



Costa Group Holdings Limited

Appendix 4E

Unaudited Preliminary Final Report

For the financial year ended 28 June 2015

ABN 68 151 363 129

Reporting Period

Financial year ended:	Previous corresponding period:
28 June 2015	29 June 2014

Results for announcement to the market

Description	2015 \$ '000	2014 \$ '000	% change
Revenue from ordinary activities	736,221	711,119	3.5%
Profit / (loss) from ordinary activities	4,577	(1,890)	342.2%
Profit / (loss) for the period attributable to members	4,577	(1,890)	342.2%

Abbreviated explanation of results

Revenue from ordinary activities was up \$25.1 million, or 3.5%, from \$711.1 million to \$736.2 million in FY2015. The increase in revenue was driven by growth in the Produce segment through increased sales across all produce categories. This was partially offset by the Costa Farms & Logistics (“CF&L”) segment due to the loss of the Coles Eastern Creek services contract.

Net profit after tax was up \$6.5 million, or 342.2%, from (\$1.9) million to \$4.6 million in FY2015. The increase is driven primarily by improved earnings in the Produce segment and a decrease in finance costs in FY2015 compared to the previous year. In FY2014, the Group refinanced its banking facilities resulting in a significant write-off of capitalised borrowing costs. This increase was partially offset by lower earnings in the CF&L segment, costs incurred associated with the Initial Public Offering (“IPO”) which was completed in FY2016 and start-up costs relating to the China JV.

Dividends or dividend distribution plan

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

Earnings and Net Tangible Asset per Share

Please refer to Note 5, page 24 for Earnings per Share information.

The following reflects the income used in the net tangible asset per share computations:

	2015 \$ '000	2014 \$ '000
(a) Earnings used in calculating Net Tangible Asset per share		
Profit / (loss) for the period attributable to members	4,577	(1,890)
Total tangible assets	386,012	348,463
	Number	Number
(b) Weighted average number of shares (in thousands)		
Weighted average number of ordinary shares on issue used in the calculation of basic net tangible asset per share	194,600	194,600
<i>Effect of potentially dilutive securities:</i>		
Convertible Redeemable Preference Shares	45,000	45,000
Equity-settled share options	6,367	5,765
Weighted average number of ordinary shares on issue used in the calculation of diluted net tangible asset per share	245,967	245,365
	2015 Cents per share	2014 Cents per share
Net tangible asset per share		
Basic net tangible asset per share	198.36	179.07
Diluted net tangible asset per share	156.94	142.02

Parent Entity and Subsidiaries

(a) Ultimate Parent

The ultimate Australian parent entity and the ultimate parent of the Consolidated Entity is Costa Group Holdings Limited.

b) Subsidiaries

The following are the Group's significant subsidiaries:

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

Associates and Joint Ventures

The Group's associates and joint ventures are included at Note 9, page 28.

Commentary on results for the period

The Consolidated Statement of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity and Notes to the Unaudited Preliminary Final Report ("financial report") are included on pages 5 to 29.

Costa Group Holdings Limited and its controlled entities (Costa or the Group) is Australia's largest horticulture Group and is the largest fresh produce supplier to the major Australian food retailers, with sales revenues of \$727.0 million in FY2015. The Group's principal activities during the year were:

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

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

Highlights of full year result:

- Statutory net profit after tax up 342.2% to \$4.6 million from FY2014.
- Sales revenue up 4.0% to \$727.0 million from FY2014.
- EBITDA before SGARA down 7.1% to \$59.9 million from FY2014.
- Strong underlying results in the Produce segment.
- Improved earnings in the International segment led by strong performance from the African Blue joint venture and royalty income.
- Reported result significantly impacted by \$5.4 million of costs associated with the IPO and start-up costs for the Costa Asia JV of \$1.3 million. The abovementioned costs were offset through strong results within the produce segment.
- There were also various start-up costs for growth projects, in particular, the Tomato glasshouse, Berry expansion across Australia and the new Amaroo Citrus farm which impacted the year end result.

Unaudited report

This report is based on the accounts which are in the process of being audited and the Costa Group will release an audited financial report on/or before 30 September 2015.

Costa Group Holdings Ltd – Appendix 4E Unaudited Preliminary Final Report
Consolidated Statement of Comprehensive Income
For the year ended 28 June 2015

	Notes	2015 \$ '000	2014 \$ '000
Revenue			
Sales revenue	3	727,029	699,075
Other revenue	3	9,192	12,044
	3	736,221	711,119
Less: expenses			
Raw materials, consumables and third party purchases		(258,790)	(237,028)
Depreciation and amortisation expenses		(18,481)	(15,850)
Employee benefits expenses	4	(243,160)	(249,759)
Occupancy expenses		(61,910)	(55,178)
Finance costs	4	(20,895)	(28,471)
Profit / (loss) on sale of assets		500	(1,202)
Impairment losses	4	(15,703)	(15,709)
Equipment leasing expenses		(8,996)	(7,525)
Loss on sale of investment		-	(5,605)
(Loss) / gain on fair value adjustments - biological assets		(252)	4,972
Gain on fair value of derivatives		58	211
Other expenses	4	(112,777)	(105,411)
		(740,406)	(716,555)
Share of net profits of associates and joint ventures accounted for using the equity method	9(b)	9,515	8,566
Profit before income tax expense		5,330	3,130
Income tax expense		(753)	(5,020)
Profit / (loss) for the year		4,577	(1,890)
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss</i>			
Forgiveness of debt		-	4,606
Options granted / vested during the year		1,310	411
Other comprehensive income for the year		1,310	5,017
Total comprehensive income for the year		5,887	3,127
Profit / (loss) attributable to owners of Costa Group Holdings Ltd		4,577	(1,890)
Total comprehensive income attributable to owners of Costa Group Holdings Ltd		5,887	3,127
		2015 Cents	2014 Cents
Earnings per share for profit attributable to owners of Costa Group Holdings Ltd:			
Basic earnings / (loss) per share	5	2.35	(0.97)
Diluted earnings / (loss) per share	5	1.86	(0.77)

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

Costa Group Holdings Ltd – Appendix 4E Unaudited Preliminary Final Report
Consolidated Statement of Financial Position
As at 28 June 2015

	Notes	2015 \$ '000	2014 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents		9,504	26,231
Receivables		62,551	70,732
Inventories		16,124	13,947
Biological assets	7	31,571	28,054
Other assets		6,517	2,898
		<u>126,267</u>	<u>141,862</u>
Assets classified as held for sale		4,242	4,204
Total current assets		<u>130,509</u>	<u>146,066</u>
Non-current assets			
Receivables		125	225
Other financial assets		2,036	2,172
Biological assets	7	4,305	6,009
Equity accounted investments	9(b)	27,587	24,171
Intangible assets		141,865	149,809
Deferred tax assets		5,391	4,618
Property, plant and equipment		216,059	165,202
Total non-current assets		<u>397,368</u>	<u>352,206</u>
Total assets		<u>527,877</u>	<u>498,272</u>
LIABILITIES			
Current liabilities			
Payables		74,495	72,128
Borrowings		4,885	6
Provisions		13,483	12,917
Derivative financial liabilities		-	315
Current tax liabilities		1,563	2,101
Total current liabilities		<u>94,426</u>	<u>87,467</u>
Non-current liabilities			
Borrowings		228,004	209,771
Convertible Redeemable Preference Shares		1,119	1,036
Provisions		3,290	4,964
Derivative financial liabilities		3,337	3,220
Total non-current liabilities		<u>235,750</u>	<u>218,991</u>
Total liabilities		<u>330,176</u>	<u>306,458</u>
NET ASSETS		<u>197,701</u>	<u>191,814</u>
EQUITY			
Contributed equity	8	238,564	238,564
Share based payment reserve		1,759	449
Accumulated losses		(42,622)	(47,199)
Total equity		<u>197,701</u>	<u>191,814</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Costa Group Holdings Ltd – Appendix 4E Unaudited Preliminary Final Report
Consolidated Statement of Changes in Equity
As at 28 June 2015

	Contributed equity	Share based payment reserve	Accumulated losses	Total equity
Consolidated	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 1 July 2013	194,600	38	(49,915)	144,723
Loss for the year	-	-	(1,890)	(1,890)
Forgiveness of debt	-	-	4,606	4,606
Options granted / vested during the year	-	411	-	411
Total comprehensive income for the year	-	411	2,716	3,127
Transactions with owners in their capacity as owners:				
Extinguishment of financial liability	43,964	-	-	43,964
Balance as at 29 June 2014	238,564	449	(47,199)	191,814
Balance as at 30 June 2014	238,564	449	(47,199)	191,814
Profit for the year	-	-	4,577	4,577
Options granted / vested during the year	-	1,310	-	1,310
Total comprehensive income for the year	-	1,310	4,577	5,887
Balance as at 28 June 2015	238,564	1,759	(42,622)	197,701

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

Costa Group Holdings Ltd – Appendix 4E Unaudited Preliminary Final Report
Consolidated Statement of Cash Flows
For the year ended 28 June 2015

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

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

Costa Group Holdings Ltd – Appendix 4E Unaudited Preliminary Final Report

Index to Notes to the final report

	Page
1. Significant accounting policies	10
2. Critical accounting estimates and judgements	22
3. Revenue	23
4. Expenses	23
5. Earnings per share	24
6. Segment information	25
7. Biological assets	26
8. Share capital	27
9. Equity accounted investments	28
10. Contingent liabilities	29
11. Events subsequent to reporting date	29

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial report is for Costa Group Holdings Ltd and its controlled entities (the "Group"). Costa Group Holdings Ltd is a company limited by shares, incorporated and domiciled in Australia. Costa Group Holdings Ltd is a for profit entity for the purpose of preparing the financial 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 financial report from the date that control commences until the date that control ceases.

Investments in associates and joint ventures (equity accounted investments)

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

Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost. The cost of the investment includes transaction costs.

The financial report includes the Group's share of the profit or loss and other comprehensive income of equity accounted investments after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions eliminated on consolidation

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

(d) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and Balances

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

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

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

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

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

(e) Revenue

Sale of goods

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

Rendering of services

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

Dividends

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue (Continued)

Interest income

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

Rental income

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

Royalty income

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

Commission income

Commission income is recognised by the Group for sale of goods undertaken by the Group in its capacity as an agent of the transaction.

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

(f) Income tax

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

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

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

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

Tax Consolidation

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

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (Continued)

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

(g) Borrowing costs

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

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

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

(h) Research and development expenditure

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

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

Other development expenditure is recognised as an expense when incurred.

(i) Inventories

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

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

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

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

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

(j) Biological assets

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Biological assets (Continued)

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

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

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

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

- (i) The productive life of the asset
- (ii) The period over which the asset will mature
- (iii) The expected future sales price
- (iv) The cost expected to arise throughout the life of the asset
- (v) Net cash flows are discounted at a pre-tax average real rate of 19% 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 statement of comprehensive income as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of comprehensive income.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(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 Group's risk management strategy.

Non-derivative financial instruments

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

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

Loans and receivables

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

Available-for-sale

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

Financial liabilities

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

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

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Property, plant and equipment

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

Depreciation

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

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

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

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

(m) Assets held for sale

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

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

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

(n) Segment reporting

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment

Non-derivative financial assets

Financial assets measured at amortised cost

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

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

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

Available-for-sale financial assets

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

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 the statement of comprehensive income. 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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment (Continued)

Non-financial assets (Continued)

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

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

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

(p) Intangibles

Goodwill

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

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

Brand names

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

Lease premiums

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

Water rights

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Intangibles (Continued)

Software

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

Acquired both separately and from a business combination

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

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

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

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

(q) Provisions

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

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

(r) Leases

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (Continued)

Finance leases

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

Operating leases

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

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

(s) Employee benefits

Short-term employee benefit obligations

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

Long-term employee benefit obligations

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

Bonus plan

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

Termination benefits

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Goods and services tax (GST)

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

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

(u) Contributed equity

Ordinary shares

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

Redeemable 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 the statement of comprehensive income as accrued.

(v) Share based payments

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

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

(w) Cash and cash equivalents

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

(x) Government grants

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

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report 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. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future.

(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 Group. 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. Accordingly, management must make a judgement as to the trend in these factors in determining the value of biological assets.

(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.

(f) Valuation of assets held-for-sale

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

NOTE 3: REVENUE

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

NOTE 4: EXPENSES

	2015	2014
	\$ '000	\$ '000
<i>Finance costs</i>		
Bank charges	89	67
Interest expense on borrowings	18,275	17,004
Borrowing costs expensed	2,448	7,849
Interest expense on redeemable preference shares	83	3,551
	20,895	28,471
<i>Impairment losses</i>		
Lease Premiums	-	280
Property, Plant and Equipment	8,754	4,530
Goodwill	6,949	10,899
	15,703	15,709

(a) Impairment of Property, plant and equipment

The above impairment loss for the financial year 2015 is attributed to the closure of various sites including Grape sites: St. George and Menindee and Mushroom sites: Mittagong and Huon Valley closed in FY2014.

(b) Impairment of goodwill

There has been a write-off of remaining carrying value of goodwill during the financial year 2015 relating to the Grapes Marketing business due to the closure of the St. George and Menindee grape farms.

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

NOTE 4: EXPENSES (CONTINUED)

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

NOTE 5: EARNINGS PER SHARE

	2015 Cents per share	2014 Cents per share
<i>Basic EPS</i>		
Basic EPS (cents) based on net profit attributable to members of Costa Group Limited	2.35	(0.97)
<i>Diluted EPS</i>		
Diluted EPS (cents) based on net profit attributable to members of Costa Group Limited	1.86	(0.77)
	Number	Number
Weighted average number of shares (in thousands)		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	194,600	194,600
Effect of potentially dilutive securities		
Convertible redeemable preference shares	45,000	45,000
Equity-settled share options	6,367	5,765
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS	245,967	245,365

NOTE 6: SEGMENT INFORMATION

(a) Basis for segmentation

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

Produce

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

Costa Farms & Logistics ("CF&L")

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

International

The International segment comprises royalty income from licensing of Costa's blueberry varieties and international berry farming operations.

(b) Information about reportable segments

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

2015					
	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	498,155	228,874	-	-	727,029
Inter-segment	37,129	2,651	-	(39,780)	-
Segment revenue	535,284	231,525	-	(39,780)	727,029
EBITDA before SGARA	51,247	9,034	5,060	-	65,341
2014					
	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	451,857	247,218	-	-	699,075
Inter-segment	45,672	2,050	-	(47,722)	-
Segment revenue	497,529	249,268	-	(47,722)	699,075
EBITDA before SGARA	47,039	12,582	4,915	-	64,536

NOTE 6: SEGMENT INFORMATION (CONTINUED)
(c) Reconciliation of segment EBITDA before SGARA to profit before tax

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

(i) IPO transaction costs have not been allocated to reportable segments.

(ii) Fair value movements on derivatives relating to the existing finance facility.

NOTE 7: BIOLOGICAL ASSETS

	2015	2014
	\$ '000	\$ '000
CURRENT		
Fruit and vegetables - at fair value	25,512	21,242
Vegetables - at cost	6,059	6,812
	31,571	28,054
NON CURRENT		
Plants - at fair value	4,305	6,009
	35,876	34,063
Total biological assets	35,876	34,063

NOTE 8: SHARE CAPITAL

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

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

Convertible Redeemable Preference Shares are subject to the conditions described below:

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

NOTE 9: EQUITY ACCOUNTED INVESTMENTS
(a) Details of Associates and Joint Ventures

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

(b) Summarised financial information for associates and joint ventures

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

NOTE 10: CONTINGENT LIABILITIES

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

NOTE 11: EVENTS SUBSEQUENT TO REPORTING DATE

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

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

As a result of the IPO, the Group:

- Issued new shares of \$173.3 million;
- Repaid the existing debt facility of \$238.0 million and drew down \$142.0 million under a new banking facility;
- Disposed of existing options issued to management and Directors under the legacy LTI plan, which resulted in a cash payment of \$11.9 million and acceleration of share-based payments expense \$0.7 million;
- Paid a dividend of \$9.4 million in relation to the Convertible Redeemable Preference Shares (CPS50). The CPS50 were subsequently converted to ordinary shares; and
- Write-off of capitalised borrowing costs of \$7.9 million.