



Costa Group Holdings Limited Tax Transparency Report

December 2022

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About Costa

Costa Group Holdings Limited and its controlled entities ('Costa') is Australia's leading horticultural company and is the largest fresh produce supplier to the major Australian food retailers. As at December 2022, Costa's operations included approximately 7,200+ planted hectares of farmland, 40 hectares of glasshouse facilities and three main mushroom growing facilities across Australia, as well as six blueberry farms in Morocco and four berry farms in China, covering approximately 750 planted hectares.

The Costa business model is built on the optimisation of a diverse portfolio of integrated farming, packing and marketing activities. Costa's portfolio aims to be sufficiently broad to mitigate agricultural and market risks while maintaining a strategic focus on high-growth and high-value fresh produce categories. Costa practices proactive risk management through diversification of categories and geographies, growing in protected cropping environments, using market leading technology, targeting produce categories with 52 week production and supply windows, and maintaining strong hygiene standards, quality control systems and post-harvest protocols.

Costa's products are predominantly grown and sourced from company's expansive footprint of domestic and international farms, and is supplemented with produce sourced through a diverse network of third party growers.

Costa operates across three reportable segments:

- **Produce** – operates principally in five vertically integrated core categories: berries, mushrooms, citrus, glasshouse-grown tomatoes and avocados;
- **International** – comprises berry farming in Morocco (product exported to Europe, the UK and Asia) and China (product sold in China). Also licensing of proprietary blueberry varieties across several regions, including the Americas and Africa; and
- **Costa Farms and Logistics (CF&L)** – incorporates interrelated logistics, wholesale and marketing operations.

Costa reports its financial results on a calendar year basis and has also aligned its income tax reporting periods in all jurisdictions to a calendar year.

This report provides information regarding Costa's tax activities for the year ended December 2022 ('CY2022').

Signatory to the Australian Tax Transparency Code

Costa supports tax transparency and the important role it plays in improving community confidence in the tax system.

Costa has been a voluntary signatory to the Australian Tax Transparency Code since 2017 and is committed to publishing an annual Tax Transparency report. The Tax Transparency Code contains a set of principles and minimum standards to guide medium and large businesses on the public disclosure of tax information, providing stakeholders with confidence that the companies are compliant with relevant statutory obligations.

In preparing this report, Costa has followed the recommendations of the Board of Taxation in its Tax Transparency Code. Costa's 2022 Tax Transparency Report outlines our approach to tax strategy and governance, details of transactions with international related parties, information about our effective tax rate and an overview of our Australian tax contribution in CY2022. It should be read in conjunction with Costa's 2022 Annual Report, which can be found on our website at www.costagroup.com.au.

Basis of Preparation Statement

Costa's financial reports and accounting disclosures are prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001, as well as complying with International Financial Reporting Standards (IFRS).

Costa's annual financial reports are audited and have been deemed compliant as per requirements under the Corporations Act 2001.

The reporting currency for Costa is Australian dollars and disclosures have been rounded to the nearest thousand unless otherwise stated. All legal entities of Costa have been included in the disclosures within this report. Treatment of non-wholly owned entities for disclosure purposes is consistent with AASB accounting standards. This Tax Transparency Report solely relates to Australian tax contributions by wholly owned entities of Costa, it excludes tax contributions made by entities in foreign jurisdictions.

Within this report, information is considered material and relevant if the amount in question is significant because of its size or nature or it helps to explain the impact of significant changes in the business.

The sources of various financial and tax information disclosed in this report are summarised below.

Disclosure	Source of information
Reconciliation of accounting profit to tax expense - Global	Audited Consolidated Financial Statements in the Annual Report, note E2 to the Consolidated Financial Statements.
Reconciliation of accounting profit to tax expense – Australia	Tax calculations prepared by in-house tax advisors and reviewed by external tax advisors.
Reconciliation of income tax expense to tax payable – Global and Australia	Tax calculations prepared by in-house tax advisors and reviewed by external tax advisors.
Reconciliation to ATO corporate tax transparency disclosures	Costa Tax Consolidated Group's Australian Company Tax Return for the period, prepared by in-house tax advisors and reviewed and lodged by an external tax agent.
Australian tax contributions	Corporate income tax, FBT & PAYG withholding paid on behalf of employees – verified per ATO's online portal. Payroll Tax – based on payroll tax returns and annual reconciliations lodged by in-house payroll teams.

Approach to Tax Strategy and Governance

Costa is committed to meeting its tax obligations and maintains transparent and collaborative relationships with all taxing authorities.

These principles are enforced through Costa's tax governance framework, endorsed by the Costa Board.



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Costa adopts a low-risk tax strategy. Taxes are managed with the objective that all tax liabilities properly due under the law are paid, recorded and accounted for. The tax risk management framework guides management in meeting this objective.

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Costa's risk management and governance is overseen by the Audit and Risk Committee (ARC). Tax matters are regularly discussed as an agenda item at ARC meetings, with technical tax advice provided by Costa's inhouse and external tax advisors, as appropriate.

Costa's in-house tax function works to identify, analyse and evaluate tax risks. Key tax risks are escalated to the Chief Financial Officer with all significant tax decisions requiring sign-off from the ARC.



International related party dealings

Costa is an Australian based business with investments in overseas countries. Costa's overseas operations are conducted through a combination of joint venture and subsidiary legal entities, all of whom are subject to tax regimes in their jurisdictions of operation. These foreign subsidiary legal entities and their countries of incorporation are disclosed in Note D2 of Costa's CY2022 Annual Report.

Costa's international related party dealings in jurisdictions outside Australia which have a material impact on the Australian business are summarised below:

Transaction type	Morocco	China
Sub-licensing of blueberry genetics activities	✓	✓
Management and technical services	✓	✓
Intercompany financing	✓	
Recharges of services costs incurred by Costa on behalf of overseas subsidiaries	✓	✓

Costa always seeks to price international related party dealings on an arm's length basis to meet the regulatory requirements of the relevant jurisdictions and in accordance with the Organisation of Economic Cooperation and Development (OECD) guidelines.

Tax reconciliations

Reconciliation of accounting profit to income tax payable and effective tax rate

The 3.2% global effective tax rate for CY2022 was attributable to the lower income tax rates in foreign jurisdictions.

Reconciliation of accounting profit to tax expense			
\$'000	Note	Global	Australia
Profit before income tax	1	48,579	7,021
Prima facie income tax expense on profit before income tax at 30%		14,574	2,106
- Effect of tax rates in foreign jurisdiction	2	(3,709)	0
- Effect of tax exempt profit	3	(10,540)	0
Tax effect of:			
- non-deductible impairment expenses			
- other non-deductible expenses/assessable income	4	927	953
- research and development tax credits		(900)	(900)
- net deferred tax assets unrecognised		13	13
- non-creditable foreign WHT	5	1,663	0
- non-assessable non-exempt income	6	0	(3,221)
- (over)/under provision for income tax in prior years	7	(450)	149
Income tax expense attributable to profit		1,578	(900)
Effective tax rate	8	3.2%	-12.8%

Notes:

1. The profit before tax for Australia includes \$10.7m intragroup dividend received by the Australia group from China subsidiary. The intragroup dividend is eliminated and not included in the profit before tax for Global group.
2. Effect of lower tax rates in foreign jurisdictions, including Morocco, China, Hong Kong, Spain and the UK.
3. Profit from agricultural business activities is exempt from income tax in China.
4. Other non-deductible expenses/assessable income is mainly attributable to non-deductible impairment loss on goodwill and attributable income from controlled foreign companies.
5. Non-creditable foreign WHT relates to non-assessable foreign income received by Hong Kong.
6. Non-assessable non-exempt income is the tax effect on the \$10.7m intragroup dividend received by the Australia group from China subsidiary.
7. Includes the over provision of income tax for prior years from Australia, Morocco, China, Spain and the UK.
8. Excluding the intragroup dividend received by the Australia group, the effective tax rate is 24.2% for Australia group.

Reconciliation of accounting profit to income tax payable and effective tax rate (Cont'd)

The following table provides a reconciliation of the income tax expense to the estimated income tax payable:

Reconciliation of income tax expense to tax payable

\$'000

	Global	Australia
Income tax expense attributable to profit	1,578	(900)
Movement in temporary differences:		
Non-deductible losses - property, plant and equipment	(1,780)	(1,780)
Deductible net leasing expenses	1,230	1,178
Deferred deductions for capital expenditure	(553)	(553)
Non-assessable fair value gain on biological assets	(314)	(415)
All other temporary differences	35	236
Reverse prior year tax adjustments	437	(162)
Credit for foreign taxes withheld	(1,270)	(1,270)
Tax offset carried forward	3,666	3,666
Income Tax payable - per financial statements	3,029	0

The estimated income tax payable is before taking into account tax payments made during the year.

Reconciliation to ATO corporate tax transparency disclosures

Costa lodges a single Australian tax return which consolidates the results of its wholly owned Australian resident companies (Costa Tax Consolidated Group). The Australian tax return for the Costa Tax Consolidated Group discloses income derived from its Australian operations as total income.

Costa subsidiaries which have operations outside of Australia and are not part of the Costa Tax Consolidated Group are not required to lodge an Australian tax return. However, their activities are included within Costa Tax Consolidated Group's tax return as an addition to total income to the extent they have attributable income as a result of deriving passive income or income from transactions with the Costa Tax Consolidated Group. These companies also comply with the tax laws applicable to the countries in which they operate.

We note that the ATO will publicly disclose certain tax information relating to Costa Tax Consolidated Group for CY2022. This information includes:

Item	\$'000
Total Income	1,204,121
Taxable Income	5,835
Tax Payable (after tax offsets)	0

The above disclosures are obtained from the CY2022 Australian income tax return.

The total income amount of \$1,204m for the period was reduced by total expenses incurred of \$1,197m, resulting in a net accounting profit before tax adjustments of \$7m. The difference of \$1.2m to arrive at a taxable income of \$5.8m reflects the non-deductible loss on goodwill impairment, attributable income from Controlled Foreign Companies, routine non-deductible expenses such as R&D accounting expenditure, entertainment, expenses related to non-assessable non-exempt income and other temporary differences.

The tax payable amount as disclosed in the financial statements is an estimate of tax payable at year end and further adjustments are made prior to lodging the income tax return with the ATO.

The following table provides a reconciliation from the estimate of income tax payable per financial statement to the final income tax payable per the tax return.

Reconciliation of income tax payable - financial statements to Income Tax Return	\$'000
Income tax payable - per financial statements	0
Income tax payable - per income tax return	0

Australian tax contributions

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2PH Emerald Citrus Farm, QLD

Australian tax contribution summary

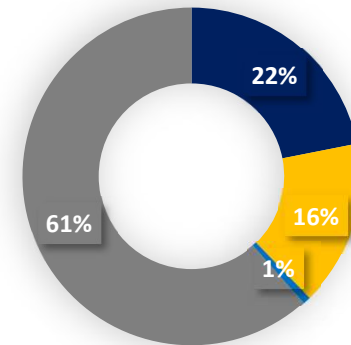
Provided below is a summary of cash taxes paid by Costa to Australian tax authorities during the financial period ended December 2022. Costa has not separately disclosed the net GST position as Costa's products are generally exempt from GST.

Australian tax contribution summary \$'000	Notes	CY2022
Corporate income taxes	1	17,756
Payroll tax		12,875
Fringe benefits tax		598
Employee taxes remitted	2	49,879
Total		81,108

Notes:

1. Corporate income taxes refer to net cash tax paid during the period.
2. Employee taxes remitted refers to PAYG/PAYE/salary withholding collected and remitted to the ATO on behalf of employees.

Cash Taxes Paid



- Corporate income taxes
- Payroll tax
- Fringe benefits tax
- Employee taxes remitted