is consistent with the Australian Government's efforts to promote Tax Transparency.

2. Our business

At Fulton Hogan, we create, connect and care for communities.

Our international team build and maintain roads, ports, airports, infrastructure and property that help bring people together – great achievements during our 80-plus years of experience in the transport infrastructure, water, energy, mining and land development sectors.

We have a strong Australasian footprint, with offices and facilities across New Zealand and Australia and our work in the Pacific and remote areas includes projects on the Keeling Islands, off the coast of Western Australia.

We offer clients a vertically-integrated business structure. Because we have our own asphalt plants, quarries and precast plants, we are able to supply our own civil projects and provide the continuity that helps projects stay on time and on budget.

Our innovative approach sets us apart, with time and money invested into material research, development and application of progressive new techniques, such as sustainable pavement mixes and our pressure Watercutter.

3. Tax Governance & Strategy

Tax risk management is seen as an integral part of good corporate governance at Fulton Hogan.

Fulton Hogan manages its tax framework and strategy in accordance with the Group's Tax Governance Policy ('Tax Policy'), which has been approved by the Board. The Tax Policy is reviewed and updated as required or at least annually. All updates must be endorsed by the Audit and Risk Committee of Fulton Hogan and approved by the Board.

The Tax Policy outlines the appropriate course of action required to ensure that all tax risks are managed appropriately and promptly. Fulton Hogan’s tax risk appetite is “low” – the company does not engage in any tax avoidance schemes or aggressive tax positions. Fulton Hogan is committed to ensuring that it is compliant with all statutory tax obligations in the jurisdictions in which it operates.

The company maintains a productive and transparent relationship with revenue authorities, as reflected by the voluntary disclosure of tax information contained in this report.

4. Income Tax Disclosures

Effective Tax Rate (ETR)

The ETR for Fulton Hogan per tax jurisdiction is calculated by dividing the income tax expense by its accounting profit before tax. The ETR is calculated solely by reference to corporate income tax and does not include other types of taxes such as GST, payroll tax, FBT, land tax, superannuation contributions, and withholding remitted to the respective Taxation Office on behalf of Fulton Hogan’s employees/eligible personnel.

As the ETR is a concept calculated/based on accounting profit rather than taxable income, it necessarily differs from a corporation’s income tax liability, which is calculated based on local tax legislation that reflects government policies and intent with respect to the taxation of corporations. In most cases, these differences are only of a timing nature as the tax and accounting concepts of income align over time.

Income Tax Expense

The income tax expense based on 2017 accounts produced in each jurisdiction is as follows:

	New Zealand	Australia¹	Fiji
	2017 NZD \$m	2017 AUD \$m	2017 FJD \$m
Current Tax	44.6	21.1	1.8
Deferred tax (relating to Temporary/Timing Differences)	1.5	0.5	0.0
Current Tax - Adjustment for tax of prior period	0.4	1.8	0.0
Total Income Tax Expense	46.5	23.4	1.8

¹ All Australian amounts provided relate to Fulton Hogan Australia Pty Limited.

Fulton Hogan's ETR is different to the local corporate tax rate due to a number of items which are set out below:

	New Zealand	Australia	Fiji
	2017 NZD \$m	2017 AUD \$m	2017 FJD \$m
Profit for the year before income tax expensed	170.2	71.1	8.6
Tax at Local Corporate Rate	47.7	21.3	1.7
Non Assessable Income ²	(2.9)	(0.8)	0.0
Non Deductible Expenses	0.8	1.1	0.1
(Over)/Under Provision on Income Tax in Previous years	1.0	1.8	0.0
Total Income Tax Expense	46.6	23.4	1.8
ETR Local Corporate Tax Rate	27.4% 28%	32.9% 30.0%	21.0% 20%

5. Tax Contribution Summary

Fulton Hogan is proud of the contributions it makes to each jurisdiction it operates through the important capital projects it undertakes and as employer of more than 7,000 employees.

Tax Payments & Collections

The following is a list of the key Tax Payments & Collections Fulton Hogan makes on behalf of various Governments in each jurisdiction (for year ended 30 June 2017):

	New Zealand	Australia	Fiji
Taxes and Duties Paid	2017 NZD \$m	2017 AUD \$m	2017 FJD \$m
Income Tax	27.4 ³	21.1	1.0
Payroll Tax	NA	21.0	NA
Fringe Benefits Tax	7.1	5.8	0.3
Land Tax	NA	1.7	NA
Total	34.5	49.6	1.3

² Non assessable income includes dividends received from wholly owned subsidiaries and R&D tax credits.

³ Includes income tax paid to approved tax pooling intermediaries.

	New Zealand	Australia	Fiji
Taxes Collected on Behalf of Governments	2017 NZD \$m	2017 AUD \$m	2017 FJD \$m
Employee Withholding Collected (PAYE/PAYG/SRT)	95.3	85.2	1.0
Other Withholdings ⁴	6.3	0.1	3.1
Net GST	63.0	44.0	2.0
Total	164.6	129.3	6.1

6. International Related Parties

Fulton Hogan is headquartered in New Zealand. As is typical of most global organizations, both Australia and Fiji receive support from their NZ parent, primarily for Software/IT services, Management services and other Strategic services including R&D and back office support. The NZ parent also provided a loan to Australia and Fiji.

Fulton Hogan conducts all international related party dealings in accordance with the OECD arm's length principle and its transfer pricing obligations in each country in which it operates. Fulton Hogan maintains contemporaneous transfer pricing documentation to support the arm's length pricing of these transactions.

⁴ Tax withholding as required by each jurisdiction including contractor's withholding tax, resident withholding tax and non-resident withholding tax.