

Fulton Hogan

Tax Transparency Report - 2018

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 2018. 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 the roads, ports, airports, infrastructure and property that help bring people and communities together. We have many great achievements during our 85-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.

This is further exemplified with Fulton Hogan receiving a high level of assurance rating from the Australian Tax Office as a result of the streamline assurance review conducted as part of the Top 1000 Program.

Inland Revenue undertake a yearly tax risk review of Fulton Hogan’s New Zealand operations and have consistently given Fulton Hogan the lowest possible risk rating available to such a complex business like Fulton Hogan with significant offshore operations.

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.

	New Zealand	Australia	Fiji
	2018	2018	2018
Total Income Tax Expense	59.7	12.0	3.0
ETR	25.6%	30.1%	21.6%
Local Corporate Tax Rate	28%	30.0%	20%

Fulton Hogan’s ETR is different to the local corporate tax rate due to a number of different items which are set out in the reconciliation section below.

Reconciliation of Accounting Profit to Income Tax Expense to Income Tax Payable:

Reconciliation of accounting profit to income tax expense:

	New Zealand	Australia	Fiji
	2018 NZD \$m	2018 AUD \$m	2018 FJD \$m
Profit for the year before income tax expensed	233.3	39.9	13.9
Tax at Local Corporate Rate	65.3	12.0	2.8
Non Assessable Income ¹	(13.1)	(0.4)	0.0
Non Deductible Expenses	3.1	0.5	0.2
Derecognition of Deferred Tax on Buildings	4.3	0.0	0.0
(Over)/Under Provision on Income Tax in Previous years	0.1	(0.1)	0.0
Total Income Tax Expense	59.7	12.0	3.0
ETR Local Corporate Tax Rate	25.6% 28%	30.1% 30.0%	21.6% 20%

Reconciliation from income tax expense to income tax payable:

	New Zealand	Australia ²	Fiji
	2018 NZD \$m	2018 AUD \$m	2018 FJD \$m
Total Income Tax Expense (as per above)	59.7	12.0	3.0
Deferred tax (relating to Temporary/Timing Differences)	(2.9)	4.9	0.0
Current Tax - Adjustment for tax of prior period	3.3	0.1	0.0
Income Tax Payable	60.1	17.0	3.0

¹ Non assessable income includes dividends received from wholly owned subsidiaries and R&D tax credits.

² All Australian amounts provided relate to Fulton Hogan Australia Pty Limited.

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 7,700 employees.

Tax Payments & Collections³

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 2018):

	New Zealand	Australia	Fiji
Taxes and Duties Paid	2018 NZD \$m	2018 AUD \$m	2018 FJD \$m
Income Tax	44.0 ⁴	34.9 ⁵	1.7
Payroll Tax	NA	20.9	NA
Fringe Benefits Tax	7.6	6.2	0.5
Land Tax	NA	0.9	NA
Total	51.6	62.9	2.2

	New Zealand	Australia	Fiji
Taxes Collected on Behalf of Governments	2018 NZD \$m	2018 AUD \$m	2018 FJD \$m
Employee Withholding Collected (PAYE/PAYG/SRT)	113.6	108.0	1.0
Other Withholdings ⁶	5.4	0.1	4.6
Net GST	80.4	43.5	2.6
Total	199.4	151.6	8.2

³ All payments and collections have been disclosed on a cash basis.

⁴ Includes income tax paid/financed to/with approved tax pooling intermediaries.

⁵ This includes the payment of the final tax liability for FY17 of \$5.48m, together with an income tax refund relating to FY18 of \$10.3m (where cash was received in FY19).

⁶ Tax withholding as required by each jurisdiction including contractor's withholding tax, resident withholding tax and non-resident withholding tax.

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. There were no material international related party dealings in 2018.

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.