Tax Report

For The Year Ended 30 April 2021

Ricegrowers Limited (ASX - SGLLV) - SunRice
ABN 55 007 481 156

Contents

About SunRice's structure

The structure of Ricegrowers Limited contains non-standard elements including its dual class share structure comprising A Class Shares and B Class Shares.

A Class Shares confer on their holders the right to vote at general meetings but no right to dividends. A Class Shares are not quoted on the ASX and may only be held by Active Growers. A person must not hold more than 5 A Class Shares. In practical terms the voting rights held by A Class shareholders give those shareholders the right to control the election of directors and any changes to SunRice's Constitution.

B Class Shares are quoted on the ASX and confer on their holders the right to receive dividends, as determined by the directors from time to time. Holders of B Class Shares do not have the right to vote at general meetings of SunRice and may only vote on proposals involving a variation to their class rights or if required for the purposes of the ASX Listing Rules. This means B Class shareholders have no right to vote on the election of directors of SunRice. No person may hold more than 10 per cent of the total number of B Class Shares on issue.

For more details of the non-standard elements of SunRice's structure see investors.sunrice.com.au.

Tax Report

For the year ended 30 April 2021

1. Introduction

From the entrepreneurial spirit of a group of Riverina rice growers pooling their resources to fund a single rice mill in 1950, to the truly global branded food group we are today, SunRice's journey spans more than 70 years of growth and innovation.

The SunRice Group is a major Australian branded food company with approximately 2000 employees across multiple businesses. With more than 30 major brands in over 50 countries across the world, our operations and assets span Australia, New Zealand, Singapore, the Middle East, the United States, Papua New Guinea, the Solomon Islands and Vietnam.

We are proud to have built a diversified business with direct access to Australia's key Riverina rice growing region, as well as multiple global supply sources serving a growing portfolio of products and consumers.

In addition to our specialisation in branded rice and rice-based products, we participate in gourmet Mediterranean foods; food service supply for military, mining and healthcare markets; stockfeed and companion animal nutrition; and are a food ingredients supplier to manufacturers of household brands across multiple sectors.

We are committed to providing our stakeholders with credible, transparent and timely information as we seek to create and sustain value in all we do. The tax we pay is an important part of this process and plays a key role in the financial health of the countries we operate in. We regard it as a critical element of our commitment to grow in a sustainable and responsible way. We promote open, co-operative and transparent working relationships with tax authorities in Australia and around the world.

We are proud to present this report, which provides information about our approach to our tax obligations, as well as details of our tax contributions, effective tax rates in Australia and internationally and how our profit relates to our total income tax liability for the financial year ended 30 April 2021 (FY2021).

We have also included information supplementing the disclosure during September 2021 by the Australian Taxation Office (ATO) of certain financial and tax information relating to Ricegrowers Limited for the year ended 30 April 2020 (FY2020) under the relevant corporate tax transparency legislation.

This report provides a detailed explanation of our tax profile and follows the guidelines set out in the Tax Transparency Code recommended by the Australian Board of Taxation and adopted by the Australian Federal Government.

Dimitri Courtelis
Chief Financial Officer

2. Our approach to tax strategy and governance

SunRice has a clear track record of complying with our taxation obligations in the various countries in which we operate. Tax laws can be complex and subject to interpretation by government authorities and management, particularly in relation to legislative requirements that can differ substantially by country.

Our approach to managing tax risks is guided by our Tax Risk Management & Governance Framework, which is subject to periodic review and approval by the Board, following recommendation by the Finance, Risk & Audit Committee.

Tax Strategy

Part of SunRice's business strategy involves geographical and business expansion to better serve customers and diversify risks. To create efficiencies and economies of scale, we organise our activities along the value chain and create specialised centres of excellence for the international sourcing of products and distribution points closer to consumers. In achieving those objectives, SunRice is conscious of its societal responsibility towards our communities, including by creating employment and procurement opportunities, and by investing in community-based activities.

SunRice is committed to acting with integrity and transparency in all tax matters. SunRice believes that as a good corporate citizen, it should meet all of its obligations under the law and pay the appropriate amount of tax on the profit it makes to the relevant revenue authorities where the value is generated. The tax amount paid plays an important role for the development of our communities which is key to our sustainability commitment. SunRice's strategic objectives and position statement for the management of tax are as follows:

- To ensure that tax risks are considered as part of the overall commercial assessment of any transaction and to obtain a sufficient and appropriate level of comfort on tax matters by adopting a 'more likely than not' or higher approach to support our tax positions;

- To ensure that all dealings and transactions undertaken are supportable by commercial and economic objectives and are not driven to achieve tax avoidance. We do not participate in tax evasion nor facilitate the evasion of tax by third parties in any way;

- To comply with all relevant tax laws, meet our tax compliance obligations in a timely manner and be considered by the revenue authorities wherever we operate internationally as low risk in all tax compliance and reporting obligations. We voluntarily disclose tax information, where relevant (for example, in FY2021, we voluntarily engaged with several State Revenue Offices in Australia and the ATO in relation to matters of payroll and income taxes);

- To develop and maintain a good working relationship with the relevant revenue authorities at all times, as well as being open and transparent in providing them with full and accurate disclosure. We promote and encourage a relationship of trust with the revenue authorities to ensure that taxation matters and queries are dealt with efficiently and effectively to more easily meet the desired commercial and strategic objectives for tax. All dealings with revenue authorities are to be dealt with in a timely, courteous, professional and collaborative manner. We adopt a cooperative approach with these tax authorities and when necessary, engage in appropriate dispute resolution procedures;

- To protect the reputation of the business and proactively engage and communicate regularly with the Board, the Finance Risk & Audit Committee and other key internal stakeholders to adopt a 'no surprises' approach to the management of all tax risks and affairs.

Tax Risk Management

Risk appetite is central to the governance of risk management, setting out the level of risk that the Board is willing to take in pursuit of its business objectives. The tax risk appetite is an extension of the SunRice Group Risk Appetite Statement and is therefore aligned with the Group tolerance to risk. Overall, SunRice has a low tax risk appetite and takes either a conservative or balanced approach in relation to the following:

- Our reputation is extremely valuable and it is every employee's responsibility to safeguard it by adopting ethical business practices. While the Group acknowledges that some of its actions may have unintended consequences on its reputation, it will seek to minimise the risk that the ethics, brand or credibility of the Group is compromised. When engaging into business ventures or transactions, whether at strategic of operational level, due consideration is given to tax consequences to preserve the SunRice Group's reputation.

- Our activities must be conducted at all times with the highest principles of integrity and in accordance with the relevant legislations and regulations in place. This applies to tax laws in each of the jurisdictions in which the Group operates. As the Group further ventures in new markets, the growing pressure of compliance with laws and regulations increases and requires appropriate understanding of the environment where SunRice is conducting its business and its relevant obligations. Appropriate engagement with local tax authorities is also key to minimise tax risk, especially in the context of international tax laws and potential conflict of interest between tax authorities.

- SunRice accepts a reasonable level of financial risk in order to support our core business activities, which extends to the potential financial consequences arising as a result of tax related matters.

SunRice regularly engages external tax advisors on complex matters and/or significant transactions to identify and assess any potential tax consequences and risks with an appropriate level of specialist input. External tax advisors are also engaged to provide formal written sign-off on annual income tax returns and review formal correspondence with a revenue authority. Taxation services provided by the external auditor are approved in accordance with the External Auditor Independence policy.

3. Australian tax contributions summary

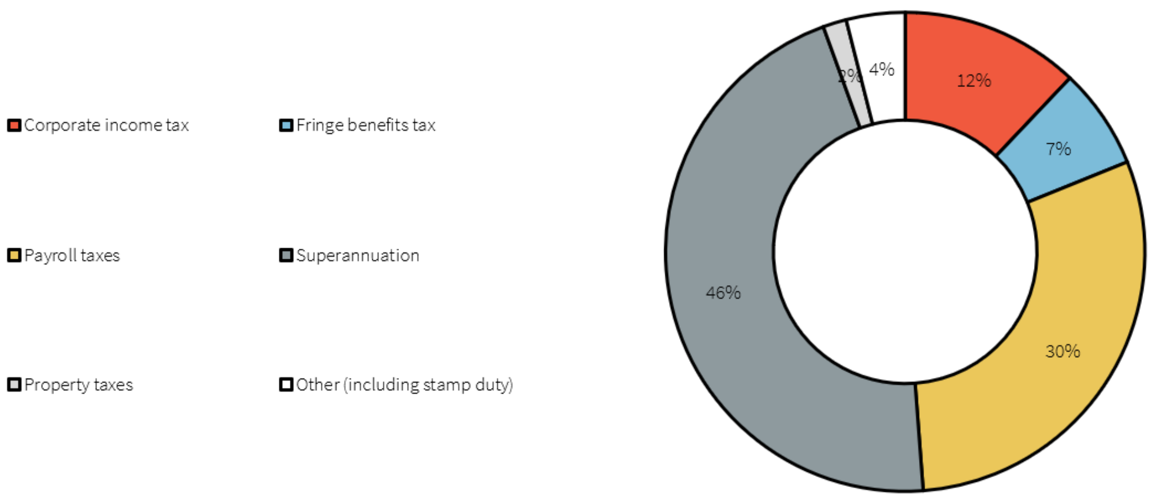
In FY2021, Ricegrowers Limited and its Australian controlled entities (which together form part to a Tax Consolidated Group, the head of which is Ricegrowers Limited) have made the following tax payments to revenue authorities (presented on a cash paid basis):

	$' 000
Corporate income tax *	1,851
Other taxes	
- Fringe benefits tax	1,043
- Payroll taxes	4,590
- Superannuation	7,001
- Property taxes	243
- Other (including stamp duty)	608
Total tax contributions	15,338
Taxes collected by SunRice on behalf of others	
- PAYG / PAYE / salary withholding	15,412
- Net GST (on value added by SunRice) **	(14,876)

* As mentioned in SunRice's 2021 Annual Report (available on our website at www.sunrice.com.au/book/Annual_Report_2021.pdf), the SunRice Group faced a number of challenges in FY2021, which included the severe and persisting drought conditions in Eastern Australia for a second consecutive year. A number of the Group's Australian business units were impacted by these factors and their consequences (in particular the significant shortage of Australian rice available for processing and selling), which led to the Australian Tax Consolidated Group returning a taxable loss for the year ended 30 April 2021 (a very rare event in the Group's history). As a result, only a small amount of corporate income tax instalments were remitted to the ATO in FY2021 (the majority of which will be refundable in FY2022 as no tax is payable for the year ended 30 April 2021 – see further details in section 4 on the next page).

** Net GST is the GST collected on sales by SunRice less GST paid on business inputs purchased by SunRice. Due to the nature of its operations in Australia, SunRice pays GST on most of its purchases of goods and services. However, a number of the Group's products are sold on a GST free basis. As a result, SunRice generally pays more GST than it collects and therefore receives a periodic refund for the net position.

Tax paid by category - FY2021 (excludes taxes collected on behlaf of others)



4. Effective tax rate and reconciliation of accounting profit to income tax expense and income tax payable

The table below shows the calculation of the FY2021 Global and Australian effective tax rates (being accounting income tax expense or income expressed as a percentage of net profit or loss before tax). It also shows the reconciliation of accounting profit to income tax paid and payable or receivable for FY2021, highlighting the key temporary and non-temporary differences.

In general terms, FY2021 was an unusual year due to a number of factors that included the extremely low level of rice production in the Riverina region of Australia (refer to section 3 for further details), sending our Australian operations into a taxable loss position (which was a key driver in the Australian effective tax rate being below 30% in FY2021, as further discussed on the next page). As a result, a large majority of the rice sold to our customers in FY2021 was coming from our international operations, where the statutory tax rate can be lower than in Australia (see section 5 for further details). This mix of profits and losses across the Group in FY2021 in turn drove the unusually low effective tax rate for the Group.

	FY2021	
	Australia A$ '000	Consolidated Group A$ '000
(Loss) / Profit before tax	(19,968)	19,042
Prima facie tax (income) / expense at 30%	(5,990)	5,713
Effect of not assessable income / not deductible expenses in determining taxable profit		
R&D tax concesions	(71)	(71)
Gain on business combinations	-	(451)
Rate differential on overseas operations	-	(6,790)
Attribution of overseas profits under CFC rules	1,227	1,227
Tax losses and temporary differences recouped / (not recognised)	-	(589)
Other items	888	1,223
Adjustment for the prior year	356	497
Income tax (income) / expense recognised in profit or loss	(3,590)	759
Effective tax rate - Refer to explanatory notes on the next page	18%	4%
Temporary differences		
Property, plant and equipment	(745)	(836)
Investment property	(345)	(345)
Brands	(115)	(397)
Accruals	(2,406)	(2,307)
Provisions	(78)	(1,269)
Inventories	(286)	843
Leased items	(63)	(59)
Share based payments	476	390
Unrealised foreign exchange differences	984	1,288
Other items	359	521
Adjustment for the prior year	533	497
Income tax refundable (before rebates, offsets and tax losses)	(5,632)	(1,412)
Ordinary tax losses recognised as deferred tax asset	5,632	5,632
Income tax payable for the current year	-	4,220
Company tax payable on 1 May 2020	766	4,442
Income tax payable for the current year	-	4,220
Prior year adjustments to income tax payable	(462)	(498)
Company tax paid during FY2021	(1,851)	(5,640)
Company tax (receivable) / payable at 30 April 2021	(1,547)	2,524

Basis of the preparation of the information presented in this section

The effective tax rate is an accounting concept and reflects the income tax accrued on the profit or loss for a particular year. It differs from the actual income tax payable in that year due to timing differences (where the timing of income and expense recognition differs for accounting and tax purposes).

The accounting disclosures on the previous page have been extracted from SunRice's 2021 Annual Report (available on our website at www.sunrice.com.au/book/Annual_Report_2021.pdf), which was prepared under Australian Accounting Standards and complies with International Financial Reporting Standards (IFRS).

Other financial information presented in this section has been sourced from workpapers used in the preparation of the 2021 Annual Report or from the SunRice reporting and consolidation system, which sources its information from each individual Group entity's general ledger system.

This information has been subject to SunRice's internal review and approval processes by management, the executive team and the Board, as appropriate.

Drivers of the Australian and Group effective tax rates

SunRice's Australian effective tax rate was below the statutory 30% rate in FY2021, as non-deductible expenses (primarily due to the attribution of the Group's overseas subsidiaries' profits under Controlled Foreign Companies (CFC) rules and a number of other items such as costs incurred through merger and acquisition activity) reduced the income tax benefit arising from the recognition of deferred tax assets for ordinary losses generated in that year (refer to section 3 for further details on the taxable loss position of the Group in FY2021).

The effective tax rate for the SunRice Group was also low at only 4% in FY2021. This unusual outcome was primarily due to tax payable in our overseas subsidiaries (a number of which are taxed at a lower than 30% rate, as discussed in section 5) offsetting the taxable benefit arising from the taxable losses generated in Australia in FY2021.

Deferred tax assets relating to capital losses and ordinary losses available for future use

The Group does not recognise deferred tax assets for capital losses, as the Group does not believe it is probable that taxable capital gains will generally arise against which capital losses can be utilised.

At 30 April 2021, the Group has not recognised deferred tax assets of $8,600,000 for ordinary tax losses available in some of the jurisdictions in which it operates, as the Group considered there remained uncertainty in the ability of the subsidiaries located in these jurisdictions to generate enough future taxable profits against which these losses can be utilised. The Group will continuously reassess this position should conditions in these jurisdictions improve in a sustainable manner.

At 30 April 2021, the Group has however recognised deferred tax assets of $5,632,000 for ordinary tax losses available in Australia, as the Group considered there was convincing evidence that companies part of the Australian tax consolidated Group will be able to generate enough future taxable profits against which these losses can be utilised.

Other comments on the Company's tax receivable / payable position

Our income tax liability is affected by temporary differences such as provisions and accruals of expenditure in our accounts that are not deductible until the expenditure is paid, generally in the subsequent financial year.

The availability of rebates and offsets (foreign income tax offsets, withholding tax credits and research & development tax rebate) generally reduces our Australian and overall Group income tax liability, but these were not available in FY2021 due to the taxable loss position in the Australian Tax Consolidated Group.

There are also differences between the income taxes payable for a given period and the total income tax actually paid to tax authorities during that year. This is due to a variety of factors, such as the timing of corporate income tax instalment payments, and final tax payments being made (or refunds received) for prior periods following the submission of tax returns.

5. International related party dealings

International presence

Due to the inherent nature of its international trade flows, SunRice operates in a number of markets around the world. The corporate income tax rates of the overseas countries in which SunRice operates are summarised below:

- Papua New Guinea and the Solomon Islands: 30%

- United States of America: approximately 28% (representing a blend of federal and states corporate income taxes rates)

- New Zealand: 28%

- Singapore: 10% (while the Singaporean statutory tax rate is 17%, Ricegrowers Singapore Pte Limited benefited from a concessionary tax rate granted under the Enterprise Singapore Global Trader Programme in FY2021, as it satisfied a number of revenue and local expenditure targets)

- Jordan: 5%

- United Arab Emirates (Dubai DMCC): 0%

- Vietnam: 20%

Business dealings

The key business dealings between the SunRice Australian operations and overseas controlled entities relate to:

- Sales and purchases of goods to and from overseas controlled entities

- Licensing of brands, trademarks and other intellectual properties owned by SunRice in Australia for use by overseas controlled entities

- Providing funds and loans to overseas controlled entities for working capital requirements

- Receiving dividends from overseas controlled entities

- Receiving certain services, including sales and marketing support, from overseas controlled entities

- Providing general business and administrative support services to overseas controlled entities

Transfer pricing considerations

All international related party dealings are conducted in accordance with Australian transfer pricing laws and the arm's length methodologies prescribed by the Organisation of Economic Cooperation and Development (OECD).

Some of these dealings also apply directly between some of the Group's overseas subsidiaries. In such instances, the related party dealings are conducted in accordance with locally applicable transfer pricing laws and the arm's length methodologies prescribed by the OECD.

SunRice discloses its material transactions in its lodged tax returns and other disclosures to tax authorities, including the transfer pricing Master File drawn up in line with OECD requirements and lodged with the ATO. SunRice also complies with the Country by Country Reporting (CbCR) requirements in each of the countries in which we operate. Local Transfer Pricing Files are lodged with tax authorities as prescribed by the laws of the relevant countries.

6. Disclosure of 2020 company tax information by the ATO

The ATO is required by law to disclose to the public certain financial and tax information about large corporate entities. The source of this information is the annual company tax return lodged with the ATO.

The following is the information regarding Ricegrowers Limited Tax Consolidated Group for the year ended 30 April 2020 (FY2020) as the FY2021 information has not yet been released by the ATO at the time of publishing this report (it will only be released in September 2022):

Company name	Ricegrowers Limited
ABN	55 007 481 156
Total income	$766,032,457
Taxable income	$19,725,155
Tax payable	$4,499,083

The above information only provides a partial picture of the Australian income tax profile of the SunRice Group. Conclusions drawn from the above information could be misleading as it does not necessarily reflect the true tax position of the SunRice Group and the level of its Australian income tax contribution. In particular, the effective tax rate cannot be calculated from this information alone.

To give a more complete picture of the Australian income tax profile of the SunRice Group, we have provided below further financial information to supplement the information disclosed by the ATO.

Operating profit

The Australian operating profit of Ricegrowers Limited (and members of its Australian Tax Consolidated Group) was:

Total income	$766,032,457
Total expenses	$721,984,564
Operating profit	$44,047,893
Expected tax at 30%	$13,214,368
Tax payable	$4,499,083

Tax payable is determined by firstly applying the company statutory tax rate of 30% to taxable income (which differs from operating profit), and then reduced by any tax credits and offsets available under Australian tax law.

We have provided below explanations of the difference between the operating profit and taxable income of Ricegrowers Limited Australian Tax Consolidated Group and the tax credits and offsets available to it during FY2020.

Reconciliation between Operating profit and Taxable income

Items of income and expenses may have different treatment for financial reporting and taxation purposes. In addition, there are items which are not included in financial reporting but are specifically included in the income tax calculation under Australian tax law.

The difference between the Operating profit and the Taxable income of the SunRice Group's Australian operations for FY2020 is explained as follows:

Operating profit	$44,047,893
Taxable income	$19,725,155
Difference	-$24,322,738
Explained by:	
- Permanent differences (1)	-$24,578,462
- Temporary differences (2)	-$579,903
- Eligible R&D expenditure (3)	$835,627
	-$24,322,738

Reconciliation between tax on Taxable income and Tax payable

Under Australian tax law, company tax is applied to the company's taxable income. The information below explains the difference between the company tax otherwise applicable to Ricegrowers Limited's FY2020 taxable income and the actual tax payable:

Taxable income	$19,725,155
Company tax at 30%	$5,917,547
Tax payable	$4,499,083
Difference	-$1,418,464

Explained by:	
- R&D tax rebate (at 38.5%) (3)	-$321,716
- Credit for income tax paid to overseas Revenue Authorities (4)	-$196,339
- Credit for withholding tax paid to overseas Revenue Authorities (5)	-$900,409
	-$1,418,464

Explanatory notes

(1) Permanent differences

Permanent differences are income items that are exempt from taxation and expense items for which no tax deductions are allowed. Examples of permanent differences are non-deductible entertainment expenses, fines and penalties, certain impairment charges, expenses that are capital in nature and give rise to an enduring benefit or dividends received from subsidiaries where the underlying profits have already been taxed in the declaring entity.

The main permanent differences in FY2020 related to dividends received from overseas subsidiaries (out of profits already subject to income tax in the countries in which they were generated) and the reversal of some previously recognised impairment charges on related party loan balances. These were partly offset by amounts of income generated by some of the Group's overseas subsidiaries which were attributed under the relevant CFC rules.

The overall impact of the permanent differences reduced the taxable income for FY2020.

(2) Temporary differences

Temporary differences are income and expense items that are subject to tax in a reporting period earlier or later than the period they are reported for financial reporting purposes. Examples of temporary differences include, amongst others, differences between accounting and tax depreciation rates on fixed assets, employee leave and bonus provisions (deductible in the reporting period when they are paid and not when they accrue), debts that are not expected to be recovered but have yet to be written off (only deductible when the debt is formally written off), obsolescence provisions for inventory items that are yet to be written off (only deductible when the stock is effectively destroyed and written off) or unrealised foreign exchange gains and losses at the end of the financial year)which are not deductible until the foreign currency receivables and payables are effectively settled in later financial years).

The main temporary differences in FY2020 related to deductions available upon the issue of B Class Shares to the Employee Share Trust under the Group's Employee Share Plan (where the corresponding expense is recognised over time), increases in a number of accrued expenses primarily due to a temporary surge in consumer demand and underlying operational activity and risk in late FY2020 at the onset of the Covid-19 pandemic and changes in unrealised foreign exchange gains and losses related to underlying movements in foreign currencies.

The overall impact of the temporary differences reduced the taxable income for FY2020.

(3) Eligible R&D expenditure

The Research & Development initiative by the Federal Government provides tax rebates to encourage the undertaking of research and development activities in Australia. Where such activities qualify under the initiative, 8.5% of the expenditure is provided as a rebate to offset any income tax liability. The rebate is calculated by firstly adding back the qualifying expenditure to the operating profit, then applying the company tax rate to the increased operating profit (resulting in the company tax being inflated by 30% of the qualifying expenditure). A tax rebate of 38.5% of the qualifying R&D expenditure is then given, resulting in a net Research & Development tax rebate equal to 8.5% of the qualifying R&D expenditure.

(4) Credit for income tax paid to overseas Revenue Authorities

Under CFC rules, certain types of income generated by the SunRice Group's overseas subsidiaries (generally referred to as passive or tainted sales income) is assessable in Australia and must be included in Ricegrowers Limited Tax Consolidated Group's income tax return for the relevant year.

Where foreign tax on this income has been paid in another country by the relevant overseas subsidiary, Ricegrowers Limited may be entitled to Australian foreign income tax offsets, which can only be applied against Australian income tax payable balances generated in the same financial year, therefore providing relief from double taxation.

In FY2020, foreign income tax offsets were primarily received in relation to attributed income from Ricegrowers Singapore Pte Limited.

(5) Credit for withholding tax paid to overseas Revenue Authorities

Certain payments from the SunRice Group's overseas operations to Ricegrowers Limited are subject to withholding tax in the countries where the payments are originated. The withholding tax can be offset against Australian income tax payable on such payments, only when received by Ricegrowers Limited in the same financial year.

In FY2020, withholding tax credits related primarily to payments received from Ricegrowers Singapore Pte Limited.