



Costa Group Holdings Limited

Appendix 4D and Condensed Consolidated Interim Financial Statements

For the half-year ended 27 June 2021

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 2020 Annual Report**

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	Half year ended 27 June 2021 \$ '000	Half year ended 28 June 2020 \$ '000	Increase / (decrease) %	Increase / (decrease) \$ '000
Revenue from ordinary activities	612,424	612,356	0%	68
Profit from ordinary activities	47,222	50,346	(6%)	(3,124)
Profit for the period attributable to members	37,409	43,372	(14%)	(5,963)
EBITDA-S ⁽¹⁾ (2)	124,407	119,267	4%	5,140
NPAT-S ⁽¹⁾ (2)	44,383	43,078	2%	1,075

(1) Earnings before interest, tax, depreciation, amortisation, fair value movements in biological assets (SGARA) and material items.

(2) EBITDA-S and NPAT-S disclosed are presented before material items. Refer Note 6 of the Condensed Consolidated Interim Financial Statements for details on material items.

DIVIDENDS

The Directors have determined an interim dividend of 4.0 cents per ordinary share, fully franked. The record date of the dividend is 16 September 2021 and the dividend is expected to be paid on 7 October 2021. The dividend was not determined as at 27 June 2021 and accordingly no provision has been recognised.

Dividend (distributions)	Cents per share	Franking %
Interim for the Half Year Ended 27 June 2021		
Interim dividend – current year	4.0	100%
Financial year ended 27 December 2020		
Interim dividend	4.0	100%
Final dividend	5.0	100%

Consistent with prior years, there was no dividend reinvestment plan in operation during the half-year ended June 2021.

2. FINANCIAL STATEMENTS

Please refer to pages 1 through 23 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 27 June 2021;
- Condensed Consolidated Interim Statement of Financial Position as at 27 June 2021;
- Condensed Consolidated Interim Statement of Changes in Equity for the half-year ended 27 June 2021;
- Condensed Consolidated Interim Statement of Cash Flows for the half-year ended 27 June 2021;
- Notes to the Condensed Consolidated Interim Financial Statements;

- Director's Declaration;
- Independent Auditor's Review Report for the half-year ended 27 June 2021; and
- Corporate Directory.

3. NET TANGIBLE ASSETS

Net tangible asset backing per ordinary share	Half-year ended 27 June 2021	Half-year ended 28 June 2020
	Cents per share	Cents per share
Net tangible asset backing per ordinary share	107.20	100.54

4. ASSOCIATES AND JOINT VENTURES

Associates and Joint Ventures	Equity instrument	Ownership interest 27 June 2021 %	Ownership interest 28 June 2020 %	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 notes to the Condensed Consolidated Interim Financial Statements and the Directors' Report.

Costa Group Holdings Ltd

Directors' Report

For the half-year ended 27 June 2021

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 27 June 2021 and Auditor's 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, appointed on 31 March 2021)

Mr Harry Debney (CEO, retired on 31 March 2021. Appointed as a non-executive director from 1 July 2021)

Mr Peter Margin

Ms Janette Kendall

Mr Tim Goldsmith

Dr Jane Wilson

Apart from the appointments outlined above, the remaining Directors have been in office since the start of the half-year to the date of this report.

PRINCIPAL ACTIVITIES

Costa 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 reviewed 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 2021.

Key financial highlights from 1HCY21 ("half-year ended 27 June 2021") vs. 1HCY20 ("half-year ended 28 June 2020") include:

- Revenue of \$612.4 million largely flat on last year. International segment was up 25% by \$30.1 million led by growth in China and Morocco, which was offset by lower Produce revenue driven by Citrus with the hailstorm in Colignan impacting yields.
- EBITDA before SGARA (EBITDA-S)¹ was up 4% to \$124.4 million with higher International segment earnings led by China and Morocco growth. This was partially offset by Produce segment with citrus earnings impacted by the hailstorm and lower avocado pricing.
- Statutory profit attributable to Costa shareholders was down 14% to \$37.4 million mainly caused by the underperformance vs prior comparison period of the Produce segment and additionally the loss in fair value of biological assets primarily from reduced pricing assumptions in the Avocado category for the remainder of CY21 relative to assumptions used in the interim accounts for CY20.
- During the year, Costa acquired KW Orchards, an institutional scale citrus farming operation in the Sunraysia region, for \$40.0 million (refer Note 16). Earnings from this acquisition are largely expected to come through in 2HCY21.

(1) EBITDA before SGARA 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
Directors' Report
For the half-year ended 27 June 2021

EVENTS SUBSEQUENT TO REPORTING DATE

Except for those disclosed in Note 17, there are no other matters or circumstances which have arisen since the end of the period ending 27 June 2021 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 16 September 2021 and the dividend is expected to be paid on 7 October 2021. The dividend was not determined until 25 August 2021 and accordingly no provision has been recognised at 27 June 2021.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 370C of the Corporations Act 2001 is set out on page 3 and forms part of the Directors Report for the half-year ended 27 June 2021.

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

25 August 2021



Neil Chatfield
Chairman



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 28 December 2020 and ending 27 June 2021 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, handwritten signature of the KPMG representative, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of Gordon Sangster, consisting of a series of loops and flourishes.

Gordon Sangster
Partner
Melbourne
25 August 2021

Costa Group Holdings Ltd
Condensed Consolidated Interim Statement of Profit and Other Comprehensive Income
For the half-year ended 27 June 2021

		Half year	
	Notes	June 2021 \$ '000	June 2020 \$ '000
Revenue			
Total revenue	4	612,424	612,356
Less: expenses			
Raw materials, consumables and third party purchases		(203,528)	(223,361)
Depreciation and amortisation expenses		(50,296)	(49,196)
Employee benefits expenses	5	(199,790)	(185,807)
Occupancy expenses		(15,281)	(17,964)
Net finance costs	5	(11,644)	(13,822)
Loss on sale of assets		(75)	(20)
Freight and cartage		(26,446)	(26,862)
Short term leasing expenses		(2,434)	(2,088)
(Loss)/Gain on fair value adjustments - biological assets		(6,037)	1,127
Impairment loss on trade receivables		(37)	(268)
Other expenses		(47,126)	(40,688)
		(562,694)	(558,949)
Share of net profits of associates and joint ventures accounted for using the equity method		4,495	3,915
Profit before income tax expense		54,225	57,322
Income tax expense	15	(7,003)	(6,976)
Profit for the period		47,222	50,346
Other comprehensive income / (loss) for the period			
Foreign currency translation differences		4,935	(2,574)
Cash flow hedges - effective portion of changes in fair value		1,146	402
Total other comprehensive income / (loss) for the period		6,081	(2,172)
Total comprehensive income for the period		53,303	48,174
Profit attributable to:			
Owners of Costa Group Holdings Ltd		37,409	43,372
Non-controlling interests		9,813	6,974
		47,222	50,346
Total comprehensive income attributable to:			
Owners of Costa Group Holdings Ltd		43,490	41,200
Non-controlling interests		9,813	6,974
		53,303	48,174
		June 2021	June 2020
		Cents	Cents
Earnings per share for profit attributable to ordinary equity holders:			
Basic earnings per share	7	9.33	10.82
Diluted earnings per share	7	9.33	10.81

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 27 June 2021

	Notes	June 2021 \$ '000	December 2020 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents		97,006	32,450
Receivables		123,059	96,900
Inventories		25,230	26,987
Biological assets		53,119	58,312
Other assets & financial assets		26,660	13,258
Current tax assets		5,623	-
Total current assets		330,697	227,907
Non-current assets			
Receivables		2,342	4,024
Equity accounted investments		25,212	21,567
Intangible assets	9, 16	221,032	209,450
Deferred tax assets		22,583	23,894
Property, plant and equipment		566,424	515,688
Right-of-use assets		294,402	302,803
Total non-current assets		1,131,995	1,077,426
Total assets		1,462,692	1,305,333
LIABILITIES			
Current liabilities			
Borrowings	8	18,287	14,320
Payables		138,569	135,100
Provisions		22,535	22,123
Other financial liabilities		-	879
Current tax liabilities		5,502	10,526
Lease liabilities		33,439	34,119
Total current liabilities		218,332	217,067
Non-current liabilities			
Borrowings	8	286,736	162,013
Provisions		8,919	8,766
Deferred tax liabilities		21,816	16,976
Lease liabilities		276,097	283,949
Total non-current liabilities		593,568	471,704
Total liabilities		811,900	688,771
NET ASSETS		650,792	616,562
EQUITY			
Share capital	10	581,635	580,734
Other equity reserve		(13,422)	(13,117)
Other reserves		11,237	4,783
Profit reserve		126,609	109,242
Accumulated losses		(92,692)	(92,692)
Equity attributable to owners of the parent		613,367	588,950
Non-controlling interests		37,425	27,612
Total equity		650,792	616,562

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 27 June 2021

	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 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 Changes in Equity
For the half-year ended 27 June 2021

	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 31 December 2019 (restated)*	580,831	(13,093)	8,697	4,540	(251)	(4,730)	72,517	(92,692)	555,819	20,937	576,756
Profit for the period	-	-	-	-	-	-	-	43,372	43,372	6,974	50,346
Other comprehensive income / (loss)	-	-	-	(2,574)	402	-	-	-	(2,172)	-	(2,172)
Transfer to profit reserve	-	-	-	-	-	-	43,372	(43,372)	-	-	-
Total comprehensive income for the period	-	-	-	(2,574)	402	-	43,372	-	41,200	6,974	48,174
Transactions with owners in their capacity as owners:											
Issue of shares (net of issue costs)	(278)	-	-	-	-	-	-	-	(278)	-	(278)
Net options forfeited during the period	-	-	(286)	-	-	-	-	-	(286)	-	(286)
Share options exercised	111	(24)	(87)	-	-	-	-	-	-	-	-
Dividend paid on ordinary shares	-	-	-	-	-	-	(8,014)	-	(8,014)	-	(8,014)
Tax effect of share plan payment through equity	-	-	12	-	-	-	-	-	12	-	12
Capital injected by non-controlling interest without change in control	-	-	-	-	-	-	-	-	-	8	8
Balance as at 28 June 2020	580,664	(13,117)	8,336	1,966	151	(4,730)	107,875	(92,692)	588,453	27,919	616,372

*Comparative restated for IFRIC lease adjustment

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 27 June 2021

	Notes	Half year June 2021 \$ '000	June 2020 \$ '000
Cash flow from operating activities			
Receipts from customers		592,016	568,894
Payments to suppliers and employees		(497,754)	(484,930)
Interest received		123	209
Interest paid		(11,496)	(13,829) ¹
Income taxes paid		(12,884)	(4,213)
Net cash provided by operating activities		70,005	66,131
Cash flow from investing activities			
Payments for property, plant and equipment		(51,758)	(42,175)
Dividends from equity accounted investments		850	838
Acquisition of business	16, 17	(45,774)	-
Proceeds from sale of property, plant and equipment		318	250
Net cash used in investing activities		(96,364)	(41,087)
Cash flow from financing activities			
Proceeds/(payment) from share issue, net of issue costs		338	(278)
Dividend payments on ordinary shares	14	(20,042)	(8,014)
Loans and advances		1,719	1
Proceeds from borrowings		1,098,208	985,797
Repayment of borrowings		(970,000)	(936,000)
Payment of lease liability		(20,811)	(17,390) ¹
Net cash provided by financing activities		89,412	24,116
Reconciliation of cash			
Cash at beginning of year		32,450	35,962
Net increase in cash held		63,053	49,160
Effect of movement in foreign exchange rate		1,503	(2,085)
Cash at end of interim period		97,006	83,037

¹ Prior year comparative updated for reclass of lease interest between interest paid and payment of lease liability to be consistent with December 2020 financial statements.

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

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

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 27 June 2021 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 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 2020.

The Condensed Consolidated Interim Financial Statements were authorised for issue in accordance with a resolution of Directors on 25 August 2021.

(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.

(c) Comparatives

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

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.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

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 of 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.

COVID-19 Consideration

COVID-19 continues to have an effect on the Group and can lead to volatility in certain assumptions, such as demand and pricing, which are relevant to the Group's estimates in impairment of non-financial assets, fair value of biological assets and recoverability of receivables. Management continues to monitor the effect of the pandemic but for the purpose of the half year, there are no material changes that may cast significant doubt on the Group's ability to continue as a going concern.

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 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.

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 royalty income from licensing of Costa's blueberry varieties in Australia and internationally, and international berry farming operations in Morocco and China.

(b) Information about reportable segments

Performance is measured based on segment EBITDA before movements in fair value of biological assets and material items as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (CEO).

Group financing costs and income taxes are managed at the Group level and are not allocated to operating segments. The information presented to the CEO does not report on segment assets and liabilities and as such is not presented in this report.

It is the Group's policy that business support costs that are not directly attributable to a specific segment are allocated to the Produce segment, which is the Group's largest reportable segment, on the basis that it utilises the majority of these resources.

Inter-segment revenue is eliminated on consolidation, however, is shown within the segment revenue to reflect segment level performance. Inter-segment transactions are on commercial terms. Information regarding the results of each reportable segment is included below.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 3: SEGMENT INFORMATION (CONTINUED)

Half year ended June 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	2,265	(24,698)	-
Total revenue	412,886	72,616	151,620	(24,698)	612,424
EBITDA-S	36,005	6,296	82,106	-	124,407

Half year ended June 2020	Produce	CF&L	International	Adjustments and eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External customers	422,982	69,828	119,546	-	612,356
Inter-segment	20,759	3,128	1,926	(25,813)	-
Total revenue	443,741	72,956	121,472	(25,813)	612,356
EBITDA-S	47,777	7,378	64,112	-	119,267

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-S to profit after tax

	Notes	Half year	
		June 2021 \$ '000	June 2020 \$ '000
EBITDA-S for reportable segments		124,407	119,267
Fair value movements in biological assets		(6,037)	1,127
Depreciation and amortisation		(50,296)	(49,196)
Material items (before tax)	6	(2,130)	-
Loss on lease differences		-	(34)
Loss on sale of assets		(75)	(20)
Net finance costs		(11,644)	(13,822)
Income tax expense		(7,003)	(6,976)
Profit after tax		47,222	50,346

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 3: SEGMENT INFORMATION (CONTINUED)

(d) Geographical segment of non-current assets

	June 2021 \$ '000	December 2020 \$ '000
Non-current assets excluding financial assets (including equity accounted investment) and deferred tax balance by geography		
Australia	843,252	798,735
China	88,209	80,263
Morocco	150,500	149,009
	<u>1,081,961</u>	<u>1,028,007</u>

NOTE 4: REVENUE

	Half year	
	June 2021 \$ '000	June 2020 \$ '000
Sale of goods and commissions received	578,473	585,648
Rebates and discounts provided	(7,235)	(7,726)
Rendering of services	21,344	23,286
Other revenue	19,842	11,148
Total revenue	<u>612,424</u>	<u>612,356</u>

NOTE 5: EXPENSES

	Half year	
	June 2021 \$ '000	June 2020 \$ '000
Employee benefits expenses		
Salaries, contractors and wages (including on-costs)	182,862	169,603
Superannuation costs	9,808	8,746
Leave entitlements	5,704	5,252
Other employee expenses	1,416	2,206
	<u>199,790</u>	<u>185,807</u>

	Half year	
	June 2021 \$ '000	June 2020 \$ '000
Net finance costs		
Interest income	(135)	(212)
Interest expense on borrowings	2,747	4,140
Interest expense on lease liabilities	8,454	9,120
Amortisation of borrowing costs	578	774
	<u>11,644</u>	<u>13,822</u>

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 6: MATERIAL ITEMS

The following individually material items are included within the Condensed Consolidated Interim Statement of Profit and Other Comprehensive Income and have been adjusted for when reviewing segment information to allow for a more accurate reflection of underlying operating performance on a comparative basis.

	Half year	
	June 2021	June 2020
	\$ '000	\$ '000
Individually material items included in profit before income tax:		
Transaction costs ¹ associated with material acquisitions during the period	2,130	-
Total material items before tax	2,130	-
Tax effect of material items	-	-
Total material items after tax	2,130	-

1. Transaction costs incurred on acquisition of KW Orchards (\$1.8m), 2PH Farms (\$0.2m) and Select Fresh (\$0.1m). Further transaction costs associated with the acquisition of 2PH Farms and Select Fresh will be recognised as material items in 2H21. Refer to Note 16 and Note 17 for further details. Material items are included within 'Other expenses' line item in the Statement of Profit and Other Comprehensive Income.

NOTE 7: EARNINGS PER SHARE

	Half year	
	June 2021	June 2020
	Cents per share	Cents per share
<i>Basic EPS</i>		
Basic EPS (cents) based on net profit attributable to members of Costa Group Holdings Limited	9.33	10.82
<i>Diluted EPS</i>		
Diluted EPS (cents) based on net profit attributable to members of Costa Group Holdings Limited	9.33	10.81
	Number ('000)	Number ('000)
<i>Weighted average number of shares</i>		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	400,896	400,813
<i>Effect of potentially dilutive securities</i>		
Equity-settled share options	70	78
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS	400,966	400,891
	\$ '000	\$ '000
Earnings reconciliation		
<i>Basic and diluted EPS</i>		
Net profit attributable to owners of Costa Group Holdings Limited	37,409	43,372

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 8: BORROWINGS

	June 2021 \$ '000	December 2020 \$ '000
Current borrowings		
<i>Bank loans</i>		
Secured	6,174	1,807
Unsecured	12,113	12,513
	<u>18,287</u>	<u>14,320</u>
Non-current borrowings		
<i>Bank loans</i>		
Secured	5,379	4,385
Unsecured	281,357	157,628
	<u>286,736</u>	<u>162,013</u>
Total borrowings	<u>305,023</u>	<u>176,333</u>

NOTE 9: INTANGIBLE ASSETS AND IMPAIRMENT

Impairment testing for cash generating units containing goodwill

Impairment tests for all assets are performed when there is an indicator of impairment, although goodwill is tested at least annually. If 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 Group faced a number of challenges during 1HCY21, including the ongoing COVID-19 pandemic and challenging weather and growing conditions, which have resulted in some of the categories not being able to meet their expected earnings targets. As a result, the recoverable amount of the assets relating to certain cash generating units (CGU) within the Produce segments have been assessed using a value-in-use discounted cash flow model.

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.

For 1HCY21, the estimated recoverable amount for all these CGUs exceeded the carrying amount and as such no impairment loss has been recognised.

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 through to CY25.

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. The Australian CGUs terminal growth rate used is 2.5% (December 2020: 2.5%).

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.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 9: INTANGIBLE ASSETS AND IMPAIRMENT (CONTINUED)

Sensitivity analysis

Management noted that changes to key assumptions, such as reduction in forecasted pricing growth rate (CY21 to CY25), may cause the recoverable amount to fall below carrying value.

The Avocado category has underperformed for the half year ending 27 June 2021 with strong pricing deflation due to surplus of volume in the industry. Management's sensitivity analysis suggests for this CGU, a reduction in the forecasted pricing growth rate (CY21 to CY25) of 2.0 percentage points would reduce the CGU's headroom to nil. There are no reasonable possible changes in the discount rate or terminal value that would result in impairment.

The Mushroom CGU recognised an impairment loss in December 2019 which resulted in its recoverable amount equalling its carrying value. Management's sensitivity analysis suggests for this CGU, a reduction in the forecasted pricing growth rate (CY21 to CY25) of 1.3 percentage points would reduce the CGU's headroom to nil. There are no reasonable possible changes in the discount rate or terminal value that would result in impairment.

For the African Blue CGU, the Group did not perform an impairment test at half year ending 27 June 2021 as the CGU has performed strongly against its expected earnings target. Following from the December 2020 assessment, management expects the recoverable amount to approximate the carrying value. As such, any material adverse changes to the key assumptions would result in an impairment.

Apart from those disclosed above, based on current economic conditions and the Group's remaining CGUs performance, there are no reasonable possible changes to key assumption used in the determination of CGU recoverable amounts that would result in an impairment to the Group.

NOTE 10: SHARE CAPITAL

	June 2021		December 2020	
	Number '000	\$ '000	Number '000	\$ '000
Ordinary shares				
Opening balance	400,831	580,734	400,792	580,831
Ordinary shares issued (net of issue costs)	-	-	-	(208)
Settlement of share-based payments	187	901	39	111
Closing balance	401,018	581,635	400,831	580,734

NOTE 11: SHARE BASED PAYMENTS

	June 2021	December 2020
	\$ '000	\$ '000
Share-based payments reserve	7,999	8,119

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

Share Based Payment Plan - Employee Share Option & Performance Rights Plan

The Group continued to offer equity-settled share-based payments via employee participation in short term and long term incentive schemes as part of the remuneration packages for its key management personnel and executives.

Eligibility for the short term and long-term incentive schemes is determined at the discretion of the Company's Board of Directors. Any shares issued pursuant to the Employee Share Option Plan will be ordinary shares.

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

During the interim financial period ended 27 June 2021, 258,695 options have been granted to the Chief Executive Officer and a further 1,221,498 options have been granted to other key executives under a new long-term incentive arrangement.

NOTE 11: SHARE BASED PAYMENTS (CONTINUED)

Measurement of fair values

The Group engaged an external party to value the options issued during the half-year. For options issued during the period, the Group has utilised the binomial option pricing model taking into consideration performance conditions outlined in the Group's CY21 Long Term Incentive Plan rules. The inputs used in the measurement of the fair values at grant date of the equity settled share-based payment plans were as follows:

Employee share option programs	June 2021			December 2020	
	KMP and executives			KMP and executives	
	01/06/2021	19/02/2021	27/10/2020	23/07/2020	26/02/2020
Grant date	01/06/2021	19/02/2021	27/10/2020	23/07/2020	26/02/2020
Number issued	258,695	1,221,498	6,550	125,000	1,695,081
Fair value at grant date	\$0.74	\$1.15	\$0.96	\$0.96	\$0.96
Share price at grant date	\$3.35	\$4.01	\$3.55	\$3.10	\$2.86
Exercise price	\$4.00	\$4.00	\$2.44	\$2.44	\$2.44
Expected volatility	44%	44%	44%	44%	44%
Expected dividend yield	3.10%	2.80%	2.80%	2.80%	2.80%
Risk-free rate	0.40%	0.35%	0.63%	0.63%	0.63%

Reconciliation of outstanding share options

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

	June 2021		December 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Opening balance	5,009,277	\$5.08	5,372,573	\$5.84
Disposed for cash or settled for shares during the period	(289,021)	\$2.78	(178,571)	\$2.25
Forfeited during the period	(949,401)	\$5.74	(2,011,356)	\$4.97
Granted during the period	1,480,193	\$4.00	1,826,631	\$2.44
Closing balance	5,251,048	\$4.78	5,009,277	\$5.08
Exercisable at period end	377,226	\$4.11	598,342	\$3.18

The options outstanding as at 27 June 2021, which have not vested, have an average exercise price of \$4.82 (Dec 2020: \$5.32).

NOTE 12: CAPITAL COMMITMENTS

As at 27 June 2021, the Group has capital commitments amounting to \$27.9 million (December 2020: \$25.8 million) in relation to the purchase of property, plant and equipment, which are contracted for but not provided for. Not included in the above capital commitments are commitments relating to business acquisitions that are disclosed separately in Note 16 and Note 17.

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

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 13: CONTINGENT LIABILITIES

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

NOTE 14: DIVIDENDS

Declared and paid during half year ended June 2020:	Cents per share	Total amount \$'000	Date of payment
2020 Financial Year - Final	5.0	20,042	8 April 2021
Determined after end of half year ended June 2021:			
	Cents per share	Total amount \$'000	Date of payment
2021 Financial Year - Interim	4.0	18,575	7 October 2021

NOTE 15: INCOME TAX

Reconciliation of accounting profit to tax expense

	Half year	
	June 2021	June 2020
	\$ '000	\$ '000
Profit before income tax	54,225	57,322
Prima facie income tax expense on profit before income tax at 30.0%	16,268	17,196
- effect of tax rates in foreign jurisdictions	(10,819)	(7,602)
Tax effect of:		
- non-deductible expenses/assessable income	1,837	203
- deferred tax asset previously (recognised)/not recognised	(42)	13
- non-creditable foreign withholding tax	46	49
- under/(over) provision in relation to prior years	190	(2,323)
- research and development tax credits	(400)	(400)
- non-assessable income	(77)	(160)
Income tax expense attributable to profit	7,003	6,976

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 16: Business acquisitions

Acquisition of KW Orchards

On 19th 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 \$40.0m. This 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.

From the date of acquisition to 27 June 2021, KW Orchards contributed revenue of \$0.9m and a net loss of \$0.1m to the Group's results. Had the acquisition occurred on 28 December 2020 and had the same fair values applied, neither the profit nor revenue of the Group would have been materially different from that reported given that the majority of the harvest occurs in the second half of the calendar year.

The following table summarises the recognition amounts of assets acquired, liabilities assumed and goodwill that arose at the date of acquisition, measured on a provisional basis.

Assets acquired and liabilities assumed

	\$'000
Property, plant and equipment	29,516
Intangible assets	7,800
Biological assets	1,228
Inventories	641
Employee Entitlements	(79)
Deferred tax liabilities	(1,311)
Fair value of identifiable net assets acquired	37,795
Goodwill arising on acquisition	2,192
Total consideration	39,987

Purchase consideration

	\$ '000
Cash paid	36,399
Less: Stamp duty	(1,495)
Deferred consideration ¹	5,083
Total purchase consideration	39,987

1. As at balance sheet date, some of the acquired assets had not yet settled as settlement was pending external approvals. The value of outstanding settlement amount will be in accordance with the sale & purchase agreement. The Group has control and is currently operating these assets and as such has been included as part of acquisition accounting with corresponding deferred liability recognised in 'Payables' line item in the Statement of Financial Position.

I) Measurement of fair values

Due to the complexity, size and timing of the acquisition, the above assets and liabilities have been determined on a provisional basis. Independent valuation of certain property, plant and equipment are pending at balance date. As a result, the provisional values provided above are subject to finalisation during the period of up to twelve months from the acquisition date, which may impact the final fair value of net identifiable assets, liabilities and goodwill.

II) Goodwill

Goodwill primarily comprises the skills and technical talent of KW Orchards' workforce and the synergies expected to be achieved from integrating the operation into the Group's existing Citrus business. Goodwill is not deductible for tax purposes.

III) Transaction costs

The Group incurred acquisition related costs of \$1.8m which included stamp duty, legal fees, and due diligence costs. These costs have been included in 'Other expenses' and are treated as material items (refer Note 6).

Costa Group Holdings Ltd
Notes to the Condensed Consolidated Interim Financial Statements
For the half-year ended 27 June 2021

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

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 \$13m. The acquisition completed on 1 July 2021.

Acquisition of 2PH Farms and capital raising

On 23 June 2021, the Group entered into an agreement to acquire 2PH Farms and a deposit of \$9.3m was paid on this date. The deposit is recognised as "Acquisition of business" in the Condensed Consolidated Interim Statement of Cash Flows.

2PH Farms is the largest producer of Citrus in Northern Australia. The acquisition provides the Group the opportunity to expand its Citrus portfolio into new regions with an expanded offering of high value produce. On 19 July 2021, the Group completed the acquisition for a total consideration of \$220.6m. The consideration paid was higher than originally disclosed in the Investor Presentation market release document dated 23 June 2021, primarily as a result of an earlier settlement. This resulted in Costa acquiring higher working capital balances than previously envisaged. Only those transactions costs incurred prior to the half year ended 27 June 2021 have been included in 'Other expenses' in the Statement of Profit and Other Comprehensive Income for the period and are treated as material items (refer note 6).

The transaction includes the acquisition of all land and buildings, bearer assets, plant and equipment, long-term leases for water licenses, intellectual property, brand names and customer relationships. The transaction was structured with the intent that the Group receives the economic benefit of the CY21 citrus season, regardless of when the completion date occurs.

At the date of these financial statements the initial accounting for the business acquisition is incomplete as the independent valuation of assets and liabilities is ongoing. It is expected that the initial accounting for the acquisition will be completed in 2H CY21.

The Group also agreed to the future potential purchase of additional land, where approximately 210 hectares of new citrus crop is currently being planted by the vendor. A put and call option deed has been entered into between the Group and the vendor and, subject to the vendor completing the agreed planting and development plan, is expected to result in the purchase of this land in CY2023. This does not form part of the consideration paid and is excluded from this acquisition.

The acquisition was funded partly by a \$190m fully underwritten pro rata accelerated renounceable entitlement offer (Offer), with the balance funded from the Group's existing undrawn debt facilities. In regard to the Offer, the institutional entitlement offer closed on 25 June 2021 with the issuance occurring on 7 July 2021. The retail entitlement offer closed on 22 July 2021. As Costa was not beneficially entitled to the Offer proceeds at 27 June 2021, the entire Offer is recognised as a post balance sheet event.

Dividends

On 25 August 2021, the Directors determined an interim dividend of 4 cents per ordinary share, fully franked. The record date of the dividend is 16 September 2021 and the dividend is expected to be paid on 7 October 2021. The dividend was not determined as at 27 June 2021 and accordingly no provision has been recognised.

There are no other matters or circumstances which have arisen since the end of the period ending 27 June 2021 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 27 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the half-year ended 27 June 2021.

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 2021



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 Statements 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 27 June 2021 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 27 June 2021
- 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 17 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 27 June 2021.

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 the Code.



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 Condensed Consolidated Interim Financial Statements 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 Condensed Consolidated 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 27 June 2021 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 2021

Costa Group Holdings Ltd

Corporate Directory

Directors

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

Company Secretary

David Thomas

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Stock Exchange

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