

**Costa Group Holdings Pty Ltd
and controlled entities**

ABN 68 151 363 129

Consolidated Financial Statements
For the year ended 29 June 2014

TABLE OF CONTENTS

Directors' report	1 - 3
Auditor's independence declaration	4
Financial report	
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the consolidated financial statements	9 - 37
Directors' declaration	38
Independent auditor's report	39 - 40

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

DIRECTORS' REPORT

The Directors' present their report together with the financial restatements of the Group, being the company and its controlled entities, for the year ended 29 June 2014 and auditor's report thereon. This financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements.

Directors' names

The names of the Directors in office at any time during or since the end of the year are:

Mr Harry Debney

Mr Robert Costa

Mr Frank Costa

Mr Angelos Dassios

Mr Kevin Schwartz

Mr Neil Chatfield

Mr Greg Hunt

Mr Bruno Ferrari Garcia de Alba (Appointed 7 October 2013)

The directors have been in office since the start of the year to the date of this report unless otherwise stated.

Results

The loss of the group for the year after providing for income tax amounted to \$1,889,839 (2013: Loss of \$40,343,631).

Review of operations

The Group has delivered a pleasing result for 2014 reflecting the strength of the overall portfolio. Strong results were achieved in the Berry, Citrus and Logistics categories but were offset by poorer trading results in the Mushroom, Banana, Grape and Wholesale categories. The Group's joint ventures have also performed well with African Blue in particular delivering significant year on year growth as that investment continues to mature.

Significant changes in state of affairs

Significant changes in the state of affairs of the group during the financial year, were as follows:

(a) Increase in investment in African Blue

On 8 January 2014, the group increased its investment in African Blue SARL (African Blue), an associate entity, by 9%. This increased the group's ownership interest to 49%. The financial impact was a \$3.4million increase in investments. African Blue is still considered an associate and will be accounted for using the equity method.

(b) Sale of Wadda Plantation Partnership

On 31 March 2014, Innisfail Holdings Pty Ltd, a fully owned subsidiary of the group, entered into an agreement to sell the Wadda farm and associated business assets of the Wadda Plantation Partnership (Wadda) for \$12.5 million. This was finalised in May 2014 with a loss on sale of investment of \$5.6 million recognised in the financial statements.

(c) Costa Group refinancing

On 30 April 2014, the Group refinanced its loan facility with its existing syndicate of lenders for a term of five years under new terms and covenants.

(d) Amendments to terms of redeemable preference shares

On 27 June 2014, the Group amended certain terms contained in the CPS50 (Convertible Redeemable Preference Shares) Agreement to appropriately reflect the change in substance of payment for fixed dividends to be subject to the discretion of the Directors of the Group. Accordingly, the RPS will be treated prospectively as a compound financial instrument in the 29 June 2014 financial statements.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

ABN 68 151 363 129

DIRECTORS' REPORT

Significant changes in state of affairs (continued)

(e) Restructuring operation of Costa Farms Western Australia

Effective from the 29 May 2014, the existing Costa Farms WA operations were transferred to the Mercer family, an external party, and subsequently traded under the WA Farms Direct banner. As such, this new strategic alliance provided both Companies with an opportunity to work together to forge a new direction in the Western Australian produce sector. Selected Costa employees transferred to WA Farms Direct as part of the alliance to assist in delivering the right mix of category experience and expertise.

Principal activities

The principal activities of the group during the year were:

- the packing, marketing and distribution of fruit and vegetables within Australia and to export markets;
- the growing of bananas, mushrooms, blueberries, raspberries, grapes, citrus and truss tomatoes within Australia; and
- a provider of chilled logistics warehousing and distribution services within Australia.

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

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments

The company 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. In the opinion of the directors, disclosure of any further information would likely result in unreasonable prejudice to the consolidated entity.

Environmental regulation

Costa Group Holdings Pty Ltd and controlled entities are 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.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Options

Options over unissued ordinary shares granted by Costa Group Holdings Pty Ltd during the financial year to the Directors and any of the 5 most highly remunerated officers of the group (other than the Directors) were as follows:

Executives	Options granted
Tony Di Paolo	864,889

Shares under option

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

Date options granted	Number of unissued ordinary shares under option	Issue price of shares	Expiry date of the options
4/03/2013	19,027,557	1.45	03/03/2023
26/11/2013	864,889	1.45	25/11/2023

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

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

DIRECTORS' REPORT

Indemnification of Officers

Under the Company's constitution, every person who is or has been a Director or other Officer of the company is to be indemnified, to the maximum extent permitted by law, out of the property of the company against:

- costs and expenses incurred by the person in defending any proceedings (whether civil or criminal) relating to that person's position with the Company in which judgement is given in that person's favour or in which that person is acquitted or which are withdrawn before judgement;
- costs and expenses incurred by the person in connection with any administrative proceedings relating to that person's position with the Company, except proceedings which give rise to the proceedings (whether civil or criminal) against that person in which judgement is not given in that person's favour or in which that person is not acquitted or which arise out of conduct involving a lack of good faith;
- costs and expenses incurred by the person in connection with any application in relation to proceedings (whether civil or criminal) relating to that person's position with the Company in which relief is granted to that person under the Corporations Act by the court;
- any liabilities to another person (other than to the Company and its related bodies corporate) as such an officer unless the liabilities arise out of conduct involving a lack of good faith.

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 law is prohibited under the terms of the contract.

Indemnification 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.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Proceedings on behalf of the group

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

Signed on behalf of the board of directors.

Director:



Mr Harry Debney

Director:



Mr Robert Costa

Dated this 22 day of October 2014.



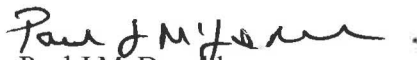
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Costa Group Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 29 June 2014 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
Partner

Melbourne

22 October 2014

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

ABN 68 151 363 129

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 JUNE 2014**

	Note	2014	2013
		\$	Restated*
			\$
Revenue			
Sales revenue	3	699,074,899	592,679,874
Other revenue	3	12,044,165	7,050,847
	3	<u>711,119,064</u>	<u>599,730,721</u>
Less: expenses			
Cost of goods sold		(237,027,925)	(193,069,968)
Depreciation and amortisation expenses	4	(15,849,620)	(12,294,794)
Employee benefits expenses	4	(249,758,846)	(215,821,995)
Occupancy expenses		(55,177,882)	(43,867,610)
Finance costs	4	(28,471,290)	(18,463,931)
Loss on sale of assets		(1,202,115)	(326,430)
Bad and doubtful debts		(662,162)	(239,245)
Impairment losses	4	(15,709,471)	(42,008,391)
Leasing expenses		(7,524,894)	(6,946,521)
Loss on sale of investment	31(c)	(5,604,744)	-
Gain / (loss) on fair value adjustments – biological assets		4,972,425	(4,113,159)
Gain / (loss) on fair value of derivatives		211,489	(35,863)
Other expenses		(104,749,236)	(105,511,429)
		<u>(716,554,271)</u>	<u>(642,699,335)</u>
Share of net profits of associates and joint ventures accounted for using the equity method	31(b)	8,566,080	4,555,508
Profit / (loss) before income tax expense		<u>3,130,873</u>	<u>(38,413,107)</u>
Income tax expense	6	(5,020,712)	(1,930,524)
Losses from operations		<u>(1,889,839)</u>	<u>(40,343,631)</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Forgiveness of debt	16(b)	4,606,027	-
Options granted / vested during the year		410,648	38,055
Other comprehensive income for the year		<u>5,016,675</u>	<u>38,055</u>
Total comprehensive income/(loss) for the year		<u>3,126,836</u>	<u>(40,305,576)</u>

* See Note 33

The accompanying notes form part of the financial statements

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

STATEMENT OF FINANCIAL POSITION
AS AT 29 JUNE 2014

	Note	2014 \$	2013 Restated* \$	2012 Restated* \$
ASSETS				
Current assets				
Cash and cash equivalents	7	26,231,258	9,511,607	12,122,815
Receivables	8	70,732,154	54,372,773	48,716,566
Inventories	9	13,946,570	14,041,163	10,467,958
Biological assets	11	28,053,937	21,896,611	16,236,475
Current tax assets	6	-	489,258	-
Other assets	12	2,898,338	5,478,849	3,979,199
		141,862,257	105,790,261	91,523,013
Assets classified as held for sale	27	4,203,700	4,061,100	-
Total current assets		146,065,957	109,851,361	91,523,013
Non-current assets				
Receivables	8	225,032	5,359,460	5,809,180
Biological assets	11	6,009,289	6,976,539	11,368,405
Other financial assets	10	2,172,267	2,132,445	2,212,320
Equity accounted investments	31(b)	24,171,366	15,504,871	13,149,124
Intangible assets	14	149,808,519	161,874,250	169,552,021
Deferred tax assets	6	4,617,649	7,813,510	10,055,549
Property, plant and equipment	13	165,201,604	170,577,373	116,283,970
Total non-current assets		352,205,726	370,238,448	328,430,569
Total assets		498,271,683	480,089,809	419,953,582
LIABILITIES				
Current liabilities				
Payables	15	72,127,725	62,634,128	56,367,219
Borrowings	16	6,439	14,011,828	12,089,409
Provisions	17	12,916,934	12,345,582	10,881,554
Derivative financial liabilities	18	315,089	-	-
Current tax liabilities	6	2,100,581	-	1,224,280
Total current liabilities		87,466,768	88,991,538	80,562,462
Non-current liabilities				
Derivative financial liabilities	18	3,220,239	3,867,809	3,831,946
Borrowings	16	209,770,819	193,208,000	147,533,000
Redeemable convertible preference shares	16	1,036,000	46,055,342	-
Provisions	17	4,963,815	3,243,914	2,997,392
Total non-current liabilities		218,990,873	246,375,065	154,362,338
Total liabilities		306,457,641	335,366,603	234,924,800
NET ASSETS		191,814,042	144,723,206	185,028,782
EQUITY				
Share capital	19	238,564,012	194,600,012	194,600,012
Share based payment reserve	28	448,703	38,055	-
Accumulated losses	21	(47,198,673)	(49,914,861)	(9,571,230)
Total equity		191,814,042	144,723,206	185,028,782

* See Note 33

The accompanying notes form part of the financial statements

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 JUNE 2014

	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance as at 2 July 2012				
As previously stated	194,600,012	-	(6,888,868)	187,711,144
Prior year adjustment (Note 33)	-	-	(2,682,362)	(2,682,362)
At 2 July 2012, restated	194,600,012	-	(9,571,230)	185,028,782
Loss for the year as previously stated	-	-	(39,263,185)	(39,263,185)
Prior year adjustment (Note 33)	-	-	(1,080,446)	(1,080,446)
Options granted during the year	-	38,055	-	38,055
Total comprehensive loss for the year	-	38,055	(40,343,631)	(40,305,576)
Balance as at 30 June 2013, restated	194,600,012	38,055	(49,914,861)	144,723,206
Balance as at 1 July 2013, restated	194,600,012	38,055	(49,914,861)	144,723,206
Loss for the year	-	-	(1,889,839)	(1,889,839)
Forgiveness of debt (Note 16 (b))	-	-	4,606,027	4,606,027
Options granted / vested during the year	-	410,648	-	410,648
Total comprehensive income for the year	-	410,648	2,716,188	3,126,836
Transactions with owners in their capacity as owners:				
Extinguishment of financial liability (Note 16 (b))	43,964,000	-	-	43,964,000
Total transactions with owners in their capacity as owners	43,964,000	-	-	43,964,000
Balance as at 29 June 2014	238,564,012	448,703	(47,198,673)	191,814,042

The accompanying notes form part of the financial statements

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 JUNE 2014

	Note	2014 \$	2013 Restated* \$
Cash flow from operating activities			
Receipts from customers		710,863,957	594,944,068
Payments to suppliers and employees		(655,634,237)	(567,953,953)
Interest received		247,958	154,725
Interest paid		(16,971,497)	(14,424,791)
Dividends received		69,850	-
Income taxes refunded/(paid)		764,990	(1,402,023)
Net cash provided by operating activities		39,341,021	11,318,026
Cash flow from investing activities			
Payments for property, plant and equipment		(24,829,508)	(20,403,021)
Dividends from equity accounted investments		2,909,556	-
Dividends from investments in shares of other corporations		108,186	-
Acquisition of investments		(3,420,000)	-
Payment for intangible assets		(2,146,377)	(1,104,653)
Acquisition of subsidiary (net of cash acquired)		-	(87,643,741)
Proceeds from sale of intangible assets		2,111,100	-
Proceeds from sale of property, plant and equipment		648,205	2,624,762
Net cash used in investing activities		(24,618,838)	(106,526,653)
Cash flow from financing activities			
Proceeds from issue of Redeemable preference shares		-	45,000,000
Payment for derivative		(269,000)	-
Repayments from associates		65,032	-
Proceeds from borrowings		2,201,436	47,597,419
Net cash provided by financing activities		1,997,468	92,597,419
Reconciliation of cash			
Cash at beginning of the financial year		9,511,607	12,122,815
Net increase / (decrease) in cash held		16,719,651	(2,611,208)
Cash at end of financial year	7	26,231,258	9,511,607

* See Note 33

The accompanying notes form part of the financial statements

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

In the opinion of the directors, Costa Group Holdings Pty Ltd is not publicly accountable. The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements comply with Australian Accounting Standards - Reduced Disclosure Requirements.

The financial statements were approved by the directors as at the date of the directors' report.

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 as described in the accounting policies.

(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 financial statements of subsidiaries are included in the consolidated financial statements 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 consolidated financial statements include 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.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements. 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's is measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translations and balances (Continued)

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated group are translated into functional currency at the rate of exchange ruling 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 financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the 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. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

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

Dividends

Dividend revenue 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.

Interest revenue

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

Rental income

Rent revenue is recognised on a straight line basis over the rental term.

Royalty income

Royalty revenue is recognised by the Group in relation to rights provided to entities external to the Group to sell plants and produce that arise from the the Group's operations.

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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (Continued)

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 Pty Ltd and its subsidiaries have implemented the tax consolidation legislation and have formed a tax consolidated group from 1 July 2011. 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.

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 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 year 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 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. Work in progress represents partially completed project works. Finished goods include agricultural produce purchased 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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF 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 (discounted at a risk adjusted interest rate). 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 profit or loss, determined as:

- The difference between the total fair value of the biological assets recognised at the beginning of the financial 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 financial period and the total fair value of the biological assets recognised at the reporting date.
- The market value of the produce picked during the financial 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 citrus and raspberries 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. 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 13% to 20% 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 profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(i) Interest rate swaps

The group holds derivative interest rate swaps as part of its compliance with certain covenants attached to its borrowings.

(ii) Foreign Exchange Contracts

The group enters into foreign exchange contracts to hedge its exposure against foreign currency risk in line with the entity'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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (Continued)

Loans and receivables

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

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.

(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.

Land and Buildings

Land and buildings are measured on a cost basis.

Plant and equipment

Plant and equipment is measured on a cost basis.

Improvements

Improvements are measured on a cost basis.

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
Improvements at cost	5% - 20%	Straight line

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

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 profit or loss. 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 in no longer equity accounted.

(n) 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 profit or loss 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 profit or loss.

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 profit or loss. The cumulative loss that is reclassified from equity to profit or loss 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 profit or loss. 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 profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Equity accounted investments

An impairment loss in respect of an equity accounted investments is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment (Continued)

Impairment losses are recognised in profit or loss. 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.

(o) 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 statements 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

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 not capitalised and expenditure is charged against profits in the year 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 is 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 profit or loss 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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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 income statement net of any reimbursement.

(q) 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.

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 or 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.

(r) 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.

Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

(s) 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.

(t) Share Capital

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 Convertible preference shares

Redeemable convertible preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company'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 profit or loss as accrued.

(u) Share based payments

The Group provides benefits to its employees (including directors) in the form of share-based payment transactions, whereby employees render services 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.

(v) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Deferred consideration payable is measured at fair value.

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.

If the fair value of the acquirer's interest is greater than 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), the surplus is immediately recognised in the statement of profit or loss and other comprehensive income.

Acquisition related costs are expensed as incurred.

(w) Comparatives

Where necessary, comparative information has been reclassified and restated for consistency with current year disclosures.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with AASB 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 management 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 3% (2013: 3%) for cash flows post financial year 2017, a terminal value growth rate of 3.0% (2013: 3.0%) and a pre-tax discount rate of 15.1% (2013: 9.6%) to determine value in use.

Management has identified that the key assumption for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount is the ability of the Group to realise cost savings attributable from the Mushroom CGU.

(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 11 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.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

	2014	2013
	\$	\$
NOTE 3: REVENUE		
<i>Sales revenue</i>		
Sale of goods and commissions received	649,861,996	539,767,370
Rebates and discounts provided	(12,302,971)	(12,858,085)
	<u>637,559,025</u>	<u>526,909,285</u>
Rendering of services	<u>61,515,874</u>	<u>65,770,589</u>
	<u>699,074,899</u>	<u>592,679,874</u>
<i>Other revenue</i>		
Dividend income	69,850	58,925
Interest income	247,958	154,750
Royalty income	1,467,439	769,007
Rental income	331,796	430,046
Other revenue	9,934,860	4,751,882
Gain on fair value adjustments on assets held for sale	-	837,850
Foreign currency translation (losses) / gains	(7,738)	48,387
	<u>12,044,165</u>	<u>7,050,847</u>
	<u>711,119,064</u>	<u>599,730,721</u>

NOTE 4: EXPENSES

<i>Finance costs</i>		
Bank charges	67,719	64,497
Interest expense on borrowings	17,003,909	15,302,337
Borrowing costs *	7,848,977	2,041,755
Interest expense on redeemable preference shares	3,550,685	1,055,342
	<u>28,471,290</u>	<u>18,463,931</u>

* Borrowing costs include \$5,404,471 for write-off of deferred charges relating to refinancing of bank loans (refer note 16 (c))

<i>Depreciation and amortisation expense</i>	15,849,620	12,294,794
<i>Impairment loss</i>		
- Lease premiums	280,316	-
- Plant and equipment	4,530,294	846,625
- Goodwill	10,898,861	41,161,766
	<u>15,709,471</u>	<u>42,008,391</u>
<i>Employee expenses</i>		
- Salaries, contractors and wages (including on-costs)	223,744,997	192,450,797
- Superannuation costs	11,743,439	10,324,764
- Annual leave, sick leave, RDO and Long service leave	7,850,310	8,103,218
- Share-based payments expense	410,648	38,055
- Other employee expenses	6,009,452	4,905,160
	<u>249,758,846</u>	<u>215,821,995</u>

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group		
- short-term employee benefits	2,410,000	1,872,702
- share-based payment benefits	305,318	38,055
	<u>2,715,318</u>	<u>1,910,757</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

The names of directors who have held office during the year are:

Name	Appointment details
Mr Harry Debney	Appointed 7 October 2011
Mr Robert Costa	Appointed 8 June 2011
Mr Frank Costa	Appointed 8 June 2011
Mr Angelos Dassios	Appointed 7 October 2011
Mr Kevin Schwartz	Appointed 7 October 2011
Mr Neil Chatfield	Appointed 7 October 2011
Mr Greg Hunt	Appointed 7 October 2011
Mr Bruno Ferrari Garcia de Alba	Appointed 7 October 2013

The names of key management personnel during the year are:

Name	Appointment details	Position
Harry Debney	Appointed 7 October 2011	Chief Executive Officer
George Haggard	Appointed 7 October 2011	Chief Operating Officer
Linda Kow	Appointed 1 September 2012	Chief Financial Officer
Tony Di Paolo	Appointed 7 November 2012	Chief Procurement Officer

	2014	2013
	\$	Restated
		\$
NOTE 6: INCOME TAX		
(a) Components of tax expense		
Current tax	2,100,581	-
Deferred tax	3,195,861	2,242,039
Over provision in prior years	(275,730)	(311,515)
	<u>5,020,712</u>	<u>1,930,524</u>

(b) Prima facie tax payable

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

Profit / (loss) before income tax	3,130,873	(38,413,107)
Prima facie income tax expense/(benefit) on profit/loss before income tax at 30.0% (2013: 30.0%)	939,262	(11,529,932)
Add tax effect of:		
- non deductible entertainment	64,289	19,219
- non deductible black hole expenditure	-	1,232,462
- goodwill impairment loss	3,353,753	12,348,530
- share-based payments expense	123,194	-
- other non-deductible items	2,746,629	687,462
	<u>6,287,865</u>	<u>14,287,673</u>
Less tax effect of:		
- deferred tax assets not previously recognised	747,254	515,702
- non-assessable income	1,183,431	-
- over provision in prior years	275,730	311,515
	<u>2,206,415</u>	<u>827,217</u>
Income tax expense attributable to profit / (loss)	<u>5,020,712</u>	<u>1,930,524</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

	2014 \$	2013 \$
NOTE 6: INCOME TAX (CONTINUED)		
(c) Current tax		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance	(489,258)	1,224,280
Current year tax expense	2,100,581	-
Tax refunds/(payments)	764,988	(1,402,023)
Over provisions	(275,730)	(311,515)
Closing balance	<u>2,100,581</u>	<u>(489,258)</u>
(d) Deferred tax		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward	-	585,167
Provisions	5,688,999	4,909,200
Trade and other payables	2,780,864	4,016,400
Black hole deductions (section 40-880)	2,856,051	2,623,500
Borrowings	913,500	-
Other	63,599	246,500
Derivative financial liabilities	1,060,599	1,160,343
	<u>13,363,612</u>	<u>13,541,110</u>
<i>Deferred tax liabilities</i>		
The balance comprises:		
Trade and other receivables	46,329	-
Biological assets	5,612,054	4,059,600
Property, plant and equipment	1,076,511	1,613,100
Intangible assets	1,966,667	54,900
Derivative financial assets	44,402	-
	<u>8,745,963</u>	<u>5,727,600</u>
Net deferred tax assets	<u>4,617,649</u>	<u>7,813,510</u>
(e) Deferred tax expense included in income tax comprises		
Decrease / in deferred tax assets	177,498	2,255,856
Increase / (decrease) in deferred tax liabilities	3,018,363	(13,817)
	<u>3,195,861</u>	<u>2,242,039</u>
NOTE 7: CASH AND CASH EQUIVALENTS		
Cash on hand	26,934	27,362
Cash at bank	21,149,737	7,404,268
Cash on deposit	5,054,587	2,079,977
	<u>26,231,258</u>	<u>9,511,607</u>
All cash on deposit has maturing terms of less than 90 days.		
NOTE 8: RECEIVABLES		
CURRENT		
Trade debtors	56,359,911	44,773,784
Less: Allowance for impairment losses on trade receivables	(1,082,582)	(774,116)
	<u>55,277,329</u>	<u>43,999,668</u>
Other receivables	15,454,825	10,308,073
Loans to associates	-	65,032
	<u>70,732,154</u>	<u>54,372,773</u>
NON CURRENT		
Other receivables	225,032	-
Deferred charges	-	5,359,460
	<u>225,032</u>	<u>5,359,460</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 8: RECEIVABLES (CONTINUED)

Impairment losses on trade receivables

Trade receivables are non interest bearing with credit terms generally between 14 and 30 day terms. 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.

	2014 \$	2013 \$
Movements in the accumulated impairment losses were:		
Opening balance at 1 July 2013	(774,116)	(2,070,041)
Impairment loss (recognised) / reversed	(805,353)	1,126,325
Amounts written off	496,887	169,600
Closing balance at 29 June 2014	<u>(1,082,582)</u>	<u>(774,116)</u>

NOTE 9: INVENTORIES

CURRENT

At cost

Raw materials	6,906,090	8,954,576
Work in progress	305,132	109,323
Finished goods	<u>6,735,348</u>	<u>4,977,264</u>
	<u>13,946,570</u>	<u>14,041,163</u>

NOTE 10: OTHER FINANCIAL ASSETS

NON CURRENT

Loans to related party associates	1,630,585	1,630,585
Interest rate swap-option*	148,008	-

Available for sale financial assets

Shares in other corporations	393,674	501,860
	<u>2,172,267</u>	<u>2,132,445</u>

* Refer to Note 18 for disclosure on fair valuation technique of this asset.

NOTE 11: BIOLOGICAL ASSETS

CURRENT

Fruit and vegetables - at fair value	21,241,947	14,771,683
Vegetables - at cost	<u>6,811,990</u>	<u>7,124,928</u>
	<u>28,053,937</u>	<u>21,896,611</u>

NON CURRENT

Plants - at fair value	<u>6,009,289</u>	<u>6,976,539</u>
------------------------	------------------	------------------

Total biological assets	<u>34,063,226</u>	<u>28,873,150</u>
-------------------------	-------------------	-------------------

(a) Reconciliation of charges in carrying amount of biological assets

Opening balance	28,873,150	27,604,880
Gain/(Loss) arising from changes in fair value	4,972,425	(4,113,159)
Increases due to purchases	126,135,990	113,641,766
Decreases due to harvest	(125,918,339)	(110,203,835)
Increases resulting from acquisition of entities	-	1,943,498
Closing balance	<u>34,063,226</u>	<u>28,873,150</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

(b) Current biological assets

Hanging crop (citrus, grapes, avocados, blueberries, raspberries, bananas and tomatoes)

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.

The calculation of fair value for these crops is based on:

- (i) The estimated percentage of growth of the crop at the reporting date and;
- (ii) The estimated revenue (adjusted for potential market fluctuations) expected to be generated by the crop less any incremental selling costs. Removing these costs allows for an appropriate estimate of the fair value of the crop at the time picking is achieved.

Short-lived crops (mushrooms and strawberries)

These represent crops that have a short term development cycle (less than 6 months for strawberries and 3 months for mushrooms).

The calculation of the fair value of mushrooms is based on total cost due to the inherent difficulty in accurately determining the growth percentage of the crop with such a short development cycle.

For current biological asset valuations, a discount rate within a range of 15% - 20% has been used to calculate fair value. This represents potential for price and volume volatility reflective of agricultural risk.

(b) Non-current biological assets

Costa Group has the following long term biological assets:

- Banana trees at Tully and Walkamin (QLD)
- Grape vines at Mundubbera (QLD), St George (QLD) and Darling River (NSW)
- Blueberry vines at Rosewood (NSW) and Far North Queensland (QLD)

The valuation of long term biological assets calculates the fair value of the underlying trees and vines used to grow the crops. All long term biological asset values are supported by discounted cash flows (DCF), based on existing planted areas for the life cycle of the biological assets and estimated revenues and expenses over the life of the biological assets.

For long-term biological asset valuations where DCF is used, the discount rates used range from 13% to 20%. These are reflective of the risks associated with the particular asset and its location.

Due to the long-term nature of the biological assets and the valuation models that are used in calculating fair values, the biological asset values are assessed annually, unless there has been a significant change in planting area.

	2014 \$	2013 \$
NOTE 12: OTHER ASSETS		
CURRENT		
Prepayments	2,743,228	5,317,483
Other current assets	155,110	161,366
	<u>2,898,338</u>	<u>5,478,849</u>

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

Land and buildings at cost	116,843,647	113,071,048
Accumulated depreciation and impairment	(33,743,952)	(26,241,919)
	<u>83,099,695</u>	<u>86,829,129</u>
Assets Under Construction at cost	<u>13,007,924</u>	<u>6,649,610</u>
Plant and equipment at cost	143,924,094	147,522,691
Accumulated depreciation and impairment	(80,316,576)	(76,112,386)
	<u>63,607,518</u>	<u>71,410,305</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2014	2013
	\$	\$
Leased plant and equipment at cost	1,728,138	2,448,185
Accumulated depreciation and impairment	(1,591,307)	(2,132,945)
	<u>136,831</u>	<u>315,240</u>
Improvements at cost	8,563,056	8,556,049
Accumulated depreciation and impairment	(3,213,420)	(3,182,960)
	<u>5,349,636</u>	<u>5,373,089</u>
Total property, plant and equipment	<u>165,201,604</u>	<u>170,577,373</u>

(a) Reconciliations

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

Land and buildings

Opening carrying amount	86,829,129	51,970,233
Additions	572,392	1,116,005
Disposals	-	(1,084,438)
Additions through acquisition of entities	-	37,908,900
Depreciation expense	(5,047,309)	(2,809,951)
Impairment	(2,633,629)	-
Transfers, reclassifications and adjustments	3,379,112	(271,620)
Closing carrying amount	<u>83,099,695</u>	<u>86,829,129</u>

Assets Under Construction

Opening carrying amount	6,649,610	-
Additions	13,779,409	6,649,610
Transfers, reclassifications and adjustments	(7,421,095)	-
Closing carrying amount	<u>13,007,924</u>	<u>6,649,610</u>

Plant and equipment

Opening carrying amount	71,410,305	58,658,599
Additions	10,470,416	10,983,452
Disposals	(10,273,989)	(1,421,423)
Additions through acquisition of entities	-	11,413,860
Depreciation expense	(9,759,256)	(8,743,354)
Impairment	(1,896,665)	(846,625)
Transfers, reclassifications and adjustments	3,656,707	1,365,796
Closing carrying amount	<u>63,607,518</u>	<u>71,410,305</u>

Leased plant and equipment

Opening carrying amount	315,240	1,617,810
Depreciation expense	(178,409)	(239,568)
Transfers, reclassifications and adjustments	-	(1,063,002)
Closing carrying amount	<u>136,831</u>	<u>315,240</u>

Leasehold Improvements

Opening carrying amount	5,373,089	4,037,328
Additions	7,290	1,653,953
Additions through acquisition of entities	-	15,000
Depreciation expense	(308,089)	(333,192)
Transfers, reclassifications and adjustments	277,346	-
Closing carrying amount	<u>5,349,636</u>	<u>5,373,089</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

	2014	2013
	\$	\$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
<i>Total property, plant and equipment</i>		
Opening carrying amount	170,577,373	116,283,970
Additions	24,829,507	20,403,020
Disposals	(10,273,989)	(2,505,861)
Additions through acquisition of entities	-	49,337,760
Depreciation expense	(15,293,063)	(12,126,065)
Impairment	(4,530,294)	(846,625)
Transfers, reclassifications and adjustments	(107,930)	31,174
Closing carrying amount	<u>165,201,604</u>	<u>170,577,373</u>

(b) Property, plant and equipment pledged as security

All property, plant and equipment (excluding property in Innisfail Holdings Pty Ltd) across Costa Group Holdings Pty 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.

	2014	2013
	\$	\$
NOTE 14: INTANGIBLE ASSETS		
Goodwill at cost	<u>138,258,029</u>	<u>149,156,891</u>
Capitalised software costs	7,947,311	6,260,776
Accumulated amortisation and impairment	<u>(2,324,835)</u>	<u>(1,950,047)</u>
	<u>5,622,476</u>	<u>4,310,729</u>
Brandnames at cost	1,730,000	1,730,000
Lease premiums at cost	1,665,149	1,665,149
Accumulated amortisation and impairment	<u>(643,135)</u>	<u>(362,819)</u>
	<u>1,022,014</u>	<u>1,302,330</u>
Water rights at cost	<u>3,176,000</u>	<u>5,374,300</u>
Total intangible assets	<u>149,808,519</u>	<u>161,874,250</u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

<i>Goodwill</i>		
Opening balance	149,156,891	154,516,174
Additions through acquisition of entities	-	36,362,483
Disposals	-	(560,000)
Impairment	(10,898,862)	(41,161,766)
Closing balance	<u>138,258,029</u>	<u>149,156,891</u>
<i>Capitalised software costs</i>		
Opening balance	4,310,729	3,405,967
Additions	2,090,977	1,104,653
Amortisation expense	(548,665)	(168,717)
Disposals	(248,532)	-
Transfers, reclassifications and adjustments	17,967	(31,174)
Closing balance	<u>5,622,476</u>	<u>4,310,729</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

	Note	2014 \$	2013 \$
NOTE 14: INTANGIBLE ASSETS (CONTINUED)			
<i>Brandnames</i>			
Opening balance / closing balance		1,730,000	1,730,000
<i>Lease premiums</i>			
Opening balance		1,302,330	1,302,330
Impairment		(280,316)	-
Closing balance		1,022,014	1,302,330
<i>Water Rights</i>			
Opening balance		5,374,300	8,597,550
Revaluation of water rights		-	837,850
Transfers, reclassifications and adjustments		(2,198,300)	(4,061,100)
Closing balance		3,176,000	5,374,300

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.

(b) Impairment losses

Impairment losses in relation to intangible assets are included within impairment losses in the statement of profit or loss and other comprehensive income.

	2014 \$	2013 \$
NOTE 15: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	35,326,789	25,286,737
Sundry creditors and accruals	36,800,936	37,347,391
	72,127,725	62,634,128
	2014 \$	2013 Restated \$

NOTE 16: BORROWINGS AND CONVERTIBLE REDEEMABLE PREFERENCE SHARES

CURRENT		
<i>Secured liabilities</i>		
Bank loans		14,000,000
Hire purchase liability	6,439	11,828
	24	14,011,828
NON CURRENT		
<i>Secured liabilities</i>		
Redeemable preference shares	(b)	1,036,000
Bank loans		209,770,819
		210,806,819
		46,055,342
		193,208,000
		239,263,342

(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.
- 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 30 June 2014 is \$169,800,000.
- The facility stipulates minimum loan repayments in each financial year, with a minimum debt repayment of \$2 million for the year ending 28 June 2015.
- The bank facilities are secured by cross deeds of covenant between mortgage debentures over all assets of Costa Group Holdings Pty Ltd and its subsidiaries.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 16: BORROWINGS (CONTINUED)

(b) Redeemable convertible preference shares

In March 2013, the Costa Group issued 45,000,000 convertible redeemable preference shares ("CRPS") for \$1 each. The CRPS provides the holder the right to received fixed and non-fixed dividends, and payment of the principle amount and fixed dividends in full on redemption. The CRPS is treated as a debt instrument in the 30 June 2013 financial statements (restated).

On 27 June 2014, the Group amended certain terms contained in the CPS50 (Redeemable Convertible Preference Shares Agreement) to appropriately reflect the change in substance of payment for fixed dividends to be subject to the discretion of the Directors of the Group. Accordingly, the RPS will be treated prospectively as a compound financial instrument in the 29 June 2014 financial statements. The difference of the fair value of the debt instrument on 26 June 2014 and the fair value of the equity component of the CRPS on 27 June 2014 was appropriately recognised in other comprehensive income as a forgiveness of debt amounting to \$4,606,027.

The redeemable preference shares are compound financial instruments and have therefore been classified into their financial liability and equity components as follows:

- The liability component of \$1,036,000 has been determined as the net present value of future cashflows associated with the pinitial proceeds of \$45,000,000 which matures in 2063, discounted using a rate of 8%, which is the fixed dividend rate attached to the CRPS.
- The equity component of \$43,964,000 is then the residual value of the initial proceeds after deducting the liability component (refer to note 19).

(c) Refinancing of borrowings

On 30 April 2014, the Group refinanced its loan facility with its existing syndicate of lenders for a term of five years under new terms and covenants. The Group has capitalised \$10,581,864 of borrowing cost in the current financial year that consist of facility set up fees and advisory costs. This refinancing is treated as a substantial modification of the Group's existing borrowings in accordance with AASB 139 and accordingly, \$5,404,471 of borrowing costs previously capitalised were expensed off to the statement of profit or loss and other comprehensive income under finance costs.

	Note	2014 \$	2013 \$
NOTE 17: PROVISIONS			
CURRENT			
Employee benefits	(a)	10,840,434	12,345,582
Restructuring and other	(c)	2,076,500	-
		<u>12,916,934</u>	<u>12,345,582</u>
NON CURRENT			
Employee benefits	(a)	4,963,815	3,243,914
(a) Aggregate employee benefits liability		15,804,249	15,589,496
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

<i>Employee benefits</i>			
Opening balance		15,589,496	13,856,213
Acquired on acquisition of entities		-	351,564
Amounts used		(6,597,087)	(6,878,329)
Additional amounts recognised		6,811,840	8,260,048
Closing balance		<u>15,804,249</u>	<u>15,589,496</u>
<i>Restructuring and other</i>			
Opening balance		-	22,733
Amounts used		-	(22,733)
Additional amounts recognised		2,076,500	-
Closing balance		<u>2,076,500</u>	<u>-</u>

(c) Restructuring and other

During the year, a provision of \$2,076,500 was made to cover the costs associated with the closure of various sites within the entity. Estimated restructuring costs mainly include employee termination benefits.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

	2014	2013 Restated
	\$	\$
NOTE 18: DERIVATIVE FINANCIAL LIABILITIES		
CURRENT		
Forward foreign currency contracts	315,089	-
NON CURRENT		
Interest rate swaps	3,220,239	3,867,809
	<u>3,535,328</u>	<u>3,867,809</u>

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 10 are the only financial 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 1 with reference to the AASB 13 fair value hierarchy.

NOTE 19: SHARE CAPITAL

Issued and paid-up capital			
194,600,012 \$1 ordinary shares	(a)	194,600,012	194,600,012
Redeemable convertible preference shares	(b)	43,964,000	-
		<u>238,564,012</u>	<u>194,600,012</u>

	2014		2013	
	Number	\$	Number	Restated \$
(a) Ordinary shares				
Opening balance	194,600,012	194,600,012	194,600,012	194,600,012
Shares issued:	-	-	-	-
At reporting date	<u>194,600,012</u>	<u>194,600,012</u>	<u>194,600,012</u>	<u>194,600,012</u>

(b) Redeemable convertible preference shares

Opening balance	-	-	-	-
Extinguishment of financial liability	45,000,000	43,964,000	-	-
At reporting date	<u>45,000,000</u>	<u>43,964,000</u>	<u>-</u>	<u>-</u>

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 convertible preference shares are subject to the conditions described below:

- Redeemable convertible 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 convertible 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 Finance Facilities and the company is not insolvent immediately before or after the payment.
- The convertible preference shares rank junior to all secured and unsecured debt of the Company but have priority over ordinary shares.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 20: SHARE BASED PAYMENTS

Share Based Payment Plan - Employee Share Option Plan

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

A Shareholders Deed entered into by the shareholders of Costa Group Holdings Pty Ltd allow the issue of options under the Option Plan representing up to 10% of the ordinary share capital of Costa Group Holdings Pty 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 or since the end of the financial year, 864,889 (2013: 19,027,557) options have been granted under this scheme.

Measurement of fair values

The fair value of the share based payment plans was measured on the Black-Scholes formula. The inputs used in the measurement of the fair values at grant date of the equity settled share based payment plans were as follows:

Employee share option program

	2014	2013
Number issued	864,889	19,027,557
Fair value at grant date	\$ 0.218	\$ 0.058
Share price at grant date	\$ 1.20	\$ 0.74
Exercise price	\$ 1.45	\$ 1.45
Expected volatility	32.56%	32.56%
Expected life	9.9 years	9.9 years
Expected dividend yield	0%	0%
Risk-free rate	2.99%	3.11%

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 2014	Weighted average exercise price 2014	Number of options 2013	Weighted average exercise price 2013
Opening balance	19,027,557	1.45	-	-
Granted during the year	864,889	1.45	19,027,557	1.45
Closing balance	19,892,446	1.45	19,027,557	1.45
Exercisable at year end	-	-	-	-

Note	2014	2013
	\$	\$

NOTE 21: ACCUMULATED LOSSES

Accumulated losses at beginning of year	(49,914,861)	(9,571,230)
Forgiveness of debt	4,606,027	-
Net losses from operations	(1,889,839)	(40,343,631)
	<u>(47,198,673)</u>	<u>(49,914,861)</u>

NOTE 22: CASH FLOW INFORMATION

Borrowing facilities

Loan facilities	330,000,000	245,708,000
Amount utilised*	(230,932,468)	(215,188,949)
Unused loan facilities	<u>99,067,532</u>	<u>30,519,051</u>

The major facilities and term and conditions are summarised at Note 16(a).

* Amount utilised includes bank guarantees of \$8,195,489 (2013: \$7,980,949)

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 23: RELATED PARTY TRANSACTIONS

(a) Transactions with associates and joint ventures

The group transacted with jointly controlled entities during the 2014 financial period as follows:

Africa Blue SARL - Accrual of royalty income on blueberry sales of \$538,000
Africa Blue SARL - Dividends received amounting to \$425,000.
Africa Blue SARL - Other costs charged of \$100,000
Polar Fresh Partnership - Dividends received amounting to \$2,484,556 and \$117,361 for transactional and management services provided.
Polar Fresh Partnership - Receivable of \$7,639 for management fees.
Wadda Plantations Pty Ltd - Purchase of bananas of \$8,229,831
Driscolls Australia Partnership - Commission paid on sale of berries \$10,754,285
Driscolls Australia Partnership - Sales of produce \$85,249,202.
Driscolls Australia Partnership - Receivable of \$2,047,806 for sale of produce.

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 29 June 2014 is AUD \$1,630,585 (2013: AUD \$1,630,585).

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

Mr Robert Costa (Director)

- Director and ownership interest in STG Nominees and Baxter Hill. STG Nominees received income of \$4,642,793 (2013: \$4,620,000) from entities within the consolidated group for rental.
- Director and ownership interest of State Logistics Pty Ltd (formerly Six Oaks Pty Ltd) which provided management services to the consolidated group totalling \$600,000 (2013: \$600,000) and advisory fees of AUD \$1,500,000 (2013: Nil).
- Director and ownership interest in Vitalharvest Ltd which is the landlord for the citrus and berry farms managed by the consolidated group. Refer to Note 23(c) for transactions with this entity.
- Director of Wadda Plantations Pty Ltd and Wadda Plantation Partnership which are joint ventures of the consolidated group (refer to Note 31 for details of Joint Ventures).
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is a joint venture of the consolidated group (refer to Note 31 for details of Joint Ventures).
- Costs incurred by Costa Group on behalf of the aforementioned related parties and direct to Robert Costa for travel, telecommunications, salaries and sponsorship for the year ended 29 June 2014 of AUD \$426,127 (2013: AUD \$371,260).

Mr Frank Costa (Director)

- Director and ownership interest of State Logistics Pty Ltd (formerly Six Oaks Pty Ltd) which provided management services to the consolidated group totalling \$600,000 (2013: \$600,000) and advisory fees of AUD \$1,500,000 (2013: Nil).
- Director and ownership interest in Vitalharvest Limited which is the landlord for the citrus and berry farms managed by the consolidated group. Refer to Note 23(c) for transactions with this entity.
- Costs incurred by Costa Group on behalf of the aforementioned related parties and direct to Frank Costa for travel, telecommunications, salaries and sponsorship for the year ended 29 June 2014 of AUD \$426,127 (2013: AUD \$371,260).

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 Pty Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD \$500,000 (2013: AUD \$600,000), advisory fees of AUD \$1,650,000 (2013: AUD \$1,500,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 29 June 2014 of AUD \$354,630 (2013: AUD \$291,983).

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 Pty Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD \$500,000 (2013: AUD \$600,000), advisory fees of AUD \$1,650,000 (2013: AUD \$1,500,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 29 June 2014 of AUD \$354,630 (2013: AUD \$291,983).

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 Pty Ltd. Payment includes provision of management services on behalf of P&P COS Holdings B.V of AUD \$500,000 (2013: AUD \$600,000), advisory fees of AUD \$1,650,000 (2013: AUD \$1,500,000) and travel costs reimbursed to P&P COS Holdings B.V for the year ended 29 June 2014 of AUD \$354,630 (2013: AUD \$291,983). Salary paid directly to Bruno Ferrari Garcia de Alba of AUD \$50,000.

Greg Hunt (Director)

- A consultant 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 Pty Ltd. Salary paid directly to Greg Hunt of AUD \$50,000.
- Payment also includes provision of management services on behalf of P&P COS Holdings B.V of AUD \$500,000 (2013: AUD \$600,000) and advisory fees of AUD \$1,650,000 (2013: AUD \$1,500,000).

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

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

Neil Chatfield (Director)

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

Harry Debney (Director)

- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is a joint venture of the consolidated group (Refer to Note 31 for details of Joint Ventures).

- Director of Driscolls Australia Pty Ltd (Driscolls Australia Partnership) and Wadda Plantation Partnership which are joint ventures of the consolidated Group.

(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 \$7,368,797 (2013: \$6,992,554) and variable rent payments totalled \$8,204,743 (2013: \$3,903,037). Refer to below for key terms and conditions on these property leases.

(i) Capex reimbursed by Vitalharvest

During the financial year, Vitalharvest Pty Ltd reimbursed Costa Exchange Pty Ltd \$3,104,949 (2013: \$5,640,786) and AgriExchange Pty Ltd \$519,583 (2013: \$1,282,590) in relation to costs incurred on capital expenditure.

(ii) Property leases - key terms and conditions

The Group has leases on the berry and citrus properties throughout Australia. The lease payments consist of a fixed and variable component. The fixed component is based on 8% of the capital costs incurred on each property by VitalHarvest Limited, including land, fixed equipment, permanent water and plantings. 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, Costa is responsible for the re-planting of any existing planted areas and provides all non-fixed equipment to maintain the farms.

	Note	2014 \$	2013 \$
NOTE 24: CAPITAL AND LEASING COMMITMENTS			
(a) Hire purchase commitments			
Payable			
- not later than one year		6,439	11,828
Total hire purchase liability	16	6,439	11,828

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:

Payable			
- not later than one year		40,888,500	36,211,591
- later than one year and not later than five years		135,920,149	146,809,644
- later than five years		140,629,450	91,458,006
		317,438,100	274,479,241

Operating lease commitments are in relation to property rentals and various rental of plant and equipment.

(c) Remuneration contracts

Payable			
- not later than one year		950,000	800,000
- later than one year and not later than five years		1,108,333	2,058,333
		2,058,333	2,858,333

The above represents commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities.

Bank guarantees of \$1 million are committed in relation to Driscoll's overdraft facility.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 25: CONTINGENT LIABILITIES

A contingent liability exists relative to any future claims which may be made against the group.

Refer to Note 22 for details of bank guarantees utilised by the group.

	2014	2013
	\$	Restated \$
NOTE 26: PARENT ENTITY		
(a) Summarised presentation of the parent entity, Costa Group Holdings Pty Ltd financial statements		
Assets		
Current Assets	124,393	639,806
Non Current Assets	294,691,294	230,021,500
Total Assets	<u>294,815,687</u>	<u>230,661,306</u>
Liabilities		
Current Liabilities	2,265,581	1,585,143
Non Current Liabilities	68,371,971	46,055,342
Total Liabilities	<u>70,637,552</u>	<u>47,640,485</u>
Net Assets	<u>224,178,135</u>	<u>183,020,821</u>
Equity		
Contributed Equity	238,564,012	194,600,012
Reserves	448,703	38,055
Accumulated losses	(14,834,580)	(11,617,246)
Total Equity	<u>224,178,135</u>	<u>183,020,821</u>
(b) Summarised statement of comprehensive income		
Loss for the period	(3,217,334)	(3,781,840)
Total comprehensive loss for the year	<u>(3,217,334)</u>	<u>(3,781,840)</u>

(c) Parent entity and bank guarantees

Refer to Note 22 for details of bank guarantees utilised by the parent entity.

(d) 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 27: ASSETS CLASSIFIED AS HELD FOR SALE

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)

As at 29 June 2014, management intends to sell some of these rights to external parties and are actively marketing the assets.

	2014	2013
	\$	\$
(a) Carrying amounts of assets classified as held for sale		
Water Licences	<u>4,203,700</u>	<u>4,061,100</u>

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 28: RESERVES

Share based payments reserve	448,703	38,055
------------------------------	---------	--------

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

NOTE 29: DEED OF CROSS GUARANTEE

The wholly owned subsidiaries listed in Note 32 (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 32 (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 29 June 2014, comprising the above listed parties to the deed which represent the "closed group", are set out below:

	2014 \$	2013 \$
(a) Consolidated Statement of Comprehensive Income of the closed group		
Revenue	711,119,064	599,730,721
Less: Expense	(708,989,098)	(642,699,335)
Profit / (loss) before income tax expense	2,129,966	(42,968,614)
Income tax expense	(5,020,712)	(1,930,524)
Total loss / total comprehensive loss for the year	(2,890,746)	(44,899,138)
(b) Summary of movements in consolidated accumulated losses of the closed group		
Accumulated losses at the beginning of the year	(52,400,075)	(7,500,937)
Total loss / total comprehensive loss for the year	(2,890,746)	(44,899,138)
Accumulated losses at the end of the year	(55,290,821)	(52,400,075)
(c) Consolidated Statement of Financial Position of the closed group		
Total current assets	145,746,272	101,088,365
Total non current assets	328,034,360	368,629,262
Total assets	473,780,632	469,717,627
Total current liabilities	87,466,768	77,259,765
Total non current liabilities	218,990,873	246,375,064
Total liabilities	306,457,641	323,634,829
Net assets	167,322,991	146,082,798
Total equity	167,322,991	146,082,798

NOTE 30: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 29 June 2014 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 29 June 2014, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 29 June 2014, of the group.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 31: EQUITY ACCOUNTED INVESTMENTS

(a) Details of Associates and Joint Ventures

	Equity instrument	Ownership interest 2014 %	Ownership interest 2013 %	Measurement basis	Principal place of business and country of incorporation
Associates					
Africa Blue SARL	Ordinary shares	49	40	Equity Accounted	Moulay-Bousselham, Morocco
Polar Fresh Partnership	Ordinary shares	50	50	Equity Accounted	Victoria, Australia
Joint Ventures					
Wadda Plantation Partnership (Refer below)	Ordinary shares	0	50	Equity Accounted	Queensland, Australia
Driscolls Australia Partnership	Ordinary shares	50	50	Equity Accounted	Victoria, Australia

(b) Summarised financial information for associates and joint ventures

	Africa Blue SARL \$	Polar Fresh Partnership \$	Wadda Plantation Partnership \$	Driscolls Australia Partnership \$	Total \$
Reconciliation of carrying amount in joint ventures:					
Opening balance at 1 July 2013	2,616,243	7,949,144	1,039,838	3,899,646	15,504,871
Additions	3,420,000	-	-	-	3,420,000
Total share of profit / (loss)	3,803,515	2,823,784	(629,809)	2,568,590	8,566,080
Disposal	-	-	(410,029)	-	(410,029)
Dividend Paid	(425,000)	(2,484,556)	-	-	(2,909,556)
Closing balance at 29 June 2014	9,414,758	8,288,372	-	6,468,236	24,171,366

(c) Loss on sale of investment - Wadda Farm

On 31 March 2014, Innisfail Holdings Pty Ltd, a fully owned subsidiary of the group, entered into an agreement to sell the Wadda farm and associated business assets of the Wadda Plantation Partnership (Wadda) for \$12.5 million. This was finalised in May 2014. The consolidated Statement of profit or loss and other comprehensive income has been presented to show the loss on sale of investment of \$5.6 million.

(d) Increase in investment in African Blue

On 8 January 2014, the group increased its investment in African Blue SARL (African Blue), an associate entity, by 9%. This increased the group's ownership interest to 49%. The financial impact was a \$3.4million increase in investments. African Blue is still considered an associate and will be accounted for using the equity method.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 32: INTERESTS IN SUBSIDIARIES

The following are the Group's significant subsidiaries:

Subsidiaries of Costa Group Holdings Pty Ltd:	Country of incorporation	Ownership interest held by the group	
		2014 %	2013 %
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
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 GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 33: PRIOR YEAR ADJUSTMENTS

(a) Interest rate swaps

Costa Group enters into interest rate swap ("IRS") arrangements to swap the floating interest rates attached to its borrowings to fixed interest rates in order to comply with certain covenants attached over its borrowings.

The Group has not previously accounted for the fair value of these derivatives in its statement of financial position having only accounted for the accrued interest portion.

Based on the fair value of the IRS, the Group has recognised the remaining fair value of the IRS that were not previously recognised. Accordingly, the Directors have determined that the Group's retained losses, deferred tax assets and derivative financial liability as at 30 June 2013 as reported in the Group's Consolidated Financial Report issued on 24 October 2013, should be increased by \$2,707,466, \$1,160,343 and \$3,867,809 respectively. The impact of the correction on the statement of profit or loss and other comprehensive income was to reduce profit for the financial year ended 30 June 2013 by \$25,104.

(b) Convertible redeemable preference shares

In March 2013, the Costa Group issued 45,000,000 convertible redeemable preference shares ("CRPS") for \$1 each. The CRPS provides the holder the right to receive fixed and non-fixed dividends, and payment of the principle amount and fixed dividends in full on redemption. The Group has previously accounted for the CRPS as an equity instrument.

The appropriate accounting treatment is to treat the CRPS as a debt instrument as at 30 June 2013. The Directors have determined that the Group's share capital, liability component of the CRPS and retained losses as at 30 June 2013 as reported in the Group's Consolidated Financial Report issued on 24 October 2013 should thus be amended. The impact on the correction on the statement of profit or loss and other comprehensive income was to reduce profit for the financial year ended 30 June 2013 by \$1,055,342.

(c) Foreign exchange contracts

Costa Group enters into foreign exchange contracts ("FEC") to hedge its exposure against foreign currency risk in line with the entity's risk management strategy. The Group has previously only accounted for the carrying amount of the FEC's by recording the gross receivable and payable relating the FEC that is due on its maturity date and has not recognised the changes in fair value from the FEC from its inception date to each reporting date.

Based on the fair value of the FEC, the Group has recognised the changes in fair value from the FEC from its inception date to each reporting date. Accordingly, the Directors have determined that the Group's current assets and current liabilities as at 30 June 2013 as reported in the Group's Consolidated Financial Report issued on 24 October 2013, should be decreased by \$8,508,907. There was no impact to the statement of profit or loss and other comprehensive income.

The effect of the prior year adjustments noted in (a), (b) and (c) for each financial statement line item is summarised as followed:

	As restated	As previously stated
Statement of financial position		
Current assets		
Other financial assets at 30 June 2012	-	7,496,807
Other financial assets at 30 June 2013	-	8,508,907
Non-current assets		
Deferred tax assets at 30 June 2012	10,055,549	8,905,965
Deferred tax assets at 30 June 2013	7,813,510	6,653,167
Current liabilities		
Other financial liabilities at 30 June 2012	-	7,496,807
Other financial liabilities at 30 June 2013	-	8,508,907
Non-current liabilities		
Redeemable preference shares at 30 June 2013	46,055,342	-
Derivative financial liability at 30 June 2013	3,867,809	-
Derivative financial liability at 30 June 2012	3,831,946	-
Statement of changes in equity		
Share capital at 30 June 2013	194,600,012	239,600,012
Retained losses at 30 June 2013	(49,914,861)	(46,152,053)
Retained losses at 1 July 2012	(9,571,230)	(6,888,868)

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 JUNE 2014

NOTE 33: PRIOR YEAR ADJUSTMENTS (CONTINUED)

Statement of profit or loss and other comprehensive income

Net change in fair value of derivatives for the year ended 30 June 2013	35,863	-
Finance costs for the year ended 30 June 2013	18,463,931	17,408,589
Income tax benefit / (expense) for the year ended 30 June 2013	1,930,524	1,941,283

(d) Restatement of prior year comparatives

Some prior period revenue and expense items have been adjusted to ensure consistency with the classification and disclosure of the corresponding items in the current financial year.

COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES
ABN 68 151 363 129

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 - 37, are in accordance with the Corporations Act 2001: and
 - (a) comply with Australian Accounting Standards Reduced Disclosure Requirements and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the consolidated entity as at 29 June 2014 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. At the date of this declaration, there are reasonable grounds to believe that the members of the closed group under the cross deed of guarantee 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 described in Note 29.

This declaration is made in accordance with a resolution of the Board of Directors.

Director:



Mr Harry Debney

Director:



Mr Robert Costa

Dated this 22 day of October 2014.



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

Report on the financial report

We have audited the accompanying financial report of Costa Group Holdings Pty Ltd ("the Company"), which comprises the statement of financial position as at 29 June 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of 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 – Reduced Disclosure Requirements 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.

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 – Reduced Disclosure Requirements, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Costa Group Holdings Pty Ltd on 22 October 2014, would be in the same terms if given to the Directors as at the time of this auditor's report.

Auditor's opinion

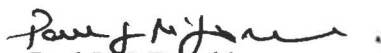
In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 29 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Prior period adjustments

Without modifying our opinion expressed above, we draw attention to Note 33 to the financial report which describes the restatement of certain amounts to correct prior period errors identified in the previously issued 30 June 2013 financial report. The financial report of Costa Group Holdings Pty Ltd for the year ended 30 June 2013 was audited by another auditor who issued an unmodified opinion on that financial report on 24 October 2013.


KPMG


Paul J McDonald
Partner

Melbourne
22 October 2014