



Costa Group Holdings Limited Tax Transparency Report

December 2021

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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 2021, Costa's operations included approximately 7,000+ planted hectares of farmland, 40 hectares of glasshouse facilities and three mushroom growing facilities across Australia, as well as six blueberry farms in Morocco and four berry farms in China.

The Costa business model is built on the optimisation of a 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 an 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 licensing of proprietary blueberry varieties and expansion of berry farming in attractive international markets, such as Morocco and China; 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 2021 ('CY2021').

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 2021 Tax Transparency Report outlines our approach to tax strategy and governance, details of transactions with related parties, information about our effective tax rate and an overview of our Australian tax contribution in CY2021. It should be read in conjunction with Costa's 2021 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.



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.



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. These foreign subsidiary legal entities and their countries of incorporation are disclosed in Note D2 of Costa's CY2021 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

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Monarto Mushroom farm, South Australia

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

The 14.3% global effective tax rate for CY2021 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		60,920	8,445
Prima facie income tax expense on profit before income tax at 30%		18,276	2,533
- Effect of tax rates in foreign jurisdiction	1	(11,649)	-
Tax effect of:			
- other non-deductible expenses/assessable income	2	5,957	5,843
- net deferred tax assets recognised		(596)	(596)
- non-creditable foreign WHT		115	-
- over provision for income tax in prior years	3	(1,900)	(463)
- research and development tax credits		(800)	(800)
- non-assessable income		(707)	(707)
Income tax expense attributable to profit		8,696	5,810
<hr/>			
Effective tax rate	4	14.3%	68.8%

Notes:

1. Effect of lower tax rates in foreign jurisdictions, including Morocco, China and Hong Kong.
2. Other non-deductible expenses/assessable income is mainly attributable to non-deductible business acquisition costs.
3. Includes the over provision of income tax for prior years from Australia, Morocco and Spain.
4. Excluding the non-deductible business acquisition costs, the effective tax rates for Global and Australia are 13% and 27.3% respectively.

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	8,696	5,810
Movement in temporary differences:		
Non-deductible losses - property, plant and equipment	790	790
Deductible net leasing expenses	(111)	(70)
Deferred deductions for capital expenditure	(715)	(715)
Non-assessable fair value gain on biological assets	(2,249)	(2,062)
All other temporary differences	(762)	(344)
Reverse prior year tax adjustments	2,496	1,059
Credit for foreign taxes withheld	(1,373)	(1,373)
Income Tax payable - per financial statements	6,772	3,095

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 CY2021. This information includes:

Item	\$'000
Total Income	1,020,126
Taxable Income	20,398
Tax Payable (after tax offsets)	759

The above disclosures are obtained from the CY2021 Australian income tax return.

The total income amount of \$1,020m for the period was reduced by total expenses incurred of \$1,011m, resulting in a net accounting profit before tax adjustments of \$9m. The difference of \$11m to arrive at a taxable income of \$20m reflects the attributable income from Controlled Foreign Companies, non-deductible business acquisition costs and routine non-deductible expenses such as R&D accounting expenditure, entertainment, expenses related to non-assessable non-exempt income and other temporary differences between accounting and tax treatment of income and expenses.

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	3,095
Temporary full expensing of depreciating assets	(2,465)
Non-deductible business acquisition costs	109
Other	20
Income tax payable - per income tax return	759

Australian tax contributions

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Walkamin Berry farm,
Far North Queensland

Australian tax contribution summary

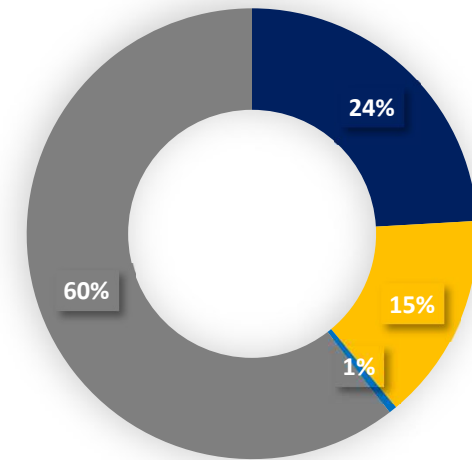
Provided below is a summary of cash taxes paid by Costa to Australian tax authorities during the financial period ended December 2021. Costa has not separately disclosed the net GST position as Costa's products are generally exempt from GST.

Australian tax contribution summary	Notes	CY2021
\$'000		
Corporate income taxes	1	17,391
Payroll tax		10,759
Fringe benefits tax		418
Employee taxes remitted	2	43,650
Total		72,218

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