

**Fletcher Building Limited  
FBuShare - Employee Tax Summary**

The summary below is general in nature and is based on the Vanuatu tax laws as at August 2011 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. International Finance Trust Company Limited, 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 Vanuatu 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	Vanuatu has no capital gains tax. Accordingly, there should be no tax on any gains from the sale of the Award Shares.

**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)	Vanuatu has no income tax. Accordingly, there should be no tax on allocation of the Award Shares.
Sale	Vanuatu has no capital gains tax. Accordingly, there should be no tax on any gains from the sale of the Award Shares.

**c. Dividend Shares**

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

Event	Tax treatment
Dividend paid	No tax.
Sale	Vanuatu has no capital gains tax. Accordingly, there should be no tax on any gains from the sale of the Dividend Shares.

**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.

**Sale of Purchased Shares**

There is no capital gains tax in Vanuatu. Accordingly, a gain on sale of the shares is not taxable to the holder of the shares.

#### **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 of Award Shares**

You will not be subject to tax on the Award Shares at vesting.

##### **Sale of Award Shares**

Similarly to the Purchased Shares, there is no capital gains tax in Vanuatu and as such, any gains on the sale of the shares are not taxable to you.

#### **5. Dividend Shares**

You will be entitled to receive any dividends paid on your Purchased Shares. You will not be subject to tax on any dividends paid/Dividend Shares allocated.

The dividends will also be subject to New Zealand withholding tax.

#### **6. Your Reporting Obligations**

No requirement.

#### **7. Employer Withholding Obligations**

No requirement.

#### **8. Employer Reporting Obligations**

No requirement.

## 9. Taxation Illustration

This example is provided solely to illustrate the calculation of 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 620 VUV (based on the VUV/AUD exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is 186,498 VUV (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 720 VUV.
- 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 755 VUV per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income level is 3,500,000 VUV.

	VUV
<b>Year 1 (contributions acquire Purchased Shares made)</b>	
- 186,000 VUV contributed over the year to obtain 300 Purchased Shares	N/A
- Rights to Award Shares granted	
<b>Year 4 (Award Shares allocated)</b>	
Market value of shares (150 x 720 VUV)	108,000
Taxable income (no income tax in Vanuatu)	0
Tax on income (no income tax in Vanuatu)	0
<b>Year 5 (Purchased Shares and Award Shares are sold)</b>	
Net sale proceeds (450 x 755 VUV)	339,750
Less: Cost base of Purchased Shares	(186,000)
Less: Cost base of Award shares (income reported in Year 4 for Award Shares)	(108,000)
Net gain	45,750
Taxable capital gain (no capital gains tax in Vanuatu)	0
Tax payable (no capital gains tax in Vanuatu)	0
<b>Summary of transactions</b>	
Net sale proceeds	339,750
Less: Tax payable at allocation of Award Shares (Year 4)	0
Less: Tax payable upon sale (Year 5)	0
Net proceeds after tax*	339,750

\* Not including the cost of the Purchased Shares