

FOR AUSTRALIAN AGRICULTURE

Elders

*2021 Elders
Tax Transparency Report*

Elders Limited ABN 34 004 336 636

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 annual Tax Transparency Report for the year ended 30 September 2021.

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 another strong financial result in the 2021 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 \$130m of taxes to both Federal and State revenue offices.

This document should be read in conjunction with our 2021 Elders Annual Report, which is available at our website, [Elders.com.au](https://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 bi-annually under our policy by our experienced in-house internal team as well as our external auditors. It also has appropriate systems, procedures and controls in place to identify and manage any tax risks. Our Head of Tax presents to the Board Audit, Risk and Compliance Committee at least twice a year on tax matters.

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 rational. 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

In June 2021, the Australian Taxation Office (ATO) completed their Combined Assurance Review of Elders income tax affairs for the years ended 30 September 2017, 2018 and 2019, as part of its program of reviewing Australia's top 1000 taxpayers. The ATO obtained high assurance that Elders has paid the right amount of Australian income tax for those years from the review.

While Elders has only paid a minimal amount of corporate taxes for the 2021 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 \$78m, to both Federal and State revenue offices.

Australian taxes paid/collected – Tax contribution summary

	2021	2020
	\$'000	\$'000
Australian Taxes		
Paid		
Corporate Tax	2,703	555
Payroll Tax	13,421	11,071
Fringe Benefits Tax	270	367
Collected		
GST (collected and remitted)	298,903	243,250
GST (paid but claimed)	(249,530)	(204,203)
Fuel tax credits claimed	(450)	(369)
Personal Income Tax from employees (remitted)	64,427	61,395
Total Australian Taxes paid	129,744	112,066

ATO published tax information

As part of the ATO's obligation in publishing the tax information for large entities, the following information will be published in December 2021 for Elders Limited in relation to its lodged 2020 income tax return:

	2020
Total Income	2,021,311,056
Taxable Income	11,694,921
Tax Payable	Nil

Total income comprises of total revenue for the Elders tax consolidated group for the 2020 year. Taxable income is calculated as all assessable income less allowable tax deductions, after offsetting against carried forward losses. Tax payable is then calculated at 30% of taxable income, less franking credits received from investments.

Reconciliation of statutory profit to income tax expense & income tax payable

	2021	2020
	\$'000	\$'000
Statutory profit before income tax expense	157,708	104,065
Income tax (expense) at 30%	(47,312)	(31,220)
Adjusted for non-temporary differences:		
Adjustment in respect of income tax of previous years	360	(103)
Impairment of assets	0	0
Recognition of previously unrecognised losses	42,461	53,324
Share of equity accounted profits	3,269	1,957
Other net (non-deductible)/non-assessable items	(2,702)	(2,737)
Income tax (expense)/benefit	(3,924)	21,221
Accounting effective company tax rate	2.49%¹	(20.39%)²
Adjusted for temporary differences:		
Provision for employee entitlements	(5,242)	(6,123)
Other provisions	(845)	(550)
Capitalised expenses	376	266
Inventory	(94)	224
Intangibles	(878)	14,486
Others	1,610	614
Recognition of additional previously unrecognised losses	6,168	(15,500)
Temporary differences	1,095	(6,583)
Adjustment in respect of income tax of previous years	178	103
Utilisation of carried forward tax losses	(48,629)	(37,824)
Other assets & liabilities	(451)	(16,292)
Associates & others	3,102	1,551
Tax losses utilised @30%	48,629	37,824
Income tax (payable) for Elders tax consolidated group	(0)	(0)
Elders Group Revenue Tax Losses at 30%:		
Tax loss brought forward	(158,775)	(196,431)
Overprovision in the year	200	(168)
Current year taxable income/(loss)	48,629	37,824
Revenue tax loss carried forward	(109,946)	(158,775)
Elders Group Capital Tax Losses at 30%:		
Tax loss brought forward	(109,513)	(109,644)
Current year capital gain/(loss)	41	131
Capital tax losses carried forward (Not recognised on Balance Sheet)	(109,472)	(109,513)

¹ The major difference between the company tax rate of 30% and Elders' effective tax rate of 2.49% is due to the recognition of previously unrecognised tax losses. Elders has now fully recognised all previously unrecognised tax losses, as a result of continuous improvement in business operations and forecasted taxable income.

² The major difference between the company tax rate of 30% and Elders' effective tax rate of (20.39%) is due to the recognition of previously unrecognised tax losses - as a result of continuous improvement in business operations and forecasted taxable income.