



**Costa Group Holdings Limited
Tax Transparency Report**

December 2020

Contents

About Costa

Tax Transparency Code

Basis of Preparation Statement

Approach to tax strategy and governance

International related party dealings

Tax reconciliations:

Reconciliation of accounting profit to tax expense

Effective tax rate for Australian and global operations

Reconciliation of income tax expense to tax payable

Reconciliation to ATO corporate tax transparency disclosures

Australian tax contributions

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 2020, Costa's operations included approximately 4,700+ planted hectares of farmland, 30 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 2020 ('CY2020').

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 2020 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 CY2020. It should be read in conjunction with Costa's 2020 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. Tax payment disclosures for non-wholly owned entities are based on total tax amounts paid in the jurisdictions in which they operate. This Tax Transparency Report solely relates to Australian tax contributions by wholly owned entities of Costa, but 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 local tax regimes. These subsidiary legal entities and their foreign jurisdictions are disclosed in Note D2 of Costa's CY2020 Annual Report.

Costa has a number of international related party dealings with these overseas entities and these are summarised below:

- Sub-licensing of blueberry genetics to the African Blue joint venture in Morocco and Costa Asia joint venture entities in China.
- Loans and equity provided by members of the Costa group to African Blue and Costa Asia joint ventures to fund working capital and expansion requirements.
- Management and technical services provided to African Blue and Costa Asia joint ventures.
- Dividends received from the overseas joint venture.

Costa always seeks to price international related party dealings on an arm's length basis to meet the regulatory requirements of the relevant jurisdictions.

Tax Reconciliations

New England Highway Tomato Glasshouses, Guyra



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

The 17% global effective tax rate for CY2020 was attributable to the lower income tax rates in foreign jurisdictions.

Reconciliation of accounting profit to tax expense			
\$'000	Note	Global	Australia
Profit (loss) before income tax		81,239	50,814
Prima facie income tax expense/(benefit) on profit before income tax at 30%		24,372	15,244
- Effect of tax rates in foreign jurisdiction	1	(7,029)	-
Tax effect of:			
- other non-deductible expenses/assessable income	2	691	739
- research and development tax credits		(800)	(800)
- net deferred tax assets unrecognised		(307)	(307)
- non-creditable foreign WHT		125	-
- non-assessable income		(238)	(238)
- over provision for income tax in prior years	3	(3,024)	(1,242)
Income tax expense attributable to profit		13,790	13,396
Effective tax rate		17.0%	26.4%

Notes:

- Effect of lower tax rates in foreign jurisdictions, including Morocco, China and Hong Kong.
- Other non-deductible expenses/assessable income includes:
 - Non-deductible entertainment expense
 - Non-deductible share based payment expense
 - Income attributed under the Controlled Foreign Company rules
- Includes the over provision of income tax for prior years from both Australia and Morocco.

The following table provides a reconciliation of the income tax expense to income tax payable and tax payments made during the period:

Reconciliation of income tax expense to tax payable			
\$'000	Note	Global	Australia
Income tax expense attributable to profit		13,790	13,396
Movement in temporary differences:			
Non-deductible losses - plant and equipment		486	486
Non-deductible net leasing expenses		1,661	1,642
Deferred deductions for prior year capital expenditure		(400)	(400)
All other temporary differences		297	133
Reverse prior year tax adjustments		3,331	1,549
Credit for foreign taxes withheld		(786)	(730)
Income Tax payable - per financial statements	1	18,379	16,076
Tax payment timing differences		(18,658)	(17,117)
Income tax refunded during the period	1	(279)	(1,041)

Notes:

- Income tax payable reflects tax liabilities referable to the CY2020 tax year, whereas Income tax refunded reflects the cash income tax refund received net of any income tax paid during CY2020.

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 CY2020. This information includes:

Item	\$'000
Total Income	999,066
Taxable Income	62,667
Tax Payable	14,078

The above disclosures are obtained from the CY2020 Australian income tax return.

The total income amount of \$999m for the period was reduced by total expenses incurred of \$948m, resulting in a net accounting profit before tax adjustments of \$51m. The difference of \$12m to arrive at a taxable income of \$63m reflects the attributable income from Controlled Foreign Companies, as well as 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	\$'000
Income tax payable - per financial statements	16,076
Unearned revenue not yet assessable	(2,138)
Non-deductible expenses incurred for foreign business oper.	108
Other	32
Income tax payable - per income tax return	14,078

Australian Tax Contributions



Australian tax contribution summary

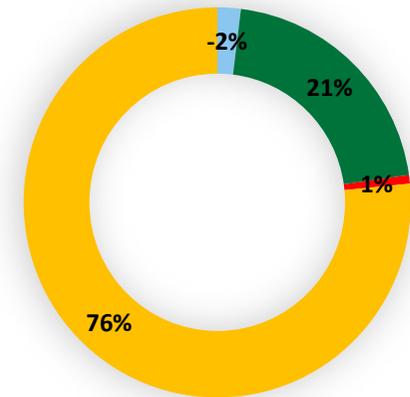
Provided below is a summary of cash taxes paid by Costa to Australian tax authorities for the financial period ended December 2020. Costa has not separately disclosed the net GST position as Costa's products are generally exempt from GST.

Australian tax contribution summary	Notes	CY2020
\$'000		
Corporate income taxes	1	(1,041)
Payroll tax		10,990
Fringe benefits tax	2	384
Employee taxes remitted	3	40,474
Total		50,807

Notes:

1. Corporate income taxes refer to net cash tax refunded during the period.
2. Fringe benefits tax includes prior year's overpayment refunded during the period.
3. 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