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CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

Tonga - FBuShare Employee Tax Summary 2013

The summary below is general in nature and is based on the Tonga income tax laws as at November 2013 and the tax obligations in relation to the Fletcher Building Limited FBuShare (“FBuShare” or the “Plan”). The taxation treatment of employee share awards changes from time to time, so it is strongly recommended that you seek your own professional advice in relation to your personal circumstances. `Uta `atu & Associates, Ernst & Young, Fletcher Building Limited and its subsidiaries (“Fletcher Building” or the “Company”) will not be held responsible for employees who act on the advice provided in this employee tax summary.

The summary also assumes that you are an employee of Fletcher Building and that you are, and remain, a resident of Tonga for tax purposes. There are specific rules regarding temporary residents and those whose residency status changes. These rules need to be considered on a case-by-case basis and you should consult your tax adviser in these circumstances.

1. Summary

a. Purchased Shares

Your tax obligations in respect of your Purchased Shares may be summarised as follows:

Event	Tax treatment
Acquisition	No tax.
Sale	Yes. Gains generated from the sale of shares are taxable in Tonga where you are resident at the time of sale. Taxing point: The taxing point is the time the shares are sold. Taxable value: The capital gain is calculated as the sales proceeds less the amount paid to purchase shares. Payment of tax: The tax due is payable via your annual tax return. The annual tax return must be filed by the 31st October. Note: Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%.

b. Award Shares

Your tax obligations in respect of your Award Shares may be summarised as follows:

Event	Tax treatment
Grant of rights to Award Shares	No tax.
Allocation of Shares (i.e. taxing point)	Income tax is payable on the market value of the Award Shares at your marginal rate.
Sale	Yes. Gains generated from the sale of shares are taxable in Tonga where you are resident at the time of sale. Taxing point: The taxing point is the time the shares are sold. Taxable value: The capital gain is calculated as the sales proceeds less

	any amount previously subject to tax. Payment of tax: The tax due is payable via your annual tax return. The annual tax return must be filed by the 31st October. Note: Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%.

c. Dividend Shares

Your tax obligations in respect of your Dividend Shares may be summarised as follows:

Event	Tax treatment
Dividend paid	No tax will be payable on dividends in Tonga provided withholding tax was paid in New Zealand.
Sale	Yes. Gains generated from the sale of shares are taxable in Tonga where you are resident at the time of sale. Taxing point: The taxing point is the time the shares are sold. Taxable value: The capital gain is calculated as the sales proceeds less any amount previously subject to tax. Payment of tax: The tax due is payable via your annual tax return. The annual tax return must be filed by the 31st October. Note: Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%.

2. Overview of the Plan

Under the Plan, you will be provided with the opportunity to contribute after-tax salary for acquisition of the Company's shares at market value ("Purchased Shares"). Upon satisfaction of the Award conditions, you will be eligible to receive additional shares at no cost ("Award Shares"). Generally, you will receive one Award Share for every two Purchased Shares held at the end of the Qualifying Period.

As a Fletcher Building shareholder, you will have full voting rights and receive any dividends on the Purchased Shares during the time the shares are held by the Plan nominee. You are required to participate in the Dividend Programme in respect of the dividends you receive. Under the Dividend Programme, the dividends you receive, net of any New Zealand withholding tax paid on the dividends, will be used to acquire shares ("Dividend Shares"). Dividend Shares will provide you with the opportunity to receive Award Shares if the appropriate Award conditions are satisfied.

Under the Plan, the Purchased Shares, Award Shares (when vested) and Dividend Shares will be held in the Plan, on your behalf, by the Plan nominee company.

3. Purchased Shares

You will not be subject to income tax on acquisition of the Purchased Shares as the shares are purchased from after-tax salary and at market value.

Sale of Purchased Shares

There is no capital gains tax in Tonga, however gains generated from the sale of shares are taxable in Tonga where the employee is resident at the time of sale. The capital gain is calculated as the sale proceeds less the amount paid to purchase the shares. The tax due is payable via your annual tax

return that must be filed by 31st October. Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%.

4. Award Shares

You will not be subject to tax when you receive the rights to Award Shares on the acquisition of Purchased Shares and Dividend Shares.

Vesting

You will be subject to income tax on the fair market value of the Award Shares at vesting at your marginal rate (rates up to 20% on income over $30,000). Your employer will withhold this tax at vesting.

Sale of Award Shares

There is no capital gains tax in Tonga, however gains generated from the sale of shares are taxable in Tonga where you are resident at the time of sale. The capital gain is calculated as the sale proceeds less the value of the shares at the taxable event. The tax due is payable via your annual tax return that must be filed by 31st October. Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%

5. Dividend Shares

You will be entitled to receive dividends paid on your Purchased Shares. There is no income tax payable in Tonga on the dividends, as non-resident withholding tax is paid in New Zealand on the dividends.

You are required to participate in the Dividend Programme to acquire Dividend Shares. As noted above, you will not have a tax liability at the time the dividends are paid / Dividend Shares are allocated.

Sale of Dividend Shares

There is no capital gains tax in Tonga, however gains generated from the sale of shares are taxable in Tonga where you are resident at the time of sale. The capital gain is calculated as the sales proceeds less any amount previously subject to tax. The tax due is payable via your annual tax return that must be filed by 31st October. Capital gains from sale of securities are subject to progressive rates of tax up to a maximum of 20%

6. Your Reporting Obligations

Gains generated from the sale of shares are reported in your annual tax return that must be filed by the 31st October.

7. Employer Withholding Obligations

The income tax payable at vesting of your Award Shares will be withheld by your employer as a PAYE tax deduction from your salary.

8. Employer Reporting Obligations

Your employer will report your income and the income tax paid on the Award Shares to the tax authorities.

9. Taxation Illustration

This example is provided solely to illustrate the calculation of income tax as outlined in this summary. It does not provide any indication or assurance of the possible or likely share price. Consistent with this, all figures and dates are assumed and all dividends and Dividend Shares have been disregarded for the purposes of this illustration. Different results can apply depending on the figures used and the timing of sale of shares. Your tax adviser will be able to advise you further.

Year 1: You commence contributions to acquire Fletcher Building Shares and are allocated Purchased Shares on a monthly basis. You acquire 300 Purchased Shares at an average cost of 11 TOP (based on the TOP/AUD exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is 3,300 TOP (the total amount of contributions made during the year).

You are granted 150 rights to receive Award Shares.

Year 4: At the beginning of the fourth Plan Year, all your rights to Award Shares 'vest' and Award Shares are allocated to you when the market value of a Fletcher Building share is 13 TOP.

Year 5: After holding the Award Shares for more than 12 months you sell all your 450 Fletcher Building shares (i.e. 300 Purchased Shares and 150 Award Shares) for 14 TOP per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income level is 60,000 TOP.

	TOP
Year 1 (contributions acquire Purchased Shares made) - 3,300 TOP contributed over the year to obtain 300 Purchased Shares - Rights to Award Shares granted	N/A
Year 4 (Award Shares allocated)	
Market value of shares (150 x 13 TOP)	1,950
Taxable income	1,950
Tax on income 20% (assuming salary exceeds 30,000 TOP)	390
Year 5 (Purchased Shares and Award Shares are sold)	
Net sale proceeds (450 x 14 TOP)	6,300
Less: Cost base of Purchased Shares	(3,300)
Less: Cost base of Award shares (income reported in Year 4 for Award Shares)	(1,950)
Net gain	1,050
Taxable capital gain	1,050
Tax payable 20% (assuming salary exceeds 30,000 TOP)	210
Summary of transactions	
Net sale proceeds	6,300
Less: Tax payable at allocation of Award Shares (Year 4)	(390)
Less: Tax payable upon sale (Year 5)	(210)
Net proceeds after tax*	5,700

** Not including the cost of the Purchased Shares*