



Costa Group Holdings Limited

Appendix 4D and Consolidated Interim Financial Statements

For the half-year ended 27 December 2015

ASX Listing Rule 4.2A.3

ABN 68 151 363 129

**The information in this report should be read in conjunction with
Costa's 2015 Annual Report**

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	Half-year ended 27 December 2015 \$ '000	Half-year ended 28 December 2014 \$ '000	% Change increase / (decrease)	Amount increase / (decrease) \$ '000
Revenue from ordinary activities	408,804	362,519	13%	46,285
Profit / (loss) from ordinary activities	557	(5,800)	110%	6,357
Profit / (loss) for the period attributable to members	557	(5,800)	110%	6,357

DIVIDENDS

Dividends were paid amounting to \$9.4 million in relation to Redeemable Preference Shares (RPS) upon completion of the initial public offering on 24 July 2015. These dividends were fully franked.

The Directors have determined an interim dividend of 3.0 cents per ordinary share, fully franked. The dividend is expected to be paid on 27 April 2016. The dividend was not declared as at 27 December 2015 and accordingly no provision has been recognised.

Costa Group Holdings Limited did not declare a dividend during the prior financial year or the corresponding half-year. There was no dividend reinvestment plan in operation during the half-years ended 27 December 2015 and 28 December 2014.

2. FINANCIAL STATEMENTS

Please refer to pages 1 through 23 of this report wherein the following are provided:

- Directors' report;
- Auditor's independence declaration;
- Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 27 December 2015;
- Consolidated Interim Statement of Financial Position as at 27 December 2015;
- Consolidated Interim Statement of Changes in Equity for the half-year ended 27 December 2015;
- Consolidated Interim Statement of Cash Flows for the half-year ended 27 December 2015;
- Notes to the Consolidated Interim Financial Statements;
- Director's Declaration;
- Independent auditor's review report for the half-year ended 27 December 2015; and
- Corporate Directory.

3. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share	Half-year ended 27 December 2015 Cents per share	Half-year ended 28 December 2014 Cents per share
Net tangible asset backing per ordinary share	134.94	181.16

4. ASSOCIATES AND JOINT VENTURES

Associates and Joint Ventures	Equity instrument	Ownership interest 27 December 2015 %	Ownership interest 28 December 2014 %	Measurement basis
African Blue SA	Ordinary shares	49	49	Equity Accounted
Polar Fresh Partnership	Ordinary shares	50	50	Equity Accounted
Driscoll's Australia Partnership	Ordinary shares	50	50	Equity Accounted

5. FURTHER INFORMATION

Additional Appendix 4D disclosure requirements can be found in the notes to our half-year consolidated interim financial statements and the half-year Directors' Report.

Costa Group Holdings Ltd

Directors' Report

For the half-year ended 27 December 2015

The directors of Costa Group Holdings Ltd and its controlled entities ("the Group") present their report together with the consolidated interim financial statements of the Group, being the Company and its controlled entities, for the half-year ended 27 December 2015 and Auditor's Report thereon.

DIRECTORS' NAMES

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

Mr Neil Chatfield (Chairman)
Mr Harry Debney (CEO)
Mr Frank Costa
Mr Kevin Schwartz
Mr Peter Margin
Ms Tiffany Fuller (Appointed 1st October 2015)

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

PRINCIPAL ACTIVITIES

Costa Group is Australia's largest horticulture group and is the largest fresh produce supplier to the major Australian food retailers. The Group's principal activities during the half-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;
- provision of chilled logistics warehousing and services within Australia; and
- licensing of proprietary blueberry varieties and berry farming operations in international markets.

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

OPERATING AND FINANCIAL REVIEW

Financial information in the Operating and Financial Review is based on the reviewed consolidated interim financial statements. Non-IFRS measures have not been subject to audit or review.

Compared to 1HY2015, statutory net profit after tax has increased by \$6.4 million to \$0.6 million. The increase in net profit was largely due to:

- Improved earnings contribution from all segments for the period;
- A \$15.7 million impairment charge booked in 1HFY2015, primarily relating to the downsizing of the grape category. Additionally, profit on sale of the St. George grape farm of \$2.7m was recognised in 1HFY2016;
- Reduced interest charges for 1HFY2016 in line with the new loan facility;
- Lower tax expense for the half-year; and
- Recognition of \$1.9 million SGARA (hanging crop) for African Blue joint venture for the first time in 1HFY2016.

The increase was partially offset by Initial Public Offering (IPO) costs of \$20.5 million (1HFY2015: nil) recognised in 1HFY2016 and \$7.9 million of write-off of capitalised borrowing costs associated with the extinguishing of the pre-IPO loan facility.

Statutory sales revenue has increased by \$44.6 million to \$403.8 million. This was primarily driven by revenue growth in the produce segment. This was partially offset by lower revenue in the Costa Farms & Logistics (CF&L) segment due to weaker banana pricing and reduced volume of promotions.

Costa Group Holdings Ltd
Directors' Report
For the half-year ended 27 December 2015

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

As a result of the IPO, the Group:

- Issued new shares realising total proceeds of \$173.3 million;
- Incurred IPO related transaction costs of \$35m across FY2015 and FY2016;
- Repaid the existing debt facility of \$238.0 million and subsequently drew down \$142.0 million under a new banking facility;
- Disposed of existing options issued to management under a legacy Long Term Incentive ("LTI") plan, which resulted in a cash payment of \$11.9 million and acceleration of share based payments expense of \$0.7 million;
- Paid a dividend of \$9.4 million in relation to the Redeemable Preference Shares (RPS). The RPS were subsequently converted to ordinary shares; and
- Wrote off capitalised borrowing costs of \$7.9 million.

EVENTS SUBSEQUENT TO REPORTING DATE

Since year end, the Directors have determined an interim dividend of 3.0 cents per share on 24 February 2016. (It is expected that this dividend will be fully franked.)

On 20 January 2016, Costa Group and Driscoll's entered into a Shareholders Agreement which formalises a joint venture for berry production in China. Under the agreement, Costa will have 70% ownership of the joint venture and Driscoll's has 30%. The joint venture will grow berries for distribution to the Asian market and the produce will be marketed by Driscoll's.

DIVIDENDS PAID, RECOMMENDED AND DECLARED

Dividends amounting to \$9.4 million were paid in relation to Redeemable Preference Shares (RPS) upon completion of the initial public offering on the 24th July 2015. These dividends were fully franked.

The Directors have determined an interim dividend of 3.0 cents per ordinary share, fully franked, in respect of the current financial year. The record date of the dividend is 22 March 2016 and the dividend is expected to be paid on 27 April 2016. The dividend was not determined until 24 February 2016 and accordingly no provision has been recognised at 27 December 2015.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 370C of the Corporations Act 2001 is set out on page 4 and forms part of the Directors' Report for the half-year ended 27 December 2015.

Costa Group Holdings Ltd
Directors' Report
For the half-year ended 27 December 2015

ROUNDING

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

This report is made in accordance with a Resolution of the Board of Directors and is signed for and on behalf of the Directors.



Harry Debney
Managing Director



Neil Chatfield
Chairman

24 February 2016



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

To: the Directors of Costa Group Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 27 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.


KPMG


Paul J McDonald
Partner

Melbourne

24 February 2016

Costa Group Holdings Ltd
Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 27 December 2015

		Half-year	
	Notes	27-Dec-15 \$ '000	28-Dec-14 \$ '000
Revenue			
Sales revenue	3	403,830	359,178
Other revenue	3	4,974	3,341
	3	408,804	362,519
Less: expenses			
Raw materials, consumables and third party purchases		(139,848)	(127,170)
Depreciation and amortisation expenses		(10,212)	(9,027)
Employee benefits expenses	4	(142,176)	(122,758)
Occupancy expenses		(32,177)	(33,186)
Finance costs	4	(11,630)	(10,532)
Profit on sale of assets		2,104	163
Freight and cartage		(26,998)	(23,530)
Impairment losses	4	-	(15,708)
Leasing expenses		(4,642)	(3,548)
Gain / (loss) on fair value adjustments - biological assets		2,013	720
Gain / (loss) on fair value of derivatives		(634)	(296)
Other expenses		(48,395)	(26,163)
		(412,595)	(371,035)
Share of net profits of associates and joint ventures accounted for using the equity method		3,824	1,343
Profit / (loss) before income tax expense		33	(7,173)
Income tax benefit		524	1,373
Profit / (loss) for the period		557	(5,800)
Total comprehensive income / (loss) for the period		557	(5,800)
Profit / (loss) attributable to owners of Costa Group Holdings Ltd		557	(5,800)
Total comprehensive profit / (loss) attributable to owners of Costa Group Holdings Ltd		557	(5,800)
		2015 Cents	2014 Cents
Earnings / (loss) per share for profit attributable to ordinary equity holders:			
Basic earnings / (loss) per share	7	0.09	(4.03)
Diluted earnings / (loss) per share	7	0.09	(4.03)

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

Costa Group Holdings Ltd
Consolidated Interim Statement of Financial Position
For the half-year ended 27 December 2015

	Notes	27-Dec-15 \$ '000	28-Jun-15 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents		2,015	9,504
Receivables		70,158	62,551
Inventories		20,710	16,124
Biological assets		32,472	31,571
Other assets		1,411	6,517
Current tax assets		125	-
Assets classified as held for sale		-	4,242
Total current assets		126,891	130,509
Non-current assets			
Receivables		75	125
Other financial assets		477	2,036
Biological assets		7,133	4,305
Equity accounted investments		29,415	27,587
Intangible assets		141,480	141,865
Deferred tax assets		10,865	5,391
Property, plant and equipment		232,402	216,059
Total non-current assets		421,847	397,368
Total assets		548,738	527,877
LIABILITIES			
Current liabilities			
Payables		73,101	74,495
Borrowings	8	-	4,885
Provisions		13,524	13,483
Derivative financial liabilities		6	-
Current tax liabilities		-	1,563
Total current liabilities		86,631	94,426
Non-current liabilities			
Borrowings	8	114,124	228,004
Redeemable Preference Shares	8	-	1,119
Provisions		3,549	3,290
Derivative financial liabilities		-	3,337
Total non-current liabilities		117,673	235,750
Total liabilities		204,304	330,176
NET ASSETS		344,434	197,701
EQUITY			
Contributed equity	9	395,688	238,564
Profit reserve		5,134	4,577
Share based payment reserve	10	233	1,759
Accumulated losses		(56,621)	(47,199)
TOTAL EQUITY		344,434	197,701

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

Costa Group Holdings Ltd
Consolidated Interim Statement of Changes in Equity
For the half-year ended 27 December 2015

	Contributed equity	Share based payment reserve	Accumulated losses	Profit reserve	Total equity
Consolidated	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 30 June 2014	238,564	449	(47,199)	-	191,814
Loss for the half-year	-	-	(5,800)	-	(5,800)
Total comprehensive loss for the half-year	-	-	(5,800)	-	(5,800)
Transactions with owners in their capacity as owners:					
Options granted during the half-year	-	276	-	-	276
Balance as at 28 December 2014	238,564	725	(52,999)	-	186,290
Balance as at 29 June 2015	238,564	1,759	(47,199)	4,577	197,701
Profit for the half-year	-	-	557	-	557
Transfer to profit reserve	-	-	(557)	557	-
Total comprehensive income for the half-year	-	-	-	557	557
Transactions with owners in their capacity as owners:					
Options granted during the half-year	-	156	-	-	156
Conversion of Redeemable Preference Shares	1,126	-	-	-	1,126
Issue of ordinary shares net of transaction costs	166,200	-	-	-	166,200
Dividend paid on Redeemable Preference Shares	-	-	(9,422)	-	(9,422)
Redemption of share options	(11,884)	-	-	-	(11,884)
Settlement of share based payment	1,682	(1,682)	-	-	-
Balance as at 27 December 2015	395,688	233	(56,621)	5,134	344,434

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

Costa Group Holdings Ltd
Consolidated Interim Statement of Cash Flows
For the half-year ended 27 December 2015

	27-Dec-15	28-Dec-14
	\$ '000	\$ '000
Cash flow from operating activities		
Receipts from customers	402,756	373,364
Payments to suppliers and employees	(374,650)	(352,724)
Interest received	87	97
Interest paid	(4,191)	(4,689)
Dividends received	78	6
Income taxes paid	(3,601)	(1,852)
Net cash provided by operating activities	20,479	14,202
Cash flow from investing activities		
Payments for property, plant and equipment	(28,239)	(35,132)
Dividends from equity accounted investments	1,741	4,684
Payment for intangible assets	(249)	(1,056)
Proceeds from sale of intangible assets	3,772	3,580
Proceeds from sale of property, plant and equipment	2,888	190
Net cash used in investing activities	(20,087)	(27,734)
Cash flow from financing activities		
Settlement of derivatives	(3,957)	-
Proceeds from share issue net of transactional costs	520,079	-
Acquisition of shares	(377,370)	-
Dividend payments on Redeemable Preference Shares	(9,422)	-
Redemption of options	(11,884)	-
Proceeds from loan from related party associate	1,550	-
Repayment of borrowings	(421,001)	-
Proceeds from borrowings	294,124	7,997
Net cash provided by financing activities	(7,881)	7,997
Reconciliation of cash		
Cash at beginning of the half-year	9,504	26,231
Net decrease in cash held	(7,489)	(5,535)
Cash at end of half-year	2,015	20,696

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

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements are for Costa Group Holdings Ltd and its controlled entities (the "Group"). Costa Group Holdings Ltd (the "Company") is a Company limited by shares, incorporated and domiciled in Australia. Costa Group Holdings Ltd is a for profit entity incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX). The consolidated interim financial statements were authorised for issue in accordance with a resolution of Directors on 24 February 2016.

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

(a) Statement of compliance

The consolidated interim financial statements for the half-year ended 27 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial statements does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the annual financial report. Accordingly, this report should be read in conjunction with the annual financial report for the year ended 28 June 2015.

(b) Basis of preparation of the consolidated interim financial statements

This report is presented in Australian dollars. The accounting policies are consistent with those applied in the previous financial year and the corresponding reporting period.

(c) Rounding

The consolidated interim financial statements are presented in Australian dollars with all values rounded to the nearest thousand unless otherwise stated, in accordance with ASIC Class Order 98/100.

(d) Comparatives

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

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated interim financial statements 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 estimated 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 reviewed by the Board covering a period of 3 years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using an average growth rate of 3.0% for cash flows post financial year 2018, a terminal value growth rate of 3.0% to determine value in use. A post-tax discount rate to post-tax cash flows has been applied as the valuation calculated using this method closely approximates applying pre-tax discount rates to pre-tax cash flows. The Group used a pre-tax discount rate of 12.4% to 13.9% for 1HFY2016 (FY2015: 12.8% to 13.4%) which was revised for post IPO capital structure.

(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

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.

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.

(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 Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Valuation of assets held-for-sale

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

(g) Fair value measurement

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

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

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

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

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

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 3: REVENUE

	27-Dec-15	28-Dec-14
	\$ '000	\$ '000
<i>Sales revenue</i>		
Sale of goods and commissions received	397,746	352,471
Rebates and discounts provided	(6,654)	(6,275)
Rendering of services	12,738	12,982
Total Sales Revenue	403,830	359,178
Total Other Revenue	4,974	3,341
Total Revenue	408,804	362,519

Seasonality of interim operations

The Group has seasonality across its produce categories and geographically throughout the business. The seasonality of the Group's revenues has been reduced through targeted growth incorporating geographic spread and ongoing investment in protective growing environments and equipment. The Group's international crop cycle is such that crop farming and preparation costs are incurred in the first half of the financial year, with harvest and hence revenues recognised in the second half of the year.

NOTE 4: EXPENSES

	27-Dec-15	28-Dec-14
	\$ '000	\$ '000
<i>Finance costs</i>		
Bank charges	66	33
Interest expense on borrowings	3,260	9,231
Amortisation / Write off of borrowing costs*	8,297	1,227
Interest expense on redeemable preference shares	7	41
	11,630	10,532
<i>Impairment losses</i>		
Property, Plant and Equipment	-	8,759
Goodwill	-	6,949
	-	15,708
<i>Employee expenses</i>		
Salaries, contractors and wages (including on-costs)	128,832	110,054
Superannuation costs	7,219	6,284
Leave entitlements expense	4,099	4,030
Share based payments expense	156	276
Other employee expenses	1,870	2,114
	142,176	122,758

* Includes \$7.9m which relates to the write off of capitalised borrowing costs associated with the pre-IPO loan facility terminated.

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 5: MATERIAL ITEMS

The following individually material items are included with the consolidated interim statement of profit or loss and other comprehensive income.

	27-Dec-15 \$ '000	28-Dec-14 \$ '000
Individually material items included in profit/(loss) before income tax:		
Initial Public Offering Transactions Costs ¹	(20,454)	-
Write off of borrowing costs ²	(7,936)	-
Total material items (before tax)	(28,390)	-
Tax effect of material items	8,517	-
Total material items (after tax)	(19,873)	-

1. The Group incurred significant costs in accordance with the initial public offering which occurred on the 24th of July, 2015. The nature of these costs related to advisory, legal, accounting, tax and listing fees. (During the financial year ended June 2015, \$4.4m before tax was incurred in relation to IPO Costs.)

2. Refer to Note 4 above for detail in relation to write off of borrowing costs.

NOTE 6: SEGMENT INFORMATION

(a) Basis for segmentation

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

Produce

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

Costa Farms & Logistics ("CF&L")

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

International

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

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 6: SEGMENT INFORMATION (CONTINUED)

(b) Information about reportable segments

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

27 December 2015					
	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	297,628	106,202	-		403,830
Inter-segment	20,223	1,273	-	(21,496)	-
Total revenue	317,851	107,475	-	(21,496)	403,830
EBITDA before SGARA	32,349	5,758	652	-	38,759

28 December 2014					
	Produce	CF&L	International	Adjustments and eliminations	Total
Revenue					
External customers	248,882	110,375	-	(79)	359,178
Inter-segment	19,395	1,315	-	(20,710)	-
Total revenue	268,277	111,690	-	(20,789)	359,178
EBITDA before SGARA	24,459	4,910	(1,959)	-	27,410

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

	Notes	27-Dec-15 \$ '000	28-Dec-14 \$ '000
EBITDA before SGARA for reportable segments		38,759	27,410
IPO transaction costs	(i)	(20,454)	-
FV movements in biological assets		2,013	720
Depreciation and amortisation		(10,212)	(9,027)
Impairment losses		-	(15,708)
Profit on sale of assets		2,104	163
Interest income		87	97
Finance costs		(11,630)	(10,532)
Loss on fair value of derivatives	(ii)	(634)	(296)
Income tax benefit		524	1,373
Profit/(loss) after tax		557	(5,800)

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

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

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 7: EARNINGS PER SHARE

	27-Dec-15 Cents per share	28-Dec-14 Cents per share
<i>Basic EPS</i>		
Basic EPS (cents) based on net profit / (loss) attributable to members of Costa Group Holdings Limited	0.09	(4.03)
<i>Diluted EPS</i>		
Diluted EPS (cents) based on net profit / (loss) attributable to members of Costa Group Holdings Limited	0.09	(4.03)
	Number	Number
<i>Weighted average number of shares (in thousands)</i>		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	301,809	194,600
<i>Effect of potentially dilutive securities</i>		
Redeemable Preference Shares	6,181	-
Equity-settled share options	176	-
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS	308,166	194,600
Earnings reconciliation	\$'000	\$'000
<i>Basic EPS</i>		
Net profit /(loss) attributable to owners of Costa Group Holdings Limited	264	(7,848)
<i>Diluted EPS</i>		
Earnings used in calculating basic EPS	264	(7,848)
Interest expense on Redeemable Preference Shares (net of tax)	7	-
Net profit / (loss) attributable to owners of Costa Group Holdings Limited (diluted)	271	(7,848)

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 8: BORROWINGS AND REDEEMABLE PREFERENCE SHARES

	27-Dec-15	28-Jun-15
	\$ '000	\$ '000
CURRENT		
<i>Secured liabilities</i>		
Bank loans	-	4,884
Hire purchase liability	-	1
	<u>-</u>	<u>4,885</u>
NON CURRENT		
<i>Secured liabilities</i>		
Bank loans	114,124	228,004
Redeemable Preference Shares	-	1,119
	<u>114,124</u>	<u>229,123</u>

In July 2015, the Group refinanced its loan facility with a domestic bank syndicate for the provision of debt financing of up to \$250 million (in aggregate), comprising two senior unsecured facilities (New Banking Facilities). Funding provided under the New Banking Facilities was partly used to repay the Group's old loan facility (and any derivative transactions associated with such financing), pay transaction costs in relation to the IPO and fund working capital. As a result of the refinance, \$7.9 million of borrowing costs previously capitalised were written off to the consolidated interim statement of profit or loss and other comprehensive income under finance costs (refer Note 4).

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
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NOTE 9: CONTRIBUTED EQUITY

	27-Dec-15 \$ '000	28-Jun-15 \$ '000
Issued and paid-up capital		
Ordinary shares	401,093	194,600
Transaction costs for issued share capital (net of tax)	(7,087)	-
Settlement of share based payment	1,682	-
Redeemable Preference Shares	-	43,964
	<u>395,688</u>	<u>238,564</u>

	27-Dec-15 Number '000	\$ '000	28-Jun-15 Number '000	\$ '000
(a) Ordinary shares				
Opening balance	194,600	194,600	194,600	194,600
Ordinary shares issued on 24 July 2015	77,017	173,287	-	-
Conversion of Redeemable Preference Shares to Ordinary Shares	45,000	45,090	-	-
Settlement of share based payment	-	1,682	-	-
Disposal of share options	-	(11,884)	-	-
Issue of new shares upon exercise of options	2,263	-	-	-
Transactions costs incurred in respect of initial public offering (net of tax)	-	(7,087)	-	-
At reporting date	<u>318,880</u>	<u>395,688</u>	<u>194,600</u>	<u>194,600</u>
(b) Redeemable Preference shares				
Opening balance	45,000	43,964	45,000	43,964
Redeemable Preference Shares Liability converted to equity	-	1,126	-	-
Conversion of Redeemable Preference Shares to Ordinary Shares	(45,000)	(45,090)	-	-
At reporting date	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>43,964</u>
Total Contributed Equity	<u>318,880</u>	<u>395,688</u>	<u>239,600</u>	<u>238,564</u>

Costa Group Holdings Ltd
Notes to the Consolidated Interim Financial Statements
For the half-year ended 27 December 2015

NOTE 10: SHARE BASED PAYMENTS

	27-Dec-15 \$ '000	28-Jun-15 \$ '000
Share based payments reserve	233	1,759

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

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.

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 half-year ended 27 December 2015, 1,891,944 options have been granted to the Chief Executive Officer and a further 1,621,428 options have been granted to other key executives under the new LTI arrangement.

Measurement of fair values

The Group engaged an external party to value the options issued during the half-year. For options issued to other key executives, the Group has utilised the assumption underlying the Black-Scholes methodology to produce a Monte Carlo Simulation model which allows for the incorporation of the TSR hurdle that must be met before the share based payment vests to the holder. For options issued to the CEO, the Binomial method was used. 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	Other KMPs 1HFY2016	CEO 1HFY2016
Number issued	1,621,428	1,891,944
Fair value at grant date	\$ 0.39	\$ 0.23
Share price at grant date	\$ 2.30	\$ 2.16
Exercise price	\$ 2.25	\$ 2.81
Expected volatility	27.00%	27.00%
Expected dividend yield	3.75%	3.75%
Risk-free rate	1.81%	1.98%

Reconciliation of outstanding share options

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

	27-Dec-15	28-Jun-15		
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	21,671,752	1.45	19,216,752	1.45
Exercised during the half-year	(21,221,752)	1.45	-	-
Granted during the half-year	3,513,372	2.51	2,455,000	1.45
Closing balance	3,963,372	2.39	21,671,752	1.45
Exercisable at half-year end	450,000	1.45	-	-

Costa Group Holdings Ltd
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For the half-year ended 27 December 2015

NOTE 11: CAPITAL AND LEASING COMMITMENTS

As at 27 December 2015, the Group has \$5.0 million contractually committed in relation to capital for the berry expansion program. Additionally, a further \$4.5 million has been accrued as at 27 December 2015 in relation to Costa's share of operating and capital expenditure incurred for the new China operation, with no other material commitments prevalent at this stage in relation to this venture.

Other than the items mentioned above, there have been no other significant changes in commitments since the most recent annual financial report.

NOTE 12: CONTINGENT LIABILITIES

There has been no significant changes in contingent liabilities since the most recent annual financial report.

NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE

Since year end, the Directors have determined an interim dividend determined of 3.0 cents per share on 24 February 2016. It is expected that this dividend will be fully franked.

On 20 January 2016, Costa Group and Driscoll's entered into a Shareholders Agreement which formalises a joint venture for berry production in China. Under the agreement, Costa will have 70% ownership of the joint venture and Driscoll's has 30%. The joint venture will grow berries for distribution to the Asian market and the produce will be marketed by Driscoll's.

Costa Group Holdings Ltd

Director's Declaration

The directors declare that the consolidated interim financial statements and notes for the Group:

- (a) are prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 134: "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Group's financial position as at 27 December 2015 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

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.

The directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the half-year ended 27 December 2015.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Dated 24 February 2016



Harry Debney

Managing Director



Neil Chatfield

Chairman



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Costa Group Holdings Limited ("the Company"), which comprises the consolidated interim statement of financial position as at 27 December 2015, consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the interim financial report

The Directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 27 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Costa Group Holdings Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Costa Group Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 27 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG
KPMG


Paul J McDonald
Partner

Melbourne

24 February 2016

Directors

Neil Chatfield (Chairman)
Harry Debney (CEO and Managing Director)
Frank Costa
Kevin Schwartz
Peter Margin
Tiffany Fuller (Appointed 1st October 2015)

Company Secretary

David Thomas

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Fax: +61 2 9287 0309 (for proxy voting)
Email: registrars@linkmarketservices.com.au
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Auditor

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Melbourne Victoria 3000 Australia

Stock Exchange

Costa Group Holdings Limited shares are quoted on the Australian Securities Exchange (ASX code: CGC)