costa
fresh is our passion

COSTA GROUP HOLDINGS LIMITED
Annual Report 2015

ABN 68 151 363 129

CONTENTS

CHAIRMAN'S REPORT

"It has been a defining year for Costa with substantial work undertaken by the Board and Executive team to prepare the Company for a successful IPO, while also delivering a strong result for the 2015 financial year."

OVERVIEW

Costa Group Holdings Ltd (Costa or the Group) delivered a pro forma net profit after tax result of $38.3 million for FY2015. This profit was underpinned by significant revenue growth in our core produce categories of berries, glasshouse tomatoes, mushrooms and citrus. Across these core categories Costa is a market leader in Australia.

A key focus of the Board has been to guide the Group's growth strategy which has cemented our position as Australia's leading grower, packer and marketer of premium fresh horticultural produce.

Costa's operations include approximately 3,000 planted hectares of farmland, 30 hectares of glasshouse facilities and seven mushroom growing facilities across Australia. This scale allows us to achieve low cost production and build a solid platform for investment in research and development to constantly improve our product offering and productive capacity.

Over the past year we have increased our protected cropping activity with the construction of an additional 10 hectares of tomato glasshouse to begin operation in October 2015. Investment in our domestic berry category has seen expansion across four states and has achieved the objective of supplying the Australian market with domestically grown fresh blueberries and raspberries across the full year. Internationally a further 24 hectares of blueberries were planted at our African Blue joint venture in Morocco and work has commenced on establishing a blueberry and raspberry farm in the Yunnan Province of China to supply the growing Asian middle class market.

With operations in a large number of regional and rural communities across all states of Australia, Costa has a talented team of people dedicated to ensuring that we are not only successful as a business, but that we are also aware of the needs and aspirations of the communities in which we operate.

Through our employees in particular, we play an ongoing and positive role in the economic and social sustainability of these communities. This included donating $17,000 to support The Rotary Club of Guyra's efforts to build a helipad at the Guyra Hospital located in northern New South Wales. Guyra is a town in which Costa is the major employer with more than 400 people working at our tomato glasshouses. Both our employees and the local community stand to benefit from this crucial piece of infrastructure.

CHAIRMAN'S REPORT

THE RESULTS

Costa delivered a pleasing financial result in FY2015 with pro forma revenue, EBITDA before SGARA, NPAT and cash flow all exceeding the Prospectus forecast.

A 1.1% increase in pro forma EBITDA before SGARA against FY2014 was driven by strong sales revenue growth in the Produce segment and improved earnings from the International segment from both African Blue and royalty income, partially offset by the Costa Farms & Logistics (CF&L) segment following the finalisation of the Coles Eastern Creek logistics contract. Furthermore, strong underlying cash generation with a cash conversion ratio of 74% reflects the Group's focus on creating shareholder value.

Costa reaffirms its FY2016 Prospectus forecast with the Board targeting a dividend of approximately 60% of pro forma NPAT in FY2016.

THE BOARD

I would like to thank my Board colleagues and in particular acknowledge the contributions of our immediate past Chairman Mr Frank Costa AO and former directors Mr Robert Costa, Mr Angelos Dassios, Mr Bruno Ferrari Garcia de Alba and Mr Greg Hunt.

Since buying the business from their father more than half a century ago, both Frank and Robert have played a significant role in building the Costa business into the success that it is today. In particular, Frank's leadership as Chairman saw the Group undertake significant strategic investment and expansion, establishing Costa as a market leader. On behalf of the Board I wish Robert, Angelos, Bruno and Greg all the very best and note that Frank will continue to serve on the Board as a non-executive director.

The Board also welcomes two new independent non-executive directors, Mr Peter Margin (appointed 24 July 2015) and Ms Tiffany Fuller (appointed effective 1 October 2015). Peter brings to his role a wide breadth of experience in the food industry having previously served as CEO of Goodman Fielder and the CEO and COO of National Foods. Tiffany brings to Costa a strong background in finance and accounting as well as a deep understanding of the impact of technology on traditional business models.

OUTLOOK

Under the leadership of our CEO Harry Debney and his executive management team, I am confident that Costa is well placed to build on our FY2015 results and to meet any challenges that may arise over the coming year. The Company continues to focus on executing against its well progressed strategic growth plans which will underpin earnings growth in FY2016 and beyond.

Neil Chatfield
Chairman

MANAGING DIRECTOR'S REVIEW

Costa achieved its prospectus forecast for FY2015 and continues to focus on delivering its FY2016 objectives

OVERVIEW

Following the recent listing of Costa on the Australian Securities Exchange, I am pleased to provide my first report to our new shareholders.

Today, Costa is Australia's largest horticultural company built on strong sustainable foundations with a robust portfolio of integrated farming, packing and marketing categories. Our selected fresh categories represent highly attractive products sought after by consumers for flavour, convenience and perceived health benefits. This portfolio provides a platform for growth as well as ensuring an enviable spread of production and markets to mitigate agricultural risk.

The business has benefited from the transformational journey undertaken over the past five years. We now service our customers from large scale farming units with attributes of high market share, national reach, strong focus on risk management, and 52 week supply of some previously seasonal products.

The Costa business model emphasises crop protection with 75% of produce revenue in FY2015 derived from protected cropping. This is forecast to increase to 80% in FY2016 as a result of further growth in our tomato and berry categories.

We are dedicated to continuing to bring new varieties to commercial fruition through our own blueberry breeding program, and the joint work with other intellectual property owners in other berries and in tomatoes. The goals here are to improve flavour as well as yield and also to extend seasonal availability. This quest is also enhanced through new agronomic techniques such as hydroponics and substrate production.

The company has enjoyed significant growth over the past few years and we plan to deliver shareholder value through continued growth. The company's immediate focus is to ensure successful execution on four current major growth initiatives:

- The first harvest of sweet snacking tomatoes from our new 10 hectare glasshouse located in Guyra, New South Wales;
- Expansion of our Australian berry plantings which will support continued market growth and further strengthen our ability to achieve 52 week supply of blueberries to the domestic market;
- Continued growth of our African Blue joint venture in Morocco from which we supply blueberries into the European market; and
- Establishing a farming presence in China with an initial 68 hectares of blueberry and raspberry plantings which will place us in a prime position to target the ever expanding Asian middle-class consumer market.

Finally, I wish to acknowledge our talented and well credentialed team dedicated to future success with a real feeling of ownership and sense of urgency. Costa has a values driven culture and one of my chief areas of work is to continue to develop and support our talent pool.

Harry Debney
Managing Director

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW
OPERATIONS

About Us

Costa is Australia's largest horticulture company and is the largest fresh produce supplier to the major Australian food retailers, with revenues of $727.0 million in FY2015.

Business Model

Costa has a business model built on the optimisation of a portfolio of integrated farming, packing and marketing activities. Costa's portfolio aims to be broad enough to mitigate agricultural and market risks while maintaining a strategic focus on high-growth and high-value fresh produce categories.

Operations

Costa consists of three reportable segments:

- ***Produce*** – operates principally in four core categories; berries, mushrooms, glasshouse-grown tomatoes and citrus;
- ***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, avocado marketing and banana farming and banana marketing operations.

Figure 1: Costa's operational structure

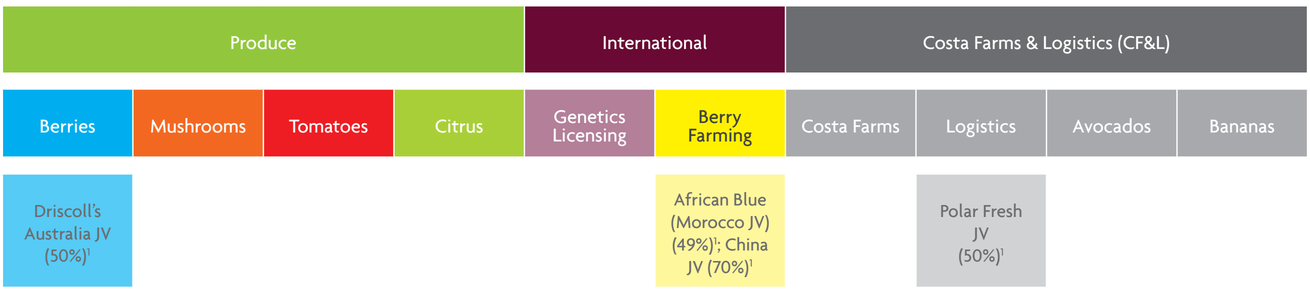
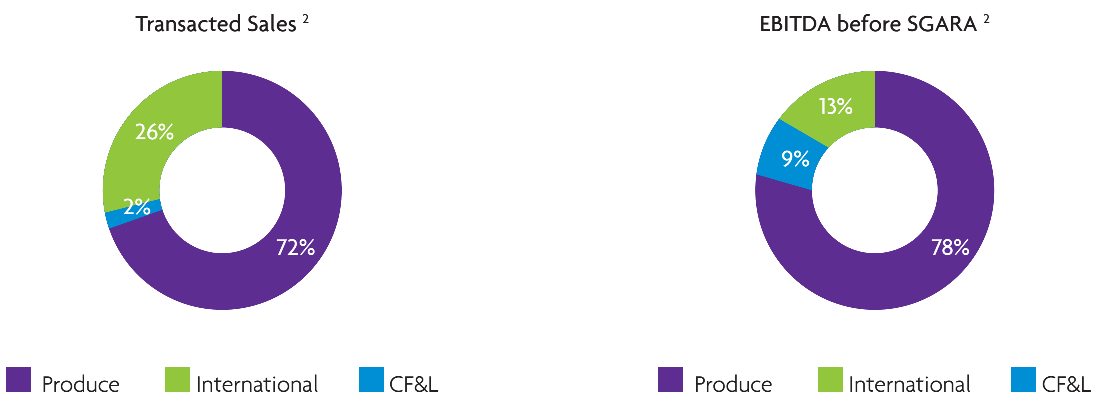


Figure 2: Costa's pro forma business performance by segment for FY2015



Notes:

1. Percentage ownership shown in brackets indicates Costa's equity ownership of the joint venture. China JV is subject to formal contracts, which are currently being finalised.
2. Transacted Sales and EBITDA before SGARA are non-IFRS financial measures. See Table 13 for details.

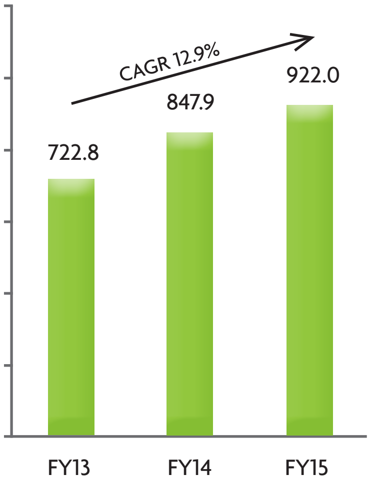
OPERATING AND FINANCIAL REVIEW

RESULTS SUMMARY

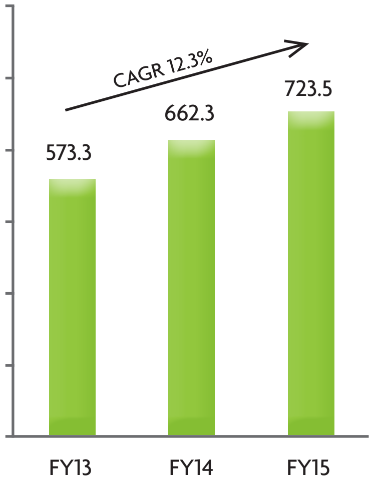
SUMMARY OF FINANCIAL PERFORMANCE: FY2013 TO FY2015

Figure 3: Summary of pro forma financial performance FY2013 to FY2015

Transacted Sales
$m



Pro forma revenue
$m



Pro forma EBITDA before
SGARA
$m

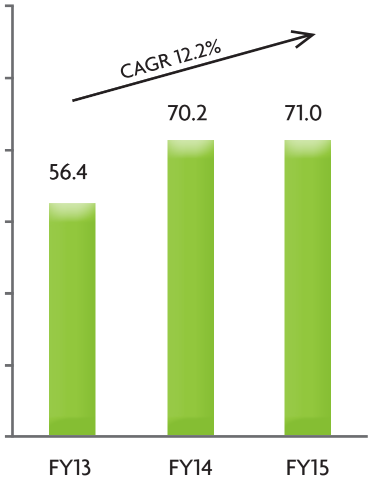
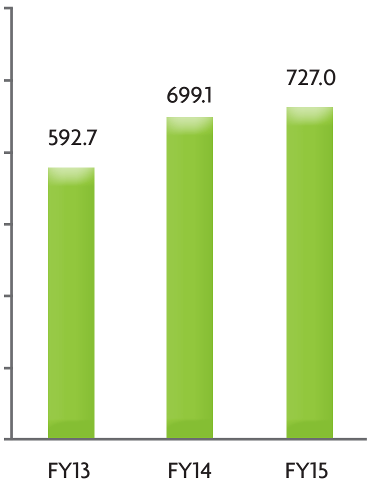
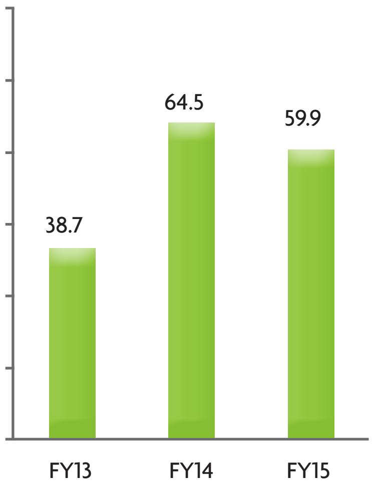


Figure 4: Summary of statutory financial performance FY2013 to FY2015

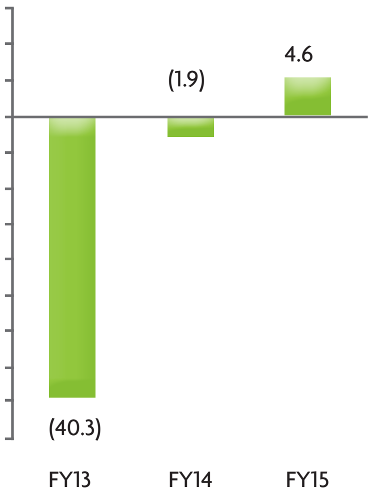
Statutory revenue
$m



Statutory EBITDA before
SGARA
$m



Statutory net profit after tax
$m



OPERATING AND FINANCIAL REVIEW

RESULTS SUMMARY

PRO FORMA RESULTS

Pro forma results are provided for the financial year ended 28 June 2015 to allow shareholders to make a meaningful comparison with the pro forma Prospectus forecast and to make an assessment of the Group's performance as a listed company. Pro forma adjustments have been made on a consistent basis with those made in the Prospectus. A reconciliation of the pro forma results to the statutory results is provided in Tables 8 and 9 below.

	vs FY2015 Forecast	vs FY2014 Actual
Revenue	▲ 2.7%	▲ 9.2%
EBITDA BEFORE SGARA	▲ 0.6%	▲ 1.1%
NET PROFIT AFTER TAX	▲ 1.3%	

- Pro forma revenue, EBITDA before SGARA and NPAT up on Prospectus forecast.
- Strong results in the Produce segment driven by revenue growth across all core categories against FY2014.
- Improved earnings in the International segment from both African Blue and royalty income.

Table 1: Pro forma results for FY2015 actual compared to Prospectus forecast[1]

Consolidated income statement A$m	Pro forma FY2015			Pro forma FY2014	
	Actual	Prospectus Forecast	Change	Actual	Change
Revenue	723.5	704.4	19.1	662.3	61.2
Other revenue	8.9	7.8	1.1	10.3	(1.4)
Total Revenue	***732.4***	***712.2***	***20.2***	***672.6***	***59.8***
Operating expenses	(670.9)	(652.0)	(18.9)	(611.6)	(59.3)
Share of associates profit	9.5	10.4	(0.9)	9.2	0.3
EBITDA before SGARA	**71.0**	**70.6**	**0.4**	**70.2**	**0.8**
Fair value movements in biological assets	1.4	1.1	0.3	5.0	(3.6)
EBITDA	**72.4**	**71.7**	**0.7**	**75.2**	**(2.8)**
Depreciation & amortisation	(18.0)	(18.4)	0.4	(14.7)	(3.3)
Profit/(loss) on sale of assets	0.5	0.7	(0.2)	(0.8)	1.3
EBIT	**54.9**	**54.0**	**0.9**	**59.7**	**(4.8)**
Net interest expense	(5.5)	(5.5)	-		
Net profit/(loss) before tax	**49.4**	**48.5**	**0.9**		
Income tax expense	(11.1)	(10.7)	(0.4)		
NPAT	**38.3**	**37.8**	**0.5**		
Transacted Sales [2]	922.0	905.8	16.2	847.9	74.1
Operating EBITDA [3]	73.2	72.4	0.8	71.1	2.1

Notes:
1. FY2015 forecast as per Costa's Prospectus dated 25 June 2015.
2. Transacted Sales is a non-IFRS operating measure. See Table 2 for a reconciliation of Transacted Sales to statutory revenue. Further details on Transacted Sales are provided in Table 13.
3. Operating EBITDA is a non-IFRS operating measure. See Table 3 for a reconciliation of Operating EBITDA to Pro forma EBITDA before SGARA. Further details on Operating EBITDA are provided in Table 13.

OPERATING AND FINANCIAL REVIEW

RESULTS SUMMARY

Pro forma results vs FY2014 actual

Pro forma revenue increased by $61.2 million from the prior year due primarily to stronger results in the Produce segment with solid growth achieved across all categories. The CF&L segment achieved strong trading growth, offset by the finalisation of the Coles logistics services contract at Eastern Creek.

Pro forma EBITDA before SGARA increased by $0.8 million from prior year due to strong underlying earnings growth across the Produce and International segments. The International segment growth was driven by African Blue and increased royalty income from licensing of Costa's blueberry varieties. This increase was partially offset by the CF&L Eastern Creek impact.

Pro forma results vs FY2015 Prospectus forecast

Pro forma revenue was $19.1 million above Prospectus forecast with uplift across all Produce categories except tomatoes which was impacted by weaker truss prices over the last quarter.

Pro forma EBITDA before SGARA was $0.4 million above Prospectus forecast, driven by solid performance in the last quarter, offset by a bad debt expense against a significant grower for the Driscoll's Australia Partnership joint venture ("Driscoll's JV").

Table 2: Reconciliation of Transacted Sales to statutory revenue

Reconciliation of Transacted Sales A$m	Note	FY2015 Actual
Transacted Sales		**922.0**
Agency revenue adjustments	1	(31.1)
Joint venture adjustments	2	(16.9)
Driscoll's JV consolidation adjustments	3	(148.3)
Royalty income	4	(2.2)
Pro forma revenue		**723.5**
Site closures/exits	5	3.5
Statutory revenue		**727.0**

Notes:
1. Under AAS, the invoiced value of agency sales is excluded from revenue with only the commission associated with the agency sales recognised.
2. Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint venture, of 49% and 50% respectively. Under AAS, joint ventures are accounted for under the equity method, with only Costa's share of joint venture NPAT recognised in profit or loss.
3. Costa owns 50% of the equity of Driscoll's JV. Transacted Sales includes 100% of Driscoll's JV sales, after eliminating Costa produce sales to the Driscoll's JV.
4. Costa earns royalty income on the licensing of Costa blueberry varieties in Australia, the Americas and Africa. Royalty income is classified as other income in the statement of profit or loss.
5. Refer Note 1 in Table 9.

Table 3: Reconciliation of Operating EBITDA to EBITDA before SGARA

Reconciliation of Operating EBITDA A$m	Note	FY2015 Actual
Operating EBITDA		**73.2**
Adjustments for non-wholly owned subsidiaries	1	(2.2)
Pro forma EBITDA before SGARA		**71.0**

Notes:
1. Adjustment to reflect Costa's proportionate share of joint venture EBITDA relating to the Driscoll's, African Blue and Polar Fresh joint ventures, of 50%, 49% and 50% respectively. Under AAS, joint ventures are accounted for under the equity method, with only Costa's share of the joint venture NPAT recognised in the profit or loss.

OPERATING AND FINANCIAL REVIEW

RESULTS SUMMARY

STATUTORY RESULTS

Highlights of full year statutory results:

	vs FY2015 Forecast	vs FY2014 Actual
Revenue	▲ 2.8%	▲ 4.0%
EBITDA BEFORE SGARA	▼ 2.1%	▼ 7.1%
NET PROFIT AFTER TAX	▲ 2.2%	▲ 342.1%

- Strong results in the Produce segment despite the voluntary exit of the unprofitable grape farms.
- Reported result significantly impacted by $5.2 million of costs associated with the Initial Public Offering and start-up costs for Costa Asia of $1.3 million.

Table 4: Statutory results for FY2015 actual compared to Prospectus forecast

Consolidated income statement A$m	Statutory FY2015			Statutory FY2014	
	Actual	Prospectus Forecast	Change	Actual	Change
Revenue	727.0	707.4	19.6	699.1	27.9
Other revenue	9.0	7.8	1.2	11.8	(2.8)
Total Revenue	***736.0***	***715.2***	***20.8***	***710.9***	***25.1***
Operating expenses	(685.6)	(664.4)	(21.2)	(655.0)	(30.6)
Share of associates profit	9.5	10.4	(0.9)	8.6	0.9
EBITDA before SGARA	**59.9**	**61.2**	**(1.3)**	**64.5**	**(4.6)**
Fair value movements in biological assets	(0.3)	(0.6)	0.3	5.0	(5.3)
EBITDA	**59.6**	**60.6**	**(1.0)**	**69.5**	**(9.9)**
Depreciation & amortisation	(18.5)	(18.7)	0.2	(15.8)	(2.7)
Profit/(loss) on sale of assets	0.6	0.7	(0.1)	(6.9)	7.5
Impairment losses	(15.7)	(15.7)	-	(15.7)	-
EBIT	**26.0**	**26.9**	**(0.9)**	**31.1**	**(5.1)**
Net interest expense	(20.6)	(21.8)	1.2	(28.0)	7.4
Net profit/(loss) before tax	**5.4**	**5.1**	**0.3**	**3.1**	**2.3**
Income tax expense	(0.8)	(0.6)	(0.2)	(5.0)	4.2
Net profit after tax	**4.6**	**4.5**	**0.1**	**(1.9)**	**6.5**

Statutory results vs FY2014 actual

Statutory revenue increased by $27.9 million from the prior year, driven by the Produce segment. This was partially offset by a decline in revenue in the CF&L segment with the exit of the Costa Farms Perth site in Q4 FY2014 and the finalisation of the Coles Eastern Creek logistics services contract in July 2014.

Statutory EBITDA before SGARA decreased by $4.6 million compared to prior year. In addition to the pro forma drivers outlined above, the decrease in statutory EBITDA before SGARA was due to transaction costs associated with the Initial Public Offering (IPO) incurred in FY2015, and the downsizing of the grape category.

Statutory net profit after tax increased by $6.5 million compared to prior year. In addition to the revenue drivers outlined above, this increase was also due to a reduction in finance costs as the Group refinanced its borrowings in FY2014 resulting in a write-off of prepaid borrowing costs of $5.4 million.

PRODUCE

Highlights of pro forma results:

	vs FY2015 Forecast	vs FY2014 Actual
Transacted Sales	▲ 2.1%	▲ 9.5%
Revenue	▲ 3.2%	▲ 10.1%
EBITDA BEFORE SGARA	▲ 0.9%	▲ 9.2%

- Transacted Sales and EBITDA before SGARA growth of $60.4 million and $4.7 million on FY2014, respectively.
- Revenue growth on FY2014 achieved across all four categories.

Figure 5: Pro forma revenue, Transacted Sales and EBITDA before SGARA results Actual vs Prospectus forecast

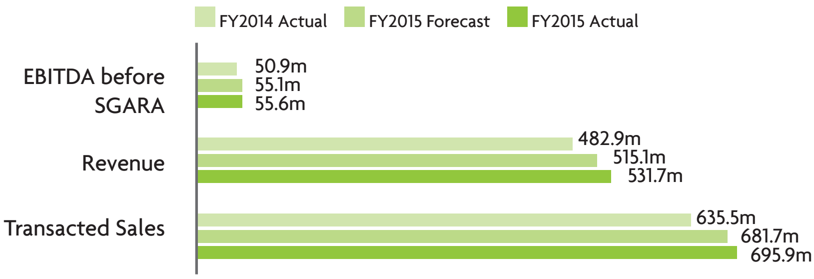


Table 5: Selected pro forma financial information for the Produce segment

Produce A$m	Notes	Pro forma FY2015 Actual	Pro forma FY2015 Prospectus Forecast	Pro forma FY2015 Change	Pro forma FY2014 Actual	Pro forma FY2014 Change
Revenue		531.7	515.1	16.6	482.9	48.8
EBITDA before SGARA		55.6	55.1	0.5	50.9	4.7
EBITDA before SGARA margin		10.5%	10.7%	(2 bps)	10.5%	(0 bps)
Transacted Sales		695.9	681.7	14.2	635.5	60.4
Operating EBITDA		55.8	55.3	0.5	50.9	4.9

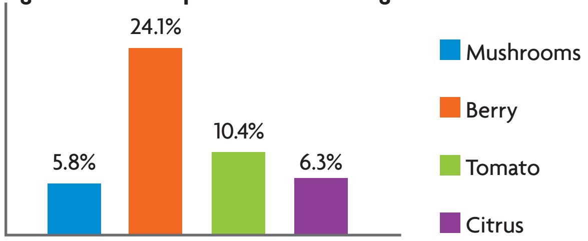
Produce pro forma revenue increased by $48.8 million on FY2014. The drivers for the increase include:

- overall sales volume growth across the berry category with ongoing farm expansions;
- sweet snacking and cocktail tomato volume growth with new varieties launched in advance of the new glasshouse being completed;
- moderate mushroom production volume growth and stronger wholesale market prices; and
- strong start to the new citrus season with higher marketing revenue and better than expected initial contribution from the new Amaroo citrus farm. This was assisted by a conversion of a strategic grower to a principal merchant relationship.

Pro forma EBITDA before SGARA increased by $4.7 million against FY2014. This was predominantly driven by the revenue uplift outlined above, partially offset by:

- new farm establishment costs;
- weak tomato truss prices in the final quarter; and
- bad debt provision on a grower for the Driscoll's JV placed in administration.

Figure 6: Produce pro forma revenue growth % on FY2014



OPERATING AND FINANCIAL REVIEW

SEGMENT INFORMATION

INTERNATIONAL

Highlights of pro forma results:

	vs FY2015 Forecast	vs FY2014 Actual
Transacted Sales	▼ 2.5%	▲ 48.5%
EBITDA BEFORE SGARA	▼ 3.0%	▲ 28.6%
Operating EBITDA	-	▲ 44.8%

- Strong Transacted Sales growth on FY2014 with increase in both African Blue and royalty income.
- Operating EBITDA in line with Prospectus forecast, and up $1.5 million on FY2014.

Figure 7: Pro forma revenue, Transacted Sales and EBITDA before SGARA results Actual vs Prospectus forecast

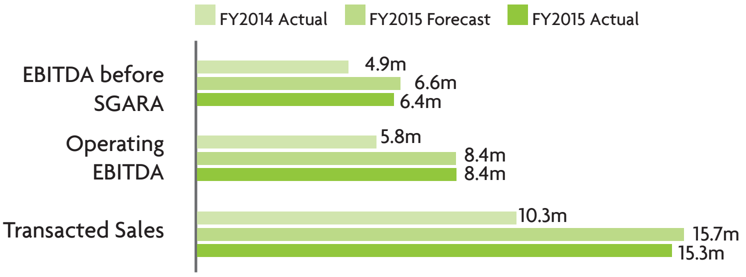


Table 6: Selected pro forma financial information for the International segment

International A$m	Pro forma FY2015			Pro forma FY2014	
	Actual	Prospectus Forecast	Change	Actual	Change
Revenue	-	-	-	-	-
EBITDA before SGARA	6.4	6.6	(0.2)	4.9	1.5
EBITDA before SGARA margin	nm	*nm*	nm	nm	nm
Transacted Sales	15.3	15.7	(0.4)	10.3	5.0
Operating EBITDA	8.4	8.4	-	5.8	2.6

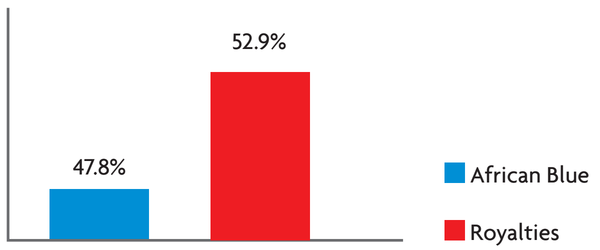
Pro forma International segment results are comprised of the African Blue JV and royalty income from the licensing of Costa's blueberry genetics. African Blue is accounted for as an associate and therefore no revenue is recognised. Royalty income is recognised as other income in profit or loss, as opposed to revenue.

Transacted sales increased by $5.0 million on FY2014. This was primarily driven by:

- African Blue volume growth driven by crop expansion and the continued maturation of crops; and
- Royalty income through increased plant sales for plantings in new regions and increase in fruit based royalties.

Pro forma EBITDA before SGARA growth was $1.5 million, or 30.6%, against FY2014, reflective of the Transacted Sales drivers outlined above.

Figure 8: International Transacted Sales growth % on FY2014



COSTA FARMS & LOGISTICS

Highlights of pro forma results:

	vs FY2015 Forecast	vs FY2014 Actual
Transacted Sales	▲ 0.5%	▲ 0.1%
Revenue	▲ 0.5%	▲ 1.9%
EBITDA BEFORE SGARA	▲ 1.1%	▼ 38.8%

- Revenue up on previous year due to improved trading performance across Costa Farms (encompassing wholesale market, banana and avocado operations).
- Offset by the finalisation of the Coles Eastern Creek logistics services contract.

Figure 9: Pro forma revenue, Transacted Sales and EBITDA before SGARA results Actual vs Prospectus forecast

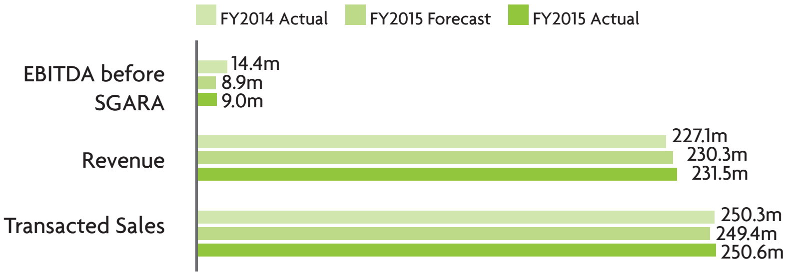
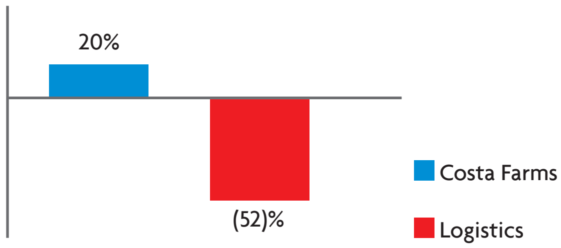


Table 7: Selected pro forma financial information for the CF&L segment

Costa Farms and Logistics A$m	Pro forma FY2015			Pro forma FY2014	
	Actual	Prospectus Forecast	Change	Actual	Change
Revenue	231.5	230.3	1.2	227.1	4.4
EBITDA before SGARA	9.0	8.9	0.1	14.4	(5.6)
EBITDA before SGARA margin	3.9%	3.8%	1 bps	6.4%	(25 bps)
Transacted Sales	250.6	249.4	1.2	250.3	0.3
Operating EBITDA	9.0	8.7	0.3	14.4	(5.6)

Pro forma revenue increased by $4.5 million against FY2014. This was driven by improved trading performance across the Costa Farms wholesale business and banana and avocado categories as a result of significant marketing campaigns undertaken in 2H FY2015, and higher banana prices relative to FY2014. This was offset by the finalisation of the Coles services contract at Eastern Creek in July 2014.

Figure 10: CF&L pro forma revenue growth % on FY2014



OPERATING AND FINANCIAL REVIEW

RECONCILIATION OF PRO FORMA RESULTS TO STATUTORY RESULTS

The pro forma financial information has been derived from the statutory financial information adjusted for certain items as detailed below. Pro forma results are provided to allow shareholders to make a meaningful comparison with the pro forma Prospectus forecast and to make an assessment of the group's performance as a listed company.

The table below shows the reconciliation of Costa's pro forma financial information to the statutory financial information as presented in the Financial Statements.

Table 8: Reconciliation of pro forma EBITDA before SGARA to statutory EBITDA before SGARA

Consolidated EBITDA before SGARA A$m		FY2015		FY2014
	Notes	Actual	Prospectus Forecast	Actual
Statutory EBITDA before SGARA		**59.9**	**61.2**	**64.5**
Site closures/exits	1	3.7	2.3	0.8
Historical transaction costs	2	0.3	-	1.0
IPO transaction costs	3	5.2	5.1	-
Historical governance structure costs	4	2.6	2.5	5.9
Listed company costs	5	(2.0)	(2.0)	(2.0)
Costa Asia	6	1.3	1.5	-
Pro forma EBITDA before SGARA		**71.0**	**70.6**	**70.2**

Table 9: Reconciliation of pro forma net profit after tax to statutory net profit after tax

Consolidated net profit after tax A$m		FY2015	
	Notes	Actual	Prospectus Forecast
Statutory net profit after tax		**4.6**	**4.5**
Site closures/exits	1	17.2	16.1
Historical transaction costs	2	0.2	-
IPO transaction costs	3	3.8	3.8
Historical governance structure costs	4	2.0	1.9
Listed company costs	5	(1.4)	(1.4)
Costa Asia	6	1.3	1.5
Interest expense adjustment	7	10.6	11.4
Pro forma NPAT		**38.3**	**37.8**

Notes:

1. These adjustments represent the removal of results and impairment losses from closed sites and divested businesses, including:
   - Costa Farms Perth site, which was closed in Q4 FY2014;
   - two mushroom farms, which were closed in Q4 FY2014 at Mittagong and Huon Valley;
   - grape farms which were closed in FY2015 as part of the downsizing of the grape category; and
   - the Wadda joint venture which was divested in Q4 FY2014. The Wadda plantation was a joint venture between Costa and a Queensland banana grower.

   The closures of these sites and divestment of businesses have not impacted the financial performance of the remaining Costa operations, positively or negatively, as they operated substantially on a standalone basis.
2. Removal of transaction costs paid in relation to the acquisition of Adelaide Mushrooms.
3. An adjustment has been made to remove the costs associated with the IPO process, including adviser fees, break costs associated with the Existing Banking Facilities and share-based payment expense relating to the exercise of share options held by Costa directors and management.
4. An adjustment has been made to remove Board related costs and management share-based payments under the pre-IPO governance structure.
5. An adjustment has been made for estimated costs associated with being a listed public company. Costs include estimated Board costs, management share-based payments and incremental compliance related costs.
6. An adjustment has been made to remove the forecast results from the China operation. Due to the expected start-up of this operation in FY2015 and FY2016, the China operation is forecast to report an operating loss in these years.
7. Pro forma interest expense has been adjusted to reflect the terms of the New Banking Facility post completion of the IPO.

OPERATING AND FINANCIAL REVIEW

BALANCE SHEET

Table 10: Selected consolidated balance sheet for the year ended 28 June 2015

Selected Balance Sheet A$m As at 28 June 2015	2015	2014	Change
Current assets	130.5	146.1	(15.6)
Non-current assets	397.4	352.2	45.2
Total assets	**527.9**	**498.3**	**29.6**
Current liabilities	94.4	87.5	6.9
Non-current liabilities	235.8	219.0	16.8
Total liabilities	**330.2**	**306.5**	**23.7**
Net assets	**197.7**	**191.8**	**5.9**

NET ASSETS

Net assets increased by $5.9 million for the year ended 28 June 2015. This increase was primarily driven by an increase in property, plant and equipment of $50.9 million as a result of the construction of the new tomato glasshouse and the berry expansion program. Offsetting this was an increase in borrowings of $23.1 million which partially funded the growth programs, and a reduction in receivables due to settlement of the Wadda JV sold in FY2014, and better collections.

NET DEBT

Table 11: Consolidated net debt as at 28 June 2015

Net debt A$m As at 28 June 2015	2015	2014
Bank loans	241.0	220.0
Capitalised loan establishment fees included in borrowings	(8.1)	(10.2)
Finance leases	0.0	0.0
Total borrowings	**232.9**	**209.8**
Less: Cash and cash equivalents	(9.5)	(26.2)
Net debt	**223.4**	**183.6**

Net debt as at 28 June 2015 was $223.4m and consisted of $9.5 million in cash and $232.9 million of borrowings. Net debt increased by $39.8 million during the year primarily due to capital expenditure on the growth projects.

Under the banking facilities in place during FY2015, the Group was required to meet set covenant compliance ratios which included: total gearing ratio (TGR), interest cover ratio (ICR) and debt service cover ratio (DSCR). All covenants were met during the year.

On 24 July 2015, the Group refinanced its debt by extinguishing its existing banking facilities and drawing down $142.0 million under a new banking facility (refer Note 27 of the Financial Statements).

OPERATING AND FINANCIAL REVIEW

CASH FLOW

Table 12: Pro forma cash flow before financing, tax and dividends

Consolidated cash flow A$m	Pro forma FY2015			Pro forma FY2014	
	Actual	Prospectus Forecast	Change	Actual	Change
EBITDA before SGARA	**71.0**	**70.6**	**0.4**	**70.2**	**0.8**
Less: Share of profit of JVs	(9.5)	(10.4)	0.9	(9.2)	(0.3)
Dividends from JVs	6.1	5.9	0.2	2.9	3.2
Change in working capital	(5.9)	(4.1)	(1.8)	(1.1)	(4.8)
Net cash flow from operating activities before interest and tax	**61.7**	**62.0**	**(0.3)**	**62.8**	**(1.1)**
Maintenance capital expenditure	(9.4)	(10.1)	0.7	(9.2)	(0.2)
Free cash flow	**52.3**	**51.9**	**0.4**	**53.6**	**(1.3)**
Productivity and growth capital expenditure	(73.6)	(77.5)	3.9	(17.7)	(55.9)
Repayment of loans from investments	-	1.7	(1.7)	-	-
Disposal of property, plant and equipment	0.3	0.1	0.2	0.7	(0.4)
Net cash flow before financing, tax and dividends	**(21.0)**	**(23.8)**	**2.8**	**36.6**	**(57.6)**
Cash conversion ratio [1]	74%	74%		76%	

Notes:
1. Defined as free cash flow divided by EBITDA before SGARA.

DIVIDENDS FROM JOINT VENTURES

Dividends from JVs increased by $3.2 million on FY2014 resulting from strong financial performance by all three joint ventures.

WORKING CAPITAL

Working capital increased by $5.9 million in FY2015, primarily driven by the timing of insurance prepayments and inventory of $2.2 million. This was partially offset by better collections as outlined above.

CAPITAL EXPENDITURE

Total capital expenditure increased by $56.1 million against FY2014 driven by the tomato and berry growth programs. Productivity and growth capital expenditure was lower than prospectus forecast due to some timing into Q1 FY2016 (mainly tomato) and savings across other projects (e.g. SAP software project capitalisation).

OPERATING AND FINANCIAL REVIEW

NON-IFRS MEASURES

Throughout this report, Costa has included certain non-IFRS financial information, including EBITDA before SGARA, Transacted Sales and Operating EBITDA. Costa believes that these non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of Costa's business. Non-IFRS measures have not been subject to audit.

The table below provides details of the operating and financial Non-IFRS measures used in this report.

Table 13: Non-IFRS measures

NON-IFRS FINANCIAL MEASURES	
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA before SGARA	EBITDA adjusted for fair value movements in biological assets. For horticultural companies, EBITDA is typically adjusted for fair value movements in biological assets due to the growing and harvesting cycles for fruit and vegetables, and the accounting treatment of live produce and picked produce. The fair value movement in self-generating or regenerating assets (SGARA) is non-cash; therefore, EBITDA before SGARA is used in preference to EBITDA for Costa.

NON-IFRS OPERATING MEASURES	
Transacted Sales	Transacted Sales are used by management as a key measure to assess Costa's sales and marketing performance and market share. Transacted Sales represent the aggregate volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income. Transacted Sales are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS. Transacted Sales comprise: • statutory revenue; • gross invoiced value of agency sales of third party produce; • Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint ventures; • royalty income from the licensing of Costa blueberry varieties in Australia, the Americas and Africa; and • 100% of Driscoll's JV sales after eliminating Costa produce sales to the Driscoll's JV. Prior to the formation of Driscoll's JV in 2010, all of Costa's domestic sales and marketing activities for the berry category were managed by Costa.
Operating EBITDA	Operating EBITDA is EBITDA before SGARA, adjusted to include Costa's proportionate share of EBITDA from non-wholly owned entities. This measure is used by management to evaluate the operating performance of the overall business, inclusive of the performance of non-wholly owned entities on a look-through basis, without the non-cash impacts of depreciation and amortisation, fair value movements in SGARA and interest and tax charges, which are significantly affected by the capital structure and historical tax position of Costa. Under AAS, joint ventures are accounted for using the equity method, with only Costa's proportionate share of NPAT from joint ventures recognised in the statement of profit or loss. The inclusion of the proportionate share of joint venture EBITDA in Operating EBITDA is not in accordance with AAS

OPERATING AND FINANCIAL REVIEW

MATERIAL BUSINESS RISKS AND FUTURE PROSPECTS

MATERIAL BUSINESS RISKS

The material business risks faced by the company that are likely to have an effect on the financial prospects of the company are:

- **Production risks:** Changes in weather, climate or water availability can cause price and yield volatility for Costa. Prices can also be negatively impacted by excess supply. Costa partially mitigates against weather risk by investing in weather protective growing environments and equipment. Approximately 75% of Costa's EBITDA before SGARA is derived from crops currently grown under cover indoors or under permanent tunnels. While protected cropping reduces the risk of disease, this risk is still apparent. If Costa's existing water rights are reduced by regulatory changes or if Costa is unable to secure sufficient water for the implementation of its growth projects, this could negatively impact on Costa's operational and financial performance.
- **Brand risk:** Quality issues, product recall, contamination, public health issues, disputes or adverse media coverage could damage Costa's brands or their image which could adversely impact Costa's financial performance.
- **Customer risk:** Costa's top four customers comprised approximately 70% of FY2015 produce sales. Most customer arrangements are uncontracted and supplied at market prices which are subject to fluctuation. Any contractual agreements have supply periods typically for 1 season or 1 year.
- **Regulatory changes:** Costa is a significant beneficiary of the import restrictions in place for fresh fruits and vegetables including mushrooms, bananas, tomatoes and berries. Any changes to these import restrictions could have an adverse impact on margins and volumes. However the perishable nature of certain produce also acts as a natural barrier against imports. As Costa operates in the food sector, it is also required to comply with a wide range of other laws and regulations which include food standards, labelling and packaging, fair trading and consumer protection, environment, quarantine rules, customs, etc. Any change to the rules could adversely impact Costa's operations in the form of higher costs and lower margins for the business.
- **Competition from new market entrants:** While Costa's operations currently benefit from scale and access to superior genetics, this competitive landscape may change over time. If one or more competitors or new market entrants obtained access to favourable genetic varieties which compete in the same categories as those of Costa, or if they achieve greater scale, this could have a material adverse impact on the financial performance and prospects of Costa.

STRATEGY AND FUTURE PROSPECTS

Costa's current position, operating platform and world class practices provide it with multiple growth drivers in the Australian domestic market and in highly attractive international markets.

Costa's corporate strategy involves a number of initiatives aimed at sustaining long-term growth, which include:

- Continuing to build Costa's market position and expansion of farming footprints;
- Expanding globally licensing of Costa's blueberry varieties;
- Continuing to invest in and expand research and development (R&D) capabilities; and
- Developing new channels to market through product innovation, new customer development and expansion of export markets.

Costa maintains a prudent and disciplined approach to capital deployment and continues to invest in growth opportunities in the medium to long term that generate shareholder value.

FY2016 Outlook

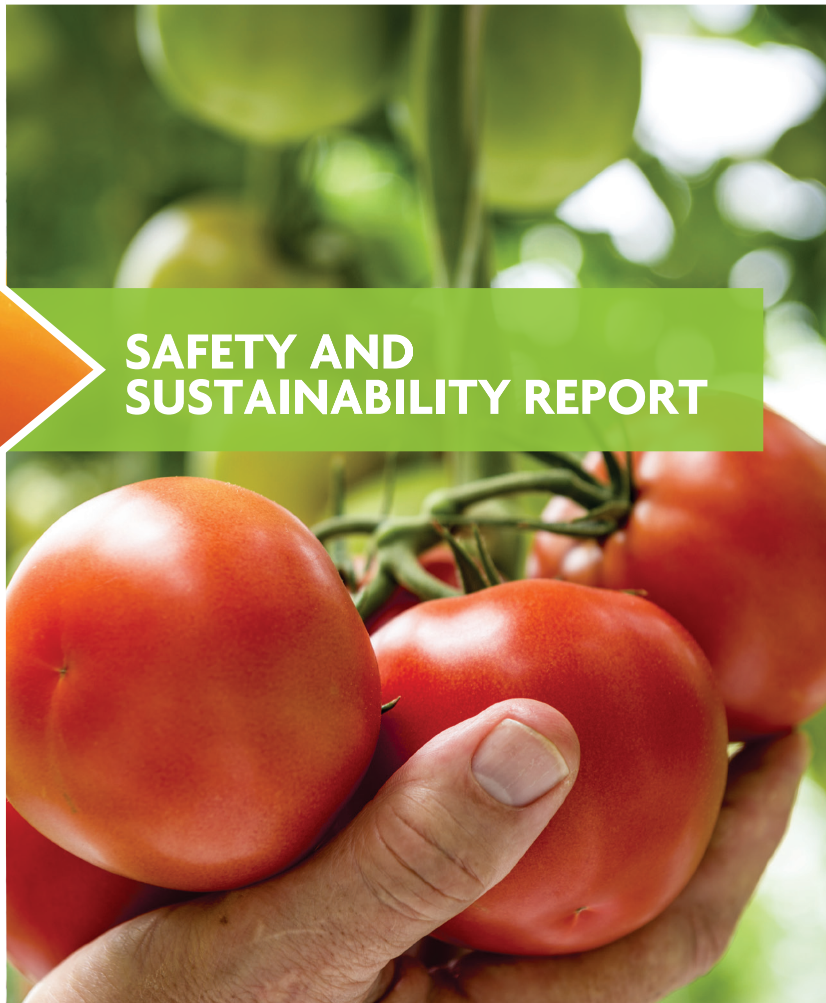
Costa reaffirms its FY2016 Prospectus forecast which is underpinned by Costa's growth initiatives including:

- a significant expansion program in Costa's berry produce category, designed to cover seasonal and geographical production gaps as well as to meet increasing consumer demand for berries; and
- investment in a new 10 hectare tomato glasshouse in Guyra, New South Wales, to provide increased flexibility in relation to selecting and growing tomato varieties that provide unique offerings to the market.

Additionally, Costa continues to strategically grow its offshore exposure in highly attractive international markets with an expansion program underway at Costa's Moroccan joint venture, African Blue, and the establishment of a new berry farming operation in China with Driscoll Strawberry Associates Inc.

The company intends to target a dividend payment of approximately 60% of pro forma net profit after tax for FY2016. This will be subject to business performance, market condition and regulatory requirements. Dividends are expected to be fully franked.

SAFETY AND SUSTAINABILITY REPORT



SAFETY AND SUSTAINABILITY REPORT

HEALTH AND SAFETY

Our Approach

Ensuring that our employees, contractors and visitors remain safe and healthy in our workplaces is our priority. Costa is committed to promoting a zero tolerance culture, where the risk of harm to our people is unacceptable.

Our Focus

During FY2015, the following new health and safety measures either commenced or were implemented:

- Implementation of the Group's Workplace Health and Safety (WHS) Strategic Plan. This initiative will ensure an effective WHS vision which supports Costa's business strategy for future growth, delivers clarity to the business units on what is expected from them from a WHS perspective, and empowers the WHS Team to align more closely with the business categories in the delivery of the Group's strategy. FY2015 was the first year of a three year plan.

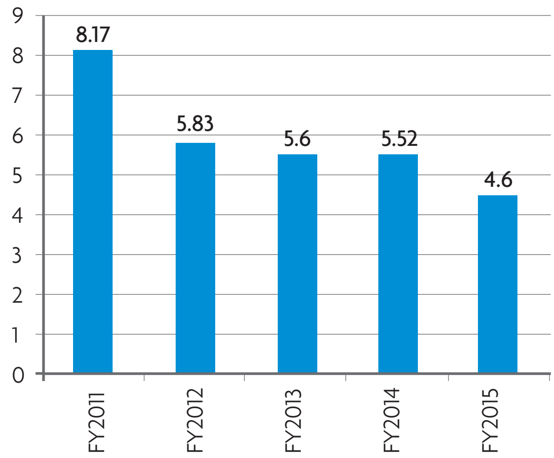
- Consolidation of the business unit WHS framework into a truly national system applied uniformly across the business. The development of this new WHS system was mapped to Australian Standard (AS) 4801, covering the key elements of policy, compliance, governance, risk management, incident investigation and workplace preparedness.

- Further embedding a safety culture within the business through running an "Executive Roadshow", where members of our executive team visited every one of Costa's sites to emphasise and reinforce senior management's commitment. FY2015 was the second year of the roadshow.

OUR SAFETY PERFORMANCE

Lost time injury frequency rate fell by 17 per cent during FY2015 and the number of active workers' compensation claims decreased by 22 per cent. There were also no fatalities recorded at our operated sites reflecting our continued commitment to the health and safety of our employees, contractors and visitors.

Lost Time Injury Frequency Rate (12 month rolling average)*



* Per million hours worked

SAFETY AND SUSTAINABILITY REPORT

ENVIRONMENT

Costa is committed to sustainable agriculture and it is one of the key means by which we maximise our profitability. Our sustainable agricultural practices are productive, competitive and efficient, allowing Costa to produce products which are healthy, safe and of the highest quality, while at the same time protecting and sustaining the natural environment.

An example of this commitment in action is our new 10 hectare glasshouse facility at Guyra in northern New South Wales which has been designed for full water self-sufficiency:

- All the glasshouse roofs, buildings and other structures (including 11 x 500,000 litre tanks) provide a total roof area of 11.71 hectares and capture 91 megalitres of water per annum based on 90% of Guyra's average rainfall of 905mm per year.
- The site is designed to capture all allowable surface water from hardstands which passes through an ultra-filtration system to filter it for irrigation use. This represents 119 megalitres of water per annum.
- All surface water flows that are permitted to be captured are done so in a series of swales to be planted with reeds to naturally assist in the filtration and cleaning of the water.
- All drain water from irrigation is captured and this represents 30% of total input, resulting in a significant water saving and in fertiliser normally lost in field crops. The total fertilized water saved per year is approximately 80 megalitres per annum.

Costa complies with environmental licences for the production of mushroom compost at five sites located in Victoria, Queensland, South Australia, Western Australia and Tasmania. A stormwater collection and usage licence applies to the mushroom farm at Monarto, South Australia. Costa has policies and procedures in place to ensure compliance with these licences and these policies and procedures are reviewed and updated on an ongoing basis, including a Company Environmental Policy.

Costa is required to report under The National Greenhouse and Energy Reporting Act 2007 (CW) (National Greenhouse Act) which came into effect in July 2008. The Group/Company reports on greenhouse gas emissions, energy consumption and production under the National Greenhouse Act for the period 1 July through 30 June each year.

COMMUNITY

As a Group with Australia wide and international operations, we interact with a diverse range of stakeholders.

Costa is the major employer in many of the regional and rural locations in which it operates, and we take this responsibility seriously. We recognise our importance to the community and its importance to us.

Costa understands that our presence in these communities contributes significantly to their economic and social sustainability. We also recognise that the most important connection we have with these communities is through our local workforce.

Whether it is sponsoring local Rotary or sporting clubs, providing fresh produce to community groups and charities or working with educational institutions to promote careers in horticulture, Costa's employees are the main link between our business and the local communities.

In FY2015, the highlight of our involvement with community and charitable groups was our support for The Rotary Club of Guyra's efforts to build a helipad at the Guyra Hospital with a $17,000 donation. With a large number of our 400 employees living in the Guyra community, Costa understands that they and their families rely on their local Guyra hospital. The ability to provide air ambulance services to and from the hospital is vital and the helipad will ensure the local community has the best possible access to emergency health services.

Costa also continued our association with Foodbank through donating nearly 400,000 kilograms of produce in FY2015. Foodbank is an independent charity that aims to deliver nutritious, healthy food to individuals and families experiencing hardship.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The Directors and management of the Company are committed to achieving high corporate governance standards and support the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Recommendations). In preparation for listing on the ASX, the Board adopted corporate governance policies and practices which can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.
The Group's main corporate governance policies are summarised below under the eight principles that the ASX Corporate Governance Council believes underlie good corporate governance. This corporate governance statement is current as at 24 September 2015 and has been approved by the Board of the Company.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company has established a Board charter which sets out the responsibilities of the Board and the responsibilities of senior management. The schedule of matters reserved for the Board for approval includes:

- providing leadership and setting the strategic objectives of the Company;
- overseeing management's implementation of the Company's strategic objectives and its performance generally;
- approving operating budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit; and
- ensuring that the Company has in place an appropriate risk management framework.

The Board delegates authority to the Managing Director and CEO for the day to day operations of the Company, its subsidiaries and their respective operations.

From the date of the Company's listing on the ASX, the Company has had written agreements in place with its directors setting out the terms of their appointment.

Prior to the appointment of a new director, the Company undertakes appropriate checks and security holders are provided with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company has a diversity policy which includes a requirement that the Board set measurable objectives for achieving diversity, including gender diversity, and to assess annually both the objectives and progress in achieving them. As this policy was newly adopted shortly prior to the end of the reporting period, the Board did not set objectives for the balance of the reporting period. The Board intends to adopt measurable objectives during FY2016 and to review and report on the progress against those objectives at the end of FY2016.

As a 'relevant employer' under the Workplace Gender Equality Act 2012, the Company submitted an annual filing for the 12 month period ending 31st March 2015 disclosing its Gender Equality Indicators. This report can be accessed through the Workplace Gender Equality website.

The Board charter provides that the Board will periodically review and evaluate:

- its own performance, including against the requirements of the charter;
- the performance of its committees;
- the performance of individual directors; and
- the performance of its senior executives, against both measurable and qualitative indicators.

Each director's and senior executive's performance was evaluated during the reporting period (other than Peter Margin, who was only appointed as a director several days prior to the end of the reporting period).

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The role of Chairman and the role of Managing Director and CEO are exercised by different individuals, being Neil Chatfield and Harry Debney, respectively.

As disclosed in the Board charter, the Company seeks to have directors with an appropriate range of skills, knowledge, experience, independence and diversity, and an understanding of and competence to deal with current and emerging issues of the business.

During the course of the ASX listing process the Company established a skills matrix in order to recruit new directors. Key criteria included the following:

- ASX listed company non-executive experience;
- financial and accounting experience;
- senior executive listed company experience;
- knowledge of technology and e-commerce;
- background in dealing with the retail food sector and major retail organisations;
- sound knowledge of risk management practices; and
- understanding of developing and managing international operations.

The Board intends to further develop its skills matrix during the 2016 financial year.

The Company's succession plans are designed to maintain an appropriate balance of skills, knowledge, experience, independence and diversity on the Board.

The Board considers an independent director to be a non-executive director who is not a member of the Company's management and who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders. The Board will consider the materiality of any given interest, position, association or relationship on a case-by-case basis. The Company's Board charter sets out guidelines and thresholds of materiality for the purpose of determining independence of directors in accordance with the ASX Recommendations, and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time.

The Board considers that each of Neil Chatfield and Peter Margin (and Tiffany Fuller, appointed with effect from 1 October 2015) is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the director's judgement and is able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

Frank Costa and Kevin Schwartz are not considered to be independent directors, due to their relationship with major shareholders Costa AFR and P&P Cos Holdings BV, respectively. Accordingly, the Board does not consist of a majority of independent directors. The Board acknowledges the ASX Recommendation that a majority of the Board should be independent non-executive directors. Nevertheless, the Board believes that each of the non-executive directors brings objective and unbiased judgement to the Board's deliberations and that each of Frank Costa and Kevin Schwartz makes invaluable contributions to the Company through their deep understanding of the Company's business and the horticulture industry.

The Board has established a Nomination Committee which is comprised of all of the Company's non-executive directors and accordingly, will comprise a majority of independent directors from 1 October 2015. The Chairman of the Nomination Committee is the Chairman of the Board, Neil Chatfield (who is an independent director).

The roles, responsibilities, composition and structure of the Nomination Committee are set out in the Nomination Committee Charter, a copy of which can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre. The Nomination Committee will meet at least four times each year. As the Nomination Committee was newly established for the purposes of the Company's ASX listing, the Nomination Committee did not meet during the reporting period.

The Company has a program for inducting new directors and provides appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to effectively perform their role as directors.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY

The Company is committed to and strives to act honestly and with integrity in all its dealings and to act ethically and responsibly. It has adopted a Code of Conduct that sets out the Company's values, commitments, ethical standards and policies and outlines the standards of conduct expected of our business and people, taking into account the Company's legal and other obligations to its stakeholders.

A Securities Trading Policy has been established to set out the Company's trading policy on buying and selling securities of the Company including shares, options, derivatives and other financial products of the Company that are able to be traded on a financial market.

The Company has adopted a Diversity Policy that sets out our commitment to diversity and inclusion in the workplace at all levels and provides a framework to achieve our diversity goals. The Company is committed to creating and ensuring a diverse work environment in which everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of the company. The directors and management believe that the Company's commitment to that policy contributes to achieving the company's corporate objectives and embeds the importance and value of diversity within the culture of the company.

Copies of the Securities Trading Policy and the Diversity Policy can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Board has established an Audit & Risk Committee to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- the integrity of the Company's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the Company's external auditors;
- the performance of the external audit functions and review of their audits;
- the effectiveness of the Company's system of risk management and internal controls; and
- the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

During the reporting period, the Company was not listed on the ASX and all non-executive directors were nominees of the Company's shareholders. Accordingly, the Audit & Risk Committee, which comprised Robert Costa (chair of the Committee), Neil Chatfield, Angelos Dassios and Greg Hunt, did not consist of a majority of independent directors. From 1 October 2015, the Audit & Risk Committee will be comprised of 3 non-executive directors, all of whom are independent, being Tiffany Fuller (Chair), Neil Chatfield and Peter Margin.

The Company has adopted a charter for the Audit & Risk Committee, which can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.

For the results for the reporting period, the CEO and CFO have provided a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company was not required to hold an AGM during the reporting period. For future reporting periods, the Company will ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

In anticipation of the Company's listing on the ASX, the Company has established a Disclosure & Communication Policy for the purposes of complying with its continuous disclosure obligations imposed by law and ensuring that the Company's announcements are presented in a factual, clear and balanced way.

Subject to limited exceptions, the Company is required to immediately disclose to the ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Disclosure & Communication Policy outlines the processes that the Company implements to ensure compliance with its continuous disclosure obligations, including the establishment of a Disclosure Committee which currently comprises the CEO, CFO and Company Secretary.

The Disclosure & Communication Policy can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITYHOLDERS

The Company acknowledges that respecting shareholders' rights is of fundamental importance and that communication with shareholders is a key element of this. The Company is committed to ensuring that shareholders are informed of all major developments affecting the Company through effective communication materials and processes. Shareholder communications include half yearly and annual reports, market announcements and media releases, all of which are available in the investor section of the Company website in addition to background information on the Group. Shareholders have the option to receive communications from, and communications to, the Company and its security registry electronically, to ensure that information is received in a timely manner.

In addition to the above Shareholder communications, the Company's investor relations program includes scheduled and ad hoc interactions and briefings with institutional investors, analysts and the financial media. This activity also provides an opportunity for two way communication, where the parties involved can provide their views and feedback on matters of particular interest to them relating to the Company and its performance. In conjunction with the investor relations program the Company also operates a broader stakeholder engagement program involving interactions with politicians, bureaucrats, regulators and community groups. This activity is aimed at ensuing our stakeholders are sufficiently aware of the Company's views and concerns relating to matters including public policy, and for the Company to be proactively informed on matters relevant to our stakeholders involving the activities of the Company.

Shareholders are encouraged to attend general meetings for the opportunity to meet the Board and senior management. Shareholders who are unable to attend will be able to vote on the motions proposed by appointing a proxy or using any other means included in the notice of meeting. The Company conducts its general meetings in accordance with the Company's constitution, the Corporations Act and the Listing Rules. The Board will consider the use of technology and other means to facilitate shareholder participation as appropriate.

The Company's policies on communicating with its shareholders can be found in the Disclosure & Communication Policy, which can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Company's Audit & Risk Committee is responsible for overseeing, implementing and periodically reviewing the Company's risk management system, including:

- preparing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- regularly reviewing and updating the risk profile;
- ensuring that the Company has an effective risk management system and reviewing the risk management system at least annually to ensure that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure those risks remain with the risk appetite set by the Board; and
- assessing and ensuring that there are internal controls for determining and managing key risk areas.

The Audit & Risk Committee reviewed the risk management system during the reporting period.

The Company does not have an internal audit function. The Board and the Audit & Risk Committee monitor and evaluate internal risks through a variety of existing systems, programs and policies including:

- annual budgeting and monthly reporting systems to monitor performance against budget;
- external financial audits;
- an annual insurance program;
- workplace health and safety reviews, including overseeing an annual cross-functional review of each site by the Company's executive team;
- approval limits for matters requiring Board approval; and
- annual identification and assessment of strategic risks facing the Company.

CORPORATE GOVERNANCE STATEMENT

The Company's management is responsible for managing operational risk and implementing risk mitigation measures. As a result management has incorporated risk management into strategic planning and decision making to understand and prioritise the management of material business risks.

Comments on the Company's exposure to economic, environmental and social sustainability risks are set out on page 18 of this report. Further information on the Company's commitment to environmental and social responsibility are set out in the Safety and Sustainability Report on page 19.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

In preparation for its listing on the ASX, the Board established a Remuneration Committee which assists and advises the Board on remuneration policies and practices for the Board, the CEO, the CFO, senior executives and other persons whose activities, individually or collectively, affect the financial soundness of the Company.

During the reporting period, the Company was not listed on the ASX and all Non-Executive Directors were nominees of the Company's shareholders. Accordingly, the Remuneration Committee did not consist of a majority of independent directors during the reporting period.

The Remuneration Committee is currently comprised of 3 non-executive directors, the majority of whom are independent including the Chair. The directors currently serving on the Remuneration Committee are Peter Margin (Chair), Frank Costa and Neil Chatfield. The roles, responsibilities, composition and structure of the Remuneration Committee are set out in the Remuneration Committee Charter, a copy of which can be found in the Corporate Governance section of the Investor Centre on our website at http://investors.costagroup.com.au/investor-centre.

The Remuneration Report sets out details of the Company's policies and practices for remunerating directors and executives. The Company distinguishes the remuneration of executive directors and executives from that of non-executive directors by offering the Managing Director and CEO and other executives a mix of fixed and incentive remuneration in certain circumstances (e.g., under the short term incentive plan and long term incentive plan). Remuneration of non-executive directors is fixed.
The Company does not currently have in place any schemes for retirement benefits, other than superannuation, for non-executive directors.

The Company's Securities Trading Policy provides that the CEO and other Company executives (each being 'Designated Persons' under the policy) are prohibited from entering into transactions or arrangements with anyone which could have the effect of limiting their exposure to risk relating to an element of their remuneration that has not vested or is held subject to escrow restrictions.

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of Costa Group Holdings Ltd and its controlled entities ("the Group") present their report together with the financial report of the Group for the financial year ended 28 June 2015.

1. DIRECTORS

The directors of the Group at any time during or since the end of the financial year are:

Neil Chatfield M.Bus, FCPA, FAICD
Chairman (Appointed 24th June 2015)
Independent Non-Executive Director

Mr. Chatfield is an established executive and non-executive director with extensive experience across all facets of company management, and with specific expertise in financial management, capital markets, mergers and acquisitions, and risk management. Mr. Chatfield holds non-executive roles across a range of industries including Transurban Group, Seek and Recall Holdings, all ASX listed companies and was the Chairman of Virgin Australia Holdings Ltd. Mr. Chatfield was previously an executive director and Chief Financial Officer of ASX listed Toll Holdings Ltd, Australia's largest transport and logistics company; a position he held for over 10 years.

Mr. Chatfield has a Masters of Business in Finance and Accounting, and is a Fellow of CPA Australia (FCPA) and Fellow of the Australian Institute of Company Directors (FAICD).

During the past three years, Mr. Chatfield has served as a director of the following listed companies:
- Virgin Australia Holdings Ltd - Non-executive and Chairman until 2015;
- Transurban Group* - Non-executive since 2009;
- Seek Ltd* - Non-executive since 2005 and Chairman since 2012;
- Recall Holdings Ltd* - Non-executive since 2013; and
- Grange Resources Ltd - Non-executive until 2014.

**Denotes current directorship*

Frank Costa AO
Chairman (Resigned 24th June 2015)
Non-Executive Director

Mr. Costa has been at the forefront of developing and building the Costa Group into a major horticultural and logistics company for more than 50 years. Mr. Costa has previously served as President of the Geelong Football Club (1998 - 2010) and tirelessly promotes the development of the City of Geelong and surrounding community. Frank has been honoured with an Order of Australia Medal for his services to youth and the community.

During the past three years, Mr. Costa has not served as a director of any other listed company.

Harry Debney BAppSc (Hons)
Chief Executive Officer and Managing Director

Mr. Debney has previously served as Chief Executive Officer of Visy Industries Australia Pty Ltd and has worked as an Assistant General Manager for Queensland Fruit and Vegetable Growers.

During the past three years, Mr. Debney has not served as a director of any other listed company.

Kevin Schwartz BSc (Accountancy)
Non-Executive Director

Mr. Schwartz is the President of Paine & Partners LLC which he cofounded in 2006. Mr. Schwartz was a Managing Director at the predecessor firm, Fox Paine & Company, which he joined in 2002.

He serves as the Chairman on the Board of directors of Verdesian Life Sciences. He serves as a director of Advanta B.V., Icicle Seafoods Inc., Sunrise Holdings Inc., Covanta ARC Holdings LLC and some entities of the Stable-Group including Stabilus GMBH. He is also a member of the Rush Associates Board of the Rush University Medical Center. Mr. Schwartz has previously served as a director of Seminis, Inc. and on the Board of United American Energy Corp.

During the past three years, Mr. Schwartz has not served as a director of any other listed company.

Peter Margin BSc (Hons), MBA
Independent Non-Executive Director (Appointed 24th June 2015)

Mr. Margin joined the Board on 24 June 2015. Mr. Margin has many years of leadership experience in major Australian and international food companies. Recent roles include Chief Executive of Goodman Fielder Ltd and before that Chief Executive and Chief Operating Officer of National Foods Ltd. Mr. Margin has also held senior management roles in Simplot Australia Pty Ltd, Pacific Brands Ltd, East Asiatic Company and HJ Heinz Company Australia Ltd.

During the past three years, Mr. Margin has served as a director of the following listed companies:
- PACT Group Holdings Ltd* - Non-executive since 2013;
- Huon Aquaculture Ltd* - Non-executive and Chairman since 2014;
- Ricegrowers Ltd - Non-executive since 2012, resigned August 2015;
- PMP Ltd* - Non-executive since 2012;
- Nufarm Ltd* - Non-executive since 2011; and
- Bega Cheese Ltd* - Non-executive since 2011.

**Denotes current directorship*

Bruno Ferrari Garcia de Alba Ph.D., J.D.
Non-Executive Director (Resigned 24th June 2015)

Dr. Ferrari García de Alba has been an Operating Partner of Paine & Partners LLC since 2013 and was an Operating Director of the predecessor firm.

Dr. Ferrari García de Alba serves as a director of Sunrise Holdings (Delaware) Inc., Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Infonavit), Nacional Financiera SNC Institucion de Banca de Desarrollo. Dr. Ferrari García de Alba has previously served as Chief Executive Officer of Seminis, Inc. and as the Secretary of Economy in Mexico where he was responsible for a wide agenda, including the domestic economic policy and the international trade policy of Mexico. Dr. Ferrari García de Alba founded the Mexican Agency for trade and investment promotion, ProMexico, and was appointed CEO by President Felipe Calderon. He has also previously served as a Director of Banco Nacional de Comercio Exterior SNC and Petroleos Mexicanos.

Dr. Ferrari García de Alba has a successful career in a variety of industries focused on agribusiness in different parts of the world and has received numerous awards from governments including Denmark, Italy, the Netherlands, Colombia, Chile and the United States.

During the past three years, Dr. Ferrari García de Alba has not served as a director of any other listed company.

DIRECTORS' REPORT

Robert Costa

Non-Executive Director (Resigned 24th June 2015)
Chairman of the Audit and Risk Management Committee (Resigned 24th June 2015)

Mr. Costa has extensive experience in all aspects of the horticultural industry and through the formative years of the business, had responsibility for management at Group level of the company's asset base and balance sheet, including working capital, liquidity and cash flow.

During the past three years, Mr. Costa has not served as a director of any other listed company.

Greg Hunt

Non-Executive Director (Resigned 24th June 2015)

Mr. Hunt was a member of the Audit and Risk Management Committee until the 24th June 2015. Mr. Hunt has been the Chief Executive Officer and Managing Director of Nufarm Ltd since May 2015and previously served as its Chief Operating Officer. Mr. Hunt has previously served as Managing Director of Elders Australia Ltd and as Managing Director of BWK Ag (Germany), Australian Agricultural Company Ltd., Killara Feedlot Pty Ltd., Webster Ltd., HiFert Pty Ltd., Walnuts Australia Pty Ltd., Elders Indonesia, Elders Rural Bank Ltd and Elders Insurance Ltd. Mr. Hunt serves as the Chairman of Elementree Pty Ltd., Biocentral Laboratories, Kirribilli Pastoral and Plumgrove Pty Ltd. Mr. Hunt previously served as Independent Non-Executive Director of Tandou Ltd., Webster Ltd. and Tassal Group Ltd.

During the past three years, Mr. Hunt has served as a director of the following listed companies:

- Nufarm Ltd* - Executive since 2015;
- Tandou Ltd - Non-executive until 2012;

**Denotes current directorship*

Angelos Dassios

Non-Executive Director (Appointed 7th October 2011; Resigned 24th June 2015)

Mr. Dassios was a member of the Audit and Risk Management Committee until the 24th June 2015. Mr. Dassios serves as a Partner of Paine & Partners LLC since 2010 and was previously with the predecessor firm. In 2002, he joined Fox Paine & Company and after leaving in 2004 to pursue outside interests, he returned to Fox Paine & Company in 2006 as director.

Mr. Dassios serves as a director of some entities of the Stable-Group including Stabilus GMBH, Icicle Seafoods, and Verdesian Life Sciences. He serves as a director of TriQuint WJ Inc., Wind River Insurance Company (Barbados) Ltd, Wind River Insurance Company (Bermuda) Ltd and Wind River Services Ltd. He previously served as a director of United America Indemnity Ltd. and its predecessor companies and also at Global Indemnity Plc.

During the past three years, Mr. Dassios has not served as a director of any other listed company.

2. COMPANY SECRETARY

David Thomas LLB, BSc (Hons)

Mr. Thomas joined the Company as General Counsel in July 2012 and was appointed to the position of Company Secretary in October 2012. In addition to being the Company Secretary, Mr. Thomas oversees the Group's legal department and advises the Group on legal, risk and compliance matters. Prior to joining the Company, Mr. Thomas was a Partner of Middletons (now K&L Gates), practising in corporate and commercial law. He has over 22 years' experience in legal practice.

3. OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDIT FIRM

There are no officers of the Company during the financial year that were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Group.

4. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS	
Director	*Held*	*Attended*	*Held*	*Attended*
Neil Chatfield	6	6	1	1
Frank Costa	6	6	1	-
Harry Debney	6	6	1	1
Kevin Schwartz	6	5	1	-
Peter Margin	1	1	-	-
Bruno Ferrari Garcia de Alba	5	-	1	-
Robert Costa	5	5	1	1
Greg Hunt	5	4	1	1
Angelos Dassios	5	5	1	1

5. PRINCIPAL ACTIVITIES

Costa Group is Australia's largest horticulture group and is the largest fresh produce supplier to the major Australian food retailers. The Group's principal activities during the year were:

- the growing of mushrooms, blueberries, raspberries, glasshouse grown tomatoes, citrus and other selected fruits within Australia;
- the packing, marketing and distribution of fruit and vegetables within Australia and to export markets; and
- provision of chilled logistics warehousing and services within Australia.

No significant change in the nature of these activities occurred during the year.

6. DIVIDENDS

Costa Group Holdings Ltd did not declare a dividend during the current or the prior year. There was no dividend reinvestment plan in operation during the years ended 28 June 2015 and 29 June 2014.

7. EVENTS SUBSEQUENT TO REPORTING DATE

On 24 July 2015, the Group undertook an Initial Public Offering (IPO) on the Australian Securities Exchange. The purpose of the IPO was to:

- provide Costa with access to capital markets to pursue further growth opportunities;
- pay down the Group's existing debt; and
- allow existing shareholders to realise part of their investment.

As a result of the IPO, the Group:

- Issued new shares for $173.3 million;
- Repaid the existing debt facility of $238.0 million and drew down $142.0 million under a new banking facility;
- Disposed of existing options issued to management and Directors under the legacy LTI plan, which resulted in a cash payment of $11.9 million and acceleration of share-based payments expense $0.7 million;
- Paid a dividend of $9.4 million in relation to the Redeemable Preference Shares (RPS). The RPS were subsequently converted to ordinary shares; and
- Write-off of capitalised borrowing costs of $7.9 million.

8. LIKELY DEVELOPMENTS

The Group will continue to explore opportunities that meet the Group's long term growth and development goals. The goal is to provide a superior sustainable increase in profits. Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group. Other information on likely developments are contained in the Operating and Financial Review on pages 5-18.

9. ENVIRONMENTAL REGULATION

The Group is committed to conducting business activities and having due respect for the environment while continuing to meet expectations of shareholders, employees, customers and suppliers.

The Group is subject to environmental regulations under various federal, state and local laws relating predominately to air, noise and water emission levels.

The Group is committed to achieving a level of environmental performance that meets or exceeds Federal, State and local requirements, and improves its use of natural resources and minimises waste.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by Costa Group Holdings Ltd, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Neil Chatfield	22,222	400,000
Frank Costa [1]	10,432,099	-
Harry Debney	1,032,078	1,891,944
Kevin Schwartz [2]	38,990	-
Peter Margin	7,620	-
Bruno Ferrari Garcia de Alba	-	-
Robert Costa	-	-
Greg Hunt	-	50,000
Angelos Dassios	-	-

Notes:
1. Frank Costa has an indirect interest in 10,432,099 ordinary shares in Costa as a result of his shareholdings in a series of other entities.
2. Kevin Schwartz has an indirect interest in 38,990 ordinary shares in Costa as a result of his shareholdings in a series of other entities.

11. SHARE OPTIONS

Unissued ordinary shares under options
Unissued ordinary shares of Costa Group Holdings Ltd under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
400,000	$1.45	October 2024
50,000	$1.45	October 2019
1,891,944	$2.81	August 2019

All unissued shares are ordinary shares in the Company.

No option holder has any right under the options to participate in any other share issue of the group.

Shares issued on exercise of options
During the financial year, the Group did not issue any ordinary shares as a result of the exercise of options. Since the end of the financial year, the Company issued 2,263,649 fully paid ordinary shares in consideration for the disposal of 6,366,531 options.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Pursuant to its constitution, the Company may indemnify directors and officers, past and present, against liabilities that arise from their position as a director or officer allowed under law. The Company has entered into deeds of indemnity, insurance and access with its existing and past directors, its company secretary and the directors of the Company's subsidiaries. Under the deeds of indemnity, insurance and access, the Company indemnifies each director or officer against all liabilities to another person that may arise from their position as a director or officer of the Company or its subsidiaries, to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

During the financial year, the Group paid premiums to insure all directors and officers against certain liabilities as contemplated under the Company's constitution. Disclosure of the total amount of the premiums paid under this renewed insurance policy is not permitted under the provisions of the insurance contract.

Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

13. INDEMNIFICATION AND INSURANCE OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the group.

14. NON-AUDIT SERVICES

During the year KPMG, the Group's auditors, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2015	2014
Other services provided by KPMG		
Taxation compliance and other taxation advisory services (including R&D)	277,030	109,160
Other assurance services (including IPO services)	785,000	60,000
Other services (including IPO services)	575,230	14,500
	1,637,260	**183,660**

DIRECTORS' REPORT

15. ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1988 and in accordance with that Class Order, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 54 and forms part of the directors' report for the financial year ended 28 June 2015.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

1. INTRODUCTION (AUDITED)

The directors are pleased to present the FY2015 Remuneration Report, outlining the Board's approach to the remuneration for key management personnel (KMP).

KMP are individuals who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and comprise the directors and the senior executives of the Group, as listed below.

Director	**Position Held**
Neil Chatfield	Chairman, Non-executive director (Appointed Chairman on 24th June 2015)
Frank Costa	Chairman, Non-executive director (Resigned as Chairman on 24th June 2015)
Kevin Schwartz	Non-executive director
Peter Margin	Non-executive director (Appointed 24th June 2015)
Bruno Ferrari Garcia de Alba	Non-executive director (Resigned 24th June 2015)
Robert Costa	Non-executive director (Resigned 24th June 2015)
Greg Hunt	Non-executive director (Resigned 24th June 2015)
Angelos Dassios	Non-executive director (Resigned 24th June 2015)
Harry Debney	Chief Executive Officer, Managing Director

Executive	
Linda Kow	Chief Financial Officer
George Haggar	Chief Operating Officer

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

2. CORPORATE GOVERNANCE (AUDITED)

2.1 Remuneration Committee

The Group has established a Remuneration Committee that is comprised of non-executive directors, the majority of whom are independent in accordance with the Remuneration Committee Charter.
The Remuneration Committee are responsible for assisting and advising the Board on:

- Remuneration policies and practices for Executives, and employees of the Group;
- Incentive schemes and equity-based remuneration plans; and
- Shareholder and other stakeholder engagement in relation to the Group's remuneration policies and practices.

A full charter outlining the Remuneration Committee's responsibilities is available at: http://investors.costagroup.com.au/investor-centre/?page=corporate-governance.

2.2 Use of Remuneration Consultants

The Remuneration Committee can engage remuneration consultants to provide it with information on current market practice, and other matters to assist the Committee in the performance of its duties. During FY2015, the Board obtained various data in respect of the remuneration practices of companies listed on the ASX to assist it in forming the remuneration framework that would apply post completion of the IPO. The Board did not receive any remuneration recommendations for the purposes of the Corporations Act.

2.3 Associated Policies

The Group has established a number of policies to support a strong governance framework, including a Diversity Policy, Disclosure Policy and Security Trading Policy. These policies and procedures have been implemented to uphold ethical behaviour and responsible decision making. Further information on the Group's policies is available at: http://investors.costagroup.com.au/investor-centre/?page=corporate-governance.

3. EXECUTIVE REMUNERATION (AUDITED)

3.1 Remuneration Framework

The remuneration framework is designed to attract and retain key talent, reward the achievement of strategic objectives and align reward with the creation of shareholder wealth. The key principles supporting the Group's remuneration framework are:

Principle	**Competitive Remuneration**	**Performance Driven**
Objective	Reward employees fairly and competitively for their contributions to the Group's success.	Executives are rewarded for achieving strategic goals that create sustainable growth in shareholder wealth.
Application	• Total remuneration is set having regard to the individual's capabilities and experience. • Remuneration is set with regard to the median of an appropriate comparator group of companies within the consumer discretionary sector of the ASX300. • The Board obtains independent advice on the appropriateness of total remuneration package.	• Significant 'at risk' reward ensures executive's interests remain aligned with shareholder values. • Equity is used as a key element of the variable remuneration to align executives and shareholders. • At risk reward is driven by the Group's long-term performance with LTI outcomes for the CEO driven by increase in shareholder value, and the LTI plan for other KMP taking into account the growth in the Group's earnings per share and relative Total Shareholder Return.

3.1.1 Remuneration overview for FY2015 and outlook for FY2016

Prior to the Company's ASX Listing on 24 July 2015, the Executives had been engaged under a combination of fixed remuneration and short-term inventive cash bonuses. The Executives' remuneration also included long-term incentives in the form of options over shares that would vest on the completion of a change in ownership, either through an IPO or a trade sale.

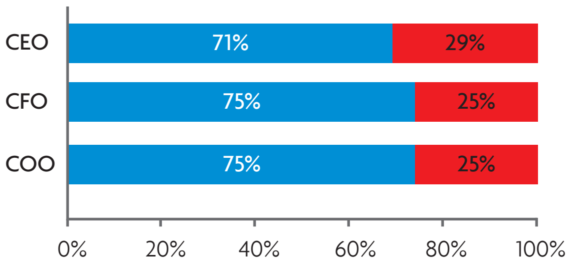
Following Listing, the Board reviewed the remuneration framework to ensure it is appropriate for a listed environment and supports the Group's long-term business strategy. As part of this review, the Board intends to establish new short and long term incentive plans, consistent to what had been proposed in the Company Prospectus dated 25 June 2015. Details of these plans are provided on pages 40-45 of this report.

3.1.2 Remuneration mix for FY2015

Total remuneration for KMP includes both fixed and 'at risk' reward components. 'At risk' reward includes short and long term incentives, which are based on individual and group performance outcomes. In FY2015, the CEO, COO and CFO received fixed remuneration, as outlined in Section 7 Statutory Information, together with the following 'at risk' components:

- short term incentives, as outlined in section 3.2.2; and
- long term incentives, as outlined in section 3.3.1.

The mix of fixed versus variable remuneration in FY2015 for the Executives was as follows:



3.2 Remuneration Components

3.2.1 Fixed remuneration

Fixed reward includes cash salary, superannuation contributions, and other non-monetary benefits such as car leasing arrangements, additional superannuation contributions, etc. Fixed reward is reviewed annually by the Remuneration Committee with regard to the individual and Group performance. The Committee's review of fixed reward has consideration for the Executive's total remuneration package.

3.2.2 Short Term Incentive Plan (STI Plan)

FY2015 Legacy STI Plan

The legacy STI plan was in place prior to the Company's Listing and applied during the financial year ended 28 June 2015. The legacy STI Plan enabled Executives to receive an incentive payment calculated as a percentage of total fixed remuneration ("TFR") conditional on achieving qualifying EBITDA hurdles. The STI is triggered on achieving 90% of budget EBITDA for the year, with target STI reached at 100% of budget EBITDA and stretch at 110%. The EBITDA hurdle was selected on the basis that it has a direct correlation to the financial performance of the Group.

The performance against the key targets identified under the legacy STI plan resulted in each KMP receiving a cash bonus as follows:

KMP	Target STI	% achieved in the year
CEO	$237,500	168%
CFO	$85,000	168%
COO	$127,000	168%

2016 Short Term Incentive Plan

The table below outlines the key features of the FY2016 STI Plan, as it will apply to the CEO, CFO and COO:

Objective	To reward executives for achieving goals directly linked with the Group's business strategy
Participants	All Executives and selected senior management
Performance Period	Financial year ending 26 June 2016
Opportunity	• CEO – Target STI is 40% of TFR, with a maximum opportunity of 60% TFR for exceeding stretch targets. • CFO, COO – Target STI is 30% of TFR, with a maximum opportunity of 50% TFR for exceeding stretch targets.
Performance Measures	STI will be assessed against both financial and non-financial measures, and will be weighted as follows: **Measure** – **Weighting** EBIT – 50% Cash Flow – 30% Individual Performance – 20% Individual Performance will be measured against KPIs appropriate for the Executive's role and will include key business measures such as market share, innovation, safety, quality and people.
Payment Method	• *Cash* - Two thirds will be paid in cash following the end of the performance year; and • *Deferred* - One third will be deferred for 12 months and settled in equity.

Since the FY2016 STI Plan had not yet been approved by the Board prior to approval of this report, this information is unaudited.

3.3 Long Term Incentive (LTI) Plan – Legacy arrangements implemented prior to Listing

3.3.1 FY2015 Legacy Arrangements

Whilst the group was privately owned, it had a remuneration framework in place that included long-term incentives that would vest on the completion of a change in ownership. Details of the pre-IPO arrangements were disclosed in the Prospectus. While the Group was privately owned for the entire FY2015, an outline of the key pre-IPO LTI arrangements that vested upon Listing in FY2016 have been included below for transparency.

Legacy arrangements for Executives

Term	Description
Instrument	Option to acquire ordinary shares
Consideration at grant	Nil
Quantum	CEO: 9,459,722 options CFO: 2,000,667 options COO: 3,068,778 options
Exercise price	$1.45 per option
Vesting period	The period commencing on the date of grant and ending on the expected date of completion of a change in ownership

All legacy options vested in full on the date of Listing. The Legacy options were settled in FY2016 as follows:

- 70% cash settled, resulting in a cash payment shortly after the date of Listing; and
- 30% equity settled – with the Executives receiving fully vested shares in the Group at the date of Listing. To ensure continued alignment with shareholder values, these fully vested shares are subject to escrow arrangements as follows:
    - For the CEO - 50% released from escrow following release of the Group's FY2016 financial results, with the remaining 50% released from escrow following release of the Group's FY2017 financial results.
    - For the CFO and COO - 100% released from escrow following release of the Group's FY2016 financial results.

Options issued to CEO

In July 2015, the CEO was granted 1,891,944 options as part of his LTI Plan. The Options included an exercise price that was set at a 25% premium to the Listing Price. The key terms of this grant are outlined below.

Term	Description
Consideration for grant	Nil
Instrument	Option to acquire ordinary shares
Number of options granted	1,891,944
Exercise price	$2.81 This is a 25% premium to the share price on Listing
Performance period	July 2015 to August 2017 Options will vest following the announcement of the Group's FY2017 results.
Vesting condition	Successful Listing of the Group's shares on the ASX within a specified time period and the CEO's continued employment at the date of vesting.
Additional sale restrictions	50% of the Options (or shares acquired by exercising the Options) will remain in escrow until the announcement of the Group's FY2018 results.
Service conditions	The options will be subject to tenure conditions and will be forfeited where the CEO resigns or is dismissed prior to the vesting date. The options will not be forfeited where the CEO is deemed a good leaver, unless otherwise determined by the Board.

It is not intended that the CEO will participate in the post-Listing LTI Plan disclosed in section 3.4 in FY2016. The CEO's participation in future LTI plans beyond FY2016 will be determined by the Board at the time.

3.4 Long Term Incentive (proposed LTI for FY2016)

The Board intends to introduce a LTI in FY2016 for the KMP (other than the CEO) and other senior executives. These LTI arrangements were not in effect during FY2015, however for transparency, details of the proposed LTI plan to be implemented in FY2016 have been disclosed below.

Since the FY2016 LTI Plan had not yet been approved by the Board prior to the approval of this report, this information is unaudited.

Term	Description
Eligibility	CFO, COO and selected members of the senior management team The CEO will not be entitled to participate in the LTI Plan due to the options that were issued to the CEO in FY2016 prior to the Company's Listing as described above.
Instrument	Options to acquire ordinary shares in Costa Group Holdings Limited
Quantum	This will be determined as a percentage of the participant's TFR
Issue price	Nil consideration
Exercise price	$2.25 per share This was the market value of Costa Holdings Group shares at date of Listing
Performance Period	The FY2016 LTI performance period will be from the date of Listing to June 2017. 50% of options (or shares acquired by exercising options) will be subject to an additional sale restriction until August 2018 (following release of the FY2018 results). For all future grants, it is intended that the performance period will be a minimum of 3 years.
Performance Measure	50% - Earnings Per Share (basic) compound annual growth rate ("CAGR") over the performance period. 50% - Relative total shareholder return ("TSR") measure

Performance Assessment	The LTI will be tested at the end of the vesting period, and will vest in line with the below schedule:

50% Earnings Per Share (basic) ("EPS")

	% of options that vest
Less than threshold CAGR	Nil
Threshold CAGR	50%
Between threshold and stretch CAGR	50% - 100% on a straight line sliding scale
Stretch CAGR	100%

50% Relative TSR

	% of options that vest
Less than 50th percentile	Nil
50th percentile	50%
Between 50th percentile and 75th percentile	50% - 100% on a straight line sliding scale
75th percentile and above	100%

The comparator group for relative TSR includes companies in the consumer discretionary and consumer staples sectors of the S&P/ASX Small Ordinaries Index. Each company's share price will be measured using the average closing price over 60 days up to (but excluding) the first day of the performance period, and the average closing price over 60 days up to and including the last day of the performance period.

Entitlements	Options will not carry rights to dividends or voting rights prior to vesting.
Restrictions on Dealing	Participants must not sell, transfer, encumber, hedge or otherwise deal their options granted under the LTI Plan. Participants will be free to deal with the Shares allocated on exercise of the options, following payment of the exercise price, subject to the requirements of the Company's securities trading policy and the escrow on the FY2016 options until August 2018 (as previously outlined).
Cessation of employment	Any unvested options granted under the LTI Plan will be forfeited where the participant resigns or is dismissed during the performance period. Where the participant is considered a good leaver, the unvested options and/or performance rights will remain on foot subject to Board discretion.

4. EXECUTIVE REMUNERATION DISCLOSURE (AUDITED)

4.1 Executives' Contract Terms

A summary of the key terms of employment for executives as at 28 June 2015 is presented in the below table:

Executive	Role	Notice by the Group	Notice on Resignation
Harry Debney	Chief Executive Officer	6 Months	6 Months
Linda Kow	Chief Financial Officer	3 Months	3 Months
George Haggar	Chief Operating Officer	3 Months	3 Months

5. NON-EXECUTIVE DIRECTORS (AUDITED)

The details of fees paid to non-executive directors in FY2015 are included in Section 7 of this report.
The table below outlines the fees that will be paid to non-executive directors in FY2016. The aggregate fee pool for non-executive directors from the date of Listing is $1,200,000. Board and committee fees, together with statutory superannuation fees, are included in this aggregate fee pool. The FY2016 annual Board and Committee fees are as follows:

Board/Committee	Chairman Fee ($)	Member Fee ($)
Board base fee	230,000	100,000
Audit and Risk Committee	20,000	10,000
Remuneration Committee	15,000	7,500
Nominations Committee	-	-

Following Listing, no non-executive director will be entitled to receive a grant under any incentive plan. All fees will be paid in cash and will not be subject to performance conditions. Section 8.2 includes details of any legacy arrangements.

6. RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE (AUDITED)

Since the Company was not a disclosing entity during or prior to financial year ended 28 June 2015, the relationship between remuneration policy and Group performance is only assessed for the current financial year and the prior comparative period.

Key performance indicator $'000	FY2015 Actual	FY2015 Pro forma[1]	FY2014 Actual	FY2014 Pro forma[1]
Revenue	727,029	723,500	699,075	662,300
EBITDA before SGARA	59,894	71,000	64,536	70,200
EBIT	25,958	54,900	31,142	59,700
Dividend paid	Nil	Nil	Nil	Nil

Notes
1. Pro forma information is unaudited.

7. DIRECTORS' AND EXECUTIVE OFFICER'S REMUNERATION (AUDITED)

Details of the nature and amount of each major element of remuneration of each director of the Company, and other KMP of the consolidated entity are:

		SHORT-TERM			
		Salary & fees	STI cash bonus	Non-monetary benefits	Total
Non-executive Directors		$	$	$	$
Neil Chatfield [1]	2015	-	-	-	-
	2014	-	-	-	-
Frank Costa [1]	2015	-	-	201,063	201,063
	2014	-	-	205,555	205,555
Kevin Schwartz [2]	2015	-	-	-	-
	2014	-	-	-	-
Peter Margin [3]	2015	-	-	-	-
	2014	-	-	-	-
Bruno Ferrari Garcia de Alba [2]	2015	100,000	-	-	100,000
	2014	50,000	-	-	50,000
Robert Costa [1]	2015	-	-	152,245	152,245
	2014	-	-	142,695	142,695
Greg Hunt [2]	2015	91,536	-	-	91,536
	2014	45,767	-	-	45,767
Angelos Dassios [2]	2015	-	-	-	-
	2014	-	-	-	-
Executive Directors					
Harry Debney	2015	931,217	399,691	7,592	1,338,500
	2014	782,225	221,960	26,075	1,030,260
Executives					
Linda Kow	2015	406,217	143,047	-	549,264
	2014	382,225	100,784	-	483,009
George Haggar	2015	616,217	212,047	-	828,264
	2014	582,225	121,176	-	703,401

Notes in relation to the table of directors' and Executive officers' remuneration (audited):

1. In FY2015, a provision of directors' fee of $600,000 was paid to State Logistics Pty Ltd (2014: $600,000 to State Logistics Pty Ltd and $1,500,000 to Table Grape Growers Association Pty Ltd), a related party of Frank Costa, Robert Costa and Neil Chatfield. The Group is unable to confirm the individual amounts paid to the directors of State Logistics Pty Ltd.
2. In FY2015, a provision of Directors' fee of $400,000 (2014: $2,150,000) was paid to Paine & Partners LLC, a related party of Kevin Schwartz, Bruno Ferrari Garcia de Alba, Greg Hunt and Angelos Dassios. The Group is unable to confirm the individual amounts paid to the Directors of Paine & Partners LLC.
3. Peter Margin was appointed as non-executive Director on 24th June 2015. No remuneration was paid to him in FY2015.

POST-EMPLOYMENT	LONG-TERM BENEFITS	TERMINATION	SHARE-BASED PAYMENTS	TOTAL	PERFORMANCE RELATED
Superannuation benefits	Long service leave	Termination benefits	Options		
$	$	$	$	$	%
-	-	-	68,800	68,800	-
-	-	-	-	-	-
-	-	-	-	201,063	-
-	-	-	-	205,555	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	100,000	-
-	-	-	-	50,000	-
-	-	-	-	152,245	-
-	-	-	-	142,695	-
8,700	-	-	8,600	108,836	-
4,233	-	-	-	50,000	-
-	-	-	-	-	-
-	-	-	-	-	-
18,783	24,939	-	357,194	1,739,416	23%
17,775	13,648	-	192,237	1,253,920	18%
18,783	8,154	-	134,759	710,960	20%
17,775	9,197	-	32,955	542,936	19%
18,783	13,044	-	173,060	1,033,151	21%
17,775	12,989	-	54,925	789,090	15%

8. EQUITY INSTRUMENTS (AUDITED)

8.1 Movements in shares

There was no movement during the reporting period in the number of ordinary shares in Costa Group Holdings Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties.

8.2 Legacy Entitlements

Under the Legacy LTI plan, share options were granted to eligible employees representing up to 10% of the ordinary share capital of the Group. Participants, who did not exercise their share options before Listing, remain entitled to exercise their options granted under the Legacy LTI plan. Any shares issued upon exercise of options under the Legacy LTI plan will be ordinary shares.

During the financial year, 1,195,000 (2014: NIL) options were granted to KMP under the legacy LTI Plan. In addition, 1,891,944 options have been granted to the CEO following the end of the financial year, as outlined at section 3.3.1 above.

8.3 Options over equity instruments granted as compensation

The movement during the reporting period, in the number of options over ordinary shares granted as compensation, and options that vested are as follows:

	Number of options granted during 2015	Grant date	Fair Value per option $	Exercise price per option $	Expiry date	Number of options vested during 2015
Neil Chatfield	400,000	31 October 2014	0.172	1.45	31 October 2019	-
Greg Hunt	50,000	31 October 2014	0.172	1.45	30 October 2024	-
Linda Kow	379,000	1 July 2014	0.194	1.45	24 July 2015	-
George Haggar	366,000	1 July 2014	0.194	1.45	24 July 2015	-

All options expire on the earlier of their expiry date or termination of the individual's employment. As outlined in section 3.3.1 and section 3.2.2, options granted under the Legacy LTI plan vest following successful listing of the Group on the ASX and the employee's continued employment.
During the reporting period, no shares were issued on the exercise of options previously granted as compensation. Any shares granted under the Legacy LTI plan will become exercisable in FY2016, following listing of the Group on the ASX.

8.4 Details of equity incentives affecting current and future remuneration

The table below outlines each KMP's unvested options at the end of the reporting period. Details of vesting profiles of the options held by each KMP are detailed below:

	Instrument	Number	Grant date	% vested in year	% forfeited in year	Financial year in which grant vests
Neil Chatfield	Options	400,000	31 October 2014	-	-	2016
Greg Hunt [1]	Options	50,000	31 October 2014	-	-	2016
Harry Debney	Options	9,459,722	4 March 2013	-	-	2016
Linda Kow	Options	1,621,667	4 March 2013	-	-	2016

	Instrument	Number	Grant date	% vested in year	% forfeited in year	Financial year in which grant vests
Linda Kow	Options	379,000	1 July 2014	-	-	2016
George Haggar	Options	2,702,778	4 March 2013	-	-	2016
George Haggar	Options	366,000	1 July 2014	-	-	2016

Notes
1. On 24 June 2015, the Company resolved to amend the legacy option plan, including to permit former directors of the Company to continue to hold existing options (subject to certain conditions). Greg Hunt elected to retain his existing options following resignation from the Company. The Board resolved to ratify Greg Hunt's status as a "good leaver" for the purposes of the legacy LTI Plan.

8.5 LTI grants and movement during the year

The movement during the reporting period, of options over ordinary shares held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 30 June 2014	Granted as compensation	Exercised	Other changes*	Held at 28 June 2015	Vested during the year	Vested and exercised at 28 June 2015
Neil Chatfield	-	400,000	-	-	400,000	-	-
Greg Hunt	-	50,000	-	-	50,000	-	-
Harry Debney	9,459,722	-	-	-	9,459,722	-	-
Linda Kow	1,621,667	379,000	-	-	2,000,677	-	-
George Haggar	2,702,778	366,000	-	-	3,068,778	-	-

*Other changes represent options that expired or were forfeited during the year.

8.6 Key Management personnel transactions

Mr Neil Chatfield (Director) [1]

- A consultant for Costa Asset Management Pty Ltd (formerly Six Oaks Pty Ltd), a company associated with Costa Group Holdings Ltd. No fees or costs have been paid directly to Neil Chatfield by Costa Group Holdings Ltd.

Mr Frank Costa (Director) [1]

- Ownership interest of State Logistics Pty Ltd which provided management services to the Group totalling $600,000 (2014: $600,000).
- Ownership interest of Table Grape Growers Australia which provided advisory services[2] of AUD $Nil (2014: $1,500,000).
- Indirect ownership interest in Vitalharvest Ltd which is the landlord for the three citrus and four berry farms managed by the Group. Fixed rental payments totalled $7,961,239 (2014: $7,368,797) and variable rent payments totalled $9,086,680 (2014: $8,204,743). The Group also has a receivable of $755,214 in relation to capital expenditure to be reimbursed (2014: $59,957).
- Costs incurred by Costa Group on behalf of related parties associated with the Costa family for travel, telecommunications, salaries and sponsorship for the year ended 28 June 2015 of AUD $433,041 (2014: AUD $426,127).

Mr Harry Debney (Director) [1]

- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associate of the Group (refer to Note 23 for details). No payments were made in connection with this position.
- Director of Driscoll's Australia Pty Ltd (Driscoll's Australia Partnership) which is a joint venture of the Group (refer to Note 23 for details). No payments were made in connection with this position.
- Representative of Blueberry Investments Morocco Pty Ltd (a member of the Group) on the Board of African Blue SA which is an associate of the Group.

Mr Kevin Schwartz (Director) [1]

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees[2] of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630).

Mr Bruno Ferrari Garcia de Alba (Director, resigned 24 June 2015)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees[2] of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630). Salary paid directly to Bruno Ferrari Garcia de Alba of AUD $100,000 (2014: AUD $50,000).

Mr Robert Costa (Director, resigned 24 June 2015)

- Director and ownership interest of State Logistics Pty Ltd which provided management services to the Group totalling $600,000 (2014: $600,000).
- Director and ownership interest of Table Grape Growers Australia which provided advisory services[2] of AUD $Nil (2014: $1,500,000).
- Director and ownership interest in Vitalharvest Ltd which is the landlord for the three citrus and four berry farms managed by the Group. Fixed rental payments totalled $7,961,239 (2014: $7,368,797) and variable rent payments totalled $9,086,680 (2014: $8,204,743). The Group also has a receivable of $755,214 in relation to capital expenditure to be reimbursed (2014: $59,957).
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associate of the Group.
- Director and ownership interest of Costa Asset Management Pty Ltd (formerly Baxter Hill Pty Ltd) whereby occupancy expenditure for the Group totalling $5,966,443 (2014: $6,175,321) was incurred.
- Director and ownership interest in STG Nominees. STG Nominees received no income (2014: $4,642,793) from entities within the Group for equipment rental.
- Costs incurred by Costa Group on behalf of related parties associated with the Costa family for travel, telecommunications, salaries and sponsorship for the year ended 28 June 2015 of AUD $433,041 (2014: AUD $426,127).

Mr Greg Hunt (Director, resigned 24 June 2015)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees[2] of AUD $Nil (2014: AUD $1,650,000). Salary paid directly to Greg Hunt of AUD $100,000 (2014: AUD $50,000).

Mr Angelos Dassios (Director, resigned 24 June 2015)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees[2] of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630).

Notes in relation to KMP transactions:

1. Following the completion of the IPO in July 2015, new arrangements will be entered into with these KMP.
2. Paine & Partners had a right to act as investment advisor to the Group pursuant to the Shareholder Deed in effect prior to Listing. The fee paid in FY2014 was for advisory services provided in relation to the refinancing of the banking facilities. The fee was divided between existing shareholders in proportion to their respective shareholdings in the Company. The rights to this advisory mandate ceases following the completion of the IPO.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

This directors' report is made out in accordance with a resolution of the directors:

Neil Chatfield
Chairman

Dated at Melbourne 24 September 2015.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Costa Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 28 June 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
24 September 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 JUNE 2015

	Notes	2015 $ '000	2014 $ '000
Revenue			
Sales revenue	3	727,029	699,075
Other revenue	3	9,192	12,044
	3	736,221	711,119
Less: expenses			
Raw materials, consumables and third party purchases		(258,790)	(237,028)
Depreciation and amortisation expenses		(18,481)	(15,850)
Employee benefits expenses	4	(243,160)	(249,759)
Occupancy expenses		(61,910)	(55,178)
Finance costs	4	(20,895)	(28,471)
Profit / (loss) on sale of assets		500	(1,202)
Impairment losses	4	(15,703)	(15,709)
Equipment leasing expenses		(8,996)	(7,525)
Loss on sale of investment		-	(5,605)
(Loss) / gain on fair value adjustments - biological assets		(252)	4,972
Gain on fair value of derivatives		58	211
Other expenses	4	(112,777)	(105,411)
		(740,406)	(716,555)
Share of net profits of associates and joint ventures accounted for using the equity method	23(b)	9,515	8,566
Profit before income tax expense		5,330	3,130
Income tax expense	5	(753)	(5,020)
Profit / (loss) for the year		4,577	(1,890)
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Forgiveness of debt		-	4,606
Other comprehensive income for the year		-	4,606
Total comprehensive income for the year		4,577	2,716
Profit / (loss) attributable to owners of Costa Group Holdings Ltd		4,577	(1,890)
Total comprehensive income attributable to owners of Costa Group Holdings Ltd		4,577	2,716

		2015 Cents	2014 Cents
Earnings per share for profit attributable to owners of Costa Group Holdings Ltd:			
Basic earnings per share	7	2.35	(0.97)
Diluted earnings per share	7	1.86	(0.77)

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 28 JUNE 2015

	Notes	2015 $ '000	2014 $ '000
ASSETS			
Current assets			
Cash and cash equivalents	**8**	9,504	26,231
Receivables	**9**	62,551	70,732
Inventories	**10**	16,124	13,947
Biological assets	**12**	31,571	28,054
Other assets	**13**	6,517	2,898
		126,267	141,862
Assets classified as held for sale	**29**	4,242	4,204
Total current assets		130,509	146,066
Non-current assets			
Receivables	**9**	125	225
Other financial assets	**11**	2,036	2,172
Biological assets	**12**	4,305	6,009
Equity accounted investments	**23(b)**	27,587	24,171
Intangible assets	**15**	141,865	149,809
Deferred tax assets	**5**	5,391	4,618
Property, plant and equipment	**14**	216,059	165,202
Total non-current assets		397,368	352,206
Total assets		527,877	498,272
LIABILITIES			
Current liabilities			
Payables	**16**	74,495	72,128
Borrowings	**17**	4,885	6
Provisions	**18**	13,483	12,917
Derivative financial liabilities	**19**	-	315
Current tax liabilities	**5**	1,563	2,101
Total current liabilities		94,426	87,467
Non-current liabilities			
Borrowings	**17**	228,004	209,771
Redeemable Preference Shares	**17**	1,119	1,036
Provisions	**18**	3,290	4,964
Derivative financial liabilities	**19**	3,337	3,220
Total non-current liabilities		235,750	218,991
Total liabilities		330,176	306,458
NET ASSETS		197,701	191,814
EQUITY			
Contributed equity	**20**	238,564	238,564
Profit reserve	**21**	4,577	-
Share based payment reserve	**22**	1,759	449
Accumulated losses		(47,199)	(47,199)
Total equity		197,701	191,814

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 JUNE 2015

	Contributed equity	Share based payment reserve	Accumulated losses	Profit reserve	Total equity
Consolidated	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Balance as at 1 July 2013	194,600	38	(49,915)	-	144,723
Loss for the year	-	-	(1,890)	-	(1,890)
Forgiveness of debt	-	-	4,606	-	4,606
Total comprehensive income for the year	-	-	2,716	-	2,716
Transactions with owners in their capacity as owners:					
Options granted / vested during the year	-	411	-	-	411
Extinguishment of financial liability	43,964	-	-	-	43,964
Balance as at 29 June 2014	238,564	449	(47,199)	-	191,814
Balance as at 30 June 2014	238,564	449	(47,199)	-	191,814
Profit for the year	-	-	4,577	-	4,577
Transfer to profit reserve	-	-	(4,577)	4,577	-
Total comprehensive income for the year	-	-	-	4,577	4,577
Transactions with owners in their capacity as owners:					
Options granted / vested during the year	-	1,310	-	-	1,310
Balance as at 28 June 2015	238,564	1,759	(47,199)	4,577	197,701

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 JUNE 2015

	Notes	2015 $ '000	2014 $ '000
Cash flows from operating activities			
Receipts from customers		746,337	710,864
Payments to suppliers and employees		(698,330)	(655,635)
Interest received		209	248
Interest paid		(18,218)	(16,971)
Dividends received		42	70
Income taxes (paid) / refunded		(2,064)	765
Net cash from operating activities	**8(a)**	27,976	39,341
Cash flows used in investing activities			
Payments for property, plant and equipment		(80,762)	(24,830)
Dividends from equity accounted investments		6,099	2,910
Dividends from investments in shares of other corporations		-	108
Acquisition of investment		(4)	(3,420)
Payment for intangible assets		(2,217)	(2,146)
Proceeds from sale of investments		4,034	-
Proceeds from sale of intangible assets		4,855	2,111
Proceeds from sale of property, plant and equipment		298	648
Net cash used in investing activities		(67,697)	(24,619)
Cash flows from financing activities			
Payment for derivative		-	(269)
Repayments from associates		-	65
Net proceeds from borrowings		22,994	2,201
Net cash from financing activities		22,994	1,997
Reconciliation of cash			
Cash at beginning of the financial year		26,231	9,512
Net (decrease) / increase in cash held		(16,727)	16,719
Cash at end of financial year	**8**	9,504	26,231

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT
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NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial report is for Costa Group Holdings Ltd and its controlled entities (the "Group"). Costa Group Holdings Ltd (the "Company") is a company limited by shares, incorporated and domiciled in Australia. Costa Group Holdings Ltd is a for profit entity for the purpose of preparing the financial statements.

The Group's registered office is Unit 1, 275 Robinsons Road, Ravenhall, VIC, Australia, 3023.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors as at 24 September 2015.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention
The financial report has been prepared under the historical cost convention, except for revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Rounding
The financial report is presented in Australian dollars with all values rounded to the nearest thousand unless otherwise stated, in accordance with ASIC Class Order 98/100.

(b) Going concern
The financial report has been prepared on a going concern basis.

(c) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

Investments in associates and joint ventures (equity accounted investments)
Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating activities.

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The financial report includes the Group's share of the profit or loss and other comprehensive income of equity accounted investments after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (Continued)

Transactions eliminated on consolidation
Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the financial report. Unrealised gains arising from transactions with equity accounted investments are eliminated against the investment to the extent of the Group's interest in the investments. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency translations and balances

Functional and presentation currency
The financial statements of each entity within the Group are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The financial report is presented in Australian dollars which is the Group's functional and presentation currency.

Transactions and Balances
Transactions in foreign currencies of entities within the consolidated Group are translated into functional currency at the applicable exchange rate at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the reporting period.

All resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the reporting period.

Entities that have a functional currency different from the presentation currency are translated as follows:

- Assets and liabilities are translated at reporting period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the reporting period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

(e) Revenue

Sale of goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is usually recognised when goods are despatched or at the time of delivery of the goods to the customer when the title is transferred.

Rendering of services
Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Dividends
Dividend income is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method of accounting.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue (Continued)

Interest income
Interest income is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Rental income
Rental income is recognised on a straight line basis over the rental term.

Royalty income
Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements. Royalty income is recognised in relation to rights provided to entities external to the Group to sell plants and produce that arise from the Group's operations.

Commission income
Commission income is recognised by the Group for sale of goods undertaken by the Group in its capacity as an agent of the transaction. In respect of commissions, management considers that the following factor indicates that the Group acts as an agent:

- the Group neither takes title to nor is exposed to inventory risk related to the goods, and has no significant responsibility in respect of the goods sold;

All revenue is stated net of the amount of goods and services tax (GST).

(f) Income tax

Current income tax expense or benefit is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation
The parent entity Costa Group Holdings Ltd and its subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated Group. The parent entity and subsidiaries in the tax consolidated Group have entered into a tax funding agreement such that each entity in the tax consolidated Group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances; and
- current tax liabilities and deferred tax assets arising in respect of tax losses are transferred from the subsidiary to the head entity as inter-company payables or receivables.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (Continued)

The tax consolidated Group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax consolidated Group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(g) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

Loan establishment costs have been capitalised and amortised over the life of the loan facility. Borrowing costs relating to loans extinguished during the reporting period have been expensed.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of its estimated useful life commencing when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and consumables: purchase cost on a first in, first out basis and weighted average; and
- Finished goods and work in progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

Raw materials and consumables include packaging, supplies and other materials not consumed in the production or growing processes. Finished goods include purchased agricultural produce and own farm fruit held for sale and other stock held for sale.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of production and the estimated costs necessary to complete the sale.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Biological assets

Biological assets are measured at their fair value less costs to sell at each reporting date. The fair value is determined as the net present value of cash flows expected to be generated by these crops (including a risk adjustment factor). Where fair value cannot be measured reliably, biological assets are measured at cost.

Net increments and decrements in the fair value of the growing assets are recognised as income or expense in the statement of comprehensive income, determined as:

- The difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- Costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at the reporting date.
- The market value of the produce picked during the reporting period is measured at their fair value less estimated point of sale costs at the time of picking. Market price is determined based on underlying market prices of the product.

Short lived biological assets such as harvested produce are measured at their fair value less incremental costs to sell whilst mushrooms are measured at cost. These are disclosed as current biological assets.

Non-current biological assets, which are bearer plants, have been determined in accordance with Directors' valuation at each reporting date for mature bearer plants. For immature bearer plants, the Directors' have determined that these assets should be measured at cost. In determining the fair value, the following factors have been taken into account:

(i) The productive life of the asset
(ii) The period over which the asset will mature
(iii) The expected future sales price
(iv) The cost expected to arise throughout the life of the asset
(v) Net cash flows are discounted at a pre-tax average real rate of 15% to 30% per annum (depending on agricultural risk) and it is assumed that inflation will continue at the current rate.

Expected future sale prices for all biological assets, are based on average current prices increased for inflation. Costs expected to arise throughout the life of the biological assets, are based on average costs throughout the period, increased for inflation.

(k) Financial instruments

Classification
The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Derivative financial instruments
Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in statement of comprehensive income as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of comprehensive income.

(i) Interest rate swaps
The Group holds derivative interest rate swaps as part of its compliance with certain covenants attached to its borrowings.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(ii) Foreign exchange contracts

The Group enters into foreign exchange contracts to hedge its exposure against foreign currency risk in line with the Group's risk management strategy.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity securities, trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Loan and receivables include trade receivables.

Available-for-sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value, other than impairment losses, are recognised in other comprehensive income and presented in equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties and loans from or other amounts due to director related entities.

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Depreciation

The depreciable amount of all fixed assets is depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Land owned by the Group is freehold land and accordingly is not depreciated.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of fixed asset	Depreciation rates	Depreciation basis
Land and buildings at cost	3% - 10%	Straight line
Plant and equipment at cost	5% - 33%	Straight line
Leased plant and equipment at cost	10% - 20%	Straight line

Assets under construction are measured at cost and not depreciated until the assets are ready for use.

(m) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale or held-for-distribution if it is highly probable that they will be recovered primarily through sale rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in the statement of comprehensive income. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale or held-for-distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investments are no longer equity accounted.

(n) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment

Non-derivative financial assets
Financial assets measured at amortised cost
The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causing the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Available-for-sale financial assets
Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the statement of comprehensive income. The cumulative loss that is reclassified from equity to the statement of comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the statement of comprehensive income. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows or other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Intangibles

Goodwill

Goodwill is recognised initially at the excess over the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition), less the fair value of the identifiable assets acquired and liabilities assumed.

Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Brand names

Brand names are measured initially at their cost of acquisition. Brand names are an indefinite useful life intangible asset as there is no expiry date associated with the underlying assets in terms of its generation of future economic benefits to the Group, and are therefore tested for impairment annually. The carrying amount of brand names is supported by a value in use calculation.

Lease premiums

The value of market lease premiums is recorded in the financial report at cost. Market lease premiums are an indefinite life intangible asset as there is no expiry date associated with the underlying assets in terms of its generation of future economic benefits to the Group, and are therefore tested for impairment annually. The carrying amount of market lease premiums is supported by a value in use calculation.

Water rights

Water rights are measured initially at their cost of acquisition. Water rights are an indefinite life intangible asset as there is no expiry date associated with the underlying assets in terms of its generation of future economic benefits to the Group, and are therefore tested for impairment annually. The carrying amount of water rights is supported by a value in use calculation.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Intangibles (Continued)

Software

Software is measured initially at the cost of acquisition and amortised over the useful life of the software. Expenditure on software development activities is capitalised only when it is expected that future benefits will exceed the deferred costs, and these benefits can be reliably measured. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible asset over its estimated useful life (not exceeding seven years) commencing when the intangible asset is available for use. Other development expenditure is recognised as an expense when incurred.

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets are capitalised when the Group is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criteria are charged against the statement of comprehensive income in the reporting period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(q) Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (Continued)

Finance leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of profit and loss and other comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(s) Employee benefits

Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Long-term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Bonus plan

The Group recognises a provision when a bonus is payable in accordance with the employee's contract of employment, and the amount can be reliably measured.

Termination benefits

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the Group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy. The Group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Goods and services tax (GST)

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis.

(u) Contributed equity

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Redeemable Preference Shares
Redeemable Preference Shares are classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Redeemable Convertible Preference Shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in the statement of comprehensive income as accrued.

(v) Share based payments

The Group provides benefits to its employees and Directors in the form of share-based payment transactions, whereby services are rendered in exchange for shares or options ("equity-settled transactions").

The fair value of options and performance rights is recognised as an expense with the corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the holder becomes unconditionally entitled to the options.

(w) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term and highly liquid cash deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purposes of the Statement of Cash Flows, cash includes cash on hand, demand deposits and cash equivalents.

(x) Government grants

Government grants are initially recognised as deferred income at fair value when there is recoverable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Subsequently, they are recognised in the statement of comprehensive income to offset the applicable expenses incurred by the Group as stated in the provisions of the government grants.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New Accounting Standards and Interpretations

Since 29 June 2014, the Group has adopted the following new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group's operations:

- AASB 2014-1 *Amendments to Australian Standards – Part A: Annual Improvements 2010-2012and 2011-2013 Cycles.*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part C: Materiality.*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part E: Financial Instruments*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-financial Assets.*

The adoption of these standards did not have a significant impact on the Group's financial position or performance.

(z) Recently issued or amended Accounting Standards

The following relevant Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and the Group has not yet adopted them:

- AASB 15 *Revenue from Contracts with Customers.*
- IFRS 9 *Financial Instruments*
- AASB 2014-5 *Amendments to Australian Accounting Standards – Revenue from Contracts with Customers.*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.*
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.*

The Group is currently assessing the impact of these standards to its financial position and performance.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

(a) Recoverability of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by the Board covering a period of 3 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 2.5% (2014: 3.0%) for cash flows post financial year 2018, a terminal value growth rate of 3.0% (2014: 3.0%) to determine value in use. A post-tax discount rate to post-tax cash flows has been applied as the valuation calculated using this method closely approximates applying pre-tax discount rates to pre-tax cash flows. The Group used a pre-tax discount rate of 12.8% to 13.4% for financial year 2015 (2014: 14.6% to 15.2%).

(b) Recoverability of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

(c) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(d) Valuation of biological assets

The valuation takes into account expected sales prices, yields, growth profile, picked fruit quality and expected incremental-cost related to the sale of the assets and management must make a judgement as to the trend in these factors. Please refer to Note 12 for further information.

(e) Revenue recognition (agency commission)

Certain sales undertaken by the Group are performed in their capacity as an agent, and not merchant relationship. The Group identifies these agency relationships when the Group pays the grower any proceeds that are received for the sale of the produce, after deduction of the commission and expenses applicable to the produce sold (and, if elected by the Group, after deducting any amounts owing by the grower under any other agreement.) The Group acknowledges that the deduction of commission or expenses constitutes payment of these amounts by the grower.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Valuation of assets held-for-sale

Assets held-for-sale are valued at the lower of cost and fair value less costs to sell upon classification. There are no indicators that assets held-for-sale are impaired. Based on recent market transactions entered into by the Group, the sales price of these assets are higher than the carrying value.

(g) Fair value measurement

The Group measures certain financial instruments, including derivatives, and certain non-financial assets such as agricultural assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. It is measured using the assumptions that market participants would use when pricing the asset of liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial item assumes it is put to its highest and best use.

The Group utilises valuations techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Accounting standards prescribe a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets of liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived by prices) observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 3: REVENUE

	2015 $ '000	2014 $ '000
Sales revenue		
Sale of goods and commissions received	709,572	649,862
Rebates and discounts provided	(12,380)	(12,303)
Rendering of services	29,837	61,516
Total Sales Revenue	727,029	699,075
Other Revenue	9,192	12,044
Total Revenue	736,221	711,119

NOTE 4: EXPENSES

		2015 $ '000	2014 $ '000
Finance costs			
Bank charges		89	67
Interest expense on borrowings		18,275	17,004
Borrowing costs expensed		2,448	7,849
Interest expense on Redeemable Preference Shares		83	3,551
		20,895	28,471
Impairment losses			
Property, plant and equipment	(a)	8,754	4,530
Goodwill	(b)	6,949	10,899
Lease premiums		-	280
		15,703	15,709

(a) Impairment of property, plant and equipment
The above impairment loss for the financial year 2015 is attributed to the Produce segment and relates to the downsizing of the grape category and the optimisation of the supply network in the mushroom category in financial year 2014. Refer to Note 14.

(b) Impairment of goodwill
There has been a write-off of the remaining carrying value of grape category goodwill during the financial year 2015 relating to the downsizing of the business. Refer to Note 15.

	2015 $ '000	2014 $ '000
Employee expenses		
Salaries, contractors and wages (including on costs)	217,740	223,745
Superannuation contribution	12,399	11,743
Annual leave, sick leave, rostered day off and long service leave expense	7,569	7,850
Share-based payments expense	1,310	411
Other employee expenses	4,142	6,010
	243,160	249,759

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 4: EXPENSES (CONTINUED)

	2015 $ '000	2014 $ '000
Other expenses		
Repair and maintenance expenses	13,656	12,029
Freight expenses	33,252	31,096
Legals and consulting expenditure	9,797	8,504
Insurance	5,136	6,597
Other	50,936	47,185
	112,777	105,411

Other expenses includes telecommunications, marketing, packing and handling charges and general administration expenditure.

NOTE 5: INCOME TAX

	2015 $ '000	2014 $ '000
(a) Components of tax expense		
Current tax	3,296	2,101
Deferred tax	(773)	3,196
Over provision in prior years*	(1,770)	(277)
	753	5,020

*Over provision relates to research and development tax credits for historical periods claimed in financial year 2015.

(b) Prima facie tax payable

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2015	2014
Profit before income tax	5,330	3,130
Prima facie income tax expense on profit before income tax at 30.0%	1,599	939
Add tax effect of:		
- non-deductible entertainment	35	64
- goodwill impairment loss	2,085	3,354
- share-based payments expense	394	123
- other non-deductible items	25	2,747
	2,539	6,288
Less tax effect of:		
- deferred tax assets not previously recognised	-	747
- research and development tax credits	750	-
- non-assessable foreign income	865	1,183
- over provision in prior years	1,770	277
	3,385	2,207
Income tax expense attributable to profit / (loss)	753	5,020

NOTE 5: INCOME TAX (CONTINUED)

	2015 $ '000	2014 $ '000
(c) Current tax		
Current tax liability relates to the following:		
Current tax liabilities / (assets)		
Opening balance	2,101	(489)
Current year tax expense	3,296	2,101
Tax (payments) / refunds	(2,064)	766
Over provisions	(1,770)	(277)
Closing balance	1,563	2,101
(d) Deferred tax		
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:	1,550	(1,077)
Property, plant and equipment	5,357	5,689
Provisions	3,167	2,781
Trade and other payables	2,574	2,856
Black hole deductions (section 40 880)	725	914
Borrowings	60	64
Other	1,043	1,060
Derivative financial liabilities	14,476	12,287
Deferred tax liabilities		
The balance comprises:		
Trade and other receivables	68	46
Biological assets	6,667	5,612
Intangible assets	2,306	1,967
Derivative financial assets	44	44
	9,085	7,669
Net deferred tax assets	5,391	4,618
(e) Deferred tax expense included in income tax comprises		
Decrease in deferred tax assets	(2,188)	177
(Decrease) / increase in deferred tax liabilities	1,416	3,018
	(773)	3,195

The Group's franking account balance as at 28 June 2015 is $17,292,964 (2014: $15,203,001).

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 6: SEGMENT INFORMATION

(a) Basis for segmentation
The Group has three reportable segments, as described below, based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The following summary describes the operations in each of the Group's reportable segments:

Produce
The Produce segment operates in four core categories: berries, mushrooms, glasshouse grown tomatoes and citrus. These operations are vertically integrated in terms of farming, packing and marketing, with the primary domestic sales channel being the major Australian food retailers.

Costa Farms & Logistics ("CF&L")
The CF&L segment incorporates interrelated logistics, wholesale avocado marketing and banana farming and marketing operations within Australia. These categories share common infrastructure, such as warehousing and ripening facilities, and are predominantly trading and services focused.

International
The International segment comprises royalty income from licensing of Costa's blueberry varietals in Australia, the Americas and Africa, and international berry farming operations in Morocco and China.

(b) Information about reportable segments
Performance is measured based on segment EBITDA before SGARA, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (CEO). Group financing costs and income taxes are managed at the Group level and are not allocated to operating segments. The information presented to the CEO does not report on segment assets and liabilities and as such is not presented in this report. It is the Group's policy that business support costs that are not directly attributable to a specific segment are allocated to the Produce segment, which is the Group's largest reportable segment, on the basis that it utilises the majority of these resources. Inter-segment revenue is eliminated on consolidation, however, is shown within the segment revenue to reflect segment level performance. Inter-segment transactions are on commercial terms. Information regarding the results of each reportable segment is included on the next page.

NOTE 6: SEGMENT INFORMATION (CONTINUED)

2015	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	498,155	228,874	-	-	727,029
Inter-segment	37,129	2,651	-	(39,780)	-
Segment revenue	535,284	231,525	-	(39,780)	727,029
EBITDA before SGARA	51,247	9,034	5,060	-	65,341

2014	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	451,857	247,218	-	-	699,075
Inter-segment	45,672	2,050	-	(47,722)	-
Segment revenue	497,529	249,268	-	(47,722)	699,075
EBITDA before SGARA	47,039	12,582	4,915	-	64,536

The Group principally supplies fresh produce to the major supermarkets in Australia, including Coles, Woolworths, ALDI and IGA, which collectively comprise approximately 70% of the Group's produce sales in the 2015 financial year (2014: 67%).

(c) Reconciliation of segment EBITDA before SGARA to profit before tax

	Notes	2015 $ '000	2014 $ '000
EBITDA before SGARA for reportable segments		65,341	64,536
IPO and other transaction costs	(i)	(5,447)	-
(Loss) / gain on fair value of biological assets		(252)	4,972
Depreciation and amortisation		(18,481)	(15,850)
Impairment losses		(15,703)	(15,709)
Profit/(loss) on sale of assets		500	(1,202)
Loss on sale on investments		-	(5,605)
Interest income		209	248
Finance costs		(20,895)	(28,471)
Gain on fair value of derivatives	(ii)	58	211
Income tax expense		(753)	(5,020)
Profit/(loss) for the year		4,577	(1,890)

Notes:
(i) IPO transaction costs have not been allocated to reportable segments.
(ii) Fair value movements on derivatives relating to the existing finance facility.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 7: EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
Basic EPS		
Basic EPS (cents) based on net profit / (loss) attributable to ordinary shareholders of Costa Group Holdings Limited	2.35	(0.97)
Diluted EPS		
Diluted EPS (cents) based on net profit / (loss) attributable to ordinary shareholders of Costa Group Holdings Limited	1.86	(0.77)
	Number	**Number**
Weighted average number of shares (in thousands)		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	194,600	194,600
Effect of potentially dilutive securities		
Redeemable Preference Shares	45,000	45,000
Equity-settled share options*	7,649	6,430
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS	247,249	246,030

* The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on the Final Price of the IPO.

Earnings reconciliation

	2015	2014
Basic EPS		
Net profit/(loss) attributable to owners of Costa Group Holdings Ltd	4,577	(1,890)
Diluted EPS		
Earnings used in calculating basic EPS	4,577	(1,890)
Interest expense on redeemable preference shares (net of tax)	58	54
Net profit/(loss) attributable to owners of Costa Group Holdings Ltd (diluted)	4,635	(1,836)

Earnings per share

Under AASB 133 – Earnings per Share, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of redeemable preference shares and share options outstanding during the period.

NOTE 8: CASH AND CASH EQUIVALENTS

	2015 $ '000	2014 $ '000
Cash at bank	9,435	21,150
Cash on deposit	43	5,055
Cash at hand	26	26
	9,504	26,231

All cash on deposit has maturity of less than 90 days.

(a) Reconciliation of profit after tax to net cash flows from operating activities

	2015 $ '000	2014 $ '000
Profit/(loss) for the year	4,577	(1,890)
Non-cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	18,481	15,850
(Profit)/loss on sale of assets	(500)	1,202
Impairment losses	15,703	15,709
Loss / (gain) on fair value adjustments - biological assets	252	(4,972)
Gain on fair value of derivatives	(58)	(211)
Share-based payments expense	1,310	411
Loss / (gain) on fair value of assets	2	(8)
Loss on sale of investments	-	5,605
Share of profit of equity-accounted investees	(9,515)	(8,566)
	30,252	23,130
Change in working capital and tax balances:		
Decrease in interest payable	83	11,499
(Increase) / decrease in inventories	(1,430)	95
Decrease / (increase) in receivables	4,687	(13,080)
(Increase) / decrease in other assets	(3,620)	127
Decrease in payables	423	9,493
(Decrease) / increase in provisions	(1,108)	2,291
(Increase) / decrease in deferred taxes	(773)	3,196
(Decrease) / increase in current tax payables	(538)	2,590
Net cash generated from operating activities	27,976	39,341

NOTE 9: RECEIVABLES

		2015 $ '000	2014 $ '000
CURRENT			
Trade debtors		51,248	56,360
Less: Allowance for impairment losses on trade receivables	**33c**	(1,009)	(1,083)
		50,239	55,277
Other receivables	**(i)**	12,312	15,455
		62,551	70,732
NON CURRENT			
Other receivables		125	225
		125	225

(i) Other receivables comprises GST receivable across the Group and accrued income.

NOTE 10: INVENTORIES

	2015 $ '000	2014 $ '000
CURRENT		
At cost		
Raw materials	10,706	7,212
Finished goods	5,418	6,735
	16,124	13,947

NOTE 11: OTHER FINANCIAL ASSETS

	2015 $ '000	2014 $ '000
NON CURRENT		
Loans to related party associates	1,631	1,631
Interest rate swap-option*	8	147
Available for sale financial assets		
Shares in other corporations	397	394
	2,036	2,172

* Refer to Note 19 for disclosure on fair valuation technique of this asset.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 12: BIOLOGICAL ASSETS

	2015 $ '000	2014 $ '000
CURRENT		
Fruit and vegetables - at fair value	25,512	21,242
Vegetables - at cost	6,059	6,812
	31,571	28,054
NON CURRENT		
Bearer plants - at fair value	4,305	6,009
Total biological assets	35,876	34,063
(a) Reconciliation of charges in carrying amount of biological assets		
Opening balance	34,063	28,873
(Loss) / gain arising from changes in fair value	(252)	4,972
Increases due to purchases	146,152	126,136
Decreases due to harvest	(144,087)	(125,918)
Closing balance	35,876	34,063

(b) Measurement of fair values

Fair value hierarchy

The fair value measurements for the Group's hanging crop and long term biological assets have been categorised as Level 3 fair values based on the inputs to the valuation techniques used, which are not based on observable market data.

Valuation techniques and significant unobservable inputs

The following table provides a description of the various biological asset types, shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

NOTE 12: BIOLOGICAL ASSETS (CONTINUED)

Type	Description	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Hanging crop - citrus - grapes, - avocados - tomatoes - blueberries - raspberries - bananas	These are crops from trees and bushes that have an annual crop production cycle (9 months for banana crops) and a reasonably stable development cycle.	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for one year. The expected net cash flows are discounted using a risk-adjustment factor to factor in volatility for weather, production and pricing.	*Inclusive of:* - Estimated future crop prices. - Estimated cash inflows based on forecasted sales. - Estimated yields per hectare. - Estimated harvest and transportation costs. - Risk adjustment factor. - Growth rate of 2% to 3%.	*The estimated fair value would increase (decrease) if:* - the estimated fruit prices were higher (lower); - the estimated yields per hectare were higher (lower); - the estimated harvest and transportation costs were lower (higher); or - the risk-adjusted discount rates were lower (higher).
Trees and vines - bananas - grapes - blueberries	*These comprise the trees and vines planted for the following:* - Blueberry bushes at Rosewood (NSW), Atherton (Qld) and Gingin (WA). - Banana trees at Tully and Walkamin (Qld) - Grape vines at Mundubbera (Qld)	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow projections include specific estimates for one year. The expected net cash flows are discounted using a risk-adjusted discount rate.	*Inclusive of:* - Estimated future crop prices. - Estimated cash inflows based on forecasted sales. - Estimated yields per hectare. - Estimated harvest and transportation costs. - Risk-adjusted discount rate (19% to 30% applied). - Growth rate of 2% to 3%.	*The estimated fair value would increase (decrease) if:* - the estimated fruit prices were higher (lower); - the estimated yields per hectare were higher (lower); - the estimated harvest and transportation costs were lower (higher); or - the risk-adjusted discount rates were lower (higher).

(c) Measurement of biological assets at cost

Short lived crops (mushrooms) are measured at cost. These crops typically have a short term development cycle of less than three months for mushrooms. The calculation of market value for these crops is based on total cost due to the inherent difficulty in accurately determining the biological advancement percentage of the crop with such a short development cycle. As such, the cost approach takes into account actual costs for preparation and cultivation.

(d) Risk management strategy related to biological activities

Regulatory and environmental risks

The Group is subject to laws and regulations in the various locations in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of all its fruit and vegetables. Management performs regular industry trend analyses to project harvest volumes and pricing. Where possible, the Group manages this risk by aligning its harvest volume to market supply and demand.

Climate and other risks

The Group's biological assets are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in placed aimed at monitoring and mitigating these risks, including protected cropping techniques across most crops and geographical diversification.

NOTE 13: OTHER ASSETS

	2015 $ '000	2014 $ '000
CURRENT		
Prepayments	6,517	2,743
Other current assets	-	155
	6,517	2,898

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	2015 $ '000	2014 $ '000
Land and buildings at cost	113,791	116,844
Accumulated depreciation and impairment losses	(42,043)	(33,744)
	71,748	83,100
Assets under Construction at cost	58,959	13,008
Plant and equipment at cost	166,164	143,924
Accumulated depreciation and impairment losses	(90,072)	(80,317)
	76,092	63,607
Leased plant and equipment at cost	1,728	1,728
Accumulated depreciation and impairment losses	(1,714)	(1,591)
	14	137
Improvements at cost	13,394	8,563
Accumulated depreciation and impairment losses	(4,148)	(3,213)
	9,246	5,350
Total property, plant and equipment	216,059	165,202

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	2015 $ '000	2014 $ '000
Land and buildings		
Opening carrying amount	83,100	86,829
Additions	922	572
Disposals	(16)	-
Depreciation expense	(4,835)	(5,047)
Impairment losses	(5,800)	(2,634)
Transfers, reclassifications and adjustments	(1,623)	3,380
Closing carrying amount	71,748	83,100
Assets Under Construction		
Opening carrying amount	13,008	6,650
Additions	60,893	13,779
Transfers, reclassifications and adjustments	(14,942)	(7,421)
Closing carrying amount	58,959	13,008
Plant and equipment		
Opening carrying amount	63,607	71,410
Additions	17,827	10,470
Disposals	(518)	(10,274)
Depreciation expense	(12,296)	(9,759)
Impairment losses	(2,954)	(1,897)
Transfers, reclassifications and adjustments	10,426	3,657
Closing carrying amount	76,092	63,607
Leased plant and equipment		
Opening carrying amount	137	315
Depreciation expense	(123)	(178)
Closing carrying amount	14	137
Leasehold Improvements		
Opening carrying amount	5,350	5,373
Additions	1,121	7
Disposals	(3)	-
Depreciation expense	(346)	(308)
Transfers, reclassifications and adjustments	3,124	278
Closing carrying amount	9,246	5,350

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2015 $ '000	2014 $ '000
Total property, plant and equipment		
Opening carrying amount	165,202	170,577
Additions	80,763	24,828
Disposals	(537)	(10,274)
Depreciation expense	(17,600)	(15,292)
Impairment losses	(8,754)	(4,531)
Transfers, reclassifications and adjustments	(3,015)	(106)
Closing carrying amount	216,059	165,202

(b) Property, plant and equipment pledged as security
All property, plant and equipment (excluding property in Innisfail Holdings Pty Ltd) across Costa Group Holdings Ltd has been pledged as security under a fixed and floating agreement with the Group's financiers.

(c) Impairment loss
Impairment losses in relation to property, plant and equipment are recorded in impairment losses within the statement of profit or loss and other comprehensive income. The recoverable amount of these assets was determined based on their fair value less costs of disposal ("FVLCOD"). Both the Grape sites, St. George and Menindee were closed as part of the downsizing of the Grape category, while the Mushroom sites, Mittagong and Huon Valley were closed as part of the optimisation of the Mushroom category's supply network. Each of the abovementioned sites have been written down to their FVLCOD and are included within the Produce segment. Accordingly, St. George, Menindee and Huon Valley have been written down to a nil carrying value, and Mittagong to its FVLCOD of $1.95m.

(d) Capital commitments
As at 28 June 2015, the Group has capital commitments amounting to $16,636,525 (2014: Nil) in relation to the purchase of property, plant and equipment, which are contracted for but not provided for.

NOTE 15: INTANGIBLE ASSETS

	2015 $ '000	2014 $ '000
Goodwill at cost less impairment losses	131,285	138,258
Capitalised software costs	8,457	7,947
Accumulated amortisation and impairment losses	(1,636)	(2,324)
	6,821	5,623
Brandnames at cost	1,730	1,730
Lease premiums at cost	1,665	1,665
Accumulated amortisation and impairment losses	(643)	(643)
	1,022	1,022
Water rights at cost	1,007	3,176
Total intangible assets	141,865	149,809

NOTE 15: INTANGIBLE ASSETS (CONTINUED)

(a) Reconciliation

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	2015 $ '000	2014 $ '000
Goodwill		
Opening balance	138,258	149,157
Impairment losses	(6,949)	(10,899)
Transfers, reclassifications and adjustments	(24)	-
Closing balance	131,285	138,258
Capitalised software costs		
Opening balance	5,623	4,311
Additions	2,071	2,091
Amortisation expense	(881)	(558)
Disposals	-	(249)
Transfers, reclassifications and adjustments	8	28
Closing balance	6,821	5,623
Brandnames		
Opening balance / closing balance	1,730	1,730
Lease premiums		
Opening balance	1,022	1,302
Impairment losses	-	(280)
Closing balance	1,022	1,022
Water Rights		
Opening balance	3,176	5,374
Additions	146	-
Revaluation of water rights	-	-
Transfers, reclassifications and adjustments	(2,315)	(2,198)
Closing balance	1,007	3,176

Amortisation expense in relation to intangible assets is included within depreciation and amortisation expenses in the statement of profit or loss and other comprehensive income. Impairment losses in relation to intangible assets are included within impairment losses in the statement of profit or loss and other comprehensive income.

NOTE 15: INTANGIBLE ASSETS (CONTINUED)

(b) Allocation of goodwill

The allocation of goodwill across the Group's reportable segments is provided below:

	Produce 2015 $ '000	CF&L 2015 $ '000	International 2015 $ '000	Total 2015 $ '000
Goodwill				
Carrying amount at start of year	134,417	3,841	-	138,258
Impairment losses for the year	(6,949)	-	-	(6,949)
Reclassification	(24)	-	-	(24)
Carrying amount at end of year	127,444	3,841	-	131,285

	Produce 2014 $ '000	CF&L 2014 $ '000	International 2014 $ '000	Total 2014 $ '000
Goodwill				
Carrying amount at start of year	135,337	13,820	-	149,157
Impairment losses for the year	(920)	(9,979)	-	(10,899)
Carrying amount at end of year	134,417	3,841	-	138,258

Impairment Loss
Impairment loss of $6,949,027 for the financial year 2015 recognised in the Produce segment relates to the downsizing of the grape category.

(c) Sensitivity Analysis
Management believe that no reasonably possible changes to key assumptions, including pre-tax discount rates and terminal growth rates, used in the determination of the recoverable amount would result in an impairment to the Group.

NOTE 16: PAYABLES

	2015 $ '000	2014 $ '000
CURRENT		
Unsecured liabilities		
Trade creditors	29,909	34,677
Sundry creditors and accruals	44,586	37,451
	74,495	72,128

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 17: BORROWINGS AND REDEEMABLE PREFERENCE SHARES

		2015 $ '000	2014 $ '000
CURRENT			
Secured liabilities			
Bank loans	**(a)**	4,884	-
Hire purchase liability		1	6
		4,885	6
NON CURRENT			
Secured liabilities			
Bank loans	**(a)**	228,004	209,771
Redeemable Preference Shares	**(b)**	1,119	1,036
		229,123	210,807

(a) Terms and conditions and assets pledging as security relating to the above financial instruments

1) Secured lease and hire purchase liabilities are secured by a charge over the assets.

2) Details of the key terms and conditions of the bank facilities are as follows:

- The term of the bank facility is five years from 30 April 2014.
- The nominal rate for the facility is a floating cash rate plus a margin dependant on the level of leverage.
- Lending covenants include Interest Cover Ratio, Total Gearing Ratio, Debt Service Cover Ratio and maximum limit for capital expenditure.
- A requirement to hold interest rate swap facilities to fix interest rates on a minimum of 75% of drawn-down debt (Facility A and B) at each reporting period until 30 April 2017 and 50% for the remainder of the facility. Total bank facilities with interest rate swaps at 28 June 2015 are $163,500,000.

3) The facility stipulates minimum loan repayments in each financial year, with a minimum debt repayment of $7 million for the 12 months ending 26 June 2016.

4) The bank facilities are secured by cross deeds of covenant between mortgage debentures over all assets of the Group.

The Group refinanced its borrowings under a new banking facility post year-end. Refer to Note 27 for further details.

NOTE 17: BORROWINGS AND REDEEMABLE PREFERENCE SHARES (CONTINUED)

(b) Redeemable Preference Shares

Redeemable Preference Shares are subject to the conditions described in Note 20.

Redemption terms are as follows:
Prior to the maturity date, a holder of Redeemable Preference Shares ("RPS") may elect for the Group to redeem some or all of its RPS by providing notice to the Group where an exit event is reasonably anticipated. On and from the redemption date, all rights and restrictions attaching to the RPS redeemed will no longer have effect, upon payment in full of the redemption amount. The redemption amount for each RPS is the sum of:

(a) the greater of the outstanding amount for that RPS and the notional conversion amount for that RPS as at the redemption date; and
(b) the unpaid dividend amount for that RPS, as at (and excluding) the redemption date.

Conversion terms are as follows:
A holder of RPS may convert any of its RPS ordinary shares at any time, including on an exit event or insolvency event, or maturity by providing notice to the Group at least 5 business days before the conversion date. Upon conversion, each RPS will automatically cease to have the rights attaching to a RPS and will have the rights and entitlements of an ordinary share of the relevant class for that holder. RPS ordinary shares will be converted at a 1:1 ratio with the Group's ordinary shares.

The RPS were converted to ordinary shares post year-end. Refer to Note 27 for further details.

NOTE 18: PROVISIONS

		2015 $ '000	2014 $ '000
CURRENT			
Employee benefits	**(a)**	12,452	10,840
Onerous leases	**(c)**	908	-
Restructuring and other	**(d)**	123	2,077
		13,483	12,917
NON CURRENT			
Employee benefits	**(a)**	3,290	4,964
(a) Aggregate employee benefits liability		15,742	15,804

These consist of provisions for annual leave and long service leave.

(b) Reconciliations

Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial year:

	2015 $ '000	2014 $ '000
Employee benefits		
Opening balance	15,804	15,589
Amounts used	(7,299)	(6,597)
Additional amounts recognised	7,237	6,812
Closing balance	15,742	15,804
Restructuring and other		
Opening balance	2,077	-
Amounts used	(1,968)	-
Additional amounts recognised	14	2,077
Closing balance	123	2,077

(c) Onerous leases

As part of the Group's decision to downsize its growing exposure in the grape category, Costa ceased farming operations on a leased property adjacent to its Mundubbera grape farm in January 2015. The expected payout costs associated with the lease have now been provided for. Additionally, the Group provided for onerous leases for equipment associated with this farm.

(d) Restructuring

Estimated restructuring cost mainly include employee termination benefits.

(e) Change in discount rates

For the current year ended 28 June 2015; the Group has adopted a high quality corporate bond rate as the discount rate for the measurement of employee benefits. This has reduced the provision for employee entitlement liabilities by $0.2m.

NOTE 19: DERIVATIVE FINANCIAL INSTRUMENTS

	2015 $ '000	2014 $ '000
CURRENT		
Forward foreign currency contracts	-	315
NON CURRENT		
Interest rate swaps	3,337	3,220
	3,337	3,535

Measurement of fair values

The fair value of the financial assets and financial liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The financial liabilities above and the interest rate swap option disclosed in Note 11 are the only financials assets and liabilities of the Group that are measured at fair value. The carrying amounts of financial assets and financial liabilities not measured at fair value are a reasonable approximation of fair value.

Fair value hierarchy

When measuring the fair values of financial assets and financial liabilities, the Group uses market observable data for identical assets or liabilities, which are Level 2 with reference to the AASB 13 Fair Value Hierarchy. The fair values of the derivative financial instruments are based on mark-to-market valuations.

NOTE 20: SHARE CAPITAL

		2015 $ '000	2014 $ '000
Issued and paid up capital			
194,600,012 $1 ordinary shares	(a)	194,600	194,600
Redeemable Preference Shares	(b)	43,964	43,964
		238,564	238,564

	2015		2014	
	Number '000	$ '000	Number '000	$ '000
(a) Ordinary shares				
Opening balance	194,600	194,600	194,600	194,600
Shares issued	-	-	-	-
At reporting date	194,600	194,600	194,600	194,600
(b) Redeemable Preference Shares				
Opening balance	45,000	43,964	-	-
Extinguishment of financial liability	-	-	45,000	43,964
At reporting date	45,000	43,964	45,000	43,964

Rights of each type of share
Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Redeemable Preference Shares are subject to the conditions described below:

- Redeemable Preference Shares do not entitle the holder to vote at a general meeting of the Company. Voting rights on conversion to ordinary shares are restricted until an insolvency event occurs.
- Redeemable Preference Shares allow the holder to receive cumulate fixed dividends, where the fixed dividend rate is 8.0% per annum, accruing daily and compounding quarterly. They are also entitled to non-fixed dividends that rank equally with ordinary shares with reference to the equivalent dividends declared with respect to ordinary shares.
- Payment of any dividend is subject to the directors' declaring or resolving to pay a dividend, so long as the payment does not breach the Corporations Act provision, the payment is permitted by the Group's finance facilities and the Group is not insolvent immediately before or after the payment.
- The Redeemable Preference Shares rank junior to all secured and unsecured debt of the Company but have priority over ordinary shares.

NOTE 21: PROFIT RESERVE

The profit reserve comprises the transfer of net profit for the year and characterises profits available for distribution as dividends in future years. The profit reserve balance as at balance sheet date in thousands is $4,577 (2014: Nil).

NOTE 22: SHARE-BASED PAYMENTS

	2015 $ '000	2014 $ '000
Share-based payments reserve	1,759	449

The share-based payments reserve is used to record the fair value of shares or equity-settled share-based payment options issued to employees.

Share-Based Payment Plan - Share Option Plan

The Group continued to offer equity settled share based payments via employee participation in long term incentive schemes as part of the remuneration packages for the key management personnel and executives of the Company through the establishment of a Share Option Plan ("Option Plan").

A Shareholders Deed entered into by the shareholders of Costa Group Holdings Ltd allow the issuance of options under the Option Plan representing up to 10% of the ordinary share capital of Costa Group Holdings Ltd. Eligibility for the Option Plan is determined at the discretion of the Board. Any shares issued pursuant to the Option Plan have no voting rights.

During the financial year 2015, 2,455,000 (2014: 864,889) options have been granted under this Option Plan. All options granted under this Option Plan can only be exercised when the Company undertakes an Initial Public Offering. The vesting period for these options is calculated to be from grant date to when the Initial Public Offering is expected to occur.

Measurement of Fair Values

The fair value of the options issued under this Option Plan was measured on using a Black-Scholes pricing model. The inputs used in the measurement of the fair values at grant date of the options were as follows:

	Senior Management		Non-executive Directors
	2015	2014	2015
Number of options issued	2,005,000	864,889	450,000
Fair value at grant date	$0.194	$ 0.218	$ 0.172
Share price at grant date	$ 1.29	$ 1.20	$ 1.29
Exercise price	$ 1.45	$ 1.45	$ 1.45
Expected volatility	28.43%	32.56%	28.43%
Expected life	2.3 years	2.9 years	2.0 years
Expected dividend yield	0%	0%	0%
Risk-free rate (based on the Australian bank bill swap rate)	2.67%	2.99%	2.58%

Since the Company was not listed at the time of granting the above share options, the share prices are reflective of the expected intrinsic value of the Company calculated by management at grant dates. The expected volatility has been based on an evaluation of the historical volatility using comparable companies to the Group. The Group has accounted for the options as equity settled share based payments.

NOTE 22: SHARE-BASED PAYMENTS (CONTINUED)

Reconciliation of outstanding share options

The number and weighted average exercise prices of options under the employee share option program are as follows:

	Number of options 2015	Weighted average exercise price 2015	Number of options 2014	Weighted average exercise price 2014
Opening balance	19,216,752	1.45	19,027,557	1.45
Granted during the year	2,455,000	1.45	864,889	1.45
Forfeited during the year	-	1.45	(675,694)	1.45
Closing balance	21,671,752	1.45	19,216,752	1.45
Exercisable at year end	-	-	-	-

The options outstanding as at 28 June 2015 had an exercise price of $1.45 (2014: $1.45). All outstanding options vested as part of the Initial Public Offering undertaken on 24 July 2015 (refer Note 27).

NOTE 23: EQUITY ACCOUNTED INVESTMENTS

(a) Details of Associates and Joint Ventures

	Equity instrument	Ownership interest 2015 %	Ownership interest 2014 %	Measurement basis	Principal place of business and country of incorporation
Joint ventures and associates					
Driscoll's Australia Partnership	Ordinary shares	50	50	Equity Accounted	Victoria, Australia
Polar Fresh Partnership	Ordinary shares	50	50	Equity Accounted	Victoria, Australia
African Blue SARL	Ordinary shares	49	49	Equity Accounted	Moulay-Bousselham, Morocco

b) Summarised financial information for associates and joint ventures

	African Blue SARL $ '000	Polar Fresh Partnership $ '000	Driscoll's Australia Partnership $ '000	Total $ '000
Reconciliation of carrying amount in joint ventures and associates:				
Opening balance at 30 June 2014	9,415	8,288	6,468	24,171
Total share of profit	4,183	2,991	2,341	9,515
Dividends received by the Group	(1,354)	(2,745)	(2,000)	(6,099)
Closing balance at 28 June 2015	12,244	8,534	6,809	27,587

(a) African Blue SARL
In 2007, the Group entered into a joint venture to establish African Blue, a Moroccan-based grower and marketer of blueberries. The African Blue joint venture holds an exclusive licence to grow Costa blueberry varieties in Morocco for sale worldwide (excluding Americas). In financial year 2015, sales revenue for African Blue was $26,813,125 (2014: $18,381,685), and net assets were $19,375,918 (2014: $13,682,019).

(b) Polar Fresh Partnership
The Polar Fresh Partnership is a provider of cold storage, warehousing and distribution solutions. Polar Fresh Partnership operates three cold storage sites throughout Australia. In financial year 2015, sales revenue for the Polar Fresh Partnership was $7,175,041 (2014: $6,717,835), and net assets were $2,270,072 (2014: $1,778,456).

(c) Driscoll's Australia Partnership
In 2010, the Group entered into a partnership with Driscoll's Strawberry Associates Inc. to form Driscoll's Australia Partnership, which is an Australian berry marketing business. The majority of the Groups' berries grown are marketed in Australia through the Driscoll's brand. In financial year 2015, sales revenue for the Driscoll's Australia Partnership was $80,416,042 (2014: $59,544,398), and net assets were $13,850,964 (2014: $13,167,328).

NOTE 24: RELATED PARTY TRANSACTIONS

(a) Transactions with associates and joint ventures

The group transacted with jointly controlled entities during the 2015 financial period as follows:

- African Blue SARL - Accrual of royalty income on blueberry sales of $764,000 (2014: $538,000).
- African Blue SARL - Dividends received amounting to $1,353,810 (2014: $425,000).
- African Blue SARL - Other costs charged of $130,986 (2014: $100,000).
- Polar Fresh Partnership - Dividends received amounting to $2,745,143 (2014: $2,484,556) and $125,000 (2014: $117,361) for transactional and management services provided.
- Polar Fresh Partnership - Receivable of $3,819 for management fees (2014: $7,639).
- Driscoll's Australia Partnership - Commission paid on sale of berries $6,340,080 (2014: $10,754,285).
- Driscoll's Australia Partnership - Sales of produce $109,126,476 (2014: $85,249,202).
- Driscoll's Australia Partnership - Receivable of $4,471,199 for sale of produce (2014: $2,047,806).

The Group has a loan to African Blue (Joint Venture). This is to fund working capital and was incurred in prior years. The balance as at 28 June 2015 is AUD $1,630,585 (2014: AUD $1,630,585).

(b) Transactions with key management personnel of the entity or its parent and their personally related entities

*Mr Neil Chatfield (Director)**
- A consultant for Costa Asset Management Pty Ltd, a company associated with Costa Group Holdings Ltd. No fees or costs have been paid directly to Neil Chatfield by Costa Group Holdings Ltd.

*Mr Frank Costa (Director)**
- Ownership interest of State Logistics Pty Ltd which provided management services to the Group totalling $600,000 (2014: $600,000).
- Ownership interest of Table Grape Growers Australia which provided advisory services of AUD $Nil (2014: $1,500,000). Following completion of the IPO, no payments will be made going forward.
- Indirect ownership interest in Vitalharvest Ltd which is the landlord for the three citrus and four berry farms managed by the Group. Refer to Note 24(c) for transactions with this entity.
- Costs incurred by Costa Group on behalf of related parties associated with the Costa family for travel, telecommunications, salaries and sponsorship for the year ended 28 June 2015 of AUD $433,041 (2014: AUD $426,127).

*Mr Harry Debney (Director)**
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associate of the Group (refer to Note 23 for details). No payments were made in connection with this position.
- Director of Driscoll's Australia Pty Ltd (Driscolls Australia Partnership) which is a joint venture of the Group (refer to Note 23 for details). No payments were made in connection with this position.
- Representative of Blueberry Investments Morocco Pty Ltd (a member of the Group) on the Board of African Blue SA which is an associate of the Group (refer to Note 23 for details).

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with key management personnel of the entity or its parent and their personally related entities (continued)

*Mr Kevin Schwartz (Director)**

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630).

Mr Bruno Ferrari Garcia de Alba (Director)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630). Salary paid directly to Bruno Ferrari Garcia de Alba of AUD $100,000 (2014: AUD $50,000).

Mr Robert Costa (Director)

- Director and ownership interest of State Logistics Pty Ltd which provided management services to the Group totalling $600,000 (2014: $600,000).
- Director and ownership interest of Table Grape Growers Australia which provided advisory services of AUD $Nil (2014: $1,500,000).
- Director and ownership interest in Vitalharvest Ltd which is the landlord for the three citrus and four berry farms managed by the Group. Refer to Note 24(c) for transactions with this entity.
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associate of the Group (refer to Note 23 for details).
- Director and ownership interest of Costa Asset Management Pty Ltd (formerly Baxter Hill Pty Ltd) whereby occupancy expenditure for the Group totalling $5,966,443 (2014: $6,175,321) was incurred.
- Director and ownership interest in STG Nominees. STG Nominees received no income (2014: $4,642,793) from entities within the Group for equipment rental.
- Costs incurred by Costa Group on behalf of related parties associated with the Costa family for travel, telecommunications, salaries and sponsorship for the year ended 28 June 2015 of AUD $433,041 (2014: AUD $426,127).

Mr Greg Hunt (Director)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees of AUD $Nil (2014: AUD $1,650,000). Salary paid directly to Greg Hunt of AUD $100,000 (2014: AUD $50,000).

Mr Angelos Dassios (Director)

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD $400,000 (2014: AUD $500,000), advisory fees of AUD $Nil (2014: AUD $1,650,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 28 June 2015 of AUD $180,849 (2014: AUD $354,630).

* Following the completion of the IPO in July 2015, new arrangements will be entered into with these related parties.

NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with key management personnel of the entity or its parent and their personally related entities (continued)

	2015 $ '000	2014 $ '000
Compensation received by key management personnel of the group:		
- Short-term employee benefits	3,341	2,739
- Post-employment benefits	65	58
- Long-term employee benefits	46	36
- Share-based payment benefits	742	280
	4,194	3,113

(c) Transactions with other related parties

Vitalharvest Limited - Property rent expense

During the year Costa Group Holdings leased citrus and berry farms across Australia from Vitalharvest Limited. Fixed rental payments totalled $7,961,239 (2014: $7,368,797) and variable rent payments totalled $9,086,680 (2014: $8,204,743). Refer to below for key terms and conditions on these property leases.

(i) Vitalharvest Limited - receivables

As at 28 June 2015, the Group has a receivable of $755,214 in relation to capital expenditure to be reimbursed (2014: $59,957).

(ii) Property leases - key terms and conditions

The Group has leases on four berry and three citrus properties throughout Australia. The lease payments consist of a fixed and variable component. The fixed component is based on 8% of Vitalharvest's invested cost in each property, inclusive of initial acquisition cost and subsequent capital investment. Any capital spent on expanding farms will result in an increase in the fixed rental. The variable rental is predominantly based on 25% of earnings before interest, tax and variable rent. This includes earnings from farming, packing and marketing profits earned through these leased farms. Under the terms of the lease, the Group is responsible for the replanting of any existing planted areas and provides all non-fixed equipment to maintain the farms. The leases are generally 15 years in length and expire in 2026 with an option for the Group to extend for a further 10 year period.

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 25: CAPITAL AND LEASE COMMITMENTS

		2015 $ '000	2014 $ '000
(a) Hire purchase commitments Payable			
- not later than one year		1	6
Total hire purchase liability	**17**	1	6

The above liability relates to the hire purchase of operating plant and equipment.

(b) Operating lease commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements:

	2015 $ '000	2014 $ '000
Payable		
- not later than one year	29,343	27,262
- later than one year and not later than five years	107,233	100,287
- later than five years	116,016	140,629
	252,592	268,178

(c) Bank guarantees

The Group maintains bank guarantees of $8,481,174 (2014: $8,195,489).
In addition to above, bank guarantees of $2.5 million are committed in relation to a Driscoll's overdraft facility.

NOTE 26: CONTINGENT LIABILITIES

The Group is not aware of any contingent liabilities as at 28 June 2015.

NOTE 27: EVENTS SUBSEQUENT TO REPORTING DATE

On 24 July 2015, the Group undertook an Initial Public Offering (IPO) on the Australian Securities Exchange. The purpose of the IPO was to:

- provide Costa with access to capital markets to pursue further growth opportunities;
- pay down the Group's existing debt; and
- allow existing shareholders to realise part of their investment.

As a result of the IPO, the Group:

- Issued new shares of $173.3 million;
- Repaid the existing debt facility of $238.0 million and drew down $142.0 million under a new banking facility;
- Disposed of existing options issued to management and directors under the legacy LTI plan, which resulted in a cash payment of $11.9 million and acceleration of share-based payments expense $0.7 million;
- Paid a dividend of $9.4 million in relation to the Redeemable Preference Shares (RPS). The RPS were subsequently converted to ordinary shares; and
- Write-off of capitalised borrowing costs of $7.9 million.

NOTE 28: ASSETS CLASSIFIED AS HELD FOR SALE

		2015 $ '000	2014 $ '000
Water Licences	**(a)**	2,315	4,204
Property, plant and equipment	**(b)**	1,927	-
		4,242	4,204

(a) The Group holds Water access licenses (water rights) across various locations in Australia, in which the following two are classified as assets held for sale:

- St George (Western Queensland)
- Darling River, Menindee (New South Wales)

Management intends to sell all of these rights to external parties and are actively marketing the assets in accordance with the closure of these farms during the financial period.

(b) The Group also has property, plant and equipment held for sale from Mushroom sites which are no longer operational.

NOTE 29: DEED OF CROSS GUARANTEE

The wholly owned subsidiaries listed in Note 31 (excluding Hillston Investments Pty Ltd and Innisfail Holdings Pty Ltd) are parties to a deed of cross guarantee under which each company guarantees the debts of the others.

Pursuant to ASIC Class Order 98/1418 (as amended), these wholly owned subsidiaries listed in Note 31 (excluding Hillston Investments Pty Ltd and Innisfail Holdings Pty Ltd) are relieved from the Corporations Act requirements to prepare a financial report and director's report.

A consolidated statement of profit or loss and other comprehensive income and a consolidated statement of financial position for the year ended 28 June 2015, comprising the above listed parties to the deed which represent the "closed group", are set out below:

(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income of the closed group

	2015 $ '000	2014 $ '000
Revenue	736,221	711,119
Less: Expense	(740,376)	(708,989)
(Loss) / Profit before income tax expense	(4,155)	2,130
Income tax expense	(753)	(5,020)
Total loss / total comprehensive loss for the year	(4,908)	(2,890)

NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated Statement of Financial Position of the closed group

	Notes	2015 $ '000	2014 $ '000
ASSETS			
Current assets			
Cash and cash equivalents		9,504	26,231
Receivables		62,201	70,412
Inventories		16,124	13,947
Biological assets		31,571	28,054
Other assets		6,517	2,898
Assets classified as held for sale		4,242	4,204
Total current assets		130,159	145,746
Non-current assets			
Receivables		125	225
Other financial assets		2,036	2,172
Biological assets		4,305	6,009
Equity accounted investments		27,587	24,171
Intangible assets		141,865	149,809
Deferred tax assets		5,391	4,618
Property, plant and equipment		216,059	165,202
Total non-current assets		397,368	352,206
Total assets		527,527	497,952
LIABILITIES			
Current liabilities			
Payables		74,495	72,128
Borrowings		4,885	6
Provisions		13,483	12,917
Derivative financial liabilities		-	315
Current tax liabilities		1,563	2,101
Total current liabilities		94,426	87,467
Non-current liabilities			
Borrowings		228,004	209,771
Redeemable convertible preference shares		1,119	1,036
Provisions		3,290	4,964
Derivative financial liabilities		3,337	3,220
Total non-current liabilities		235,750	218,991
Total liabilities		330,176	306,458
NET ASSETS		197,351	191,494

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 29: DEED OF CROSS GUARANTEE (CONTINUED)

	Notes	2015 $ '000	2014 $ '000
EQUITY			
Contributed equity		226,975	226,975
Share based payment reserve		1,759	449
Accumulated losses		(31,383)	(35,930)
Total equity		197,351	191,494

NOTE 30: PARENT ENTITY DISCLOSURES

(a) Summarised presentation of the parent entity, Costa Group Holdings Ltd financial statements

	2015 $ '000	2014 $ '000
Assets		
Current Assets	211	124
Non-Current Assets	264,944	294,691
Total Assets	265,155	294,815
Liabilities		
Current Liabilities	2,017	2,266
Non-Current Liabilities	39,803	68,372
Total Liabilities	41,820	70,638
Net Assets	223,335	224,177
Equity		
Contributed Equity	238,564	238,564
Reserves	1,759	449
Accumulated losses	(16,988)	(14,836)
Total Equity	223,335	224,177

(b) Summarised statement of comprehensive income

	2015 $ '000	2014 $ '000
Loss for the period	(2,152)	(3,217)
Total comprehensive loss for the year	(2,152)	(3,217)

(c) Parent entity guarantees in respect of debts of its subsidiaries
The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the Deed are disclosed in Note 29.

NOTE 31: LIST OF SUBSIDIARIES

The following are the Group's significant subsidiaries:

Subsidiaries of Costa Group Holdings Ltd:	Country of incorporation	Ownership interest held by the group	
		2015 %	2014 %
Costa Group Holdings (Finance) Pty Ltd	Australia	100	100
Costa's Pty Ltd	Australia	100	100
ACN 151 702 251 Pty Ltd	Australia	100	100
Costa Exchange Holdings Pty Ltd	Australia	100	100
Costa Asia Pty Ltd (formerly ACN 125 158 741 Pty Ltd)	Australia	100	100
Grape Exchange Management Euston Pty Ltd	Australia	100	100
North Fresh Pty Ltd	Australia	100	100
Vinefresh Pty Ltd	Australia	100	100
Southern Cross Overseas Pty Ltd	Australia	100	100
CostaExchange Pty Ltd (formerly CostaExchange Ltd)	Australia	100	100
Costa Berry Holdings Pty Ltd	Australia	100	100
Costa Berry Pty Ltd	Australia	100	100
Blueberry Investments Morocco Pty Ltd	Australia	100	100
Raspberry Fresh Pty Ltd	Australia	100	100
CBSP Pty Ltd	Australia	100	100
FruitExpress Pty Ltd	Australia	100	100
ACN 057 689 246 Pty Ltd	Australia	100	100
Exchange Innisfail Pty Ltd	Australia	100	100
Freshexchange Pty Ltd	Australia	100	100
Yandilla Park Pty Ltd	Australia	100	100
East Africa Coffee Plantations Pty Ltd	Australia	100	100
AgriExchange Pty Ltd	Australia	100	100
Vitor Marketing Pty Ltd	Australia	100	100
AgriExchange Farm Management Pty Ltd	Australia	100	100
Mushroom Holdings Exchange Pty Ltd	Australia	100	100
Mushroom Exchange Pty Ltd	Australia	100	100
Costa Fresh Logistics Pty Ltd	Australia	100	100
Tomato Exchange Pty Ltd	Australia	100	100
Grape Exchange Farming Pty Ltd	Australia	100	100
Grape Exchange Pty Ltd	Australia	100	100
Grape Exchange Farming Mundubbera Pty Ltd	Australia	100	100
Costa Group Finance Pty Ltd	Australia	100	100
Costa Farms Pty Ltd	Australia	100	100
Costa Logistics Pty Ltd	Australia	100	100
Polford Nominees Pty Ltd	Australia	100	100
AgriExchange Murtho Pty Ltd	Australia	100	100
Hillston Investments Pty Ltd	Australia	100	100
Banana Exchange Pty Ltd	Australia	100	100
Innisfail Holdings Pty Ltd	Australia	100	100
Exchange Brisbane Pty Ltd	Australia	100	100
Costa Asia Ltd	Hong Kong	100	-
Costa China (Hong Kong) Ltd	Hong Kong	100	-

NOTES TO THE CONSOLIDATED FINANCIAL REPORT

NOTE 32: AUDITOR'S REMUNERATION

	2015 $	2014 $
Audit and review services provided by KPMG		
Audit and review of financial reports	245,700	203,000
Other services provided by KPMG		
Taxation compliance and other taxation advisory services (including R&D)	277,030	109,160
Other assurance services (including IPO services)	785,000	60,000
Other services (including IPO services)	575,230	14,500
	1,637,260	183,660
Total Remuneration of KPMG Australia	1,882,960	386,660
Other services provided by Pitcher Partners		
Taxation compliance and other taxation advisory services	-	129,589

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Fair value hierarchy	2015 $ '000	2014 $ '000
Financial assets			
Loans and receivables			
Current receivables	-	62,551	70,732
Cash and cash equivalents	-	9,504	26,231
Loans to related party associates	-	1,631	1,631
		73,686	98,594
Available for sale			
Shares in other corporations	Level 2	397	394
		397	394
Designated at fair value			
Interest rate swap-option	Level 2	8	147
		8	147
Financial liabilities			
Designated at fair value			
Interest rate swaps	Level 2	3,337	3,220
Forward exchange contracts	Level 2	-	315
		3,337	3,535
Other financial liabilities not measured at fair value			
Payables	-	74,495	72,128
Bank loans	Level 2	232,888	209,771
Hire purchase liabilities	Level 2	1	6
Redeemable preference shares (liability component)	Level 2	1,119	1,036
		308,503	282,941

The Group's financial risk management objective is to minimise the potential adverse effects of financial performance arising from changes in financial risk. Financial risks are managed centrally by the Group's finance team under the direction of the directors and the Board's Audit and Risk Management Committee. Management regularly monitors the Group's exposure to any of these financial risks and reports to the Board.

The Group's activities expose it to a number of financial risks, including market risk (interest rate risk and foreign currency risk), liquidity risk and credit risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. The Group's exposure to market interest rate risk relates primarily to its borrowings. The Group has historically managed its cash flow interest rate risk by using floating to fixed interest rate swaps for a portion of variable rate borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

As at reporting date, the Group had the following financial assets and liabilities exposed to variable interest rate risk:

	2015 $ '000	2014 $ '000
Variable rate instruments		
Assets		
Cash and cash equivalents	9,504	26,231
Derivative financial assets	8	147
	9,512	26,378
Liabilities		
Bank loans	54,500	55,000
Derivative financial liabilities	3,337	3,535
	57,837	58,535
Net financial liabilities	48,325	32,157

Sensitivity analysis for variable rate instruments

At 28 June 2015, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, profit or loss would have increased/(decreased) by:

	2015 $ '000	2014 $ '000
Increase of 100 basis points in interest rate	483	322
Decrease of 100 basis points in interest rate	(483)	(322)

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchanges rates relates to the Group's operating activities and investments in foreign joint ventures. The Group imports and exports produce and is exposed to foreign exchange risk, primarily movements in exchange rates of US dollar and Japanese Yen, and Moroccan Dirhams ("MAD") through its investment in the African Blue joint venture. The Group also makes purchases and capital expenditure that expose it to movements in exchange rates of US dollar and Euro. The Group enters into forward contracts to hedge some of its exposure against foreign currency risk.

The Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian dollars, was as follows:

2015	USD $ '000	JPY $ '000	EUR $ '000
Cash	1,720	7	-
Trade and other receivables	3,417	322	-
Trade and other payables	(4)	-	(100)
Net exposure	5,133	329	(100)

2014	USD $ '000	JPY $ '000	EUR $ '000
Cash	2,052	4	1
Trade and other receivables	2,208	142	875
Trade and other payables	(4)	-	(1,108)
Net exposure	4,256	146	(232)

Sensitivity analysis

At 28 June 2015, had the Australian dollar weakened/strengthened by 10% against the MAD, the US dollar, the Euro and Japanese Yen, with all other variables held constant, the impact to profit or loss and equity would be an increase/(decrease) of:

2015	MAD $ '000	USD $ '000	JPY $ '000	EUR $ '000
Australian Dollar Weakened by 10%	418	513	33	(10)
Australian Dollar Strengthened 10%	(418)	(513)	(33)	10

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure it always has sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk using a recurring planning tool, and maintaining, at all times, an appropriate minimum level of liquidity, comprising committed, unused bank facilities and cash resources, to meet the Group's financial obligations as and when they fall due.

The Group manages liquidity risk by maintaining sufficient cash reserves, banking facilities and standby borrowing facilities and by monitoring forecast and actual cash flows. As at reporting date, unused credit facilities net of bank guarantees of the Group were $75.5 million. In addition, the Group maintains an overdraft facility of $3 million.

The Group is in compliance with all undertakings under its various financial arrangements.

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

2015	Less than 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Bank loans	9,931	10,464	266,660	-	287,055
Redeemable Preference Shares	-	-	-	45,000	45,000
Finance lease liabilities	1	-	-	-	1
Trade payables	74,495	-	-	-	74,495
	84,427	10,464	266,660	45,000	406,551
Derivative financial liabilities					
Interest rate swaps	-	-	3,337	-	3,337
Forward exchange contracts	-	-	-	-	-
	-	-	3,337	-	3,337

2014	Less than 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total
Non-derivative financial liabilities					
Bank loans	9,689	9,227	267,002	-	285,918
Redeemable Preference Shares	-	-	-	45,000	45,000
Finance lease liabilities	3	3	-	-	6
Trade payables	72,128	-	-	-	72,128
	81,820	9,230	267,002	45,000	403,052
Derivative financial liabilities					
Interest rate swaps	-	-	3,220	-	3,220
Forward exchange contracts	315	-	-	-	315
	315	-	3,220	-	3,535

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(c) Credit Risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The Group is exposed to counterparty credit risk arising from its operating activities, primarily from trade receivables. Trade receivable balances are monitored on a weekly basis. The finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings and regularly monitored by management.

The maximum exposure to credit risk is as follows:

	2015 $ '000	2014 $ '000
Cash and cash equivalents	9,504	26,231
Receivables	62,676	70,957
	72,180	97,188

The ageing analysis of trade receivables is set out in the table below. The credit quality of financial assets that are neither past due nor impaired is assessed based on the application of the credit risk policies described above.

	2015 $ '000	2014 $ '000
Neither past due nor impaired	39,784	33,295
Past due 1 - 30 days	11,045	16,501
Past due 31 - 60 days	269	3,391
Past due over 60 days	150	3,173
	51,248	56,360

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available. Major Australian supermarkets, including Coles, Woolworths, Aldi and IGA comprise approximately 48% of the Group's customers at 28 June 2015.

Impairment losses on trade receivables
Trade receivables are non-interest bearing with credit terms generally settled within 14 to 60 days depending on the nature of the sales transaction, e.g. exports settled within 60 days. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within other expenses in the statement of profit or loss and other comprehensive income. All trade receivables that are not impaired are expected to be received within credit terms.

	Note	2015 $ '000	2014 $ '000
Movements in the accumulated impairment losses were:			
Opening balance at 30 June 2014		(1,083)	(774)
Impairment loss recognised		(665)	(806)
Amounts written off		739	497
Closing balance at 28 June 2015	9	(1,009)	(1,083)

NOTE 33: FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(d) Capital management

The primary objective of the Group's capital management is to maintain investor, creditor and market confidence and a strong credit rating and healthy capital ratios to support its business and maximise shareholder value. Capital includes equity attributable to the equity holders of the parent and Redeemable Preference Shares.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Various financial ratios and internal targets are assessed and reported to the Board on a regular basis by management to monitor and support the key objectives as set out above. These ratios and targets include;

- An earnings to net interest expense ratio;
- A total net indebtedness to earnings ratio; and
- Adjusted earnings to interest expense ratio.

NOTE 34: DIVIDENDS PAID AND PROPOSED

No dividends on ordinary shares were paid or proposed during the year (2014: NIL).

DIRECTORS' DECLARATION

1. In the opinion of the directors of Costa Group Holdings Ltd ("the Company"):

   (a) the consolidated financial report and notes 1 to 34 and the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 28 June 2015 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the Group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the Group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 28 June 2015.

4. The directors draw attention to Note 1 to the consolidated financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Melbourne 24 day of September 2015.

Harry Debney
Managing Director

Neil Chatfield
Chairman

Independent auditor's report to the members of Costa Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Costa Group Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 28 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Costa Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 28 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the remuneration report included in pages 37 to 53 of the Directors' report for the year ended 28 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Costa Group Holdings Limited for the year ended 28 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne
24 September 2015

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

TWENTY LARGEST REGISTERED SHAREHOLDERS (AS AT 7 SEPTEMBER 2015)

Rank	Name of shareholder	No. of shares	% of issued capital
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	48,499,619	15.21%
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED ‹AS CUSTODIAN FOR P & P COS HOLDINGS B.V. A/C›	38,940,002	12.21%
3.	NATIONAL NOMINEES LIMITED	36,829,160	11.55%
4.	CITICORP NOMINEES PTY LIMITED	33,389,035	10.47%
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	33,237,848	10.42%
6.	COSTA AFR PTY LTD ‹AS TRUSTEE FOR THE THE COSTA UNIT TRUST A/C›	32,940,002	10.33%
7.	UBS NOMINEES PTY LTD	14,178,374	4.45%
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	5,722,429	1.79%
9.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,348,502	1.68%
10.	BNP PARIBAS NOMINEES PTY LTD ‹DRP›	4,191,562	1.31%
11.	BRISPOT NOMINEES PTY PTD ‹HOUSE HEAD NOMINEE NO 1 A/C›	3,322,448	1.04%
12.	AMP LIFE LIMITED	2,116,449	0.66%
13.	CITICORP NOMINEES PTY LIMITED ‹COLONIAL FIRST STATE INV A/C›	2,087,486	0.65%
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED ‹NT-COMNWLTH SUPER CORP A/C›	1,417,476	0.44%
15.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED ‹PI POOLED A/C›	1,312,443	0.41%
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,110,089	0.34%
17.	MR HARRY DEBNEY	1,009,037	0.32%
18.	MORGAN STANLEY AUSTRALIA SECURITES (NOMINEE) PTY LIMITED ‹NO 1 ACCOUNT›	992,736	0.31%
19.	DR KUI LIM CHONG + MRS JOCELYN ELIZABETH CHONG	973,231	0.31%
20.	BOND STREET CUSTODIANS LTD ‹MACQUARIE SMALLER CO'S A/C›	944,445	0.30%

SHAREHOLDER INFORMATION

DISTRIBUTION OF HOLDINGS (AS AT 7 SEPTEMBER 2015)

Range	No. of holders	No. of shares	% of issued capital
1 to 1,000	401	314,200	0.10%
1,001 to 5,000	1,601	4,640,417	1.46%
5,001 to 10,000	558	4,386,796	1.38%
10,001 to 100,000	1,157	30,302,143	9.50%
100,001 and Over	68	279,236,881	87.57%
Total	3,785	318,880,437	100.00%

SUBSTANTIAL SHAREHOLDERS (AS NOTIFIED TO THE COMPANY AT 7 SEPTEMBER 2015)

Shareholder	No. of shares	% of issued capital
P&P COS Holdings B.V.	38,940,002	12.21%
Costa AFR Pty Ltd as trustee for the Costa AFR Unit Trust	32,940,002	10.33%
Mondrian Investment Partners Limited (as fund manager)	32,284,458	10.12%
Challenger Limited	23,089,747	7.24%

Number of shares	Escrow end date	Early release date and conditions (if applicable)
71,880,004	Subject to early release conditions, 4:15pm on the first trading day in the Company's shares on the ASX following the public announcement of the Company's financial results for the year ending 26 June 2016	17,997,001 shares will be released at 4:15pm on the first date on which both the conditions below have been satisfied: (a) the Company's 1H FY2016 financial results are announced to ASX; and (b) the volume weighted average price of the Company's shares in any 10 consecutive trading days following announcement of those financial results exceeds $2.25 by more than 20%.
1,045,258	4:15pm on the first trading day in the Company's shares on the ASX following the public announcement of the Company's financial results for the year ending 26 June 2016	Nil
504,519	4:15pm on the first trading day in the Company's shares on the ASX following the public announcement of the Company's financial results for the year ending 25 June 2017	Nil

SHAREHOLDER INFORMATION

SHARES AND VOTING RIGHTS

All issued shares in the Company are ordinary shares. Voting rights for ordinary shares are:

- on a show of hands, one vote for each shareholder; and
- on a poll, one vote for each fully paid ordinary share.

There is no current on-market buy-back.

CORPORATE INFORMATION

Directors
Neil Chatfield (Chairman)
Harry Debney (CEO and Managing Director)
Frank Costa
Kevin Schwartz
Peter Margin

Company Secretary
David Thomas

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costa

fresh is our passion