



Costa Group Holdings Limited

Appendix 4D and Condensed Consolidated Interim Financial Statements

For the half-year ended 3 July 2022

ASX Listing Rule 4.2A.3

ABN 68 151 363 129

**The information in this report should be read in conjunction with Costa
Group Holdings Limited 2021 Annual Report**

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information

	Half year ended 3 July 2022	Half year ended 27 June 2021	% Change
	Results	Results	
	\$ '000	\$ '000	
Total revenue	708,657	612,424	15.7%
Profit for the period ¹	48,643	47,222	3.0%
Profit for the period attributable to owners of Costa Group Holdings Ltd ²	37,837	37,409	1.1%
Earnings before interest, tax, depreciation, amortisation, SGARA ³ , and material items (EBITDA-S) ⁴	140,095	124,407	12.6%
Net profit after tax before SGARA ³ , and material items (NPAT-S) ⁴	40,303	44,383	-9.2%

Notes:

1. Represents the statutory profit for the period which includes the impact of SGARA and material items.
2. Represents the statutory profit for the period adjusted for non-controlling interests.
3. SGARA represents the fair value movements in biological assets.
4. EBITDA-S and NPAT-S are disclosed before material items. Refer Note 15 of the Condensed Consolidated Interim Financial Statements for further details.

DIVIDENDS

Dividends or dividend distribution plan

	Cents per share	Franking %
Determined after the half year for the half year ended 3 July 2022¹		
Interim dividend	4.0 cents	100%
Declared and paid for the financial year ended 26 December 2021		
Final dividend	5.0 cents	100%
Interim dividend	4.0 cents	100%

Notes:

1. The interim dividend was determined subsequent to balance date. The record date for determining an entitlement to receipt of the interim dividend is 15 September 2022 and the Company expects to pay the dividend on 6 October 2022. This dividend has not been accrued for at balance date.

Consistent with prior year, there was no dividend reinvestment plan in operation during the interim for the half year ended 3 July 2022.

2. FINANCIAL STATEMENTS

Please refer to pages 1 through 25 of this report wherein the following are provided:

- Directors' Report;
- Auditor's Independence Declaration;
- Condensed Consolidated Interim Statement of Profit and Other Comprehensive Income for the half-year ended 3 July 2022;
- Condensed Consolidated Interim Statement of Financial Position as at 3 July 2022;
- Condensed Consolidated Interim Statement of Changes in Equity for the half-year ended 3 July 2022;
- Condensed Consolidated Interim Statement of Cash Flows for the half-year ended 3 July 2022;
- Notes to the Condensed Consolidated Interim Financial Statements;
- Director's Declaration;
- Independent Auditor's Review Report for the half-year ended 3 July 2022; and
- Corporate Directory.

3. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share	Half-year ended 3 July 2022	Half-year ended 27 June 2021
	Cents per share	Cents per share
Net tangible asset backing per ordinary share	121.12	107.20

4. ASSOCIATES AND JOINT VENTURES

Associates and Joint Ventures	Equity instrument	Ownership interest 3 July 2022 %	Ownership interest 27 June 2021 %	Measurement basis
Driscoll's Australia Partnership	Ordinary shares	50	50	Equity Accounted
Polar Fresh Partnership ⁽¹⁾	Ordinary shares	50	50	Equity Accounted

- (1) Final contract was completed in October 2017 and operations have now ceased. The entity has some common law claims pending after which it will initiate process of winding down.

5. FURTHER INFORMATION

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and notes to the Condensed Consolidated Interim Financial Statements.

Costa Group Holdings Ltd
Directors' report
For the half year ended 3 July 2022

The Directors of Costa Group Holdings Ltd ("the Company") present their report together with the Condensed Consolidated Interim Financial Statements of the Company and its controlled entities ("the Group") for the half-year ended 3 July 2022 and Independent Auditor's Review Report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the half-year are:

Mr Neil Chatfield (Chairman)
Mr Sean Hallahan (CEO)
Mr Harry Debney
Mr Tim Goldsmith
Ms Janette Kendall
Mr Peter Margin
Dr Jane Wilson AO

All Directors have been in office since the start of the half-year to the date of this report.

PRINCIPAL ACTIVITIES

The Group is Australia's leading 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, berries, glasshouse grown tomatoes, citrus, avocados 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 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 Condensed Consolidated Interim Financial Statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by management to assess the performance of the business and make decisions on the allocation of resources.

A full review of operations of the Group during the half-year is contained in the Australian Securities Exchange announcement dated 26 August 2022.

Key Financial Highlights in half-year ended 3 July 2022 compared to half-year ended 27 June 2021 include:

- Statutory profit attributed to Group's shareholders for the half year ended 3 July 2022 increased on the prior year. The Group benefitted from increased sales, improved earnings and a higher SGARA fair value movement relative to the prior year. These were partially offset by higher depreciation and interest charges primarily relating to prior year acquisitions and renewal of major property leases.
- Total revenue increased by 15.7% on the prior year to \$708.7 million, driven principally by the domestic categories. The mushroom and tomato categories both saw higher volumes from recent additional investment in the mushroom facility in Monarto SA and the commissioning of a new glasshouse respectively. The citrus category revenue increased, as grape volumes recovered after damages suffered from a hail event in the prior year, as well as incremental sales from the acquisition on 2PH Farms (which occurred in the second half of the prior year). International revenue was 4.6% higher, driven by sales in China that benefitted from strong pricing and increased harvest area, this was partially offset by planned reductions in Moroccan sales due to a replanting program in the northern region and lower average selling prices due to unfavourable weather conditions impacting harvest timing.
- Earnings before interest, tax, depreciation and amortisation, SGARA and material items (EBITDA-S)¹, was \$140.1 million, up from \$124.4 million in the prior year. In addition to the revenue drivers described above, the Group benefitted from improvements in the tomato and mushroom categories with higher pricing and production volumes, while depressed avocado pricing remained a challenge throughout the half.

1 EBITDA-S is a non-IFRS measures and has not been subject to audit.

Costa Group Holdings Ltd
Directors' report
For the half year ended 3 July 2022

- Interest and depreciation charges for the period were higher than the prior year, as the new facilities, prior year acquisitions, and renewal of major property leases contributed to the higher depreciation charge. The transaction with Macquarie Agricultural Fund which concluded at the end of the prior year, wherein strategic citrus and berry farm leases were renewed at longer lease terms at a higher fixed rent while simultaneously removing the variable component. Recognition of these lease expenses under the accounting standard significantly increased the lease interest and Right of Use asset depreciation charge when compared to the prior period.
- The fair value of the biological assets balance was higher when compared to the prior year due to the inclusion of the 2PH Farms business that was acquired in the second half of the prior year. This resulted in a SGARA gain in the period.
- Material items of \$2.2 million for the period relate to the impairment of the goodwill associated with the Avocado CGU in the Produce segment, due to a decline in avocado pricing attributed to higher levels of industry supply. The prior year included material items relating to \$2.1 million of business acquisition costs incurred. Refer to Note 15 for further information.
- In August 2022, the Group's joint venture in China remitted a dividend to the parent company in Australia amounting to \$3.2 million, with \$1.4 million paid to the non-controlling interest partner, net of withholding tax.

EVENTS SUBSEQUENT TO REPORTING DATE

Except for those disclosed in Note 16, there are no other matters or circumstances which have arisen since the end of the period ending 3 July 2022 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

DIVIDENDS PAID, RECOMMENDED AND DETERMINED

The Directors have determined an interim dividend of 4.0 cents per ordinary share, fully franked, in respect of the current financial year. The record date of the dividend is 15 September 2022 and the dividend is expected to be paid on 6 October 2022. The dividend was not determined until 25 August 2022 and accordingly no provision has been recognised at 3 July 2022.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration as required under section 370C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors Report for the half-year ended 3 July 2022.

ROUNDING

The Condensed Consolidated Interim Financial Statements is presented in Australian dollars with all values rounded to the nearest thousand unless otherwise stated, in accordance with ASIC Corporations Instrument 2016/191.

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



Sean Hallahan
Managing Director



Neil Chatfield
Chairman

25 August 2022



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 of Costa Group Holdings Limited for the half-year beginning 27 December 2021 ending 3 July 2022 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.

A stylized signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Gordon Sangster, written in black ink.

Gordon Sangster

Partner

Melbourne

25 August 2022

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Profit and Other Comprehensive Income
For the half-year ended 3 July 2022

		Half year	
	Notes	2022 \$ '000	2021 \$ '000
Revenue			
Total revenue	4	708,657	612,424
Less: expenses			
Raw materials, consumables and third-party purchases		(218,701)	(203,528)
Depreciation and amortisation expenses		(65,506)	(50,296)
Employee benefits expenses	5	(246,368)	(199,790)
Occupancy expenses		(16,003)	(15,281)
Net finance costs	5	(19,249)	(11,644)
Loss on sale of assets		(4)	(75)
Freight and cartage		(35,507)	(26,446)
Short term leasing expenses		(2,924)	(2,434)
Gain/(Loss) on fair value adjustments - biological assets		461	(6,037)
Impairment loss on trade receivables		(81)	(37)
Impairment losses on goodwill	8, 15	(2,167)	-
Business acquisition and integration costs		-	(2,130)
Other expenses	5	(54,959)	(44,996)
		(661,008)	(562,694)
Share of net profits of associates and joint ventures accounted for using the equity method		5,981	4,495
Profit before income tax expense		53,630	54,225
Income tax expense	13	(4,987)	(7,003)
Profit for the period		48,643	47,222
Other comprehensive (loss)/income for the period			
Foreign currency translation differences		(5,274)	4,935
Cash flow hedges - effective portion of changes in fair value		(999)	1,146
Total other comprehensive (loss)/income for the period		(6,273)	6,081
Total comprehensive income for the period		42,370	53,303
Profit attributable to:			
Owners of Costa Group Holdings Limited		37,837	37,409
Non-controlling interests		10,806	9,813
		48,643	47,222
Total comprehensive income attributable to:			
Owners of Costa Group Holdings Limited		31,564	43,490
Non-controlling interests		10,806	9,813
		42,370	53,303
		Half Year	
		2022	2021
		Cents	Cents
Earnings per share for profit attributable to ordinary equity holders:			
Basic earnings per share	6	8.15	9.33
Diluted earnings per share	6	8.15	9.33

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

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Financial Position
For the half-year ended 3 July 2022

	Notes	3 July 2022 \$ '000	26 December 2021 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents		138,881	61,887
Receivables		136,690	108,032
Inventories		38,628	30,538
Biological assets		69,664	70,543
Other assets & financial assets		16,102	12,700
Current tax assets		23,159	8,554
Assets held for sale		-	3,207
Total current assets		423,124	295,461
Non-current assets			
Receivables		291	1,274
Equity accounted investments		29,879	27,248
Intangible assets	8	284,721	289,146
Deferred tax assets		19,569	21,302
Property, plant and equipment		802,293	799,933
Right-of-use assets		558,257	568,751
Total non-current assets		1,695,010	1,707,654
Total assets		2,118,134	2,003,115
LIABILITIES			
Current liabilities			
Borrowings	7	13,678	13,704
Payables		144,180	149,310
Provisions		21,230	21,011
Other financial liabilities		1,174	-
Current tax liabilities		1,051	542
Lease liabilities		52,060	64,125
Total current liabilities		233,373	248,692
Non-current liabilities			
Borrowings	7	453,368	347,419
Provisions		25,250	25,652
Deferred tax liabilities		40,641	34,467
Lease liabilities		518,207	518,927
Total non-current liabilities		1,037,466	926,465
Total liabilities		1,270,839	1,175,157
NET ASSETS		847,295	827,958
EQUITY			
Share capital	9	768,532	768,074
Other equity reserve		(13,422)	(13,422)
Other reserves		9,065	15,602
Profit reserve		126,631	112,021
Accumulated losses		(92,692)	(92,692)
Equity attributable to owners of the parent		798,114	789,583
Non-controlling interests		49,181	38,375
Total equity		847,295	827,958

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

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Changes in Equity
For the half-year ended 3 July 2022

	Share capital	Other equity reserve	Other reserves				Profit reserve	Accumulated losses	Total	Non-controlling interests	Total equity
			Share-based payment reserve	Foreign currency translation reserve	Hedge reserve	General reserve					
Consolidated	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 27 December 2021	768,074	(13,422)	8,895	8,102	177	(1,572)	112,021	(92,692)	789,583	38,375	827,958
Profit for the year	-	-	-	-	-	-	-	37,837	37,837	10,806	48,643
Other comprehensive income	-	-	-	(5,274)	(999)	-	-	-	(6,273)	-	(6,273)
Transfer to profit reserve	-	-	-	-	-	-	37,837	(37,837)	-	-	-
Total comprehensive income for the year	-	-	-	(5,274)	(999)	-	37,837	-	31,564	10,806	42,370
Transactions with owners in their capacity as owners:											
Shared-based payment expense during the year	458	-	(264)	-	-	-	-	-	194	-	194
Share options exercised	-	-	-	-	-	-	-	-	-	-	-
Dividend paid on ordinary shares	-	-	-	-	-	-	(23,227)	-	(23,227)	-	(23,227)
Exercise of put and call option	-	-	-	-	-	-	-	-	-	-	-
Tax effect of share plan payment through equity	-	-	-	-	-	-	-	-	-	-	-
Balance as at 3 July 2022	768,532	(13,422)	8,631	2,828	(822)	(1,572)	126,631	(92,692)	798,114	49,181	847,295

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

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Changes in Equity

For the half-year ended 3 July 2022

	Share capital	Other equity reserve	Other reserves					Accumulated losses	Total	Non-controlling interests	Total equity
			Share-based payment reserve	Foreign currency translation reserve	Hedge reserve	General reserve	Profit reserve				
Consolidated	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance as at 27 December 2020	580,734	(13,117)	8,119	(4,233)	2,469	(1,572)	109,242	(92,692)	588,950	27,612	616,562
Profit for the year	-	-	-	-	-	-	-	37,409	37,409	9,813	47,222
Other comprehensive income	-	-	-	4,935	1,146	-	-	-	6,081	-	6,081
Transfer to profit reserve	-	-	-	-	-	-	37,409	(37,409)	-	-	-
Total comprehensive income for the year	-	-	-	4,935	1,146	-	37,409	-	43,490	9,813	53,303
Transactions with owners in their capacity as owners:											
Shared-based payment expense during the year	-	-	106	-	-	-	-	-	106	-	106
Share options exercised	901	(305)	(264)	-	-	-	-	-	332	-	332
Dividend paid on ordinary shares	-	-	-	-	-	-	(20,042)	-	(20,042)	-	(20,042)
Exercise of put and call option	-	-	-	-	-	493	-	-	493	-	493
Tax effect of share plan payment through equity	-	-	38	-	-	-	-	-	38	-	38
Balance as at 27 June 2021	581,635	(13,422)	7,999	702	3,615	(1,079)	126,609	(92,692)	613,367	37,425	650,792

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

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Cash Flows
For the half-year ended 3 July 2022

		Half year	
	Notes	2022 \$ '000	2021 \$ '000
Cash flow from operating activities			
Receipts from customers		683,307	592,016
Payments to suppliers and employees		(585,366)	(497,754)
Interest received		25	123
Interest paid		(21,972)	(11,496)
Income taxes paid		(11,004)	(12,884)
Net cash provided by operating activities		64,990	70,005
Cash flow from investing activities			
Payments for property, plant and equipment		(52,987)	(51,758)
Dividends from equity accounted investments		3,350	850
Acquisition of business	14	-	(45,774)
Proceeds from sale of property, plant and equipment		4,544	318
Net cash used in investing activities		(45,093)	(96,364)
Cash flow from financing activities			
Proceeds from share issue, net of issue costs		-	338
Dividend payments on ordinary shares		(23,227)	(20,042)
Loans and advances		1,110	1,719
Proceeds from borrowings ¹		186,973	165,208
Repayment of borrowings ¹		(78,443)	(37,000)
Payment of lease liability		(29,314)	(20,811)
Net cash provided by financing activities		57,099	89,412
Reconciliation of cash			
Cash at beginning of year		61,887	32,450
Net increase in cash held		76,996	63,053
Effect of movement in foreign exchange rate		(2)	1,503
Cash at end of interim period		138,881	97,006

1 The proceeds and repayment of borrowings have been updated to reflect net drawdowns and repayments as opposed to gross drawdowns and repayments (on maturity). As a result, prior year comparative has been reclassified accordingly. There is no change in overall net borrowings in the cash flow.

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Condensed Consolidated Interim Financial Statements are for Costa Group Holdings Limited and its controlled entities (the "Group"). Costa Group Holdings Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The Company is a for profit entity limited by shares which are publicly traded on the Australian Securities Exchange.

The following is a summary of the material accounting policies adopted by the Group in the preparation and presentation of the Condensed Consolidated Interim Financial Statements. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period.

(a) Basis of preparation

The Condensed Consolidated Interim Financial Statements for the half-year ended 3 July 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and with IAS 34 *Interim Financial Reporting*.

The Condensed Consolidated Interim Financial Statements do not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full of 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 27 December 2021.

The Condensed Consolidated Interim Financial Statements were authorised for issue in accordance with a resolution of Directors on 25 August 2022.

(b) Currency and rounding

The Condensed Consolidated Interim Financial Statements are presented in Australian dollars with all values rounded to the nearest thousand, in accordance with ASIC Corporations Instruments 2016/191 unless otherwise stated.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Condensed 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

NOTE 3: 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 Group's 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 five core categories: berries, mushrooms, glasshouse grown tomatoes, citrus and avocados. These operations are vertically integrated in terms of farming, packing and marketing, with the primary domestic sales channel being the major Australian food retailers; additionally, the operations export Australian grown produce to retail and wholesale customers in Asia and North America.

Costa Farms & Logistics ("CF&L")

The CF&L segment incorporates interrelated logistics, wholesale, 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 berry farming operations in Morocco and China, and royalty income from licensing of Costa's blueberry varieties internationally.

(b) Information about reportable segments

Performance is measured based on segment EBITDA before Self Generating and Regenerating Assets ("SGARA") and material items ("EBITDA-S")¹, as included in the internal management reports that are reviewed by the 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 predominantly 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.

(1) EBITDA-S represents earnings before interest, tax, depreciation, amortisation, fair value movements in biological assets (SGARA) and material items. This is a non-IFRS financial measure.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 3: SEGMENT INFORMATION (CONTINUED)

Half year 2022	Produce	CF&L	International	Adjustments and eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External customers	465,184	87,326	156,147	-	708,657
Inter-segment	20,194	3,423	-	(23,617)	-
Total revenue	485,378	90,749	156,147	(23,617)	708,657
EBITDA-S¹	45,508	8,333	86,254	-	140,095
Fair value movements in biological assets	20,058	-	(19,597)	-	461
Material items (before tax)	(2,167)	-	-	-	(2,167)
EBITDA	63,399	8,333	66,657	-	138,389
Half year 2021	Produce	CF&L	International	Adjustments and eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External customers	394,025	69,044	149,355	-	612,424
Inter-segment	18,861	3,572	-	(22,433)	-
Total revenue	412,886	72,616	149,355	(22,433)	612,424
EBITDA-S¹	36,005	6,296	82,106	-	124,407
Fair value movements in biological assets	8,873	-	(14,910)	-	(6,037)
Material items (before tax)	(2,130)	-	-	-	(2,130)
EBITDA	42,748	6,296	67,196	-	116,240

Seasonality of operations

The Group's operations are subject to the seasonal cycles of horticultural production, which is influenced by the type of product grown, weather conditions and geographical location. This is more prevalent in the International segment where the majority of production occurs over the first half of each calendar year, hence this segment typically has higher revenue and profits during this period.

(c) Reconciliation of segment EBITDA-S¹ to profit for the period

	Half year	
Notes	2022 \$ '000	2021 \$ '000
EBITDA-S for reportable segments	140,095	124,407
Fair value movements in biological assets	461	(6,037)
Depreciation and amortisation	(65,506)	(50,296)
Material items (before-tax)	(2,167)	(2,130)
Loss on sale of assets	(4)	(75)
Net finance costs	(19,249)	(11,644)
Income tax expense	(4,987)	(7,003)
Profit for the period	48,643	47,222

(1) EBITDA-S represents earnings before interest, tax, depreciation, amortisation, fair value movements in biological assets (SGARA) and material items. This is a non-IFRS financial measure.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 3: SEGMENT INFORMATION (CONTINUED)

(d) Geographical segment of non-current assets

	3 July 2022	26 December 2021
	\$ '000	\$ '000
Non-current assets excluding financial assets (including equity accounted investment) and deferred tax balance by geography		
Australia	1,381,225	1,399,662
China	111,583	102,622
Morocco	152,736	155,546
	<u>1,645,544</u>	<u>1,657,830</u>
 Reconciliation of segment non-current assets to Condensed Consolidated Interim Statement of Financial Position		
Non-current assets	1,695,010	1,707,654
Deduct:		
Equity accounted investments	(29,879)	(27,248)
Deferred tax assets	(19,569)	(21,302)
Non-current receivables	(18)	(1,274)
	<u>1,645,544</u>	<u>1,657,830</u>

NOTE 4: REVENUE

	Half year 2022	2021
	\$ '000	\$ '000
Sale of goods and commissions received	681,075	578,473
Rebates and discounts provided	(9,789)	(7,235)
Rendering of services	22,022	21,344
Other revenue	15,349	19,842
Total revenue	<u>708,657</u>	<u>612,424</u>

NOTE 5: EXPENSES

	Half year 2022	2021
	\$ '000	\$ '000
Employee benefits expenses		
Salaries, contractors and wages (including on-costs)	223,569	182,862
Superannuation costs	13,457	9,808
Leave entitlements	5,586	5,704
Other employee expenses	3,756	1,416
	<u>246,368</u>	<u>199,790</u>

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 5: EXPENSES (continued)

	Half year	
	2022	2021
	\$ '000	\$ '000
Net finance costs		
Interest income	(958)	(135)
Interest expense on borrowings	5,329	2,747
Interest expense on lease liabilities	14,345	8,454
Amortisation of borrowing costs	533	774
	19,249	11,644

Other expenses

	2022	2021
	\$ '000	\$ '000
Repair and maintenance expenses	13,548	12,883
Legal and consulting expenditure	4,626	4,885
Insurance	8,568	5,368
Other ¹	28,217	21,860
	54,959	44,996

Notes:

1. Other expenses include telecommunications, marketing, information technology and general administration expenditure.

NOTE 6: EARNINGS PER SHARE (EPS)

	Half year	
	2022	2021
	Cents per share	Cents per share
Basic EPS		
Basic EPS (cents) based on profit attributable to owners of Costa Group Holdings Limited	8.15	9.33
Diluted EPS		
Diluted EPS (cents) based on profit attributable to owners of Costa Group Holdings Limited	8.15	9.33
	Number ('000)	Number ('000)
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS ¹	464,490	400,896
Effect of potentially dilutive securities		
Equity-settled share options	26	70
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS	464,516	400,966
	\$ '000	\$ '000
Earnings reconciliation		
Basic and diluted EPS		
Profit attributable to owners of Costa Group Holdings Limited	37,837	37,409

1 The weighted average number of ordinary shares for half year 2022, includes capital raised through a rights issue in the prior year as disclosed in Note 9.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 7: BORROWINGS

	June 2022 \$ '000	December 2021 \$ '000
CURRENT		
<i>Secured liabilities</i>		
Bank loans	3,045	1,863
<i>Unsecured liabilities</i>		
Bank loans	10,633	11,841
TOTAL CURRENT	13,678	13,704
NON-CURRENT		
<i>Secured liabilities</i>		
Bank loans	3,276	2,660
<i>Unsecured liabilities</i>		
Bank loans	450,092	344,759
TOTAL NON-CURRENT	453,368	347,419
Total borrowings	467,046	361,123

Details of significant arrangements

Unsecured liabilities

During the half year, the Group renewed and expanded its Australian syndicated debt facility from \$450 million facility maturing in August 2023 to a \$650 million facility that is split as below:

- Facility A - \$255.0 million facility that can be drawn upon as required, maturing in June 2025.
- Facility B - \$255.0 million facility that can be drawn upon as required, maturing in June 2026
- Facility C - \$140.0 million facility that can be drawn upon as required, maturing in June 2027

The nominal rate for each facility consists of a floating cash rate plus margin dependant on the amount of leverage. Lending covenants for all facilities include interest cover ratio and total leverage ratio.

NOTE 8: INTANGIBLE ASSETS AND IMPAIRMENT

Impairment testing for cash generating units containing goodwill

In accordance with Australia Accounting Standards, the Group is required to perform impairment testing at least on an annual basis and at any time where there is any indication that a non-current asset may be impaired.

Each cash generating unit (CGU) is reviewed for indicators of impairment using both external and internal sources of information. This includes an assessment of performance against expectations and changes in market values or discount rates.

Detailed impairment testing is completed for CGU's when the existence of an indicator of impairment is identified. From the results of the impairment test, where the carrying amount of the asset exceeds its recoverable amount, the asset is impaired, and an impairment loss is charged to the income statement.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant CGUs and have been based on historical data from both external and internal sources. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter.

As at 3 July 2022, the only CGU where there were indicators of impairment identified related to the Avocado CGU, where sustained low pricing throughout the period resulted in an underperformance of the CGU in the interim period.

NOTE 8: INTANGIBLE ASSETS AND IMPAIRMENT (CONTINUED)

Key assumptions and estimates

Projected cash flows

Goodwill is allocated to CGUs according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations that are based on detailed management prepared forecasts for at least a 5-year period.

Long-term growth rate

Long-term growth rates are based on past experience, expectations of external market operating conditions and other assumptions which take account of the specific feature of the Group or each business unit.

Terminal growth rate

The terminal growth rate represents estimates of the CGU's growth to perpetuity. This ranges between country's inflation and GDP growth rate.

Discount rate

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.

	CGU	June 2022	December 2021
Pre-tax discount rate (Australia CGU's)	Australia	11%	11%
Terminal growth rate (Australia's CGU)	Australia	2.5%	2.5%

Avocado CGU impairment recognition

The decline in Avocado pricing seen in the last 12 months has presented challenges for Australian avocado growers. Whilst there is continued uncertainty on domestic avocado pricing, the Group believes that the anticipated access of East Australian avocado growers to export markets, including Japan, in the medium term presents the most likely scenario of sustainable price recovery. Given the continued uncertainty, the Group concluded that it would be appropriate to impair the goodwill associated with this CGU.

As a result, an impairment charge of \$2.2 million was recognised in the Condensed Consolidated Statement of Profit and disclosed as a material item (refer Note 15). No further impairment on property, plant and equipment was recognised.

Sensitivity analysis

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount to fall below carrying values.

For the African Blue CGU, consistent with the annual impairment review performed for the 2021 financial statement (refer Note B10 of the 2021 annual report), a reasonably possible change to the financial performance in terms of pricing and discount rate could lead to an impairment. For the Avocado CGU, a reasonably possible change to the financial performance in terms of pricing, discount rate and terminal growth rate could lead to further impairment.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 9: SHARE CAPITAL

	June 2022		December 2021	
	Number	\$ '000	Number	\$ '000
Ordinary shares				
Opening balance	464,378,621	768,074	400,830,387	580,734
Ordinary shares issued (net of issue costs) ¹	-	-	63,360,845	186,403
Settlement of share-based payment	167,845	458	187,389	937
At reporting date	464,546,466	768,532	464,378,621	768,074

1. In the prior year ending 26 December 2021, the Company undertook a capital raising through a rights issues to all shareholders. A fully underwritten pro rata accelerated institutional entitlement offer, retail entitlement offer and retail shortfall bookbuild completed, jointly issuing 63.4 million ordinary shares and, raising \$186.4 million (net of issue costs and tax).

NOTE 10: CAPITAL COMMITMENTS

As at 3 July 2022, the Group has capital commitments amounting to \$47.5 million (December 2021: \$52.1 million) in relation to the purchase of property, plant and equipment, which are contracted for but not provided for. Included in the above commitment amount is:

- a. Deferred consideration relating to business acquisitions of \$1.5 million is included in above capital commitment, refer to note 14 for further details.
- b. A put and call option relating to property acquisition resulting in a capital commitment of \$35.0 million, refer note 14 for further details.

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

NOTE 11: CONTINGENT LIABILITIES

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

NOTE 12: DIVIDENDS

Declared and paid during half year ended 3 July 2022:	Cents per share	Total amount \$'000	Date of payment
2021 Financial Year - Final	5.0	23,219	7 April 2022
Determined after end of half year ended 3 July 2022:			
	Cents per share	Total amount \$'000	Date of payment
2022 Financial Year - Interim	4.0	18,582	6 October 2022

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 13: INCOME TAX

Reconciliation of profit for the period to tax expense

	Half year	
	June 2022	June 2021
	\$ '000	\$ '000
Profit before income tax	53,630	54,225
Prima facie income tax expense on profit before income tax at 30.0%	16,089	16,268
- effect of tax rates in foreign jurisdictions	(11,399)	(10,819)
Tax effect of:		
- non-deductible expenses/assessable income	1,002	1,837
- deferred tax asset previously not recognised/(recognised)	133	(42)
- non-creditable foreign withholding tax	49	46
- (over)/under provision in relation to prior years	(353)	190
- research and development tax credits	(450)	(400)
- non-assessable income	(84)	(77)
Income tax expense	4,987	7,003

NOTE 14: BUSINESS ACQUISITIONS

In the prior year ending 26 December 2021, the Group entered into a series of acquisitions as follows:

Acquisition of 2PH Farms

On 23 June 2021, the Group entered into a binding agreement with the Pressler group of entities (Vendors) to acquire the business and assets of 2PH Farms Pty Ltd and related entities ("2PH Farms"), a leading Central Queensland based citrus grower for an upfront consideration of \$220.8 million. The transaction was funded by \$190.0 million (pre costs) in equity by way of a fully underwritten 1 for 6.33 pro rata accelerated renounceable entitlement offer, and the balance by existing debt facilities. The acquisition completed on 19 July 2021.

Acquisition of KW Orchards

On 19 April 2021, the Group acquired the farming operations of KW Orchards and an associated packing operation, EJT citrus packing facility for a total consideration of \$40.0 million. The acquired business represents an institutional scale citrus farming business located in Trentham Cliffs, NSW Australia and further adds to the Group's citrus category's growing footprint in the Sunraysia region.

Acquisition of Select Fresh

On 7 June 2021, the Group entered into an agreement to acquire Select Fresh, a leading Western Australian based wholesale and distribution business specialising in the supply of fresh produce to foodservice and independent supermarkets for a total consideration of \$12.9 million. The acquisition completed on 1 July 2021

Deferred consideration from acquisition totalling \$3.1m, consisting of \$1.6m deferred planting for 2PH Farms was settled during the period, the balance of \$1.5 million relating to KW Orchards land pending subdivision is still on-going and has not settled during the period.

These acquisitions involve taking control of the assets and operations of the acquired businesses (including land and buildings, plant and equipment, intangible assets (brand names and customer relationships) biological assets, organised workforce amongst others). The acquisitions did not involve acquiring any equity interest of the Vendor companies.

Measurement of fair values

The asset and liabilities acquired were provisionally accounted and are subject to review for up to 12 months from the date of the acquisition. The acquisitions are now finalised and no changes to the original provisional acquisition accounting were made. Refer to the 2021 Annual Report Note D3 for further details on fair value of consideration transferred, net assets and liabilities acquired and goodwill accordingly.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 3 July 2022

NOTE 14: BUSINESS ACQUISITIONS (CONTINUED)

Conaghans property and put and call options

The 2PH Farm acquisition in the prior year had a separate put and call option to acquire the 'Conaghans' property for \$31.4 million in July 2023. The deed distinguishes two stages, being:

- Stage 1 – 216 Ha of immature citrus orchards planted and being controlled and maintained by Costa
- Stage 2 – minimum of 210 Ha of in-development land, with Citrus crop to be planted by Vendor

During the interim period, management have identified the potential for a further 27 Ha of citrus plantings that can be developed in Stage 2, bringing the original 210 Ha to 237 Ha. The additional plantings and associated infrastructure are estimated to cost an additional \$3.6 million consideration, bringing the total settlement for Conaghans to approximately \$35 million.

The Group has been given access and control by the Vendor over Stage 1 plantings and is responsible for maintaining the plantings and infrastructure, even though the Deed will be exercisable in 2023. Resultingly, the Group has accounted for Stage 1 as a stand-alone asset acquisition with estimated value of \$15.9 million and a corresponding other commitment as disclosed in Note 10.

NOTE 15: MATERIAL ITEMS

The before-tax and after-tax impact of material items on acquisition related costs are as follow:

	June 2022	December 2021	June 2021
	\$'000	\$ '000	\$'000
Individually material items included in profit before income tax:			
Acquisition and integration expenses	-	(19,188)	(2,130)
Impairment losses	(2,167)	-	-
Total material items (before tax)	(2,167)	(19,188)	(2,130)
Tax effect of material items	-	1,728	-
Total material items (after tax)	(2,167)	(17,460)	(2,130)

The current period impairment losses relate to impairment of goodwill in the Avocado CGU, refer to Note 8 for further details. The comparative periods for the six months ending 27 June 2021 and full year ended 26 December 2021 included material items relating to acquisition and integration expenses, for 2PH Farms, KW Orchards and Select Fresh acquisitions. This includes one-off costs such as stamp duty, consulting and valuation costs, and salaries for time spent on integration and site visits. There were no acquisition related costs incurred for the half year ended 3 July 2022.

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

On 25 August 2022, the Directors determined an interim dividend of 4 cents per ordinary share, fully franked. The record date of the dividend is 15 September 2022 and the dividend is expected to be paid on 6 October 2022. The dividend was not determined as at 3 July 2022 and accordingly no provision has been recognised.

There are no other matters or circumstances which have arisen since the end of the period ending 3 July 2022 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Costa Group Holdings Ltd

Director's Declaration

The Directors declare that the Condensed 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* and the Corporations Regulations 2001; and
- (b) give a true and fair view of the Group's financial position as at 3 July 2022 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 3 July 2022.

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 25 August 2022



Sean Hallahan

Managing Director



Neil Chatfield

Chairman



Independent Auditor's Review Report

To the shareholders of Costa Group Holdings Limited

Report on the Condensed Consolidated Interim Financial Statements

Conclusion

We have reviewed the accompanying **Condensed Consolidated Interim Financial Statements** of Costa Group Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Report of Costa Group Holdings Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at [date] and of 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*

The **Condensed Consolidated Interim Financial Statements** comprises:

- Condensed Consolidated statement of financial position as at 3 July 2022
- Condensed Consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Costa Group Holdings Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the half-year.

The **Interim Period** is the 6 months ended on 3 July 2022.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Costa Group Holdings Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Review Report.

Responsibilities of the Directors for the Condensed Consolidated Interim Financial Statements

The Directors of the Company are responsible for:

- the preparation of the Condensed Consolidated Interim Financial Statements that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Statements

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Condensed Consolidated Interim Financial Statements does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 3 July 2022 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*.

A review of the Condensed Consolidated Interim Financial Statements 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.

KPMG

Gordon Sangster

Partner

Melbourne

25 August 2022

Costa Group Holdings Ltd

Corporate Directory

Directors

Neil Chatfield (Chairman)
Sean Hallahan (CEO and Managing Director)
Harry Debney
Tim Goldsmith
Janette Kendall
Peter Margin
Dr Jane Wilson AO

Company Secretary

David Thomas

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Auditor

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Stock Exchange

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