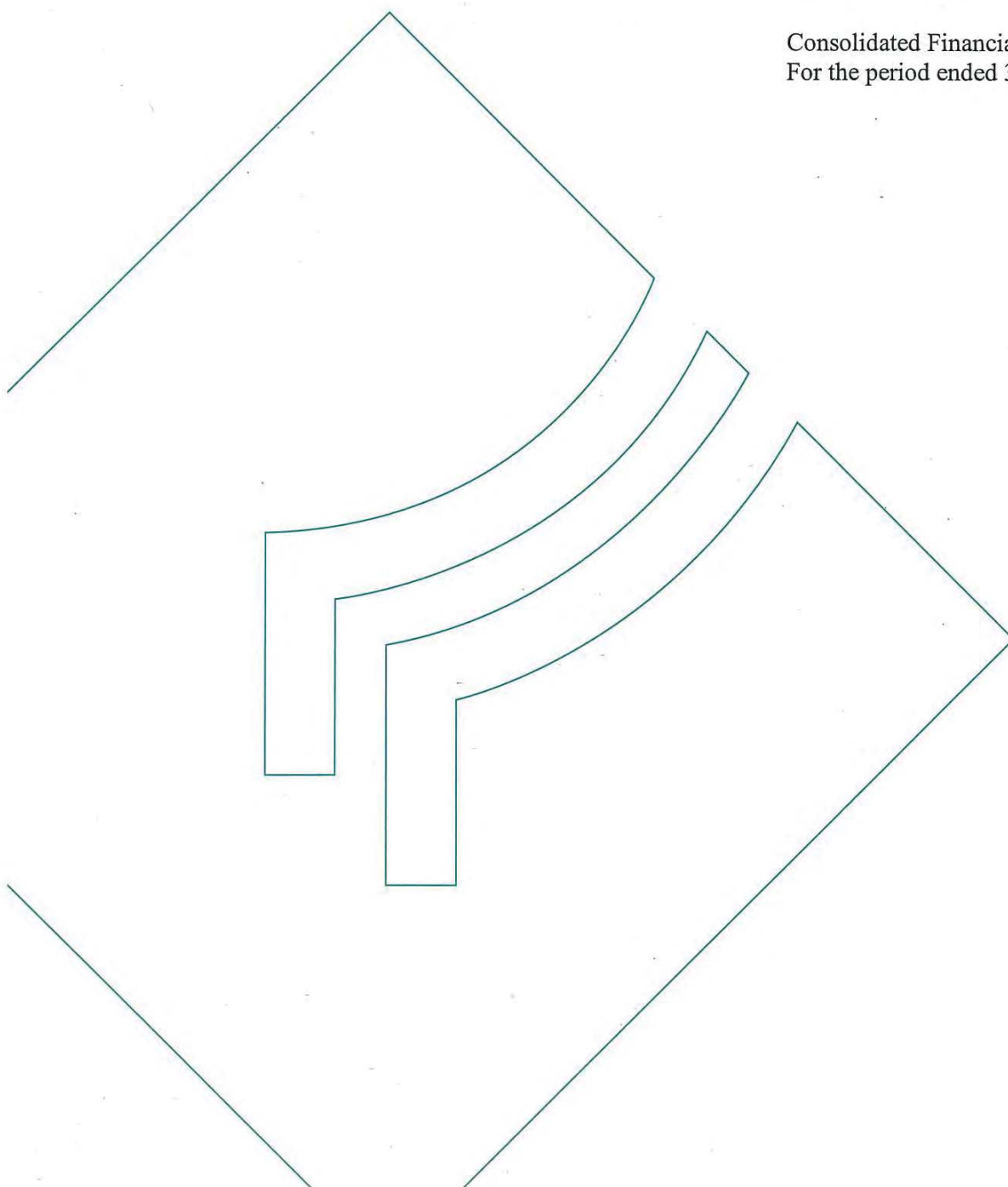




**Costa Group Holdings Pty  
Ltd and controlled entities**

Consolidated Financial report  
For the period ended 30 June 2012



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## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

The directors present their report together with the financial report of the group, being the company and its controlled entities, for the period from date of incorporation at 8 June 2011 to 30 June 2012 and auditors report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

#### **Directors names**

The names of the directors in office at any time during or since the end of the period are:

Mr Harry Debney (Appointed 7 October 2011)

Mr Robert Costa (Appointed 8 June 2011)

Mr Frank Costa (Appointed 8 June 2011)

Mr Angelos Dasios (Appointed 7 October 2011)

Mr Kevin Schwartz (Appointed 7 October 2011)

Mr Neil Chatfield (Appointed 7 October 2011)

Mr Greg Hunt (Appointed 7 October 2011)

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

#### **Results**

The loss of the group for the period after providing for income tax amounted to \$6,217,066.

#### **Review of operations**

The consolidated group earnings before finance costs, interest, tax and depreciation (EBITDA) was \$14,212,114. The result included one off costs totaling \$14,647,000 in relation to equity raised during the year, bank funding and the purchase of Costa's Pty Ltd (as trustee of the Costa's Unit Trust) and its subsidiaries.

The group had strong results from the tomato category (due to high light levels and strong growing conditions, combined with strong prices), citrus (due to an early start to the citrus season with quality larger sized fruit) and berries (due to increased volume of high quality raspberries).

The results were adversely impacted by the grape category (due to hail damage early in the year and adverse weather conditions during the harvest period impacting fruit volumes and quality), mushrooms (due to some disease issues), bananas (due to slower than expected recovery from Cyclone Yasi and over supply of bananas in the market) and logistics (due to redundancy costs and the loss of Coles contract at a single location). Other businesses performed in line with expectations.

#### **Significant changes in state of affairs**

There were no significant changes in the group's state of affairs that occurred during the financial period, other than those referred to elsewhere in this report.

# **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

## **DIRECTORS' REPORT**

### **Principal activities**

The principal activities of the group during the period were:

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

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

### **After balance date events**

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

### **Likely developments**

The company will continue to explore opportunities that meet the group's long term growth and development goals. The goal is to provide a superior sustainable increase in profits. In the opinion of the directors, disclosure of any further information would likely result in unreasonable prejudice to the consolidated entity.

### **Environmental regulation**

Costa Group Holdings Pty Ltd and controlled entities are committed to conducting business activities and having due respect for the environment while continuing to meet expectations of shareholders, employees, customers and suppliers.

The group is subject to environmental regulations under various federal, state and local laws relating predominately to air, noise and water emission levels. No issues of non-compliance have been reported.

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

### **Dividends paid, recommended and declared**

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

### **Options**

No options over unissued shares or interests in the group were granted during or since the end of the period and there were no options outstanding at the end of the period.



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **DIRECTORS' REPORT**

#### **Indemnification of officers**

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

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

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

#### **Indemnification of auditors**

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

#### **Auditor's independence declaration**

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

#### **Proceedings on behalf of the group**

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

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Signed in accordance with a resolution of the board of directors.

Director:  \_\_\_\_\_

Mr Harry Debney

Director:  \_\_\_\_\_

Mr Robert Costa

Dated this 26 day of October 2012.

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF COSTA GROUP HOLDINGS PTY LTD**

In relation to the independent audit for the period ended 30 June 2012, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of any applicable code of professional conduct.



P A JOSE

Partner



PITCHER PARTNERS

Melbourne

Date: 29 October 2012

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2012**

	Note	June 2012 \$
<b>Revenue</b>		
Sales revenue	3	457,111,269
Other revenue	3	<u>6,215,757</u>
	3	<u>463,327,026</u>
<b>Less: expenses</b>		
Changes in inventories of finished goods and work in progress		11,087,080
Cost of goods sold		(221,026,755)
Depreciation and amortisation expense	4	(8,961,877)
Employee benefits expense	4	(155,161,807)
Occupancy expense		(32,409,781)
Finance costs	4	(13,916,408)
Loss on sale of assets		(1,146,264)
Bad and doubtful debts expense		(329,751)
Impairment loss		(1,144,826)
Leasing expenses		(4,968,694)
Loss on fair value adjustments - biological assets		(6,621,698)
Stamp duty costs		(3,081,687)
Other expenses		<u>(34,941,555)</u>
		<u>(472,624,023)</u>
Share of net profits of associates and joint ventures accounted for using the equity method		<u>1,647,254</u>
<b>Loss before income tax expense</b>		(7,649,743)
Income tax benefit	6	<u>1,432,677</u>
<b>Net loss from continuing operations</b>		<u>(6,217,066)</u>
<b>Total comprehensive income/(loss)</b>		<u><u>(6,217,066)</u></u>

The accompanying notes form part of these financial statements.



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2012**

	<b>Note</b>	<b>June 2012</b>
		<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents	7	10,926,223
Receivables	8	52,173,032
Inventories	9	11,087,080
Other financial assets	10	7,496,807
Biological assets	11	16,868,610
Other assets	13	<u>4,565,041</u>
<b>Total current assets</b>		<u><b>103,116,793</b></u>
<b>Non-current assets</b>		
Receivables	8	5,809,180
Biological assets	11	12,244,367
Other financial assets	10	2,212,320
Investments accounted for using equity method	12	8,511,664
Intangible assets	16	170,552,021
Deferred tax assets	6	8,905,965
Property, plant and equipment	15	<u>118,386,513</u>
<b>Total non-current assets</b>		<u><b>326,622,030</b></u>
<b>Total assets</b>		<u><b>429,738,823</b></u>
<b>Current liabilities</b>		
Payables	17	58,699,118
Borrowings	18	12,175,373
Provisions	19	11,002,478
Current tax liabilities	6	1,451,709
Other financial liabilities	20	<u>7,496,807</u>
<b>Total current liabilities</b>		<u><b>90,825,485</b></u>
<b>Non-current liabilities</b>		
Borrowings	18	147,533,000
Provisions	19	<u>2,997,392</u>
<b>Total non-current liabilities</b>		<u><b>150,530,392</b></u>
<b>Total liabilities</b>		<u><b>241,355,877</b></u>
<b>Net assets</b>		<u><b>188,382,946</b></u>
<b>Equity</b>		
Share capital	21	194,600,012
Retained losses	22	<u>(6,217,066)</u>
<b>Total equity</b>		<u><b>188,382,946</b></u>

The accompanying notes form part of these financial statements.

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2012**

	<b>Contributed equity \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
<b>Balance as at 8 June 2011</b>	-	-	-
Loss for the period	<u>-</u>	<u>(6,217,066)</u>	<u>(6,217,066)</u>
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>(6,217,066)</u>	<u>(6,217,066)</u>
<b>Transactions with owners in their capacity as owners:</b>			
Issue of shares	<u>194,600,012</u>	<u>-</u>	<u>194,600,012</u>
<b>Total transactions with owners in their capacity as owners</b>	<u>194,600,012</u>	<u>-</u>	<u>194,600,012</u>
<b>Balance as at 30 June 2012</b>	<u><u>194,600,012</u></u>	<u><u>(6,217,066)</u></u>	<u><u>188,382,946</u></u>

The accompanying notes form part of these financial statements.

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	Note	June 2012 \$
<b>Cash flow from operating activities</b>		
Receipts from customers		513,215,238
Payments to suppliers and employees		(471,057,446)
Interest received		112,708
Finance costs		(9,530,519)
Income tax paid		<u>(2,145,041)</u>
<b>Net cash provided by operating activities</b>		<u>30,594,940</u>
<b>Cash flow from investing activities</b>		
Proceeds from sale of property, plant and equipment		893,244
Payment for property, plant and equipment		(13,001,141)
Payment for investments		(175,500,000)
Payment for intangible assets		<u>(2,331,493)</u>
<b>Net cash used in investing activities</b>		<u>(189,939,390)</u>
<b>Cash flow from financing activities</b>		
Capital injection		194,600,012
Repayment of borrowings		<u>(24,329,339)</u>
<b>Net cash provided by financing activities</b>		<u>170,270,673</u>
<b>Reconciliation of cash</b>		
Net increase in cash held		<u>10,926,223</u>
<b>Cash at end of period</b>		<u><u>10,926,223</u></u>

The accompanying notes form part of these financial statements.

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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

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

This financial report is for the period 8 June 2011 to 30 June 2012, with 8 June 2011 being the date of incorporation of Costa Group Holdings Pty Ltd.

#### **(a) Basis of preparation of the financial report**

##### *Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

#### **(b) Going concern**

The financial report has been prepared on a going concern basis.



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(c) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities for which the parent has the power to control the financial and operating policies.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-recognised from the date that control ceases.

The proportionate interests in the assets, liabilities, income and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 14.

Jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The consolidated financial statements include the consolidated entities share of the income and expenses and equity movement of equity accounted investments, after adjustments to align the accounting policies with those of the consolidated entity, from the date control commences until the date that joint control ceases.

##### **(d) Foreign currency translations and balances**

###### *Functional and presentation currency*

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

###### *Transactions and Balances*

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

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

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

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

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

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(e) Revenue**

*Sale of goods:*

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

*Rendering of services:*

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

*Dividends:*

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

*Interest revenue:*

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

*Rental income:*

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

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

**(f) Income tax**

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

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

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

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



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(f) Income tax (Continued)**

###### *Tax Consolidation*

The parent entity Costa Group Holdings Pty Ltd and its subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2011. The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

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

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

##### **(g) Borrowing costs**

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

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

Loan establishment costs have been capitalised and amortised over the life of the loan facility.

##### **(h) Research and development expenditure**

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

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

Other development expenditure is recognised as an expense when incurred.

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(i) Inventories**

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

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

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

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

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

##### **(j) Biological assets and agricultural produce**

Biological assets and agricultural produce are measured at their fair value at each reporting date. The fair value is determined as the net present value of cash flows expected to be generated by these crops (discounted at a risk-adjusted interest rate).

Net increments and decrements in the fair value of the growing assets are recognised as revenues or expenses in the profit or loss, determined as:

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

Short lived biological assets such as mushrooms and raspberries are measured at their fair value. These are disclosed as current biological assets.

All non-current values have been determined in accordance with Directors' valuation at each reporting date. In determining the fair value the following factors have been taken into account:

- (i) The productive life of the asset
- (ii) The period over which the asset will mature
- (iii) The expected future sales price
- (iv) The cost expected to arise throughout the life of the asset
- (v) Net cash flows are discounted at a pre-tax average real rate of between 20% and 30% per annum (depending on agricultural risk) and it is assumed that inflation will continue at the current rate

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



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(k) Financial instruments**

###### *Classification*

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

###### *Non-derivative financial instruments*

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

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

###### *Loans and receivables*

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

###### *Available-for-sale*

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

###### *Financial liabilities*

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

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

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

###### *Foreign Exchange Forward Contracts*

The consolidated entity holds derivative financial instruments to hedge its risk exposure from foreign currency movements.

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(l) Property, plant and equipment**

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

###### *Land and Buildings*

Land and buildings are measured on a cost basis.

###### *Plant and equipment*

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

###### *Depreciation*

The depreciable amount of all fixed assets are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

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

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

##### **(m) Interests in joint ventures**

###### *Joint venture entities*

The group's interest in joint venture entities are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the joint venture entity is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. The profits or losses of the joint venture entity is recognised in profit or loss. Details relating to the joint venture entity are set out in Note 14.



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(n) Investments in associates**

An associated company is a company over which the group is able to exercise significant influence.

The group's interests in associates are brought to account using the equity method after initially being recognised at cost. Under the equity method, the profits or losses of the associate is recognised in profit or loss and the share of other comprehensive income items is recognised in other comprehensive income. Details relating to associates are set out in Note 12(a).

Unrealised gains and losses on transactions between the group and an associate are eliminated to the extent of the group's share in an associate.

##### **(o) Impairment**

The consolidated entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the consolidated entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written-down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(p) Intangibles**

###### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment losses recognised for goodwill are not subsequently reversed.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the value-in-use of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

###### *Brandnames*

Brand names are measured initially at their cost of acquisition. Brand names are an indefinite life intangible asset and are therefore tested for impairment annually. The carrying amount of brand names is supported by a value in use calculation.

###### *Lease Premiums*

The value of market lease premiums is recorded in the financial statements at cost. Market lease premiums are an indefinite life intangible asset and are therefore tested for impairment annually. The carrying amount of market lease premiums is supported by a value in use calculation.

###### *Software*

Software is measured initially at the cost of acquisition and amortised over the useful life of the software.

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

Other development expenditure is recognised as an expense when incurred.

###### *Acquired both separately and from a business combination*

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



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(p) Intangibles (Continued)**

Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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

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

##### **(q) Provisions**

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

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

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(r) Leases**

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

##### *Finance leases*

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

##### *Operating leases*

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

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

##### **(s) Employee benefits**

##### *(i) Short-term employee benefit obligations*

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

##### *(ii) Long-term employee benefit obligations*

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

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

##### *(iii) Bonus plan*

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



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **(s) Employee benefits (Continued)**

###### *(iv) Termination benefits*

Termination benefits are payable when employment of an employee or group of employees is terminated before the normal retirement date, or when the group provides termination benefits as a result of an offer made and accepted in order to encourage voluntary redundancy.

The group recognises a provision for termination benefits when the entity can no longer withdraw the offer of those benefits, or if earlier, when the termination benefits are included in a formal restructuring plan that has been announced to those affected by it.

##### **(t) Goods and services tax (GST)**

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### **NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

##### *(a) Impairment of goodwill*

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 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%, a terminal value growth rate of 3.0% and an after tax discount rate of 10.5% to determine value-in-use.



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

##### *(b) Impairment 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. Given the current uncertain economic environment management considered that the indicators of impairment were significant and as such all assets have been tested for impairment during the current financial period.

The recoverable amount of a CGU is based on value in use calculations. These calculations are based on projected cash flows approved by management covering a period of 5 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 in year four and five, which is based on the historical average, a terminal value growth rate of 3.0% and an after tax discount rate of 10.5% to determine value-in-use.

##### *(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 non-current biological assets*

This takes into account expected sales prices, yields, picked fruit quality and expected expenditure and management must make a judgement as to the trend in these factors. Periodic valuations from independent third parties are obtained. Please refer to Note 11 for further information.

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	<b>Note</b>	<b>June 2012</b>
		<b>\$</b>
<b>NOTE 3: REVENUE</b>		
<i>Sales income</i>		
Sale of goods		370,408,033
Rebates and discounts provided		<u>(8,300,150)</u>
		<u>362,107,883</u>
Rendering of services		<u>95,003,386</u>
		<u>457,111,269</u>
<i>Other revenue</i>		
Dividend income		24,950
Interest income		112,708
Rental income		669,159
Other revenue		5,383,306
Foreign currency translation gains		<u>25,634</u>
		<u>6,215,757</u>
		<u>463,327,026</u>
<b>NOTE 4: OPERATING PROFIT</b>		
Losses before income tax has been determined after:		
<i>Finance costs</i>		
Bank charges		592,623
Interest expense		13,012,688
Borrowing costs		<u>311,097</u>
		<u>13,916,408</u>
Depreciation and amortisation		8,961,877
Impairment losses on non current assets		1,144,826
Employee expenses		
- Wages (including on-costs)		143,104,070
- Superannuation costs		5,153,457
- Annual leave, sick leave, RDO and Long service leave provision		2,432,674
- Other employee expenses		<u>4,471,606</u>
		<u>155,161,807</u>

# **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

**Note     June 2012**  
**\$**

### **NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION**

Compensation received by key management personnel of the group

- short-term employee benefits	3,425,946
- post-employment benefits	<u>155,162</u>
	<u><u>3,581,108</u></u>

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

<b>Name</b>	<b>Appointment / resignation details</b>
Mr Harry Debney	Appointed 7 October 2011
Mr Robert Costa	Appointed 8 June 2011
Mr Frank Costa	Appointed 8 June 2011
Mr Angelos Dasios	Appointed 7 October 2011
Mr Kevin Schwartz	Appointed 7 October 2011
Mr Neil Chatfield	Appointed 7 October 2011
Mr Greg Hunt	Appointed 7 October 2011

The names of key management personnel during the period are:

<b>Name</b>	<b>Appointment / resignation details</b>	<b>Position</b>
Harry Debney	Appointed 7 October 2011	Chief Executive Officer
George Haggar	Appointed 7 October 2011	Chief Operating Officer
John Harris	Appointed 7 October 2011	Chief Financial Officer
	Resigned 28 October 2012	
Tony Nobilo	Appointed 7 October 2011	Group Chief Procurement Officer and CIO
	Resigned 20 July 2012	
Linda Kow	Appointed 7 October 2011	General Manager - Strategy and Process/Chief Financial Officer
Peter McPherson	Appointed 7 October 2011	General Manager of Berry Exchange
Richard Roberts	Appointed 7 October 2011	General Manager of Agri Exchange
Geoff Norman	Appointed 7 October 2011	Chief Operations Officer - Costa Logistics
	Resigned 21 September 2012	
Richard Hamley	Appointed 7 October 2011	General Manager of Tomato Exchange/General Manager of Mushroom Exchange



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	Note	June 2012 \$
<b>NOTE 6: INCOME TAX</b>		
<b>(a) Components of tax expense</b>		
Current tax		-
Deferred tax		<u>(1,432,677)</u>
		<u>(1,432,677)</u>
<b>(b) Prima facie tax payable</b>		
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit before income tax at 30.0%		(2,294,923)
Add tax effect of:		
- government grant income		186,000
- non deductible entertainment		20,950
- Non deductible black hole expenditure		475,546
- Other non-allowable items		<u>179,750</u>
		<u>862,246</u>
Income tax expense/(benefit) attributable to profit		<u>(1,432,677)</u>
<b>(c) Current tax</b>		
Current tax relates to the following:		
<i>Current tax liabilities / (assets)</i>		
Opening balance		-
Current tax liability following acquisition of entities	24	3,596,750
Tax payments		<u>(2,145,041)</u>
Current tax liabilities / (assets)		<u>1,451,709</u>
<b>(d) Deferred tax</b>		
Deferred tax relates to the following:		
<i>Deferred tax assets</i>		
The balance comprises:		
Tax losses carried forward		4,445,712
Provisions		4,821,170
Trade and other payables		2,439,900
Black hole deductions (section 40-880)		2,877,000
Other		<u>63,600</u>
		<u>14,647,382</u>

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	<b>Note</b>	<b>June 2012</b>
		<b>\$</b>
<b>NOTE 6: INCOME TAX (CONTINUED)</b>		
<i>Deferred tax liabilities</i>		
The balance comprises:		
Biological assets		4,170,017
Property, plant and equipment		1,516,800
Intangible assets		<u>54,600</u>
		<u>5,741,417</u>
Net deferred tax assets / (liabilities)		<u><u>8,905,965</u></u>
<b>(e) Deferred income tax (revenue)/expense included in income tax expense comprises</b>		
Decrease / (increase) in deferred tax assets		(5,682,782)
(Decrease) / increase in deferred tax liabilities		<u>4,250,105</u>
		<u><u>(1,432,677)</u></u>
<b>NOTE 7: CASH AND CASH EQUIVALENTS</b>		
Cash on hand		23,326
Cash at bank		10,772,918
Cash on deposit		<u>129,979</u>
		<u><u>10,926,223</u></u>
<b>NOTE 8: RECEIVABLES</b>		
<b>CURRENT</b>		
Trade debtors		43,712,650
Impairment loss		<u>(2,070,041)</u>
		41,642,609
Other receivables		10,244,151
Loans to associates		<u>286,272</u>
		<u><u>52,173,032</u></u>
<b>NON CURRENT</b>		
Deferred charges		<u><u>5,809,180</u></u>

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**Note    June 2012**  
**\$**

**NOTE 8: RECEIVABLES (CONTINUED)**

**Impairment of trade receivables**

Trade receivables are non interest bearing with receivables generally between 14 and 30 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within other expenses in the statement of comprehensive income. All trade receivables that are not impaired are expected to be received within trading terms.

Movements in the accumulated impairment losses were:

Balance acquired on acquisition of entities	(1,765,973)
Charge for the period	(332,196)
Amount written off	<u>28,128</u>
Closing balance at 30 June	<u><u>(2,070,041)</u></u>

**NOTE 9: INVENTORIES**

**CURRENT**

*At cost*

Raw materials	6,347,882
Work in progress	215,952
Finished goods	<u>4,523,246</u>
	<u><u>11,087,080</u></u>

**NOTE 10: OTHER FINANCIAL ASSETS**

**CURRENT**

Forward foreign currency contracts	<u>7,496,807</u>
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**NON CURRENT**

Loans to related party associates	1,613,737
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*Available for sale financial assets*

*At cost*

Shares in other corporations	<u>598,583</u>
	<u><u>2,212,320</u></u>

**NOTE 11: BIOLOGICAL ASSETS**

**CURRENT**

*At fair value*

Fruit and vegetables - at fair value	<u>16,868,610</u>
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**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**Note    June 2012**  
**\$**

**NOTE 11: BIOLOGICAL ASSETS (CONTINUED)**

**NON CURRENT**

*At fair value*

Plants - at fair value 12,244,367

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

Loss arising from changes in fair value	(6,621,698)
Increases due to purchases	135,557,838
Decreases due to harvest	(132,583,235)
Increases resulting from acquisition of entities	24 <u>32,760,072</u>
Closing balance	<u>29,112,977</u>

**(b) Significant fair value assumptions**

The biological asset valuations are based on the following plantings:

Growing Crop	Hectares planted (approx) - June 2012	Location	June 2012 Total Tonnages Harvested	Productive life	Non-mature plant maturity
<b>Fruit</b>					
Blueberries	254ha	New South Wales	2,245	Between 1 and 11 years	Between now and 2015
Blueberries	45ha	Tasmania	26	Between 3 and 20 years	Between now and 2020
Raspberries	25ha	New South Wales	251	Less than 1 year	N/A
Raspberries	14ha	Tasmania	233	Between 1 and 4 years	Between now and 2013
Citrus	1607ha	South Australia	66,457	Between 7 and 30 years	Between now and 2013
Avacodos	44ha	South Australia	995	Between 7 and 30 years	Between now and 2013
Table Grapes	306ha	Queensland	1,615	Between 1 and 20 years	N/A
Table Grapes	88ha	New South Wales	767	Between 1 and 20 years	N/A
Wine Grapes	106ha	South Australia	1,901	Between 1 and 20 years	N/A
Bananas	1,165ha	Queensland	10,813	Up to 5 years	Between now and 2013
Tomatoes	20ha	New South Wales	9,665	Less than 1 year	N/A
Tomatoes	2.3ha	South Australia	393	Less than 1 year	N/A
<b>Vegetables</b>					
Mushrooms	N/A	Victoria	8,778	Less than 1 year	N/A
Mushrooms	N/A	Western Australia	2,464	Less than 1 year	N/A
Mushrooms	N/A	Queensland	2,160	Less than 1 year	N/A
Mushrooms	N/A	New South Wales	678	Less than 1 year	N/A

# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

Note    June 2012  
\$

### NOTE 12: INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### NON CURRENT

Equity accounted associated entities 8,511,664

#### (a) Associated entities

Interests are held in the following associated companies:

Associated entity details	Equity instrument	Ownership interest June 2012 %	Carrying amount of investment June 2012 \$
Africa Blue SARL Principal activities: Blueberry farm operations Balance date: 30 June 2012 Country of incorporation: Morocco	Ordinary shares	40	916,243
Polar Fresh Partnership Principal activities: Logistics and cold storage services Balance date: 30 June 2012 Country of incorporation: Australia	Ordinary shares	50	7,595,421

All voting power is reflective of the ownership interest.

#### (i) Movements during the year in equity accounted investments in associated entities

Balance at beginning of the period	-
Add:	
New investments during the period	6,864,410
Share of associated entities profit after income tax	(ii) <u>1,647,254</u>
Balance at end of the period	<u>8,511,664</u>

#### (ii) Equity accounted profits of associated entities

Share of associate's profit before income tax expense	1,647,254
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### NOTE 13: OTHER ASSETS

#### CURRENT

Prepayments	4,475,065
Other current assets	<u>89,976</u>
	<u>4,565,041</u>

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**NOTE 14: JOINT VENTURES**

Joint ventures accounted for on a proportionate consolidation basis:

<b>Joint venture details</b>	<b>Interest held</b>	<b>Ownership interest June 2012 %</b>
Driscolls Australia Partnership	Costa Berry Holdings Pty Ltd holds a 50% interest in the Driscolls Australia Partnership	50
Wadda Plantations Partnership	Innisfail Holdings Pty Ltd owns 50% of the share capital in Wadda Plantations Pty Ltd	50
Wadda Plantation Services Partnership	Innisfail Holdings Pty Ltd owns 50% of the share capital in Wadda Plantation Services Pty Ltd	50

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT**

**Land and buildings**

At cost	78,752,026
Accumulated depreciation	<u>(23,170,761)</u>
	<u>55,581,265</u>

**Plant and equipment**

Plant and equipment at cost	124,310,516
Accumulated depreciation	<u>(67,160,406)</u>
	57,150,110
Leased plant and equipment at cost	4,647,413
Accumulated depreciation	<u>(3,029,603)</u>
	1,617,810
Improvements at cost	6,887,095
Accumulated depreciation	<u>(2,849,767)</u>
	4,037,328
Total plant and equipment	<u>62,805,248</u>
Total property, plant and equipment	<u>118,386,513</u>



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**Note     June 2012**  
**\$**

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**(a) Reconciliations**

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

*Land and buildings*

Opening carrying amount	-
Additions	6,032,002
Disposals	(80,618)
Additions through acquisition of entities	50,993,607
Depreciation expense	<u>(1,363,726)</u>
Closing carrying amount	<u>55,581,265</u>

*Plant and equipment*

Opening carrying amount	-
Additions	6,466,458
Disposals	(1,019,516)
Additions through acquisition of entities	56,966,956
Depreciation expense	(8,096,666)
Transfers from leasehold improvements	<u>2,832,878</u>
Closing carrying amount	<u>57,150,110</u>

*Leased plant and equipment*

Opening carrying amount	-
Additions	8,977
Disposals	(4,279)
Additions through acquisition of entities	4,712,312
Depreciation expense	(266,322)
Transfers to plant and equipment	<u>(2,832,878)</u>
Closing carrying amount	<u>1,617,810</u>

*Leasehold improvements*

Opening carrying amount	-
Additions	493,704
Disposals	(80,839)
Additions through acquisition of entities	3,915,907
Depreciation expense	<u>(291,444)</u>
Closing carrying amount	<u>4,037,328</u>

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**Note     June 2012**  
**\$**

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**(a) Reconciliations (Continued)**

*Total property, plant and equipment*

Carrying amount at 1 July		-
Additions		13,001,141
Disposals		(1,185,252)
Additions through acquisition of entities	24	116,588,782
Depreciation expense		<u>(10,018,158)</u>
Carrying amount at 30 June		<u>118,386,513</u>

**(b) Property, plant and equipment pledged as security**

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

**(c) Impairment loss**

Impairment losses in relation to property plant and equipment are recorded in impairment loss expense within the statement of comprehensive income. The recoverable amount of these assets was determined based on their value in use.

**NOTE 16: INTANGIBLE ASSETS**

Goodwill at cost	112,132,074
Goodwill on consolidation at cost	43,384,100
Capitalised software costs	5,187,297
Accumulated amortisation and impairment	<u>(1,781,330)</u>
	3,405,967
Brandnames at cost	1,730,000
Lease premiums at cost	1,665,149
Accumulated amortisation and impairment	<u>(362,819)</u>
	1,302,330
Water rights at cost	<u>8,597,550</u>
Total intangible assets	<u>170,552,021</u>

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**Note    June 2012**  
**\$**

**NOTE 16: INTANGIBLE ASSETS (CONTINUED)**

**(a) Reconciliations**

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

*Goodwill at cost*

Opening balance	-
Additions through acquisition of entities	<u>112,132,074</u>
Closing balance	<u><u>112,132,074</u></u>

*Goodwill on consolidation at cost*

Opening balance	-
Additions through acquisition of entities and establishment of new consolidated group.	<u>43,384,100</u>
Closing balance	<u><u>43,384,100</u></u>

*Capitalised software costs*

Opening balance	668,495
Additions	2,418,695
Amortisation expense	(88,545)
Additions through acquisition of entities	<u>407,322</u>
Closing balance	<u><u>3,405,967</u></u>

*Brandnames*

Opening balance	-
Additions through acquisition of entities	<u>1,730,000</u>
Closing balance	<u><u>1,730,000</u></u>

*Lease premiums*

Opening balance	-
Additions through acquisition of entities	<u>1,302,330</u>
Closing balance	<u><u>1,302,330</u></u>

*Water Rights*

Opening balance	-
Additions through acquisition of entities	<u>8,597,550</u>
Closing balance	<u><u>8,597,550</u></u>

Amortisation expense in relation to intangible assets is included within depreciation and amortisation expenses in the statement of comprehensive income.



# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

### NOTE 16: INTANGIBLE ASSETS (CONTINUED)

#### (b) Impairment loss

Impairment losses in relation to intangible assets are included within other expenses in the statement of comprehensive income.

### NOTE 17: PAYABLES

#### CURRENT

##### *Unsecured liabilities*

Trade creditors	27,063,015
Sundry creditors and accruals	<u>31,636,103</u>
	<u>58,699,118</u>

### NOTE 18: BORROWINGS

#### CURRENT

##### *Secured liabilities*

Bank loans	11,967,000
Hire purchase liability	<u>208,373</u>
	<u>12,175,373</u>

#### NON CURRENT

##### *Secured liabilities*

Bank loans	<u>147,533,000</u>
------------	--------------------

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

- 1) Secured lease and hire purchase liabilities are secured by a charge over the assets.
- 2) Details of the key terms and conditions of the bank facilities are as follows:
  - The term of the bank facility is five years from 7 October 2011.
  - Lending covenants include Interest Cover Ratio, Total Gearing Ratio, Debt Service Cover Ratio and maximum limit for capital expenditure.
  - A requirement to hold embedded interest rate swap facilities to fix interest rates on a minimum of 75% of main facility debt until 6 October 2012 and 50% for the remainder of the facility. Total bank facilities with embedded interest rate swaps at 30 June 2012 is \$120 million.
  - The facility stipulates minimum loan repayments in each financial year, with a minimum debt repayment of \$7 million for the year ended 30 June 2013.
  - The bank facilities are secured by cross deeds of covenant between mortgage debentures over all assets (excluding property in Costa Berry Holdings Pty Ltd) of Costa Group Holdings Pty Ltd and its subsidiaries.

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

	<b>Note</b>	<b>June 2012</b>
		<b>\$</b>
<b>NOTE 19: PROVISIONS</b>		
<b>CURRENT</b>		
Employee benefits	(a)	<u>11,002,478</u>
<b>NON CURRENT</b>		
Employee benefits	(a)	2,974,659
Other		<u>22,733</u>
		<u>2,997,392</u>
(a) Aggregate employee benefits liability		13,977,137
<b>(b) Reconciliations</b>		
Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial year		
<i>Employee benefits (Current)</i>		
Opening balance		-
Acquired on acquisition of entities		14,959,000
Amounts used		(5,409,440)
Additional amounts recognised		<u>4,427,577</u>
Closing balance		<u>13,977,137</u>
<i>Other (non current)</i>		
Opening balance		-
Acquired on acquisition of entities		305,000
Amounts used		271,491
Additional amounts recognised		<u>(553,758)</u>
Closing balance		<u>22,733</u>

**NOTE 20: OTHER FINANCIAL LIABILITIES**

<b>CURRENT</b>	
Forward foreign currency contracts	<u>7,496,807</u>

# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

	Note	June 2012 \$
		June 2012 \$
<b>NOTE 21: SHARE CAPITAL</b>		
Issued and paid-up capital		
194,600,012 \$1 ordinary shares	(a)	<u>194,600,012</u>
<b>(a) Ordinary shares</b>		
<b>Consolidated</b>		
Opening balance	-	-
Shares issued:		
8 June 2011	12	12
7 October 2011	<u>194,600,000</u>	<u>194,600,000</u>
	194,600,012	194,600,012
	-	-
At reporting date	<u>194,600,012</u>	<u>194,600,012</u>
<b>Costa Group Holdings Pty Ltd</b>		
Opening balance	-	-
Shares issued:		
8 June 2011	12	12
7 October 2011	<u>194,600,000</u>	<u>194,600,000</u>
	194,600,012	194,600,012
	-	-
At reporting date	<u>194,600,012</u>	<u>194,600,012</u>

### **Rights of each type of share**

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

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



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**NOTE 21: SHARE CAPITAL (CONTINUED)**

**Share options**

Share Based Payment Plan - Employee Share Option Plan

The company has established an Employee Share Option Plan ("Option Plan"). A Shareholders Deed entered into by the shareholders of Costa Group Holdings Pty Ltd allow the issue of options under the Option Plan representing up to 8% of the ordinary share capital of Costa Group Holdings Pty Ltd.

Eligibility for the Option Plan is to be determined at the discretion of the Board.

Any shares issued pursuant to the Option Plan have no voting rights.

No options have been issued during the year.

**NOTE 22: RETAINED EARNINGS**

Retained earnings at beginning of period

Net profit / (loss)

-

(6,217,066)

(6,217,066)

# **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

### **NOTE 23: CONTROLLED ENTITIES**

	<b>Country of incorporation</b>	<b>Ownership June 2012 %</b>
<b>Subsidiaries of Costa Group Holdings Pty Ltd:</b>		
Costa Group Holdings (Finance) Pty Ltd	Australia	100
Costa's Pty Ltd	Australia	100
ACN 151 702 251 Pty Ltd	Australia	100
Costa Exchange Holdings Pty Ltd	Australia	100
ACN 125 158 741 Pty Ltd	Australia	100
Grape Exchange Management Euston	Australia	100
North Fresh Pty Ltd	Australia	100
Vinefresh Pty Ltd	Australia	100
Southern Cross Overseas	Australia	100
CostaExchange Ltd	Australia	100
Costa Berry Holdings Pty Ltd	Australia	100
Blueberry Investments Pty Ltd	Australia	100
Raspberry Fresh Pty Ltd	Australia	100
CBSP Pty Ltd	Australia	100
FruitExpress Pty Ltd	Australia	100
ACN 057 689 246 Pty Ltd	Australia	100
Exchange Innisfail Pty Ltd	Australia	100
Banana Exchange Pty Ltd	Australia	100
Innisfail Holdings Pty Ltd	Australia	100
Exchange Brisbane Pty Ltd	Australia	100
Fresh Exchange Pty Ltd	Australia	100
Yandilla Park Pty Ltd	Australia	100
Export Exchange (Australia) Pty Ltd	Australia	100
East Africa Coffee Plantations Pty Ltd	Australia	100
AgriExchange Pty Ltd	Australia	100
Vitor Marketing Pty Ltd	Australia	100
AgriExchange Farm Management Pty Ltd	Australia	100
Mushroom Exchange Holdings Pty Ltd	Australia	100
Mushroom Exchange Pty Ltd	Australia	100
Costa Fresh Logistics Pty Ltd	Australia	100
Tomato Exchange Pty Ltd	Australia	100
Grape Exchange Farming Pty Ltd	Australia	100
Grape Exchange Farming Mundubbera	Australia	100
Grape Exchange Pty Ltd	Australia	100
Costa Group Finance Pty Ltd	Australia	100
Costa Farms Pty Ltd	Australia	100
Costa Logistics Pty Ltd	Australia	100
Vitor Unit Trust	Australia	100
AgriExchange Murtho Pty Ltd	Australia	100
Hillston Investments Pty Ltd	Australia	100

**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**NOTE 23: CONTROLLED ENTITIES (CONTINUED)**

**(a) Controlled entities acquired**

On 7 October 2012, Costa Group Holdings Pty Ltd acquired all of the above named entities with the exception of Costa Group Holdings Finance Pty Ltd and ACN 151 702 251 Pty Ltd which were newly incorporated during the year. No other acquisitions occurred during the 2012 financial year.

**NOTE 24: ACQUISITION OF COSTA'S PTY LTD AND ITS SUBSIDIARIES**

On 7 October 2012, the group acquired 100% of the share capital of the entities listed in Note 23 with the exception of Costa Group Holdings Finance Pty Ltd and ACN 151 702 251 Pty Ltd which were newly incorporated during the year.



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**NOTE 24: ACQUISITION OF COSTA'S PTY LTD AND ITS SUBSIDIARIES (CONTINUED)**

**Assets and liabilities acquired**

Assets and liabilities acquired as a result of the acquisition of Costa's Pty Ltd and its subsidiaries:

	<b>Recognised on acquisition at fair value \$</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	21,575,847
Trade and other receivables	60,886,280
Inventories	12,272,207
Biological assets	19,130,938
Other current assets	6,148,020
Assets classified as held for sale	<u>2,121,517</u>
<b>Total Current Assets</b>	<u>122,134,809</u>
<b>Non-Current Assets</b>	
Available-for-sale investments	10,412,179
Property, plant and equipment	116,588,780
Long Term Biological assets	13,629,134
Deferred tax assets	8,964,600
Financial assets	500,000
Intangible assets and goodwill	<u>166,931,431</u>
<b>Total Non-Current Assets</b>	<u>317,026,124</u>
<b>TOTAL ASSETS</b>	<u>439,160,933</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Trade and other payables	60,461,607
Short term borrowings	181,900,159
Income tax payable	3,596,750
Provisions	<u>10,765,095</u>
<b>Total Current Liabilities</b>	<u>256,723,611</u>
<b>Non-Current Liabilities</b>	
Interest-bearing loans and borrowings	2,137,553
Deferred tax liabilities	1,262,400
Long term provisions	<u>3,537,369</u>
<b>Total Non-Current Liabilities</b>	<u>6,937,322</u>
<b>TOTAL LIABILITIES</b>	<u>263,660,933</u>
<b>NET ASSETS</b>	<u>175,500,000</u>

# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

Note    June 2012  
\$

### NOTE 25: CASH FLOW INFORMATION

#### (a) Loan facilities

Loan facilities	205,000,000
Amount utilised*	<u>(173,886,378)</u>
Unused loan facilities	<u>31,113,622</u>

The major facilities and term and conditions are summarised at Note 18(a).

\* Amount utilised includes bank guarantees of \$14,895,135.

### NOTE 26: RELATED PARTY TRANSACTIONS

#### (a) Transactions with entities with joint control or significant influence over the entity

The consolidated group purchased goods from or paid commission to jointly controlled entities during the 2012 financial period consisting of the following amounts:

Wadda Plantations Pty Ltd - Purchases of bananas \$11,979,584.  
 Driscolls Australia Partnership - Commission paid on sale of berries \$3,821,443.  
 Driscolls Australia Partnership - Purchase of berries of \$5,256,869.  
 Driscolls Australia Partnership - Other costs charged \$369,269.

All transactions have been conducted at an arms length basis.

#### (b) Transactions with entities with associates

The group transacted with jointly controlled entities during the 2012 financial period as follows:

Africa Blue SARL - Accrual of royalty income on blueberry sales of \$125,545.

Africa Blue SARL - Other costs charged of \$106,368.

Polar Fresh Partnership - Dividends received amounting to \$2,696,000 and \$304,516 for transactional and management services provided.

## COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

### NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

#### NOTE 26: RELATED PARTY TRANSACTIONS (CONTINUED)

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

###### *Mr Robert Costa (Director)*

- Director and ownership interest in STG Nominees and Baxter Hill. STG Nominees received rental income of \$4,933,500 from entities within the consolidated group.
- Director and ownership interest of Six Oaks Pty Ltd which provided management services to the consolidated group totaling \$485,506.
- Director and ownership interest in Vitalharvest Ltd which is the landlord for the citrus and berry farms managed by the consolidated group. Refer to Note 26(d) for transactions with this entity.
- Director of Driscolls Australia Pty Ltd (Driscolls Australia Partnership) and Wadda Plantations Pty Ltd which are joint ventures of the consolidated group (Refer to Note 14 for details of Joint Ventures).
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associated investment of the consolidated group (Refer to Note 12 for details of associate investments).

###### *Mr Frank Costa (Director)*

- Director and ownership interest of Six Oaks Pty Ltd which provided management services to the consolidated group totaling \$485,506.
- Director and ownership interest in Vitalharvest Ltd which is the landlord for the citrus and berry farms managed by the consolidated group. Refer to Note 26(d) for transactions with this entity.
- Director of Driscolls Australia Pty Ltd (Driscolls Australia Partnership) and Wadda Plantations Pty Ltd which are joint ventures of the consolidated group (Refer to Note 14 for details of Joint Ventures)
- Director of Polar Fresh Cold Chain Services Pty Ltd (Polar Fresh Partnership) which is an associated investment of the consolidated group (Refer to Note 12 for details of associate investments).

###### *Kevin Schwartz (Director)*

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Pty Ltd. Payment made to P&P COS Holdings B.V consist of services rendered in connection with the acquisition and successful completion of financing of Costa Group Holdings Pty Ltd of AUD \$5,000,000. Other related party transactions include payment to P&P COS Holdings B.V for reimbursement of due diligence costs of AUD \$3,400,000, provision of management services on behalf of P&P COS Holdings B.V of AUD \$440,217 and travel costs reimbursed for the year ended 30 June 2012 of AUD \$132,944.

###### *Angelos Dassios (Director)*

- An employee for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Pty Ltd. Payment made to P&P COS Holdings B.V consist of services rendered in connection with the the acquisition and successful completion of financing of Costa Group Holdings Pty Ltd of AUD \$5,000,000. Other related party transactions include payment to P&P COS Holdings B.V for reimbursement of due diligence costs of AUD \$3,400,000, provision of management services on behalf of P&P COS Holdings B.V of AUD \$440,217 and travel costs reimbursed for the year ended 30 June 2012 of AUD \$132,944.



## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

#### **NOTE 26: RELATED PARTY TRANSACTIONS (CONTINUED)**

##### *Greg Hunt (Director)*

- A consultant for a company associated with P&P COS Holdings B.V. P&P COS Holdings B.V. is a 50% shareholder in Costa Group Holdings Pty Ltd. Payment made to P&P COS Holdings B.V consist of services rendered in connection with the acquisition and successful completion of financing of Costa Group Holdings Pty Ltd of AUD \$5,000,000. Other related party transactions include payment to P&P COS Holdings B.V for reimbursement of due diligence costs of AUD \$3,400,000 and provision of management services on behalf of P&P COS Holdings B.V of AUD \$440,217.

##### *Neil Chatfield (Director)*

- A consultant for Six Oaks Pty Ltd, a company associated with Costa AFR Pty Ltd ACN 151 727 614 as trustee for the Costa AFR Unit Trust. No fees or costs have been paid to Neil Chatfield by Costa Group Holdings Pty Ltd.

#### **(d) Transactions with other related parties**

##### *Vitalharvest Limited*

##### **Property rent expense**

During the year Costa Group Holdings leased citrus and berry farms across Australia from Vitalharvest Limited. Fixed rental payments totaled \$5,220,875 and variable rent payments totaled \$1,090,922. Refer to below for key terms and conditions on these property leases.

##### **Capex reimbursed by Vitalharvest**

During the financial period, Vitalharvest Pty Ltd reimbursed Costa Exchange Ltd \$3,219,427 and AgriExchange Pty Ltd \$638,602 in relation to costs incurred on capital expenditure.

##### **Property leases - key terms and conditions**

The company has leases on the citrus properties in the Riverland, South Australia. These leases are for a period of 15 years with an option for AgriExchange Pty Ltd to extend the leases for a further 10 years. The lease payments consist of a fixed and variable component. The fixed component is based on 8% of the capital costs incurred on each property by VitalHarvest Limited, including land, fixed equipment, permanent water and plantings. Any capital spent on expanding farms will result in an increase in the fixed rental. The variable rent is based on 25% of the earnings before tax and before variable rent. This includes earnings from farming, packing and marketing profits earned by AgriExchange Pty Ltd. Under the terms of the lease, AgriExchange is responsible for the replanting of any existing planted areas and provides all non-fixed equipment to maintain the farm.

The company has leases on the berry properties throughout Australia. The lease payments consist of a fixed and variable component. The fixed component is based on 8% of the capital costs incurred on each property by VitalHarvest Limited, including land, fixed equipment, permanent water and plantings. Any capital spent on expanding farms will result in an increase in the fixed rental. The variable rental is based on 25% of earnings before tax and variable rent. This includes earnings from farming, packing and marketing profits earned by Costa Exchange Ltd berry operations. Under the terms of the lease, Costa Exchange Ltd is responsible for the re-planting of any existing planted areas and provides all non-fixed equipment to maintain the farms.

# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

Note      June 2012  
\$

### NOTE 27: CAPITAL AND LEASING COMMITMENTS

(a) Hire purchase commitments

Payable

- not later than one year

208,373

Total hire purchase liability

208,373

Represented by:

Current liability

208,373

208,373

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

(b) Operating lease commitments

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

Payable

- not later than one year

34,410,256

- later than one year and not later than five years

111,912,552

- later than five years

154,559,072

300,881,880

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

(c) Remuneration contracts

Payable

- not later than one year

785,400

- later than one year and not later than three years

130,900

916,300

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

### NOTE 28: CONTINGENT LIABILITIES

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

Refer to Note 25 for details of bank guarantees utilised by the group.

A future commitment exists in relation to variable rent payable to Vitalharvest Pty Ltd. Refer to Note 26(d) for further details.

# **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

## **NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012**

**Note     June 2012**  
**\$**

### **NOTE 29: CLOSED GROUP**

Pursuant to Class Order 98/1418, relief has been granted to certain entities controlled by Costa Group Holdings Pty Ltd from the Corporations Act Requirements for preparation, audit and publication of financial reports. Deeds of cross guarantee are in place for wholly owned subsidiaries.

The effect of the Deed is that Costa Group Holdings Pty Ltd has guaranteed to pay any deficiency in the event of winding up of the controlled entities. The controlled entities have also given a similar guarantee in the event that Costa Group Holdings Pty Ltd is wound up.

The consolidated income statement and balance sheet of the entities which are members to the Deed of Cross Guarantee are as follows:

#### **(a) Summarised statement of financial position**

##### **Assets**

Current assets	99,323,760
Non-current assets	<u>328,084,188</u>
Total assets	<u>427,407,948</u>

##### **Liabilities**

Current liabilities	88,722,039
Non-current liabilities	<u>150,302,963</u>
Total liabilities	<u>239,025,002</u>
Net assets	<u>188,382,946</u>

##### **Equity**

Share capital	194,600,012
Retained earnings	<u>(6,217,066)</u>
Total equity	<u>188,382,946</u>

#### **(b) Summarised statement of comprehensive income**

Loss for the period	<u>(6,217,066)</u>
Total comprehensive loss for the period	<u>(6,217,066)</u>



# COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES

## NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

Note      June 2012  
\$

### NOTE 30: PARENT ENTITY

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

##### Assets

Current Assets	9,532,356
Non Current Assets	<u>175,500,000</u>
<b>Total Assets</b>	<b><u>185,032,356</u></b>

##### Liabilities

Current Liabilities	<u>1,677,501</u>
<b>Total Liabilities</b>	<b><u>1,677,501</u></b>

<b>Net Assets</b>	<b><u>183,354,855</u></b>
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##### Equity

Contributed Equity	194,600,012
Accumulated losses	<u>(11,245,157)</u>
<b>Total Equity</b>	<b><u>183,354,855</u></b>

#### (b) Summarised statement of comprehensive income

Loss for the period	<u>(11,245,157)</u>
Total comprehensive loss for the period	<b><u>(11,245,157)</u></b>

#### (c) Parent entity guarantees

Refer to Note 25 for details of bank guarantees utilised by the parent entity.

### NOTE 31: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2012, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2012, of the group.


**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**


**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 - 46, are in accordance with the *Corporations Act 2001*:
  - (a) comply with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and its performance for the period ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in Note 29.

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

Director:   
Mr Harry Debney

Director:   
Mr Robert Costa

Dated this 26 day of October 2012.

## **COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COSTA GROUP HOLDINGS PTY LTD**

We have audited the accompanying financial report of Costa Group Holdings Pty Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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



**COSTA GROUP HOLDINGS PTY LTD AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF COSTA GROUP HOLDINGS PTY LTD**

*Opinion*

In our opinion:

- (a) the financial report of Costa Group Holdings Pty Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.



P A JOSE  
Partner



PITCHER PARTNERS  
Melbourne

Date 29 October 2012.