



# Elders Limited 2017

## Tax Transparency Report

ABN 004 336 636





# Introduction

**The Board of Elders Limited strongly believes that a culture of compliance is essential in ensuring the long-term success of our strategic objectives. We continue to uphold high standards of corporate governance, including our continuous disclosure obligations. To this end, Elders is pleased to publish our inaugural Tax Transparency Report for the year ended 30 September 2017.**

Elders has had a tax governance framework which has been approved by the Board for a number of years. Elders believes that the commercial needs of the group are of utmost importance. In addition, Elders' overarching tax management principles are to ensure all tax obligations are met and all taxes that are legally obliged to be paid are paid.

Although Elders posted a strong financial result in the 2017 year, as the Elders tax consolidated group has a significant amount of carried forward tax losses, it was not required to pay any company tax in the current year. Nevertheless, Elders remitted around \$70m of taxes to both Federal and State revenue offices.

This document should be read in conjunction with our 2017 Elders Annual Report, which is available at our website, [Elders.com.au](http://Elders.com.au).



## Elders Tax Strategy and Governance

Elders adopts a conservative approach to tax risk management. Elders' tax governance framework includes a comprehensive tax risk policy which is reviewed and updated bi-annually. It also has appropriate systems, procedures and controls in place to identify and manage any tax risks.

Elders believes that the commercial needs of the group are of utmost importance and all tax advisory will be undertaken in this context. All transactions must have a business purpose or commercial rationale. Elders will not undertake purely tax driven transactions and the requirement to meet commercial needs will in no circumstances override compliance with tax laws.

Elders' overarching tax management principles are to:

- Pay all taxes legally obliged to pay as and when they become payable or on a basis that is agreed with the tax authorities;
- Fully comply with all tax compliance obligations in all jurisdictions that Elders has a business presence;
- Maintain documentary evidence for the defence of all material tax positions in the event of challenge by a tax authority; and
- Operate with the aim of maintaining constructive relationships with tax authorities.

## Contribution to Australia

While Elders has only paid a minimal amount of corporate taxes for the 2017 year due to a significant amount of carried forward tax losses, it has contributed to the Australian economy with the payment of other taxes. In particular, due to the employment of over 2,000 employees around Australia, Elders has paid a significant amount of employment taxes, totalling around \$53m, to both Federal and State revenue offices.

### Australian taxes paid/collected - Tax contribution summary

	2017
	\$'000
<b>Australian Taxes</b>	
<b>Paid</b>	
Corporate Tax	2,800
Payroll Tax	9,302
Fringe Benefits Tax	549
<b>Collected</b>	
GST (collected and remitted)	164,648
GST (paid but claimed)	(149,375)
Fuel tax credits claimed	(208)
Personal Income Tax from employees (remitted)	42,948
<b>Total Australian Taxes paid</b>	<b>70,664</b>

## International Related Party Dealings

Elders has operations in both Indonesia and China. However, the most significant international related party dealings relates to Elders Australia procuring and selling livestock to our wholly owned subsidiary in Indonesia. All the transactions are conducted, priced and documented on an arm's length basis having regard to Australian transfer pricing laws.



## RECONCILIATION OF STATUTORY PROFIT TO INCOME TAX EXPENSE & INCOME TAX PAYABLE

	2017	2016
	\$'000	\$'000
<b>Statutory profit before income tax expense</b>	123,814	30,239
Income tax (expense) at 30%	(37,144)	(9,072)
<b>Adjusted for non-temporary differences:</b>		
Adjustment in respect of income tax of previous years	66	(673)
Impairment of assets	0	(1,314)
Recognition of previously unrecognised losses	29,259	35,952
Utilisation of previously unbooked losses	0	3,328
Share of equity accounted profits	1,623	258
Other net (non-deductible)/non-assessable items	953	(4,479)
<b>Income tax (expense)/benefit</b>	<b>(5,243)</b>	<b>24,000</b>
<b>Accounting effective company tax rate</b>	4.23% *	(79.37%)
<b>Adjusted for temporary differences:</b>		
Provision for employee entitlements	(3,109)	(525)
Other provisions	658	1,329
Capitalised expenses	3,408	1,689
Inventory	(786)	1,655
Intangibles	18,619	1,685
Others	140	2,158
Recognition of additional previously unrecognised losses	(14,186)	(35,952)
<b>Temporary differences</b>	<b>4,744</b>	<b>(27,961)</b>
Adjustment in respect of income tax of previous years	(66)	673
Utilisation of carried forward tax losses	(15,073)	0
Other assets & liabilities	(2,449)	(2,236)
Associates & others	3,015	2,196
<b>Tax losses utilised at 30%</b>	<b>15,072</b>	<b>3,328</b>
<b>Income tax (payable) for Elders tax consolidated group</b>	<b>0</b>	<b>0</b>
<b>Elders Group Tax Losses at 30%:</b>		
<b>Tax loss brought forward</b>	(244,019)	(247,399)
<b>Overprovision in the year</b>	660	52
<b>Current year taxable income/(loss)</b>	15,072	3,328
<b>Tax loss carried forward</b>	<b>(228,287)</b>	<b>(244,019)</b>

\*The major difference between the company tax rate of (30%) and Elders' effective tax rate of 4.23% is due to the recognition of previously unrecognised tax losses - as a result of improved business operations and forecasted taxable income.

