costa
fresh is our passion

PROSPECTUS

Initial public offering of ordinary shares

Costa Group Holdings Limited ABN 68 151 363 129

Joint Lead Managers

Goldman Sachs

UBS

IMPORTANT NOTICES

Offer

The offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares in Costa Group Holdings Limited (ABN 68 151 363 129) (**Company**) (**Shares**) (**Offer**). This Prospectus is issued by the Company and Costa SaleCo Limited (ACN 606 334 990) (**SaleCo**).

Lodgement and Listing

This Prospectus is dated 25 June 2015 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This Prospectus is issued by the Company and SaleCo for the purpose of Part 6D of the Corporations Act 2001 (Cth) (**Corporations Act**).

The Company will apply to the Australian Securities Exchange (**ASX**) within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX (**Listing**).

No Shares will be issued or sold on the basis of this Prospectus later than 24 July 2016, being 13 months after the date of this Prospectus.

Neither ASIC nor the ASX takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for, or acquire, Shares offered under this Prospectus (**Applications**) in the seven day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, an electronic version of this Prospectus will be made available to Australian residents, without the Application Form, at Costa's offer website, www.costagroup.com.au. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

Issue and sale

As at the Prospectus Date, the Company has on issue A Class Shares, B Class Shares and Redeemable Preference Shares (**Existing Shares**). The Company also has options on issue (**Existing Options**). All of the Existing Shares will be converted into Shares at Completion of the Offer. A number of Existing Options held by management will be disposed of and Shares will be issued in consideration for this disposal (see Section 6.3.3.2 for further details).

A certain number of the Existing Shares will be sold to SaleCo by Selling Shareholders under a sale deed (and, once converted into Shares, sold by SaleCo to Successful Applicants under the Offer). Shares not sold to SaleCo will be retained by the Existing Shareholders. The Company will also issue New Shares. See Sections 7.1 and 7.11 for further details.

Shares issued to Existing Shareholders and SaleCo on conversion of the Existing Shares and to members of Costa's management team in consideration for the disposal of Existing Options are issued pursuant to the disclosure made in this Prospectus.

New options will also be issued to the CEO under this Prospectus (see Section 6.3.3.1 for further details of the new options to be issued to the CEO).

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Costa.

In particular, in considering the prospects of Costa, you should consider the risk factors that could affect the performance of Costa. You should carefully consider these risks in light of your personal circumstances, investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underlying the Forecast Financial Information (see Section 4) and the risk factors (see Section 5) that could affect Costa's business, financial condition and results of operations.

Except as required by law, and only to the extent so required, neither the Company, any person named in this Prospectus, nor any other person, warrants or guarantees the performance of Costa, or any return on any investment made pursuant to this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or (unless otherwise indicated) that the assets shown in them are assets of Costa. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, the Company's or SaleCo's directors or officers, Goldman Sachs or UBS (the **Joint Lead Managers**) or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company, any person named in this Prospectus, nor any other person warrants or guarantees the future performance of Costa, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements that may be identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 4.8).

Neither the Company nor SaleCo has any intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, SaleCo and the directors and management of the Company and SaleCo. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus.

Neither the Company nor SaleCo can or does give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

As set out in Section 7.10, it is expected that the Shares will be quoted on the ASX initially on a conditional and deferred settlement basis. The Company, SaleCo, their directors and officers, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

The Company operates on a 52 or 53 week fiscal year that normally ends on the last Sunday in June of each year, with the next fiscal year beginning the following Monday. Accordingly, in this Prospectus, references to "FY2014" are to the 52 weeks ended 29 June 2014, and references to "FY2013" are to the 52 weeks ended 30 June 2013, unless otherwise stated. Earlier and later periods are referred to in a similar manner. References to "1H FY2015" are to the 26 weeks ended 28 December 2014, and references to "1H FY2014" are to the 26 weeks ended 29 December 2013.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2.

The Financial Information in this Prospectus is presented in abbreviated form insofar as it does not include all of the presentation and disclosures required by the Australian Accounting Standards (**AAS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information has been prepared in accordance with the measurement and recognition principles of the AAS adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Historical Financial Information.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Sections 4 and 5.

Obtaining a copy of this Prospectus

A hard copy of this Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Costa Offer Information Line on 1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

This Prospectus is also available in electronic form to Australian residents on Costa's offer website, www.costagroup.com.au. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Applications for Shares may only be made on the application form attached to, or accompanying, this Prospectus in its hard copy form, or in its electronic form available online at www.costagroup.com.au. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7.2 for further information.

No cooling off rights

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Offer management

The Offer is managed by Goldman Sachs and UBS.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States, unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer.

The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (**U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States, unless the Shares are registered under the U.S. Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer.

See Sections 7.8 and 9.14 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

Privacy

Refer to Section 9.15.2 for important information about how your personal information will be treated.

Limited Assurance Investigating Accountant's Reports and Financial Services Guide

The provider of the independent review of the Financial Information (**Limited Assurance Investigating Accountant's Reports**) is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act.

The Limited Assurance Investigating Accountant's Reports and accompanying Financial Services Guide is provided in Section 8.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the glossary in Appendix B.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Costa Offer Information Line on 1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday during the Offer Period.

CONTENTS

OFFER SUMMARY

Key Offer statistics[1]	
Indicative Price Range[2]	$2.20 – $2.70
Total proceeds under the Offer[3]	$541.0 million – $637.4 million
Indicative number of New Shares to be issued under the Offer[3]	68.4 million – 78.2 million
Indicative number of Shares held by SaleCo to be sold under the Offer[3]	167.7 million
Total number of Shares to be offered under the Offer[3]	236.1 million – 245.9 million
Total Shares held by Existing Shareholders and management at Completion of the Offer[4]	74.1 million – 74.8 million
Total Shares on issue immediately at Completion of the Offer[3, 5]	310.9 million – 320.0 million
Indicative market capitalisation[3]	$703.9 million – $839.4 million
Pro forma net debt[6]	$132.0 million
Enterprise Value as at the Prospectus Date[3,7]	$835.9 million – $971.4 million
Enterprise Value/pro forma FY2015 forecast EBITDA before SGARA[8]	11.8x – 13.8x
Enterprise Value/pro forma FY2016 forecast EBITDA before SGARA[9]	9.2x – 10.7x
Enterprise Value/pro forma FY2015 forecast EBITDA[10]	11.7x – 13.5x
Enterprise Value/pro forma FY2016 forecast EBITDA[11]	9.0x – 10.5x
Indicative Price Range/pro forma FY2015 forecast NPAT per Share[12]	18.6x – 22.2x
Indicative Price Range/pro forma FY2016 forecast NPAT per Share[13]	14.8x – 17.6x
Implied forecast dividend yield range for FY2016 dividend[14]	3.4% – 4.1%

1. This table contains Forecast Financial Information and information derived from Forecast Financial Information. Forecast Financial Information is set out in Section 4.8, and is prepared on the basis of the best estimate assumptions set out in Sections 4.8.1 to 4.8.3. It should be read in conjunction with the discussion of the Pro Forma Historical Financial Information in Section 4.7, as well as the sensitivities set out in Section 4.11, and the risk factors set out in Section 5. This table also contains non-IFRS financial measures, which are discussed in Section 4.2.4.
2. The Indicative Price Range is the indicative range for the Final Price. The Company and SaleCo, in consultation with the Joint Lead Managers reserve the right to change the Indicative Price Range at any time. The Final Price may be set below, within or above the Indicative Price Range. Shares may trade below the lower end of the Indicative Price Range (refer to Section 7.2 for more details).
3. Based on the Indicative Price Range and the key Offer assumptions set out in Section 7.1.
4. These Shares will be subject to voluntary escrow arrangements (refer to Section 7.7.1 for details).
5. At Completion of the Offer, approximately 450,000 Existing Options will remain on foot, vested and exercisable at any time in the future. These Existing Options are not included in the calculation of total Shares on issue.
6. Reflecting management target cash position at 28 June 2015 and includes investments in China operations of $8.8 million, expected to be committed prior to Completion of the Offer (refer to Section 4.5.2 for more details).
7. Enterprise Value is calculated as the sum of market capitalisation at the Indicative Price Range and pro forma net debt.
8. This ratio is a variant of what is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA before SGARA ratio is calculated as the Enterprise Value based on the Indicative Price Range divided by pro forma FY2015 forecast EBITDA before SGARA of $70.6 million. EBITDA before SGARA is earnings before interest, tax, depreciation, amortisation and movement in the fair value of self-generating or regenerating assets (refer to Section 4.2.4 for more details and an explanation of EBITDA before SGARA).
9. This ratio is a variant of what is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA before SGARA ratio is calculated as the Enterprise Value based on the Indicative Price Range divided by pro forma FY2016 forecast EBITDA before SGARA of $90.4 million. EBITDA before SGARA is earnings before interest, tax, depreciation, amortisation and movement in the fair value of self-generating or regenerating assets (refer to Section 4.2.4 for more details and an explanation of EBITDA before SGARA).
10. This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the Enterprise Value based on the Indicative Price Range divided by pro forma FY2015 forecast EBITDA of $71.7 million. EBITDA is earnings before interest, tax, depreciation and amortisation (refer to Section 4.2.4 for more details).
11. This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the Enterprise Value based on the Indicative Price Range divided by pro forma FY2016 forecast EBITDA of $92.8 million. EBITDA is earnings before interest, tax, depreciation and amortisation (refer to Section 4.2.4 for more details).
12. This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated based on the Indicative Price Range divided by the pro forma FY2015 forecast NPAT per Share (being pro forma FY2015 forecast NPAT of $37.8 million (refer to Section 4.3 for more details) divided by total Shares on issue immediately after Completion of the Offer).
13. This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated based on the Indicative Price Range divided by the pro forma FY2016 forecast NPAT per Share (being pro forma FY2016 forecast NPAT of $47.6 million (refer to Section 4.3 for more details) divided by total Shares on issue immediately after Completion of the Offer).
14. The estimated FY2016 dividend yield range is calculated as the annualised expected final dividend per Share in respect of FY2016 (based on a payout ratio for FY2016 of approximately 60% of pro forma NPAT per Share) divided by the Indicative Price Range (refer to Section 4.14 for more details).

New Guyra glasshouse under construction

KEY DATES

Prospectus Date	Thursday, 25 June 2015
Broker Firm Offer, Priority Offer and Employee Offer open	Friday, 3 July 2015
Broker Firm Offer, Priority Offer and Employee Offer close and Applications due	Thursday, 16 July 2015
Bookbuild to determine Final Price	Tuesday, 21 July 2015 – Wednesday, 22 July 2015
Final Price announced to the market	Thursday, 23 July 2015
Expected commencement of trading on a conditional and deferred settlement basis on the ASX	Friday, 24 July 2015
Settlement	Tuesday, 28 July 2015
Issue and transfer of Shares and last day of conditional trading on the ASX	Wednesday, 29 July 2015
Expected completion of dispatch of holding statements	Friday, 31 July 2015
Shares expected to begin trading on a normal settlement basis on the ASX	Monday, 3 August 2015

DATES MAY CHANGE

The dates above are indicative only and may change without notice.

The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

All times are Sydney time.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

QUESTIONS

Call the Costa Offer Information Line on 1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) from 8.30am until 5.30pm (Sydney time), Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the directors of Costa Group Holdings Limited, it is my pleasure to invite you to read this Prospectus and to become a shareholder of the Company.

Costa is Australia's largest horticultural company and is the largest fresh produce supplier to the major Australian food retailers with pro forma forecast revenue of $704.4 million in FY2015.

Costa's products are predominantly grown and sourced from Costa's expansive footprint of farms, supplemented by a diverse network of third party growers. Costa's operations include approximately 3,000 planted hectares of farmland, 20 hectares of tomato glasshouse facilities and seven mushroom growing facilities across Australia, in addition to strategic foreign interests.

Costa consists of the following three business divisions:

- **Produce** – operates principally in four core categories: berries, mushrooms, glasshouse grown tomatoes and citrus. In each of these categories, Costa is a market leader in Australia;
- **International** – operates as a licensor of proprietary blueberry varieties and is expanding its berry farming operations in highly attractive international markets, such as Morocco and China; and
- **Costa Farms and Logistics (CF&L)** – incorporates interrelated domestic logistics, wholesale, avocado marketing, banana farming and banana marketing operations.

Costa's business model seeks to optimise a portfolio of integrated farming, packing and marketing activities. Costa's portfolio aims to be broad enough to mitigate agricultural and market risks while maintaining a focus on exceptional quality, high-growth and high-value fresh produce categories. The Company practises proactive risk management through diversification of categories and geographies, growing in protective cropping environments, using technology, targeting produce categories with 52 week production windows, and maintaining strong hygiene and post-harvest protocols. Costa's scale, cost efficiency, national reach, strong brand management, product quality and consistency, unique intellectual property and year-round supply capability together position Costa well to advance its market leading positions and to deliver service excellence to its customers.

Costa's current market position, operating platform and world class practices provide it with multiple growth drivers in the Australian domestic market and in highly attractive international markets. As an example, Costa is currently undertaking a significant expansion program in its berry produce category, designed to cover seasonal and geographical production gaps as well as to meet increasing consumer demand for berries. Costa is also investing in a new 10 hectare tomato glasshouse in Guyra, New South Wales, to provide increased flexibility in relation to selecting and growing tomato varieties that provide unique offerings to the market. Together, these two projects are expected to improve Costa's ongoing earnings capability starting in FY2016. Additionally, Costa continues to strategically grow its offshore exposure in highly attractive international markets with an expansion program underway at Costa's Moroccan joint venture, African Blue, and the signing of a memorandum of understanding with Driscoll's to establish a farming operation in southern China.

The Company forecasts that pro forma EBITDA before SGARA will be $70.6 million in FY2015 and is forecast to increase by 28.1% to $90.4 million in FY2016, underpinned by Costa's growth initiatives.

Costa is led by a proven and highly experienced senior management team that has successfully overseen and executed a range of strategic growth initiatives that have delivered attractive levels of return on capital invested and earnings contribution.

The purpose of the Offer is to raise capital to provide Costa with access to capital markets to give added financial flexibility to pursue further growth opportunities, repay the Company's existing debt and the coupon on the Redeemable Preference Shares, provide a liquid market for Shares and allow Existing Shareholders to realise part of their investment in Costa.

Upon Completion of the Offer, New Shareholders are expected to hold 76.4% of the shares in Costa.[1] Holders of Existing Shares and Existing Options, including the Costa Family Shareholders and Paine + Partners Shareholder, will hold the remaining shares in Costa. The Existing Shareholders remain supporters of the Company.

This Prospectus contains detailed information about the Offer, the industry in which Costa operates and its financial and operating performance. As with other companies, Costa is subject to a range of risks, including weather and climate variability, reliance on a number of large customers and reliance on joint venture and partnership agreements. These risks, as well as other risks, of investing in Costa are detailed in Section 5. I encourage you to read this document carefully and in its entirety before making your investment decision.

This Offer provides an opportunity for you to share in Costa's exciting future. On behalf of my fellow Directors, I look forward to welcoming you as a Shareholder.

Yours sincerely,

Neil Chatfield
Chairman
Costa Group Holdings Limited

1. Based on the key Offer assumptions set out in Section 7.1.

Section 1
Investment overview

BERRIES

Left: 80g blueberry snack punnet
Top: Mayra variety of blueberry
Bottom: Costa employee at Corindi

1.1 INTRODUCTION

Topic	Summary
What is Costa?	• **Australia's largest horticultural company** – Costa is Australia's largest horticultural company and is the largest fresh produce supplier to the major Australian food retailers, with forecast pro forma revenue of $704.4 million in FY2015. • **Strong growth opportunities** – Costa forecasts that pro forma EBITDA before SGARA will be $70.6 million in FY2015 and is forecast to increase by 28.1% to $90.4 million in FY2016 underpinned by Costa's growth initiatives. • **Robust business model** – Costa has a business model built on the optimisation of a portfolio of integrated farming, packing and marketing activities. Costa's portfolio aims to be broad enough to mitigate agricultural and market risks while maintaining a strategic focus on high-growth and high-value fresh produce categories. • **Expansive operating footprint** – Costa's operations include approximately 3,000 planted hectares of farmland, 20 hectares of glasshouse facilities and seven mushroom growing facilities across Australia, in addition to its strategic foreign interests. • **Transformational history** – Costa has undergone significant changes and growth since its origins in a food and fruit shop in Geelong, Victoria that was founded more than 120 years ago. For more information, see Section 3.1
What are Costa's business divisions?	• Costa consists of three business divisions: – **Produce** – operates principally in four core categories: berries, mushrooms, glasshouse-grown tomatoes and citrus; – **International** – comprises licensing of proprietary blueberry varieties and expansion of berry farming in attractive international markets, such as Morocco and China; and – **Costa Farms and Logistics** – incorporates interrelated logistics, wholesale, avocado marketing and banana farming and banana marketing operations. • Costa occupies the leading position in its four core produce categories:[1] – **#1 producer** of blueberries and raspberries in Australia; – **#1 producer** and pre-packer of mushrooms in Australia; – **#1 producer** of glasshouse-grown tomatoes in Australia, inclusive of crops grown at third party locations under contract; and – **#1 grower**, packer and marketer of citrus in Australia. For more information, see Sections 2.4 and 3.1
Why is the Offer being conducted?	The purpose of the Offer is to: • provide Costa with access to capital markets to give added financial flexibility to pursue further growth opportunities; • provide Costa with funds to repay the Company's existing debt and the coupon on the Redeemable Preference Shares; • provide a liquid market for Shares; and • allow Existing Shareholders to realise part of their investment in Costa. For more information, see Section 7.1.2

1. In each case, measured by production volume.

1.2 KEY FEATURES OF THE AUSTRALIAN FRESH FRUIT AND VEGETABLE INDUSTRY

Topic	Summary
What industry does Costa operate in?	• Costa operates principally in the Australian fresh fruit and vegetable industry, which is estimated to have generated $7.8 billion in revenues for FY2014. – The fresh fruit segment accounts for approximately 51% of industry revenues and includes berries, citrus, avocados, bananas, apples, pears and other products. – The fresh vegetable segment accounts for approximately 49% of industry revenues and includes mushrooms, tomatoes, potatoes and other products. • The market size of the categories in which Costa operates was estimated to be approximately $3.0 billion in 2014.[2] For more information, see Section 2.1
Who are the market participants?	• Participants in the Australian fresh fruit and vegetable industry conduct activities extending from growing and harvesting to packing, marketing, distribution and retailing. The number of participants across this supply chain varies across the industry. • The overall market for fresh fruit and vegetable supply in Australia is fragmented. A small number of growers make up 30% to 50% of most categories and the balance of the market is typically made up of a large number of smaller growers. • Costa holds the number one market position in each of its four core produce categories and significant market positions as a grower and/or marketer in its other non-core produce categories in Australia.[3] For more information, see Sections 2.1 and 3.1
What are the supply channels?	• Supply of fresh produce to the Australian market is predominantly domestically grown, with limited supply from imported produce. • There is generally a high level of protection from imported produce due to Australia's geographic isolation and quarantine regulations. For more information, see Sections 2.1 and 2.4.2
What are the sales channels?	• The main sales channels to consumers for fresh produce are retailers, independent grocers and food service providers. • Major food retailers, including major supermarkets such as Woolworths, Coles, ALDI and IGA increasingly source their produce directly from growers and producers. • Smaller retailers and the food service sector generally source their produce from wholesalers who aggregate produce from growers to onsell. For more information, see Section 2.4.1

2. Costa management.
3. Production volume, including Driscoll's Australia Partnership for Costa's berry category and including volume grown by subcontracted third party growers for Costa's glasshouse-grown tomato category.

1.3 KEY FEATURES OF COSTA'S BUSINESS MODEL

Topic	Summary
How does Costa generate its income?	***Growing and marketing*** • Costa generates its income from integrated farming, packaging and marketing activities. • Costa also aggregates and markets third party grown produce. • Costa has interests in berry farming operations in Morocco (to service the European market) and is expanding into China. ***Licensing of blueberry varieties*** • Costa generates royalty income through licensing its proprietary blueberry varieties to domestic and international clients. ***Wholesale distribution*** • Costa Farms is a wholesale market business that facilitates the sale of fresh produce to the independent sector. ***Logistics services*** • Costa generates income by providing a variety of services including warehouse storage, ripening, picking and packing and cross dock handling services. For more information, see Section 3.1
Who are Costa's key customers?	• The major supermarkets in Australia, including Coles, Woolworths, ALDI and IGA, are the principal channel of demand for the purchase of Costa's fresh fruit and vegetables. • Costa is the largest fresh produce supplier in aggregate to these four major Australian supermarkets which collectively comprised 67.3% of Costa's produce sales in FY2014. • Costa also supplies produce to the wholesale market through its Costa Farms business. • Approximately 50% of Costa's citrus crop was exported to key export markets such as Japan, South East Asia and the United States in FY2014. For more information, see Sections 2.6 and 3.3
How is Costa differentiated?	• Costa is a vertically integrated business with scale across the Australian fresh fruit and vegetable industry value chain. • Across its core produce categories, Costa's operations encompass farming, packing and marketing. • Initiatives encompassing growing techniques, varietal development, pest management, sustainability and post-harvest management have contributed to Costa's leading market position in the Australian fresh fruit and vegetable industry. • Costa is establishing valuable brands in the fresh produce industry that it believes are well recognised by consumers and are entrenching Costa's position in the market. • The International business division comprises licensing of blueberry varieties and expansion of berry farming into attractive international markets, such as Morocco and China, and has been a key growth strategy for Costa. For more information, see Section 3

Topic	Summary
What is Costa's corporate strategy?	• Management believes that Costa's current market position and operating platform provides it with multiple growth drivers both in the Australian domestic market and internationally. • Costa's corporate strategy involves a number of initiatives aimed at sustaining long term growth, which include: – continuing to build Costa's market position and farming footprint; – expanding global licensing of Costa's blueberry varieties; – continuing to invest in and expand research and development (**R&D**) capabilities; and – developing new channels to market through product innovation, new customer development and expansion of export markets. • Costa management maintains a prudent and disciplined approach to capital deployment and generally targets a minimum return on capital of 20% on new investments in three to five years (typically measured as EBITDA divided by capital employed). • In the near to medium term, Costa will focus on continuing to execute four key growth projects: its berry expansion project, tomato expansion project, African Blue expansion project and China berry farming investment. For more information, see Section 3.5
How does Costa expect to fund its operations?	• Historically, Costa has funded operations through cash flow generated from operations, and debt and equity financing. • Costa expects to fund its ongoing operations through both cash flow generated from operations, and also through external financing provided by: – the New Banking Facilities; and – the raising of equity through public markets. For more information, see Section 4
What is Costa's dividend payout policy?	• The Directors intend to target a dividend payout ratio between 50% and 70% of annual net profit after tax (**NPAT**). • The level of payout ratio is expected to vary between periods depending on a number of factors, including Costa's operating results and financial condition, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), contractual, legal or regulatory restrictions on the payment of dividends, as well as the general business environment and any other factors the Directors may consider relevant. For more information, see Section 4.14
What is Costa's pro forma historical and forecast financial performance?	

	Pro Forma Historical Results		Pro Forma Forecast Results	
June year end ($ million)	FY2013	FY2014	FY2015	FY2016
Revenue	573.3	662.3	704.4	738.0
EBITDA before SGARA	56.4	70.2	70.6	90.4
EBITDA	52.3	75.2	71.7	92.8
EBIT	38.0	59.7	54.0	70.9
NPAT			37.8	47.6

• The financial information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.
• Investors should read Section 4 for full details of Costa's pro forma and statutory results and the assumptions underlying this information.
• The reconciliation between the pro forma and statutory results is set out in Section 4.3.3.

Topic	Summary
What is Costa's pro forma historical and forecast financial performance? *continued*	• Set out in Sections 4.2.4, 4.9 and 4.10 are other measures used by management to assess the performance of the overall business, including: – Transacted Sales: a measure used by management to assess Costa's sales performance and market share, by reference to the volume of sales in which Costa is involved in various capacities, including sales of third party produce on an agency sales basis, as well as royalty income (see Sections 4.2.4 and 4.9 for more information on how this is calculated and why it is used as a key measure by management); and – Operating EBITDA: a measure used by management to evaluate the operating performance of the overall business, inclusive of the performance of non-wholly owned entities on a look-through basis (see Sections 4.2.4 and 4.10 for how this is calculated and why it is used as an operating measure by management). For more information, see Section 4.3.1
What is Costa's statutory historical and forecast financial performance?	

	Statutory Historical Results		Statutory Forecast Results	
June year end ($ million)	FY2013	FY2014	FY2015	FY2016
Revenue	592.7	699.1	707.4	740.2
EBITDA before SGARA	38.7	64.5	61.2	63.5
EBITDA	34.6	69.5	60.6	65.9
EBIT	(20.1)	31.1	26.9	44.0
NPAT	(40.3)	(1.9)	4.5	22.2

• The financial information presented above contains non-IFRS financial measures and is intended as a summary only and should be read in conjunction with the more detailed discussion of the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.

• Investors should read Section 4 for full details of Costa's pro forma and statutory results and the assumptions underlying this information.

For more information, see Section 4.3.2

1.4 KEY STRENGTHS AND INVESTMENT HIGHLIGHTS

Topic	Summary
Favourable industry fundamentals	• The Australian fresh fruit and vegetable produce industry has exhibited consistent long term growth, and between FY2008 and FY2014 has grown at a compound annual growth rate of 3.5%, exceeding the overall population growth rate of 1.7% in Australia over the same period. • Key drivers of demand growth for the fresh produce industry are expected to be: population growth; dietary habits; consumer demand for convenience; and consumer preference for Australian-grown fresh food. • Supply of fresh produce to the Australian market is fragmented and predominantly domestically grown, with limited supply from imported produce due to geographic isolation and quarantine regulations. • A number of barriers to entry exist in certain produce categories in the domestic fresh produce industry, including required capital investment and growing expertise across certain categories (e.g. glasshouses), lead times before harvesting and access to genetic intellectual property in the form of plant varieties. For more information, see Sections 2.2, 2.3 and 2.4.2

Topic	Summary
Leading market positions in attractive produce categories with unique characteristics	• Costa occupies the leading position in its four core produce categories:[4] – **#1 producer** of blueberries and raspberries in Australia; – **#1 producer** and pre-packer of mushrooms in Australia; – **#1 producer** of glasshouse-grown tomatoes in Australia, inclusive of crops grown at third party locations under contract; and – **#1 grower**, packer and marketer of citrus in Australia. • Costa participates in a number of produce categories that have experienced higher relative growth rates. Costa believes that its portfolio of produce categories is well positioned relative to the growth rates of a number of other categories within the fresh fruit and vegetable industry. For more information, see Section 2.5
Business model strategically designed to manage agricultural risk	• Proactive risk management allows Costa to improve produce quality with greater security of production and deliver a more predictable earnings profile. – Costa has a diversified portfolio of produce categories, with no single produce category representing more than 30% of total revenue. Geographic diversification across Australia also enables Costa to better manage agricultural risk and service consumers with year-round production windows. – Costa currently generates approximately 75% of its total Produce earnings from produce grown in protected cropping environments. – Costa maintains active hygiene and post-harvest discipline as part of its management of contamination risk and optimisation of product shelf life. For more information, see Section 3.1.2
Proprietary IP portfolio with a network of global relationships and leading growing technology and techniques	• Costa maintains a portfolio of proprietary varietals and a network of global relationships in core produce categories. ***Berries*** – proprietary blueberry varieties developed in collaboration with the University of Florida and partnership with Driscoll's to facilitate licensing of Driscoll's berry varieties; ***Mushrooms*** – exclusive licence from Amycel, Inc. (**Amycel**), to use and sell Amycel spawn in Australia and licensed technology from Monterey Mushrooms Inc which enhances the Vitamin D content of mushrooms; and ***Tomatoes*** – portfolio of numerous exclusively licensed varieties sold under Costa brands and a track record of identifying, trialling and commercialising new tomato varieties for the Australian market from a variety of global seed suppliers. • Costa is committed to continually invest in R&D, and maintain dedicated facilities for R&D to improve varietal growing techniques, varietal development, pest management, sustainability and post-harvest management. For more information, see Section 3
Vertical integration	• Costa is diversified across categories and vertically integrated from the growing of produce to harvesting, packing, marketing and distributing (via third party freight providers) its own and third party sourced produce. This is in contrast to most other participants in the industry that either lack vertical integration, or possess vertical integration, but lack diversification across produce categories. • Supermarkets increasingly deal directly with growers, and bypass aggregators, who buy produce from third parties but, unlike Costa, do not grow produce themselves. For more information, see Section 3

4. In each case, measured by production volume.

Topic	Summary
Leading portfolio of fresh produce brands	• Costa is establishing a portfolio of valuable brands in the fresh produce industry (such as Driscoll's berries which is a brand licensed to the Driscoll's Australia Partnership, Blush tomatoes, Perino sweet snacking tomatoes, Adelaide Mushrooms and Vitor citrus) that it believes are well recognised by consumers and are entrenching Costa's position in the market. For more information, see Section 3.2
International exposure	• Costa's Moroccan joint venture offers a favourable climate to grow Costa blueberries and provides access to European customers, with an earlier harvest window and lower production costs than those of competing Spanish growers. • Costa is establishing an investment in a berry farm operation near Shiping, in the Yunnan province of China, which is expected to produce blueberries and raspberries to gain the benefit of forecast growing demand in the Asian market, led by China's growing middle class. For more information, see Section 3.4.2
Robust financial performance	• From FY2013 to FY2014, Costa experienced pro forma revenue and pro forma EBITDA before SGARA growth of 15.5% and 24.5% respectively. • Pro forma EBITDA before SGARA is forecast to increase by 0.6% to $70.6 million in FY2015 and increase by 28.1% to $90.4 million in FY2016. • Future improvement is expected to be driven by significant capital expenditures in FY2015 to improve Costa's growing footprint in berry produce and glasshouse tomato produce. • Costa has a high cash flow conversion. In FY2014, Costa's cash conversion ratio was 76.4%.[5] For more information, see Section 4
Management team with deep industry expertise and a strong support team	• Costa has a proven and highly experienced senior management team which has a broad range of domestic and international industry-relevant experience. Costa is led by CEO Harry Debney, who was appointed to the position in 2010. • Management has been undertaking a strategic transformation program since 2011 focused on increasing Costa's scale and vertical integration and reinvesting in the business to refresh core assets and fund growth. Costa's management has overseen and executed a range of strategic growth initiatives that have delivered attractive levels of return on capital invested and earnings contribution, and has exited unattractive produce categories and downsized non-core operations. For more information, see Sections 3.1.1 and 6

5. Cash conversion ratio is free cash flow divided by EBITDA before SGARA expressed as a percentage.

1.5 KEY GROWTH INITIATIVES

Topic	Summary
Berry expansion projects	• Costa is currently undertaking a significant berry expansion program that will add an additional 195 hectares of berry production from the inception of the program, cover seasonal and geographical production gaps, and meet growing market demand in this category. For more information, see Section 3.5.1.1
Tomato expansion project	• Costa is currently investing in a new 10 hectare tomato glasshouse in Guyra, New South Wales to provide increased flexibility in relation to selecting and growing tomato varieties that provide unique offerings to the market. The new site is also expected to provide flexibility for further expansion with the site footprint scalable up to a total of 20 hectares. For more information, see Section 3.5.1.2
African Blue expansion project	• At the end of FY2014, Costa's African Blue JV had 158 hectares of protected blueberry production at its five farms, with a further 51 hectares grown by external third party licensed growers for the African Blue brand. Management expects an additional 24 hectares to be planted by African Blue in FY2015 and an additional 90 hectares to be planted by the end of FY2017, resulting in a total planted footprint of approximately 272 hectares. For more information, see Section 3.5.1.3
China berry expansion	• Costa's China operations are proposed to focus on the production of blueberries and raspberries near Shiping, in the Yunnan province of China. Costa management is currently forecasting planting of up to 68 hectares by the end of FY2016. For more information, see Section 3.5.1.4

1.6 KEY RISKS

Topic	Summary
Weather and climate variability	• Costa may be negatively impacted by variable weather conditions and severe weather events, which can cause price and yield volume volatility in the fresh produce sector. The nature of the potential impact on Costa's results may vary by produce category and the weather condition or event. For more information, see Section 5.2.1
Water rights	• Access to water is imperative to Costa's business. If Costa's existing water rights are reduced or terminated or if Costa is unable to secure sufficient water for the implementation of its future projects, this could have a material adverse impact on the ability of Costa to establish and maintain healthy crops. Accordingly, Costa's crop yield and the financial performance and prospects of Costa could be adversely impacted. For more information, see Section 5.2.1.2
Reliance on a number of large customers	• Costa's sales to major food retailers Coles, Woolworths, ALDI and IGA accounted for 67.3% of Costa's total produce sales in FY2014. Large customers like these currently, or could in the future, wield significant market power due to their size, putting them in a strong negotiating position with Costa which could impact the financial performance of Costa. For more information, see Section 5.2.2
Joint venture and partnership agreements	• Costa has a number of significant partnerships and joint ventures. If Costa's relationships with its joint venturers or partners break down and/or the joint venture or partnership agreements are terminated or amended in a manner unfavourable to Costa, this may impact Costa's ability to grow any proprietary and branded varieties of berries that are licensed through these agreements and impact the dividends and/or royalties received by Costa as a result of its participation in the joint ventures or partnerships. For more information, see Section 5.2.3

Topic	Summary
Intellectual property	• Costa relies on a combination of plant breeder's rights (or equivalent), trade marks, non-disclosure agreements and other methods to protect its intellectual property rights. Costa also has in place a number of licensing agreements for intellectual property owned by third parties used by Costa and intellectual property owned by Costa and licensed to third parties. The failure to obtain or maintain these intellectual property rights or to defend against claims of infringement of intellectual property rights may diminish Costa's competitiveness and materially harm Costa's business. For more information, see Section 5.2.4
Urban and residential encroachment	• A number of Costa's farming operations are located on the outskirts of urban areas which are expanding. It is likely that residential premises will be built in closer proximity to some of Costa's growing and packing facilities in the future. This raises an increased risk of complaints made by neighbours in relation to odour and noise generated from Costa's facilities. Such complaints could result in changes to local council zoning laws, planning conditions and/or legal action. Changes to zoning laws, planning conditions or specific court orders may impact the way that Costa operates its business and/or increase Costa's costs which could have a material impact on Costa's operations and the financial performance and prospects of Costa. For more information, see Section 5.2.5
Leased property	• Some of the leases Costa has entered into are with related parties of Costa and were not entered into on arm's length terms. While there are some advantages to the related party origins of these leases (for example, they generally have long terms with the majority not expiring until 2026 and with an option to renew for a further 10 years), there are also some less favourable provisions such as termination provisions which are triggered not only by a default under the particular lease, but the default of Costa under one of the other leases. • Any material default under a lease by Costa, or failure to renew an existing lease on acceptable terms or an inability to negotiate alternative arrangements, could materially adversely impact the operations and financial performance and prospects of Costa. In addition, there is a risk that Costa may become subject to lease terms that are relatively unfavourable due to unanticipated changes in the property market. For more information, see Section 5.2.6
Product safety	• Costa sells produce for human consumption. Any contamination or spoilage, or the presence of foreign objects or substances in Costa's products may injure Costa's customers or consumers. The risk of injury can result from activities throughout the life cycle of Costa's products, including growing, harvesting, packaging, processing or sale phases. Costa may have limited ability to mitigate these risks, for example where title to produce has passed to a retailer or where the risk arises from product tampering. For more information, see Section 5.2.10
Other key risks	• A number of other key risks including in relation to disease and infestation, brand and reputation, changes to regulations, competition from new market entrants, key personnel, distribution, Costa's international operations, liabilities under anti-corruption laws, industrial instruments, disputes and wage increases, work health and safety, expansion project construction, litigation and disputes, changes in market trends, Costa's execution of its growth strategy and access to capital markets and debt refinancing risks are included in Section 5.2. • Section 5.3 also sets out the general investment risks associated with investing in Shares and relating to general economic and financial market conditions. For more information, see Sections 5.2 and 5.3

1.7 DIRECTORS AND SENIOR MANAGEMENT

Topic	Summary
Who are the directors of Costa?	Neil Chatfield – Chairman and Independent Non-Executive Director Harry Debney – CEO and Executive Director Kevin Schwartz – Non-Executive Director (nominee of Paine + Partners Shareholder) Frank Costa – Non-Executive Director (nominee of Costa Family Shareholders) Peter Margin – Independent Non-Executive Director For more information, see Section 6.1
Who are the senior management of Costa?	Harry Debney - CEO Linda Kow – Chief Financial Officer George Haggar – Chief Operating Officer Tony Di Paolo – Chief Procurement Officer Stuart Costa – Divisional General Manager, Costa Farms and Logistics Trevor Jordon – General Manager, mushroom category Peter McPherson – General Manager, berry category Oliver Flint– General Manager, tomato category Elliot Jones – Divisional General Manager, citrus and grape categories David Thomas – General Counsel and Company Secretary For more information, see Section 6.2

1.8 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Topic	Summary
Who are the Existing Shareholders and what will their interest be at Completion of the Offer?	The Costa Family Shareholders and the Paine + Partners Shareholder are the shareholders of the Company as at the date of this Prospectus. The Costa Family Shareholders and the Paine + Partners Shareholder will sell some of their Existing Shares through SaleCo.

Shareholder	Total Existing Shares held as at Prospectus Date[6]	% shareholding at Prospectus Date[7]	Shareholding at Completion of the Offer[8]	% shareholding at Completion of the Offer[9]
Paine + Partners Shareholder	32.5 million Redeemable Preference Shares 97.3 million Shares	54.2%	38.9 million Shares	12.4%
Costa Family Shareholders	12.5 million Redeemable Preference Shares 97.3 million Shares	45.8%	32.9 million Shares	10.5%

For more information, see Section 7.1.5

6. As described in Section 6.1, all Redeemable Preference Shares will be converted into Shares at Completion of the Offer.
7. On an as-converted basis – conversion will not occur until Completion of the Offer.
8. Based on the key Offer assumption set out in Section 7.1.
9. Based on the key Offer assumption set out in Section 7.1.

Topic	Summary
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	

Directors	Existing Shares held as at Prospectus Date	Options held as at the Prospectus Date[10]	Shares at Completion of the Offer[11]	Options at Completion of the Offer[12]
Neil Chatfield	–	400,000 Existing Options	–	400,000 Existing Options
Harry Debney	–	9,459,722 Existing CEO Options	1,158,333[13]	1,891,944 New CEO Options
Kevin Schwartz	Deminimus indirect interests in Existing Shares[14]	–	Deminimus indirect interests in Shares[15]	–
Frank Costa	Indirect interests in approximately 12.9% of Existing Shares[16]	–	Indirect interests in approximately 3.31% of Shares[17]	–
Peter Margin	–	–	–	–

The figures in the table above are based on the key Offer assumptions set out in Section 7.1.

The Directors are entitled to remuneration and fees on commercial terms as disclosed in Section 6.3.2.

Advisers and other service providers are entitled to fees for services as disclosed in Section 6.3.1.

For more information, see Section 6.3

Will any Shares be subject to restrictions on disposal following Completion of the Offer?

All Shares retained by the Costa Family Shareholders, the Paine + Partners Shareholder and Escrowed Management Shareholders following Completion of the Offer will be subject to voluntary escrow arrangements.

Costa Family Shareholders and Paine + Partners Shareholder

Under the terms of the voluntary escrow arrangements, subject to certain customary exceptions (described in Section 7.7) and ASX notification requirements being satisfied, Shares held by the Costa Family Shareholders and Paine + Partners Shareholder may only be sold in the period prior to Costa's financial results being announced for FY2016 on the following basis:

Shares to be released from escrow	Escrow release conditions
25% of Shares held by the Costa Family Shareholders and the Paine + Partners Shareholder at Completion of the Offer	After 4.15pm (Sydney time) on the first date on which both the conditions below have been satisfied: • Costa's 1H FY2016 financial results are announced; and • the volume-weighted average price in any 10 consecutive trading days following announcement of those financial results exceeds the Final Price by more than 20% (disregarding, for the purpose of ascertaining this 10 day trading period, any trading days during which the Company's shares are in trading halt for the entirety of that day).
100% of Shares held at Completion of the Offer	After 4.15pm Sydney time on the date that Costa's FY2016 financial results are announced

After the announcement of the FY2016 financial results, any remaining Shares held by the Costa Family Shareholders and Paine + Partners Shareholder will cease to be subject to escrow restrictions.

10. Includes vested and unvested options.
11. Includes Shares issued pursuant to the disposal of Existing CEO Options (issued by the Company under this Prospectus), but excludes any Shares applied for by Directors under the Offer.
12. Includes vested and unvested options.
13. Based on the key Offer assumptions set out in Section 7.1.
14. Kevin Schwartz has an indirect interest in approximately 0.1% of the Paine + Partners Shareholder's Existing Shares, fees and dividends (see Section 6.3). For details of Paine + Partners Shareholder's interests, see Section 6. On an as-converted basis – conversion will not occur until Completion of the Offer.
15. Kevin Schwartz will, at Completion of the Offer, have an indirect interest in approximately 0.1% of the Paine + Partners Shareholder's Shares, fees and dividends (see Section 6.3). For details of Paine + Partners Shareholder's interests, see Section 6. On an as-converted basis – conversion will not occur until Completion of the Offer.
16. Frank Costa has an indirect interest in Costa AFR's Existing Shares, fees and dividends (see Section 6.3.2.4). For details of the Costa Family Shareholders' interests, see Section 6. On an as-converted basis – conversion will not occur until Completion of the Offer.
17. Frank Costa will, at Completion of the Offer, have an indirect interest in Costa AFR's Shares, fees and dividends (see Section 6.3.2.4). For details of the Costa Family Shareholders' interests, see Section 6.

Topic	Summary
Will any Shares be subject to restrictions on disposal following Completion of the Offer? *continued*	**Escrowed Management Shareholders** Shares retained by Harry Debney, Linda Kow and George Haggar at Completion of the Offer will also be subject to voluntary escrow arrangements. That includes Shares issued through the disposal of Existing Options at Completion of the Offer (under Alternative 3 set out in Section 6.3.3.2). Shares ultimately issued to Harry Debney, Linda Kow and George Haggar following exercise of any Existing Options retained (under Alternative 2 set out in Section 6.3.3.2) will also be subject to voluntary escrow arrangements. Under the terms of the escrow arrangements, and subject to customary exceptions and ASX notification requirements being satisfied: • for Shares held by Harry Debney at Completion of the Offer; – 50% may only be sold after 4.15pm (Sydney time) on the date that Costa's FY2016 financial results are announced; and – 50% may only be sold after 4.15pm (Sydney time) on the date that Costa's FY2017 financial results are announced; • for Shares issued by Costa to Harry Debney as a result of Harry Debney exercising his New CEO Options, 50% of any Shares acquired through the exercise of the New CEO Options may be sold only after 4.15pm (Sydney time) on the date that Costa's FY2018 financial results are announced; and • for Shares held by Linda Kow and George Haggar, 100% may be sold only after 4.15pm (Sydney time) on the date that Costa's FY2016 financial results are announced. For more information, see Section 7.7
What arrangements has Costa made with the Costa family and Paine + Partners?	The Costa Family Shareholders and the Paine + Partners Shareholder have agreed to terminate the Existing Shareholders' Deed between them and the Company, other than clauses in relation to: • restraint obligations on certain Costa Family Shareholders, Frank Costa and other individual members of the Costa family; and • periodic disclosure of Costa management information to Paine + Partners on a strictly confidential Obligors basis. The Board and Existing Shareholders have approved the payment of an advisory fee to Paine + Partners and the Costa Family Shareholders. See Section 6 for further information regarding the advisory fee. Each of Costa AFR and the Paine + Partners Shareholder will be entitled to nominate a person to be appointed as a nominee Director for so long as they hold more than 10% of Shares. See Section 7.11.16 for further information regarding these nominee rights. Costa is also a party to various leases with entities owned and controlled by members of the Costa Family, including Frank Costa. These arrangements will continue following Completion of the Offer. See Section 9.5.11 for further information regarding these lease arrangements. For more information, see Sections 6.3.5.2 , 7.11.16 and 9.5.11

1.9 OVERVIEW OF THE OFFER

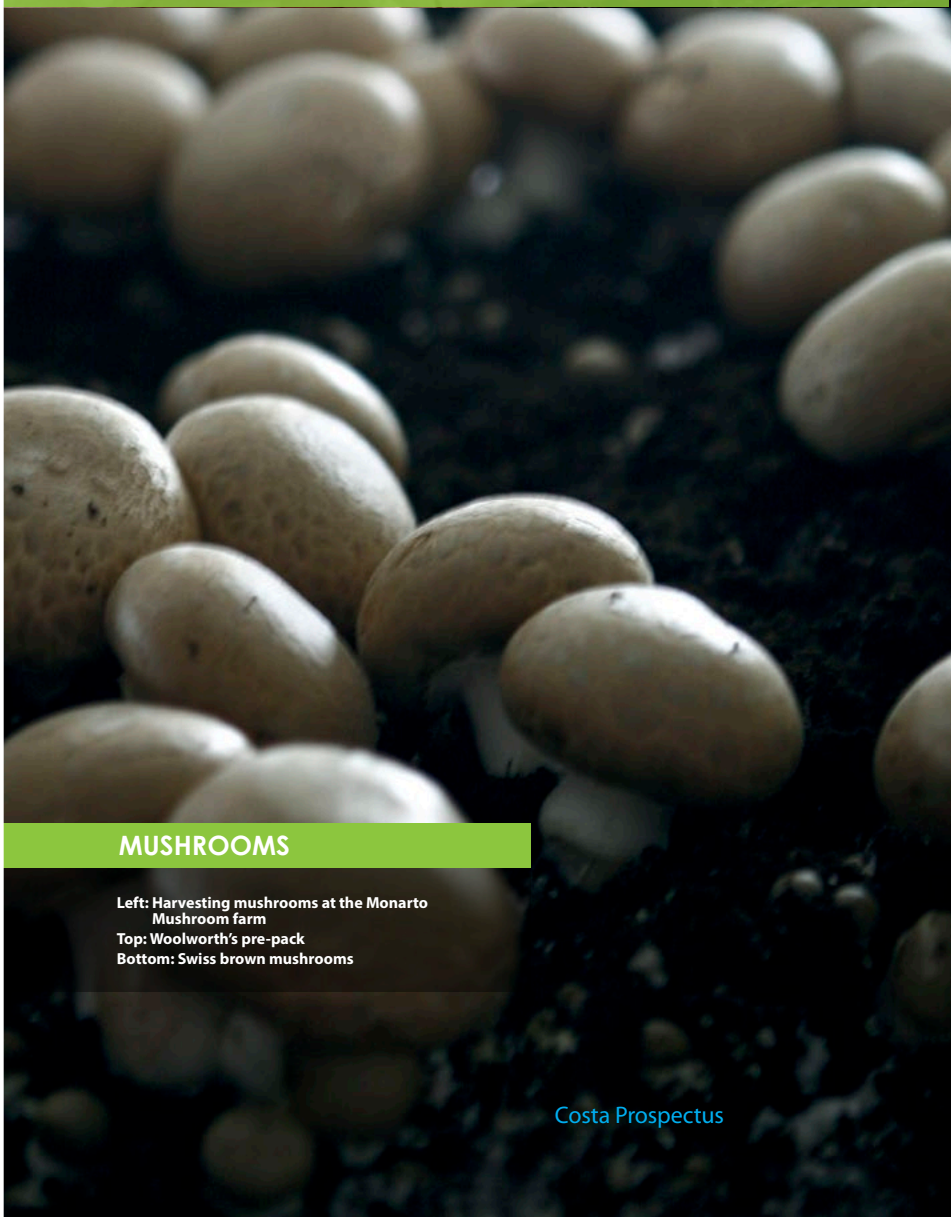
Topic	Summary
What is the Offer?	The Offer is an initial public offering of approximately 240.5 million Shares[18] that will in part be New Shares issued by the Company and in part Shares sold by SaleCo. For more information, see Section 7.1
What is the price of Shares under the Offer and how will the price be determined?	The Indicative Price Range for the Offer is $2.20 to $2.70 per Share. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the Bookbuild and may be set below, within or above the Indicative Price Range. For more information, see Section 7.2
Who are the issuers of the Prospectus?	Costa Group Holdings Limited (ACN 151 363 129), a company registered in Victoria, Australia, and Costa SaleCo Limited (ACN 606 334 990), a company registered in Victoria, Australia. For more information, see Section 7.1
What is SaleCo?	SaleCo is a special purpose vehicle, established to acquire Existing Shares from the Selling Shareholders and to sell them (after conversion into Shares) to Successful Applicants under the Offer. SaleCo will transfer all Existing Shares acquired from the Selling Shareholders (after conversion into Shares) to Successful Applicants at the Final Price. The Company will transfer the New Shares issued by the Company to Successful Applicants at the Final Price. For more information, see Section 9.4
What is the proposed use of the funds raised under the Offer?	The gross proceeds of the Offer will be applied to: • repay Costa's existing debt; • pay costs associated with the disposal by optionholders of some Existing Options (some of which proceeds may be reinvested into Shares); • pay SaleCo (which will distribute payments to Selling Shareholders); • pay the outstanding coupon on the Redeemable Preference Shares; • pay a fee to the Existing Shareholders for advisory services; and • pay costs associated with the Offer. For more information, see Section 7.1.2
What will Costa's capital structure be on Completion of the Offer and completion of the conversion?	All of the Redeemable Preference Shares on issue as at the Prospectus Date will convert into Shares at Completion of the Offer. It is expected that approximately 97.9% of the Existing Options will be disposed of for cash payment consideration or Share consideration at Completion of the Offer. On Listing, the Company will have on issue:[19] • approximately 315.0 million Shares; • 0.5 million Existing Options; and • an additional 1.9 million unvested New CEO Options. There will be no classes of share on issue other than Shares. However, the Existing Options that are retained by Neil Chatfield and Greg Hunt (and any other holder of Existing Options that elects to take up under Alternative 2 outlined in Section 6.3.3.2) may be exercised at a later time for C class shares in the Company. Under the Constitution, the Company has the right to immediately convert these C class shares into Shares and intends to exercise this right following the issue of any C class shares on exercise of Existing Options following listing. For more information, see Section 7

18. Based on the key Offer assumptions set out in Section 7.1.
19. Based on the key Offer assumption set out in Section 7.1 and that Neil Chatfield and Greg Hunt will be the only holders of Existing Options that will take up Alternative 2 outlined in Section 6.3.3.2.

Topic	Summary
Will the Shares be quoted on the ASX?	Costa will apply to the ASX within seven days after the Prospectus Date for admission of the Company to the Official List of the ASX and quotation of Shares on the ASX (which is expected to be under the code CGC). It is anticipated that quotation will initially be on a conditional and deferred settlement basis. The Offer is conditional on the ASX approving that application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. For more information, see Sections 7.2 and 7.10
How is the Offer structured?	The Offer comprises: • the Broker Firm Offer, which is open only to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; • the Institutional Offer, which consists of an invitation to bid to Institutional Investors in Australia made under this Prospectus and a number of other eligible jurisdictions under the Institutional Offering Memorandum to acquire Shares; • the Employee Offer, which is open only to Eligible Employees located in Australia; and • the Priority Offer, which is open to persons in Australia who have received a personalised invitation to apply for Shares. No general public offer of Shares will be made under the Offer. For more information, see Sections 7.1, 7.3, 7.4, 7.5 and 7.6
Is the Offer underwritten?	No. The Offer is not underwritten. For more information, see Section 7.2
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Institutional Offer, the Employee Offer and the Priority Offer will be determined by the Joint Lead Managers in agreement with Costa and SaleCo, having regard to the allocation policies outlined in Sections 7.3.4 and 7.4.4. It will be a matter for the Co-Lead Manager and Co-Managers how they allocate firm stock among their eligible retail clients. For more information, see Sections 7.2, 7.3.4 and 7.4.4
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. For more information, see Section 7.2
What are the tax implications of investing in the Shares?	Shareholders may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances, particularly for non-resident Shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest. For more information, see Section 9.9
When will I receive confirmation that my Application has been successful?	Costa expects to announce the final allocation policy for Shares under the Broker Firm Offer on or about Thursday, 23 July 2015. Applicants in the Broker Firm Offer should confirm their firm allocation of Shares with the Broker from whom they received their allocation. For more information, see Section 7.3.7

Topic	Summary
What is the Company's dividend policy?	The payment of a dividend by Costa is at the discretion of the Directors and will be a function of a number of factors outlined in Section 4.14. The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from Completion of the Offer to 27 December 2015, and will become payable in April 2016. The Board's current intention is to declare a dividend in respect of earnings from Completion of the Offer to 27 December 2015 (**First Dividend**) and in respect of earnings from 27 December 2015 to 26 June 2016 (**Second Dividend**), in total, to be based on approximately 60% of pro forma NPAT in FY2016 of $47.6 million. Costa intends to frank dividends to the maximum extent possible and expects that sufficient franking credits will be available to allow the First Dividend and Second Dividend to be fully franked. Beyond the Forecast Period, and having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 50% to 70% of annual NPAT. Depending on available profits and the financial position of Costa, it is the intention of the Board to declare interim dividends in respect of half years ending December and final dividends in respect of full years ending June of each financial year. No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend. The Directors intend to establish a dividend reinvestment plan (**DRP**) under which any Shareholder may elect that the dividends payable by the Company be reinvested in whole or in part by a subscription of Shares at a price to be determined by the Board from time to time. While the Directors intend to establish a DRP, it has been assumed the DRP will not be activated by the Directors during the Forecast Period. For more information, see Section 4.14
How can I apply?	If you are an eligible investor in Australia, you may apply for Shares by completing a valid Application Form. To the extent permitted by law, an Application under the Offer is irrevocable. For more information, see Section 7
Can the Offer be withdrawn?	Costa reserves the right not to proceed with the Offer at any time before the issue of New Shares or transfer of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded by the Share Registry, your Broker or Costa. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer. For more information, see Section 7
Where can I find out more information about this Prospectus or the Offer?	Call the Costa Offer Information Line on 1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) from 8.30am until 5.30pm (Sydney time), Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest. For more information, see Section 7

Section 2
Industry overview



MUSHROOMS

Left: Harvesting mushrooms at the Monarto Mushroom farm
Top: Woolworth's pre-pack
Bottom: Swiss brown mushrooms

2.1 OVERVIEW OF AUSTRALIA'S FRESH FRUIT AND VEGETABLE INDUSTRY

Costa operates principally in the Australian fresh fruit and vegetable industry, which is estimated to have generated $7.8 billion in revenues for the financial year ended 30 June 2014.[1] The fresh fruit segment accounts for approximately 51% of industry revenues and includes berries, citrus, avocados, bananas, apples, pears and other products. The fresh vegetable segment accounts for approximately 49% of industry revenues and includes mushrooms, tomatoes, potatoes and other products.

Costa operates in four core produce categories: berries, mushrooms, glasshouse-grown tomatoes and citrus, with small operations in bananas, avocados and grapes. Section 2.5 provides industry information for each of Costa's core produce categories. The market size of the categories in which Costa operates was estimated to be approximately $3.0 billion in 2014.[2]

Figure 1: Fruit segment composition (2011) ($ million)[3]

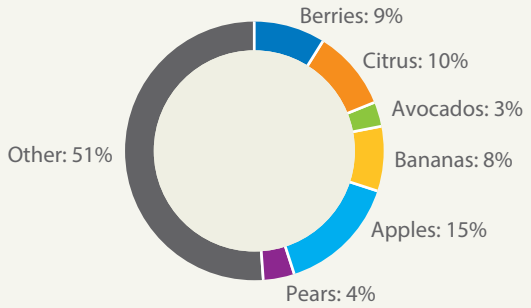
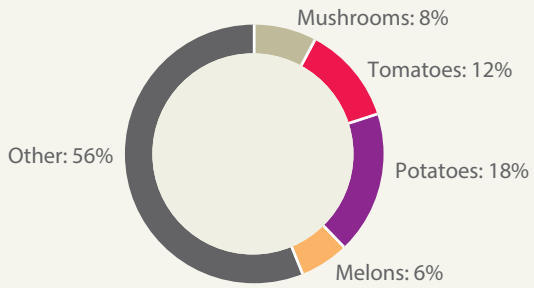


Figure 2: Vegetable segment composition (2013) ($ million)[4]



The overall market for fresh fruit and vegetable supply in Australia is fragmented. A small number of growers make up 30% to 50% of most categories and the balance of the market is typically made up of a large number of smaller growers.

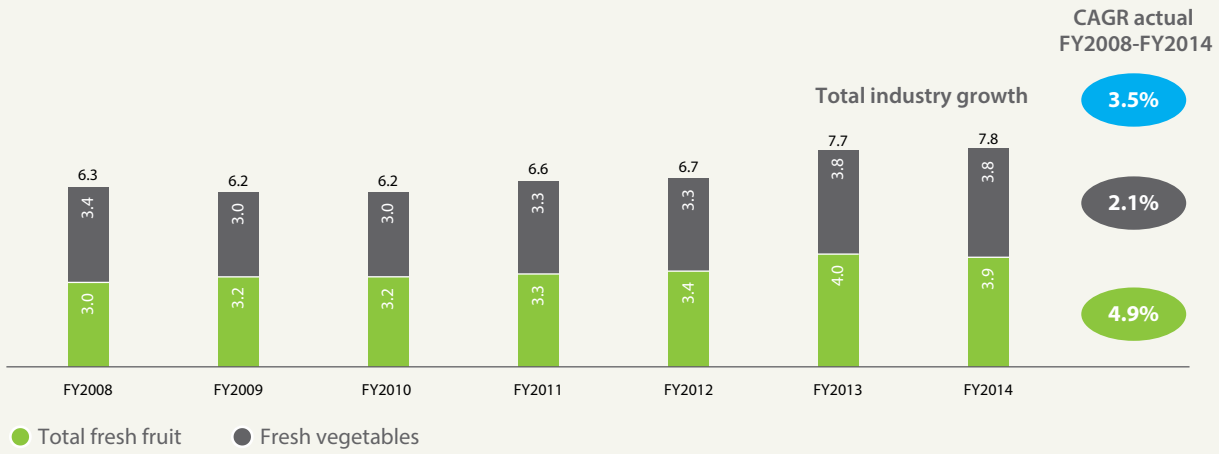
The fresh produce industry in Australia generally has a high level of protection from imported produce due to Australia's geographic isolation and Australian quarantine regulations.

The major supermarkets in Australia (Coles, Woolworths, ALDI and IGA) are the principal channel of demand for the purchase of fresh fruit and vegetables and captured approximately 76% of market share by sales value for the 12 months to 21 February 2015.[5]

2.2 HISTORICAL INDUSTRY PERFORMANCE

The Australian fresh fruit and vegetable industry has exhibited consistent long term growth. The industry has grown from $6.3 billion in FY2008 to $7.8 billion in FY2014 at a compound annual growth rate (**CAGR**) of 3.5%.[6] Between FY2008 and FY2014, the industry has grown in excess of the overall Australian population growth rate of 1.7%.[7] The fresh fruit segment grew at a CAGR of 4.9% from $3.0 billion to $3.9 billion, while fresh vegetables grew at a CAGR of 2.1% from $3.4 billion to $3.8 billion over this period.

Figure 3: Australian fresh fruit and vegetable industry – Production Value ($ billion)[8]

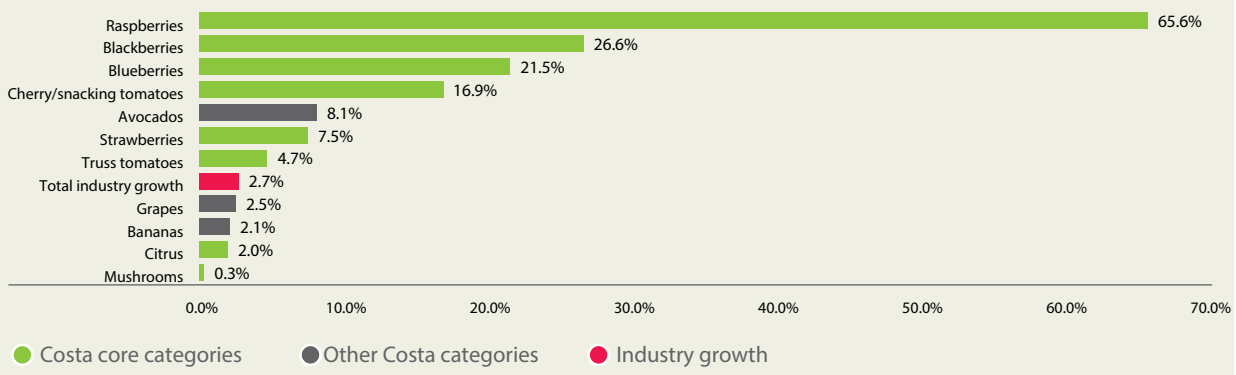


1. Compiled from data from the Department of Agriculture, ABARES, 2015, *Agricultural commodities: March Quarter 2015*. Measured by gross value; includes fruits, nuts and vegetables.
2. Costa management, measured by Production Value.
3. Compiled from data from Australian Bureau of Statistics, 2012, *Value of Agricultural Commodities Produced, Australia*, 2010-11 , cat. no 7503.0. Measured by gross value of agricultural commodities produced.
4. Compiled from data from Australian Bureau of Statistics, 2014, *Value of Agricultural Commodities Produced, Australia*, 2012-13, cat. no 7503.0. Measured by gross value of agricultural commodities produced.
5. Nielsen Homescan, AUS, MAT 21.02.15.
6. As above, note 1.
7. Compiled from data from Australian Bureau of Statistics, 2014, *Australian Demographic Statistics*, cat no. 3101.0.
8. Compiled from data from Department of Agriculture, ABARES, 2015, *Agricultural commodities: March Quarter 2015*; and Department of Agriculture, ABARES, 2012, *Agricultural commodities: March Quarter 2012*. Measured by gross value of farm, fisheries and forestry production; includes fruits, nuts and vegetables.

While the overall fresh fruit and vegetable industry has exhibited stable long term growth over the last several years, the growth dynamics vary significantly by produce category.

Costa participates in a number of produce categories within the industry that have experienced higher relative growth rates. Berries and cherry/snacking tomatoes, in particular, have experienced strong growth, by sales value since 2012. Costa believes that its portfolio of produce categories is well positioned relative to the growth rates of a number of other categories within the fresh fruit and vegetable industry.

Figure 4: Category growth by sales value (three years to September 2014)[9]



2.3 KEY DRIVERS OF DEMAND GROWTH FOR THE FRESH FRUIT AND VEGETABLE INDUSTRY IN AUSTRALIA

Table 1: Demand drivers

Driver	Description and outlook
Population growth	• Continued Australian population growth is supportive of an increasing consumer demand for fresh fruit and vegetable produce. The Australian Bureau of Statistics (**ABS**) estimates Australia's population will increase to 26 million by 2020, implying a CAGR of 1.9% per annum from 2015.[10]
Dietary habits	• The National Health and Medical Research Council indicates that the scientific evidence for the health benefits of consuming vegetables has been strong for several decades and has generally continued to strengthen over recent years, and recommends at least five servings of vegetables and two of fruit for adults on a daily basis.[11] • ABS survey data suggests that 94.5% of the general adult population is not meeting recommended dietary intake levels for fruit and/or vegetables.[12]
Convenience	• The Australian Department of Agriculture considers that the demand for convenience remains a strong consumer preference, despite the fluctuations in sentiment and discretionary spending on food. Australia's general aging of the population results in an increase in the size of the "mature aged" consumer segment who continue to demand convenient, healthy and functional food.[13] • This trend is reflected in the fresh produce category through increased sales of pre-packed and portion size products, such as Costa's berries, pre-pack sliced mushrooms and snacking tomatoes.
Australian-grown	• Costa management believes that Australian-grown food is perceived favourably by both Australian and international consumers for freshness, quality and safety. • Major supermarkets such as Coles and Woolworths have both launched "locally sourced" campaigns, at various times, to address consumer demand for locally-grown products.

9. Nielsen Homescan, AUS, three year straight average to September 2014.
10. Compiled from data from Australian Bureau of Statistics, 2013, *Population Projections, Australia, 2012 to 2101*, cat no. 3222.0.
11. National Health and Medical Research Council, 2013, *Eat for Health – Australian Dietary Guidelines*.
12. Australian Bureau of Statistics, 2013, *Australian Health Survey: Updated Results, 2011-12*, cat no. 4364.055.003.
13. Department of Agriculture, Fisheries and Forestry, 2012, *FOODmap: An analysis of the Australian food supply chain*, p 11.

2.4 INDUSTRY DYNAMICS

2.4.1 Fresh produce sales channels in Australia

Fresh fruit and vegetables grown in Australia predominantly supply the Australian market. Import and export volumes of fresh fruit and vegetables are low. Exports equate to 7% and imports represent less than 2% of local production volumes.[14]

Australia's major food retailers, Woolworths, Coles, ALDI and IGA, are the key retail sales channels for Australian-grown fresh fruit and vegetables. In the 12 months to 21 February 2015, these four large retailers represented (in aggregate) approximately 71% of the total retail sales volume and approximately 76% of the total retail sales value of domestic fresh produce.[15]

Major supermarkets are increasingly sourcing fresh fruit and vegetables directly from growers and producers, rather than through aggregators and wholesale supply channels. The remaining proportion of the domestic fresh produce market is predominantly represented by sales to consumers via specialist greengrocers and independent grocery stores and sales to the food service sector (such as restaurants and catering companies).

The wholesale channel is an important part of the fresh produce industry and primarily supplies independent grocery stores and the food service sector. Produce that is excess to or outside specifications provided by major supermarkets is also sold through this channel. There are active wholesale market trading floors in each of the major Australian capital cities that facilitate this sector.

The fresh fruit and vegetable supply chain extends from growing and harvesting to packing, marketing and distribution. The level of participation across this supply chain varies across the industry, with vertically integrated participants typically operating in only a few produce categories. Alternatively, participants that operate across a broader range of produce categories are typically less vertically integrated.

In contrast, Costa is a vertically integrated operator in a number of categories across the supply chain, and complements its own farmed volumes with third party supply.

2.4.2 Fresh produce supply channels in Australia

Supply of fresh produce to the Australian market is predominantly domestically grown, with limited supply from imported produce. The overall market supply of produce in the fresh fruit and vegetable industry is fragmented. Costa is the largest supplier with approximately 9.5% of the market by Production Value in FY2014.[16] However, Costa's market share in the core categories in which it participates is considerably higher. For example, Costa's market share by production volume in raspberries, blueberries and protected tomatoes is 66%, 41% and 18% respectively.[17]

Generally, there are moderate barriers to entry in the domestic fresh produce industry. New farms can be established at relatively low cost. However, significant capital investment and growing expertise can be required in certain produce categories (e.g. glasshouse grown tomatoes) in order to achieve significant scale. Furthermore, some produce categories (e.g. citrus) have a significant lead time before the business will become cash generative, due to the time it takes for plantings to yield crops. Access to genetic intellectual property to grow differentiated varieties and access to water can also be significant barriers.

Australian fresh fruit and vegetable supply is largely protected from international supply competition due to Australia's geographic isolation and biosecurity regulations imposed by the Department of Agriculture. As a result, fresh fruit and vegetable imports into Australia are generally limited, and often confined to time periods outside the local production season. At present, there is limited import supply across most of Costa's core produce categories. The applicable quarantine restrictions for produce categories in which Costa participates are described further in Section 2.5.

14. Department of Agriculture, Fisheries and Forestry, 2012, *FOODmap: An analysis of the Australian food supply chain*, p 57.
15. Nielsen Homescan, AUS, MAT 21.02.15.
16. Costa management.
17. Costa management, market share based on production volume. Market share for raspberries and blueberries excludes third party grown marketed by the Driscoll's Australia Partnership and is forecast for FY2015. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9.

2.5 CHARACTERISTICS OF FRESH FRUIT AND VEGETABLE CATEGORIES

Costa operates in four core produce categories: berries, mushrooms, glasshouse-grown tomatoes and citrus, and it also has small operations in bananas, avocados and grapes. This section provides industry information for each of Costa's produce categories.

2.5.1 Berries

The berry category generated an estimated $706 million of Production Value in Australia in 2014.[18] This category comprises four main subcategories: blueberries, raspberries, strawberries and blackberries. Costa is the number one grower of blueberries and raspberries in Australia with smaller operations in strawberries and blackberries, and through Costa's marketing partnership with Driscoll's Australia, is also the largest marketer of berries in Australia by sales value. Costa's forecast market share in FY2015 by volume marketed through the Driscoll's Australia Partnership is expected to be 91% in raspberries (66% grown by Costa and 25% grown by third parties) and 77% in blueberries (41% grown by Costa and 36% grown by third parties).[19, 20]

Figure 5: Raspberries estimated market share FY2015[21]

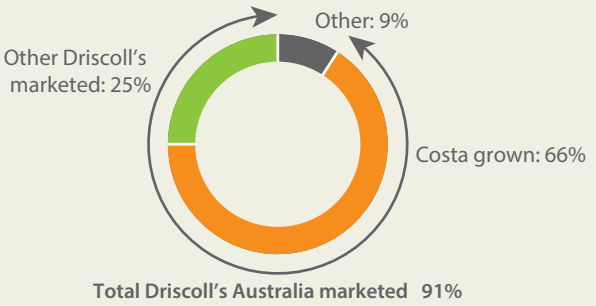
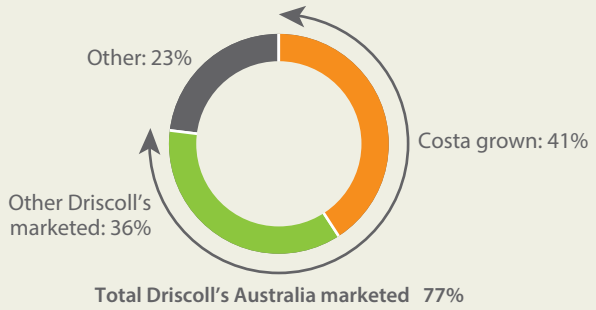


Figure 6: Blueberries estimated market share FY2015[22]



The health benefits of blueberries have been widely researched, with recognition that blueberries can play a role in promoting good health.[23] Costa believes that these health benefits are a factor behind the demand growth in this sub-category. Blueberries sales values grew by an average of 22% for the three year period to September 2014.[24] Within Australia, blueberries have historically been grown primarily in New South Wales, and as a result fresh blueberries have had limited availability out of peak season. Costa has improved the year-round availability of domestic supply into the market through expansion into new growing areas including Tasmania, Far North Queensland and Western Australia, as well as through the use of proprietary and licensed genetics. Costa believes that access to high quality blueberry and raspberry varieties is a key competitive differentiator across growers.

Raspberries are increasingly becoming a mainstream sub-category in part due to the availability of improved raspberry genetics (e.g., the genetics supplied to Costa by Driscoll Strawberry Associates, Inc. (**Driscoll's**)), having previously been more of a niche product. Raspberry sales values have grown at an average rate of 66% for the three year period to September 2014.[25]

Strawberries have the highest market share in the berry category, but the lowest growth rate, with average annual sales value growth of 7.5% for the three year period to September 2014.[26] The blackberries market is still nascent in sales value terms, but is experiencing significant growth with an average annual sales revenue growth rate of 27% for the same period.[27]

Australia's per capita berries consumption relative to that of the United States suggests latent demand potential.

Quarantine regulations restrict the import of fresh berries into Australia. The importation of fresh raspberries is prohibited due to the risk of disease. Importation of fresh blueberries is permissible from New Zealand but only occurs for a limited period each year. Importation of dried or freeze dried or frozen berries is permissible. In 2015, the domestic market for frozen berries appears to have been affected by concerns around contamination risks, arising from frozen berries sourced from China. However, this does not appear to have had a negative impact on fresh berry sales. Costa grows for the fresh berry market.

18. Costa management.
19. Costa management estimated market share for FY2015 by volume. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9.
20. Refer to Section 3.4.1.1.1 for further information about the Driscoll's Australia Partnership.
21. Costa management, by volume.
22. Costa management, by volume.
23. U.S. Highbush Blueberry Council.
24. Nielsen Homescan, AUS, three year straight average to September 2014.
25. As above, note 24.
26. As above, note 24.
27. As above, note 24.

2.5.2 Mushrooms

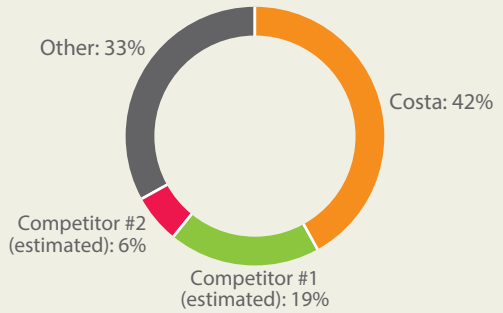
The fresh mushroom category primarily consists of white and brown agaricus mushrooms, which generated approximately $378 million of Production Value in 2014.[28] White mushrooms account for approximately 90% of production volume. Brown and exotic mushrooms make up the balance.[29]

Costa is the number one grower of mushrooms in Australia with an estimated 42% market share.[30] The top three producers, inclusive of Costa, account for approximately 67% of production. More than 50 smaller growers account for the balance. Costa is the only producer with a national production footprint, with most competitors growing in a single state only. Production has become more concentrated over the past three years as smaller growers have exited the industry, and larger producers have expanded.

While most of Costa's competitors rely on external spawn and compost supply, Costa manufactures its own spawn and compost. This capability provides Costa with improved control over its production quality.

Approximately 70% of total mushroom industry sales volume is sold through retail channels, with the balance of supply sold through the wholesale and food service channel.

Figure 7: Mushrooms market share by production FY2014[31]



Mushrooms are produced indoors and grown year-round in consistent volumes. Production of mushrooms is generally less susceptible to climatic and seasonal influences as they are grown in temperature and humidity-controlled environments. Australian sales values for mushrooms grew by an average of 0.3% per annum for the three years to September 2014.[32] Over this period, the Australian market has seen growth towards pre-packed mushrooms. Costa's pre-pack sales volumes grew 7.3% in FY2014 alone.

There are a number of import restrictions on fresh mushrooms. Only fresh agaricus mushrooms from New Zealand are permitted to be imported into Australia; such imports are in very limited quantities. Importation of dried and frozen mushrooms is permissible; however, in terms of frozen agaricus mushrooms, only those from New Zealand are permitted to be imported.

2.5.3 Tomatoes

The tomato category was estimated at $695 million of Production Value in 2014.[33] Tomatoes are grown in both field and protected environments, with approximately 50% in each. The category is experiencing a market shift from field-grown tomatoes to tomatoes grown under protected cropping environments.

The major tomato product sub-categories are typically referred to as field, truss, cocktail and cherry/snacking tomatoes.

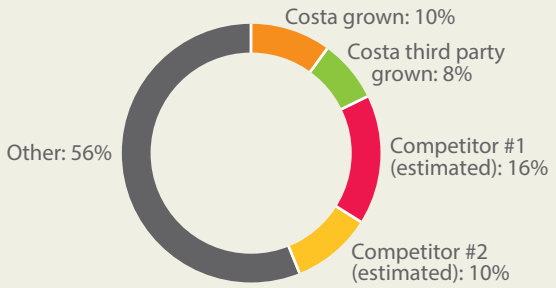
Truss tomatoes maintained stable average annual growth of 4.7% over the three year period to September 2014, while field grown tomatoes declined by 3.2% over the same period.[34] Cherry/snacking tomatoes continued to drive growth in this category, with sales values growing at an average of 16.9% per year over the same period.[35]

Costa produces glasshouse-grown large truss, cocktail truss, and snacking tomatoes and is Australia's number one producer of tomatoes grown in protected environments, inclusive of crops grown at third party locations under contract, with an estimated 18% market share.[36] Protected production of tomatoes is a concentrated market with the top three suppliers (including Costa) holding approximately 44% of segment revenues for tomatoes grown under protected cropping environments.[37] Field production is fragmented across a number of growers. Costa does not compete in the field-grown sub-category.

28. Costa management.
29. Costa management.
30. Costa management, measured by production volume. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9. However, for the mushroom category of the Produce segment, there are no sales of produce grown by third parties.
31. Costa management.
32. Nielsen Homescan, AUS, three year straight average to September 2014.
33. Costa management.
34. As above, note 32.
35. As above, note 32.
36. Costa management, measured by production volume. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9.
37. Costa management.

Establishment of new glasshouse facilities requires significant capital expenditure. In Costa's experience, a high level of technical proficiency and industry knowledge is also required to achieve competitive yields. Glasshouse-grown tomatoes are fully controlled for temperature and humidity, in contrast to less capital intensive methods, and tend to provide a higher yield and quality.

Figure 8: Tomato protected cropping share (marketed) FY2014[38]



There are a number of import restrictions on fresh tomatoes, with only imports from New Zealand and the Netherlands being permitted into Australia.

2.5.4 Citrus

The citrus category was estimated at approximately $540 million of Production Value in 2014.[39] The category consists of four major sub-categories – oranges, mandarins, lemons/limes and grapefruit – with oranges accounting for approximately 76% of the category.[40] Citrus is grown throughout Australia with the key growing regions being Central Burnett (Queensland), Murray Valley (New South Wales), Riverina (New South Wales) and the Riverland Region (South Australia). Costa is the number one grower, packer and marketer of citrus in Australia, with a 16% market share (both Costa-grown and third party-grown).[41] Its farms are located in the Riverland Region. The domestic grower base is fragmented with more than 1,500 growers, and the top three citrus marketers (including Costa) supply approximately 30% of the domestic fresh, non-juicing citrus market.[42]

Exports are a key sales channel for the citrus industry in Australia, with approximately 27% of the Australian crop exported.[43] The key export markets for Australian-grown citrus are Japan, China, Hong Kong, South East Asia and the United States. The Riverland Region is the only major Australian citrus-growing region designated as a fruit fly free zone, which provides growers in the region (including Costa) with a competitive advantage accessing export markets.

Domestic sales value for citrus increased at an annual average rate of 2.0% for the three year period to September 2014.[44] Domestically, trends towards pre-pack and new varieties are helping to drive category growth through utilisation of new packaging formats that enables retail marketing of the full spectrum of crop sizes produced (e.g. kids school packs). Internationally, growing Asian demand coupled with the recent depreciation of the Australian dollar has improved the competitive positioning of Australian citrus exports.

There are moderate barriers to entry for the citrus category. High capital requirements are required to establish packing facilities and long plant-to-harvest lead times exist (up to seven years for certain varieties to achieve full maturity). Unlike Costa, most growers in the industry utilise external packing facilities to pack and market fruit.

38. Costa management, measured by production volume.
39. Costa management.
40. Costa management, measured by production volume.
41. Costa management, marketed share of production volume. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9.
42. Costa management.
43. Costa management.
44. Nielsen Homescan, AUS, three year straight average to September 2014.

Figure 9: Citrus market share of growers/packers FY2014 (000's of tonnes)[45]

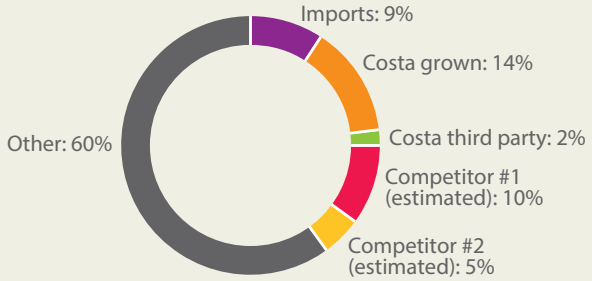
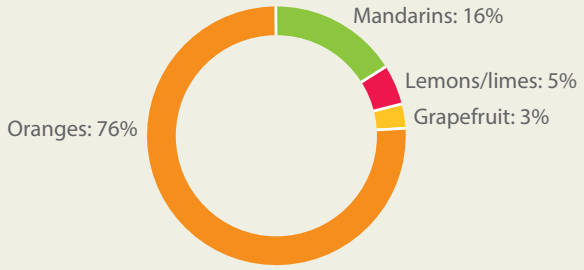


Figure 10: Citrus category mix by Production Value FY2014 ($ million)[46]



The citrus category has low barriers to importation to Australia, due to long shelf life and low import restrictions. For example, the importation of fresh oranges is permissible from Egypt, Israel, Italy, New Zealand, Spain and the United States. However, imports are not likely to compete with domestic supply as they are typically counter-seasonal.

In practice, importation into Australia occurs from the United States. The United States season occurs outside the Australian growing season. Importation of juice, concentrates and processed citrus is permissible.

2.5.5 Bananas, avocados and grapes

Costa is predominantly a marketer of bananas, avocados and grapes in Australia with smaller growing operations.

The banana category was estimated at approximately $570 million of Production Value in 2014.[47] There are a large number of banana growers in the Australian market and the category is fragmented. Costa is predominantly a marketer of bananas in Australia with approximately 12% share of total marketed volume.[48] Costa has reduced its growing exposure in this category in recent years.

The avocado category was estimated at approximately $241 million of Production Value in 2014.[49] Avocados are grown throughout Australia and are supplemented with imports from New Zealand. The domestic avocado industry is highly fragmented but the top four marketers represent over 50% of production volume. Costa's marketing share of the market is approximately 12%.[50]

The table grape category was estimated at approximately $300 million of Production Value in 2014.[51] The Australian domestic industry is fragmented and has exposure to imports. Costa has reduced its growing exposure of table grapes in recent years. However, it still remains a significant marketer of table grapes, with approximately 16% share of total marketed volume.[52]

2.6 INTERNATIONAL MARKETS

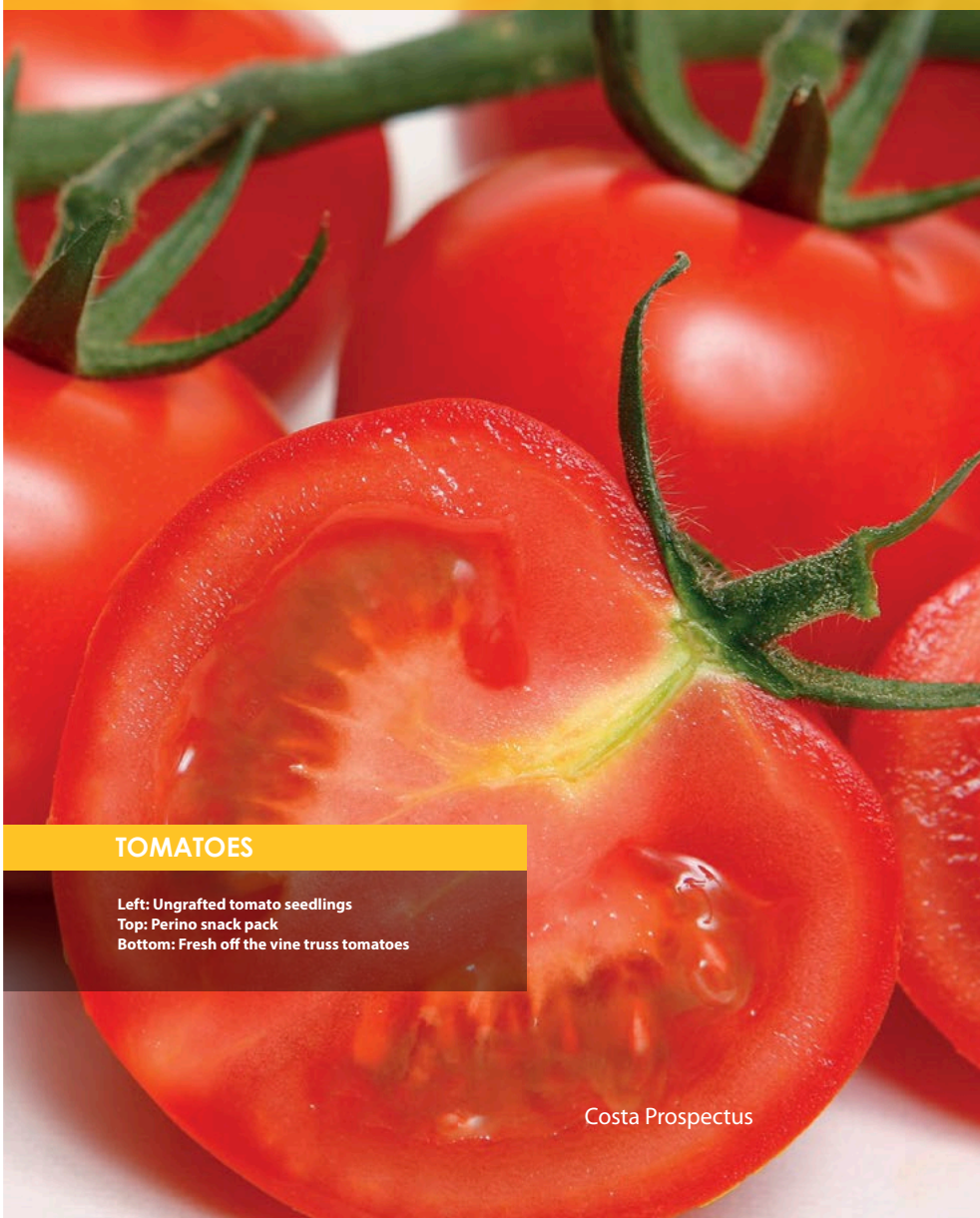
While the supply of fresh produce is predominantly distributed domestically, there exist multiple opportunities for export to international markets for fresh produce (e.g. citrus) as well as proprietary IP and in-house agronomic knowledge (e.g. berries).

Developing these international opportunities has been a key growth strategy for Costa. For example in fresh produce, Costa's citrus operations utilise the export market as a core sales channel, with approximately 50% of Costa's citrus produce exported in FY2014. Key export markets for citrus include Japan, South East Asia and the United States. For further information refer to Section 3.4.1.4.

With regards to proprietary IP and in-house agronomic knowledge, Costa, through its International division, licenses blueberry varieties and is expanding berry farming operations in attractive international markets, such as Morocco and China. For further information refer to Sections 3.4.2 and 3.5.

45. Costa management, measured by production volume.
46. Costa management, measured by Production Value.
47. Costa management.
48. Costa management, measured by production volume. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 4.2.4 and 4.9.
49. Costa management.
50. As above, note 48.
51. Costa management.
52. As above, note 48.

Section 3
Company overview



TOMATOES

Left: Ungrafted tomato seedlings
Top: Perino snack pack
Bottom: Fresh off the vine truss tomatoes

3.1 OVERVIEW OF COSTA

Costa is Australia's largest horticultural company, with forecast pro forma revenue of $704.4 million in FY2015. Costa is also the largest fresh produce supplier to the major Australian food retailers.

Costa has a business model built on the optimisation of a portfolio of integrated farming, packing and marketing activities. As a result, in addition to reporting on revenue and EBITDA before SGARA of the integrated business, Costa management also makes use of a separate operating measure to assess Costa's sales and marketing performance and customer-facing market share (i.e. Transacted Sales).[1] Transacted Sales aggregate the volume of sales in which Costa is involved in various capacities, including produce grown by third parties and marketed by Costa under agency arrangements as well as royalty income. Pro forma Transacted Sales are forecast to be $905.8 million in FY2015.

Costa's portfolio aims to be broad enough to mitigate agricultural and market risks while maintaining a strategic focus on high-growth and high-value fresh produce categories. Costa practises proactive risk management through diversification of categories and geographies, growing in protected cropping environments, using technology, targeting produce categories with 52 week production windows, and maintaining strong hygiene and post-harvest protocols.

Costa's products are predominantly grown and sourced from Costa's expansive footprint of farms and supplemented through a diverse network of third party growers.

Costa consists of three business divisions: Produce, International and Costa Farms and Logistics (**CF&L**). Costa's Produce business operates principally in four core categories: berries, mushrooms, glasshouse-grown tomatoes and citrus. The International business division comprises licensing of proprietary blueberry varieties and berry farming in attractive international markets, such as Morocco and China. The CF&L business division incorporates interrelated logistics, wholesale, avocado marketing, banana farming and banana marketing operations.

Costa's operations include approximately 3,000 planted hectares of farmland, 20 hectares of glasshouse facilities and seven mushroom-growing facilities across the Australian continent, in addition to its foreign interests.

From FY2013 to FY2014, Costa's pro forma EBITDA before SGARA grew by 24.5% to $70.2 million. Costa forecasts that pro forma EBITDA before SGARA will increase by 0.6% to $70.6 million in FY2015 and by 28.1% to $90.4 million in FY2016.

Figure 11: Costa operations

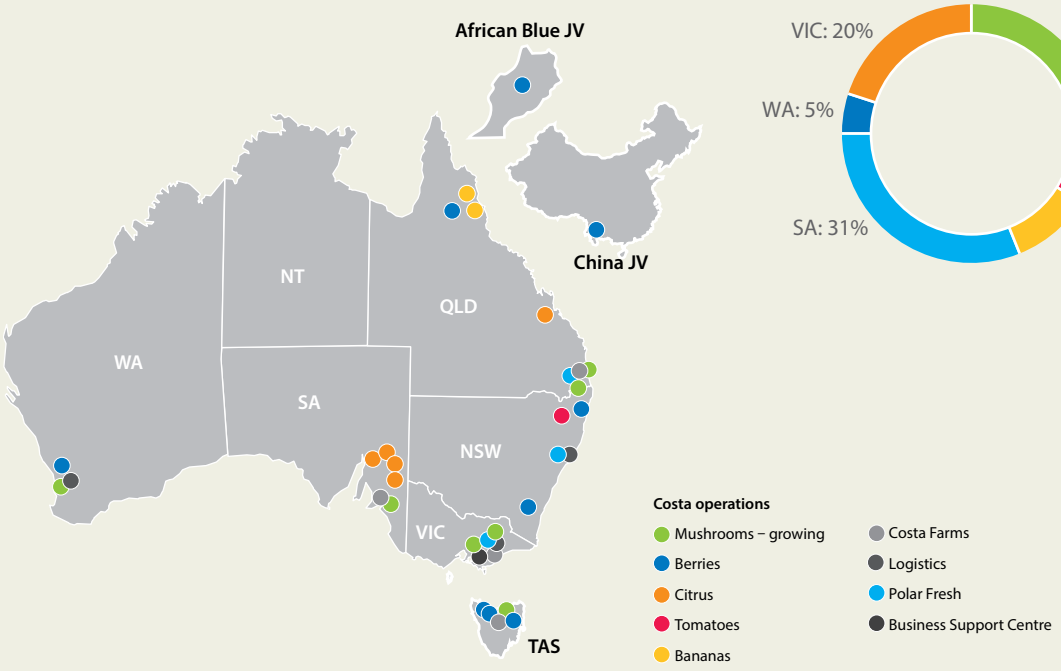


Figure 12: Costa production by state (FY2014)[2]

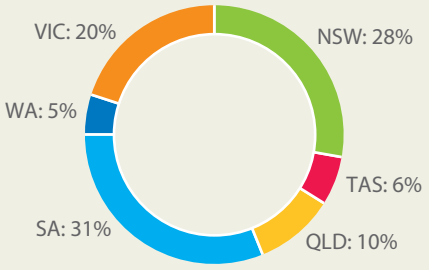


Figure 11 notes:
1. Map is not to scale.
2. The China JV is not yet in operation; refer to Section 3.5.1.4 for further details.
3. The Queensland citrus asset above is a grape farm operated by the citrus category.
4. The citrus category also includes persimmons, avocados and grapes.

1. Sections 4.2.4 and 4.9 also provide a full description of Transacted Sales and why it is used as a key measure by management.
2. By contribution to sales revenue.

Figure 13: Overview of Costa's business divisions

June year end ($m)	FY2015	FY2016
Pro forma forecast revenue	704.4	738.0
Pro forma forecast EBITDA before SGARA	70.6	90.4

PRODUCE

June year end ($m)	FY2015	FY2016
Pro forma forecast EBITDA before SGARA	55.1	73.6

BERRIES

The largest grower of blueberries and raspberries in Australia, with smaller strawberry and blackberry operations[3]

50% ownership of Driscoll's Australia, the largest berry marketer in Australia (by sales value)

MUSHROOMS

The largest grower of mushrooms in Australia[3]

Vertically integrated business incorporating composting, growing, packaging and marketing

TOMATOES

The largest grower and marketer of glasshouse grown tomatoes in Australia (inclusive of crops grown at third party locations under contract)[3]

Operates a glasshouse tomato R&D commercialisation facility

CITRUS AND OTHER

The largest grower, packer and marketer of citrus in Australia[3]

Operations also include persimmons, avocados and grapes

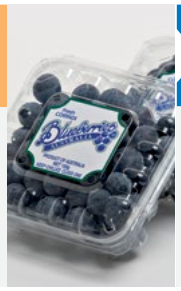
INTERNATIONAL

June year end ($m)	FY2015	FY2016
Pro forma forecast EBITDA before SGARA	6.7	7.8

GENETICS LICENSING

Licensing of blueberry varietals that have been developed and commercialised by Costa

Costa genetics are currently grown in Australia, the US, Mexico, Peru and Morocco



BERRY FARMING

Africa Blue blueberry joint venture in Morocco

China joint venture currently being established to focus on blueberries and raspberries[4]

COSTA FARMS & LOGISTICS

June year end ($m)	FY2015	FY2016
Pro forma forecast EBITDA before SGARA	8.9	9.0

COSTA FARMS

Wholesale marketing arm of Costa's core categories in Victoria, Queensland and South Australia

Specifically aimed at servicing the independent retail sector

LOGISTICS

Services including pick and pack, cross dock handling, warehouse storage and ripening

BANANAS

Significant marketer in the banana category

Operates two banana farms in Far North Queensland

AVOCADOS

Predominantly a marketer of avocados in Australia

Small avocado farming footprint which forms part of the citrus category

POLAR FRESH

50% ownership of Polar Fresh, a provider of cold chain management services in New South Wales, Victoria and Queensland

BRANDS

3. Measured by production volume.
4. The China JV is not yet in operation.

Costa has a diversified geographic footprint across Australia and a growing presence internationally. This diversification enables Costa to better service consumers with year-round production windows, better manage agricultural risk, minimise seasonality risk and expand operations into offshore markets.

Costa's scale, cost efficiency, national reach, product quality and consistency, unique intellectual property (**IP**) and year-round supply capability together position Costa well to service its customers. Costa holds the number one market position in each of its four core produce categories of berries, mushrooms, glasshouse grown tomatoes and citrus and significant market positions as a grower and/or marketer in its other produce categories in Australia.[5]

3.1.1 Company history

Costa has undergone significant changes and growth since its origins in a fruit shop that was founded in Geelong, Victoria more than 120 years ago. Today, Costa stands as Australia's largest horticultural company with diversified operations across the supply chain from farming and packing to marketing and distribution. While Costa still retains its family roots, the Costa family entered into a strategic partnership with Paine + Partners in 2011 to support further growth and development of Costa.

Since 2011, Costa has been undertaking a strategic transformation program focused on increasing its scale and vertical integration within its portfolio and reinvesting in the business to refresh core assets and fund growth. Expansion initiatives have included the development of the berry and sweet snacking tomato categories organically, the acquisition of Adelaide Mushrooms (a mushroom producer with operations in South Australia and Tasmania) and additions to its citrus footprint through the entry into long term leases of ex-Timbercorp orchards in 2011. In addition, the formation of the African Blue JV in Morocco in 2007 and the entry in 2014 into a memorandum of understanding (**MOU**) with Driscoll's for the formation of a farming joint venture in China have enabled Costa to grow its international interests (see Sections 9.5.3.2 and 9.5.4 for further information).

In connection with this strategic transformation program, Costa has exited categories such as leafy vegetables, potatoes and stone fruit, as well as downsized non-core operations including table grapes, bananas and logistics.

Currently, Costa is undertaking a significant expansion program in its berry produce category, designed to cover seasonal and geographical production gaps, as well as to meet increasing consumer demand for berries. This expansion program includes the development of an additional 195 hectares of intensive protected cropping across Australia, from the inception of the program. Costa is also investing in a new 10 hectare tomato glasshouse in Guyra, New South Wales to provide increased flexibility in relation to selecting, developing and growing tomato varieties that provide unique offerings to the market. As a result of the expansion programs, Costa will increase its production footprint in berries by 42% and its Guyra glasshouse production footprint by 50%. For further information on Costa's expansion plans, refer to Section 3.5.1.

Figure 14: Costa's history

1888	Geelong Covent Garden is opened as a food and fruit shop
1960s	Costa continues to expand and begins selling fresh fruit and vegetables to supermarket chains in high volume
1970s	Costa begins trading directly from Melbourne Wholesale Markets and sets up distribution centres
1980s	Costa becomes one of Australia's largest wholesale distributors and exporters of fresh fruit and vegetables
2006 – 2009	Costa's tomato glasshouse facility is built in Guyra, New South Wales over three stages
2007	Costa enters into a joint venture to establish African Blue, a Moroccan-based blueberry operation, to leverage Costa's agronomic expertise and proprietary blueberry varieties to capitalise on international growth opportunities in Europe
2010	Costa enters into a partnership with Driscoll's to form Driscoll's Australia, a berry marketing business, to capitalise on domestic Australian demand for berries
2011	Costa enters into long term leases of ex-Timbercorp orchards, adding to its existing citrus footprint Paine + Partners becomes an equity partner in Costa
2013	Costa acquires Adelaide Mushrooms, a mushroom producer with operations in South Australia and Tasmania, which contributed a new state-of-the-art facility and was the leading producer in South Australia and Tasmania at the time of the acquisition
2014	Costa initiates a significant berry and tomato expansion program Costa enters into an MOU with Driscoll's for the formation of a berry farming joint venture in China, with the intention to help meet anticipated growth in berry consumption in the Asian markets

5. Costa management, measured by production volume, including Driscoll's Australia Partnership for Costa's berry category and including volume grown by subcontracted third party growers for Costa's glasshouse grown tomato category. See also segment information on Transacted Sales which aggregates the volume of sales in which Costa is involved in various capacities (including sales of third party grown produce marketed by Costa under agency arrangements), as well as royalty income, as specified in Sections 2.4.2 and 4.9.

3.1.2 Business model and risk management

Costa is a vertically integrated business with scale across the Australian fresh fruit and vegetable industry value chain. Across its core produce categories, Costa's operations encompass farming, packing, marketing and distributing (via third party freight providers) its own and third party sourced produce.

Figure 15: Costa's position in the value chain[6]

	Plant area (ha)	Season	Own produce/3rd Party	Own produce/3rd Party
Blueberries	401	All year	Costa and 3rd party produce	Costa and 3rd party produce
Raspberries	113	All year	100% Costa produce	Costa and 3rd party produce
Mushrooms	nm	All year	100% Costa produce	100% Costa produce
Tomatoes	20	All year	100% Costa produce	Costa and 3rd party produce
Citrus	2,147	Apr-Dec	Costa and 3rd party produce	Costa and 3rd party produce
Bananas	298	All year	100% Costa produce	Costa and 3rd party produce

Costa's position in the value chain

Costa maintains a strong emphasis on product and process innovation to drive differentiation and operating efficiencies and to leverage its strategic relationships with leading global produce companies to access premium varieties and technology.

Costa practises proactive risk management through diversification of categories and geographies, growing in protected cropping environments, using technology, targeting produce categories with 52 week production windows, and maintaining strong hygiene and post-harvest protocols.

- **Diversification** – Costa has a diversified portfolio with no single produce category representing more than 30% of total revenue.
  - Geographic diversification also mitigates the risk of adverse weather events and climate impacts and minimises seasonality through year-round production for certain produce categories.
  - In recent years, Costa has also decreased farming exposure to categories that are highly commoditised and exposed to climatic risks such as grapes and bananas.
- **Protected cropping** – Costa focuses on produce categories that have the potential for protected cropping such as growing indoors, in glasshouses, under tunnels and often in substrate. These growing methods provide a level of protection from climatic risk due to an improved ability to manage temperature, humidity and rainfall.
  - Costa has embarked on a strategy to increase protected cropping as a percentage of earnings, which now represents approximately 75% of total produce earnings.[7]
  - Costa's key growth developments set out in Section 3.5.1 are 100% in areas of protected cropping.
- **Technology** – Through Costa's internal R&D facilities and partnering arrangements, Costa has access to differentiated product genetics and has developed efficient production techniques through modern and innovative farming methods, hydroponics and irrigation technology.
  - For example, Costa has transferred its knowledge of hydroponics from the tomato category to the berry category to reduce exposure to soil quality, both for new and future developments.
- **Year-round supply** – Costa has focused its investment in produce categories that have the potential for Costa to better service consumers with year-round production windows, better manage agricultural risk and minimise seasonality risk.
- **Hygiene and post-harvest protocols** – Costa maintains an active hygiene and post-harvest discipline as part of its management of contamination risk and optimisation of product shelf life.

3.1.3 Intellectual property and research and development

Costa is committed to investing in R&D across areas of production process improvement and varietal development to improve growing yields, product taste and appearance and shelf life. Initiatives encompassing growing techniques, varietal development, pest management, sustainability and post-harvest management have contributed to Costa's leading market position in the

6. Citrus planted area includes 253 hectares of persimmons, avocados and grapes.
7. Includes planted areas in the African Blue JV.

Australian fresh fruit and vegetable industry. Costa spent approximately $10 million and $8 million on R&D initiatives in FY2013 and FY2014, respectively.

Costa conducts a number of R&D trials at various farms on an ongoing basis. A purpose-built facility at Corindi, New South Wales supports the varietal improvement activities for Costa's berries. Costa's Corindi facility also provides space to grow plants that have been bred at other sites. Costa also operates the dedicated Research and Commercialisation Centre at Guyra to trial new tomato varieties and growing techniques, including integrated pest management solutions which use natural predators to manage pests, reducing the reliance on chemical sprays.

Refer to Section 3.4.1 for further information on IP and R&D within each produce category.

3.2 BRAND PORTFOLIO

Costa is establishing valuable brands in the fresh produce industry that it believes are well recognised by consumers and are entrenching Costa's position in the market.

A summary of Costa's brand portfolio is set out in Table 2.

Table 2: Costa's key brands

Driscoll's ONLY THE FINEST BERRIES	• The brand licensed to the Driscoll's Australia Partnership and under which the majority of Costa's berries are marketed in Australia • Driscoll's has the highest berry market share and berry brand recognition in Australia • The Driscoll's Australia Partnership has leading genetics and post-harvest management
blush KISSED BY SUNSHINE	• Well established brand used for Costa's premium truss tomatoes • Sub-brands are sold under the Blush umbrella brand
perino sweet snacking tomatoes	• Costa has exclusive rights to the seed for Perino™ and Perino Gold™ varieties in Australia • Costa's products under this brand have experienced strong growth in recent years
African Blue Morocco's finest Blueberries	• Brand owned by the African Blue JV under which the Moroccan blueberry crop is marketed in the United Kingdom, Europe and Asia • Backed by the Costa blueberry varieties
Adelaide Mushrooms The Home of Quality	• Adelaide Mushrooms brand maintains strong customer loyalty in the wholesale sector
Vitor AUSTRALIA'S BEST Kangara	• Vitor is Costa's primary citrus brand and is an internationally recognised Australian citrus brand • Kangara is used in selected overseas markets
Other brands	• Other premium retail and wholesale brands include Costa Mushrooms®, Bloom™, Costa Farms™ and Sampari®. These are targeted to increase consumer brand recognition across the Australian retail and wholesale channels

3.3 SALES AND MARKETING

Costa utilises a variety of sales and marketing approaches in order to build stronger customer relationships and tailor its product offering to market channels.

Costa is the largest fresh produce supplier in aggregate to the major Australian supermarkets including Woolworths, Coles, ALDI and IGA who collectively comprised 67.3% of Costa's produce sales in FY2014.

Costa has developed and maintains a number of contracted supply arrangements with the major Australian supermarkets, including Coles, Woolworths and ALDI, for selected fresh produce categories, including tomatoes and mushrooms. The balance of supply is uncontracted and both price and volumes are generally negotiated weekly based on market supply and demand dynamics (see Section 5.2.2 for further information). In the berry category, the Driscoll's Australia Partnership performs all of the domestic fresh berry marketing activities for Costa's berry production pursuant to the partnership agreement with Driscoll's (see Sections 3.4.1.1.1 and 9.5.3.1 for further information). Costa utilises its Costa Farms wholesale business as the primary sales channel for produce that is not supplied directly to the major supermarkets.

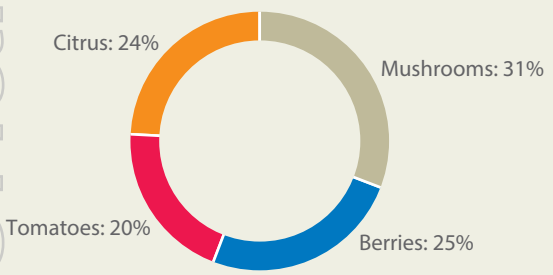
Costa manages a variety of export channels to maximise returns from its produce with a network of customers across approximately 20 countries. Key markets include Japan, Hong Kong, South East Asia and the United States. Costa maintains a small team dedicated to managing exports sales, including an export sales manager based in Malaysia.

Further information on Costa's arrangements with key customers is set out in Section 5.2.2.

3.4 COSTA'S BUSINESS DIVISIONS

Costa consists of three business divisions: Produce, International and Costa Farms and Logistics. An overview of each of the divisions is set out in this Section 3.4.

Figure 16: Forecast core produce revenue contribution by category (FY2016)



3.4.1 Produce

Costa's Produce business operates in four core categories: berries, mushrooms, glasshouse grown tomatoes and citrus.

From FY2013 to FY2014, the Produce division's pro forma EBITDA before SGARA grew by 36.9% to $50.8 million. Costa forecasts that pro forma EBITDA before SGARA will increase by 8.3% to $55.1 million in FY2015 and by 33.7% to $73.6 million in FY2016.

3.4.1.1 Berries

Costa is the largest grower of blueberries and raspberries in Australia with a history spanning over 30 years.[8] In FY2014, Costa produced approximately 4,139 tonnes of berries, consisting of blueberry, raspberry, strawberry and blackberry varieties, of which 2,300 tonnes were blueberries, 1,242 tonnes were raspberries, 572 tonnes were strawberries and 25 tonnes were blackberries. Costa has a portfolio of proprietary and licensed varieties and licenses proprietary blueberry varieties internationally.

Costa's forecast market share in FY2015 by volume marketed through Costa's Driscoll's Australia Partnership is expected to be 91% in raspberries (66% grown by Costa and 25% grown by third parties) and 77% in blueberries (41% grown by Costa and 36% grown by third parties). Further information about Costa's partnership with Driscoll's can be found in Section 9.5.3.

Table 3 provides a snapshot of Costa's berry varieties.

8. Costa management.

Table 3: Snapshot of Costa's berry varieties

 **BLUEBERRIES** **FY2013-FY2014 growth: 12.4%**[9]	• Blueberries are produced across four growing regions along the east coast of Australia to extend the growing season. Following completion of the berry expansion projects, approximately 34% of Costa's production is expected to be outside the peak supply period in Australia of September to March. Refer to Section 3.5.1.1 for further details on the berry expansion project • A new farming location was established in Western Australia in 2014 to service Western Australia and South Australia and to export to Asia and the Middle East • There is significant demand for blueberry varietals globally. Costa's key varieties include Kirra and Mayra, with the newly launched Arana variety extremely promising in hydroponics • Costa's blueberries are marketed and sold in 80g, 125g and 230g punnets • An additional 90 hectares of blueberries will be planted as part of Costa's berry expansion plans
 **RASPBERRIES** **FY2013-FY2014 growth: 63.0%**[10]	• Raspberries are produced in Corindi, New South Wales and Dunorlan, Wesley Vale and Sulphur Creek, Tasmania. The peak supply of raspberries occurs from December to April • In 2014, Costa undertook an expansion of raspberry farming into Neergabby, Western Australia. The first harvest of this new crop commenced in April 2015 • Raspberries were previously a niche category but through increased supply and improved genetics are now available for consistent year-round supply to major food retailers • Costa's raspberries are marketed and sold in 125g punnets • An additional 87 hectares of raspberries will be planted as part of Costa's berry expansion plans
 **STRAWBERRIES** **FY2013-FY2014 growth: 106.3%**[11]	• Strawberries are grown in Devonport, Tasmania • Costa focuses on supply of strawberries during the summer season after peak Queensland production is completed • Costa's strawberries are marketed and sold in 250g and 450g punnets • An additional 18 hectares of strawberries will be planted as part of Costa's berry expansion plans
 **BLACKBERRIES** **FY2013-FY2014 growth: 17.5%**[12]	• Blackberries are currently a niche category and are produced in small quantities at Dunorlan, Tasmania • Costa has small blackberry R&D facilities at both Corindi and Dunorlan • Driscoll's varieties of blackberries are currently being assessed by the Australian quarantine authorities and, once approved, it is anticipated that Costa will be able to commence trialling these varieties. These varieties are currently grown and marketed successfully in the Americas, with the potential to commercialise for the Australian market • Costa's blackberries are marketed and sold in 125g punnets

Costa's berry operations have achieved consistent growth over the past three years. Further growth is projected following a significant three year expansion program initiated in 2014, which will see an increase in planted hectares of more than 40% once completed. The expansion program covers blueberries, raspberries and strawberries across a number of Australian states and is designed to fill out current production gaps as well as to increase supply to meet market demand in Australia. For blueberries and raspberries, the expansion will improve Costa's ability to provide year-round supply through a combination of locations, varieties, and agronomic expertise. The expansion also includes further production of strawberries to meet market demand over summer in Australia when market supply has traditionally been low. Refer to Section 3.5.1.1 for further details on the berry expansion project.

Costa was one of the first to farm raspberries in substrate (hydroponics) in Australia and has since applied this capability to blueberry farming. This innovation has enabled a material increase in yields, and has reduced the reliance on soil quality. These benefits have enabled Costa to invest in new initiatives such as the installation of automated blueberry packing lines to decrease packing costs.

9. Driscoll's marketed volume growth.
10. As above, note 9.
11. As above, note 9.
12. As above, note 9.

3.4.1.1.1 Driscoll's Australia Partnership

In 2010, Costa entered into a partnership with Driscoll's and formed Driscoll's Australia, a 50/50 owned Australian berry marketing business. Driscoll's is a leading United States-based berry breeding and marketing business with global operations.

The purpose of this partnership was to facilitate the licensing of each partner's berry varieties. By virtue of its involvement in the partnership, Costa has an understanding with the partnership that it will be the largest grower of Driscoll's varieties in Australia, and has historically planted approximately 70% of the Driscoll's raspberry varieties in Australia. These varieties are also available to other Driscoll's growers in Australia who are required to market their product through Driscoll's Australia.

Costa also licenses blueberry varieties to Driscoll's for the use in the Americas, with Costa varieties now planted in California, Mexico, Chile and Peru. These licences generate a royalty income stream for Costa.

At the time of forming the Driscoll's Australia Partnership, Costa transferred the domestic marketing of all third party-grown and Costa-grown fresh berries to the partnership. The majority of Costa's fresh berry production is now marketed through the partnership domestically. See Section 9.5.3 for further information.

3.4.1.1.2 International berry operations

In addition to the domestic business, Costa has also expanded its international berry business. Costa has with existing operations in Morocco, is establishing a new farming joint venture in China (**China JV**) and has ongoing income from licensing Costa's berry varieties. These international opportunities are discussed separately in Section 3.4.2.

3.4.1.1.3 Intellectual property and R&D

Costa has a blueberry breeding program based in Corindi, New South Wales and has developed numerous proprietary blueberry varieties through a long-standing collaboration with Florida Foundation Seed Producers, a research arm of the University of Florida. For approximately 20 years, the University of Florida has been providing genetic material for Costa to use in its blueberry breeding program. This ongoing provision of genetic material has helped Costa to have genetic diversity to facilitate the success of Costa's berry breeding program.

In addition, Costa has a dedicated plant breeding team focused on the development of new blueberry varieties for Costa's own farming operations and global licensing arrangements. In order to maintain a continuous selection pipeline of varieties, Costa trials more than 35,000 plants per breeding cycle. Each successful breeding cycle takes approximately 12 years to reach commercialisation.

In total, six blueberry varieties have been developed and commercialised by Costa (all of which are protected by plant breeder's rights (**PBR**) and five of which are protected by patents). Some of these varieties are grown extensively in Australia, and are licensed globally including in Morocco and the Americas. Costa currently licenses its key blueberry varieties to African Blue, with the African Blue JV having exclusive rights to grow these varieties in Morocco and non-exclusive rights for sale worldwide (excluding the Americas). Driscoll's has the exclusive rights to grow and sell Costa blueberry varieties in the Americas.

Figure 17: Costa blueberries

Figure 18: Blueberries freshly picked and about to be packed

3.4.1.1.4 Berry growing process

Costa's berry operations have reduced climate risk by growing berries under protective tunnels and often in substrate. All strawberries, and an increasing proportion of Costa's raspberries and blueberries, are grown under protective tunnels and in substrate. Netting is also used to protect the blueberry crop.

The process from growing to sale involves variety development and selection, block establishment, planting, growing, harvesting, packing, product cooling, cold storage, and sales and distribution.

Figure 19: Berry growing process

Variety development and selection	• Varieties are selected for planting to best match climate, farm location, soil conditions and desired harvest periods • This process can begin years before a growing block is established
Block establishment	• Farm land is divided into manageable blocks with the aim of minimising variability in growing conditions and important infrastructure such as the irrigation system and crop protection structures is laid out and erected
Planting	• Plants are placed directly into the soil, substrate pots or bags of growing medium • Soil preparation as well as good quality substrate are critical to ensure the healthy development of plants
Growing	• Substrate growing conditions are strictly controlled with automated water and nutrient systems. Soil growing conditions are managed with irrigation systems and use a combination of liquid and solid fertilisers
Harvesting	• Berry picking begins as early as possible in the morning to ensure the temperature is as low as possible
Packing	• Raspberries, strawberries and blackberries are packed by hand in the field. Blueberries are more robust and can be packed mechanically
Product cooling	• During harvest, trucks continuously move picked product from the field to cooling facilities that are specifically designed for this purpose
Cold storage	• Whenever possible, berries are sent to customers the same day they were picked; otherwise, berries are stored in Costa-operated cold rooms at close to 0°C required for dispatch • Blueberries can be stored in modified atmosphere conditions to extend shelf life
Sales and distribution	• All Costa domestic fresh berries to be sold domestically are marketed through the Driscoll's Australia Partnership • Product is transported, by third party distributors arranged by Costa, in refrigerated vehicles to customer distribution centres or the central markets for sale to customers

3.4.1.1.5 Berry facilities

Costa's berry category currently operates across eight farming locations throughout Australia and has approximately 530 planted hectares of berries.

Table 4: Berry facilities

	Location	Planted hectares (as at 31 March 2015)	Variety grown	Owned/leased[13]
Atherton Tableland	Far North Queensland	15	Blueberries	Leases expire in 2024 and 2029
Corindi	New South Wales	351	Blueberries/ Raspberries	Leases expire in 2036 and 2037
Devonport	Tasmania	10	Strawberries	Lease expires in 2023
Devonport	Tasmania	n.a.	Distribution centre	Lease expires in 2034
Dunorlan	Tasmania	14	Raspberries/ Blackberries	Lease expires in 2036
Sulphur Creek	Tasmania	71	Blueberries/ Raspberries	Leases expire in 2017, 2018, 2019 and 2036
Wesley Vale	Tasmania	15	Raspberries	Leases expire in 2020
Neergabby	Western Australia	16	Blueberries/ Raspberries	Lease expires in 2029
Tumbarumba	New South Wales	41	Blueberries	One leased and one owned; lease expires in 2036

13. Lease expiry assumes exercise of all options available to Costa to extend. In the case of consecutive leases over the same property, the expiry date of the last lease is stated.

Figure 20: Aerial picture of Sulphur Creek berry farm

3.4.1.2 Mushrooms

Costa is the largest grower and pre-packer of mushrooms in Australia. In FY2014 Costa produced approximately 25,150 tonnes of mushrooms through its current network of seven growing facilities and five composting sites.[14] Costa's national production footprint allows it to provide 52 week supply to all states, with each state being primarily served by local farms. Costa's Mernda farm in Victoria is the largest single mushroom farm in Australia.[15] Costa operates a vertically integrated mushroom production model, from in-house spawn production to climate-controlled packing. This vertical integration is a key differentiator in the category as it helps to ensure consistency of quality and supply.

Costa's market share in the domestic mushroom market for FY2014 was 42%, based on production volume.

Costa's mushroom brands include: Costa Mushrooms, Adelaide Mushrooms and Tasmanian Mushrooms, with white and Swiss brown mushroom varieties. Costa supplies pre-pack and loose mushrooms to major Australian supermarkets including Woolworths, Coles and ALDI.

Tables 5 and 6 provide a snapshot of Costa's mushroom varieties and packaging options, respectively.

Table 5: Costa's mushroom varieties

Varieties	White	Swiss brown
	• Sold as buttons, cups and flats with each variety having different culinary uses • Grown at all of Costa's mushroom facilities and represents approximately 87% of Costa's total mushroom sales volume in FY2014	• Sold as buttons, cups and portobello flats • Richer and deeper flavour than white agaricus mushrooms, and commands a higher retail value • Grown at Mernda (Victoria), Monarto (South Australia), Casuarina (Western Australia) and Spreyton (Tasmania)
		 

14. Volumes have been normalised for site closures.
15. Costa management.

Table 6: Costa's mushroom packaging

Packaging

Pre-packaged mushrooms

- Achieve a higher price point than loose mushrooms, and can increase shelf life
- Approximately 47% of Costa's mushrooms are sold in pre-packs into the retail and wholesale markets, in both whole and sliced formats, packed in punnets and bags ranging in size from 200g to 500g

- FY2013-FY2014 growth: 7.3%[16]

Loose mushrooms

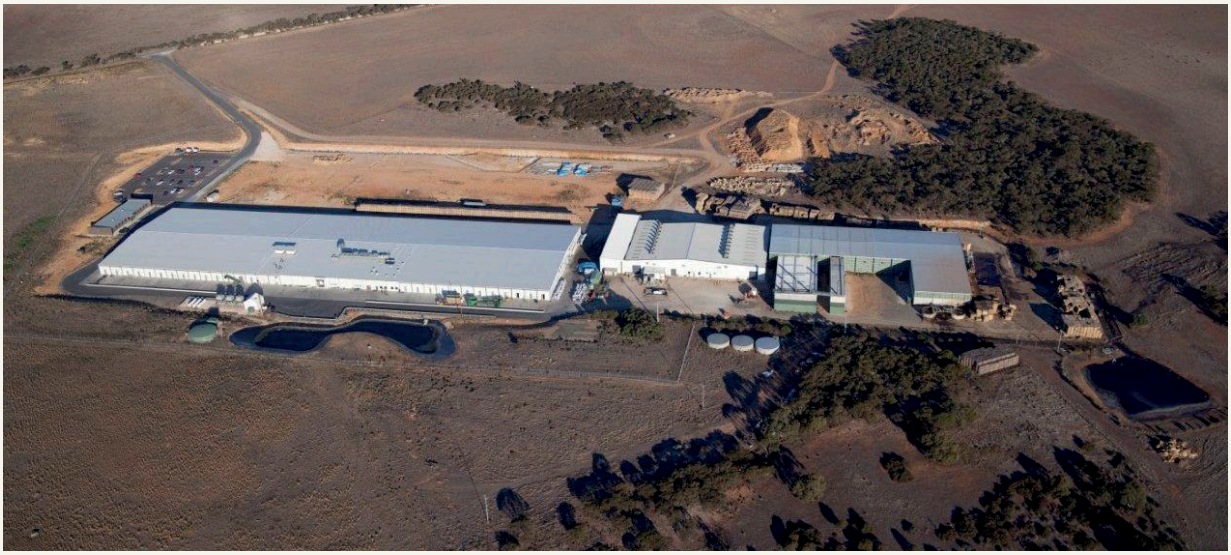
- Sold in 3kg to 4kg boxes under Costa Mushrooms, Adelaide Mushrooms or Tasmanian Mushrooms brands
- Approximately 53% of Costa's mushrooms are sold in loose format into both the retail and wholesale markets (including via Costa Farms)

- FY2013-FY2014 growth: -2.6%[17]

In 2013, Costa acquired the business of the Adelaide Mushrooms Group, the largest producer in South Australia and Tasmania with a premium wholesale brand name. The acquisition included a new state-of-the-art 120 tonne per week composting and growing facility at Monarto, South Australia. The site configuration of the Monarto facility gives it the potential to double its growing capacity to support future market demand if required (following the building of additional growing rooms, subject to council and Environmental Protection Authority approvals).

Costa has also recently undertaken some significant capital projects across its mushroom facilities, including investment in pre-pack automation, air handling and refrigeration and cold chain upgrades to improve quality and consistency.

Figure 21: Aerial picture of Monarto mushroom farm



Costa supplies a large range of customers. Costa has strong relationships with its retail customers including established contracts with agreed pricing and volume commitments.

16. Sales volume growth.
17. As above, note 16.

3.4.1.2.1 Intellectual property and R&D

Costa is the only commercial mushroom grower in Australia that owns and manufactures all of its own spawn requirements. This manufacturing process is undertaken in an R&D facility in Mernda, Victoria to support varietal development, improvement and innovation. Costa has an exclusive licence from Amycel to make, use and sell Amycel spawn in Australia and has licensed technology from Monterey Mushrooms Inc which enhances the Vitamin D content of mushrooms.

Costa's other mushroom R&D initiatives include new product development along with post-harvest and packaging improvements.

3.4.1.2.2 Mushroom growing process

Costa's mushroom operations are vertically integrated, incorporating spawn production, composting, growing, packaging, warehousing and distribution. This vertical integration helps to ensure consistent quality and supply of retail grade mushrooms across Australia. The mushroom growing cycle is conducted year-round in an enclosed farming environment under controlled temperature conditions. Compost production can occur in either indoor or outdoor environments across Costa's facilities. Because no sunlight is required to grow mushrooms, this produce category is less vulnerable to external climatic influences.

Figure 22: Mernda mushroom farm pre-pack line

Figure 23: Mushroom growing process

Spawn production	• Spawn is produced at Costa's laboratory in Mernda, Victoria • Growing medium is prepared under sterile conditions and then inoculated with the spawn at each growing site
Phase 1 - composting	• Compost typically is prepared over a 20-21 day process (varying by season and site) involving regular tending to ensure quality and consistency
Phase 2 - pasteurisation	• Peak heating or pasteurisation occurs over seven days in a temperature-controlled environment
Phase 3 – spawn run	• Spawn and supplement are added to the compost • To promote mushroom development, a surface "casing" layer of peat is added to the compost and watered • The mushrooms are then moved to temperature, CO_2 and humidity-controlled growing rooms
Growing	• Approximately 15 days later, the first of three flushes is ready for picking. Picking of the first flush lasts four days • From start to finish, a mushroom crop takes 12 weeks to produce three "flushes"
Harvesting	• All mushrooms are hand harvested, with size picked to sales demand • Product is weighed, graded and quality assurance checked
Pre-pack and distribution	• Whole, sliced and Vitamin D enhanced mushrooms are processed in a range of punnets and bags • Product is transported, by third party distributors arranged by Costa, in refrigerated vehicles to customer distribution centres or the central markets for sale to customers

3.4.1.2.3 Mushroom facilities

Costa currently operates seven mushroom growing facilities and five composting sites across Queensland, Victoria, South Australia, Western Australia and Tasmania.

Table 7: Mushroom facilities

	Activity	Location	Growing area (m^2)	Owned/leased[18]
Casuarina	Growing	Casuarina, Western Australia	136,609	Owned
Dulverton	Composting	Dulverton, Tasmania	–	Lease expires in 2022
Glen Aplin	Growing	Glen Aplin, Queensland	22,685	Owned
Mernda	Growing, spawn production	Mernda, Victoria	503,797	Owned
Monarto	Growing	Monarto, South Australia	202,020	Owned
	Composting	Monarto, South Australia	–	Owned
Nagambie	Composting	Nagambie, Victoria	–	Owned
Nambeelup	Composting	Nambeelup, Western Australia	–	Lease expires in 2022
North Maclean	Growing	North Maclean, Queensland	96,720	Owned
	Composting	North Maclean, Queensland	–	Owned
Spreyton	Growing	Spreyton, Tasmania	25,000	Owned
Yarrambat	Growing	Yarrambat, Victoria	29,420	Owned

18. Lease expiry assumes exercise of all options available to Costa to extend.

3.4.1.3 Tomatoes

Costa is a leading grower, packer and marketer of glasshouse grown tomatoes in Australia, with a brand offering that includes exclusively licensed varieties. Costa's 20 hectare glasshouse in Guyra, New South Wales, provides a 52 week supply of tomatoes annually. In FY2014, Costa marketed approximately 14,000 tonnes of glasshouse grown tomatoes, including produce grown by subcontracted third party growers. Costa's tomato category provides exclusive branded products to major food retailers (Coles, Woolworths and ALDI).

Guyra was selected as the optimal location for Costa's glasshouses due to its high annual light levels and favourable temperature range that rarely exceeds 30 degrees Celsius. Guyra's altitude of 1,330m and cold winter temperatures also reduce risk of pest and disease. These factors help to maximise production capability and consistency. Since commencement in 2006, the Guyra facility has traditionally focused on growing truss tomatoes and has delivered improvements in yield and operational efficiency, delivering a significantly improved and predictable earnings profile. In 2014, Costa commenced growing sweet snacking tomatoes at Guyra, in conjunction with plans to establish the new 10 hectare glasshouse at Guyra which is currently under construction. Costa has been the market leader in the development of the sweet snacking tomato sub-category in Australia. Introduced in 2009, Perino™ has been the flagship product in this sub-category and has underpinned the growth of the sweet snacking sub-category in Australia, with average annual growth of 29% over the past three years.

Costa's estimated market share in the protected tomato category for FY2014 was 18% (10% Costa grown and 8% third party grown), by production volume.

Table 8 provides a snapshot of Costa's glasshouse grown tomato varieties.

Table 8: Snapshot of Costa's glasshouse grown tomato varieties

 **COCKTAIL** **FY2013-FY2014 growth: 62.7%**[19]	• Vine ripened for maximum flavour • Sold in 250g pre-packs • Key brand is Sampari®
 **SNACKING** **FY2013-FY2014 growth: 39.7%**[20]	• Rapidly growing segment, with consumer perception of healthy food, convenience and taste helping to drive demand • Range of new red and golden products being launched, underpinned by Costa's exclusive access to key sweet snacking tomato varieties • Typically sold in 200g punnets at a premium to cherry tomatoes • Key brands include Perino™ and Perino Gold™
 **TRUSS** **FY2013-FY2014 growth: -8.0%**[21]	• Glasshouse grown tomatoes are vine ripened and grown indoors and offer superior overall quality and consistency relative to field grown tomatoes • Typically sold at a premium to field tomatoes • Sold in 5kg loose trays, or 500g pre-packs • Key brand is Blush® • Recent reduction in volumes driven by shifting focus to premium priced cocktail and snacking varieties

In addition to the Guyra facility, Costa subcontracts the growing of a further 16 hectares of glasshouse space to six third party growers. The largest of Costa's third party growers is D'Vine Ripe, utilising approximately 10 hectares of a 27 hectare facility. All subcontracted products grown within Costa's specifications must be sold to Costa.

Costa is currently investing in a new 10 hectare tomato glasshouse in Guyra to provide increased flexibility in relation to selecting, developing and growing tomato varieties that provide unique offerings to the market.

19. Marketed volume growth.
20. As above, note 19.
21. As above, note 19.

Planting at the new facility is expected to commence from July 2015. Until this new glasshouse is complete, Costa has been growing new varieties at Costa's existing glasshouse and third party locations in the interim to develop the market. Refer to Section 3.5.1.2 for further information on Costa's tomato expansion program.

3.4.1.3.1 Intellectual property and R&D

Costa's tomato category has a successful track record of identifying, trialling and commercialising new tomato varieties for the Australian market. This has resulted in significant market success, with numerous exclusively licensed varieties of tomatoes now being sold under Costa brands including Perino™ and Perino Gold™.

Costa currently operates a tomato glasshouse research and commercialisation centre at Guyra, New South Wales, that is dedicated to trialling potential new varieties of tomatoes from a range of seed suppliers including Syngenta, Monsanto and Rijk Zwaan. There are up to 30 varieties being tested in the facility at any one time, with varieties being tested for characteristics such as yield, flavour and pest resistance. These trials have enabled Costa to continue to provide new innovative products to the market, with exclusive access to certain key varieties. Costa's tomato R&D initiatives also include the development of integrated pest management, and tomato waste solutions.

3.4.1.3.2 Glasshouse tomato growing process

Costa's glasshouse grown tomato operations are vertically integrated from varietal selection and growing through to post-harvest management, marketing and distribution.

Figure 24: Glasshouse tomato growing process

Varietal selection and growing	• Plants are grown in controlled conditions with measurements taken on key traits including yield and plant habits. The growth process takes between two and three growing seasons
Propagation and grafting	• Scion and rootstock are sown in specially designed plugs. One week after germination, these two seedlings are grafted to create one plant. This plant is then grown in a nursery until it is ready for the commercial greenhouse
Growing	• Plants are grown from seedlings in a glasshouse, with controlled climate and irrigation • Each plant is grown for a total of 45 to 50 weeks. The first crop is harvested approximately eight weeks after it is initially planted in the glasshouse, and then bears fruit for the next 37 to 42 weeks
Harvesting	• Fruit is harvested from the plants twice per week. All fruit is hand-picked and graded into dedicated crates and transported via automated trolleys to the packing facility
Packing and quality control	• Packing occurs only minutes after harvesting. Stringent quality checks are carried out during this process to ensure the best possible quality to the customer
Pre-cool and cold storage	• All fruit is put through a pre-cooling process to drop temperatures quickly to ensure better fruit quality and longest possible shelf life
Transport to markets or distribution centres	• Tomatoes are transported by third party distributors arranged by Costa, in refrigerated vehicles directly to central markets or customer distribution centres where they are promptly dispatched to retailers so the product is available to consumers as fresh as possible

3.4.1.3.3 Glasshouse tomato facilities

Costa currently has in operation a 20 hectare glasshouse facility in Guyra, New South Wales and is currently constructing a new 10 hectare glasshouse in Guyra.

Glasshouse production offers improved product quality, out-of-season production, superior climate management, more effective management of irrigation and nutrients (fertiliser), control of run-off (excess irrigation water) and biological control of insect, pest and disease management. Costa management estimates that for equivalent planted areas, the yield in glasshouses is approximately 10 times the yield from uncovered field production.

Table 9: Tomato facilities

	Location	Planted hectares	Owned/leased[22]
Guyra (Glasshouse 1+2)	Guyra, New South Wales	20	Lease expires in 2033
Guyra (Glasshouse 3)	Guyra, New South Wales	10 (under construction)	Owned

22. Lease expiry assumes exercise of all options available to Costa to extend.

Figure 25: Inside Guyra: Ripening truss tomatoes

Figure 26: Aerial view of the 20 hectare Guyra tomato glasshouse

3.4.1.4 Citrus

Costa is the largest grower, packer and marketer of citrus in Australia.[23] In FY2014, Costa's citrus category produced approximately 70,800 tonnes of fruit. Costa's citrus category grows a variety of citrus products including oranges, mandarins and lemon/limes as well as grapes, persimmons and avocados. All produce is grown in the Riverland Region of South Australia, with the exception of table grapes which are grown at Mundubbera, Queensland.

Costa's citrus operations utilise the export market as a core sales channel. Approximately 50% of Costa's citrus produce was exported in 2014. Key export markets include Japan, South East Asia and the United States.

Costa's market share in the citrus category (including Costa's exported volumes) for FY2014 was 16% by volume (14% Costa grown and 2% third party grown).[24]

Table 10 provides a snapshot of Costa's citrus varieties.

23. Costa management, by production volume.
24. Taking into account volumes imported into Australia by participants in the Australian citrus industry.

Table 10: Snapshot of varieties[25]

 **ORANGES** **FY2013-FY2014 growth: 2.9%**[26]	• 1,194 planted hectares • Five navel varieties are grown representing approximately 50% to 60% of the crop • Harvested year-round, with peak supply between April and December • Small volume of Valencia production • Sold in loose 30L carton format and pre-packs
 **MANDARINS** **FY2013-FY2014 growth: 20.0%**[27]	• 574 planted hectares • 12 varieties grown • Harvested between March and late October • Trend towards easy peel, seedless mandarin varieties • Sold in loose or pre-pack formats
 **LEMONS/LIMES** **FY2013-FY2014 growth: 9.1%**[28]	• 85 planted hectares • Harvested year-round, with peak supply from June to October • Storage program post October to enable domestic supply into Australian summer at attractive prices • Move to pre-pack format has delivered a price premium in recent years
 **TABLE GRAPES** **FY2013-FY2014 growth: -10.0%**[29]	• 85 planted hectares at Mundubbera producing on average 100,000 cartons each year • Harvested in November and December • Licensed grower and marketer of Sun World table grape varieties • Active marketing business supplementing own farm supply with third party volume and imports to provide year-round supply
 **AVOCADOS, WINE GRAPES AND OTHER FRUITS** **FY2013-FY2014 growth: 8.6%**[30]	• The Riverland Region farms also grow small volumes of avocados, tangelos, wine grapes and persimmons • 209 planted hectares

25. Volumes are normalised for acquisitions and the opening and closing of sites: see Section 4.3.3 for further detail.
26. Citrus marketed volume growth.
27. As above, note 26.
28. As above, note 26.
29. As above, note 26.
30. As above, note 26.

Costa's current citrus farming operations are the amalgamation of four large citrus properties in the Riverland Region of South Australia totalling 2,062 planted hectares, and a table grape farm in Mundubbera, Queensland. The Kangara and Solara orchards are relatively young, with a significant portion of trees 10 years old or younger. Costa acquired its fourth Riverland Region farm, Amaroo, on a long term lease in 2014.

In addition to its own farming footprint, Costa has a network of affiliated growers and third party suppliers, including import programs, which enable the supply of citrus to customers year-round.

The Riverland Region farms are currently participating in the partially government funded South Australian River Murray Sustainable Irrigation Industry Improvement Program (**3IP**). Under the 3IP, 300 hectares of new plantings, re-plantings or top working are to be undertaken over the next four years, providing an expected increase in yield and an improved mix of citrus varieties in the future. Costa also maintains a program to re-plant or graft its trees each year to ensure that orchards remain productive.

Costa's citrus operations can be considered a leader in the area of agronomy innovation. Costa's orchards employ advanced irrigation technology to minimise the amount of water required to irrigate the crop. Costa also has an operation called River Rain which provides irrigation services to other citrus growers.

3.4.1.4.1 Intellectual property and R&D

Costa's citrus category operates a varietal commercialisation program supported by in-house nursery capabilities and access to a range of varieties currently in development.

Costa uses brix sensor technology to guarantee a minimum sugar content for fruit exported to the Japanese market, which favours sweeter fruit. This technology is also being used by Costa to measure dryness in imperial mandarins. Currently, R&D efforts are focused on farming techniques to improve soil structures, reducing fertiliser consumption and the elimination of Imperial mandarin dryness.

Costa is one of two Sun World grape marketer licensees servicing the national Australian marketplace.

3.4.1.4.2 Citrus growing process

Costa's citrus operations are vertically integrated from varietal development and growing to post-harvest management, marketing and distribution.

Figure 27: Citrus growing process

Variety development and selection and site selection	• In assessing a market opportunity, Costa determines the most suitable varieties for production. These varieties might be public or proprietary varieties • Soil types are also considered when determining the preferred variety
Growing	• Trees are grown for one year in the nursery and then planted in the orchard in late spring with the first crop arriving approximately three to four years later • The yield will increase each year up until the tree is eight years old where it will then reach a consistent annual production
Harvesting	• The fruit is hand-picked into large bins for transport to the packing shed
Packing	• The fruit is washed, sorted and graded in a centralised packing shed
Post-harvest management	• All citrus is cooled post packing and brought down to the required temperature for transport to the end destination
Cold storage	• Whenever possible, citrus is sent to customers the same day it is packed • During periods of peak harvest and at the end of the season Costa's citrus is often stored in cold storage • Effective post-harvest cold storage allows certain varieties of citrus to be held for up to eight weeks prior to sale
Transport to markets or distribution centres	• Citrus product is both sold locally and exported • Exports are shipped directly from the packing facility. Product is shipped in containers, and consignments are sent directly to the wharf • Transportation for citrus that is sold locally is provided by third party distributors arranged by Costa • Product is checked for quality upon arrival before being dispatched to final destination

3.4.1.4.3 Citrus farm facilities

The citrus category has five farming facilities and four packing facilities.

Table 11: Citrus farm facilities

	Location	Planted hectares	Owned/leased[31]
Kangara	Murtho, South Australia	737	Lease expires in 2036
Solora	Bookpurnong, South Australia	432	Lease expires in 2036
Yandilla	Renmark, South Australia	601	Lease expires in 2036
Amaroo	Paringa, South Australia	292	Lease expires in 2024
Mundubbera (grape farm)	Mundubbera, Queensland	85	Costa owned[32]

Table 12: Citrus packing facilities

	Location	Owned/leased
Renmark	Renmark, South Australia	Owned
Solora	Bookpurnong, South Australia	Lease expires in 2021
Murtho	Murtho, South Australia	Lease expires in 2102
Euston (Grape distribution centre)	New South Wales	Owned

3.4.2 International

The International business division comprises licensing of blueberry varieties and expansion of berry farming in attractive international markets, such as Morocco and China, and has been a key growth strategy for Costa. Costa's international operations provide access to overseas markets, and provide an opportunity for Costa to leverage IP and in-house agronomic knowledge to attain a competitive advantage.

From FY2013 to FY2014, the International division's pro forma EBITDA before SGARA grew by 49.2% to $4.9 million. Costa forecasts that pro forma EBITDA before SGARA will increase by 36.0% to $6.7 million in FY2015 and by 16.9% to $7.8 million in FY2016.

3.4.2.1 African Blue JV in Morocco

In 2007, Costa entered into a joint venture to establish African Blue, a Moroccan-based grower and marketer of blueberries to address blueberry demand across the European Union. Morocco offers a favourable climate for Corindi blueberry varieties, provides easy access to European consumers and benefits from an earlier harvest window than that of existing competing Spanish supply of blueberries and lower production costs. The African Blue JV has four shareholders, of which Costa is the largest shareholder with 49% equity interest.

The African Blue JV holds an exclusive licence to grow Costa blueberry varieties in Morocco for sale worldwide (excluding the Americas). Costa receives royalties for its blueberry varieties. Costa also receives a fee for agronomic support.

At the end of FY2014, the planted area was 158 hectares of protected tunnel production. An additional 24 hectares is expected to be planted in FY2015, with a further 90 hectares expected to be planted by FY2017. Third party growers are also being licensed to grow Costa varieties which are marketed by the joint venture. All of the African Blue JV's growth initiatives are expected to be funded on the African Blue balance sheet out of operating cash flow. Refer to Section 3.5.1.3 for further information on potential growth opportunities in the African Blue JV.

31. Lease expiry assumes exercise of all options available to Costa to extend.
32. Approximately 14 hectares subject to lease arrangements. Costa has entered into a contract to purchase this land.

Costa will have an opportunity to increase its shareholding in the future with pre-emptive rights if other shareholders wish to exit.

Figure 28: Established plantings at the African Blue JV in Morocco

Figure 29: New plantings at the African Blue JV in Morocco

3.4.2.2 Driscoll's joint venture in China

Following the success of the African Blue JV, Costa has signed an MOU with Driscoll's to establish a farming operation in southern China (**China JV**). Under the terms of this arrangement, Costa will hold a 70% equity interest in the joint venture. The initial focus of the joint venture will be on the production of blueberries and raspberries. An initial farm site has been selected near Shiping in the Yunnan Province. Costa, along with its joint venture partner, has performed extensive due diligence on the initial farm site and first plantings are expected in 2015, subject to regulatory approvals and finalisation of legal agreements for the formation of the joint venture.

The China JV is expected to address increasing Chinese and Asian demand for berries. The Chinese market for blueberry and raspberry production is underdeveloped and the joint venture provides the opportunity to benefit from expected demand growth from China's rapidly growing middle class segment. The selected location in Yunnan Province offers a favourable climate for Corindi varietals, similar to the climate for Costa's blueberry production locations on the east coast of Australia.

Further information on the China JV is provided in Section 3.5.1.4.

3.4.2.3 Blueberry varietal licensing

Costa has an active research and development unit, which, coupled with a long-standing collaboration with the University of Florida, has developed numerous blueberry varieties. Costa has exclusive worldwide licensing rights in all of the varieties that have been developed and commercialised by Costa. These blueberry varieties are in high demand globally, and are licensed to a number of parties (including licensing to Driscoll's the rights to Costa's blueberry varieties for the Americas). Costa continues to earn a royalty stream on these licences, with revenue from licences of blueberry varieties being derived from a combination of plant sales and fruit-based royalties over the life of each plant. African Blue blueberry plantings are predominantly Costa varieties and also attract royalties payable to Costa.

Costa is focused on continuing to expand its royalty income globally, and maintaining a continued pipeline of new blueberry varieties, with several new promising varieties being trialled internationally.

3.4.3 Costa Farms and Logistics

CF&L is a wholesale market business focused on the sale of produce outside the major retailers and includes an interrelated set of businesses that share ripening and warehousing infrastructure. CF&L's strategy focuses on maximising the returns from Costa's ripening, warehousing and sales capabilities, and providing services to both Costa and its external growers.

Although the wholesale sector has been in decline due to retailer market share growth in produce, it remains an important part of the produce industry. Costa Farms has a long history in the wholesale market and is well positioned to service the independent sector, complementing Costa's retail sales focus in its chosen produce categories. The wholesale markets play an important role in the cycles of supply and demand, and act as a useful point of reference as to market conditions.

The avocado and banana operations are operated under a single umbrella within the CF&L business unit due to the management of the ripening infrastructure being shared by the avocado and banana categories. These categories provide further touch points with Costa's retail customers and substantial throughput to the Costa Farms trading business.

From FY2013 to FY2014, CF&L pro forma EBITDA before SGARA decreased by 9.5% to $14.4 million. Costa forecasts that pro forma EBITDA before SGARA will decrease by 38.6% to $8.9 million in FY2015 and increase by 1.5% to $9.0 million in FY2016.

3.4.3.1 Avocado

Costa's main activity in the avocado category is as a marketer of avocados in Australia. Costa procures fruit from over 30 growers within each of the major growing regions in Australia. Costa is the only marketer of avocados with a production footprint, as well as ripening infrastructure in four states, which allows it to achieve year-round supply. In addition, Costa also has a small avocado farming footprint in Riverland, South Australia, which is included in the citrus operations.

3.4.3.2 Banana

Costa's banana production is based in two growing regions (Tully and Atherton) in Northern Queensland. Costa grows both Cavendish and Lady Finger bananas. Costa is active across the value chain for bananas, including growing, packing and marketing. Costa's strength is its nationwide packing/ripening infrastructure. Premium produce is marketed under the Bloom brand. In addition, Costa also provides banana ripening services to its major retail customers.

With the recent outbreak of Race 4 Panama disease, Costa has proactively undertaken to improve quarantine protocols around its farms, including fencing, people and traffic movement and treatment to mitigate the risk of soil movement and disease spread.

Over the past few years, Costa has downsized its growing exposure in this category, including the sale of two farms, one in 2011 and one in FY2014.

Figure 30: Tully banana farm

Figure 31: Tully banana farm

3.4.3.3 Costa Farms

Costa Farms is a wholesale market business that facilitates the sale of fresh produce to the independent sector. It has representation in three state wholesale markets in Australia in Melbourne, Brisbane and Adelaide.

The Melbourne fresh fruit and vegetable produce market is relocating to Epping in mid-2015. Costa Farms will be relocating its wholesale operations at that point in time, with warehousing and ripening infrastructure being integrated into the Derrimut logistics site in Victoria.

3.4.3.4 Costa Logistics

Costa Logistics is a temperature-controlled warehouse operator with a primary focus on delivering fresh produce warehousing. Currently, Costa has four sites operating nationally, comprising two fresh produce distribution centres for Coles in Western Australia and Tasmania and a site in each of Victoria and New South Wales providing chilled warehousing services to the Costa produce categories and other customers.

Costa Logistics provides a variety of services including pick and pack, cross dock handling, warehouse storage and ripening. The total amount of temperature-controlled warehouse space exceeds 41,000 square metres.

Figure 32: Melbourne wholesale produce market

Figure 33: Costa Logistics Eastern Creek, NSW

3.4.3.5 Polar Fresh

Polar Fresh was incorporated in August 2004 and is a 50/50 partnership between Swire Cold Storage and Costa Fresh Logistics (see Section 9.5.5 for further information). Polar Fresh provides refrigerated storage and distribution management services to Coles. Polar Fresh receives a management fee and other service income from these activities. Polar Fresh currently manages three facilities in Melbourne, Sydney and Brisbane.

3.4.3.6 Costa Farms and Logistics facilities

Table 13: Costa Farms and Logistics facilities[33]

	Facility	Location	Size	Owned/leased[34]
Costa Farms	**West Melbourne[35] (relocating to Epping in mid-2015)**	West Melbourne, Victoria	approx. 579m²	West Melbourne lease is currently month to month New Epping lease will expire in 2030
	Rocklea	Rocklea, Queensland	approx. 2,256m²	Leases expire in 2021, 2022 and 2029
	Pooraka	Pooraka, South Australia	approx. 3,450m²	Lease expires in 2018
Logistics	**Jandakot distribution centre**	Jandakot, Western Australia	7,481m²	Lease expires in 2038
	Devonport distribution centre	Devonport, Tasmania	3,415m²	Lease expires in 2038
	Derrimut distribution centre (including Coles Ripening Centre)[36]	Derrimut, Victoria	15,347m²	Lease expires in 2039
	Eastern Creek distribution centre[37]	Eastern Creek, New South Wales	18,922m²	Lease expires in 2036
Banana	**Banana farm**	Tully, Queensland	150 hectares planted and approx 1,800m² packing shed	Owned
	Banana farm and packing shed	Walkamin, Queensland	148 hectares planted (83 hectares of Cavendish and 65 hectares of Lady Fingers) and approx. 2,400m² packing shed	Site leased Packing infrastructure owned Leases expire in 2033 (farms) and 2053 (packing shed)

33. Excludes Polar Fresh joint venture facilities.
34. Lease expiry assumes exercise of all options available to Costa to extend. In the case of consecutive leases over the same property, the expiry date of the last lease is stated.
35. Costa is currently on a month to month lease in West Melbourne pending the relocation to Epping in mid-2015. Quoted size is for leased area after relocation to Epping.
36. Approximately 5,600 square metres is subleased by a third party for most of the remaining term.
37. Approximately 2,780 square metres is subleased by a third party until 2019.

3.5 GROWTH PROJECTS AND CORPORATE STRATEGY

Management believes that Costa's current market position and operating platform provide it with multiple growth drivers both in the Australian domestic market and internationally.

From FY2013 to FY2014, Costa's pro forma EBITDA before SGARA grew by 24.5% to $70.2 million. Costa forecasts that pro forma EBITDA before SGARA will increase by 0.6% to $70.6 million in FY2015 and by 28.1% to $90.4 million in FY2016.

In the near to medium term, Costa will focus on executing four key growth projects:

- berry expansion project;
- tomato expansion project;
- African Blue expansion project; and
- China JV.

In addition to the four key growth projects listed above, Costa's corporate strategy involves a number of further initiatives aimed at sustaining long term growth, which include:

- continuing to build Costa's market position and farming footprint;
- expanding global licensing of Costa's blueberry varieties;
- continuing to invest in and expand R&D capabilities; and
- developing new channels to market through product innovation, new customer development and development of export markets.

Although Costa's strategy is growth oriented, management maintains a prudent and disciplined approach to capital deployment and generally targets a minimum return on capital of 20% on new investments in three to five years (typically measured as EBITDA divided by capital employed).

Since 2011, Costa has been undertaking a strategic transformation program focused on increasing its scale and vertical integration within its portfolio and reinvesting in the business to refresh core assets and fund growth. Costa's management has overseen and executed a range of strategic growth initiatives that have delivered attractive levels of return on capital invested and earnings contribution. At the same time, Costa has made strategic decisions to downsize non-core categories, including table grapes, which have not delivered satisfactory returns.

Figure 34 sets out key initiatives that have been implemented over the last five to 10 years.

Figure 34: Case studies of strategic initiatives

Strategic initiative	Description	Financial impact
Creation of a market leading presence in glasshouse grown tomatoes	• Costa has successfully commercialised a 20 hectare tomato glasshouse facility at Guyra, enabling Costa to reach its current position as the number one producer of glasshouse grown tomatoes in Australia (inclusive of crops grown at third party locations under contract). Costa has been the market leader in the development of the sweet snacking tomato sub-category in Australia • Costa also leveraged the Guyra production base to develop a network of third party growers during this period to further grow this category and is constructing a new 10 hectare glasshouse at Guyra (which will be owned by Costa)	• The existing 20 hectare facility at Guyra was built over three stages from 2006 to 2009 by Costa Asset Management, a Costa Family related party, and is leased by Costa • The existing 20 hectare facility has increased tomato production volume significantly since initial construction and is forecast to generate $50.0 million of revenue in FY2015

Strategic initiative	Description	Financial impact
Development of the berry category in Australia	**Driscoll's Australia** • In 2010, Costa entered into a strategic partnership with Driscoll's to form Driscoll's Australia, a berry marketing business • The purpose of this partnership was to facilitate the licensing of Driscoll's berry varieties and to capitalise on increasing domestic Australian demand for berries • The majority of Costa's domestic berry production is now marketed under the Driscoll's brand	• All of Costa's initial investment contribution to form the Driscoll's Australia Partnership has been repaid in dividends and Costa's share of FY2015 NPAT is forecast to exceed three times the value of Costa's initial investment contribution • The Driscoll's Australia Partnership has grown rapidly since initial formation and Costa's share of transacted partnership sales grew by 54.9% from FY2013 to FY2014, and is forecast to grow by 21.7% and 21.8% in FY2015 and FY2016 respectively[38, 39]
	Raspberry category development • Following the formation of the Driscoll's Australia Partnership, and Costa gaining access to Driscoll's raspberry varieties, Costa commenced redeveloping the raspberry category in 2010 in Australia • Costa has rapidly grown its raspberry category from a niche category to a mainstream product with year-round supply • Development of the raspberry category has involved a progressive and ongoing footprint expansion in conjunction with Vitalharvest, a Costa Family related party	• Costa's raspberry farming sales volumes grew by 51.3% from FY2013 to FY2014, and are forecast to grow by 23.8% and 43.1% in FY2015 and FY2016, respectively
Expand berry farming footprint internationally	• To capitalise on demand for berries globally, Costa embarked on a strategy to increase its berry farming footprint in international markets • In 2007, Costa entered into a joint venture to establish African Blue, a Moroccan-based grower and marketer of blueberries • Costa made an initial investment of 40% in 2007 and acquired a further 9% of the African Blue JV in 2014 • All growth since Costa's initial investment has been funded by the African Blue JV 's balance sheet, with surplus cash flow paid as dividends to the joint venture parties (including Costa)	• Costa's share of FY2015 NPAT is forecast to be approximately 0.8 times Costa's total invested capital for the 49% equity interest • The African Blue JV has grown rapidly since Costa's initial investment and Costa's share of transacted joint venture sales grew by 52.9% from FY2013 to FY2014, and is forecast to grow by 38.5% and 34.4% in FY2015 and FY2016, respectively[40, 41]
Enhance Costa's position as the leading national mushroom supplier in Australia	• Delivering on Costa's strategy to enhance its national footprint and market position in the mushroom category, Costa executed a transformational acquisition of Adelaide Mushrooms in 2013	• The Adelaide Mushrooms acquisition increased Costa's mushroom production capacity by over 37.8% following completion and contributed a new, state-of-the-art composting and growing facility with 130 tonne per week production capacity in Monarto, South Australia

Management remains focused on pursuing organic and alternative growth initiatives while continuing to improve operational efficiencies.

38. Costa currently owns 50% of the Driscoll's Australia Partnership and receives dividends. For accounting purposes, Costa records its share of the joint venture's NPAT on its financial statements. Refer to Section 4.3 for more information.
39. Transacted partnership sales includes all sales by the Driscoll's Australia Partnership (including sales of berries grown by Costa and berries grown by third parties and marketed by the Driscoll's Australia Partnership on an agency basis).
40. Costa currently owns 49% of the joint venture and receives dividends. For accounting purposes, Costa records its share of the joint venture's NPAT on its financial statements. Refer to Section 4.2 for more information.
41. Transacted joint venture sales includes all sales by the African Blue JV (including sales of berries grown by the African Blue JV and sales of berries grown by third parties and marketed by the African Blue JV on an agency basis).

3.5.1 Key growth projects

3.5.1.1 Berry expansion project

Costa is currently undertaking a significant berry expansion program. Initiated in 2014, the three year program is designed to expand berry production and cover seasonal and geographical production gaps in Australia, and also meet increasing Australian demand in this category.

This program involves the development of an additional 195 hectares of farmland across Australia from the inception of the program which will enable Costa to:

- fill winter production window gaps and expand production in blueberries;
- provide additional volume to meet fast growing market demand in raspberries; and
- target specific market windows in strawberries.

All new plantings by Costa are underpinned by Costa and Driscoll's proprietary and licensed varieties and agronomic expertise, and the majority are grown in tunnels and substrate.

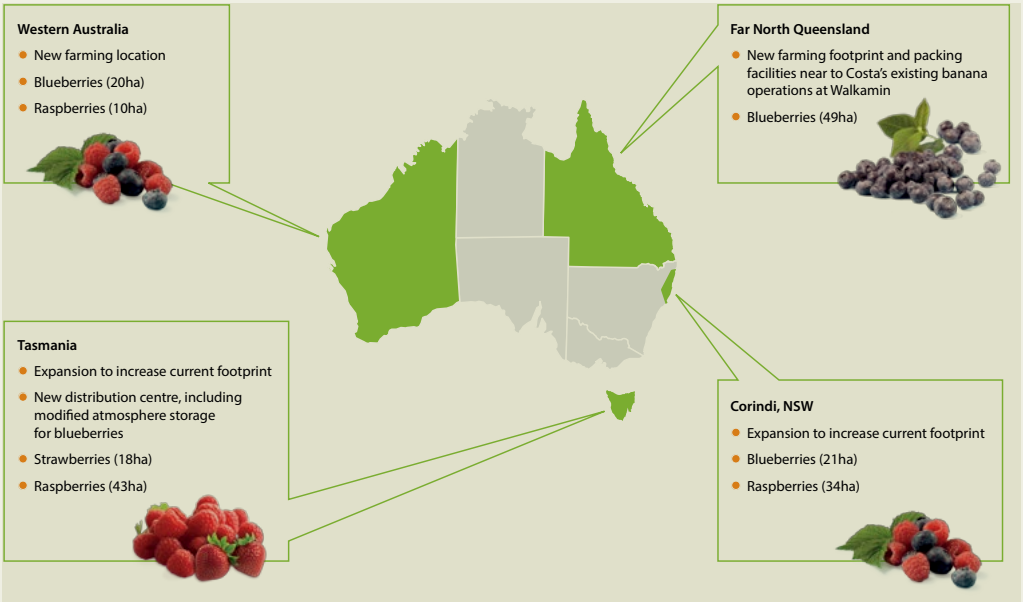
The expansion program is well progressed with a total of 70 hectares planted to FY2015 and with FY2016 activities (75 hectares) underway. Land required for the FY2016 plantings has been identified and has either been secured, or is in the process of being secured. The majority of planting activity is anticipated to be completed by the end of December 2016.

Costa has already commenced harvesting a small volume of product from its initial plantings under the berry expansion program, including blueberries from the new Far North Queensland sites, raspberries from Tasmania and Western Australia and strawberries from Tasmania. Harvested volumes are expected to increase as plantings from the expansion mature in subsequent years.

Future funding for the berry expansion project is expected to be sourced from cash flow from operations and borrowings under the New Banking Facilities.

Refer to Figure 35 for more information.

Figure 35: Berry expansion projects



Key information

- The total amount of plantings through the berry growth projects will amount to 195 hectares
- The total capital expenditure for this project is estimated to be approximately $47 million, of which Costa expects to have spent approximately 53% by 30 June 2015 and approximately 90% by 30 June 2016
- Expenditure incurred in FY2015 includes costs associated with the FY2016 plantings
- The financial benefit to earnings will occur progressively following each year's planting, with the full benefit expected to be realised during FY2018 and onwards. The indicative average payback period of investment on plantings is three to four years

Table 14: Berry expansion projects

	Crop	Estimated total expansion size (hectares)	Timing and status of plantings as at 31 March 2015
Far North Queensland	Blueberries	49	• 11 hectares planted in FY2015 • Further 27 hectares in progress to be completed by FY2016, with remaining eight hectares of plantings expected to be completed in FY2017
Tasmania	Strawberries	18	• Two hectares planted in FY2015, supplementing an eight hectare initial planting undertaken in FY2014 prior to the commencement of the growth program • Further eight hectares expected to be planted in each of FY2016 and FY2017
	Raspberries	43	• 15 hectares planted in FY2015 • 18 hectares expected to be planted in FY2016 with remaining 9 hectares of plantings to be completed in FY2017
Western Australia	Blueberries	20	• 5.5 hectares planted in FY2015 • Remaining 14.5 hectares are expected to be planted in FY2016
	Raspberries	10	• 10 hectares planted by the end of FY2015
Corindi, New South Wales	Blueberries	21	• Nine hectares planted in FY2015 • Remaining 12 hectares expected to be planted in FY2017
	Raspberries	34	• 15 hectares planted in FY2015 • Further nine hectares expected to be planted in FY2016 and a further 10 hectares expected to be planted in FY2017
Total		**195**	

3.5.1.2 Tomato expansion project

Costa is currently investing in a new 10 hectare tomato glasshouse facility in Guyra, New South Wales to provide increased flexibility in relation to selecting and growing tomato varieties that provide differentiated offerings to the market. Costa intends to use the new glasshouse facility to grow tomato products that are exclusive to Costa and which are underpinned by Costa's R&D commercialisation capability. In the interim, these new varieties are also being grown at Costa's existing glasshouse and third party locations in order to continue to develop the market in advance of the glasshouse facility in Guyra being complete.

Site works have been completed and the glasshouse construction commenced in February 2015. The first crop planting at the new facility is scheduled for the end of July 2015.

The new site is also expected to provide flexibility for further expansion with the site footprint scalable up to a total of 20 hectares.

The incurred expenditure for the tomato expansion project has been funded by cash flow from operations and borrowings under the Existing Banking Facilities. The remaining funding for the tomato expansion project is expected to be sourced from cash flow from operations and borrowings under the New Banking Facilities.

Refer to Figure 36 for further information.

Figure 36: New Guyra glasshouses under construction

Key information

- New products have been developed in Costa's existing glasshouse facilities and launched into the marketplace ahead of the new glasshouses in Guyra being constructed
- The total capital expenditure for the tomato expansion project is estimated to be approximately $60 million, of which Costa expects to have spent approximately 87% by 30 June 2015 and the balance by 30 June 2016
- The full financial benefit to earnings from the two five hectare glasshouses is expected to be realised during FY2016 and onwards

3.5.1.3 African Blue expansion project

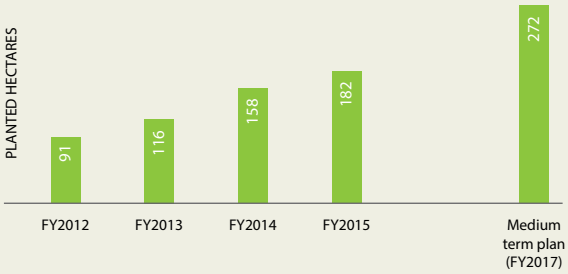
Costa's Moroccan joint venture, African Blue, has progressively expanded its operations over the past few years and now has five established farms. Further plantings and site expansions are planned on the basis of forecast blueberry demand increases in Europe and Asia.

At the end of FY2014, African Blue had 158 hectares of protected blueberry tunnel production at its five farms, with a further 24 hectares being planted during FY2015. Approximately 51 hectares is also grown for the African Blue brand by external third party licensed growers.

Management expects an additional 24 hectares is to be planted by the end of FY2015 with a further 90 hectares expected to be planted by African Blue by the end of FY2017, resulting in a total planted footprint of approximately 272 hectares.

Refer to Figure 37 for more information.

Figure 37: Blueberry crop at African Blue, Morocco



Key information

- Management expects total planted footprint of approximately 272 hectares by FY2017
- Future expansion is expected to be funded out of the African Blue JV 's own cash flows. As such, Costa management does not expect any additional funding requirements for this program
- The financial benefit of the earnings from the African Blue JV will occur progressively following each successive planting
- Costa expects to continue to receive distributions from the African Blue JV

3.5.1.4 China berry expansion

The China JV is currently being established and will focus on the production of blueberries and raspberries near Shiping, in the Yunnan province of the People's Republic of China.

The Chinese market for blueberry and raspberry production is underdeveloped and the joint venture provides the opportunity to benefit from expected demand growth from China's rapidly growing middle class segment. The selected location offers a favourable climate for Corindi varietals, similar to the climate for Costa's blueberry production locations on the east coast of Australia.

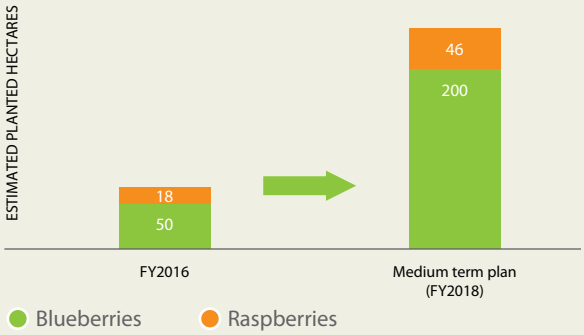
Once formed, the China JV will have access to certain of Driscoll's and Costa's berry varieties. Costa will have operational control of the joint venture's farming operations and Driscoll's will be the exclusive marketer outside Australia and New Zealand of all berries produced under the joint venture. Costa is currently working through protection mechanisms to ensure the integrity of its intellectual property in China.

Costa is currently in the process of finalising the joint venture agreement, and expects to make initial funding contributions of approximately $15 million through to the end of FY2016 which will enable the joint venture to complete the 68 hectare of plantings planned for completion by FY2016.

Costa's funding contribution is expected to be sourced from cash flow from Costa's operations and borrowings under the New Banking Facilities.

Refer to Figure 38 for more information.

Figure 38: China JV site near Shiping



Key information

- Shiping (Yunnan) offers a favourable climate for Costa's blueberry varieties
- Management is currently forecasting planting of up to 68 hectares by the end of FY2016
- The China JV may also expand into the production of strawberries and blackberries
- The financial benefit to earnings will occur progressively following each successive planting

3.5.2 Corporate strategy

Continue to build Costa's market position and farming footprint

Costa has grown to become Australia's largest horticultural company. Fundamental to Costa's success has been its focus on its core capabilities in farming, packing and marketing across a portfolio of key categories where Costa has a unique market offering or competitive position.

A key element of Costa's future growth strategy is the continued expansion of its farming footprint. Costa continues to evaluate a range of potential expansion opportunities including new geographies and further vertical integration in existing or new categories, including the examples set out in Figure 39. If pursued, these expansion opportunities may require regulatory and planning approvals and may require external financing if they cannot be financed from Costa's balance sheet or New Banking Facilities.

Figure 39: Potential expansion opportunities

Berries	• Following completion of the current growth programs, discussed under Section 3.5.1, further targeted expansion aimed at addressing demand from overall market growth and filling out any production/demand gaps that exist in Australia, Europe and Asia • Increase plantings of blackberries, once Driscoll's varietals become available over the next one to two years following completion of current quarantine processes • Export of blueberries into Asia and other foreign markets • Continued expansion of berry farming and licensing internationally. For example, Costa is currently undertaking initial farming trials in Thailand
Tomatoes	• Expansion of the nursery at the existing Guyra site for own and external third party propagation, subject to landlord approval • Potential to increase production capacity at Guyra with current expansion site scalable to build an additional 10 hectares of glasshouse to meet market demand
Mushrooms	• Potential to increase production capacity at Monarto, South Australia, with current site scalable to build additional growing rooms and increase production by an additional 120 tonnes per week
Citrus	• New Amaroo citrus orchard leased in 2014 with production and quality from the orchard expected to advance • Citrus 3IP with 300 hectares of new citrus plantings or top working over the next four years expected to deliver crop uplift from FY2018 onwards. This project is partially government funded and will also require funding by Vitalharvest and Costa • Continue to optimise profit margin through mix of domestic and export markets, varietal selection and packaging formats

3.5.2.1 Expand global licensing of Costa's blueberry varieties

Costa has exclusive worldwide licensing rights in all of the blueberry varieties that have been developed and commercialised by Costa. These blueberry varieties are in high demand globally. Costa is currently finalising its licensing strategy for licensing these and other new varieties to new countries.

Underpinning this revenue stream is Costa's ongoing investment in new varietal development. Costa's varietal development program maintains a continuous selection pipeline to bring new varieties to market and create differentiated products and cost advantages. Costa aims to further strengthen this capability and has recently completed the construction of a new nursery at Corindi to enhance this activity.

3.5.2.2 Continue to invest in and expand R&D capabilities

A key pillar of Costa's customer value proposition is Costa's access to differentiated product genetics and efficient production techniques. Costa continues to invest in its R&D capabilities across varietal development and process improvement. Refer to Section 3.1.3 for further details.

Figure 40: Guyra Research and Commercialisation Centre

Key information

- The Guyra Research and Commercialisation Centre (**RCC**) is a dedicated glasshouse compartment that has been established to replicate conditions in Costa's existing commercial 20 hectare glasshouse in Guyra
- Costa aims to continuously trial new varieties each year, in order to have an ongoing pipeline of emerging varieties to present to the market
- Emerging technologies and new methodologies, such as integrated pest management, are also tested and proven in the RCC prior to introduction to the commercial glasshouses, thereby allowing ongoing innovation in what Costa believes is a lower risk and more stable environment
- Having the facility on the same site as the commercial glasshouses also allows the growing team to become familiar with growing techniques for the new varieties (including techniques that will assist with improved yields) prior to commercialisation

3.5.2.3 Development of new products and markets

Costa continues to develop new channels to market through product innovation, new customer development and development of export markets. Costa's new product development efforts are driven by market opportunities, with consumer insights being the primary driver for new product development initiatives. Costa continues to explore new markets to broaden its sales base and optimise the sales value of its products. Export markets represent a key source of demand, particularly given Costa's increasing farming and production footprint. Currently, Costa's major export produce category is citrus, with approximately 50% of the crop packed exported. Key export markets include Japan, South East Asia and New Zealand. Costa is focused on expanding export sales across a number of other categories including berries, snacking tomatoes, grapes and to a lesser extent, mushrooms.

3.6 RELATED PARTY LEASES

3.6.1 Vitalharvest

In 2011, Costa entered into a sale and leaseback arrangement with Vitalharvest, a company related to the Costa family, over selected berry and citrus properties. The leases are generally 15 years in length and expire in 2026 with an option for Costa to extend for a further 10 year period. See Section 9.5.11.3 for further information about the key terms of the leases between Costa and Vitalharvest.

3.6.2 Costa Asset Management

Costa has two lease arrangements with Costa Asset Management over:

- Guyra glasshouse, Guyra: two 10 hectare glasshouses are situated on the site and used for growing truss, cocktail truss and snacking tomatoes. The lease expires in 2023 with an option for Costa to extend for a further 10 years. While the land and building are owned by Costa Asset Management, the plant and equipment used in the operations at the site are owned or leased directly by Costa.
- banana ripening rooms, Derrimut: Some of the ripening infrastructure at Derrimut has been leased from Costa Asset Management. The lease will expire in 2020 and either party may exercise a sale/purchase option at the expiry of the lease term, whereby Costa Asset Management will sell the equipment to Costa for $1.

See Section 9.5.11.2 for further information about the key terms of the leases between Costa and Costa Asset Management.

3.6.3 Frank Costa

Frank Costa leases a block of land to Costa under a 70 year lease. The lease expires in 2076. Costa does not currently use the land leased from Frank Costa for its own business purposes, as it sublets it to an unrelated third party. See Section 9.5.11.4 for further information about the lease between Costa and Frank Costa.

3.7 EMPLOYEES

As at 31 March 2015, Costa employed over 5,000 employees and contractors. Of these, approximately 1,600 were classified as contractors, approximately 950 were classified as full time, approximately 210 were classified as part time and approximately 2,350 were classified as casual. The large casual workforce generally correlates with Costa's increased demand for casual and itinerant workers during harvest seasons across the country in Costa's citrus and berry categories, some of which are provided through arrangements with labour hire companies.

Approximately 64% of Costa's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. Costa is currently party to six enterprise agreements covering its mushroom business, berry business, grape business and distribution centres. Unions including the National Union of Workers, Australian Workers Union, and the Shop, Distributive and Allied Employees' Union are the key unions associate with employee coverage under these agreements.

Two enterprise agreements covering approximately 100 employees have passed their nominal expiry, with two further enterprise agreements due to expire by July 2015. Negotiations to replace one enterprise are currently on foot. These enterprise agreements will continue in operation until replaced or terminated. See Section 5.2.16 for further information.

Costa recognises the importance of retaining a highly proficient and knowledgeable workforce. Over the last five years for full time and part time employees, Costa has had an average annual employee retention rate of approximately 80%, with approximately 31% of full time and part time employees having five or more years' experience and approximately 16% with 10 or more years' experience.

Costa's recruitment process is complemented by external experts with knowledge of the markets in which Costa operates, and includes domestic and international search activities. In addition, Costa undertakes a capability review covering over 100 key people across Costa. The intention of this review is to continuously update the performance and potential of Costa's key people. A summary of Costa's enterprise bargaining arrangements are set out in Section 5.2.16.

3.8 REGULATORY ENVIRONMENT

3.8.1 Environmental and sustainability

Self-regulation drives Costa's implementation of best practice environmental procedures. Costa consistently reviews its operating activities to enhance its profile of environmental responsibility. Environmental Protection Authority licences are complied with at sites across Costa operations in states where licences are required. Costa recognises the importance of agricultural sustainability and views it as integral to maximising profitability. Costa focuses on sustainable agricultural practices that are productive, competitive and efficient. Costa's environmental and sustainability practices include water efficiency, energy conservation and soil health.

As owner, lessee, and operator of real property, including farming operations in various states of Australia, Costa is subject to various federal, state and local environmental laws and regulations, in particular with respect to environmental pollution, contaminated lands, the use of environmentally hazardous chemicals, wastes and pesticides and water treatment and management. Among other things, these laws impose liability on present and former property owners and operators for costs and damages related to soil and water contamination from hazardous or toxic substances. In addition, these laws also impose a variety of obligations under licences and permits on Costa's individual sites and operations, and breaches of the terms of a licence or permit, or causing pollution or environmental harm, may give rise to penalties.

3.8.2 Quality

Costa conforms to both internal quality checks and key requirements from its main customers, including:

- Woolworths – Woolworths Quality Assurance System;
- Coles – Coles Approved Supplier Requirements; and
- ALDI and IGA – Safe Quality Food.

3.8.3 Work health and safety (WHS)

Costa maintains thorough WHS procedures that are intended to ensure employees' health and safety. Three major operational sites have AS4801 OHS accreditation. Costa works to create uniformity across business WHS for base requirements and carries out operation specific policies and procedures.

3.8.4 Water rights access

Water requirements and rights vary by category. Costa often relies on water allocations held by Costa (in the case of owned properties) or its landlords (in the case of leased properties), supplemented as required by spot purchases of water. Costa continues to manage its access to water, including by continuing to focus on irrigation efficiency and water recycling opportunities. See Section 5.2.1.2 for more information on Costa's reliance on water rights.

3.8.5 Information technology systems

Costa's core Enterprise Resource Planning system is SAP (ECC6) which has been implemented over the past few years. The final key installation was completed in 2015.

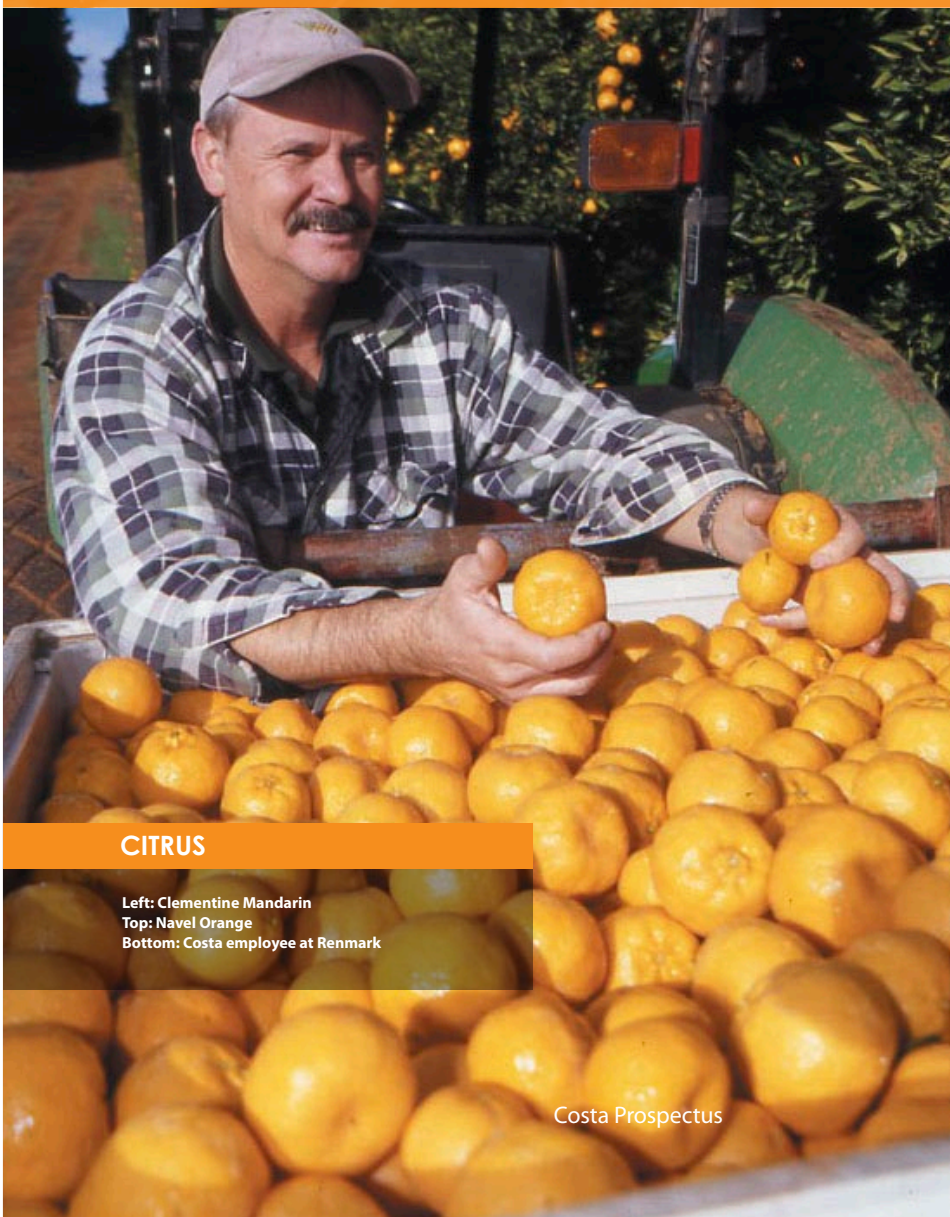
Costa's data centre is located at Costa's head office in Ravenhall, Victoria. This data centre (virtual environment) was upgraded in 2014. The new configuration has increased performance levels, provides sufficient capacity to support future growth and has introduced several levels of redundancy throughout the architecture.

Costa has also been in the process of upgrading its IT disaster recovery capability which is expected to be broadly completed during FY2016.

3.8.6 Food safety, processing and labelling

Refer to Section 9.10 for the description of regulations on food safety, processing and labelling.

Section 4
Financial information



CITRUS

Left: Clementine Mandarin
Top: Navel Orange
Bottom: Costa employee at Renmark

4.1 INTRODUCTION

The financial information for Costa contained in this Section 4 includes:

- pro forma historical financial information for Costa, comprising the:
  - summarised pro forma historical statements of profit or loss for FY2013, FY2014, 1H FY2014 and 1H FY2015 (**Pro Forma Historical Results**);
  - summarised pro forma historical cash flow information for FY2013, FY2014, 1H FY2014 and 1H FY2015 (**Pro Forma Historical Cash Flow Information**); and
  - pro forma historical statement of financial position as at 28 December 2014 (**Pro Forma Historical Statement of Financial Position**),

(together, the **Pro Forma Historical Financial Information**);

- pro forma forecast financial information for Costa, comprising the:
  - summarised pro forma forecast statements of profit or loss for FY2015 and FY2016 (**Pro Forma Forecast Results**); and
  - summarised pro forma forecast cash flow information for FY2015 and FY2016 (**Pro Forma Forecast Cash Flow Information**),

(together, the **Pro Forma Forecast Financial Information**);

- statutory historical financial information for Costa, comprising the:
  - summarised statutory historical statements of profit or loss for FY2013, FY2014, 1H FY2014 and 1H FY2015 (**Statutory Historical Results**);
  - summarised statutory historical cash flow information for FY2013, FY2014, 1H FY2014 and 1H FY2015 (**Statutory Historical Cash Flow Information**); and
  - historical statement of financial position as at 28 December 2014 (**Statutory Historical Statement of Financial Position**),

(together, the **Statutory Historical Financial Information**); and

- statutory forecast financial information for Costa, comprising the:
  - summarised statutory forecast statements of profit or loss for FY2015 and FY2016 (**Statutory Forecast Results**); and
  - summarised statutory forecast cash flow information for FY2015 and FY2016 (**Statutory Forecast Cash Flow Information**),

(together, the **Statutory Forecast Financial Information**).

The Statutory Historical Financial Information and the Pro Forma Historical Financial Information together form the **Historical Financial Information**.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information together form the **Forecast Financial Information**.

The Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- pro forma adjustments and reconciliations of the Statutory Historical Financial Information to the Pro Forma Historical Financial Information and the Statutory Forecast Financial Information to the Pro Forma Forecast Financial Information (see Sections 4.2.2 and 4.2.3);
- segment information (see Section 4.4);
- details of Costa's indebtedness and capitalisation (see Section 4.5.2) and a description of the New Banking Facilities (see Section 4.5.3);
- information regarding liquidity and capital resources (see Section 4.5.4);
- information regarding Costa's contractual obligations and commitments (see Section 4.5.5);
- management's discussion and analysis of the Historical Financial Information and Forecast Financial Information (see Sections 4.7 and 4.8);
- the general assumptions, the Directors' best estimate assumptions and the specific assumptions underlying the Forecast Financial Information (see Sections 4.8.1, 4.8.2 and 4.8.3);
- information regarding certain non-IFRS operating measures (see Section 4.2.4)
- an analysis of the sensitivity of the Forecast Financial Information to changes in certain key assumptions (see Section 4.11);
- a discussion of Costa's financial risk management policy (see Section 4.12); and
- Costa's proposed dividend policy (see Section 4.14).

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in this Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $0.1 million.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Financial Information has been prepared in accordance with the measurement and recognition principles of the Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Accounting policies have been consistently applied for Costa throughout the periods presented. Significant accounting policies relevant to the Financial Information are set out in Appendix A.

A discussion of the segments Costa expects to report under AASB 8 *Operating Segments* is set out in Section 4.4.

In addition to the Financial Information, this Section 4 includes non-IFRS measures that Costa uses to manage and report on its business that are not recognised under AAS or IFRS.

4.2.2 Preparation of the Historical Financial Information

Statutory Historical Financial Information

The Statutory Historical Financial Information has been derived from the general purpose statutory consolidated financial statements of Costa for FY2013 and FY2014 and the consolidated financial statements for 1H FY2014 and 1H FY2015 (**Statutory Historical Financial Statements**).

The general purpose statutory consolidated financial statements of Costa for FY2014 and FY2013 comparative information were audited by KPMG in accordance with Australian Auditing Standards. These consolidated financial statements are Tier 2 general purpose financial statements, which have been prepared in accordance with AAS – Reduced Disclosure Requirements adopted by the AASB and the Corporations Act. KPMG issued an unmodified opinion with an emphasis of matter with respect to that period. The emphasis of matter draws attention to the notes to the financial statements that describe the restatement of certain amounts to correct prior period errors identified in the previously issued 30 June 2013 financial statements. The financial report for the year ended 30 June 2013 was audited by another auditor. The Statutory Historical Financial Information for FY2013 included in this Prospectus has been extracted from the FY2013 comparative information in the FY2014 general purpose statutory consolidated financial statements of Costa, which presents the restated financial information.

The consolidated financial statements of Costa for 1H FY2014 and 1H FY2015 were reviewed by KPMG in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. With respect to the consolidated financial statements of Costa for 1H FY2014, KPMG issued an unqualified review conclusion with an emphasis of matter. The emphasis of matter draws attention to the notes to the financial statements that describe the restatement of certain amounts to correct prior period errors identified in the previously issued 30 June 2013 financial statements. With respect to the consolidated financial statements of Costa for 1H FY2015, KPMG issued an unqualified review conclusion.

Fiscal years

Costa operates on a 52 or 53 week fiscal year that normally ends on the last Sunday in June of each year, with the next fiscal year beginning the following Monday. Accordingly, in this Prospectus, references to "FY2014" are to the 52 weeks ended 29 June 2014, and references to "FY2013" are to the 52 weeks ended 30 June 2013, unless otherwise stated. Earlier and later periods are referred to in a similar manner. References to "1H FY2015" are to the 26 weeks ended 28 December 2014 and references to "1H FY2014" are to the 26 weeks ended 29 December 2013.

Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, adjusted to reflect the:

- removal of exited or divested operations, and the addition of the results of acquired businesses prior to acquisition, as if the acquisitions had occurred on 30 June 2012;
- elimination of transaction costs related to the acquisition of Adelaide Mushrooms and the investment in Costa by Paine + Partners in FY2012;
- removal of transaction costs associated with the Offer, including adviser fees and Existing Banking Facilities break costs;
- estimated additional costs associated with Costa being a listed company, including estimated Board costs, management share-based payments and incremental audit, tax and compliance costs;

- removal of historical Board related costs and management share-based payments under the existing governance structure;
- new capital structure being put in place in connection with the Offer (see Section 4.5.2 for more information regarding the new capital structure); and
- certain other significant items.

A detailed description of the pro forma adjustments that have been made to the Statutory Historical Financial Information is provided as follows:

- Section 4.3.3 provides a reconciliation of the Statutory Historical Results to the Pro Forma Historical Results;
- Section 4.5.1 provides a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position; and
- Section 4.6.2 provides a reconciliation of the Statutory Historical Cash Flow Information to the Pro Forma Historical Cash Flow Information.

The Pro forma Historical Financial Information presented in this Prospectus has been reviewed by KPMG Transaction Services, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Limited Assurance Investigating Accountant's Report on the Pro forma Historical Financial Information. Investors should note the scope and limitations of the Limited Assurance Investigating Accountant's Reports (refer to Section 8).

Investors should note that past results are not a guarantee of future performance.

4.2.3 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus based on an assessment of current economic and operating conditions. The Directors have prepared the Forecast Financial Information with due care and attention and consider all best estimate assumptions, when taken as a whole, to be reasonable at the time of preparation of this Prospectus. However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

This Prospectus includes Forecast Financial Information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information, unless otherwise noted.

The Forecast Financial Information has been prepared by the Directors on the basis of numerous assumptions, including the Directors' best estimates of general and specific assumptions set out in Section 4.8. The inclusion of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that these differences may have a material effect on Costa's actual financial performance or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Costa, the Directors and management, and are not predictable. Accordingly, none of Costa, the Directors, management or any other person can give investors any assurance that the events and outcomes discussed in the Forecast Financial Information will arise. Events and outcomes may differ in amount and timing from the assumptions, and may have a material impact on the actual results for FY2015 and FY2016.

Investors are advised to review the general assumptions, the Directors' best estimate assumptions and the specific assumptions set out in Section 4.8 in conjunction with the significant accounting policies set out in Appendix A, the sensitivity analysis set out in Section 4.11, the risk factors as set out in Section 5 and other information set out in this Prospectus.

The Forecast Financial Information has been prepared and presented on both a pro forma and a statutory basis for FY2015 and FY2016, as follows:

- the Statutory Forecast Financial Information for FY2015 includes the actual results of Costa for 1H FY2015 and the forecast results for the remainder of FY2015, incorporating actual trading results to April 2015;
- the Statutory Forecast Financial Information for FY2016 reflects the Directors' best estimate forecasts for FY2016; and
- the Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, and includes the adjustments previously detailed for the Pro Forma Historical Financial Information (see Section 4.2.2), and has also been adjusted to reflect the:
  - removal of forecast Board related costs and management share-based payments under the existing governance structure; and
  - removal of the operating loss associated with the berry farming operation in China which will be in ramp-up mode during FY2015 and FY2016, with start-up costs incurred but little or no revenue generated. Costa's management considers that the inclusion of the forecast operating loss in these years is not reflective of the entity's expected contribution to Costa's performance on an ongoing basis.

Section 4.3.3 provides a reconciliation of the Statutory Forecast Results to the Pro Forma Forecast Results. Section 4.6.2 provides a reconciliation of the Statutory Forecast Cash Flow Information to the Pro Forma Forecast Cash Flow Information.

The Forecast Financial Information presented in this Prospectus has been reviewed by KPMG Transaction Services, in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Limited Assurance Investigating Accountant's Report on the Forecast Financial Information. Investors should note the scope and limitations of the Limited Assurance Investigating Accountant's Report on the Forecast Financial Information (refer to Section 8). The Limited Assurance Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the offer of Shares in Australia and has been omitted from the Institutional Offering Memorandum being distributed outside Australia.

The Directors have no intention to update or revise the Forecast Financial Information or other forward looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.4 Explanation of certain non-IFRS measures

Costa uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to in Section 4.2.4 as **non-IFRS measures**.

The Directors believe that these measures provide useful information about the financial performance of Costa. However, they should only be considered as supplementary to the Financial Information that has been presented in accordance with AAS and not as a replacement for any aspect of that Financial Information. Because these non-IFRS measures are not based on AAS, they do not have standard definitions, and the way Costa calculates these measures may differ from similarly-titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS measures.

4.2.4.1 Non-IFRS financial measures

The non-IFRS financial measures that are referred to in this Prospectus are as follows:

EBITDA before SGARA

For horticultural companies, EBITDA is typically adjusted for fair value movements in biological assets, due to the growing and harvesting cycles for fruit and vegetables, and the accounting treatment of live produce and picked produce. The fair value movement in self-generating or regenerating assets (**SGARA**) is non-cash; therefore, EBITDA before SGARA is used in preference to EBITDA for this business.

EBITDA before SGARA is used by management to evaluate the operating performance of the business without the non-cash impacts of depreciation, amortisation and the fair value movements in SGARA and before interest and tax charges, which are significantly affected by the capital structure and historical tax position of Costa. EBITDA before SGARA is earnings before interest, tax, depreciation, amortisation and movement in the fair value of self-generating or regenerating assets. SGARA is measured at fair value less costs to sell at each reporting date. Refer to Appendix A, which sets out accounting policies applied for SGARA.

Because it does not include the non-cash charges for depreciation and amortisation, EBITDA before SGARA is useful to help understand the cash generation potential of the business. However, it should not be considered as an alternative to cash flow from operations and investors should not consider EBITDA before SGARA in isolation from, or as a substitute for, analysis of Costa's results of operations. Some of the limitations of EBITDA before SGARA are that it does not reflect:

- Costa's available cash or capital expenditure;
- changes in Costa's working capital needs;
- the cash requirements necessary to service interest payments or principal repayments in respect of any borrowings;
- that, although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and there will likely be cash requirements for such replacements; and
- that other companies in Costa's industry may calculate these measures differently from how Costa does, limiting their usefulness as a comparative measure.

Costa also presents **EBITDA before SGARA margin**, which is EBITDA before SGARA divided by revenue, expressed as a percentage. EBITDA before SGARA margin is a key measure that management uses to evaluate the profitability of the overall business and its operating segments.

EBITDA

EBITDA is earnings before interest, tax, depreciation and amortisation.

EBIT

EBIT is earnings before interest and tax.

NPAT before significant items

NPAT before significant items is a measure of NPAT that is intended to remove the impact of certain significant items on the statement of profit or loss.

Working capital

Working capital is the total of current receivables, inventories, prepayments which are included within other assets, payables and current provisions.

Net debt

Net debt represents total borrowings less cash and cash equivalents.

Free Cash Flow

Free Cash Flow is a measure that represents EBITDA before SGARA:

- less Costa's share of joint venture profit included in EBITDA before SGARA;
- less non-cash items within EBITDA before SGARA, including executive share-based payments;
- less/plus change in working capital;
- less maintenance capital expenditure; and
- plus distributions received from joint ventures.

EBITDA before SGARA is an appropriate measure as the movement in the fair value in biological assets is non-cash. The measure is used to help understand the cash generation potential of the business. It is important to note that Free Cash Flow does not take into account the requirements of the business for cash to fund financing costs such as interest expenses and tax payments.

4.2.4.2 Non-IFRS operating measures

The non-IFRS operating measures that are referred to in this Prospectus are as follows:

Transacted Sales

Transacted Sales are used by management as a key measure to assess Costa's sales and marketing performance and market share. Transacted Sales represent the aggregate volume of sales in which Costa is involved in various capacities (including sales of third party-grown produce marketed by Costa under agency arrangements), as well as royalty income. Transacted Sales are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS.

Transacted Sales comprise:

- statutory revenue;
- gross invoiced value of agency sales of third party produce;
- Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint ventures;
- royalty income from the licensing of Costa blueberry varieties in Australia, the Americas and Africa; and
- 100% of Driscoll's Australia Partnership sales after eliminating Costa produce sales to the Driscoll's Australia Partnership. Prior to the formation of Driscoll's Australia in 2010, all of Costa's domestic sales and marketing activities for the berry category were managed by Costa.

Other market participants, including Costa's retailer customers, frequently do not distinguish between the various capacities in which Costa may transact with them. For example, the arrangements under which Costa delivers produce to its customers usually does not specify whether the produce is grown by Costa, marketed by Costa on behalf of third party growers under agency arrangements or otherwise sourced from third party growers. Accordingly, Costa believes that other market participants perceive the aggregate of all sales in which Costa is involved (including as a grower, sales agent, trader and joint venture party) as reflective of Costa's market share and therefore indicative of its negotiating position.

Similarly, management looks at Transacted Sales as a measure that indicates, on a comparative basis, Costa's sales and marketing performance. While movements between the various components of Transacted Sales can be relevant for this assessment, the aggregate of all components is a key indicator of Costa's overall sales and marketing performance.

Investors should note that Transacted Sales are presented for the purposes described above and are not considered by Costa to be a revenue measure. There are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS, including that, under AAS:

- the invoiced value of agency sales is excluded from revenue with only the commission associated with the agency sales recognised as revenue;
- joint ventures are accounted for under the equity method, with only Costa's share of the joint venture NPAT recognised in the statement of profit or loss; and
- royalty income is recognised as other income in the statement of profit or loss.

See Table 38 for a reconciliation of pro forma revenue to pro forma Transacted Sales for FY2013, FY2014, 1H FY2014 and 1H FY2105.

Operating EBITDA

Operating EBITDA is EBITDA before SGARA, adjusted to include Costa's proportionate share of EBITDA from non-wholly owned entities. This measure is used by management to evaluate the operating performance of the overall business, inclusive of the performance of non-wholly owned entities on a look-through basis, without the non-cash impacts of depreciation and amortisation, fair value movements in SGARA and interest and tax charges, which are significantly affected by the capital structure and historical tax position of Costa.

Under AAS, joint ventures are accounted for using the equity method, with only Costa's proportionate share of NPAT from joint ventures recognised in the statement of profit or loss. The inclusion of the proportionate share of joint venture EBITDA in Operating EBITDA is not in accordance with AAS.

4.3 HISTORICAL AND FORECAST RESULTS

4.3.1 Pro Forma Historical Results and Pro Forma Forecast Results

Table 15 sets out the Pro Forma Historical Results for FY2013, FY2014, 1H FY2014 and 1H FY2015 and the Pro Forma Forecast Results for FY2015 and FY2016. The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical Results and Statutory Forecast Results in Tables 19, 20 and 21.

Table 15: Pro Forma Historical Results and Pro Forma Forecast Results

June year end ($ million)	Note	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue		573.3	662.3	704.4	738.0	339.3	358.3
Other revenue	1	6.3	10.3	7.8	7.9	2.6	3.4
Raw materials, consumables and third party purchases	2	(177.7)	(210.4)	(250.7)	(246.0)	(103.2)	(127.9)
Employee benefits expense	3	(210.7)	(245.7)	(235.7)	(262.7)	(124.2)	(118.4)
Share of profit of associates and joint ventures	4	5.9	9.2	10.4	11.5	2.2	1.3
Other operating expenses	5	(140.7)	(155.4)	(165.5)	(158.3)	(80.8)	(86.8)
EBITDA before SGARA		56.4	70.2	70.6	90.4	35.8	29.8
Fair value movements in biological assets	6	(4.1)	5.0	1.1	2.3	1.1	2.4
EBITDA		52.3	75.2	71.7	92.8	36.9	32.2
Depreciation and Amortisation		(14.0)	(14.7)	(18.4)	(21.8)	(7.6)	(8.9)
Profit/(loss) on sale of assets		(0.3)	(0.8)	0.7	–	0.2	0.2
EBIT		38.0	59.7	54.0	70.9	29.5	23.5
Net interest expense	7			(5.5)	(6.4)		
Net profit/(loss) before tax				48.5	64.5		
Income tax expense	8			(10.7)	(17.0)		
NPAT				**37.8**	**47.6**		
Non-controlling interest				–	–		
NPAT attributable to shareholders				**37.8**	**47.6**		
Significant items							
Debt refinance costs	9	–	0.3	–	–	–	–
Restructuring costs	9	–	1.2	1.0	–	–	1.0
NPAT before significant items				**38.8**	**47.6**		

Notes:

1. Other revenue comprises royalty income relating to licensing of Costa's berry varieties, rental income on properties, recoveries on outgoings on behalf of third party growers and sale of mushroom compost.
2. Raw materials, consumables and third party purchases includes the cost of raw materials and consumables used in farming, harvesting and packing activities.
3. Employee benefits expense includes salaries and wages of staff employed by Costa, including permanent and casual employees, contractors and subcontractors engaged by Costa.
4. Relates to the share of net profit after tax for Costa's associates and joint ventures.
5. Other operating expenses include occupancy, grower services, freight, repairs and maintenance, marketing, finance, information technology and other general administration costs.
6. Represents the fair value movements in current and non-current biological assets. Refer to Section 4.2.4 for further information.
7. Pro forma net interest expense for FY2015 has been adjusted to reflect the terms of the New Banking Facilities. For more information, see Section 4.5.3.
8. Pro forma income tax expense has been calculated based on the current Australian corporate tax rate of 30%. The effective tax rate is forecast to be less than 30% in FY2015 and FY2016 primarily due to forecast dividends from Costa's foreign operations which are non-assessable non-exempt income.
9. Significant items include:
   - removal of accounting and legal fees incurred in connection with debt refinancing undertaken in FY2014; and
   - removal of costs incurred in relation to restructuring of operations at the Eastern Creek, NSW logistics site following the termination of a major contract with Coles for cold storage and logistics service effective in July 2014 with transition commencing from February 2014. These costs primarily relate to employee termination benefits.

Table 16 provides a summary of Costa's historical key operating metrics for FY2013, FY2014, 1H FY2014 and 1H FY2015 derived from the Pro Forma Historical Results, and the forecast key operating metrics for FY2015 and FY2016 derived from the Pro Forma Forecast Results.

Table 16: Summary pro forma historical key operating metrics and pro forma forecast key operating metrics

June year end ($ million)	Note	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue		573.3	662.3	704.4	738.0	339.3	358.3
Revenue growth (%)			15.5%	6.4%	4.8%		5.6%
EBITDA before SGARA	1	56.4	70.2	70.6	90.4	35.8	29.8
EBITDA before SGARA growth (%)			24.5%	0.6%	28.1%		(16.7%)
EBITDA before SGARA margin (%)	1	9.8%	10.6%	10.0%	12.3%	10.5%	8.3%

Note:
1. Note that EBITDA before SGARA and EBITDA before SGARA margin are non-IFRS measures. See Section 4.2.4 for definitions.

4.3.2 Statutory Historical and Forecast Results

Table 17 sets out the Statutory Historical Results for FY2013, FY2014, 1H FY2014 and 1H FY2015 and the Statutory Forecast Results for FY2015 and FY2016.

Table 17: Statutory Historical Results and Statutory Forecast Results

June year end ($ million)	Note	Statutory Historical Results		Statutory Forecast Results		Statutory Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue		592.7	699.1	707.4	740.2	361.5	359.2
Other revenue	1	6.9	11.8	7.8	7.9	2.6	3.4
Raw materials, consumables and third party purchases	2	(193.1)	(237.0)	(254.5)	(251.3)	(117.5)	(128.5)
Employee benefits expense	3	(215.8)	(249.8)	(235.7)	(262.7)	(126.3)	(118.4)
Share of profit of associates and joint ventures	4	4.6	8.6	10.4	11.5	2.2	1.3
Other operating expenses	5	(156.6)	(168.1)	(174.2)	(182.1)	(86.7)	(89.5)
EBITDA before SGARA		**38.7**	**64.5**	**61.2**	**63.5**	**35.8**	**27.4**
Fair value movements in biological assets	6	(4.1)	5.0	(0.6)	2.3	1.1	0.7
EBITDA		**34.6**	**69.5**	**60.6**	**65.9**	**36.9**	**28.1**
Depreciation and Amortisation		(12.3)	(15.8)	(18.7)	(21.8)	(7.7)	(9.0)
Profit/(loss) on sale of assets		(0.3)	(6.8)	0.7	–	0.2	0.2
Impairment losses		(42.0)	(15.7)	(15.7)	–	(10.0)	(15.7)
EBIT		(20.1)	31.1	26.9	44.0	19.4	3.6
Net interest expense		(18.3)	(28.0)	(21.8)	(14.5)	(10.4)	(10.7)
Net profit/(loss) before tax		(38.4)	3.1	5.1	29.5	9.1	(7.2)
Income tax expense	8	(1.9)	(5.0)	(0.6)	(7.4)	(5.4)	1.4
NPAT		**(40.3)**	**(1.9)**	**4.5**	**22.2**	**3.6**	**(5.8)**
Non-controlling interest	9	–	–	0.4	0.9	–	–
NPAT attributable to shareholders		**(40.3)**	**(1.9)**	**4.9**	**23.1**	**3.6**	**(5.8)**

Notes:
For notes 1-8 refer to notes for Table 15.
9. The China operation will be accounted for as a subsidiary and consolidated for statutory reporting purposes. Non-controlling interest relates to the outside equity interest share of the China entity's NPAT.

Table 18 provides a summary of Costa's historical key operating metrics for FY2013, FY2014, 1H FY2014 and 1H FY2015 derived from the Statutory Historical Results, and the forecast key operating metrics for FY2015 and FY2016 derived from the Statutory Forecast Results.

Table 18: Summary of statutory historical key operating metrics and statutory forecast key operating metrics

June year end ($ million)	Note	Statutory Historical Results		Statutory Forecast Results		Statutory Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue		592.7	699.1	707.4	740.2	361.5	359.2
Revenue growth (%)			18.0%	1.2%	4.6%		(0.6%)
EBITDA before SGARA	1	38.7	64.5	61.2	63.5	35.8	27.4
EBITDA before SGARA margin (%)		6.5%	9.2%	8.7%	8.6%	9.9%	7.6%
EBITDA before SGARA growth (%)			66.9%	(5.2%)	3.8%		(23.4%)

Note:
1. See Section 4.2.4 for definitions.

4.3.3 Pro forma adjustments to the Statutory Historical Results and the Statutory Forecast Results

Tables 19, 20 and 21 set out the reconciliation of revenue, EBITDA before SGARA and NPAT from the Statutory Historical Results and the Statutory Forecast Results to the Pro Forma Historical Results and Pro Forma Forecast Results, respectively.

Table 19: Reconciliation of historical and forecast statutory revenue to pro forma revenue

June year end ($ million)	Note	Historical Results		Forecast Results		Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Statutory revenue		592.7	699.1	707.4	740.2	361.5	359.2
Site closures/exits	1	(48.2)	(36.8)	(3.0)	–	(22.2)	(0.9)
Acquisitions	2	28.7	–	–	–	–	–
Costa Asia	7	–	–	–	(2.2)	–	–
Pro forma revenue		**573.3**	**662.3**	**704.4**	**738.0**	**339.3**	**358.3**

Note:
Refer to Table 20 notes.

Table 20: Reconciliation of historical and forecast statutory EBITDA before SGARA to pro forma EBITDA before SGARA

June year end ($ million)	Note	Historical Results FY2013	Historical Results FY2014	Forecast Results FY2015	Forecast Results FY2016	Historical Results 1H FY2014	Historical Results 1H FY2015
Statutory EBITDA before SGARA		38.7	64.5	61.2	63.5	35.8	27.4
Site closures/exits	1	4.0	0.8	2.3	–	(0.9)	1.9
Acquisitions	2	8.0	–	–	–	–	–
Historical transaction costs	3	7.7	1.0	–	–	0.5	–
IPO transaction costs	4	–	–	5.1	23.8	–	0.2
Existing governance structure costs	5	2.0	5.9	2.5	–	1.3	1.3
Listed company costs	6	(2.0)	(2.0)	(2.0)	–	(1.0)	(1.0)
Costa Asia	7	–	–	1.5	3.1	–	–
Provision release	8	(2.0)	–	–	–	–	–
Pro forma EBITDA before SGARA		**56.4**	**70.2**	**70.6**	**90.4**	**35.8**	**29.8**

Notes:

1. These adjustments represent the removal of results and impairment losses from closed sites and divested businesses, including:
   - Costa Farms Perth site, which was closed in Q4 FY2014;
   - two mushroom farms, which were closed in Q4 FY2014 at Mittagong and Huon Valley;
   - four logistics sites which were closed in FY2013;
   - two grape farms which were closed in FY2015; and
   - the Wadda joint venture which was divested in Q4 FY2014. The Wadda plantation was a joint venture between Costa and a Queensland banana grower.

   Impairment losses from closed sites and divested businesses were $42.0 million in FY2013, $15.7 million in FY2014 and $15.7 million in FY2015.

   The closures of these sites and divestment of businesses have not impacted the financial performance of the remaining Costa operations, positively or negatively, as they operated substantially on a standalone basis.
2. An adjustment has been made to reflect the results of acquired businesses prior to acquisition, as if the acquisition had occurred prior to 30 June 2012:
   - acquisition of the Adelaide Mushrooms Group in March 2013; and
   - increase in African Blue JV ownership from 40% to 49% in FY2014.
3. Removal of transaction costs paid in relation to the acquisition of Adelaide Mushrooms and the investment in Costa by Paine + Partners in FY2012.
4. An adjustment has been made to remove the costs associated with the IPO process, including adviser fees, break costs associated with the Existing Banking Facilities and share-based payment expense relating to the exercise of share options held by Costa directors and management.
5. An adjustment has been made to remove Board related costs and management share-based payments under the pre-IPO governance structure. The FY2014 pro forma adjustment includes $3.4 million of advisory fees paid to shareholders for debt refinancing. These costs would not be expected to be incurred by Costa in a listed company environment.
6. An adjustment has been made for estimated costs associated with being a listed public company. Costs include estimated Board costs, management share-based payments and incremental compliance related costs.
7. An adjustment has been made to remove the forecast results from the China operation. Due to the expected start-up of this operation in FY2015 and FY2016, the China operation is forecast to report an operating loss in these years.
8. An adjustment has been made to remove a provision released in FY2013 relating to a Timbercorp managed investment scheme, following Timbercorp being placed into public administration. The provision was booked in FY2010 to cover potential claims which were not realised.

Table 21: Reconciliation of forecast statutory NPAT to pro forma NPAT

June year end ($ million)	Note	Historical Results FY2013	Historical Results FY2014	Forecast Results FY2015	Forecast Results FY2016	Historical Results 1H FY2014	Historical Results 1H FY2015
Statutory NPAT				4.5	22.2		
Site closures/exits	1			16.1	–		
IPO transaction costs	4			3.8	22.4		
Existing governance structure costs	5			1.9	–		
Listed company costs	6			(1.4)	–		
Costa Asia	7			1.5	3.1		
Interest expense adjustment	8			11.4	–		
Pro forma NPAT				**37.8**	**47.6**		

Note:
For notes 1-7, refer to notes for Table 20. For note 8, refer to note 7, Table 15.

4.4 SEGMENT INFORMATION

Costa's activities are presented in this Prospectus as comprising three reportable segments under AASB 8 Operating Segments, which are: Produce, International and Costa Farms and Logistics (**CF&L**). These segments represent the manner in which Costa will report in future periods. Costa was not required to disclose segment information in its general purpose statutory consolidated financial statements for FY2013 and FY2014 or in its 1H FY2015 financial statements, as these were prepared in accordance with AAS – Reduced Disclosure Requirements adopted by the AASB and the Corporations Act. Accordingly, such financial statements do not contain segment information. Costa has, however, disclosed certain segment information in Sections 4.7 and 4.8 for the purposes of a discussion of Costa's results.

Business support costs include executives, finance and legal, information services, human resources, board fees and other public company costs that are not directly attributable to a specific segment. With the exception of costs relating to the IPO that have been separately reported for statutory purposes, Costa allocates all business support costs to the Produce segment, which is Costa's largest operating segment, on the basis that it utilises the majority of these resources.

4.4.1 Produce

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

4.4.2 International

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

4.4.3 Costa Farms and Logistics

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

Due to intercompany trading between the Produce and CF&L segment, the revenue segment disclosure also shows an intersegment elimination that eliminates produce sales from the Produce segment to CF&L, and service income from CF&L to the Produce segment.

Table 22 contains a summary of Costa's pro forma revenue and EBITDA before SGARA, by segment for FY2013, FY2014, FY2015, FY2016, 1H FY2014 and 1H FY2015.

Table 22: Pro forma financial information by segment

June year end ($ million)	Note	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue							
Produce		398.0	482.9	515.1	560.8	265.7	267.3
International		–	–	–	–	–	–
Costa Farms and Logistics		225.7	261.1	260.8	249.6	116.7	126.5
Intersegment eliminations		(50.5)	(81.8)	(71.5)	(72.4)	(43.1)	(35.5)
Total revenue		**573.3**	**662.3**	**704.4**	**738.0**	**339.3**	**358.3**
EBITDA before SGARA	1						
Produce		37.1	50.8	55.1	73.6	27.5	26.9
International		3.3	4.9	6.7	7.8	(0.5)	(2.0)
Costa Farms and Logistics		16.0	14.4	8.9	9.0	8.7	4.9
Total EBITDA before SGARA		**56.4**	**70.2**	**70.6**	**90.4**	**35.8**	**29.8**
EBITDA before SGARA margin (%)	1						
Produce		9.3%	10.5%	10.7%	13.1%	10.4%	10.0%
International		nm	nm	nm	nm	nm	nm
Costa Farms and Logistics		7.1%	5.5%	3.4%	3.6%	7.5%	3.9%
Total EBITDA before SGARA margin (%)		**9.8%**	**10.6%**	**10.0%**	**12.3%**	**10.5%**	**8.3%**

Note:
1. Note that EBITDA before SGARA and EBITDA before SGARA margin are non-IFRS measures. See Section 4.2.4 for definitions.

Table 23 contains a summary of Costa's statutory revenue and EBITDA before SGARA by segment for FY2013, FY2014, FY2015, FY2016, 1H FY2014 and 1H FY2015.

Table 23: Statutory financial information by segment

June year end ($ million)	Note	Statutory Historical Results		Statutory Forecast Results		Statutory Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Revenue							
Produce		382.6	497.5	518.1	560.8	274.8	268.2
International		–	–	–	2.2	–	–
Costa Farms and Logistics		260.6	283.3	260.8	249.6	129.8	126.5
Intersegment eliminations		(50.5)	(81.8)	(71.5)	(72.4)	(43.1)	(35.5)
Total revenue		**592.7**	**699.1**	**707.4**	**740.2**	**361.5**	**359.2**
EBITDA before SGARA	1						
Produce		22.0	47.0	52.3	73.6	28.0	24.5
International		2.9	4.9	5.2	4.7	(0.5)	(2.0)
Costa Farms and Logistics		13.8	12.6	8.9	9.0	8.3	4.9
IPO transaction costs	2	–	–	(5.1)	(23.8)	–	–
Total EBITDA before SGARA		**38.7**	**64.5**	**61.2**	**63.5**	**35.8**	**27.4**

Notes:
1. Note that EBITDA before SGARA is a non-IFRS measure. See Section 4.2.4 for definition.
2. Forecast costs associated with the IPO in FY2015 and FY2016 have not been allocated to the reportable segments.

4.5 FINANCIAL POSITION

4.5.1 Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

Table 24 sets out the pro forma adjustments that have been made to the Statutory Historical Statement of Financial Position in order to prepare the Pro Forma Historical Statement of Financial Position. These adjustments reflect the events and assumptions discussed in the notes to Table 24, including the proceeds of the Offer and the impact of the operating and capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 28 December 2014.

On Completion of the Offer, Costa will issue new equity and draw down on its New Banking Facilities (described below), with proceeds from the sale of New Shares used to pay:

- amounts owed by Costa under its Existing Banking Facilities (including debt break fees and associated derivatives) in place prior to Completion of the Offer;
- establishment costs in respect of the New Banking Facilities applicable immediately upon Completion of the Offer;
- other transaction advisory fees, costs and expenses arising in connection with the Offer;
- cumulative dividends to holders of Redeemable Preference Shares; and
- cash payment for disposal of share options issued to management and Directors under the legacy LTI plan. See Section 6 for further information.

The Pro Forma Historical Statement of Financial Position shown in Table 24 has been derived from the financial statements for 1H FY2015 and adjusted to reflect the impact of the Offer and the refinancing arrangements as if they were in place as at 28 December 2014. The adjustments also include assumptions relating to the Offer which include matters not known at the Prospectus Date, including for example, the Final Price, the extent of sell down by Selling Shareholders and the number of New Shares to be issued by Costa. The Pro Forma Historical Statement of Financial Position is therefore provided for illustrative purposes only and is not necessarily indicative of Costa's view of its future financial position.

In particular, cash and cash equivalents in the Pro Forma Historical Statement of Financial Position have been adjusted to reflect the impact of the Offer and the refinancing arrangements as if they took place as at 28 December 2014, and as such is not adjusted for various anticipated cash requirements of the business between 28 December 2014 and Completion of the Offer. The resulting cash and cash equivalents balance is not reflective of management's estimated cash position as at 28 June 2015, which is $10.0 million. Refer to Table 25 for estimated financial indebtedness as at 28 June 2015.

Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2 (Table 43) and further information on the New Banking Facilities is contained in Section 4.5.3.

Table 24: Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position

As at 28 December 2014 ($ million)	Statutory	Primary issuance (note 1)	IPO transaction costs (note 2)	Redeemable Preference Share conversion (note 3)	Payment for options (note 4)	Pay down net debt (note 5)	Estimated impact of Offer and New Banking Facility	Pro forma (Completion of the Offer)
Current assets								
Cash and cash equivalents	20.7	*178. 3*	*(44.4)*	*(9.1)*	*(14.9)*	*(109.9)*	(0.0)	20.7
Receivables	63.9	–	–	–	–	–	–	63.9
Inventories	17.5	–	–	–	–	–	–	17.5
Biological assets	28.9	–	–	–	–	–	–	28.9
Assets held for sale	2.6	–	–	–	–	–	–	2.6
Other current assets	4.1	–	–	–	–	–	–	4.1
Total current assets	**137.7**	***178.3***	***(44.4)***	***(9.1)***	***(14.9)***	***(109.9)***	**(0.0)**	**137.7**
Receivables	1.8	–	–	–	–	–	–	1.8
Biological assets	5.9	–	–	–	–	–	–	5.9
Other financial assets	0.4	–	–	–	–	–	–	0.4
Equity accounted investments	20.8	–	–	–	–	–	–	20.8
Intangible assets	143.5	–	–	–	–	–	–	143.5
Deferred tax assets	5.9	–	*10.8*	–	–		10.8	16.7
Property, plant and equipment	180.0	–	–	–	–	–	–	180.0
Total non-current assets	**358.3**	**–**	***10.8***	**–**	**–**	**–**	**10.8**	**369.0**
Total assets	**496.0**	***178.3***	***(33.7)***	***(9.1)***	***(14.9)***	***(109.9)***	**10.8**	**506.8**
Current liabilities								
Payables	70.2	–	–	–	–	–	–	70.2
Borrowings	2.9	–	–	–	–	*(2.9)*	(2.9)	–
Provisions	12.2	–	–	–	–	–	–	12.2
Current tax liabilities	0.2	–	–	–	–	–	–	0.2
Total current liabilities	**85.5**	**–**	**–**	**–**	**–**	***(2.9)***	**(2.9)**	**82.6**
Non-current liabilities								
Derivative financial liabilities	3.7	–	*(3.7)*	–	–	–	(3.7)	–
Borrowings	215.9	–	*(1.2)*	–	–	*(97.9)*	(99.1)	116.9
Redeemable Preference Shares	1.1	–	–	*(1.1)*	–	–	(1.1)	–
Provisions	3.5	–	–	–	–	–	–	3.5
Total non-current liabilities	**224.2**	**–**	***(4.9)***	***(1.1)***	**–**	***(97.9)***	**(103.8)**	**120.4**
Total liabilities	**309.7**	**–**	***(4.9)***	***(1.1)***	**–**	***(100.8)***	**(106.7)**	**203.0**
Net assets	**186.3**	***178.3***	***(28.8)***	***(8.0)***	***(14.9)***	***(9.2)***	**117.5**	**303.8**
Equity								
Share capital	238.6	*178.3*	*(7.9)*	*1.1*	*(14.9)*	–	156.6	395.2
Share-based payment reserve	0.7	–	–	–	*1.0*	–	1.0	1.8
Accumulated (losses)/profits	(53.0)	–	*(20.9)*	*(9.1)*	*(1.0)*	*(9.2)*	(40.2)	(93.2)
Total equity	**186.3**	***178.3***	***(28.8)***	***(8.0)***	***(14.9)***	***(9.2)***	**117.5**	**303.8**

Notes:

1. Cash and cash equivalents and share capital are impacted by the primary issuance of $178.3 million.
2. Cash and cash equivalents will be impacted by Offer related transaction costs of $44.4 million, including advisory fees and debt refinancing costs. The adjustment to deferred tax assets of $10.8 million represents the tax effect of the Offer related transaction costs and a tax deduction due to the realisation of interest rate swap liabilities recorded at $3.7 million as at 28 December 2014. Loan establishment costs of $1.2 million relating to the New Banking Facilities will be capitalised and amortised over the terms of the loans. After-tax Offer related transaction costs of $28.8 million will be allocated to share capital ($7.9 million) and accumulated losses ($20.9 million).
3. Upon Completion of the Offer, it is expected that the Redeemable Preference Shares will be converted to Shares and cumulative dividends of $9.1 million will be paid to the holders of Redeemable Preference Shares. This will result in an increase in accumulated losses of $9.1 million. The Redeemable Preference Shares are accounted for as a hybrid financial security on Costa's statement of financial position, with both a liability and equity component. As at 28 December 2014, the Redeemable Preference Shares had a balance of $45.1 million, comprising the liability component of $1.1 million and the share capital component of $44.0 million. Following the conversion of the Redeemable Preference Shares to ordinary Shares, the liability and equity balances of the Redeemable Preference Shares will be eliminated and $45.1 million will be recorded to ordinary share capital.

4. The disposal of Existing Options issued to Directors and management under the legacy LTI plan described in Section 6.3.4.2 will result in a cash payment of $14.9 million to holders of Existing Options and a decrease in share capital of $14.9 million. Accumulated losses will increase by $1.0 million due to share based expense relating to the options and share-based payment reserve will increase by $1.0 million.
5. On Completion of the Offer, funding provided under the New Banking Facilities will be drawn down to $142.0 million, and Costa will make a principal repayment of $251.9 million on its Existing Banking Facilities, resulting in a net debt pay down of $109.9 million. All proceeds from the New Banking Facilities are non-current liabilities. Capitalised borrowing costs relating to the Existing Banking Facilities of $9.2 million will be written off, resulting in a $9.2 million increase in accumulated losses.

4.5.2 Indebtedness

The Pro Forma Historical Statement of Financial Position as at 28 December 2014 has been adjusted to reflect the impact of the Offer and New Banking Facilities as if they took place at that date, in accordance with ASIC Regulatory Guide 228 paragraph 92. As such, pro forma net indebtedness as at 28 December 2014 of $97.4 million does not reflect the various anticipated cash requirements of the business between 28 December 2014 and Completion of the Offer. Forecast pro forma net indebtedness as at 28 June 2015, assuming Completion of the Offer, is $132.0 million. The increase in pro forma indebtedness from 28 December 2014 to the 28 June 2015, assuming Completion of the Offer, is driven by 2H FY2015 forecast net cash outflow due to forecast capital expenditure, borrowing costs and income tax and is partially offset by forecast EBITDA. In addition, management are forecasting $8.8 million of investment in the China operations to be committed to in early FY16 prior to Completion of the Offer.

Table 25 sets out the indebtedness of Costa as at 28 December 2014 (before and following Completion of the Offer) and the forecast indebtedness as at 28 June 2015 (assuming Completion of the Offer).

Table 25: Pro forma consolidated indebtedness as at 28 December 2014 and 28 June 2015

		Statutory	Pro forma		Pro forma
($ million)	Note	28 December 2014	28 December 2014 (Completion of the Offer)	Adjustment to reflect forecast indebtedness as at 28 June 2015 (assuming Completion of the Offer)	Forecast indebtedness as at 28 June 2015 (assuming Completion of the Offer)
Current borrowings		2.9	–	–	–
Non-current borrowings		215.9	116.9	15.2	132.0
Capitalised loan establishment fees included in borrowings		9.2	1.2	–	1.2
Drawn debt		228.0	118.1	15.2	133.3
Derivatives financial liabilities		3.7	–	–	–
Less: Cash and cash equivalents		(20.7)	(20.7)	10.7	(10.0)
Total net indebtedness		**211.0**	**97.4**	**25.9**	**123.3**
Investment in China operations	1	–	–	8.8	8.8
Total net indebtedness (after investment in China operations)		**211.0**	**97.4**	**34.6**	**132.0**
Net debt/FY2015 pro forma EBITDA before SGARA	2				1.9x
Net debt/FY2016 pro forma EBITDA before SGARA	2				1.5x
FY2015 pro forma EBITDA before SGARA/FY2015 net cash interest expense	2, 3				13.4x
FY2016 pro forma EBITDA before SGARA/FY2016 net cash interest expense	2, 3				14.8x

Notes:
1. Investment in China operations of $14.8 million is forecast for FY16. Of this amount, management expect $8.8 million to be committed to prior to Completion of the Offer.
2. Calculations under the covenants in the New Banking Facilities for net debt, EBITDA before SGARA and net cash interest expense include a number of specific adjustments. These adjustments are not reflected in net debt, EBITDA before SGARA and net interest expense shown in this Prospectus and therefore these measures will be different to the values used for covenant calculations under the New Banking Facilities (refer Section 4.5.3).
3. Based on net finance costs (as set out in the pro forma forecast in Table 15), adjusted to exclude the amortisation of capitalised borrowing costs. Amortisation of capitalised borrowing costs is forecast to be $0.3 million in FY2015 and FY2016.

4.5.3 Description of the New Banking Facilities

Costa has entered into a commitment letter attaching an agreed form syndicated facility agreement with a domestic bank syndicate (as the mandated lead arrangers and lenders) for the provision of debt financing of up to $250 million (in aggregate), comprising two senior unsecured facilities (**New Banking Facilities**). Upon, and subject to, Completion of the Offer, funding provided under the New Banking Facilities (together with proceeds from the sale of New Shares under the Offer) will be utilised to repay the Existing Banking Facilities (and any derivative transactions associated with such financing), pay transaction costs in relation to the Offer and fund working capital, for growth capital expenditure and for other general corporate purposes.

The New Banking Facilities will comprise:

- $125 million Facility A, three year revolving bullet facility; and
- $125 million Facility B, four year revolving bullet facility.

Of the total facilities limit of $250 million, approximately $142 million will be drawn at Completion of the Offer.

The availability of funding under the New Banking Facilities is conditional upon confirmation that the Shares will be listed on the ASX as contemplated by the Offer and other conditions precedent which are customary for facilities of the nature of the New Banking Facilities. Refer to Section 9.5.2 for more details of the New Banking Facilities.

4.5.4 Liquidity and capital resources

Following Completion of the Offer, Costa's principal sources of funds will be cash flow from operations and borrowings under the New Banking Facilities. Historical and forecast capital expenditure and working capital trends are set out in Sections 4.7 and 4.8.

Following Completion of Offer and after payment of Offer related costs and expenses, Costa will have undrawn funds of approximately $108 million in the revolving facilities to fund working capital, to fund growth capital expenditure and for other general corporate purposes. Costa expects that it will have sufficient operating cash flow to fund its operational requirements and business needs during the Forecast Period and that its operating cash flows, together with borrowings under the New Banking Facilities, will position Costa to grow its business in accordance with the Forecast Financial Information. For additional information, see Section 4.12.

Non-Australian dollar revenue is expected to represent approximately 1.2% of Costa's revenue in FY2015. However, a large percentage of export sales are invoiced in Australian dollars but calculated based on foreign exchange rates at the time that they are invoiced.

4.5.5 Contractual obligations and commitments

Table 26 summarises Costa's statutory contractual obligations and commitments as at 29 June 2014.

Table 26: Capital and contractual commitments as at 29 June 2014

($ million)	Note	Less than 1 year	1 – 5 years	More than 5 years	Total
Operating leases	1	27.3	100.3	140.6	268.2
Service agreements	2	13.6	35.6	-	49.3
Remuneration contracts	3	1.0	1.1	-	2.1
Total		**41.8**	**137.0**	**140.6**	**319.5**

Notes:
1. Non-cancellable operating leases contracted for but not capitalised. Operating lease commitments are in relation to property rentals and various rental of plant and equipment.
2. Represents commitments for the payment of growing services for Costa products at third party locations.
3. Represents commitments for the payment of salaries and other remuneration under long-term employment contracts in existence but not recognised as liabilities.

4.6 PRO FORMA HISTORICAL CASH FLOW INFORMATION, PRO FORMA FORECAST CASH FLOW INFORMATION AND STATUTORY FORECAST CASH FLOW INFORMATION

4.6.1 Pro Forma Historical Cash Flow Information, Pro Forma Forecast Cash Flow Information and Statutory Forecast Cash Flow Information

Table 27 sets out the Pro Forma Historical Cash Flow Information, the Pro Forma Forecast Cash Flow Information and the Statutory Forecast Cash Flow Information.

Table 27: Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flow Information

June year end ($ million)	Note	Pro Forma Historical Cash Flows FY2013	Pro Forma Historical Cash Flows FY2014	Pro Forma Forecast Cash Flows FY2015	Pro Forma Forecast Cash Flows FY2016	Statutory Forecast Cash Flows FY2015	Statutory Forecast Cash Flows FY2016	Pro Forma Historical Cash Flows 1H FY2014	Pro Forma Historical Cash Flows 1H FY2015
EBITDA before SGARA		56.4	70.2	70.6	90.4	61.2	63.5	35.8	29.8
Less: Share of profit of associates and joint ventures	1	(5.9)	(9.2)	(10.4)	(11.5)	(10.4)	(11.5)	(2.2)	(1.3)
Dividends from joint ventures	2	2.2	2.9	5.9	7.8	5.9	7.8	1.9	4.7
Non-cash items	3	–	–	–	–	0.6	–	–	–
Change in working capital	4	(7.4)	(1.1)	(4.1)	(2.9)	(4.1)	(2.9)	(12.2)	(5.7)
Net cash flow from operating activities before interest and tax		**45.3**	**62.8**	**62.0**	**83.8**	**53.2**	**56.9**	**23.3**	**27.4**
Maintenance capital expenditure	5	(8.0)	(9.2)	(10.1)	(12.2)	(10.1)	(12.2)	(3.2)	(4.0)
Free Cash Flow		**37.3**	**53.6**	**51.9**	**71.6**	**43.0**	**44.7**	**20.1**	**23.4**
Productivity and growth capital expenditure	5	(13.4)	(17.7)	(77.5)	(27.1)	(77.5)	(27.1)	(6.4)	(32.2)
Investment in joint venture	6	–	–	–	–	–	(14.8)	–	–
Repayment of loans from investments	7	–	–	1.7	–	1.7	–	–	–
Proceeds from sale of investments	8	–	–	–	–	4.1	–	–	–
Disposal of property, plant and equipment		2.6	0.7	0.1	–	4.9	5.4	0.5	0.2
Net cash flow before financing, tax and dividends		**26.5**	**36.6**	**(23.8)**	**44.5**	**(23.7)**	**8.2**	**14.1**	**(8.6)**
Borrowing costs	9				(6.1)	(18.8)	(6.1)		
Income tax paid	10				(15.3)	(0.8)	(13.3)		
Proceeds from borrowings	11				–	42.0	–		
Offer related items									
Proceeds from issue of Shares	12				–	–	589.2		
Distribution to Existing Shareholders	13				–	–	(410.9)		
Payment of options	14				–	–	(14.9)		
Redeemable Preference Shares dividend payments	15				–	–	(9.1)		
Transaction costs capitalised	16				–	(1.1)	(10.2)		
Net reduction of debt facilities from IPO proceeds	17				–	–	(109.9)		
Swap break costs	18				–	–	(3.7)		
Upfront fee for New Banking Facilities	19				–	–	(1.2)		
Net cash flow before dividends					**23.0**	**(2.4)**	**18.2**		
Cash conversion ratio	20	66%	76%	73%	79%	70%	70%	56%	79%

Notes:
1. An adjustment has been made to remove the share of profit from associates and joint ventures accounted for using the equity method.
2. Cash distributions represent the cash received from joint ventures.
3. Non-cash items in EBITDA includes share-based payment expense to Directors and management which has been added back to EBITDA before SGARA.
4. Working capital comprises trade and other receivables, inventories, prepayments, trade and other payables and provisions.
5. Refer to Section 4.7.1.3 for maintenance and productivity and growth capital expenditure.
6. An adjustment has been made in the pro forma cash flow information to remove the investment in China operations.
7. Loan repayment from African Blue JV in the Forecast Period.
8. An adjustment has been made in the pro forma cash flow information to remove the proceeds received from divesting the Wadda joint venture in FY2015.
9. Pro forma and statutory borrowing costs for FY2016 are based on the New Banking Facilities, as if the arrangements are in place from 29 June 2015.
10. The FY2015 statutory forecast cash flow information includes income tax paid of $0.8 million due to the availability of deductions relating to IPO transaction costs and break costs associated with the Existing Banking Facilities.
11. Represents drawdown of Existing Banking Facilities to fund the growth projects for berry and tomato categories in FY2015 (see Section 3.5 for further details on growth projects).
12. Issue of New Shares and sell down of Shares for Existing Shareholders, assuming the Final Price is at the midpoint of the Indicative Price Range.
13. Distribution to Shareholders reflects return of capital of $410.9 million.
14. Payment of existing share options to management and Directors under the legacy LTI plan.
15. Represents cumulative dividends of $9.1 million to be paid to holders of Redeemable Preference Shares on conversion to Shares.
16. Capitalised transaction costs associated with the Offer.
17. Net repayment of Existing Banking Facilities includes proceeds of $142.0 million received from New Banking Facilities received and repayment of $251.9 million on Existing Banking Facilities.
18. Estimated break costs associated with interest rate swaps on the Existing Banking Facilities.
19. Estimated fees incurred in relation to the establishment of the New Banking Facilities to be capitalised and amortised on a straight line basis over the term of the loan.
20. Defined as Free Cash Flow divided by EBITDA before SGARA.

4.6.2 Pro forma adjustments to the Statutory Historical Cash Flow Information and the Statutory Forecast Cash Flow Information

Table 28 sets out reconciliation from the Statutory Historical Cash Flow Information and the Statutory Forecast Cash Flow Information to the Pro Forma Historical Cash Flow Information and the Pro Forma Forecast Cash Flow Information.

Table 28: Pro forma adjustments to the Statutory Historical and Statutory Forecast Cash Flow Information

June year end ($ million)	Note	Historical Results		Forecast Results		Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Statutory net cash flow before financing, tax and dividends		(79.4)	30.7	(23.7)	8.2	16.5	(7.1)
Site closures and divestments	1	3.0	(2.0)	(6.7)	(5.4)	(3.0)	(1.7)
Acquisitions	2	95.2	3.4	–	–	–	–
Historical transaction costs	3	7.7	1.0	–	–	0.5	–
IPO transaction costs	4	–	–	5.1	23.8	–	0.2
Existing governance structure costs	5	2.0	5.4	1.9	–	1.1	1.0
Listed company costs	6	(2.0)	(2.0)	(2.0)	–	(1.0)	(1.0)
Costa Asia	7	–	–	1.5	17.8	–	–
Pro forma net cash flow before financing, tax and dividends		**26.5**	**36.6**	**(23.8)**	**44.5**	**14.1**	**(8.6)**

Notes:
1. An adjustment has been made to remove contributions from closed sites and divested businesses, including cash from operations and sale of assets. An adjustment has been made for:
   - Costa Farms Perth site closure in Q4 FY2014;
   - two mushroom farms closed in Q4 FY2014 at Mittagong and Huon Valley. FY2016 forecast includes an adjustment for the proceeds expected to be received from the sale of the Mittagong farm;
   - four logistics sites closed in FY2013;
   - two grape farms closed in FY2015; and
   - Wadda joint venture divested in Q4 FY2014.
2. An adjustment has been made to reflect contributions from acquisitions as if the acquisitions had occurred prior to 30 June 2012:
   - Adelaide Mushrooms business was acquired in March 2013. The adjustment reflects payment to acquire the business and cash contributions from earnings; and
   - Costa acquired an additional 9% of African Blue in FY2014.
3. An adjustment has been made to remove the transaction costs in relation to the acquisition of Adelaide Mushrooms and the investment in Costa by Paine + Partners in FY2012.
4. An adjustment has been made to remove the costs associated with the IPO process, including adviser fees and break costs associated with the Existing Banking Facilities.
5. An adjustment has been made to remove Board related costs and management share-based payments under the pre-IPO governance structure. FY2014 pro forma adjustments include $3.4 million of advisory fees paid to shareholders for debt refinancing. These costs would not be expected to be incurred by Costa in a listed company environment.
6. An adjustment has been made for estimated costs associated with being a listed public company. Costs include estimated Board costs, management share-based payments and incremental compliance related costs.
7. See note 7 in Table 20.

Table 29: Summary of historical committed and forecast capital expenditure

June year end ($ million)	Note	Statutory historical capital expenditure		Statutory forecast capital expenditure		Statutory historical capital expenditure	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Maintenance		8.0	9.2	10.1	12.2	3.2	4.0
Productivity and growth		13.4	17.7	77.5	27.1	6.4	32.2
International development	1	–	–	–	14.8	–	–
Total capital expenditure		**21.4**	**26.9**	**87.6**	**54.1**	**9.6**	**36.2**

Note:
1. Represents forecast Costa investment in China.

See Sections 4.7 and 4.8 for a discussion of movements in capital expenditure, and Section 4.7.1.3 for a discussion of the composition of capital expenditure generally.

4.7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

A discussion of the general factors that have affected Costa's operations and relative financial performance in FY2013, FY2014, 1H FY2014 and 1H FY2015 is set out below. Costa's management expects that these general factors may continue to affect Costa's operating and financial performance in the Forecast Period.

The discussion of these general factors is intended to provide a brief summary and does not detail all the factors that affected Costa's historical operating and financial performance, nor everything that may affect its operations and financial performance in the future.

4.7.1 Revenue

Costa operates across three segments: Produce, International and CF&L. Revenue in each of these segments is primarily impacted by four key drivers, namely:

- consumer demand;
- weather and seasonality;
- volume growth; and
- availability of supply.

Consumer demand

Consumer demand for Costa's fresh fruit and vegetables depends on a variety of factors, including population growth, consumer preferences for convenient produce products, Australian produce and healthier dietary habits. These consumer demand factors also affect Costa's revenues from International operations, including licensing of Costa's blueberry varieties and growing.

The key drivers of consumer demand growth in the fresh fruit and vegetables industry are outlined further in Section 2.3.

Weather and seasonality

As a horticultural business, Costa is affected by weather and seasonality, which can impact revenues both advantageously and adversely across different produce categories.

Weather conditions can result in short term industry supply shifts and ultimately impact market pricing for fresh produce. Costa mitigates production risks associated with weather conditions by investing in weather protective growing environments and equipment, which management believes provides Costa with a competitive advantage relative to other industry participants that do not produce under similar environments. Approximately 75% of EBITDA before SGARA for the Produce segment is currently grown under cover, indoors or under permanent tunnels.

Seasonality varies across produce categories and geographies. Historically, Costa's peak trading occurred during the warmer months from October to December driven by the contribution of seasonal categories such as berries and grapes. Seasonality of Costa's revenues has been reduced by targeted investment (such as ongoing investment in berries grown in regions where harvesting occurs outside the peak months in spring, and further investment in tomatoes and mushrooms which are grown year-round) and strategic decisions to downsize non-core categories that were highly seasonal (such as grapes).

In the International segment, the crop cycle in African Blue is such that crop farming and preparation costs are incurred in the first half of each financial year, with harvest occurring in the second half of each financial year. This results in Costa recognising a negative share of profit in December, with income then recognised through to June each year. Royalty income is more significant in the second half of each financial year, due to royalty income relating to fruit sales being recognised following the northern hemisphere harvest season.

Volume growth

Volume growth has been achieved predominantly through expansion in production area, improved yields and growth in Costa's third party grower networks.

Over the past five years, Costa has achieved volume growth organically through new farm developments (e.g. ongoing expansion in the berry category, in particular raspberries) and acquisitions (e.g. acquisition of Adelaide Mushrooms). Yield improvements have been achieved through selection of varieties, improved growing practices and adoption of hydroponic growing techniques.

In the near to medium term, Costa intends to focus on continuing to execute a number of key growth projects, primarily in the berry and tomato categories, both domestically and internationally. These investments are expected to result in increased production volumes. Further volume growth is also expected to be achieved through redevelopment of existing farms, such as the 3IP partially government funded program in the citrus category, which encompasses new plantings, re-plantings or top working that is expected to continue over the next four years (see Section 3.5).

Volume growth is also achieved through increased marketing of third party sourced product. Costa maintains, and continues to develop, its diverse network of third party growers that has enabled Costa to expand its sales base to its customers.

Availability of supply

Costa's revenue growth is also impacted by the availability of produce supply, with prices tending to increase in times of short supply and decreasing when there is a broader availability of supply.

The level of supply in the market can be influenced by potential new market entrants or expansion by existing producers, or by a reduction in the number of producers in the industry. New market entrants or existing producers may change the competitive landscape in the markets in which Costa operates, by achieving greater scale or obtaining access to favourable genetic varieties that compete with Costa's products, which may impact Costa's revenue. Conversely, market consolidation through producers exiting, such as what has occurred in the mushroom category over the past three years, can result in a reduction in available supply.

Many fresh produce categories in which Costa operates are protected from significant competition from imported produce by quarantine and customs requirements. Changes to these import barriers may result in increased competition in those produce categories in which Costa operates and impact its revenue growth.

4.7.1.1 Operating expenses

Costa's key categories of operating expenses include:

- raw materials, consumables and third party purchases;
- employee benefits expense;
- other operating expenses; and
- depreciation and amortisation.

Raw materials, consumables and third party purchases

This category includes the cost of raw materials and consumables used in farming, harvesting and packing activities. The harvesting and packing costs are predominantly variable in nature based on volumes produced and sold, whereas farming costs have a combination of both fixed and variable components. Third party purchases relate to the cost of procuring product for sale and are predominantly variable in nature. These expenses have historically increased with the growth in Costa's farming and trading activities, and are expected to increase with further expansion.

Employee benefits

Employee benefits expense includes salaries and wages of staff employed by Costa, including permanent and casual employees, contractors and subcontractors which can be engaged by Costa directly or through labour hire providers. Casual and subcontracted staff are predominantly engaged in farming and production activities. The key drivers of this expense category are the level of business activity and the volume of production and wage rate increases. These expenses are expected to increase with further expansion.

Other operating expenses

Other operating expenses include occupancy, grower services, freight, repairs and maintenance, marketing, finance, information technology and other general administration costs. Grower services relate to Costa products grown at a third party glasshouse for a service fee, and are based on the area of Costa products grown. Freight costs, which are influenced by the cost of fuel, are directly related to the volume of products sold, and are expected to increase with further expansion. The other expense items are predominantly fixed in nature.

The Pro Forma Historical Results include Costa's estimate of the incremental annual costs that Costa will incur as a listed company. These costs include Directors' remuneration, additional compliance related costs, staff costs, listing fees, share registry fees, annual general meeting costs and annual report costs. Refer to Section 4.3.3 for the reconciliation between Statutory Historical Results and Pro Formal Historical Results.

Depreciation and amortisation

Depreciation expenses comprise depreciation of property, plant and equipment across the Produce and CF&L segments. Amortisation expenses relate to the amortisation charge on intangible assets with finite useful lives, mainly comprised of capitalised software costs.

4.7.1.2 Working capital

Working capital is comprised of trade and other receivables, inventories, prepayments, trade and other payables and provisions. Historically, Costa's net working capital has typically peaked in the first half of the financial year (between July and December), reflecting the seasonality of revenue. As revenue increases, there is generally a requirement to increase working capital as trade receivables grow, which is partly offset by increases in trade payables. Through increased produce diversification and geographical spread, Costa's earnings profile has become less seasonal, and Costa's working capital cycle has become more stable in recent years.

Costa's working capital requirement has not increased significantly with volume growth, due to trading terms with customers and suppliers that provide for payment within a certain period from the date of invoice. Due to the short shelf life of fresh produce, Costa's inventory balances are not significant, and movements in inventories are generally not a significant driver of changes in working capital.

4.7.1.3 Capital expenditure

Costa categorises its capital expenditures into three categories:

- maintenance;
- productivity and growth; and
- international development.

Maintenance

Maintenance capital expenditure is expenditure that is undertaken to sustain current revenues and profits. Maintenance capital expenditure typically includes expenditure on growing equipment, occupational health and safety improvements, quality requirements and equipment replacement.

Productivity and growth

Productivity and growth capital expenditure is expenditure that is undertaken in the interest of increasing revenues and profits through expansion of operational activities or through improvements in production efficiencies.

Productivity and growth capital expenditure forecast for FY2015 and FY2016 is primarily related to the expansion of the tomato and berry operations and expenditure on the implementation of the SAP IT system, which was largely completed during FY2015. Forecast expenditure in the berry category relates to the expansion of the current farming footprint across a number of locations. Forecast expenditure in the tomato category relates to the construction of a new tomato glasshouse in Guyra, New South Wales (see Sections 3.5, 4.8.3 and 4.8.4.2).

International development

Costa's international development includes the establishment of Costa Asia, which is investing in a new berry farming operation in Southern China. The operation involves Costa and Driscoll's and will initially be focused on blueberry and raspberry production, with initial farm site and first plantings expected in 2015, subject to regulatory approvals.

4.7.2 Pro Forma Historical Results and Statutory Historical Results: FY2014 compared to FY2013

Table 30 sets out the selected Pro Forma Historical Results, selected Statutory Historical Results and selected key performance indicators for FY2013 and FY2014.

Table 30: Selected Pro Forma Historical Results, selected Statutory Historical Results and selected key operating metrics: FY2014 compared to FY2013

June year end ($ million)	Note	Pro Forma Historical Results				Statutory Historical Results			
		FY2013	FY2014	Change	Change %	FY2013	FY2014	Change	Change %
Revenue									
Produce		398.0	482.9	84.9	21.3%	382.6	497.5	114.9	30.0%
International		–	–	–	nm	–	–	–	nm
Costa Farms and Logistics		225.7	261.1	35.4	15.7%	260.6	283.3	22.7	8.7%
Intersegment eliminations		(50.5)	(81.8)	(31.2)	61.9%	(50.5)	(81.8)	(31.2)	61.9%
Total revenue		**573.3**	**662.3**	**89.0**	**15.5%**	**592.7**	**699.1**	**106.4**	**18.0%**
EBITDA before SGARA	1								
Produce		37.1	50.8	13.7	36.9%	22.0	47.0	25.0	113.6%
International		3.3	4.9	1.6	49.2%	2.9	4.9	2.0	70.4%
Costa Farms and Logistics		16.0	14.4	(1.5)	(9.5%)	13.8	12.6	(1.2)	(8.6%)
Total EBITDA before SGARA		**56.4**	**70.2**	**13.8**	**24.5%**	**38.7**	**64.5**	**25.9**	**66.9%**
EBITDA before SGARA margin (%)	1								
Produce		9.3%	10.5%			5.8%	9.5%		
International		nm	nm			nm	nm		
Costa Farms and Logistics		7.1%	5.5%			5.3%	4.4%		
Total EBITDA before SGARA margin (%)		**9.8%**	**10.6%**			**6.5%**	**9.2%**		

Note:
1. Note that EBITDA before SGARA and EBITDA before SGARA margin are non-IFRS measures. See Section 4.2.4 for definitions.

4.7.2.1 Group

Costa's pro forma revenue increased by $89.0 million, or 15.5%, from $573.3 million in FY2013 to $662.3 million in FY2014. This increase was driven by growth across the Produce and CF&L segments.

Costa's pro forma operating expenses increased in FY2014 compared to FY2013 mainly due to:

- an increase in raw materials, consumables and third party purchase expenses of $32.7 million, or 18.4%, from $177.7 million in FY2013 to $210.4 million in FY2014, primarily as a result of increased farming, harvesting and packing activities across Costa's produce categories, as well as increased costs associated with third party procured produce;
- an increase in employee benefits expense of $35.0 million, or 16.6%, from $210.7 million in FY2013 to $245.7 million in FY2014 which was predominantly due to additional area farmed in berries and bananas, a provision for employee redundancy expenses in the CF&L segment and wage rate increases; and
- an increase in other operating expenses of $14.7 million, or 10.5%, from $140.7 million in FY2013 to $155.4 million in FY2014, primarily as a result of additional grower service costs due to an increase in third party glasshouse area taken for Costa products in the tomato category, and occupancy, freight and maintenance costs across the Produce and CF&L segments.

Costa recorded pro forma EBITDA before SGARA growth of $13.8 million, or 24.5%, from $56.4 million in FY2013 to $70.2 million in FY2014. EBITDA before SGARA margin increased by 0.8% due to an increase within the Produce segment, offset by the negative impact of the change in logistics profitability within the CF&L segment.

Statutory revenue increased by $106.4 million, or 18.0%, from $592.7 million in FY2013 to $699.1 million in FY2014, and statutory EBITDA before SGARA increased by $25.9 million, or 66.9%, from $38.7 million in FY2013 to $64.5 million in FY2014 primarily driven by growth in the Produce segment.

4.7.2.2 Produce

Produce segment pro forma revenues increased by $84.9 million, or 21.3%, from $398.0 million in FY2013 to $482.9 million in FY2014, driven by strong performance across all categories. Key drivers of this growth included:

- berry revenue growth, which was achieved through increased raspberry production, a new eight hectare strawberry development and higher blueberry pricing;
- higher average sales prices for citrus fruits, as well as volume growth due to a stronger harvest season relative to that for FY2013; and
- an increase in tomato revenue led by further growth in sweet snacking and cocktail varieties.

Produce pro forma EBITDA before SGARA increased by $13.7 million, or 36.9%, from $37.1 million in FY2013 to $50.8 million in FY2014, with all produce categories performing better than FY2013. Produce EBITDA before SGARA margin increased from 9.3% in FY2013 to 10.5% in FY2014 and predominantly reflects the additional berry farming activities and the strong citrus performance for the year.

Statutory revenue increased by $114.9 million, or 30.0%, from $382.6 million in FY2013 to $497.5 million in FY2014, with the full year impact of revenue from the Adelaide Mushrooms acquisition underpinning the difference to pro forma revenue growth described above.

Statutory EBITDA before SGARA increased by $25.0 million, or 113.6%, from $22.0 million in FY2013 to $47.0 million in FY2014. In addition to the factors described above, the key drivers for the increase include the full year earnings of the Adelaide Mushrooms acquisition in FY2014, and improved earnings from Costa's grape farms, which made a loss in FY2013.

4.7.2.3 International

The International segment comprises the African Blue JV and royalty income from the licensing of Costa's blueberry genetics. African Blue is accounted for as an associate and therefore no revenue is recognised. Royalty income is recognised as other income in the statement of profit or loss, as opposed to revenue. Income from the African Blue JV and royalty income from the licensing of blueberry genetics are included in Transacted Sales and do not constitute sales revenue. International pro forma EBITDA before SGARA grew by $1.6 million, or 49.2%, from $3.3 million in FY2013 to $4.9 million in FY2014, driven by an increase in the share of profit from African Blue and higher royalties.

Statutory EBITDA before SGARA growth of $2.0 million, or 70.4%, from $2.9 million in FY2013 to $4.9 million in FY2014 included a higher share of profit from the additional 9% equity interest acquisition of African Blue in January 2014, in addition to the drivers noted above.

4.7.2.4 Costa Farms and Logistics

CF&L pro forma revenue increased by $35.4 million, or 15.7%, from $225.7 million in FY2013 to $261.1 million in FY2014. Revenue growth in FY2014 was led by sales volume growth in the Costa Farms trading business predominantly with additional mushroom and banana volumes traded, and an increase in banana farming revenue with the maturation of the Walkamin farm.

CF&L pro forma EBITDA before SGARA decreased by $1.5 million, or 9.5%, from $16.0 million in FY2013 to $14.4 million in FY2014. CF&L EBITDA before SGARA margin decreased from 7.1% in FY2013 to 5.5% in FY2014 due to the decreased revenue in the logistics business. In FY2014, Costa was unsuccessful with the renewal of the Coles Eastern Creek services contract. As a result, Coles exited the site in July 2014, with transition commencing from February 2014. During the transition period, Coles continued to utilise Eastern Creek at reduced service rates. A provision for restructuring was established in FY2014 to allow for employee redundancies as a consequence of the lost contract.

CF&L statutory revenue increased by $22.7 million, or 8.7%, from $260.6 million in FY2013 to $283.3 million in FY2014, due to stronger Costa Farms and banana operations. This was partially offset by the reduction of $5.0 million in revenue associated with the four logistics sites closed in the prior year.

CF&L statutory EBITDA before SGARA decreased by $1.2 million, or 8.6%, from $13.8 million in FY2013 to $12.6 million in FY2014, driven by the factors described above. In addition, the FY2013 result included $1.1 million of losses associated with the four logistics sites closed.

4.7.3 Pro Forma Historical Cash Flow Information: FY2014 compared to FY2013

Table 31 sets out the selected Pro Forma Historical Cash Flow Information for FY2013 and FY2014.

Table 31: Selected Pro Forma Historical Cash Flow Information

June year end ($ million)	Note	Pro Forma Historical Cash Flows FY2013	FY2014	Change	Change %
EBITDA before SGARA	1	56.4	70.2	13.8	24.5%
Less: Share of profit of joint ventures	2	(5.9)	(9.2)	(3.3)	55.7%
Dividends from joint ventures	3	2.2	2.9	0.7	32.3%
Change in working capital	4	(7.4)	(1.1)	6.3	(84.9%)
Net cash flow from operating activities before interest and tax		**45.3**	**62.8**	**17.5**	**38.6%**
Maintenance capital expenditure		(8.0)	(9.2)	(1.2)	15.0%
Free Cash Flow	1	**37.3**	**53.6**	**16.3**	**43.6%**
Productivity and growth capital expenditure		(13.4)	(17.7)	(4.3)	32.1%
Disposal of property, plant and equipment		2.6	0.7	(1.9)	(72.7%)
Net cash flow before financing, tax and dividends		**26.5**	**36.6**	**10.1**	**38.0%**
Cash conversion ratio	5	66%	76%		

Notes:
1. Note that EBITDA before SGARA and Free Cash Flow are non-IFRS measures. See Section 4.2.4 for definitions.
2. Removal of share of profit from joint ventures accounted for using the equity method.
3. Represents the cash distributions received from joint ventures.
4. Working capital comprises trade and other receivables, inventories, prepayments, trade and other payables and current provisions. Refer to Section 4.7.1.2 for further information.
5. Cash conversion ratio is Free Cash Flow divided by EBITDA before SGARA expressed as a percentage.

4.7.3.1 Dividends from joint ventures

Dividends from joint ventures increased by $0.7 million, or 32.3%, from $2.2 million in FY2013 to $2.9 million in FY2014, reflecting the first year of dividend payment from African Blue in FY2014 and an increase in Polar Fresh dividends due to stronger operating results relative to those for FY2013.

4.7.3.2 Changes in working capital

Working capital increased by $1.1 million, driven by an increase in trade and other receivables, which was offset by additional trade and other payables, as a result of growth across all segments. Other elements of working capital remained relatively stable in FY2014.

4.7.3.3 Capital expenditure

Total capital expenditure increased by $5.5 million to $26.9 million in FY2014, driven by higher maintenance and productivity and growth capital expenditure.

Maintenance capital expenditure increased by $1.2 million, or 15.0%, from $8.0 million in FY2013 to $9.2 million in FY2014. In addition to ongoing equipment replacement, other key items included $2.6 million of refrigeration and post-harvest upgrades at the Mernda mushroom facility, and $1.1 million at the existing Guyra tomato glasshouse for additional cool rooms and a new water filtration unit to improve water recycling capability at the site.

Productivity and growth capital expenditure increased by $4.3 million, or 32.1%, from $13.4 million in FY2013 to $17.7 million in FY2014. Key elements of the FY2014 expenditure related to the commencement of construction of the new tomato glasshouse and the berry expansion plan as per Section 4.8.3.

4.7.3.4 Share of profit of joint ventures

Costa's share of profit of joint ventures increased by $3.3 million, or 55.7%, from $5.9 million in FY2013 to $9.2 million in FY2014, as a result of strong performance across all three joint ventures.

4.7.3.5 Disposal of assets

Assets disposed of during the period include the sale of a distribution facility in Mildura following relocation to upgraded premises in FY2013, and the sale of a market stand at the Melbourne wholesale market following the purchase of a stand adjacent to Costa's existing operations to enable site consolidation, also during FY2013.

4.7.4 Pro Forma Historical Results and Statutory Historical Results: 1H FY2015 compared to 1H FY2014

Table 32 sets out the selected Pro Forma Historical Results, selected Statutory Historical Results and selected key performance indicators for 1H FY2014 and 1H FY2015.

Table 32: Selected Pro Forma Results, selected Statutory Historical Results and selected key operating metrics: 1H FY2015 compared to 1H FY2014

June year end ($ million)	Note	Pro Forma Historical Results				Statutory Historical Results			
		1H FY2014	1H FY2015	Change	Change %	1H FY2014	1H FY2015	Change	Change %
Revenue									
Produce		265.7	267.3	1.6	0.6%	274.8	268.2	(6.6)	(2.4%)
International		–	–	–	–	–	–	–	–
Costa Farms and Logistics		116.7	126.5	9.7	8.3%	129.8	126.5	(3.3)	(2.5%)
Intersegment eliminations		(43.1)	(35.5)	7.6	(17.6%)	(43.1)	(35.5)	7.6	(17.6%)
Total revenue		**339.3**	**358.3**	**18.9**	**5.6%**	**361.5**	**359.2**	**(2.3)**	**(0.6%)**
EBITDA before SGARA	1								
Produce		27.5	26.9	(0.7)	(2.5%)	28.0	24.5	(3.5)	(12.5%)
International		(0.5)	(2.0)	(1.5)	329.0%	(0.5)	(2.0)	(1.5)	329.0%
Costa Farms and Logistics		8.7	4.9	(3.8)	(43.6%)	8.3	4.9	(3.4)	(40.8%)
Total EBITDA before SGARA		**35.8**	**29.8**	**(6.0)**	**(16.7%)**	**35.8**	**27.4**	**(8.4)**	**(23.4%)**
EBITDA before SGARA margin (%)	1								
Produce		10.4%	10.0%			10.2%	9.1%		
International		nm	nm			nm	nm		
Costa Farms and Logistics		7.5%	3.9%			6.4%	3.9%		
Total EBITDA before SGARA margin (%)		**10.5%**	**8.3%**			**9.9%**	**7.6%**		

Note:
Refer to notes in Table 30.

4.7.4.1 Group

Costa recorded pro forma revenue growth of $18.9 million, or 5.6%, from $339.3 million in 1H FY2014 to $358.3 million in 1H FY2015. The increase in revenue was driven by the Produce and CF&L segments.

Costa's pro forma operating expenses increased in 1H FY2015 compared to 1H FY2014 mainly due to:

- an increase in raw materials, consumables and third party purchases expenses of $24.7 million, or 23.9%, to $127.9 million in 1H FY2015 from $103.2 million in 1H FY2014, primarily as a result of increased berry farming activity, and increased costs associated with third party procured produce;
- a reduction in employee benefits expense of $5.8 million, or 4.7%, to $118.4 million in 1H FY2015 from $124.2 million in 1H FY2014. Employee benefits expense in the produce category increased due to further farmed area expansion in berries and additional volume of cocktail and snacking varieties, which are more labour intensive, being produced at Guyra. This is offset by a reduction in the CF&L segment following employee redundancies undertaken in 1H FY2015; and
- an increase in other operating expenses of $5.9 million, or 7.4%, to $86.8 million in 1H FY2015 from $80.8 million in 1H FY2014, primarily as a result of increased freight, occupancy and repairs and maintenance costs.

Pro forma EBITDA before SGARA decreased by $6.0 million, or 16.7%, from $35.8 million in 1H FY2014 to $29.8 million in 1H FY2015. This decrease was primarily driven by a reduction in the CF&L and International segments, and is reflected in the decrease in the EBITDA before SGARA margin from 10.5% in 1H FY2014 to 8.3% in 1H FY2015.

Statutory revenue decreased by $2.3 million, or 0.6%, from $361.5 million in 1H FY2014 to $359.2 million in 1H FY2015, driven by the CF&L and Produce segments. Statutory EBITDA before SGARA decreased by $8.4 million, or 23.4%, to $27.4 million in 1H FY2015. This was driven by a decrease across the Produce, International and CF&L segments.

4.7.4.2 Produce

Produce pro forma revenue increased by $1.6 million, or 0.6%, from $265.7 million in 1H FY2014 to $267.3 million in 1H FY2015. Market conditions over the half year were relatively stable, although a reduction in citrus sales prices in 1H FY2015 compared to 1H FY2014 offset price improvements in other categories. Berry revenue growth was achieved through increased volume from ongoing raspberry and strawberry farm expansions in New South Wales and Tasmania. Tomato revenue increased following the launch of new products into the market.

Produce pro forma EBITDA before SGARA declined by $0.7 million, or 2.5%, from $27.5 million in 1H FY2014 to $26.9 million in 1H FY2015. Produce EBITDA before SGARA margin decreased from 10.4% in 1H FY2014 to 10.0% in 1H FY2015. The 1H FY2015 result included additional occupancy costs for the Amaroo citrus farm which was leased in September 2014, as well as farming costs for the next season's crop, which will predominantly be harvested in FY2016.

Statutory revenue decreased by $6.6 million, or 2.4%, from $274.8 million in 1H FY2014 to $268.2 million in 1H FY2015. In addition to the pro forma factors described above, the decrease also reflects the reduction in sales from the closure of the two mushroom farms in 2H FY2014, and the two grape farms that were closed in January 2015, all of which are excluded from pro forma revenue (see Section 4.3.3 for further details on site closures).

Statutory EBITDA before SGARA decreased by $3.5 million, or 12.5%, from $28.0 million in 1H FY2014 to $24.5 million in 1H FY2015 with further impact due to the poor operating result from Costa's grape farms. Two of Costa's grape farms were closed in January 2015, and are excluded from the pro forma results above.

4.7.4.3 International

The International segment delivered a pro forma EBITDA before SGARA loss of $2.0 million in 1H FY2015, relative to a loss of $0.5 million in 1H FY2014. The increase in the pro forma EBITDA before SGARA loss of $1.5 million was due to higher farming costs resulting from area expansion in 1H FY2015 relative to 1H FY2014. The 1H FY2015 loss reflected the production cycle of the African Blue business, with farming costs and other overheads incurred in the first half of the financial year. Produce is then harvested and sold in the second half of the financial year.

The statutory EBITDA before SGARA loss was $2.0 million in 1H FY2015, relative to a statutory EBITDA before SGARA loss of $0.5 million in 1H FY2014, which was consistent with the movement of pro forma EBITDA before SGARA results as described above.

4.7.4.4 Costa Farms and Logistics

CF&L pro forma revenue increased by $9.7 million, or 8.3%, from $116.7 million in 1H FY2014 to $126.5 million in 1H FY2015. The wholesale trading operations performed strongly relative to the 1H FY2014, particularly across Costa's core produce segments. Banana sales also benefited from tight industry volumes during 1H FY2015, resulting in higher prices during the period. Offsetting this was the reduction in service income following the finalisation of the Coles Eastern Creek contract, which expired in July 2014. The services for this customer where phased out from February 2014 and completed in August 2014.

CF&L pro forma EBITDA before SGARA decreased by $3.8 million, or 43.6%, from $8.7 million in 1H FY2014 to $4.9 million in 1H FY2015. CF&L EBITDA before SGARA margin decreased from 7.5% in 1H FY2014 to 3.9% in 1H FY2015. The decline was principally due to the loss of the Coles Eastern Creek contract as mentioned above. Operations at the site were restructured following the termination of the contract with a reduction in employee benefits expense and site operating costs.

Statutory revenue for CF&L decreased by $3.3 million, or 2.5%, from $129.8 million in 1H FY2014 to $126.5 million in 1H FY2015 and CF&L statutory EBITDA before SGARA decreased by $3.4 million, or 40.8%, from $8.3 million in 1H FY2014 to $4.9 million in 1H FY2015. In addition to the factors described above, the 1H FY2014 statutory result included the Costa Farms Perth operations which were closed in June 2014.

4.7.5 Pro Forma Historical Cash Flow Information: 1H FY2015 compared to 1H FY2014

Table 33 sets out the selected Pro Forma Historical Cash Flow Information for 1H FY2014 and 1H FY2015.

Table 33: Selected Pro Forma Historical Cash Flow Information

June year end ($ million)	Note	Pro Forma Historical Cash Flows 1H FY2014	1H FY2015	Change	Change %
EBITDA before SGARA	1	35.8	29.8	(6.0)	(16.7%)
Less: Share of profit of joint ventures	2	(2.2)	(1.3)	0.8	(38.7%)
Dividends from joint ventures	3	1.9	4.7	2.8	143.8%
Change in working capital	4	(12.2)	(5.7)	6.5	(53.2%)
Net cash flow from operating activities before interest and tax		**23.3**	**27.4**	**4.1**	**17.8%**
Maintenance capital expenditure		(3.2)	(4.0)	(0.8)	23.6%
Free Cash Flow	**1**	**20.1**	**23.4**	**3.4**	**16.8%**
Productivity and growth capital expenditure		(6.4)	(32.2)	(25.8)	401.9%
Disposal of property, plant and equipment		0.5	0.2	(0.3)	(59.2%)
Net cash flow before financing, tax and dividends		**14.1**	**(8.6)**	**(22.7)**	**(160.7%)**
Cash conversion ratio	5	56%	79%		

Note:
Refer to notes in Table 31.

4.7.5.1 Dividends from joint ventures

Dividends from joint ventures increased by $2.8 million, or 143.8%, from $1.9 million in 1H FY2014 to $4.7 million in 1H FY2015, driven by an increase in dividend payments received from African Blue and Driscoll's Australia.

4.7.5.2 Changes in working capital

Working capital increased by $5.7 million in 1H FY2015, and includes the release of the logistics restructuring provision taken up in FY2014, and higher seasonal trading relative to June.

4.7.5.3 Capital expenditure

Total capital expenditure for 1H FY2015 was $36.2 million, comprising of $4.0 million of maintenance capital expenditure and $32.2 million of growth capital expenditure. Key items of growth expenditure include the construction of the new Guyra tomato glasshouse, purchase of plant and equipment formerly leased at the existing Guyra facility, and the berry growth plan initiatives underway. Maintenance expenditure was consistent with that in prior periods and predominantly related to the Produce segment.

4.7.5.4 Share of profit of joint ventures

Costa's share of profit of joint ventures decreased by $0.8 million, or 38.7%, from $2.2 million in 1H FY2014 to $1.3 million in 1H FY2015 caused by an increase in the loss delivered by African Blue. This increase in loss was due to higher farming costs in 1H FY2015 due to area expansion. African Blue incurs farming costs and other overheads in the first half of the financial year, with produce then harvested and sold in the second half of the financial year.

4.7.5.5 Disposal of assets

There were no individually significant assets disposed of during the period.

4.8 FORECAST FINANCIAL INFORMATION

The basis of preparation of the FY2015 and FY2016 Forecast Financial Information is detailed in Section 4.2.3. This Section 4.8 describes the general assumptions, Directors' best estimate assumptions and specific assumptions adopted in preparing the Forecast Financial Information.

4.8.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted:

- no material changes in the competitive and operating environments in which Costa operates;
- no significant deviation from current market expectations of Australian and international economic conditions under which Costa and its key customers operate;

- no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures of Costa;
- no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which would have a material effect on Costa's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material changes in key personnel, including key management personnel. It is also assumed that Costa maintains its ability to recruit and retain the personnel required to support future growth;
- no material industrial strikes, employee relations disputes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Costa;
- no material adverse impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments other than as contemplated;
- no material changes to Costa's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no significant disruptions to the continuity of operations of Costa or other material changes in its business;
- no major weather events that may materially impact on the operations of Costa;
- no material amendment to any material contract, agreement or arrangement relating to Costa's business, intellectual property, joint ventures or partnerships other than as set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Costa;
- the Offer proceeds are received in accordance with the timetable set out in the Important dates section of this Prospectus; and
- no material change in suppliers.

4.8.2 Directors' best estimate assumptions

The Forecast Financial Information for FY2015 includes Costa's aggregated interim results for 1H FY2015, actual results to April 2015 and the forecast results for the remaining two months to 28 June 2015.

The Forecast Financial Information is based on various best estimate assumptions, of which the key assumptions are set out below in Section 4.8.3. The specific assumptions below are a summary only and do not represent all factors that will affect Costa's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. It should be read in conjunction with the basis of preparation of the Forecast Financial Information set out in Section 4.2.3, the general assumptions set out in this Section 4.8, the sensitivity analysis set out in Section 4.11, the risk factors set out in Section 5 and the Limited Assurance Investigating Accountant's Report in Section 8.

4.8.3 Specific assumptions

The basis of the specific assumptions that have been used in the preparation of the Forecast Financial Information in respect of FY2015 and FY2016 is set out below.

Produce

- sales prices and volumes for all Produce categories have been based on expected production capacity and farming area, crop yield profiles, expected supplier arrangements, historical trends, known customer commitments and expected market conditions.
- harvest and sales of the first crop from the new tomato glasshouse currently being constructed at Guyra is expected to commence from October 2015.
- harvest of berries from the berry expansion program is expected to commence from 2H FY2015 with some initial volumes from the first stage plantings in Far North Queensland, New South Wales, Tasmania and Western Australia. Production is expected to increase in FY2016 with the maturity of these plantings, with additional initial harvest from the second stage of plantings currently underway.
- wages and salaries are assumed to increase at an average of 2.8% per annum or in line with the relevant enterprise bargaining agreements, where applicable.
- occupancy costs are based on existing contractual commitments, where applicable.

International

- sales prices and volumes for the African Blue JV have been based on expected farming area, expected crop maturity yield profile, historical trends and expected market conditions.
- royalty income from the licensing of blueberry genetics is based on expected uptake of new plants, expected fruit sales from existing planted areas, and expected new licensing arrangements.

- Costa's China operation is assumed to commence prior to the end of FY2015, with costs incurred to date by the joint venture parties separately to be transferred to the joint venture. The joint venture is expected to incur further start-up costs, including planting cost in FY2016. Due to these costs not being matched by the expected revenue in these periods, the financial impact from this operation has been included in the pro forma adjustments (see Section 4.3.3 for further information).

Costa Farms and Logistics

- Logistics services prices are based on existing customer contracts, where applicable.
- existing external customer leasing arrangements for warehouse space at Eastern Creek and Derrimut are assumed to be consistent with current arrangements, for the Forecast Period. Additionally, further vertical integration of the segment will occur following the relocation of the Melbourne wholesale markets to Epping, with Costa Farms relocating its produce warehousing and ripening infrastructure requirements to Derrimut.
- sales prices and volumes for the wholesale produce, bananas and avocados categories have been based on expected available supply from the Produce segment, supplemented by expected supplier arrangements, historical trends and expected market conditions.
- wages and salaries are assumed to increase at an average of 2.8% per annum or in line with the relevant enterprise bargaining agreements, where applicable.
- occupancy costs are based on existing contractual commitments, where applicable.

4.8.4 Pro Forma Forecast Results and Statutory Forecast Results for FY2015 compared to Pro Forma Historical Results and Statutory Historical Results for FY2014

Table 34 sets out the selected Pro Forma Historical Results, selected Statutory Historical Results and selected key operating metrics for FY2014 compared to the selected Pro Forma Forecast Results, selected Statutory Forecast Results and selected key operating metrics for FY2015.

Table 34: Selected Pro Forma Historical Results, selected Statutory Historical Results and selected key operating metrics for FY2014 compared to selected Pro Forma Forecast Results, selected Statutory Forecast Results and selected key operating metrics for FY2015

		Pro Forma Historical and Forecast Results				Statutory Historical and Forecast Results			
($ million)	Note	FY2014	FY2015	Change	Change %	FY2014	FY2015	Change	Change %
Revenue									
Produce		482.9	515.1	32.1	6.7%	497.5	518.1	20.6	4.1%
International		–	–	–	nm	–	–	–	nm
Costa Farms and Logistics		261.1	260.8	(0.3)	(0.1%)	283.3	260.8	(22.5)	(8.0%)
Intersegment eliminations		(81.8)	(71.5)	10.3	(12.6%)	(81.8)	(71.5)	10.3	(12.6%)
Total revenue		**662.3**	**704.4**	**42.1**	**6.4%**	**699.1**	**707.4**	**8.4**	**1.2%**
EBITDA before SGARA	1								
Produce		50.8	55.1	4.2	8.3%	47.0	52.3	5.2	11.2%
International		4.9	6.7	1.8	36.0%	4.9	5.2	0.3	6.1%
Costa Farms and Logistics		14.4	8.9	(5.6)	(38.6%)	12.6	8.9	(3.7)	(29.6%)
IPO transaction costs		–	–	–	nm	–	(5.1)	(5.1)	nm
Total EBITDA before SGARA		**70.2**	**70.6**	**0.4**	**0.6%**	**64.5**	**61.2**	**(3.3)**	**(5.2%)**
EBITDA before SGARA margin (%)	1								
Produce		10.5%	10.7%			9.5%	10.1%		
International		nm	nm			nm	nm		
Costa Farms and Logistics		5.5%	3.4%			4.4%	3.4%		
Total EBITDA before SGARA margin (%)		**10.6%**	**10.0%**			**9.2%**	**8.7%**		

Notes:
Refer to notes in Table 30.

4.8.4.1 Group

Costa is forecast to achieve pro forma revenue growth of $42.1 million, or 6.4%, from $662.3 million in FY2014 to $704.4 million in FY2015. The forecast increase in revenue is expected to be driven by growth in the Produce segment.

Costa's pro forma operating expenses are expected to increase in FY2015 compared to FY2014 mainly due to:

- an increase in raw materials, consumables and third party purchases expenses of $40.4 million, or 19.2%, from $210.4 million in FY2014 to $250.7 million in FY2015, as a result of increased farming, harvesting and packing activities across Costa's produce categories, and increased costs associated with third party procured produce;
- a reduction in employee benefits expense of $10.0 million, or 4.1%, from $245.7 million in FY2014 to $235.7 million in FY2015. Employee benefits expense in the produce category is forecast to increase due to additional farmed area in berries and citrus, and higher labour costs in the tomato category due to an increased mix of cocktail and snacking varieties, which are more labour intensive, being produced at Guyra, in addition to costs associated with onboarding new employees ahead of the new glasshouse start-up in Q1 FY2016. This is offset by a reduction in the CF&L segment following employee redundancies at Eastern Creek undertaken in 1H FY2015; and
- an increase in other operating expenses of $10.1 million, or 6.5%, from $155.4 million in FY2014 to $165.5 million in FY2015 primarily as a result of increased freight, occupancy and repairs and maintenance costs. Operating lease savings in the tomato category following the purchase of previously leased plant and equipment in July 2014 were offset by higher grower services costs, with an additional area of third party glasshouse space taken to grow Costa's product.

Pro forma EBITDA before SGARA is forecast to increase by $0.4 million, or 0.6%, from $70.2 million in FY2014 to $70.6 million in FY2015, driven primarily by improved earnings in the Produce and International segments, offset by lower earnings in the CF&L segment.

On a statutory basis, revenue is forecast to increase by $8.4 million, or 1.2%, from $699.1 million in FY2014 to $707.4 million in FY2015, driven by the Produce segment, partially offset by the CF&L segment.

Statutory EBITDA before SGARA is forecast to decrease by $3.3 million, or 5.2%, from $64.5 million in FY2014 to $61.2 million in FY2015. The decrease in statutory EBITDA before SGARA is expected to be driven by IPO transaction costs incurred in FY2015 (see Table 36). IPO transaction costs have not been allocated to any reportable segments and have been excluded from the pro forma results described above.

4.8.4.2 Produce

Produce pro forma revenue is forecast to increase by $32.1 million, or 6.7%, from $482.9 million in FY2014 to $515.1 million in FY2015. The key drivers for the increase include:

- continued growth across the berry category. This includes increased sales volume from ongoing raspberry farm expansions in New South Wales and Tasmania, a significant first material crop from the Tasmanian Sulphur Creek blueberry farm, and an initial blueberry crop from the new Far North Queensland development. Overall sales volume of Costa's berry production across all berry categories is forecast to be 26% higher than FY2014 (see Section 4.8.3 for further details);
- in tomatoes, a 44% increase in the sales volume of sweet snacking and cocktail truss tomatoes sold following the launch of several new products in the lead-up to the new glasshouse being completed. Additional sales volume has been grown at third party locations and Costa has changed the product mix at Guyra to grow these varieties, which attract a higher sale price relative to truss tomatoes which were previously grown at Guyra;
- moderate sales volume growth across the mushroom category, with stable yields and stronger wholesale market pricing; and
- offsetting these increases are citrus revenues which are expected to be impacted by reduced sales volumes sourced from third party growers, and lower mandarin and navel prices relative to the prior season.

Produce pro forma EBITDA before SGARA is forecast to increase by $4.2 million, or 8.3%, from $50.8 million in FY2014 to $55.1 million in FY2015. Produce EBITDA before SGARA margin is forecast to increase marginally from 10.5% in FY2014 to 10.7% in FY2015. The forecast increase in EBITDA before SGARA is expected to be driven by the revenue uplift outlined above and margin improvement within the mushroom category, achieved through a combination of stronger pricing and operational efficiencies, and reduced equipment leasing expenses following the purchase of the previously leased equipment at Guyra, in July 2014. This will be partially offset by higher operating expenses due to start-up costs associated with the new tomato glasshouses at Guyra, and additional occupancy and farming costs for the Amaroo citrus farm leased in 1H FY2015.

Statutory revenue is forecast to increase by $20.6 million, or 4.1%, from $497.5 million in FY2014 to $518.1 million in FY2015. The key drivers of this increase are described above; however, FY2015 sees a lower impact due to the closure of the two mushroom farms in FY2014, and lower sales from the two grape farms that were closed in January 2015 and excluded from pro forma revenue.

Statutory EBITDA before SGARA is forecast to increase by $5.2 million, or 11.2%, from $47.0 million in FY2014 to $52.3 million in FY2015. In addition to the factors noted above, the FY2014 result included advisory fees paid to Shareholders for debt refinancing, and the FY2015 result includes a loss from the two grape farms that were closed in January 2015 (see Section 4.3.3).

4.8.4.3 International

International pro forma EBITDA before SGARA is forecast to increase by $1.8 million, or 36.0%, from $4.9 million in FY2014 to $6.7 million in FY2015. This is led by an increase in the share of profit from the African Blue JV due to the growth of the business, and higher royalty income.

Statutory EBITDA before SGARA is forecast to increase by $0.3 million, from $4.9 million in FY2014 to $5.2 million in FY2015, and includes $1.5 million of initial Costa Asia establishment costs, prior to outside equity interest.

4.8.4.4 Costa Farms and Logistics

CF&L segment pro forma revenue is forecast to decrease by $0.3 million, or 0.1%, from $261.1 million in FY2014 to $260.8 million in FY2015. Revenue was impacted by the loss of the Coles Eastern Creek contract, which was completed in August 2014. This impact is offset by forecast improved sales performance across the Costa Farms wholesale business and banana and avocado categories with higher volumes traded following several promotional programs being run during 2H FY2015 and notably stronger prices in the banana category relative to FY2014.

CF&L pro forma EBITDA before SGARA is forecast to decrease by $5.6 million, or 38.6%, from $14.4 million in FY2014 to $8.9 million in FY2015. CF&L EBITDA before SGARA margin is forecast to decrease from 5.5% in FY2014 to 3.4% in FY2015. This decline is principally due to the termination of the Coles Eastern Creek contract as mentioned above. Operations at the site were restructured following the finalisation of the contract, with a reduction in employee benefits expense and site operating costs. The impact of the Coles Eastern Creek contract loss has been partially offset by stronger trading performance in Costa Farms and banana farming and marketing activities.

Statutory revenue is forecast to decline by $22.5 million, or 8.0%, from $283.3 million in FY2014 to $260.8 million in FY2015, predominantly due to the loss of the Coles Eastern Creek contract as noted above. In addition, the Costa Farms Perth wholesale trading business was closed in June 2014, resulting in a revenue reduction of $22.2 million in FY2015.

Statutory EBITDA before SGARA is forecast to decrease by $3.7 million, or 29.6%, from $12.6 million in FY2014 to $8.9 million in FY2015. The reduction in statutory EBITDA before SGARA is due to the loss of the Coles Eastern Creek contract as described above, partially offset by the closure of the Costa Farms Perth wholesale trading business in June 2014, which made a loss in FY2014.

4.8.5 Pro Forma Historical Cash Flow Information for FY2014 compared with Pro Forma Forecast Cash Flow Information for FY2015

Table 35 sets out the selected Pro Forma Historical Cash Flow Information for FY2014 compared with the selected Pro Forma Forecast Cash Flow Information for FY2015.

Table 35: Selected Pro Forma Cash Flow Information

June year end ($ million)	Note	Pro Forma Historical Cash Flows FY2014	Pro Forma Forecast Cash Flows FY2015	Change	Change %
EBITDA before SGARA	1	70.2	70.6	0.4	0.6%
Less: Share of profit of joint ventures	2	(9.2)	(10.4)	(1.2)	13.1%
Dividends from joint ventures	3	2.9	5.9	3.0	101.5%
Change in working capital	4	(1.1)	(4.1)	(3.0)	266.0%
Net cash flow from operating activities before interest and tax		**62.8**	**62.0**	**(0.8)**	**(1.3%)**
Maintenance capital expenditure		(9.2)	(10.1)	(0.9)	10.0%
Free Cash Flow	1	**53.6**	**51.9**	**(1.7)**	**(3.2%)**
Productivity and growth capital expenditure		(17.7)	(77.5)	(59.8)	337.8%
Investments and acquisitions		–	1.7	1.7	nm
Disposal of property, plant and equipment		0.7	0.1	(0.6)	(87.0%)
Net cash flow before financing, tax and dividends		**36.6**	**(23.8)**	**(60.4)**	**(164.9%)**
Cash conversion ratio	5	76%	73%		

Notes:
Refer to notes in Table 31.

4.8.5.1 Dividends from joint ventures

Dividends from joint ventures are forecast to increase by $3.0 million, or 101.5%, from $2.9 million in FY2014 to $5.9 million in FY2015, driven by an increase in dividend payments as a result of stronger financial performance from all three joint ventures.

4.8.5.2 Changes in working capital

Working capital is forecast to increase by $4.1 million in FY2015, primarily driven by the timing of interest and insurance prepayments relative to FY2014.

4.8.5.3 Capital expenditure

Total capital expenditure is forecast to increase by $60.7 million, from $26.9 million in FY2014 to $87.6 million in FY2015, led by a significant increase in productivity and growth capital expenditure.

Maintenance capital expenditure is forecast to increase by $0.9 million, or 10.0%, from $9.2 million in FY2014 to $10.1 million in FY2015. A key item of expenditure for the period relates to the fit-out of the Derrimut logistics site with ripening rooms and infrastructure for use by Costa Farms, and the installation of new market stands due to the relocation of the Melbourne produce market from West Melbourne to Epping which is expected to occur during Q1 FY2016.

Growth capital expenditure of $77.5 million is forecast for FY2015. This includes $54.9 million in the tomato category in relation to the construction of the tomato glasshouse and purchase of previously leased plant and equipment at Guyra, and $20.7 million in relation to the berry expansion program. Refer to Sections 4.8.3 and 4.8.4.2 for further information.

4.8.5.4 Share of profit from joint ventures

Costa's share of profit from joint ventures is forecast to increase by $1.2 million, or 13.1%, from $9.2 million in FY2014 to $10.4 million in FY2015, due to a forecast increase in profit generated by African Blue.

4.8.5.5 Disposal of assets

There are no individually significant items forecast to be disposed of during the period.

4.8.6 Pro Forma Forecast Results and Statutory Forecast Results: FY2016 compared to FY2015

Table 36 sets out the selected Pro Forma Forecast Results, Statutory Forecast Results and selected key performance indicators for FY2015 and FY2016.

Table 36: Selected Pro Forma Forecast Results, selected Statutory Forecast Results and selected key operating metrics: FY2015 compared to FY2016

		Pro Forma Forecast Results				Statutory Forecast Results			
($ million)	Note	FY2015	FY2016	Change	Change %	FY2015	FY2016	Change	Change %
Revenue									
Produce		515.1	560.8	45.7	8.9%	518.1	560.8	42.7	8.2%
International		–	–	–	nm	–	2.2	2.2	nm
Costa Farms and Logistics		260.8	249.6	(11.1)	(4.3%)	260.8	249.6	(11.1)	(4.3%)
Intersegment eliminations		(71.5)	(72.4)	(1.0)	1.4%	(71.5)	(72.4)	(1.0)	1.4%
Total revenue		**704.4**	**738.0**	**33.6**	**4.8%**	**707.4**	**740.2**	**32.8**	**4.6%**
EBITDA before SGARA	1								
Produce		55.1	73.6	18.5	33.7%	52.3	73.6	21.3	40.8%
International		6.7	7.8	1.1	16.9%	5.2	4.7	(0.5)	(8.9%)
Costa Farms and Logistics		8.9	9.0	0.1	1.5%	8.9	9.0	0.1	1.5%
IPO transaction costs		–	–	–	nm	(5.1)	(23.8)	(18.7)	363.6%
Total EBITDA before SGARA		**70.6**	**90.4**	**19.8**	**28.1%**	**61.2**	**63.5**	**2.3**	**3.8%**
EBITDA before SGARA margin (%)	1								
Produce		10.7%	13.1%			10.1%	13.1%		
International		nm	nm			nm	213.7%		
Costa Farms and Logistics		3.4%	3.6%			3.4%	3.6%		
Total EBITDA before SGARA margin (%)		**10.0%**	**12.3%**			**8.7%**	**8.6%**		

Notes:
Refer to notes in Table 30.

4.8.6.1 Group

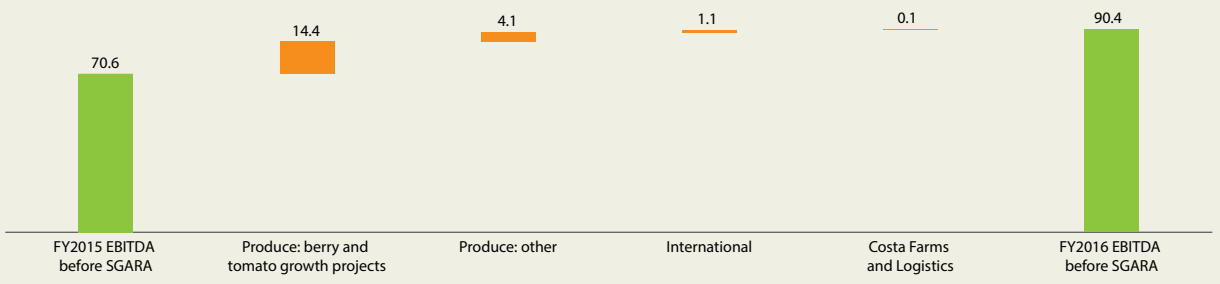
Costa is forecast to achieve pro forma revenue growth of $33.6 million, or 4.8%, from $704.4 million in FY2015 to $738.0 million in FY2016. The forecast increase in revenue is expected to be driven by increases in the Produce segment offset by a reduction in CF&L.

Costa's pro forma operating expenses are forecast to increase in FY2016 compared to FY2015 mainly due to:

- a reduction in raw materials, consumables and third party purchases expenses of $4.7 million, or 1.9%, from $250.7 million in FY2015 to $246.0 million in FY2016. Produce segment expenditure is forecast to increase due to additional area farmed and volume produced, and a change in procurement arrangements in the tomato category resulting in a shift from grower services expenses which are reported under other operating expenses. This increase is offset by a reduction in CF&L due to lower expected banana and avocado prices and fewer promotional programs relative to FY2015;
- an increase in employee benefits expense of $27.0 million, or 11.5%, from $235.7 million in FY2015 to $262.7 million in FY2016. This increase is predominantly due to the expansion in farmed area in berries and tomatoes; and
- a decrease in other operating expenses of $7.2 million, or 4.4%, from $165.5 million in FY2015 to $158.3 million in FY2016. This predominantly reflects the change in tomato third party procurement arrangements discussed above.

Costa is forecast to achieve pro forma EBITDA before SGARA growth of $19.8 million, or 28.1%, from $70.6 million in FY2015 to $90.4 million in FY2016. Figure 41 below sets out the composition of this growth by reportable segment:

Figure 41: Pro forma EBITDA before SGARA bridge: FY2015 to FY2016 ($ million)



EBITDA before SGARA margin is forecasted to increase by 2.3%, from 10.0% to 12.3% reflecting the contribution from the berry and tomato growth initiatives. Depreciation and amortisation expense is forecast to increase by $3.4 million, from $18.4 million in FY2015 to $21.8 million in FY2016, inclusive of $2.9 million due to the berry and tomato capital expenditure.

Costa's statutory revenue is forecast to increase by $32.8 million, or 4.6%, from $707.4 million in FY2015 to $740.2 million in FY2016 due to the factors outlined above.

Statutory EBITDA before SGARA is forecast to increase by $2.3 million, or 3.8%, from $61.2 million in FY2015 to $63.5 million in FY2016, with the key difference to pro forma EBITDA before SGARA being IPO transaction costs expected to be incurred in FY2016 of $23.8 million.

4.8.6.2 Produce

Produce pro forma revenues are forecast to increase by $45.7 million, or 8.9%, from $515.1 million in FY2015 to $560.8 million in FY2016, driven by:

- continued growth in the berry category. A total of 145 hectares of the growth plan is expected to be completed by the end of FY2016, including 68 hectares of blueberries and 67 hectares of raspberries and 10 hectares of strawberries, with harvest from the initial FY2015 plantings and some small initial volumes from the FY2016 plantings expected to drive berry revenue growth of 27.0% from FY2015 to FY2016. The forecast assumes a reduction in pricing with the increased supply, offset by higher pricing in new growing regions such as Far North Queensland and Western Australia;
- contribution from the new tomato glasshouse in Guyra, with FY2016 being the first year of crop production. Sales are forecast to commence in October 2015, following planting in July and August 2015 of the full 10 hectare expansion;
- increase in citrus production volumes of approximately 8.0% due to the full year benefit of the new Amaroo citrus farm; and
- steady growth from the mushroom category with further production volume increase across the network, and contracted price increases.

Produce pro forma EBITDA before SGARA is forecast to increase by $18.5 million, or 33.7%, from $55.1 million in FY2015 to $73.6 million in FY2016. Produce EBITDA before SGARA margin is forecast to increase from 10.7% in FY2015 to 13.1% in FY2016. The increase in earnings and improvement in margin arises from the incremental contribution from the berry and tomato developments, in addition to improved performance across the existing Produce segment which includes the benefit from a full year production from the new Amaroo citrus orchard. In aggregate, the berry and tomato growth developments are expected to contribute $14.4 million of the Produce segment earnings increase in FY2016.

Statutory revenue is forecast to increase by $42.7 million, or 8.2%, from $518.1 million in FY2015 to $560.8 million in FY2016. In addition to the items discussed above, the increase in statutory revenue is offset by the year on year reduction due to the closure of two grape farms in January 2015.

Statutory EBITDA before SGARA is forecast to increase by $21.3 million, or 40.8%, from $52.3 million in FY2015 to $73.6 million in FY2016. In addition to factors above, this increase also reflects the $2.3 million loss from the grapes farms included in the FY2015 result.

4.8.6.3 International

International pro forma EBITDA before SGARA is forecast to grow by $1.1 million, or 16.9%, from $6.7 million in FY2015 to $7.8 million in FY2016.

Statutory EBITDA before SGARA is forecast to reduce by $0.5 million, or 8.9%, from $5.2 million in FY2015 to $4.7 million in FY2016, due to additional Costa Asia start-up costs in FY2016. This is partially offset by the increase in earnings from African Blue.

4.8.6.4 Costa Farms and Logistics

CF&L pro forma revenue is forecast to decrease by $11.1 million, or 4.3%, to $249.6 million in FY2016 due to a reduction in banana and avocado sales. Banana prices were strong during FY2015 due to tighter industry supply volumes, and a number of promotional programs were undertaken in 2H FY2015 which resulted in an uplift in traded volumes of bananas and avocados.

CF&L pro forma EBITDA before SGARA is forecast to increase by $0.1 million, or 1.5%, from $8.9 million in FY2015 to $9.0 million in FY2016. Forecast earnings reduction from lower traded sales volumes is expected to be offset by $1.4 million of restructuring costs incurred in FY2015 following the finalisation of the Coles Eastern Creek contract and improved operating performance from new contracts at the site. Operating costs savings are also expected from further vertical integration of the segment following Costa Farms Melbourne's relocation to Epping and integration of warehouse facilities into the Derrimut facility. These factors are expected to drive an improvement in CF&L EBITDA before SGARA margin from 3.4% in FY2015 to 3.6% in FY2016.

There are no differences between the statutory and pro forma revenue and EBITDA before SGARA measures in the period.

4.8.7 Pro Forma Forecast Cash Flow Information: FY2016 compared to FY2015

Table 37 sets out the selected Pro Forma Forecast Cash Flow Information for FY2015 and FY2016.

Table 37: Selected Pro Forma Forecast Cash Flow Information

June year end ($ million)	Note	Pro Forma Forecast Cash Flows FY15	FY16	Change	Change %
EBITDA before SGARA	1	70.6	90.4	19.8	28.1%
Less: Share of profit of joint ventures	2	(10.4)	(11.5)	(1.1)	10.9%
Dividends from joint ventures	3	5.9	7.8	1.9	32.7%
Change in working capital	4	(4.1)	(2.9)	1.2	(29.5%)
Net cash flow from operating activities before interest and tax		**62.0**	**83.8**	**21.8**	**35.1%**
Maintenance capital expenditure		(10.1)	(12.2)	(2.1)	20.7%
Free Cash Flow	1	**51.9**	**71.6**	**19.7**	**38.0%**
Productivity and growth capital expenditure		(77.5)	(27.1)	50.4	(65.0%)
Investments and acquisitions		1.7	–	(1.7)	nm
Disposal of property, plant and equipment		0.1	–	(0.1)	nm
Net cash flow before financing, tax and dividends		**(23.8)**	**44.5**	**68.2**	**(287.1%)**
Cash conversion ratio	5	73%	79%		

Note:
Refer to notes in Table 31.

4.8.7.1 Dividends from joint ventures

Dividends from joint ventures are forecast to increase by $1.9 million, or 32.7%, from $5.9 million in FY2015 to $7.8 million in FY2016, due to an increase in dividend payments received from the African Blue JV.

4.8.7.2 Change in working capital

Working capital is forecast to increase by $2.9 million during FY2016, driven by an increase in trade receivables and trade payables within the Produce segment. This reflects revenue growth through the forecast period.

4.8.7.3 Capital expenditure

Total capital expenditure is forecast to decrease by $48.3 million, or 55.1%, from $87.6 million in FY2015 to $39.3 million in FY2016, reflecting the completion of the tomato glasshouse but continuing investment in the berry growth projects.

Maintenance capital expenditure is forecast to increase by $2.1 million, or 20.7%, from $10.1 million in FY2015 to $12.2 million in FY2016. The forecast allows for additional expenditure to complete the relocation of Costa Farms Melbourne to Epping and the consolidation of the CF&L Melbourne warehousing requirements at Derrimut, in addition to normal maintenance capital requirements.

Productivity and growth capital expenditure is forecast to be $27.1 million. This includes the remaining expenditure of $7.5 million to complete the glasshouses at Guyra in Q1 FY2016. The balance of the growth expenditure pertains to further berry category expansion as described in Section 3.5.

4.8.7.4 Share of profit of joint ventures

Costa's share of joint venture profit is forecast to increase by $1.1 million, or 10.9%, from $10.4 million in FY2015 to $11.5 million in FY2016, due to an increase in profit from the African Blue JV, driven by its crop expansion and the continued maturation of crops.

4.9 TRANSACTED SALES – NON-IFRS MEASURE

Transacted Sales are used by management as a key measure to assess Costa's business performance and market share. Transacted sales represent the aggregate volume of sales in which Costa is involved in various capacities, as well as royalty income. Transacted Sales are not considered by Costa to be a revenue measure.

Investors should note that there are material differences between the calculation of Transacted Sales and the way in which revenue is determined under AAS.

Refer to Section 4.2.4 for further details on the definition of Transacted Sales and why it is used by management.

Table 38 provides a reconciliation of pro forma revenue to pro forma Transacted Sales.

Table 38: Reconciliation of pro forma historical revenue to pro forma historical Transacted Sales and pro forma forecast revenue to pro forma forecast Transacted Sales

June year end ($ million)	Note	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Pro forma revenue		573.3	662.3	704.4	738.0	339.3	358.3
Agency revenue adjustments	1	71.2	49.4	37.4	46.2	31.1	27.2
Joint venture adjustments	2	8.8	12.7	17.1	19.5	1.7	1.7
Driscoll's Australia Partnership consolidation adjustments	3	68.8	122.1	144.8	172.9	58.4	81.1
Royalty income	4	0.7	1.4	2.2	2.2	-	0.2
Transacted Sales		**722.8**	**847.9**	**905.8**	**978.8**	**430.5**	**468.4**

Notes:
1. Under AAS, the invoiced value of agency sales is excluded from revenue with only the commission associated with the agency sales recognised.
2. Costa's proportionate share of joint venture sales relating to the African Blue and Polar Fresh joint ventures, of 49% and 50% respectively. Under AAS, joint ventures are accounted for under the equity method, with only Costa's share of the joint venture NPAT recognised in the statement of profit or loss.
3. Costa owns 50% of the equity interest in Driscoll's Australia. Transacted Sales includes 100% of Driscoll's Australia Partnership sales, after eliminating Costa produce sales to the Driscoll's Australia Partnership.
4. Costa earns royalty income on the licensing of Costa blueberry varieties in Australia, the Americas and Africa. Royalty income is classified as other income in the statement of profit or loss.

Table 39 contains a summary of Costa's pro forma Transacted Sales by segment for FY2013, FY2014, FY2015, FY2016, 1H FY2014 and 1H FY2015.

Table 39: Pro forma Transacted Sales by segment

	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
($ million)	FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Transacted Sales						
Produce	527.5	635.5	681.7	765.0	337.4	362.5
International	6.5	10.3	15.7	18.7	–	0.2
Costa Farms and Logistics	252.8	284.4	279.9	267.6	136.2	141.2
Intersegment eliminations	(64.1)	(82.3)	(71.5)	(72.4)	(43.1)	(35.5)
Total Transacted Sales	**722.8**	**847.9**	**905.8**	**978.8**	**430.5**	**468.4**

Note:
Transacted Sales is a non-IFRS measure. See Section 4.2.4 for definitions.

4.9.1 Management discussion and analysis of Transacted Sales

4.9.1.1 FY2014 compared to FY2013

Costa's Transacted Sales increased by $125.1 million, or 17.3%, from $722.8 million in FY2013 to $847.9 million in FY2014. This increase was driven by growth across the Produce and CF&L segments.

Produce Transacted Sales increased by $108.0 million, or 20.5%, from $527.5 million in FY2013 to $635.5 million in FY2014, due to the pro forma revenue growth factors previously discussed in Section 4.7.2.2 and growth in Driscoll's third party Transacted Sales across blueberry, raspberry and strawberry categories.

International Transacted Sales growth of $3.8 million, or 57.7%, from $6.5 million in FY2013 to $10.3 million in FY2014 reflected the increase in African Blue Transacted Sales as a result of maturing farms, and higher royalty income due to further plant sales and crop royalties.

CF&L Transacted Sales for the period increased by $31.6 million, or 12.5%, from $252.8 million in FY2013 to $284.4 million in FY2014 due to the pro forma revenue growth drivers discussed previously in Section 4.7.2.4, partially offset by a reduction in avocado agency volumes due to larger growers supplying the retailers directly.

4.9.1.2 1H FY2015 compared to 1H FY2014

Costa recorded Transacted Sales growth of $38.0 million, or 8.8%, from $430.5 million in 1H FY2014 to $468.4 million in 1H FY2015. This increase was driven by the Produce and CF&L segments.

Produce Transacted Sales increased by $25.1 million, or 7.5%, from $337.4 million in 1H FY2014 to $362.5 million in 1H FY2015, due to the pro forma revenue growth factors described in Section 4.7.4.2 and further growth in Driscoll's third party Transacted Sales across all berry categories.

International Transacted Sales growth of $0.2 million in 1H FY2015 related to royalty income received from the licensing of Costa's blueberry genetics. Due to the timing of harvest in the northern hemisphere occurring in the second half of each financial year, Costa does not generally recognise material royalty income from the licensing of Costa's blueberry genetics overseas in the first half of each financial year.

CF&L Transacted Sales increased by $5.1 million, or 3.7%, from $136.2 million in 1H FY2014 to $141.2 million in 1H FY2015. This increase was due to the pro forma revenue growth factors discussed in Section 4.7.4.4. In addition, the 1H FY2014 result included agency-based sales from Costa's former Wadda banana joint venture. Following the divesting of the joint venture in 2H FY2014, Costa replaced the volume with fruit sourced from other third party growers on a non-agency basis, which accounts for the smaller increase in Transacted Sales relative to pro forma revenue.

4.9.1.3 FY2015 forecast compared to FY2014

Costa is forecast to achieve Transacted Sales growth of $58.0 million, or 6.8%, from $847.9 million in FY2014 to $905.8 million in FY2015. The forecast increase is expected to be driven by growth in the Produce segment.

Produce Transacted Sales are forecast to increase by $46.2 million, or 7.3%, from $635.5 million in FY2014 to $681.7 million in FY2015, due to the forecast pro forma revenue growth factors discussed in Section 4.8.4.2. Additionally, Transacted Sales includes growth in sales from the Driscoll's Australia Partnership.

International Transacted Sales are forecast to increase by $5.4 million, or 52.6%, from $10.3 million in FY2014 to $15.7 million in FY2015, due to expected volume growth within the African Blue JV, driven by crop expansion and the continued maturation of crops.

CF&L Transacted Sales are forecast to decrease by $4.5 million, or 1.6%, from $284.4 million in FY2014 to $279.9 million in FY2015. This is driven by the forecast pro forma revenue factors discussed in Section 4.8.4.4. The larger reduction in Transacted Sales relative to pro forma revenue is due to a higher volume of third party fruit being traded on a non-agency basis, to replace agency-based fruit sales that were previously supplied by Costa's former Wadda banana joint venture.

4.9.1.4 FY2016 forecast compared to FY2015 forecast

Costa is forecast to achieve Transacted Sales growth of $73.0 million, or 8.1%, from $905.8 million in FY2015 to $978.8 million in FY2016. The forecast increase in Transacted Sales is expected to be driven by increases in the Produce segment offset by a reduction in CF&L.

Produce Transacted Sales are forecast to increase by $83.3 million, or 12.2%, from $681.7 million in FY2015 to $765.0 million in FY2016. This is expected to be driven by the forecast pro forma revenue growth factors discussed in Section 4.8.6.2 and further growth in Driscoll's Australia Partnership volumes and tomato agency sales.

International Transacted Sales are forecast to increase by $3.0 million, or 18.8%, from $15.7 million in FY2015 to $18.7 million in FY2016, due to the volume growth within African Blue JV, driven by crop expansion and the continued maturation of crops, predominantly from the additional 42 hectares at a new farm planted in FY2014, and some small initial volumes from the 24 hectares of additional plantings at the same site undertaken during FY2015. Royalty income is forecast to remain in line with FY2014.

CF&L Transacted Sales are forecast to decrease by $12.3 million, or 4.4%, from $279.9 million in FY2015 to $267.6 million in FY2016 due to the forecast revenue factors discussed in Section 4.8.6.4.

4.10 OPERATING EBITDA – NON-IFRS MEASURE

Table 40 provides a reconciliation of pro forma EBITDA before SGARA to pro forma Operating EBITDA. Investors should note that Operating EBITDA is a non-IFRS measure. See Section 4.2.4 for further information on Operating EBITDA.

Table 40: Reconciliation of pro forma historical EBITDA before SGARA to pro forma historical Operating EBITDA and pro forma forecast EBITDA before SGARA to pro forma forecast Operating EBITDA

June year end ($ million)	Note	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
		FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Pro forma EBITDA before SGARA		56.4	70.2	70.6	90.4	35.8	29.8
Adjustments for non-wholly owned entities	1	0.3	0.9	1.7	2.7	0.1	1.1
Operating EBITDA		**56.7**	**71.1**	**72.4**	**93.1**	**35.9**	**30.9**

Note:

1. Adjustment to reflect Costa's proportionate share of joint venture EBITDA relating to the Driscoll's Australia Partnership, African Blue and Polar Fresh joint ventures, of 50%, 49% and 50% respectively. Under AAS, joint ventures are accounted for under the equity method, with only Costa's share of the joint venture NPAT recognised in the financial statement of profit or loss.

Table 41: Operating EBITDA by segment

June year end ($ million)	Pro Forma Historical Results		Pro Forma Forecast Results		Pro Forma Historical Results	
	FY2013	FY2014	FY2015	FY2016	1H FY2014	1H FY2015
Operating EBITDA						
Produce	37.0	50.8	55.2	73.9	27.6	26.9
International	3.6	5.8	8.4	10.2	(0.5)	(0.9)
Costa Farms and Logistics	16.1	14.4	8.7	9.0	8.8	4.9
Total Operating EBITDA	**56.7**	**71.1**	**72.4**	**93.1**	**35.9**	**30.9**

4.10.1 Management discussion and analysis of Operating EBITDA

4.10.1.1 FY2014 compared to FY2013

Costa recorded Operating EBITDA growth of $14.4 million, or 25.4% from $56.7 million in FY2013 to $71.1 million in FY2014. This was driven by increases in the Produce and International segments, partly offset by a decrease in the CF&L segment.

Produce Operating EBITDA increased by $13.8 million, or 37.4%, from $37.0 million in FY2013 to $50.8 million in FY2014. This was due to the pro forma EBITDA before SGARA growth factors discussed in Section 4.7.2.2.

International Operating EBITDA grew by $2.2 million, or 62.6%, from $3.6 million in FY2013 to $5.8 million in FY2014. This was due to an increase in the proportionate share of EBITDA from African Blue, driven by the increase in Transacted Sales discussed in Section 4.9.1.1, and higher royalties.

CF&L Operating EBITDA decreased by $1.6 million, or 10.2%, from $16.1 million in FY2013 to $14.4 million in FY2014. This was driven by the pro forma EBITDA before SGARA factors discussed in Section 4.7.2.4.

4.10.1.2 1H FY2015 compared to 1H FY2014

Operating EBITDA decreased by $5.0 million, or 13.9% from $35.9 million in 1H FY2014 to $30.9 million in 1H FY2015. This decrease was primarily driven by a reduction in the CF&L segment.

Produce Operating EBITDA declined by $0.7 million, or 2.4%, from $27.6 million in 1H FY2014 to $26.9 million in 1H FY2015. This was due to the pro forma EBITDA before SGARA factors discussed in Section 4.7.4.2.

The International segment delivered an Operating EBITDA loss of $0.9 million in 1H FY2015, relative to a loss of $0.5 million in 1H FY2014. The increase in the Operating EBITDA loss of $0.4 million was due to the factors discussed in Section 4.7.4.3.

CF&L Operating EBITDA decreased by $3.9 million, or 44.6%, from $8.8 million in 1H FY2014 to $4.9 million in 1H FY2015. This was due to the pro forma EBITDA before SGARA factors discussed in Section 4.7.4.4.

4.10.1.3 FY2015 forecast compared to FY2014

Operating EBITDA is forecast to increase by $1.3 million, or 1.8%, from $71.1 million in FY2014 to $72.4 million in FY2015, driven primarily by improved earnings in the Produce and International segments, offset by lower earnings in the CF&L segment.

Produce Operating EBITDA is forecast to increase by $4.4 million, or 8.6%, from $50.8 million in FY2014 to $55.2 million in FY2015. This forecast increase is due to the pro forma EBITDA before SGARA growth factors discussed in Section 4.8.4.2.

International Operating EBITDA is forecast to increase by $2.6 million, or 45.1%, from $5.8 million in FY2014 to $8.4 million in FY2015. This is led by a forecast increase in the share of EBITDA from the African Blue JV due to the growth of the business, as discussed in Section 4.9.1.3, and higher royalty income.

CF&L Operating EBITDA is forecast to decrease by $5.7 million, or 39.5%, from $14.4 million in FY2014 to $8.7 million in FY2015. This is due to the forecast pro forma EBITDA before SGARA factors discussed in Section 4.8.4.4.

4.10.1.4 FY2016 forecast compared to FY2015 Forecast

Operating EBITDA is forecast to increase by $20.7 million, or 28.6%, from $72.4 million in FY2015 to $93.1 million in FY2016, predominantly due to growth in the Produce segment.

Produce Operating EBITDA is forecast to increase by $18.7 million, or 33.8%, from $55.2 million in FY2015 to $73.9 million in FY2016. This forecast growth is driven by the pro forma EBITDA before SGARA factors discussed in Section 4.8.6.2.

International Operating EBITDA is forecast to grow by $1.7 million, or 20.7%, from $8.4 million in FY2015 to $10.2 million in FY2016. This forecast growth is due to an increase in the proportionate share of EBITDA from the African Blue JV driven by the forecast Transacted Sales growth discussed in Section 4.9.1.4.

CF&L Operating EBITDA is forecast to increase by $0.3 million, or 3.5%, from $8.7 million in FY2015 to $9.0 million in FY2016. This forecast increase is driven by the forecast pro forma EBITDA before SGARA factors discussed in Section 4.8.6.4.

4.11 SENSITIVITY ANALYSIS

The Forecast Financial Information included in this Section 4 is based on a number of estimates and assumptions, as described in Sections 4.2.3, 4.8.1, 4.8.2 and 4.8.3. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Costa, the Directors and Costa's management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the pro forma net profit after tax (**Pro Forma NPAT**) to changes in a number of key assumptions.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on pro forma forecast NPAT of FY2015 and FY2016, and is set out below.

Table 42: Costa Pro Forma NPAT sensitivity

Assumptions	Note	Increase/decrease	FY2015 Pro forma NPAT impact ($m)	FY2016 Pro forma NPAT impact ($m)
Sales price	1	+/–1%	+4.0/–4.0	+4.4/–4.4
Sales volume	2	+/–1%	+1.8/–1.8	+2.0/–2.0
Tomato project timing delay	3	3 month delay	nm	–1.8
Change in AUD/USD/JPY	4	+/–1%	–0.1/+0.1	–0.1/+0.1
Change in interest rates	5	+/–50 basis points	–0.5/+0.5	–0.6/+0.6

Notes:
1. Full year impact of an increase or decrease in sales price by 1%. Sensitivity assumes the impact will be different for Costa farmed produce and third party procured produce.
2. Full year impact of an increase or decrease in sales volume by 1%. Sensitivity assumes the impact will be different for Costa farmed produce and third party procured produce.
3. The FY2016 sensitivities for new projects assumes a three month delay in production for the new Guyra tomato glasshouses in the tomato category.
4. Expected impact of a +/–1% change in the Australian dollar relative the US dollar and Japanese yen on citrus exports.
5. Interest rate is increased or decreased by 50 basis points, impacting the New Banking Facilities. See Section 4.5.3 for details on Costa's New Banking Facilities.

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on Pro Forma NPAT.

4.12 FINANCIAL RISK MANAGEMENT FRAMEWORK

Costa's activities expose it to a number of financial risks, including market risk (interest rate risk and foreign currency risk), liquidity risk and credit risk.

Costa's financial risk management objective is to minimise the potential adverse effects on financial performance arising from changes in financial risk. Financial risks are managed centrally by Costa's finance team under the direction of the Directors and the Board's Audit and Risk Committee. The finance team regularly monitors Costa's exposure to any of these financial risks and reports to the Board.

Costa does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

4.12.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial asset or financial liability will change as a result of changes in market interest rates. Costa's exposure to market interest rate risk relates primarily to its borrowings. Costa has historically managed its cash flow interest rate risk by using floating to fixed interest rate swaps for a portion of variable rate borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

4.12.2 Foreign currency risk

Costa's exposure to the risk of changes in foreign exchange rates relates to Costa's operating activities and Costa's investment in foreign joint ventures. Costa enters into foreign exchange contracts to hedge some of its exposure against foreign currency risk.

4.12.3 Liquidity risk

Liquidity risk is the risk that Costa will not have sufficient funds to meet its financial commitments as and when they fall due.

The finance team manages liquidity risk through frequent and periodic cash flow forecasting and analysis. Liquidity support is provided through holding liquidity margin in committed debt facilities. At Completion of the Offer, Costa expects to have unutilised committed debt facilities of approximately $108 million, which are available to fund working capital and expansion requirements.

4.12.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to Costa.

Costa is exposed to counterparty credit risk arising from its operating activities, primarily from trade receivables. Trade receivable balances are monitored on a weekly basis. Costa's exposure to bad debts is not significant.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents Costa's maximum exposure to credit risk without taking into account the value of any collateral or other security obtained.

4.13 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by management in the application of accounting standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to Appendix A.

4.14 DIVIDEND POLICY

The payment of a dividend by Costa is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of Costa, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Costa, and any other factors the Directors may consider relevant.

The Directors currently anticipate that the first dividend to Shareholders will be determined in respect of the period from Completion of the Offer to 27 December 2015, and will become payable in April 2016.

Subject to business performance, market conditions and regulatory requirements, the Board's current intention is to declare a dividend in respect of earnings from Completion of the Offer to 27 December 2015 (**First Dividend**) and in respect of earnings from 27 December 2015 to 26 June 2016 (**Second Dividend**), in total, to be based on approximately 60% of pro forma NPAT in FY2016 of $47.6 million.

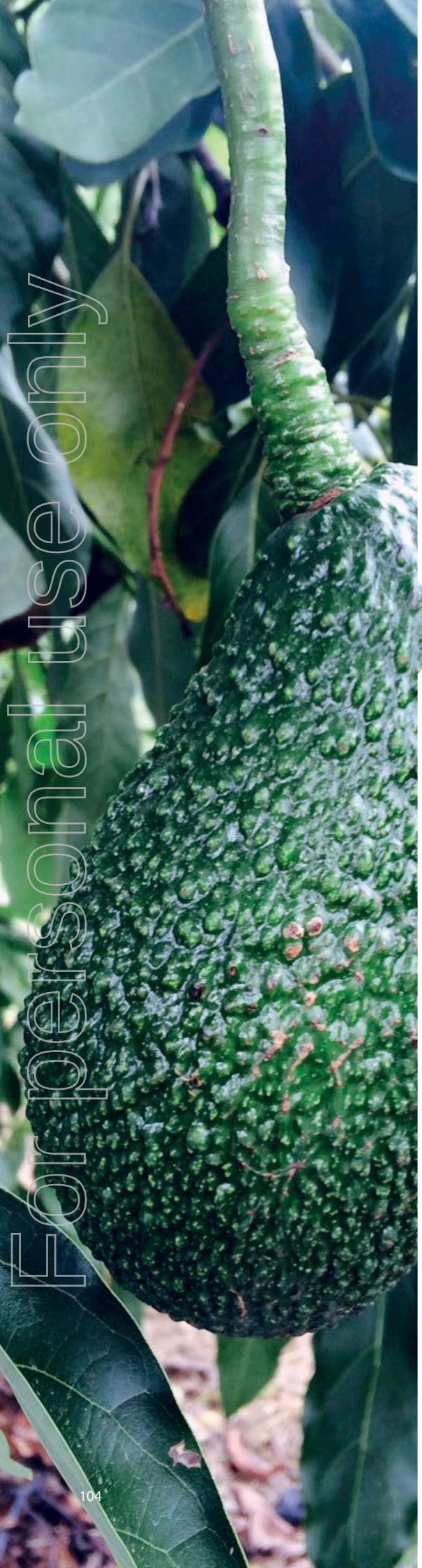
Costa intends to frank dividends to the maximum extent possible and expects that sufficient franking credits will be available to allow the First Dividend and Second Dividend to be fully franked.

Beyond the Forecast Period, and having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 50% to 70% of annual NPAT. Depending on available profits and the financial position of Costa, it is the intention of the Board to declare interim dividends in respect of half years ending December and final dividends in respect of full years ending June of each financial year.

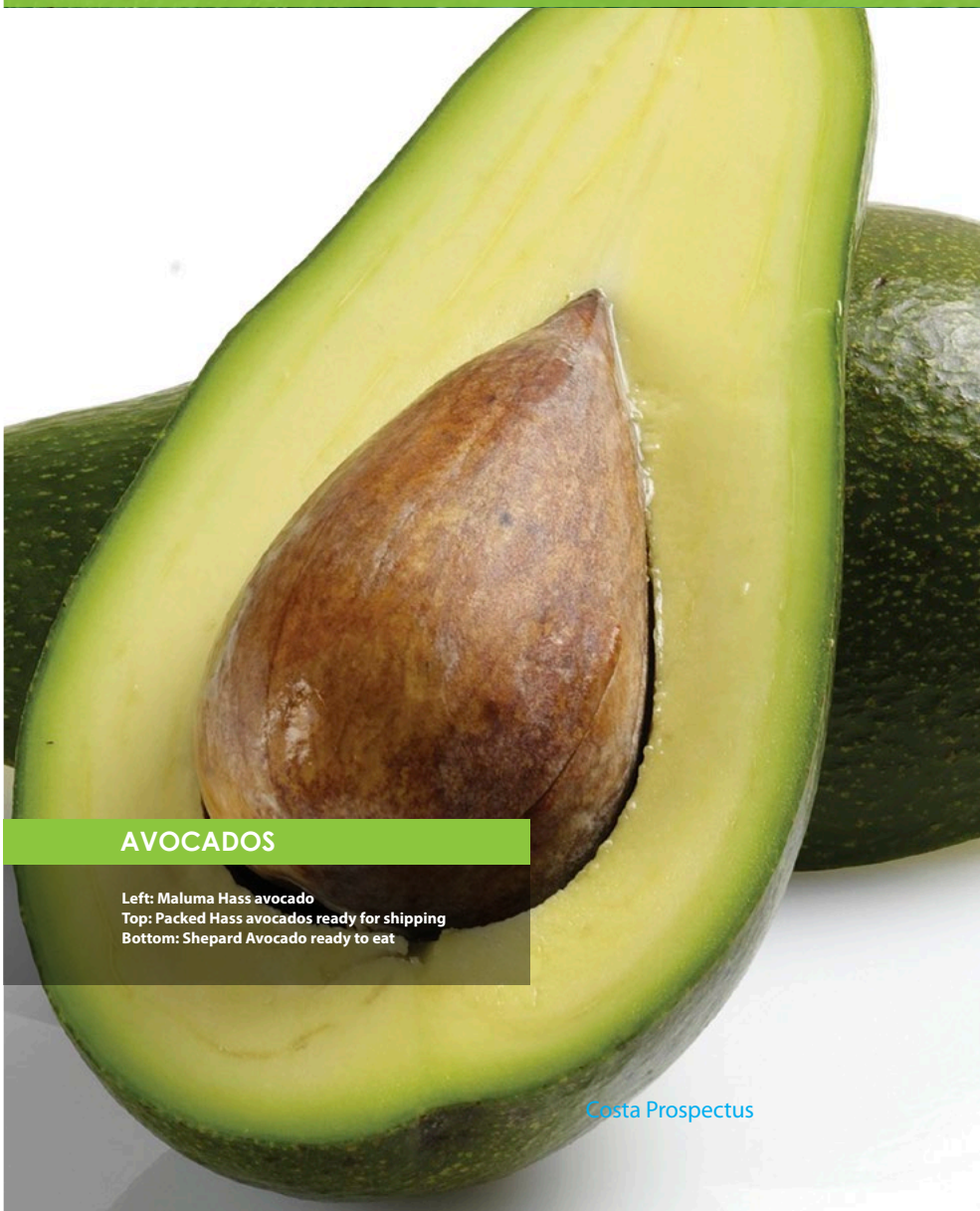
No assurances can be given by any person, including the Directors, about payment of any dividend and the level of franking on any such dividend.

The Directors intend to establish a dividend reinvestment plan (DRP) under which any Shareholder may elect that the dividends payable by the Company be reinvested in whole or in part by a subscription of Shares at a price to be determined by the Board from time to time. While the Directors intend to establish a DRP, it has been assumed the DRP will not be activated by the Directors during the Forecast Period.

Investors who are not residents of Australia and who acquire Shares may be subject to Australian withholding tax on dividends or other distributions paid in respect of the Shares. Prospective investors who are not residents of Australia should consult with their own tax advisers regarding the application of the Australian withholding or other taxes to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of the Shares. Taxation considerations for an Australian tax resident investor are set out in Section 9.9.



Section 5
Key risks



AVOCADOS

Left: Maluma Hass avocado
Top: Packed Hass avocados ready for shipping
Bottom: Shepard Avocado ready to eat

5.1 INTRODUCTION

Costa is subject to risk factors that are both specific to its business activities and that are of a more general nature. Each of the risks set out below could, in isolation or in combination, if they eventuate, have a material adverse impact on Costa's business, financial condition, results of operations and prospects. Investors should note that this Section 5 does not purport to list every risk that may be associated with an investment in Shares now or in the future, and that the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of Costa, its Directors and management. Where practicable, steps are taken to mitigate or manage certain business risks (see Section 3.1.2).

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of risks will not change or other risks will not emerge. Any of these risks, and any other risks that may emerge, may have a material adverse effect on the business, financial condition, result of operation and cash flows of Costa. There can be no guarantee that Costa will achieve its stated objectives or that any forward looking statements or forecasts will eventuate.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position.

If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN COSTA

5.2.1 Weather and climate variability

As a horticultural business, Costa is affected by weather and climate issues. The impact of weather and climate risks varies across the different produce categories. In the future, weather and climate issues that could adversely impact Costa may arise with greater frequency or may be less predictable due to the effects of climate change.

5.2.1.1 Weather events can cause fluctuations in market supply, prices and demand for Costa's products

Costa's financial results may be negatively impacted by variable weather conditions and severe weather events, which can cause price and yield volume volatility in the fresh produce sector. The nature of the potential impact on Costa's results may vary by produce category and the weather condition or event.

For example, in Costa's citrus operations drought, bushfire, hail and frost, can impact Costa's yield. Costa's banana operations could be vulnerable to cyclones. Extreme heat or bushfire could impact Costa's mushroom and tomato crops. Costa's citrus and banana categories have been adversely affected, in the past, by extreme heat, cyclone, hail and drought in particular. A reduction in Costa's yield and/or production volumes in one or more produce categories may have an adverse impact on the financial performance and prospects of Costa.

Although Costa uses protected cropping techniques across most of its crops (i.e. mushrooms, berries and tomatoes) with the goal of limiting variability in yields, these techniques may fail. For example, Costa's tomato glasshouses are vulnerable to hail. While Costa maintains insurance cover for hail damage to its glasshouses, it may not be able to recover fully under those policies in all circumstances. Any amounts that Costa does recover may not be sufficient to offset damage to the financial performance or prospects of Costa.

In addition, excess supply can cause price competition in the fresh fruit and vegetable industry. If overall industry produce yields in categories in which Costa competes are higher than expected, Costa's operating results can be negatively impacted.

5.2.1.2 Water rights

Costa relies on access to its allocated water rights for the majority of its citrus crop in the Riverland Region. While Costa has access to allocated water rights in respect of approximately 70% of its needs from the Murray River (with the 30% balance purchased by Costa under temporary water right allocations), these water rights are contingent on there being sufficient water in the Murray River. If there was insufficient water in the Murray River, then some or all of Costa's allocated water rights may not be available. If the Riverland Region was affected by drought for a prolonged period, then this could have a material adverse impact on the ability of Costa to obtain sufficient water to maintain healthy citrus trees or viable fruit and consequently impact Costa's citrus crop yield and the financial performance and prospects of Costa. Prolonged drought conditions and changes in government can increase the risk of regulatory changes, which may result in adverse modifications to Costa's allocated water rights. In addition, Costa is in the process of finalising its water entitlements for its new 10 hectare tomato glasshouse and the berries that remain to be planted as part of Costa's berry expansion program. Costa cannot guarantee that it will be able to obtain sufficient water to implement these projects as planned.

5.2.2 Reliance on a number of large customers

Costa sells its produce to a number of large customers, including several large supermarket chains and other retailers. Currently, sales to Costa's top four customers' accounts (Coles, Woolworths, ALDI and IGA), accounted for 67.3% of Costa's total produce sales in FY2014. Most of Costa's customer contracts are short term, with supply periods typically for one season or one year depending on the product's seasonality, and generally do not contain a fixed cost price and accordingly are supplied at market prices which are subject to fluctuation and depend on the level of supply and demand at the time that the produce is sold. Some of these large customers currently, or could in the future, wield significant market power due to their size, putting them in a strong negotiating position with their fresh produce suppliers.

Costa's market shares and/or profit margins may be materially and adversely impacted by a large customer taking actions harmful to Costa's interests, including by such customers:

- materially changing its trading terms with Costa;
- vertically diversifying its operations to include the growing or wholesale marketing of fresh produce;
- sponsoring the expansion of one or more of Costa's competitors or new entrants into the fresh fruit and vegetables market;
- procuring produce directly from Costa's third party growers, i.e. without the intermediation of Costa;
- promoting the products of one or more of Costa's competitors; or
- refusing to promote or stock Costa's produce or significantly reducing orders for Costa's produce.

Supermarket chains may also lower prices in Costa's fresh produce categories as part of competition between supermarket chains and other retailers for consumers and their shopping basket. This may impact Costa's market shares, sales volumes and/or profit margins by increasing price pressure applied to Costa produce offerings or as a result of some consumers switching from Costa's produce offerings to lower priced alternative produce when that produce is available.

5.2.3 Joint venture and partnership agreements

Costa has entered into a number of joint venture and partnership agreements which are summarised in Section 9.5.

In the case of Driscoll's, in June 2015 the parties reached agreement in principle in relation to amendments to a number of Costa's material contracts with Driscoll's. While Costa and Driscoll's have agreed the key terms of the amendments to these material contracts, the parties have not yet prepared and agreed final documentation in relation to these contracts (some of which require the consent of third parties). If Costa and Driscoll's are unable to agree the final form of these documents this could lead to a breakdown in the relationship between Costa and Driscoll's.

If any of these joint venture or partnership relationships break down, including if Costa and Driscoll's are unable to agree the final documentation in relation to the recently negotiated amendments, and/or the joint venture or partnership agreements are terminated or amended in a manner unfavourable to Costa, this may impact Costa's ability to grow any proprietary and branded varieties that are licensed through these agreements and impact the dividends and/or royalties received by Costa as a result of its participation in the joint venture or partnership agreements. The continued success of these joint ventures and partnerships depends, in part, on Costa's ability to continue to have a harmonious relationship with its partnership and joint venture partners.

The Driscoll's Australia Partnership Agreement and the African Blue JV agreement each have change of control provisions that could be triggered in different circumstances if there is a change of control of Costa following Listing. See Section 9 for further details of the change of control provisions under these agreements.

Each of Driscoll's and the African Blue Joint Venturers have provided consent to the Offer. Driscoll's has also consented to any future sell down of Shares by the Existing Shareholders.

While the joint venture and partnership agreements contain typical provisions which require approval from a partnership or joint venture partner for key decisions, they also provide each partnership or joint venture partner with a significant amount of discretion in relation to activities undertaken by each party as part of the joint venture or partnership. Accordingly, a partnership or joint venture partner's conduct can have a significant impact on the success of the joint venture or partnership and, in turn, could have a material impact on Costa's results and cash flow.

5.2.4 Intellectual property

Costa relies on a combination of plant breeder's rights (or equivalent), trade marks and non-disclosure agreements and other methods to protect its intellectual property rights. Additionally, Costa has in place a number of licensing agreements for intellectual property owned by third parties used by Costa and intellectual property owned by Costa and licensed to third parties (see Section 9). The failure to obtain or maintain Costa's intellectual property rights or to defend against claims of infringement of intellectual property rights may diminish Costa's competitiveness and materially harm Costa's business.

5.2.4.1 Failure to protect intellectual property rights

Costa currently has registered plant breeder's rights (or equivalent) or applied for registration in approximately 10 jurisdictions around the world. The protection of Costa's plant breeder's rights is important for the maintenance of Costa's ongoing success and competitive position in the berry category. Costa also maintains trade mark registrations in more than 15 jurisdictions around the world, which provide legal protection for Costa's brands.

Actions taken by Costa to protect its plant breeder's rights or trade mark registrations may not be adequate, complete or enforceable in all relevant jurisdictions and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others. Costa may suffer damage if competitors, new market entrants, or former employees or contract counterparties infringe or challenge its intellectual property rights.

Monitoring unauthorised use of Costa's intellectual property is difficult and can be costly. Costa may not be able to detect unauthorised use of its intellectual property rights. The laws of many countries may not protect Costa's intellectual property, and changes in laws in Australia and elsewhere may adversely affect Costa and its intellectual property rights.

Costa may in the future need to initiate litigation such as infringement or administrative proceedings, to seek to protect its intellectual property rights. Litigation and disputes, whether Costa is a plaintiff or a defendant, can be expensive, time-consuming and unpredictable and may divert the efforts of its technical staff and managers whether or not such litigation or dispute results in a determination or resolution that is unfavourable to Costa.

5.2.4.2 Intellectual property infringement claims from third parties

If a third party accuses Costa of infringing its intellectual property rights or if a third party commences litigation against Costa for infringing any of its plant breeder's rights or other intellectual property rights, Costa may incur significant costs in defending such actions, whether or not it ultimately prevails. Costs that Costa incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In the event of a successful claim of infringement against Costa, it may be required to pay damages and obtain one or more licences from the prevailing third party. If Costa is not able to obtain these licences at a reasonable cost, if at all, it could encounter delays or impediments in its ability to produce the relevant produce and lose substantial resources while it attempts to develop alternative produce. In those circumstances, it may also be exposed to claims from sub-licensees who source and use plant genetics from Costa, and these claims if successful would increase losses suffered.

5.2.4.3 Failure to obtain property plant breeder's rights

Costa heavily relies on access to superior plant genetics and on the ability of its licensors to obtain and maintain protection of plant breeder's rights for the relevant raspberry, blackberry, strawberry and tomato varieties that Costa uses, and to a lesser extent citrus varieties that Costa uses. If Costa's licensors' and assignors' entitlement to grant Costa's licensed plant breeders rights is subsequently revealed not to have existed or to be compromised, even if by default of Costa's licensors' or assignors', Costa may not have any exclusively licensed plant breeder's rights or any licensed plant breeder's rights at all and may be prevented from growing its licensed produce or sub-licensing those licensed rights to others.

There is no guarantee that Costa's licensed plant breeder's rights comprise all of the rights that Costa (or the relevant licensor) ought to have acquired to be entitled to freely grow all of its produce. If third party plant breeder's rights or plant breeder's right applications contain claims infringed by Costa's crops and these claims are valid, Costa may be unable to continue to use, or to obtain licences to these plant breeder's rights at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licences cannot be used or obtained at a reasonable cost, the business could be significantly impacted. Further, the enforceability of the plant breeder's rights licensed by Costa (and sub-licensing by Costa) may be challenged.

Costa's international expansion plans, including obtaining and maintaining further royalty streams from licensing or sub-licensing Costa proprietary blueberry varieties are reliant on Costa (or the relevant licensor) being able to obtain satisfactory intellectual property protection in the jurisdictions in which it wishes to expand. If Costa is unable to obtain these protections in a timely manner, it may not be able to fully realise its international growth plans.

5.2.4.4 Termination of or failure to renew existing licences

Costa's ability to grow proprietary and branded tomatoes, including the variety sold under the Perino brand, depends on its agreements for the use of varieties licensed from third parties and these licences not being terminated and being extended on favourable terms to Costa at the end of their existing terms. The termination of existing arrangements or the failure of Costa to renew or obtain new licences to use existing or new plant breeder's genetics and their associated brands and trade marks may prevent Costa from growing and marketing some of its most popular and successful varieties of tomatoes, including the variety sold under the Perino brand. If Costa is unable to renew these licences, it will have a material impact on the overall financial performance of Costa. In addition, Costa's ability to grow its existing varieties of raspberries and strawberries is contingent on the continuation of Costa's partnership agreement with Driscoll's (refer to Section 9).

5.2.5 Urban and residential encroachment

A number of Costa's farming operations such as Costa's mushroom facilities in Mernda, Victoria and Casuarina, Western Australia, are located on the outskirts of urban areas which are expanding. As these urban areas expand, there is a high likelihood that residential premises will be built in closer proximity to some of Costa's growing and packing facilities. Where residential premises are built close to Costa's facilities, there is an increased risk of complaints made by neighbours in relation to odour and noise generated from Costa's facilities. In the past, Costa has correspondence from the municipality of the City of Kwinana in relation to odour and noise complaints from neighbouring residents of the Casuarina mushroom farm site. See Section 9.11 for further information about the status of these complaints.

Complaint could result in residents lobbying for changes to local council zoning laws and/or legal action from neighbours, community interest groups or local councils seeking compensation from Costa and/or court orders that impact the manner in which Costa conducts its business. Changes to zoning laws or specific court orders may impact the way that Costa operates its business and/or increase Costa's costs. These factors, together with any court orders for compensation, could have a material impact on Costa's operations and financial performance and prospects of Costa.

5.2.6 Leased property

Costa leases a significant amount of the land that Costa uses to grow and distribute its produce.

Costa's leases have a range of terms and option periods, although they are generally long term leases which Costa or the property owner cannot terminate prior to expiry of the applicable term in the absence of default. However, some of these leases have termination provisions which are triggered not only by a default under that lease, but the default of Costa under one of the other leases (also known as "cross-default" clause), with the consequence that one default could have a significant effect beyond just the relevant property to which the default relates.

In addition, as described in Section 9, some of these leases are with related parties of Costa and were not entered into on arm's length terms. While there are some advantages to the related party origins of these leases, for example they generally have long terms (the majority not expiring until 2026, with an option to renew for a further 10 years), there are also some less favourable provisions such as the cross-default clauses (described above).

Under the warehouse leases in respect of Eastern Creek (New South Wales), Quioba (Tasmania), Jandakot (Western Australia) and Derrimut (Victoria), Costa is required to indemnify the relevant landlord against any liability for costs incurred from contamination of the land that occurred before the commencement date of the lease. While Costa is not currently aware of any contamination, if Costa was required to indemnify any of the relevant landlords, this may have a material adverse impact on the financial performance of Costa.

Any material default under a lease by Costa, or failure to renew an existing lease on acceptable terms or an inability to negotiate alternative arrangements, could materially adversely impact the operations and financial performance and prospects of Costa. In addition, there is a risk that Costa may become subject to lease terms which are relatively unfavourable due to unanticipated changes in the property market.

Costa uses a number of its leased distribution centres to provide distribution services to Coles and other third parties as part of its CF&L business division, including the contract with Coles in respect of the distribution centre at Jandakot in Western Australia (see Section 9.5.9 for further information about this agreement). The length of Costa's distribution services contracts are shorter than the length of Costa's leases of the distribution centres. Costa's leases for its distribution centres are typically long term leases, with the unexpired portion of the current lease terms ranging between approximately 6 years to approximately 9 years (excluding renewal terms available to Costa). If a distribution services contract is renewed on less favourable terms, or is terminated or cannot be renewed by Costa on expiry, and Costa is unable to find an alternative use for the distribution centre in a timely manner (for example subleasing unused space in the distribution centre on favourable terms), this could have a material adverse impact on the financial results and performance of Costa.

5.2.7 Disease and insect infestation

As a fresh produce grower, Costa, like the horticultural industry as a whole, is susceptible to disease risk, including insect infestation. If one or more of the sites at which Costa grows or stores its produce becomes exposed to disease, such as the 2015 outbreak of Panama disease affecting at least one banana producer in a major growing region in North Queensland (noting that this does not currently affect Costa's farms) or insect infestation, or if a disease or insect infestation emerges that affects a particular produce category, Costa may lose its investment in such produce and the revenue stream generated by such investment. This loss could have a material impact on the operations and financial performance and prospects of Costa.

5.2.8 Brand and reputation

Costa's produce is sold under a number of brands which are owned or licensed by Costa or joint ventures to which Costa is a party. Those brands and their image, as well as Costa's reputation as a grower, are key assets of Costa. The reputation and value associated with Costa's brands could be impacted by a number of factors, including quality issues associated with Costa's produce (or the market categories of produce in which Costa's brands are prominent), produce recall, produce contamination or other public health issues, disputes or litigation with third parties such as partnership or joint venture partners, distributors, employees or third party growers, or adverse media coverage, whether as a result of Costa's conduct or by the conduct of third parties (including partnership

or joint venture parties). Should Costa's brands or their image be damaged in any way or lose their market appeal (or in the case of licensed brands, a licence terminated), this may have a material adverse impact on the financial performance, reputation or prospects of Costa.

5.2.9 General regulatory factors

5.2.9.1 Types of regulatory risks

Costa is required to comply with a range of laws and regulations. Regulatory areas which are of particular significance to Costa include food standards, labelling and packaging, fair trading and consumer protection, employment, property and the environment (including water), quarantine, customs and tariffs, foreign investment, taxation and climate change. The introduction of any new laws or changes to existing laws, codes (or government policies), such as changes to food standards, food labelling or climate change regulations, could result in increased costs being incurred by Costa and therefore have a material adverse impact on the financial performance and prospects of Costa.

5.2.9.2 Changes to Australia's quarantine and customs requirements

In many fresh produce categories in which Costa operates, its produce is protected from significant competition from imported produce by quarantine requirements. Changes to these import barriers could result in increased competition in those produce categories and could have a material adverse impact on the financial performance and prospects of Costa.

5.2.9.3 Changes to taxation laws and arrangements

Changes in relevant taxes, including any change in tax arrangements between Australia and other jurisdictions relevant to Costa's businesses, could have an adverse impact on the financial performance of Costa, for example, if GST was widened to include fresh produce.

5.2.9.4 Changes to environment protection licences

Costa has been granted environment protection licences in respect of composting from the Environmental Protection Authority (**EPA**) in Queensland, Tasmania, Victoria, South Australia and Western Australia. These licences are subject to periodic review, including, on occasion, changes to the term of the licences. If Costa was unable to renew its licences, or the relevant EPA imposed onerous conditions in respect of its licences, this would impact Costa's ability to operate and/or costs associated with operating Costa's mushroom farms, which could have a material impact on the financial performance of Costa.

5.2.9.5 Changes to food standards

As described in Section 9, Costa must comply with the Australia and New Zealand Food Standards Code (**Code**), as applied by regulators in each state and territory of Australia. Penalties from non-compliance with the Code can include substantial fines. State and territory regulators have broad powers including the power to issue notices to produce, seize and destroy goods and can take legal action for breaches of the Code. If Costa failed to comply with the Code in its current form or the Code was amended in a manner that resulted in Costa needing to incur substantial cost in order to comply with the changes, then this could have a material impact on Costa's reputation and/or the financial performance of Costa.

5.2.10 Produce safety

Costa sells produce for human consumption. Any contamination, spoilage, or the presence of foreign objects or substances in Costa's products may injure Costa's customers. The risk of injury can result from activities throughout the life cycle of Costa's products, including growing, harvesting, packaging, processing or sale phases. Costa may have limited ability to mitigate these risks, for example where title to produce has passed to a retailer or where the risk arises from product tampering. Costa has from time to time, issued recalls.

The risk of injury from Costa's products exposes Costa to loss of product, damage to relationships with wholesalers and retailers, liability (including monetary judgements, fines, injunctions, and criminal sanctions) and publicity risks. Adverse publicity may arise from rumours or unsubstantiated claims of customer injury. Further, even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that Costa's product has caused injury could adversely affect Costa's reputation and brands. In addition, Costa's financial performance and prospects may be adversely impacted by negative publicity related to the products of other producers.

While Costa maintains insurance cover for some of these risks, it may not be able to recover fully under those policies in all circumstances, and any amounts that it does recover may not be sufficient to offset any damage to the financial performance, reputation or prospects of Costa caused by any produce contamination, recall or produce liability claim or the negative publicity surrounding such event or claim.

5.2.11 Competition from new market entrants

While Costa's operations currently benefit from scale and access to superior genetics, this competitive landscape may change over time. If one or more competitors or new market entrants obtained access to favourable genetic varieties which compete in the same categories as those of Costa, or if they achieve greater scale, this could have a material adverse impact on the financial performance and prospects of Costa.

5.2.12 Key personnel

Costa's performance is dependent to a large extent on the efforts and abilities of the Chief Executive Officer and other members of the senior management team (refer to Section 6). While each of these executives is party to an employment contract, under the terms of the employment contracts each executive is permitted to terminate the contract by giving a specified period of written notice (which varies from 1 to 6 months, depending on the individual).

Further, there is only limited backup in Costa's management teams for each business if an executive leaves. The loss of the Chief Executive Officer or one or more other members of Costa's senior management team may have a material adverse impact on the operating and financial performance of Costa.

Costa's financial success is also dependent upon its ability to hire additional key personnel as necessary to meet its management, administration and other needs. While every effort is made to retain key employees and to recruit new personnel as the need arises, the loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on the operating and financial performance of Costa.

5.2.13 Distribution

As Costa supplies a very wide geographic area, its distribution costs are significant. Any rise in the price inputs related to Costa's distribution of its products, such as of oil, packaging materials, raw production costs or transport costs and changes in the rates in the charter vessel market (with respect to the export of citrus product), could lead to higher distribution costs. If such costs cannot be passed on to Costa's customers through increased prices, they could have a material adverse impact on the operating and financial performance of Costa.

5.2.14 Costa's international operations

5.2.14.1 Changes to importation trade barriers

Costa currently exports approximately 50% of the citrus crop packed, to various countries including Japan, the United States, Hong Kong and Malaysia. Changes to trade tariffs or duties or the subsidisation of local producers or other exporters by a foreign government or the introduction of other import barriers, could make Costa's products less competitive in those markets, which could have a material adverse impact on the financial performance and prospects of Costa.

5.2.14.2 Movements in foreign exchange rates

Unfavourable movements in the foreign exchange rates between the Australian dollar and the currencies of Costa's export markets may decrease Costa's profit margins or adversely affect the demand for Costa's produce in those export markets. Movements in exchange rates can also make products which compete with Costa's products in its export markets more competitive by creating a cost advantage for other exporters which could have a material adverse impact on the financial performance and prospects of Costa.

Foreign exchange rate movements can also adversely impact the revenue that Costa generates from its international operations, including Costa's African Blue JV, and any future revenue generated by the joint venture it is establishing in China, which can have a material adverse impact on the overall financial performance of Costa.

5.2.14.3 Sovereign risk

Costa has a significant interest in the African Blue JV in Morocco and is in the process of establishing a joint venture with Driscoll's in China. A change in the laws, regulations, policies, government or political and legal system in Morocco or China could materially and adversely impact Costa's net assets or profitability.

Some of the jurisdictions in which Costa operates may in the future experience sudden civil unrest or major change to their government or political or legal systems. Costa's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business by expansion into overseas markets.

5.2.14.4 Chinese regulatory factors associated with the China JV

Costa's operations in China through the China JV it is in the process of establishing (described in Section 9) are subject to Chinese laws and regulations applicable to foreign investment in China.

China has not developed a fully integrated legal system, and the enacted laws and regulations may not sufficiently cover all aspects of the China JV's economic activities in China. The Chinese legal system is mainly based on promulgated national laws and administrative regulations, which cover most aspects of the China JV's economic activities. There may be aspects not covered by such national laws or administrative regulations and in some cases these may be addressed by local regulations and policies. Some of these policies may not be published. Authorities in China have broad discretions and laws and regulations may be implemented or interpreted differently depending on the location or level of the authority. Local regulations and policies are often not published on a timely basis (or at all) and they may be abrogated by national laws or regulations.

Further, it should be noted that Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory terms. Although there is broadly freedom of contract between parties for most economic contracts, it should be noted that in the event of a contractual dispute the court authorities will have a final discretion in respect of

interpretation. Therefore, sometimes it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to Costa or the China JV. A further difficulty in China is that it can be difficult to enforce court judgements. These issues may impede the China JV's ability to enforce contracts, which could in turn materially and adversely affect the China JV's business and operations, its financial performance and prospects. For example, the China JV or Costa may not be aware of its violations of these policies and internal rules until sometime after the violation, exposing Costa or the China JV to possible fines or penalties.

The Chinese Government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. The Chinese Government exercises significant control over economic growth through the allocation of resources, control over payment of foreign currency-denominated obligations, implementation of monetary policy, application of competition controls, and preferential treatment to particular industries or companies. These current and future government actions could materially affect the China JV's ability to operate or grow its business.

5.2.15 Liabilities under anti-corruption laws

Costa operates in an international environment including with joint venture partners in Morocco and China. Furthermore, some of Costa's and Costa's joint venture partners' activities take place in parts of the world that have a risk of corruption to varying degrees, and Costa's operations and joint ventures in those jurisdictions are subject to various anti-corruption laws, including Australian and other foreign anti-corruption laws. Violations of such laws, including by its joint venture partners or joint venture personnel, can lead to criminal and civil penalties or sanctions under anti-corruption laws in relevant jurisdictions, which, in turn, could adversely affect Costa's reputation or financial position.

5.2.16 Industrial instruments, disputes and wage increases

Approximately 64% of Costa's employees are covered by enterprise bargaining agreements and other workplace agreements, which periodically require renegotiation and renewal. At present, Costa is currently party to six enterprise agreements covering its mushroom business, berry business, citrus business and some of its distribution centres. Unions including the National Union of Workers, Australian Workers Union, and the Shop, Distributive and Allied Employee's Union are the key unions associated with employee coverage under these agreements.

Disputes may arise in the course of renegotiations which have the potential to lead to strikes or other forms of industrial action that could disrupt Costa's operations. Two enterprise agreements covering approximately 100 employees have passed their nominal expiry, with two further enterprise agreements due to expire by the end of July 2015. These enterprise agreements will continue in operation until replaced or terminated. Employees are entitled to take protected industrial action in support of bargaining negotiations for a new enterprise agreement provided they satisfy certain legislative requirements under the Fair Work Act 2009 (Cth).

Negotiations to replace one enterprise agreement are currently on foot. Any renegotiations could result in increased labour costs for Costa. In times of low unemployment or shortage of skilled employees, there can be upward pressure on wages. If any of these events occur, it may impact Costa's ability to provide services and it may incur higher costs and reduced profitability.

Costa uses labour hire arrangements in respect of some of its contactors or casual employees. Costa does not have full visibility of arrangements between labour hire companies and its contractors and casual employees and has limited control as to the manner in which such third party labour hire companies provide contracted services. Should the third party labour vendors violate any relevant laws, regulations and industrial instruments in the employment or compensation of seasonal workers, or should there be any mistreatment of labour by the third party labour vendors, Costa's reputation may be adversely affected or damaged.

5.2.17 Work health and safety

Costa's employees are at risk of workplace accidents and incidents given the nature of the industry in which Costa operates. In the event that a Costa employee is injured in the course of their employment, Costa may be liable for penalties or damages under relevant work health and safety legislation. This has the potential to harm both the reputation and financial performance of Costa.

5.2.18 Expansion project construction

Costa's current and future expansion projects depend, in part, on the development and construction of farming sites. Any significant delay in the development and construction of farming sites, in particular the Guyra glasshouse, may place Costa at risk of not meeting its forecasts. A reduction in Costa's yield and/or production volumes in one or more produce categories may have an adverse impact on the financial performance and prospects of Costa.

5.2.19 Costa may be unable to execute its growth strategy as planned

Costa has developed a growth strategy that includes expansion projects in Australia in berries and tomatoes and offshore in Morocco, through the expansion of the existing African Blue JV and in China, through a new China JV focused on the production of blueberries and raspberries. There is a risk that Costa may not be able to effectively execute its growth strategy and may encounter delays in construction or execution, or operational difficulties, which may lead to increased costs and/or strain management resources or have a negative impact on Costa's brand and reputation. As a result, Costa's growth strategies may generate lower than, or later than, expected revenue or incur unforeseen costs.

5.2.20 Potential risk of litigation and disputes

Costa may, from time to time, be involved in legal proceedings arising from the conduct of its businesses, including but not limited to from customers, past and present employees, regulators, competitors, suppliers or neighbouring properties, for example, in relation to property damage or contamination, personal injury, potential consumer class actions or allegations and environmental matters. The loss arising from such litigation may not be covered by insurance or the aggregate potential liability in respect of possible legal proceedings may exceed any insurance coverage. Any material legal proceedings could have a material adverse impact on Costa's financial performance and position. Even if Costa was to ultimately prevail in the litigation, it could divert management's attention and resources from Costa's operations and business, and Costa could also suffer significant reputational damage which could have an adverse effect on Costa's business.

5.2.21 Changes in market trends

Costa's success depends, in part, on its ability to respond to current market trends, which can be impacted by a variety of factors, including changing tastes and dietary habits of consumers, entry of new market participants and changes in the purchasing patterns of Costa's customers.

Responding to new market trends can require significant investment. If Costa fails to anticipate, identify, or react to changes in market trends on a timely basis, Costa could experience reduced demand and/or profit margins for Costa's products, which could in turn cause Costa's operating results to suffer.

For example, Costa has invested in key growth projects in berries, both in Australia and internationally, and cherry/snacking tomatoes. These produce categories have experienced strong growth by sales value since 2012. If anticipated trends in market demand for berries and glasshouse-grown tomatoes do not eventuate, Costa's strategy may not be successful and Costa's financial results may be adversely impacted.

5.2.22 Contracts

Costa is party to a number of contractual arrangements including joint venture agreements, partnership agreements, leases, customer contracts and supply contracts. Some of Costa's contractual arrangements are short term and undocumented. The wording of some contractual provisions in Costa's written contracts may be broader than the commercial interpretation of those provisions, and the broadest interpretation of some provisions may not necessarily be enforceable.

5.2.23 Costa may be unable to access capital markets or refinance debt on attractive terms

Costa relies on debt and equity funding to help fund its operations, and its banking facilities will periodically need to be refinanced. Costa may also seek to raise additional debt finance or new equity in the future to grow the business. If there is a deterioration in the level of debt and equity market liquidity, or the terms (including pricing) on which debt or equity is available, this may prevent Costa from being able to refinance some or all of its debt on current terms or at all, or raise new equity respectively.

5.2.24 Environmental risks

Costa's operations are subject to various federal, state and local environmental laws and regulations, in particular with respect to environmental pollution, contaminated lands, the use of environmentally hazardous chemicals, wastes and pesticides and water treatment and management, and a range of licences and permits are required for Costa to operate its farming operations. If Costa is responsible for any environmental pollution or contamination, or found to be in breach of a term and condition of one of its licences or permits, Costa may incur substantial costs, including fines, damages, sanctions and remediation costs, experience interruptions in its operations or delays in obtaining or renewing subsequent licence permits, or suffer reputational damage for violations arising under these laws or permit requirements.

In particular, certain of Costa's farming operations generate by-products including, for example spent compost (in its mushroom operations). Costa is currently evaluating solutions for the disposal of a large quantity of spent compost at its mushroom farm in South Australia. Failure to properly dispose of this spent compost could result in Costa incurring a financial penalty and/or impact Costa's brands and reputation which could have a materially adverse effect on the sales of Costa produce and the financial performance and position of Costa.

Costa must also manage waste water by-products in its farming operations. In particular, some of Costa's farming sites do not currently have a municipal sewer or stormwater connection to the site's drainage system. This can place significant pressure on those site's stormwater and wastewater practices, in particular, where Costa's farming operations that are located in areas with high levels of rainfall – for example in Costa's mushroom farm in North Maclean, Queensland. If excessive rainfall was received in those areas and Costa's holding ponds were not properly maintained or had an insufficient capacity to hold the amount of rain falling in the area, this could lead to water damage and contamination of Costa's and neighbouring properties. This could result in Costa being liable for the damage caused and/or impact Costa's brands and reputation which could have a materially adverse effect on the sales of Costa produce and the financial performance and position of Costa.

5.3 GENERAL INVESTMENT RISKS

5.3.1 Price of Shares

Once Costa becomes a publicly listed company on the ASX, it will be subject to general market risks applicable to all securities listed on a stock exchange. This may result in fluctuations in the Share price that are not explained by the performance of Costa.

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors, some of which may not relate directly or indirectly to Costa's performance or prospects. These factors may cause the Shares to trade at prices below the Final Price. There is no assurance that the price of the Shares will increase following quotation on the ASX, even if Costa's earnings increase. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international markets for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government;
- fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Costa operates;
- general operational and business risks;
- variations in sector performance, which can lead to investors exiting one sector to prefer another; and
- initiatives by other sector participants which may lead to investors switching from one stock to another.

Deterioration of general economic conditions may also affect Costa's business operations, and the consequent returns from an investment in Shares.

In the future, the sale of large parcels of Shares may cause a decline in the price at which the Shares trade on ASX. The current escrow arrangements outlined in Section 6 contemplate the release of Shares from escrow on various dates.

5.3.2 Changes in tax law

Potential significant reforms to Australia's tax laws can give rise to uncertainty. While there are no current tax proposals or legislation changes that would directly impact Costa, a tax reform White Paper is expected in early 2016. The precise scope of any proposed tax changes arising from this White Paper or any other potential tax legislation is not yet known. In addition, an interpretation of taxation laws by a relevant tax authority that is contrary to Costa's view of those laws may increase the amount of tax paid by Costa. Any changes to the current rate of company income tax may adversely impact shareholder returns and could have an adverse effect on the level of dividend franking.

5.3.3 Changes in foreign investment law

As described in Section 9, where a single foreign person and its associates hold more than 15% of the voting power of Costa, or where two or more unassociated foreign persons hold 40% or more of the voting power of Costa, any acquisitions made by Costa will be subject to the Foreign Acquisitions and Takeovers Act 1975 (Cth).

On Listing, it is expected that the Paine + Partners Shareholder will hold approximately 12.4% of Shares on issue. As of the date of this Prospectus the proportion of foreign Shareholders are not known. If at a point in time, Costa has a single foreign Shareholder who holds more than 15% of voting power of Costa or two or more unassociated foreign Shareholders with 40% or more of the voting power of Costa, any significant future acquisitions by Costa in Australia would be likely to be subject to approval by FIRB and may be impacted by FIRB policies, including the recent FIRB policy regarding rural land. Any future specific changes to FIRB's policy is not yet known; these could have an adverse effect on the ability of Costa to acquire new assets in Australia, which may have an adverse effect on the ability of Costa to achieve its growth ambitions.

5.3.4 Force majeure events

Events may occur within or outside Australia that could impact upon global, Australian or other local economies relevant to Costa's financial performance, the operations of Costa and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for Costa's produce and services and its ability to conduct business. Costa has only a limited ability to insure against some of these risks.

5.3.5 Accounting standards

Australian Accounting Standards (**AAS**) are adopted by the AASB and are not within the control of Costa and its Directors. The AASB may, from time to time, introduce new or refined AAS, which may affect the future measurement and recognition of key statement of profit or loss and statement of financial position items. There is also a risk that interpretation of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss or statement of financial position items may differ. Any changes to the AAS or to the interpretation of those standards may have an adverse effect on the reported financial performance and position of Costa.

5.3.6 Shareholder dilution

In the future, Costa may elect to issue Shares in connection with fundraisings, including to raise proceeds for acquisitions. While Costa will be subject to the constraints of the Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such fundraisings.

5.3.7 Future acquisitions and joint ventures

From time to time Costa may undertake acquisitions or enter into joint ventures consistent with its stated growth strategy. The successful implementation of acquisitions or joint ventures will depend on a range of factors including funding arrangements, cultural compatibility and integration. To the extent acquisitions are not successfully integrated with Costa's business, the financial performance or prospects of Costa could be negatively affected.

Depending on a range of factors at the time of any future acquisition or entry into a joint venture, including Costa's share price, its financial position and performance and the nature of the acquisition, Costa may decide that it is in the best interests of Costa and its shareholders to fund the acquisition through the issue of further Shares. If this were to occur, it may result in dilution of the ownership of Costa's shareholders.

Th e Australian Competition and Consumer Commission is responsible for administering Australia's competition laws. Potential acquisitions may be restricted if they would have, or would be likely to have, the effect of substantially lessening competition in a market. This may constrain Costa's growth strategy, from time to time.

Acquisitions, joint ventures or partnerships may have a significant impact on capital and operating expenditure, particularly in establishment or expansion phases. There may be a delay until any anticipated revenue for the acquisition or expansion impacts Costa's financial input, so that expenditure has an adverse impact on results in the interim.

5.3.8 Expected future events may not occur

Certain statements in this Prospectus constitute forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Costa to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward looking statements. In addition, under no circumstances should forward looking statements be regarded as a representation or warranty by the Company, SaleCo or any other person referred to in this Prospectus, that a particular outcome or future event is guaranteed.

5.3.9 Trading in Shares may not be liquid

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

5.3.10 Significant shareholdings

The Costa Family Shareholders and the Paine + Partners Shareholder have entered into voluntary escrow arrangements in relation to their Escrowed Shares.

In each case, the escrow restrictions are subject to certain exceptions as set out in more detail in Section 7.7. The absence of any sale of Escrowed Shares by the Escrowed Shareholders during the Escrow Period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that Shareholders may receive a market price for their Shares that is less than the price that the Shareholders paid.

Following the end of the Escrow Period (or following the pre-conditions for an early release of Escrowed Shares being met, as described in Section 7.7), a significant sale of Shares by the Costa Family Shareholders or the Paine + Partners Shareholder or the perception that such sales might occur, could adversely affect the market price for the Shares.

Because of the retained interest in Costa by the Costa Family Shareholders and the Paine + Partners Shareholder, they have the capacity to influence the election of Directors (and have appointed Frank Costa as a representative of the Costa Family Shareholders and Kevin Schwartz as a representative of the Paine + Partners Shareholder to the Board) and the potential to influence the outcome of matters submitted to a vote of Shareholders. The interests of the Costa Family Shareholders and the Paine + Partners Shareholder may differ from the interests of Costa and the interests of other Shareholders who purchase Shares under the Offer. Also, while the Costa Family Shareholders and Paine + Partners Shareholder hold a large stake in Costa, they will be able to influence and may be able to determine whether a takeover or similar offer of Shares is successful.

5.3.11 General economic and financial market conditions

The operating and financial performance of Costa is influenced by a variety of general domestic and global economic and business conditions that are outside the control of Costa. There is a risk that prolonged deterioration in general economic conditions may impact the demand for Costa's products and negatively impact Costa's financial performance, financial position, cash flows, dividends, growth prospects and Share price.

Section 6
Key people, interests and benefits

COSTA LOGISTICS

Left: Ripening room at Derrimut DC
Top and bottom: Costa employees at Derrimut DC

6.1 BOARD OF DIRECTORS

6.1.1 Experience and background

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Director	Experience and background
 **Neil Gregory Chatfield** ***Chairman*** ***Independent*** ***Non-Executive Director*** *MBus (Finance and Accounting), FCPA, FAICD*	Neil was appointed to the board of the Company in October 2011. Neil was appointed Chairman of Seek Ltd in 2012 (a position he still holds), having been a non-executive director since 2005. He currently also sits on the boards of Transurban Group (since 2009) and Recall Holdings (since 2013). Neil is the former chairman of Virgin Australia (2007 – 2015), and was previously a non-executive director of Whitehaven Coal (2007 – 2012) and Grange Resources (2009 – 2014). Neil is a former Executive Director and CFO of Toll Holdings limited, a position he held for over 10 years to 2008.
 **Harry George Debney** ***CEO and managing director*** ***Executive Director*** *BAppSc (Hons)*	Harry was appointed to the board of the Company in January 2012. Harry was appointed CEO of Costa in September 2010 and managing director in 2015. Prior to joining Costa, Harry spent 24 years at Visy Industries, including eight years as Chief Executive Officer. He has also worked as an Assistant General Manager for Queensland Fruit and Vegetable Growers.
 **Kevin Michael Schwartz** ***Non-Executive Director*** *BSc (Accountancy)*	Kevin was appointed to the board of the Company in October 2011. Kevin is a nominee of the Paine + Partners Shareholder. Kevin is the President and was one of the founding members of Paine + Partners, a private equity firm, which together with its predecessor firm (Fox Paine and Company) has managed over US$3.6 billion on behalf of leading global financial institutions and investors. He has previous work experience at Fox Paine & Company, Freemont Partners, American Industrial Partners and Goldman Sachs. Kevin currently sits on the boards of Verdesian Life Sciences and Sunrise Holdings (Delaware). He has previously been a member of the boards of Icicle Seafoods, The Stabilus Group of Companies, Seminis, Advanta, VCST Industrial Products and United American Energy.
 **Frank Aloysius Costa AO, OAM** ***Non-Executive Director***	Frank has been the proprietor of the Costa business (including predecessor holding entities) since 1959. Frank has been at the forefront of developing and building Costa into a major horticultural company for more than 50 years. Frank is a nominee director of the Costa Family Shareholders. Frank was the President of the Geelong Football Club from 1998 – 2011. Frank is a director of numerous companies in connection with the Costa family businesses.

Director	Experience and background
 **Peter Margin** ***Independent Non-Executive Director*** *MBA, BSc*	Peter was appointed to the board of the Company in June 2015. Peter is currently a director of Bega Cheese, PMP, Pact, Nufarm, Huon Aquaculture and Ricegrowers. Peter will resign as a director of Ricegrowers in August 2015. Peter was previously the Chief Executive Officer of Goodman Fielder and the Chief Executive Officer and Chief Operating Officer of National Foods. He also held senior management roles in Pacific Brands, East Asiatic Company, HJ Heinz Company Australia and Simplot Australia.

The details of the Board's key corporate governance policies are set out in Section 6.5. Each Director above has confirmed to Costa that he or she anticipates being available to perform his or her duties as a Non-Executive Director or Executive Director as the case may be without constraint from other commitments.

6.1.2 Directors' disclosures

The following information is about any legal or disciplinary action against a Director that is less than 10 years old.

In 2007, the Federal Court imposed a penalty of $36 million on Visy Industries Holdings Pty Limited (**Visy**) for contraventions of price fixing and market sharing provisions of the Trade Practices Act 1974 (Cth) (now the Australian Competition and Consumer Law 2010 (Cth)) (**TPA**). Mr Debney was Chief Executive Officer of Visy at the time of the contraventions. Consent orders were filed in the Federal Court to conclude the matter, pursuant to which the Federal Court also fined Mr Debney $1.5 million for being directly or indirectly, knowingly concerned in, or party to, Visy's contraventions under the TPA and made an order restraining Mr Debney from engaging in similar conduct in the future.

6.2 SENIOR MANAGEMENT

Management	Experience
 **Harry Debney** **CEO and managing director** *BAppSc(Hons)*	See Section 6.1.
 **Linda Kow** ***Chief Financial Officer*** *BComm, member of Chartered Accountants Australia and New Zealand*	Linda joined Costa in January 2011 and was appointed Chief Financial Officer in September 2012. Prior to joining Costa, Linda worked in a variety of finance and commercial roles at companies including Deloitte and Village Cinemas International. She also spent eight years in finance, strategy and business development at Visy Industries.

Management	Experience
 **George Haggar** ***Chief Operating Officer*** *LLB, BEc*	George was appointed Chief Operating Officer of Costa in August 2009. He is also responsible for leading all sales and operational activities across Costa's farming, marketing and supply chain operations and for managing relationships with key alliance partners across all categories. Prior to joining Costa, George was the General Manager of Visy Glama for two years and the Head of Human Resources for Visy Industries for six years.
 **Tony Di Paolo** ***Chief Procurement Officer***	Tony joined Costa in November 2012, bringing more than 20 years of experience in senior procurement, commercial and major capital projects. Prior to joining Costa, Tony spent 17 years at Visy Industries. In his role as Chief Procurement Officer at Visy, Tony had overall responsibility for the Visy group's multi-billion dollar procurement budget, major capital projects and property portfolio.
 **Stuart Costa** ***Divisional General Manager, Costa Farms and Logistics***	Stuart joined Costa in 1991 and since then has held a number of general management positions. Stuart was appointed Divisional General Manager, Costa Farms and Logistics in September 2012. Stuart has a deep understanding of the fresh produce industry, combined with strong commercial acumen. Stuart's current role focuses on leading and supporting the Costa Farms and Logistics division, including Costa's banana growing and marketing and avocado marketing operations, Costa's logistics business and Costa's wholesale business, Costa Farms.
 **Trevor Jordon** ***General Manager, mushroom category*** *BBus; Certified Practising Accountant*	Trevor joined Costa in May 2013 as the General Manager of the mushroom category. Prior to joining Costa, Trevor had over 20 years' experience in the commercial, banking and finance, private equity and manufacturing sectors in Australia and South East Asia, having worked with companies including ANZ Banking Group, Elders Finance Group, Recoveries Corporation Ltd and 333 Capital.

Management	Experience
 **Peter McPherson** ***General Manager, berrycategory*** *ACIM*	Peter has been General Manager of Costa's berry category since 1986 and has played a key role in the steady growth and success of Costa's berry operations. Peter sits on company and industry boards, including the International Blueberry Organization and the Australian Blueberry Growers' Association.
 **Oliver Flint** ***General Manager, tomato category*** *BSc(Hons) (Chemistry)*	Oliver was appointed General Manager of the tomato category in April 2012. In December 2012, he also became responsible for leading Costa's technical and quality agenda. Prior to joining Costa, Oliver worked for George Weston Foods and Goodman Fielder in Australasia. He has also previously worked with Premier Foods, United Biscuits, Cadbury Schweppes and AH Marks (now a subsidiary of Nufarm).
 **Elliot Jones** ***Divisional General Manager, citrus and grape categories*** *BBus, Grad Cert Food Business Management*	Elliot joined Costa in 2001. In his time at Costa, Elliot has managed leading customer accounts across both domestic and export channels. Prior to being appointed Divisional General Manager for the grape and citrus categories in June 2012, Elliot was the General Manager in the grape category.
 **David Thomas** ***General Counsel and Company Secretary*** *LLB(Hons), BSc*	David joined Costa as General Counsel in July 2012, bringing 19 years of legal experience, and was appointed as Company Secretary in October 2012. Prior to joining Costa, David was a partner at Middletons (now K&L Gates) practising in commercial law and mergers and acquisitions.

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- director or proposed director of the Company or SaleCo;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any director or proposed director to induce them to become, or qualify as, a director of the Company or SaleCo.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Goldman Sachs and UBS have acted as Joint Lead Managers to the Offer. Costa has agreed to pay the Joint Lead Managers the fees described in Section 9.5.1, for these services;
- King & Wood Mallesons has acted as Australian legal adviser to Costa in relation to the Offer. Costa has paid or agreed to pay, approximately $1.4 million (excluding disbursements and GST) for these services up until the Prospectus Date. King & Wood Mallesons has been paid other fees in connection with corporate work undertaken for Costa (not in connection with the Offer) and further amounts may be paid to King & Wood Mallesons in accordance with its normal time-based charges;
- KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd, has acted as an Investigating Accountant and provided taxation due diligence services in connection with the Offer. KPMG Transaction Services has prepared the Limited Assurance Investigating Accountant's Reports included in this Prospectus. Costa has paid, or agreed to pay, approximately $0.6 million (excluding disbursements and GST) for the above services up until the Prospectus Date;
- CBA Equities Limited has acted as Co-Lead Manager in relation to the Offer. It will be paid fees of 1.5% of the value of Shares allocated to clients of that Broker, payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Offer Management Agreement. In addition, CBA Equities Limited will receive a Co-Lead Manager fixed fee of up to $300,000 (depending on the size of its allocation). This fixed fee will become payable by Costa on Completion of the Offer;
- JBWere Limited, Ord Minnett Limited and UBS Wealth Management Australia Limited have acted as Co-Managers in relation to the Offer. Each will be paid fees of 1.5% of the value of Shares allocated to clients of that Broker. Co-Manager fees are payable by the Joint Lead Managers out of the fees payable to the Joint Lead Managers under the Offer Management Agreement; and
- an affiliate of Goldman Sachs entered into a foreign currency derivative transaction with Paine + Partners with respect to part or all of the proceeds of its sale of its Shares to SaleCo. Goldman Sachs has received, or will receive, a fee in connection with this foreign currency derivative transaction from Paine + Partners, and in addition may also make trading profits or losses as a result of foreign exchange rate movements.

Other than in relation to the foreign currency derivative transaction entered into by an affiliate of Goldman Sachs and Paine + Partners (as described above), these amounts, and other expenses of the Offer, will be paid by Costa out of funds raised under the Offer or available cash (unless otherwise indicated). Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Directors' interests and remuneration

6.3.2.1 Chief Executive Officer remuneration

Refer to Section 6.3.3.1 for a description of the CEO's remuneration.

6.3.2.2 Non-Executive Director remuneration

Under the Constitution, the Board of Directors decides the total amount paid to each Director as remuneration for their services as a Director to the Company. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company's general meeting. This amount has been fixed by the Company at $1.2 million per annum.

Annual Directors' fees currently agreed to be paid by the Company are $230,000 to the Chairman, Neil Chatfield, and $100,000 to each other Non-Executive Director.[1] In addition, the chairman of the Audit and Risk Committee will be paid $20,000 annually and each member of this committee will be paid $10,000 annually. The chairman of the Remuneration Committee will be paid $15,000 annually and each member of this committee will be paid $7,500 annually. All Non-Executive Directors will be members of the Nomination Committee for which there will be no additional fees. All Directors' fees include superannuation at 9.5% of the respective amounts.

6.3.2.3 Deeds of indemnity, insurance and access

Costa has entered into deeds of indemnity, insurance and access, with each Director which contain rights of access to certain books and records of Costa for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, the Company may indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer allowed under law. Under the deeds of indemnity, insurance and access, Costa indemnifies each Director against liabilities to another person that may arise from their position as a director of Costa to the extent permitted by law. The deed stipulates that Costa will reimburse and compensate each Director for any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, Costa may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of indemnity, insurance and access, Costa must use reasonable endeavours to obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors are entitled to apply for Shares under the Offer. Final Directors' shareholdings will be notified to the ASX on Listing. The Directors' holdings (either personally or through entities associated with the Director) on Completion of the Offer (subject to any further acquisitions under the Offer) are outlined below:

- Neil Chatfield will hold 400,000 Existing Options;
- Frank Costa has an indirect interest in approximately 31.67% of the Existing Shares held by Costa AFR, being approximately 12.86% of Existing Shares as at the Prospectus Date.[2,3] At Completion of the Offer, Frank is expected to have an indirect interest in approximately 3.31% of Shares.[4] The remaining Shares held by Costa AFR (including those in which Frank has an indirect interest) will be subject to the escrow arrangements outlined in Section 7.7. In addition, the Costa Family Shareholders (including Costa AFR) will receive an advisory fee in respect of the Offer as set out in Sections 6.3.5.2 and 7.1;
- Kevin Schwartz is a founding member of Paine + Partners, which is the manager of the funds comprised in the Paine + Partners Shareholder and has an indirect interest in approximately 0.1% of the Existing Shares held by the Paine + Partners Shareholder, being approximately 0.05% of Existing Shares as at the Prospectus Date.[5] At Completion of the Offer, Kevin is expected to have an indirect interest in less than 0.02% of Shares.[6] The remaining Shares held by the Paine + Partners Shareholder (including those in which Kevin has an indirect interest) will be subject to the escrow arrangements outlined in Section 7.7. In addition, the Paine + Partners Shareholder will receive an advisory fee in respect of the Offer as set out in Sections 6.3.5.2 and 7.1; and
- Harry Debney is expected to hold New CEO Options and Shares as outlined in Section 6.3.3.1 (**Legacy long term incentive**). Those Shares and New CEO Options (and any Shares issued as a result of the exercise of the New CEO Options) will be subject to the escrow arrangements outlined in Section 7.7.

6.3.2.5 Other information about Directors' interests and benefits

Directors may also be reimbursed for travel and other expenses reasonably incurred in attending to the Company's affairs. Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as director of the Company or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

For nominee directors of the Existing Shareholders – see also Section 6.3.5.2 in respect of fees payable to Existing Shareholders.

The interests of Directors and management are set out in this Section 6.3.

1. Fees in respect of Kevin Schwartz's role as nominee director for the Paine + Partners Shareholder, are paid by the Company to Paine + Partners.
2. On an as-converted basis – conversion will not occur until Completion of the Offer.
3. Frank Costa holds his indirect interest through units in the Costa AFR Unit Trust in his own name, via trust arrangements and as a potential beneficiary of a discretionary trust. Frank is also a director of Costa AFR.
4. Based on the key Offer Assumptions set out in Section 7.10.
5. On an as-converted basis – conversion will not occur until Completion of the Offer.
6. Based on the key Offer Assumptions set out in Section 7.10.

6.3.3 Executive remuneration

6.3.3.1 Chief Executive Officer

Term	Description
Employer	Harry Debney is employed by Costa.
Total fixed remuneration	Under the terms of his employment agreement, the CEO is entitled to annual total fixed remuneration (**TFR**) of $950,000 which includes base salary, statutory superannuation contributions and directors' fees in relation to any directorship of Costa. His salary is subject to an annual review following the finalisation of Costa's full year results.
Short term incentive (STI)	The CEO is currently eligible to participate in the legacy STI plan described in Section 6.3.4.1 and will be eligible for the new STI Plan described below. Under the new STI Plan, it is proposed that he will be entitled to a target STI of 40% of TFR, with a maximum opportunity of 60% of the TFR where Costa's business performance on all metrics exceeds specified stretch target levels. It is proposed that the STI hurdles for the CEO include measures to be determined by the board, including in relation to profitability. It is proposed that where the CEO becomes entitled to receive an STI award under the new STI Plan, it will be paid in the following manner: • two thirds of the award will be paid in cash following the end of the performance year; and • one third of the award will be deferred for 12 months and paid in equity. The deferred component will be subject to a continuous service condition under which it will be forfeited in the event the CEO resigns, or is dismissed during the deferral period. The deferred STI will remain on foot, subject to Board discretion, where the CEO is deemed a good leaver.
Long term incentive (LTI) going forward	Refer below for legacy LTI arrangements in place prior to Listing, including certain New CEO Options that have a vesting period that involves a period following Completion of the Offer. No additional LTI will be granted to the CEO in FY2016. The CEO will participate in the new LTI Plan from FY2017 and will have performance hurdles consistent with those of other LTI participants.

Term	Description
Legacy long term incentive	*Existing CEO Options* In March 2013, the CEO was awarded 9,459,722 options to acquire non-voting shares as part of his LTI arrangements (**Existing CEO Options**). The Existing CEO Options vested progressively over a number of years prior to Listing, with final vesting to occur at the date of Listing. Each Existing CEO Option has an exercise price of $1.45. *Disposal of 70% Existing CEO Options for cash* The CEO will dispose of 70% of the Existing CEO Options at Completion of the Offer, resulting in a cash payment of approximately $6.6 million to the CEO, calculated based on a Final Price at the midpoint of the Indicative Price Range. The actual cash amount will vary dependent on the Final Price. *Disposal of 30% Existing CEO Options for Shares* The remaining 30% of Existing CEO Options will be disposed of in return for the issue of approximately 1.2 million Shares to the CEO at around the time of Listing, calculated based on a Final Price at the midpoint of the Indicative Price Range. The actual number of Shares to be issued as a result of the disposal of his Existing CEO Options will vary dependent on the Final Price. Those Shares issued as a result of the disposal or exercise of his Existing CEO Options will be subject to escrow restrictions as follows: • 50% of those Shares will be restricted until the Company's financial results for FY2016 are announced in around August 2016; and • 50% of those Shares will be restricted until the Company's financial results for FY2017 are announced in around August 2017. *New CEO Options* The CEO will be issued a further 1,891,944 options to acquire Shares as part of his LTI arrangements (**New CEO Options**) under this Prospectus prior to Completion of the Offer. The New CEO Options have an exercise price equal to the Final Price plus a 25% premium. The New CEO Options will vest following both Listing and the announcement of the Company's FY2017 results (August 2017). Once vested, 50% of the New CEO Options, or any Shares acquired through exercise of the New CEO Options, will be subject to escrow restrictions until the Company's financial results for FY2018 are announced in around August 2018. The remaining 50% of the New CEO Options, once vested, will not be subject to escrow restrictions. The New CEO Options will be subject to tenure conditions, so that they will be forfeited where the CEO resigns or is dismissed prior to the vesting date. The New CEO Options will not be forfeited where the CEO is deemed a good leaver, unless otherwise determined by the Board. *As at Listing – retaining interests equivalent to 50% of Existing CEO Options* The number of Existing CEO Options that are disposed of in return for Shares around the time of Listing, and the New CEO Options held by the CEO at Listing will, in aggregate, be equivalent in number to 50% of the Existing CEO Options.

Term	Description
Termination	The CEO's employment may be terminated by either party upon giving six months' notice. His employment may also be terminated by Costa without notice in circumstances including material breach and serious misconduct. On termination of employment, the CEO will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements. The CEO may be paid a severance payment upon termination (except in circumstances where he can terminate without notice under the employment agreement) subject to any limit under the Corporations Act. The CEO may be entitled to receive retirement benefits which exceed one year of his base salary, which may include a redundancy payment of up to 36 weeks' pay (depending on length of service) and accelerated vesting of entitlements under both STI Plans and LTI Plans. These entitlements have been approved by the Existing Shareholders prior to the Prospectus Date.

6.3.3.2 Senior management

Senior management is employed by Costa under individual employment agreements. These agreements establish an entitlement to TFR including base salary and statutory superannuation contributions in accordance with their service agreements. Certain members of senior management may also be eligible to:

- participate in the Company's legacy STI plan and new STI Plan (once adopted) at a specified target level based on annual fixed remuneration where performance on all metrics exceeds specified stretch target levels; and
- receive offers under the Company's LTI plan (refer to Section 6.3.4.2).

Certain members of senior management may be entitled to receive retirement benefits which exceed one year of their base salary, which may include a redundancy payment of up to 36 weeks' pay (depending on length of service) and accelerated vesting of entitlements under both STI Plans and LTI Plans. These entitlements have been approved by the Existing Shareholders prior to the Prospectus Date.

Legacy long term incentive plan

Under the legacy LTI plan, options were granted to Neil Chatfield, management personnel and Greg Hunt (a former director of the Company) to acquire C class shares in the Company (**Existing Options**). Under the terms of the legacy LTI plan, all Existing Options will vest before Completion of the Offer. Upon exercise of Existing Options, those C class shares will be issued, on terms providing the Company with a right to immediately convert them into Shares. The Company intends to exercise this right following any issue of C class shares.

The total number of Existing Options held by senior management personnel and Greg Hunt (excluding the Existing CEO Options included in Section 6.3.3.1 and Neil Chatfield's Existing Options referred to in Section 6.3.2.4) is 11,812,030 at an exercise price of $1.45.

Prior to Completion of the Offer, each of these optionholders under the legacy LTI plan will make an election with respect to their Existing Options based on the following alternatives, or any combination of them:

- **(Alternative 1 – disposal in consideration for cash payment)**

  Elect to dispose of up to 70% of the Existing Options, for a cash payment equal to the Final Price less the exercise price of the Existing Options, at around Completion of the Offer; and/or

- **(Alternative 2 – preservation of Existing Options)**

  Continue to hold any number of Existing Options subject to the plan rules. Any Existing Options that remain on foot following the Offer will vest before Completion of the Offer, and can be exercised at any time in the future. These Existing Options will not terminate if the participant ceases to be an employee or director of the Company following Completion of the Offer; and/or

- **(Alternative 3 – disposal in consideration for Shares)**

  Elect to dispose of any remaining Existing Options in exchange for the issue of Shares of equivalent value at around Completion of the Offer. The notional value will be calculated based on the midpoint of the Indicative Price Range, but the final value will be dependent on the Final Price.

Any Shares that are acquired by the CEO, Chief Financial Officer and Chief Operating Officer as a result of the disposal of Existing Options granted under the legacy LTI plan (under Alternative 3 above) and any Shares ultimately issued to the CEO, Chief Financial Officer and Chief Operating Officer following exercise of any Existing Options retained by them (under Alternative 2 above) will be escrowed for a period following Completion of the Offer (see Section 7.7). Shares issued to other holders of Existing Options as a result of the exercise of or disposal of those Existing Options will not be subject to escrow.

Any Shares issued under Alternative 3 above will be issued under this Prospectus.

6.3.4 Employee incentive arrangements

6.3.4.1 Short Term Incentive Plan

Costa currently operates a Legacy STI plan, under which approximately 180 selected employees, including senior management, are eligible to receive an incentive payment calculated as a percentage of TFR conditional on the achievement of financial and non-financial measures including the achievement of the company and business unit profit targets. A cash payment of approximately $3.5 million is expected to be made in September 2015 in respect of the FY2015 plan, with the cost of the STI included in the FY2015 financial result as an employee benefits expense.

The Board intends to establish a new STI Plan under which the CEO, members of senior management and other selected employees of Costa will be eligible to participate. The Company will finalise the terms of the STI Plan during the course of FY2016, around key principles approved by the Board, outlined below.

The new STI Plan is intended to provide participants with an opportunity to receive an incentive payment calculated as a percentage of TFR each year, conditional on the achievement of financial and non-financial performance measures which are tied directly to Costa's business strategy.

The performance measures against which a participant's STI will be assessed will set by the Board each year. From FY2016, the performance measures against which the CEO's STI opportunity will be assessed include profitability measures as well as other key business drivers regarding cash flow, market share, innovation, safety, quality and people.

The target and maximum STI that may be awarded to the CEO for FY2016 has been set out in Section 6.3.3.1.

The target and maximum STI for other employees eligible to participate in the STI Plan will be as determined by the Board.

Where key senior management (including the CEO, Chief Financial Officer and Chief Operating Officer) are entitled to receive an STI award for FY2016, it will be paid in the following way:

- two thirds of the award will be paid in cash following the end of the performance year; and
- one third of the award will be deferred for 12 months and paid in equity.

The deferred component will be subject to a continuous service condition under which it will be forfeited in the event the executive resigns, or is dismissed, during the deferral period. The deferred STI will remain on foot, subject to Board discretion, where the executive is deemed a good leaver.

6.3.4.2 Long Term Incentive Plan

The Company proposes to establish an LTI Plan that will appropriately motivate, retain and reward employees for achieving growth targets and sustainable performance over the long term by allowing executives to build up an equity ownership aligning their interest with that of the shareholders.

The Company will finalise an LTI Plan during the course of FY2016, around key principles approved by the Board, outlined below. The LTI Plan will enable participants to receive a grant of options, performance rights or a combination of the two instruments, subject to the Board's discretion. It is intended that the FY2016 offer will be in the form of a grant of options to acquire ordinary shares in Costa with an exercise price that is set with regard to the Final Price.

The key features of the LTI Plan under which the Chief Financial Officer, Chief Operating Officer and other key executives will be entitled to receive options and/or performance rights is proposed to have the key features set out below. However, the Board will retain a discretion to adjust the terms of the plan, and of the options or performance rights offered under the LTI Plan from time to time.

Term	Description
Eligibility	Offers may be made at the Board's discretion to employees of the Company or any other person that the Board determines to be eligible to receive an LTI grant. In FY2016, the CEO will not be entitled to participate in the LTI.
Grant of options and performance rights	An option is a right to acquire a share for payment of an exercise price at the end of the performance period, subject to meeting specific performance conditions. A performance right entitles the holder to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions. It is intended that the FY2016 LTI will be in the form of a grant of options with an exercise price that is set with regard to the Final Price.
Issue price	Options and/or performance rights granted under the LTI Plan will be issued for nil consideration.

Term	Description
Exercise price	The exercise price of an option will be set out in the offer for each particular grant. No exercise price is payable in respect of the performance rights.
Performance conditions, performance period and vesting	Options and/or performance rights granted as part of the LTI offer will vest subject to the satisfaction of performance conditions. The initial grant of options/performance rights will have a performance period from the date of Listing until 30 June 2017. Subsequent grants of LTI will have a performance period of at least three years with the full allotment of rights vesting at the end of the third year. The performance conditions must be satisfied in order for the options/performance rights to vest. It is proposed that 50% of the options/performance rights granted as part of the FY2016 LTI Plan will be subject to a performance condition based on the EPS CAGR over the performance period. The remaining 50% of the options/performance rights will be subject to a relative total shareholder return (**TSR**) measure. It is proposed that the percentage of options/performance rights subject to the EPS CAGR hurdle that vest, if any, will be determined over the performance period by reference to the following vesting schedule: Company's EPS CAGR over the performance period — % of options/performance rights subject to the EPS CAGR hurdle that vest Less than threshold CAGR — Nil Threshold CAGR — 50% Between threshold and stretch CAGR — 50% – 100%, on a straight line sliding scale Stretch CAGR — 100% It is proposed that the percentage of options/performance rights subject to the relative TSR hurdle that vest, if any, will be determined by reference to the following vesting schedule: Company's relative TSR over the performance period — % of options/performance rights subject to the TSR hurdle that vest Less than 50th percentile — Nil 50th percentile — 50% Between 50th percentile and 75th percentile — 50% – 100%, on a straight line sliding scale 75th percentile and above — 100% The comparator group will comprise of companies in the ASX300. In determining the comparator group, the Board may have regard for industry, market capitalisation, revenue and employee numbers. The achievement of the performance hurdles will be tested at the end of the vesting period.
Rights associated with options and performance rights	Options and performance rights will not carry any voting rights or preference to dividends.
Restrictions on dealing	The LTI Plan participant must not sell, transfer, encumber, hedge or otherwise deal with options or performance rights granted under the LTI Plan. The participant will be free to deal with the Shares allocated on exercise of the options (following payment of the exercise price) or vesting of the performance rights, subject to the requirements of the Company's securities trading policy.
Cessation of employment	Any unvested options and/or performance rights granted under the LTI Plan will be forfeited where the participant resigns or is dismissed during the performance period. Where the participant is considered a good leaver, the unvested options and/or performance rights will remain on foot subject to Board discretion.

6.3.5 Existing Shareholders' interests

The Existing Shareholders are the current owners of Costa, being the Costa Family Shareholders and the Paine + Partners Shareholder.

6.3.5.1 Ongoing shareholding of Existing Shareholders

Each of the Existing Shareholders will sell a portion of their Existing Shares to SaleCo. Once all Existing Shares have been converted into Shares, SaleCo will then sell those Shares into the Offer.

Based on the key Offer assumptions (see Section 7.1), the interests of the Existing Shareholders on Completion of the Offer will be as follows:

Existing Shareholder	Shares held on Completion of the Offer
Costa Family Shareholders	32.9 million Shares
Paine + Partners Shareholder	38.9 million Shares

Details of the Shares that will be subject to escrow arrangements are set out in Section 7.7.

6.3.5.2 Contractual arrangements with Existing Shareholders

Refer to Section 9.5.11 for a description of the lease arrangements between Costa and entities associated with the Costa family including Vitalharvest, Costa Asset Management and Frank Costa.[7]

Existing Shareholders Deed

The Existing Shareholders Deed dated July 2011 (as amended from time to time) is in place between the Existing Shareholders and the Company. On Completion of the Offer, the Existing Shareholders Deed will cease to have effect, other than clauses in relation to:

- restraint obligations on certain of the Costa Family Shareholders, Frank Costa and other individual members of the Costa family, restricting competition with the business of the Company for a period of up to 36 months after they cease to hold or have an interest in more than 10% of Shares; and
- periodic disclosure of Costa management information to Paine + Partners Shareholder and Costa AFR on a strictly confidential basis.

Advisory mandate

Paine + Partners has a right to act as investment adviser to Costa pursuant to the Existing Shareholders' Deed. Pursuant to that right, the Board has approved payment of a total advisory fee to be calculated as 1.39% of the total Enterprise Value of Costa, and considers that this fee is appropriate on an arm's length basis. Based on the key Offer assumptions (see Section 7.1) the amount of this advisory fee would be approximately $12.6 million. Consistent with past practice, the Board has also determined that this total advisory fee will be divided between and paid directly to the Paine + Partners Shareholder and the Costa Family Shareholders in proportion to their respective shareholdings in the Company as at Completion of the Offer. These fee arrangements have also been approved by the Existing Shareholders.

6.4 RELATED PARTY ARRANGEMENTS

Other than as disclosed in this Prospectus, Costa is not party to any material related party arrangements.

6.5 CORPORATE GOVERNANCE

This Section 6.5 explains how the Board oversees the management of Costa's business. The Board is responsible for the overall corporate governance of Costa, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of Costa and oversees its business strategy, including approving the strategic goals of Costa and considering and approving an annual business plan (including a budget). The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of Costa. In conducting Costa's business with these objectives, the Board seeks to ensure that Costa is properly managed to protect and enhance Shareholder interests and that Costa and its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Costa, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Costa's business and which are designed to promote the responsible management and conduct of Costa.

Costa is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its third edition of the Corporate Governance Principles and Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines.

7. While Frank Costa does not have a direct equity interest in Vitalharvest, he is a potential beneficiary of a discretionary trust that holds a convertible note with Vitalharvest. Frank's brother and former director of the Company, Robert Costa, is a director of Vitalharvest, and there are some shareholders and beneficiaries who hold shares in Vitalharvest and Costa AFR (one of the Costa Family Shareholders).

However, under the ASX Listing Rules, Costa will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where Costa does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Copies of Costa's key policies and practices and the charters for the Board and each of its committees will be available at www.costagroup.com.au during the Offer Period.

6.5.1 The Board of Directors

6.5.1.1 Composition of the Board

The Board of Directors is comprised of the Chief Executive Officer, the Chairman and three other Non-Executive Directors. Two of the Non-Executive Directors are nominees of the Existing Shareholders. The Board intends to appoint an additional Director following Listing. Detailed biographies of the Board members on Listing are provided in Section 6.1.

6.5.1.2 Independence of Directors

The Board considers an independent Director to be a Non-Executive Director who is not a member of Costa's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles, and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

Costa's board charter sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations, and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that each of Neil Chatfield and Peter Margin is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the Director's judgement and is able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

However, the Board does not consist of a majority of independent Directors. The Board acknowledges the ASX Recommendation that a majority of the Board should be independent non-executive directors. Nevertheless, the Board believes that each of the Non-Executive Directors brings objective and unbiased judgement to the Board's deliberations and that each of the nominee Directors makes invaluable contributions to Costa through their deep understanding of Costa's business and the horticulture industry.

6.5.2 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the roles and responsibilities of the Board including to provide overall strategic guidance for Costa and effective oversight of management, oversight of Costa's financial and capital management, the promotion and facilitation of effective disclosure of material information, along with compliance and risk management;
- the role and responsibilities of the Chairman and company secretary;
- the delegations of authority of the Board to both committees of the Board and the Chief Executive Officer and other management of Costa;
- the membership of the Board, including in relation to the Board's composition and size and the process of selection and re-election of Directors, independence of Directors and conduct of individual Directors; and
- Board process, including how the Board meets.

6.5.3 Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. Other committees may be established by the Board as and when required to consider other matters of special importance.

6.5.3.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities including oversight of:

- the integrity of Costa's external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of Costa's external auditors;
- the performance of the external audit function and review of their audits;
- the effectiveness of Costa's system of risk management and internal controls; and
- Costa's systems and procedures for compliance with applicable legal regulatory requirements.

As required under the Audit and Risk Committee Charter, the Audit and Risk Committee will comprise at least 3 members, all of whom will be Non-Executive Directors, and a majority of whom will be Independent Directors.

Costa will comply with the ASX recommendations set by the ASX Corporate Governance Council in relation to the operation of the Audit and Risk Committee.

6.5.3.2 Nomination Committee

The role of the Nomination Committee is to assist and advise the Board on the following nomination related matters:

- director selection and appointment practices;
- director performance evaluation processes and criteria;
- Board composition;
- the performance of the Chief Executive Officer and other key executives including in respect of any agreed key performance indicators; and
- succession planning for the Board and senior executives,

to ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Costa as a whole.

The Nomination Committee also has the role of overseeing the implementation of the Diversity Policy and assessing progress in achieving its objectives.

As required under the Nomination Committee Charter, the Nomination Committee will comprise at least 3 members, all of whom will be Non-Executive Directors, and a majority of whom will be Independent Directors.

6.5.3.3 Remuneration Committee

The role of the Remuneration Committee is to assist and advise the Board on the following remuneration related matters:

- remuneration policies and practices for the Board, the Chief Executive Officer, the Chief Financial Officer, other senior executives and all other employees;
- incentive schemes and equity-based remuneration plans; and
- shareholder and other stakeholder engagement in relation to Costa's remuneration policies and practices.

As required under the Remuneration Committee Charter, the Remuneration Committee will comprise at least three members, all of whom are Non-Executive Directors, and a majority of whom will be Independent Directors.

6.5.4 Diversity policy

Costa has adopted a diversity policy which sets out Costa's commitment to diversity and inclusion in the workplace. The diversity policy provides a framework to achieve Costa's diversity goals and commitment to creating a diverse work environment where everyone is treated fairly and with respect and where everyone feels responsible for the reputation and performance of Costa. The Board will oversee the implementation of the diversity policy and assess progress in achieving its objectives, over time. At the time of the IPO, the composition of the Board will not reflect gender diversity; however, the Board proposes to give consideration to diversity (among other factors) in future appointments to the Board.

6.5.5 Disclosure and communication policy and communications with Shareholders

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company will be required to disclose to the ASX any information concerning Costa which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. Costa is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act. Copies of documents lodged with ASIC in relation to Costa may be obtained from, or inspected at an ASIC office.

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of Costa and that they are informed of all major developments affecting the state of affairs of Costa relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with the ASX and publishing information on Costa's website at www.costagroup.com.au. In particular, Costa's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. All relevant information will be posted on Costa's website as soon as it has been released to the ASX.

Costa has adopted a policy to take effect from Listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Under the disclosure and communication policy, the Board will be responsible for managing Costa's compliance with its continuous disclosure obligations.

6.5.6 Securities trading policy

Costa has adopted a written policy to take effect from Listing for dealing in securities which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to Directors', officers', employees', contractors' and their families and associates' dealings in Shares.

The securities trading policy sets out the restrictions that apply to dealing with Shares including "prohibited periods", during which certain persons are generally not permitted to deal with Shares along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to dealing in Shares outside "prohibited periods".

6.5.7 Code of conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, to be followed by the Board along with all employees, officers, contractors, consultants and other persons that act on behalf of Costa and associates of Costa. The key aspects of this code are:

- sincerity – to act in an open, honest and responsible manner;
- respect – to treat others properly in attitude, communication and personal safety;
- determination – to act decisively with a sense of urgency;
- passion – to challenge the status quo with energy and enthusiasm; and
- accountability – to focus on outcomes and deliver on commitments.

The code sets out Costa's policies on various matters including conflicts of interest, use of Costa's property, giving or accepting gifts (including money), dealings with politicians and government officials, confidentiality, privacy, fair dealings (in relation to suppliers, customers and competitors), discrimination, bullying, harassment, vilification, health and safety, responsibility to shareholders and the financial community and insider trading obligations.

The code also sets out the consequences for a breach of the code, including the possibility of legal or disciplinary action.

Section 7
Details of the Offer

INTERNATIONAL

Left: Raspberry Blocks at Bailang Farm, Yunnan Province
Top: Planting blueberries in Morocco
Bottom: Berry farm, Yunnan Province

7.1 THE OFFER

This Prospectus relates to an initial public offering of New Shares by the Company and the sale of Shares by SaleCo.

The Offer comprises approximately 240.5 million Shares, of which the Company proposes to issue approximately 72.8 million New Shares and SaleCo proposes to sell approximately 167.7 million Shares. The final split between the number of New Shares issued by Costa and Shares sold by SaleCo will depend on a number of factors, including:

- where the Final Price falls within the Indicative Price Range (the Final Price will be determined through the Bookbuild), for example:
  - if the Final Price is at the bottom of the Indicative Price Range, the Offer will comprise approximately 78.2 million New Shares and approximately 167.7 million Shares; and
  - if the Final Price is at the top of the Indicative Price Range, the Offer will comprise approximately 68.4 million New Shares and approximately 167.7 million Shares, and
- the number of Shares issued by the Company as consideration for disposal of Existing Options.
  - as at the date of this Prospectus, it is anticipated that approximately 29.4% of Existing Options will be disposed of for Share consideration at Completion of the Offer.

Key Offer assumptions

Unless specified, the following key Offer assumptions have been used:

- the Final Price will fall at the midpoint of the Indicative Price Range, being $2.45 per Share;
- the Paine + Partners Shareholder will hold 12.4% of issued Shares at Completion of the Offer and the Costa Family Shareholders will hold 10.5% of issued Shares at Completion of the Offer;
- 29.4% of the Existing Options will be disposed of for Share consideration at Completion of the Offer;
- the A Class Shares and B Class Shares are converted into Shares at Completion of the Offer; and
- the Redeemable Preference Shares will be converted into Shares at Completion of the Offer.

The Offer is expected to raise between $541.0 million and $637.4 million (based on the key Offer assumptions described above).

Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the Bookbuild and may be set at a price below, within or above the Indicative Price Range.

Shares on issue at Completion of the Offer will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.11.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open only to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker – for details of the Broker Firm Offer, see Section 7.3;
- the Institutional Offer, which consists of an invitation to bid to Institutional Investors in Australia made under this Prospectus and a number of other eligible jurisdictions under the Institutional Offering Memorandum to acquire Shares – for details of the Institutional Offer, see Section 7.4;
- the Employee Offer, which is open only to Eligible Employees – for details of the Employee Offer, see Section 7.5; and
- the Priority Offer, which is open to Australian residents who have received a personalised invitation to apply for Shares – for details of the Priority Offer, see Section 7.6.

No general public offer of Shares will be made under the Offer. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares. The allocation of Shares between the Broker Firm Offer, the Institutional Offer, the Employee Offer and the Priority Offer will be determined by the Joint Lead Managers, in agreement with Costa and SaleCo, having regard to the allocation policy outlined in Sections 7.3, 7.4, 7.5 and 7.6.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide Costa with access to capital markets to give added financial flexibility to pursue further growth opportunities;
- provide Costa with funds to repay the Company's existing debt and the coupon on the Redeemable Preference Shares;
- provide a liquid market for Shares; and
- allow Existing Shareholders to realise part of their investment in Costa.

The gross proceeds of the Offer will be applied to:

- repay Costa's existing debt;
- pay costs associated with the disposal by optionholders of some Existing Options (some of which proceeds may be reinvested in Shares);
- pay SaleCo (which will distribute payments to Selling Shareholders);
- pay the outstanding coupon on the Redeemable Preference Shares;
- pay a fee to Existing Shareholders for advisory services; and
- pay costs associated with the Offer.

Table 43 details Costa's sources of funding (including the Offer) and the uses of those amounts, assuming the key Offer assumptions outlined in Section 7.1 and Completion of the Offer occurs on 29 July 2015.

Table 43: Sources and uses of funds[1]

Sources of funds	$ million	%	Uses of funds	$ million	%
Cash proceeds received for New Shares issued under the Offer	178.3	23.8%	Repayment of existing debt facilities[2]	271.0	36.1%
Cash proceeds received from sale of Shares	410.9	54.8%	Payment of costs associated with the disposal of Existing Options	14.9	2.0%
Drawdown of New Banking Facilities	142.0	18.9%	Payment to SaleCo of proceeds of sale of Shares	410.9	54.8%
Existing cash	19.1	2.5%	Payment of outstanding coupon on the Redeemable Preference Shares	9.1	1.2%
			Payment of fee to Existing Shareholders for advisory services	12.6	1.7%
			Payment of Offer costs[3]	31.9	4.2%
Total	**750.3**		**Total**	**750.3**	

7.1.3 Pro forma historical consolidated statement of financial position

Costa's pro forma statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.5.1.

7.1.4 Indebtedness

The indebtedness of Costa as at 28 December 2014 (before and following Completion of the Offer) and the forecast indebtedness as at 28 June 2015 (assuming Completion of the Offer) is set out in Section 4.5.2.

1. The figures in this table are based on the key Offer assumptions described in Section 7.1.
2. Includes investment in China operations of $8.8 million, expected to be committed prior to the Completion of the Offer. See Section 4.5.2 for further information.
3. Including adviser fees and break costs.

7.1.5 Shareholding and optionholding structure

Details of the ownership of Shares on the Prospectus Date and Completion of the Offer are set out below:

Table 44: Shareholding Structure[4]

Shareholder	Redeemable Preference Shares held as at Prospectus Date (m)	A class shares and B class shares held as at Prospectus Date (m)	Total Existing Shares held as at Prospectus Date (m)	Shareholding at Prospectus Date (%)[5]	Shareholding at Completion of the Offer (m)	Shareholding at Completion of the Offer (%)
Paine + Partners Shareholder	32.5	97.3	129.8	54.2%	38.9	12.4%
Costa Family Shareholders	12.5	97.3	109.8	45.8%	32.9	10.5%
Management and Directors[6]	–	–	–	–	2.6	0.8%
New Shareholders	–	–	–	–	240.5	76.4%
Total	**45.0**	**194.6**	**239.6**	**100.0%**	**315.0**	**100.0%**

Details of the ownership of Options on the Prospectus Date and on Completion of the Offer are set out below:

Table 45: Optionholding structure[7]

Optionholder	Options held at the Prospectus Date	Options held at Completion of the Offer note[8]
Harry Debney	9,459,722 Existing Options	1,891,944 New CEO Options
Neil Chatfield	400,000 Existing Options	400,000 Existing Options
Greg Hunt[9]	50,000 Existing Options	50,000 Existing Options
Other management	11,762,030 Existing Options	–
Total	**21,671,752**	**2,341,944**

7.1.6 Control implications of the Offer

The Directors do not expect any Shareholder to control Costa on Completion of the Offer (as defined in section 50AA of the Corporations Act).

7.1.7 Potential effect of the fundraising on the future of the Company

The Directors believe that, on Completion of the Offer, Costa will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet Costa's stated business objectives.

4. The figures in this table are based on the key Offer assumptions described in Section 7.1.
5. On an as-converted basis – conversion will not occur until Completion of the Offer.
6. Both Frank Costa and Kevin Schwartz hold indirect interests in Existing Shares at the Prospectus Date. They will also have indirect interests in Shares on Completion of the Offer. See Section 6.3.2.4 for further information regarding their indirect interests.
7. The figures in this table are based on the key Offer assumptions described in Section 7.1.
8. Assumes that Greg Hunt and Neil Chatfield are the only holders of Existing Options that elect to retain their Existing Options under Alternative 2 outlined in Section 6.3.3.2.
9. Greg Hunt is a former director of the Company.

7.2 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each security being offered?	The Indicative Price Range for the Offer is $2.20 to $2.70 per Share. The Indicative Price Range may be varied at any time by Costa, SaleCo and the Joint Lead Managers. Successful Applicants under the Offer will pay the Final Price, which will be determined at the conclusion of the Bookbuild and may be set at a price above, within or below the Indicative Price Range. The Final Price will be determined after the close of the Offer and it may be above, within or below the Indicative Price Range. Applicants under the Broker Firm Offer, Employee Offer and Priority Offer will apply for a set dollar value of Shares. Accordingly, Applicants will not know the number of Shares they will receive at the time they make their investment decision, nor will they know the Final Price. Except as required by law, Applicants cannot withdraw their Applications once the Final Price and allocations of Shares have been determined. Once the Shares are quoted on the ASX, the market price at which the Shares are traded may differ significantly from the Final Price.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 3. No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised?	Approximately $589.2 million is expected to be raised under the Offer.[10]
What is the minimum and maximum Application size under the Broker Firm Offer?	The minimum and maximum Applications under the Broker Firm Offer are as determined by the Applicant's Broker. The Joint Lead Managers, in consultation with Costa and SaleCo, reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for at the Final Price, in their absolute discretion.
What is the minimum and maximum Application size under the Employee Offer and Priority Offer?	Applications under the Employee Offer and Priority Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. Costa reserves the right to reject any Application or to allocate a lesser number of Shares than that applied for at the Final Price, in its absolute discretion.

10. Based on the key Offer assumptions described in Section 7.1.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, Institutional Offer, Employee Offer and Priority Offer will be determined by the Joint Lead Managers in agreement with Costa and SaleCo, having regard to the allocation policy outlined in Sections 7.3, 7.4, 7.5 and 7.6. With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Costa, SaleCo or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares. The allocation of Shares under the Institutional Offer will be determined by the Joint Lead Managers by agreement with Costa and SaleCo. The Broker Firm Offer, Employee Offer and Priority Offer are not open to investors in the United States. For further information on the: • Broker Firm Offer, see Section 7.3; • Institutional Offer, see Section 7.4; • Employee Offer, see Section 7.5; and • Priority Offer, see Section 7.6.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on Friday, 31 July 2015. Refunds to Applicants under the Employee Offer and Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement, which is expected to occur on or about Tuesday, 28 July 2015. No refunds will be made where overpayments relate solely to rounding of the Final Price.
Will the Shares be quoted on the ASX?	Costa will apply to the ASX within seven days after the Prospectus Date for admission of the Company to the Official List of the ASX and quotation of Shares on the ASX (which is expected to be under the code CGC). It is anticipated that quotation will initially be on a conditional and deferred settlement basis. The Offer is conditional on the ASX approving the application. If approval is not given within three months after the application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about Friday, 24 July 2015, initially on a conditional and deferred settlement basis. Shares will commence trading on the ASX on an unconditional and deferred settlement basis on or about Thursday, 30 July 2015. Shares will commence trading on the ASX on an unconditional and normal settlement basis on or about Monday, 3 August 2015. If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and confirmations of allocations will be cancelled and of no further effect and all Application Monies will be refunded (without interest). It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. Costa, SaleCo and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Costa Offer Information Line, by a Broker or otherwise.
Is the Offer underwritten?	No. The Offer is not underwritten.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.7.

Topic	Summary
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.7.
Are there any tax considerations?	Yes. Details are provided in Section 9.9.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty should be payable by Applicants on acquisition of Shares under the Offer. See Section 6.3.1 for details of various fees payable by Costa to the Joint Lead Managers and by the Joint Lead Managers to certain Brokers.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Costa Offer Information Line on 1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday during the Offer Period. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

7.3 BROKER FIRM OFFER

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have received a firm allocation of Shares from your Broker, you will be treated as a Broker Firm Offer Applicant in respect of that allocation.

You should contact your Broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

The Broker Firm Offer is not open to persons in the United States.

7.3.2 How to apply

Applications for Shares may only be made on an application form attached to or accompanying this Prospectus or any replacement prospectus. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation of Shares. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum Application size. Costa, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person. Costa may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in their absolute discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation of Shares. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry. The Broker Firm Offer opens at 9.00am (Sydney time) on Friday, 3 July 2015 and is expected to close at 5.00pm (Sydney time) on Thursday, 16 July 2015. Costa, SaleCo and the Joint Lead Managers reserve the right to extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant fewer Shares than the amount applied for at the Final Price. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Allocation policy under the Broker Firm Offer

The allocation of firm stock to Brokers will be determined by the Joint Lead Managers, by agreement with Costa and SaleCo. Shares which are allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers. It will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Costa, SaleCo or the Joint Lead Managers) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.

7.3.5 Application acceptances and Application Monies

An Application in the Broker Firm Offer is an offer by the Applicant to subscribe for Shares for all or any of the Application Amount specified in the Application Form at the Final Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. Acceptance of an Application will give rise to a binding contract conditional on the quotation of Shares on the ASX and Settlement.

Costa and SaleCo reserve the right to decline any Application and all Applications in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for at the Final Price, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Successful Applicants in the Broker Firm Offer will be allotted Shares at the Final Price and will receive the number of Shares equal to the value of their Application accepted by Costa and SaleCo divided by the Final Price (rounded down to the nearest whole Share).

7.3.6 Application Monies

Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for at the Final Price, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by Costa.

7.3.7 Announcement of final allocation policy in the Broker Firm Offer

Costa and SaleCo expect to announce the final allocation policy under the Broker Firm Offer on or about Friday, 24 July 2015. Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Broker from whom they received their allocation. However, if you sell Shares before receiving a holding statement, you do so at your own risk, even if you confirmed your firm allocation through a Broker.

7.4 INSTITUTIONAL OFFER

7.4.1 Invitations to bid

Costa and SaleCo are inviting certain eligible Institutional Investors to bid for Shares in the Institutional Offer. The Institutional Offer will comprise an invitation to Institutional Investors in Australia to bid for Shares under this Prospectus, and an invitation to Institutional Investors in certain eligible jurisdictions outside Australia to bid for Shares under the Institutional Offering Memorandum.

7.4.2 Institutional Offer process and the Indicative Price Range

The Institutional Offer will be conducted using a bookbuild process managed by the Joint Lead Managers. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Joint Lead Managers.

Participants can only bid into the bookbuild for Shares through the Joint Lead Managers. They may bid for Shares at specific prices or at the Final Price. Participants may bid above, within or below the Indicative Price Range, which is $2.20 to $2.70 per Share.

Under the terms of the Offer Management Agreement, the Final Price will be determined by the Joint Lead Managers in agreement with Costa and SaleCo, after the close of the Broker Firm Offer and the Institutional Offer as described in Sections 7.3 and 7.4.

The Institutional Offer will open on Tuesday, 21 July 2015 and close on Wednesday, 22 July 2015. Costa and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to subscribe or procure subscribers for the Shares bid for (or such lesser number as may be allocated) at the price per Share bid or at the Final Price, where this is below the price per Share bid, on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and in accordance with any bidding instructions provided by the Joint Lead Managers to participants.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to Successful Applicants conditional on the quotation of Shares on the ASX and Settlement. Details of the arrangements for notification and Settlement of allocations applying to participants in the Institutional Offer will be provided to participants in the bookbuild process.

7.4.3 Final Price

The Institutional Offer bookbuild process will be used to determine the Final Price. Under the terms of the Offer Management Agreement, the Final Price will be determined by the Joint Lead Managers in agreement with Costa and SaleCo, after the close of the Broker Firm Offer and the Institutional Offer as described in Sections 7.3 and 7.4. It is expected that the Final Price will be announced to the market on Thursday, 23 July 2015. In determining the Final Price, consideration will be given to, but will not be limited to, the following factors:

- the level of demand for Shares under the Institutional Offer at various prices;
- the level of demand for Shares under the Broker Firm Offer;
- the objective of maximising the proceeds of the Offer; and
- the desire for an orderly secondary market in the Shares.

The Final Price will not necessarily be the highest price at which Shares could be sold. In the Institutional Offer, the Final Price may be set below, within or above the Indicative Price Range. All Successful Applicants and successful bidders under the Offer will pay the Final Price.

7.4.4 Allocation policy under the Institutional Offer

The allocation of Shares under the Institutional Offer will be determined by the Joint Lead Managers by agreement with Costa and SaleCo. The Joint Lead Managers, by agreement with Costa and SaleCo, have absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

The initial determinant of the allocation of Shares under the Institutional Offer will be the Final Price. Bids lodged at prices below the Final Price will not receive an allocation of Shares.

The allocation policy will also be influenced by a range of factors, including:

- the price and number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants; and
- any other factors that Costa, SaleCo and the Joint Lead Managers considered appropriate.

7.5 EMPLOYEE OFFER

7.5.1 Employee Offer overview

Eligible Employees may apply for Shares online and must comply with the instructions on the website, www.costagroup.com.au.

Applications under the Employee Offer must be for a minimum of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter.

Eligible Employees will receive a guaranteed minimum allocation of $2,000 worth of Shares at the Final Price (rounded down to the nearest whole Share). Subject to the guaranteed minimum allocation, the final allocation of Shares to Applicants in the Employee Offer will be at Costa's absolute discretion and Costa may reject an Application, or allocate fewer Shares than the amount applied for at the Final Price.

For Eligible Employees, payment may be made via BPAY® only. Application Monies must be received by the Share Registry by 5.00pm (Sydney time) on Thursday, 16 July 2015.

To make a payment via BPAY®, Applicants will need to apply online at www.costagroup.com.au and must comply with the instructions on the website. It is the Applicant's responsibility to ensure that his or her BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on Thursday, 16 July 2015. Financial institutions may implement earlier cut-off times with regards to electronic payment, and Applicants should therefore take this into consideration when making payment.

7.6 PRIORITY OFFER

7.6.1 Priority Offer overview

Investors who have received a personalised invitation to participate in the Offer from Costa and who are Australian residents may apply for Shares online and must comply with the instructions on the website, www.costagroup.com.au.

Applications under the Priority Offer must be for a minimum allocation of $2,000 worth of Shares and in multiples of $500 worth of Shares thereafter. Applicants under the Priority Offer will receive a guaranteed minimum allocation of $2,000 worth of Shares at the Final Price (rounded down to the nearest whole Share). Subject to the guaranteed minimum allocation, the final allocation of Shares to Applicants in the Priority Offer will be at Costa's absolute discretion and Costa may reject an Application, or allocate fewer Shares than the amount applied for at the Final Price.

For Applications under the Priority Offer, payment may be made via BPAY® only. Application Monies must be received by the Share Registry by 5.00pm (Sydney time) on Thursday, 16 July 2015.

To make a payment via BPAY®, Applicants will need to apply online at www.costagroup.com.au and must comply with the instructions on the website. It is the Applicant's responsibility to ensure that their BPAY® payment is received by the Share Registry by no later than 5.00pm (Sydney time) on Thursday, 16 July 2015. Financial institutions may implement earlier cut-off times with regards to electronic payment, and Applicants should therefore take this into consideration when making payment.

7.7 DISPOSAL RESTRICTIONS ON SHARES

All of the Shares held at Completion of the Offer by the Escrowed Shareholders will be subject to voluntary escrow arrangements.

7.7.1 Costa Family Shareholders and Paine + Partners Shareholder

Under the terms of the voluntary escrow arrangements, subject to certain customary exceptions described below and ASX notification requirements being satisfied, Shares held by the Costa Family Shareholders and Paine + Partners Shareholder may only be sold in the period prior to Costa's financial results being announced for FY2016 on the following basis:

Shares to be released from escrow	Escrow release conditions
25% of Shares held by the Costa Family Shareholders and the Paine + Partners Shareholder at Completion of the Offer	After 4.15pm (Sydney time) on the first date on which both the conditions below have been satisfied: • Costa's 1H FY2016 financial results are announced; and • the volume-weighted average price in any 10 consecutive trading days following announcement of those financial results exceeds the Final Price by more than 20% (disregarding, for the purpose of ascertaining this 10 day trading period, any trading days during which the Company's Shares are in trading halt for the entirety of that day)
100% of Shares held at Completion of the Offer	After 4.15pm (Sydney time) on the date that Costa's FY2016 financial results are announced

After the announcement of the financial results for FY2016, any remaining Shares held by the Costa Family Shareholders and Paine + Partners Shareholder will cease to be subject to escrow restrictions.

In addition to the common exceptions to escrow described below, the Costa Family Shareholders and Paine + Partners Shareholder may encumber any or all of their Shares to a bona fide third party financial institution as security for a loan, hedge or other financial accommodation, provided that the encumbrance does not in any way constitute a direct or indirect disposal of the economic interests, or decrease an economic interest, that the relevant Shareholder has in any of its Escrowed Shares and no Escrowed Shares may be transferred to the financial institution or any other person in connection with the encumbrance (with the documentation for such encumbrance making it clear that the Escrowed Shares remain in escrow and subject to the voluntary escrow arrangements for the term of those arrangements).

7.7.2 Escrowed Management Shareholders

Shares held by Harry Debney, Linda Kow and George Haggar (**Escrowed Management Shareholders**) on Completion of the Offer (including Shares issued through the disposal of Existing Options for Shares (under Alternative 3 described in 6.3.3.2)), along with any Shares ultimately issued to the Escrowed Management Shareholders following exercise of any Existing Options retained by them (under Alternative 2 described in section 6.3.3.2), and Shares issued to Harry Debney as a result of the exercise of New CEO Options after Completion of the Offer, will also be subject to voluntary escrow arrangements.

Under the terms of those escrow arrangements, and subject to customary exceptions:

- for Shares held by Harry Debney on Completion of the Offer:
  - 50% may only be sold after 4.15pm (Sydney time) on the date that Costa's FY2016 financial results are announced; and
  - 50% may only be sold after 4.15pm (Sydney time) on the date that Costa's FY2017 financial results are announced;
- for Shares issued by Costa to Harry Debney as a result of the exercise of New CEO Options, 50% may be sold after 4.15pm (Sydney time) on the date that Costa's FY2018 financial results are announced. The 50% balance of Shares issued to Harry Debney as a result of the exercise of New CEO Options will not be subject to any escrow restrictions; and
- for Shares held by Linda Kow and George Haggar, 100% may be sold after 4.15pm (Sydney time) on the date that Costa's FY2016 financial results are announced.

In addition to the common exceptions to escrow described below, the Escrowed Management Shareholders may also be released early from these escrow obligations where:

- the manager dies or becomes incapacitated, provided that the transferee of those shares has agreed to be bound by substantially the same escrow arrangements; or
- to the extent necessary to allow the ultimate controller of those Shares to undertake a reorganisation of its affairs, subject to the prior consent of Costa, any new holder agreeing to be bound by substantially the same escrow arrangements, and if there is an ultimate controller, the controller retaining ultimate control of those Shares.

7.7.3 Terms common to all voluntary escrow arrangements

Each Escrowed Shareholder has agreed to enter into an escrow deed in respect of their escrowed shareholding retained following the Offer, which prevent them from dealing in their respective Escrowed Shares for the applicable escrow period as described above. The restriction on 'dealing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares (except to the extent outlined in this Section 7.7), doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in relation to their Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid;
- the Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act; or
- Escrowed Shareholders to participate in an equal access buy-back or capital reduction.

During the escrow period, Escrowed Shareholders whose Shares remain subject to escrow, may deal in any of their Shares to the extent the dealing is required pursuant to an order of a court of competent jurisdiction or insolvency of that Escrowed Shareholder.

7.8 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. In particular, this Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia unless it is attached to, or constitutes part of, the Institutional Offering Memorandum that describes selling restrictions applicable in the United States and other jurisdictions outside Australia, and may only be distributed to persons to whom the Institutional Offer may be lawfully made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and the Shares may not be offered or sold, directly or indirectly, in the United States, unless the Shares are registered under the U.S. Securities Act or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

Each Applicant in the Broker Firm Offer, Employee Offer and Priority Offer, and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or resold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any state or other jurisdiction in the United States;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each person who bids for Shares in the Institutional Offer will also be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.9 DISCRETION REGARDING THE OFFER

Costa and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants or bidders. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Costa, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.10 ASX LISTING, REGISTERS AND HOLDING STATEMENTS, AND CONDITIONAL AND DEFERRED SETTLEMENT TRADING

7.10.1 Application to the ASX for listing of Costa and quotation of Shares

Costa will apply to the ASX within seven days of the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX. Costa's ASX code is expected to be CGC.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Costa to the Official List is not to be taken as an indication of the merits of Costa or the Shares offered for subscription.

If Costa has not been admitted to the Official List within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Costa will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Costa from time to time.

7.10.2 CHESS and issuer sponsored holdings

Costa will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Securityholder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Costa and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3 Conditional and deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on the ASX (on a conditional and deferred settlement basis) will commence on or about Friday, 24 July 2015.

Conditional trading will continue until Costa has advised the ASX that Costa has completed its capital restructure, including (i) the Existing Shares to be sold by the Existing Shareholders after conversion to Shares have been transferred to SaleCo; (ii) the conversion of the Existing Shares into Shares; and (iii) the Company has issued New Shares, and SaleCo has transferred Shares, to Successful Applicants under the Offer which is expected to be on or about Wednesday, 29 July 2015. Trading will then be on an unconditional and deferred settlement basis until Costa has advised the ASX that holding statements have been dispatched to Shareholders. Unconditional and normal settlement trading is expected to commence on or about Monday, 3 August 2015.

If Settlement has not occurred within 14 days (or such longer period as the ASX allows) after the day Shares are first quoted on the ASX, the Offer and all contracts arising on acceptance of the Offer will be cancelled and of no further effect and all Application Monies will be refunded (without interest). In these circumstances, all purchases and sales made through the ASX participating organisations during the conditional trading period will be cancelled and of no effect.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.

The Joint Lead Managers, Costa and SaleCo disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or a Broker or by the Costa Offer Information Line.

7.11 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

7.11.1 Introduction

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of Costa; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the fuller terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

Upon Listing, Costa will adopt a new constitution which is consistent with Costa being an ASX listed company. Accordingly, the summary assumes that Costa is admitted to the Official List.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all Existing Shares.

7.11.2 Meeting of members

Each Shareholder is entitled to receive notice of and, except in certain circumstances, to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. At least 28 days' notice of a meeting must be given to Shareholders.

7.11.3 Voting at a general meeting

At a general meeting of Costa, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

7.11.4 Dividends

Subject to the Corporations Act, the Constitution and any special terms and conditions of issue, the Directors may, from time to time, pay, resolve to pay, or declare any interim, special or final dividend as, in their judgement, the financial position of the Company justifies.

The Directors may fix the amount, time and method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attached to any shares or class of shares, all dividends must be paid equally on all shares and in proportion to the number of, and the amounts paid on, the shares held.

7.11.5 Transfer of shares

Subject to the Constitution, the ASX Listing Rules and the rights or restrictions attached to any shares or class of shares, a member may transfer all or any of the member's shares by:

- as provided by the Operating Rules of a CS Facility (as that term is defined in the Corporations Regulations 2001 (Cth)) applicable; or
- any other method of transfer which is required or permitted by the Corporations Act and the ASX.

The Company may decline to register a transfer of shares in a number of situations including:

- in the circumstances permitted under the ASX Listing Rules or ASX Settlement Operating Rules, as applicable;
- where the transfer is not in registrable form; or
- where the refusal to register the transfer is otherwise permitted under the ASX Listing Rules or, except for a Proper ASTC Transfer (as that term is defined in the Corporations Regulations 2001 (Cth)), under the terms of issue of the shares.

If the Directors decline to register a transfer, the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

The Company must refuse to register a transfer of shares if required to do so by the ASX Listing Rules. The Directors may suspend the registration of a transfer at such time and for such periods, not exceeding in total 30 days in any year, as they think fit as permitted by the ASX Listing Rules and ASX Settlement Operating Rules.

7.11.6 Issue of further shares

Subject to the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act, the Directors may issue shares or grant options over unissued shares to any person and they may do so at such times and on the conditions they think fit. The shares may be issued with preferred, deferred or special rights, or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise as the Directors see fit.

7.11.7 Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

7.11.8 Winding up

If the Company is wound up, then with the sanction of a special resolution of the Company's members, the liquidator may divide among the Company's members in kind the whole or part of the Company's property, set the value of that property and determine how the division is to be carried out between members or different classes of members.

7.11.9 Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of shares is defined in the ASX Listing Rules and is, generally, a holding of shares with a market value of less than $500.

7.11.10 Share buy-backs

The Company may buy back shares in itself in accordance with the provisions of the Corporations Act and, where applicable, the ASX Listing Rules.

7.11.11 Variation of class rights

Subject to the Corporations Act and the terms of issue of the shares, wherever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

7.11.12 Conversion of C class shares

The Company's existing option plan contemplates that C class shares will be issued on the exercise of the holders of Existing Options. Under the constitution, at the election of the Company, and without further approval from any other shareholder of the Company, the terms of each C class share issued on exercise of the Existing Options may be varied such that the C class share will have all of the rights and liabilities of Shares and rank equally with all other Shares (and will be taken to be a continuation of the share).

7.11.13 Reduction of share capital

Subject to the Constitution, Corporations Act and ASX Listing Rules, Costa may reduce its share capital in any way permissible by the Corporations Act.

7.11.14 Dividend reinvestment plans

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan. The Directors intend to establish a dividend reinvestment plan under which any Shareholder may elect that the dividends payable by the Company be reinvested in whole or in part by a subscription of Shares at a price to be determined by the Board from time to time.

7.11.15 Directors – appointment and removal

The Company may elect Directors by resolution. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who (other than the managing director) will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

No Director (other than the managing director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected (whichever is later).

7.11.16 Directors – nominee Directors

Each of Costa AFR and the Paine + Partners Shareholder (each a **Nominating Shareholder**), may at any time nominate a person to be appointed as a nominee Director of that Nominating Shareholder (**Nominated Director**) by notifying the Company in writing, provided that the relevant Nominating Shareholder holds at least 10% of the Shares on issue. Once this nomination is received by the Board, the Directors must appoint the Nominated Director to the Board. A Nominated Director appointed in this manner will hold office until the conclusion of the next annual general meeting of the Company but is still eligible for election at that meeting. The Nominated Director may be a person who has previously stood for election as a Director at an annual general meeting but failed to be elected.

7.11.17 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chair of the meeting has a casting vote, unless there are only two Directors present or qualified to vote.

7.11.18 Variation of the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of members present and voting at a general meeting of Costa. The Company must give at least 28 days' written notice of its intention to propose a resolution as a special resolution.

7.11.19 Directors' and officers' indemnity

The Company, to the extent permitted by law, may indemnify a current or former Director or officer of the Company, a subsidiary of the Company or any other entity approved by the Board against any liability incurred by that person in that capacity, and legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a former or current Director or officer of the Company, subsidiary of the Company or any other entity approved by the Board against any liability incurred by that person in that capacity, including liability for legal costs.

The Company has entered into deeds of indemnity, insurance and access with each Director and the Company Secretary. These are summarised in Section 6.3.2.3.

Section 8
Limited Assurance Investigating Accountant's Reports

BANANAS

Left: Cevendish bananas freshly harvested
Top: Lady fingers bananas
Bottom: Early formation of bananas

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
147 Collins Street
Melbourne Vic 3000

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
Costa Group Holdings Limited
275 Robinsons Road
Ravenhall VIC 3023

The Directors
Costa SaleCo Limited
275 Robinsons Road
Ravenhall VIC 3023

25 June 2015

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report on Pro Forma Historical Financial Information

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Costa Group Holdings Limited (ACN 151 363 129) ("Costa") and Costa SaleCo Limited ("SaleCo") to prepare this report for inclusion in the prospectus to be dated 25 June 2015 ("Prospectus"), and to be issued by Costa and SaleCo, in respect of the initial public offering of shares in Costa ("Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Pro Forma Historical Financial Information described below and disclosed in the Prospectus.

The Pro forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with such other standards and practices.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Pro Forma Historical Financial Information of Costa included in the Prospectus.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Costa and its controlled entities ("Costa Group"), after adjusting for the effects of pro forma adjustments described in Section 4.2.2 of the Prospectus. The Pro Forma Historical Financial Information consists of Costa's:

- Pro Forma Historical Statement of Financial Position as at 28 December 2014;
- Summarised Pro Forma Historical Statements of Profit or Loss for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014;
- Summarised Pro Forma Historical Cash Flow Information for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014; and
- Related notes as set out in Sections 4.3, 4.5 and 4.6 of the Prospectus

(collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events and transactions to which the pro forma adjustments relate, as described in Section 4.2.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by Costa to illustrate the impact of the events and transactions described in Section 4.2.2 of the Prospectus on Costa's financial position as at 28 December 2014 and Costa's financial performance and cash flows for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014. As part of this process, information about Costa's financial position, financial performance and cash flows has been derived by Costa from the financial statements of Costa Group for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014.

The financial statements of Costa Group for the year ended 30 June 2013 were audited by Costa Group's previous external auditor, and the financial statements of Costa Group for the year ended 29 June 2014 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of the Costa Group relating to those financial

statements were unqualified. The financial statements for Costa Group for the six months to 29 December 2013 and 28 December 2014 were reviewed by KPMG. The review opinion issued to the members of the Costa Group relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, in accordance with the stated basis of preparation. As stated in Section 4.2.2 of the Prospectus, the stated basis of preparation is:

- the derivation of historical financial information from the audited financial statements of Costa Group for the years ended 30 June 2013 and 29 June 2014, and the reviewed financial statements of Costa Group for the six months to 29 December 2013 and 28 December 2014 (together, the "Historical Financial Information"); and

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and Costa's accounting policies, to the Historical Financial Information of Costa to illustrate the effects of events and transactions described in Section 4.2.2 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of work papers, accounting records and other documents, including those dealing with the derivation of the Historical Financial Information of Costa Group from the relevant audited financial statements for the years ended 30 June 2013 and 29 June 2014, and the relevant reviewed financial statements for the six months to 29 December 2013 and 28 December 2014;

Pro forma adjustments:

- review of the pro forma adjustments described in the Prospectus;

- enquiry of directors, management, personnel and advisors;

- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and

- a review of accounting policies for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of Costa are responsible for the preparation of:

- the Historical Financial Information; and
- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the Historical Financial Information and included in the Pro Forma Historical Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of Costa, as set out in Sections 4.3, 4.5 and 4.6 of the Prospectus, comprising:

- the Pro Forma Historical Statement of Financial Position as at 28 December 2014;
- the Pro Forma Historical Statements of Profit or Loss for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014; and
- the Pro Forma Historical Cash Flow Information for the years ended 30 June 2013 and 29 June 2014 and the six months to 29 December 2013 and 28 December 2014,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in Section 4.2.2 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Costa's accounting policies.

We have assumed, and relied on representations from certain members of management of Costa, that all material information concerning the prospects and proposed operations of Costa has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed initial public offering, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the

auditor of Costa and from time to time, KPMG also provides Costa with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2.2 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Angus Reynolds
Authorised Representative

Financial Services Guide
Dated 25 June 2015

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Angus Reynolds as an authorised representative of KPMG Transaction Services, authorised representative number 404263 **(Authorised Representative)**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report ('Report') which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement ('PDS'). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Costa Group Holdings Ltd and SaleCo (together the 'Client') to provide general financial product advice in the form of a Report to be included in the Prospectus ('Document') prepared by the Client in relation to the initial public offering of shares in the Costa group of controlled entities ('Transaction').

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services $260,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice ('the KPMG Partnership'). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities ('KPMG entities') may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Professional fees received from the Client totalled $0.1 million in the year ended 28 June 2015 and $0.4 million in the year ended 29 June 2014. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services

A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Angus Reynolds
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

KPMG Transaction Services
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
147 Collins Street
Melbourne Vic 3000

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
Costa Group Holdings Limited
275 Robinsons Road
Ravenhall VIC 3023

The Directors
Costa SaleCo Limited
275 Robinsons Road
Ravenhall VIC 3023

25 June 2015

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report on Forecast Financial Information

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Costa Group Holdings Limited (ACN 151 363 129) ("Costa") and Costa SaleCo Limited ("SaleCo") to prepare this report for inclusion in the prospectus to be dated 25 June 2015 ("Prospectus"), and to be issued by Costa and SaleCo, in respect of the initial public offering of shares in Costa ("Transaction").

Expressions defined in the Prospectus have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the Forecast Financial Information described below and disclosed in the Prospectus.

The Forecast Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with such other standards and practices.

Forecast Financial Information and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to:

- the Summarised Pro Forma and Statutory Forecast Statements of Profit or Loss for the periods ending 28 June 2015 and 26 June 2016; and
- Summarised Pro Forma and Statutory Forecast Cash Flow Information for the periods ending 28 June 2015 and 26 June 2016,

  of Costa, as described in Section 4.1 of the Prospectus (the "Forecast Financial Information").

The directors' best-estimate assumptions underlying the Forecast Financial Information are described in Sections 4.8.1, 4.8.2 and 4.8.3 of the Prospectus. As stated in Section 4.2.3 of the Prospectus, the basis of preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and Costa's accounting policies.

We have performed limited assurance procedures in relation to the Forecast Financial Information, set out in Sections 4.3, 4.5 and 4.6 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects the Forecast Financial Information is not:
  - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
  - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and Costa's accounting policies as disclosed in the Prospectus; and
- the Forecast Financial Information itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of Costa of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
  - the assumptions and amounts in the Forecast Financial Information; and
  - the evaluation of accounting policies used in the Forecast Financial Information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of Costa are responsible for the preparation of the Forecast Financial Information, including the directors' best-estimate assumptions on which the Forecast Financial Information is based and the sensitivity of the Forecast Financial Information to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Forecast Financial Information and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information for the years ending 28 June 2015 and 26 June 2016 do not provide reasonable grounds for the Forecast Financial Information;
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the directors' best-estimate assumptions as described in Sections 4.8.1, 4.8.2 and 4.8.3 of the Prospectus; and
  - is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and Costa's accounting policies as disclosed in the Prospectus; and

- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by Costa management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of Costa for the years ending 28 June 2015 and 26 June 2016.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Costa. Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Costa, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 4 anad Section 5 of the Prospectus. The sensitivity analysis described in Section 4.11 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Costa, that all material information concerning the prospects and proposed operations of Costa has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed initial public offering, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Costa and from time to time, KPMG also provides Costa with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors

should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to Section 4.2.3 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

Angus Reynolds
Authorised Representative

Financial Services Guide
Dated 25 June 2015

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and Angus Reynolds as an authorised representative of KPMG Transaction Services, authorised representative number 404263 **('Authorised Representative')**.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report ('Report') which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement ('PDS'). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Costa Group Holdings Ltd and SaleCo (together the 'Client') to provide general financial product advice in the form of a Report to be included in the Prospectus ('Document') prepared by the Client in relation to the initial public offering of shares in the Costa group of controlled entities ('Transaction').

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services $170,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice ('the KPMG Partnership'). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities ('KPMG entities') may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Professional fees received from the Client totalled $0.1 million in the year ended 28 June 2015 and $0.4 million in the year ended 29 June 2014. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

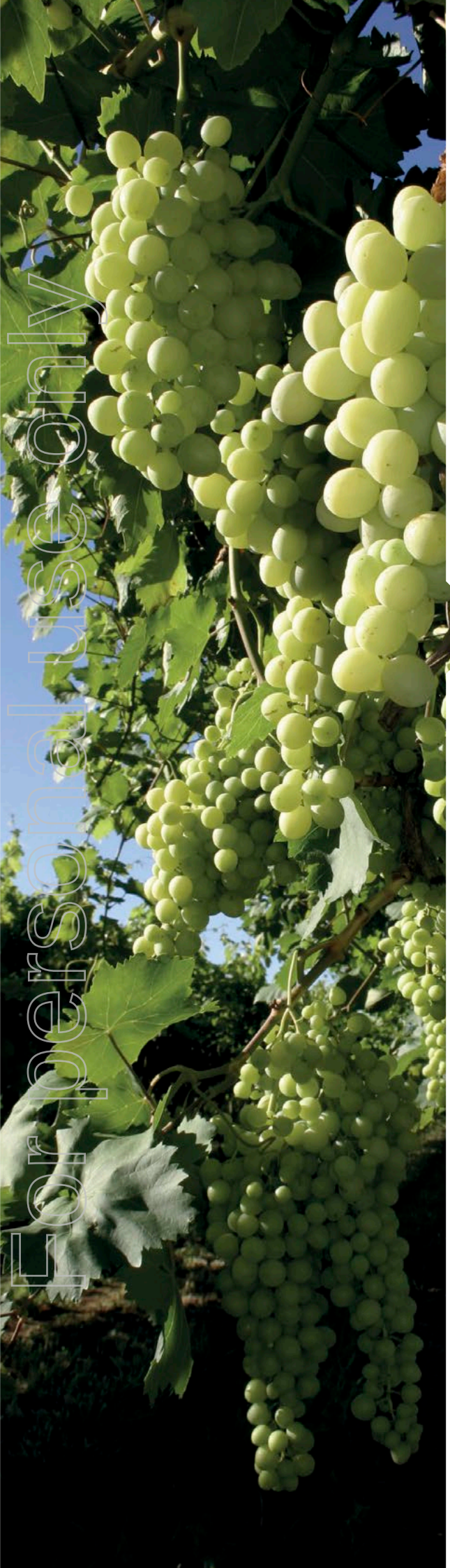
Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

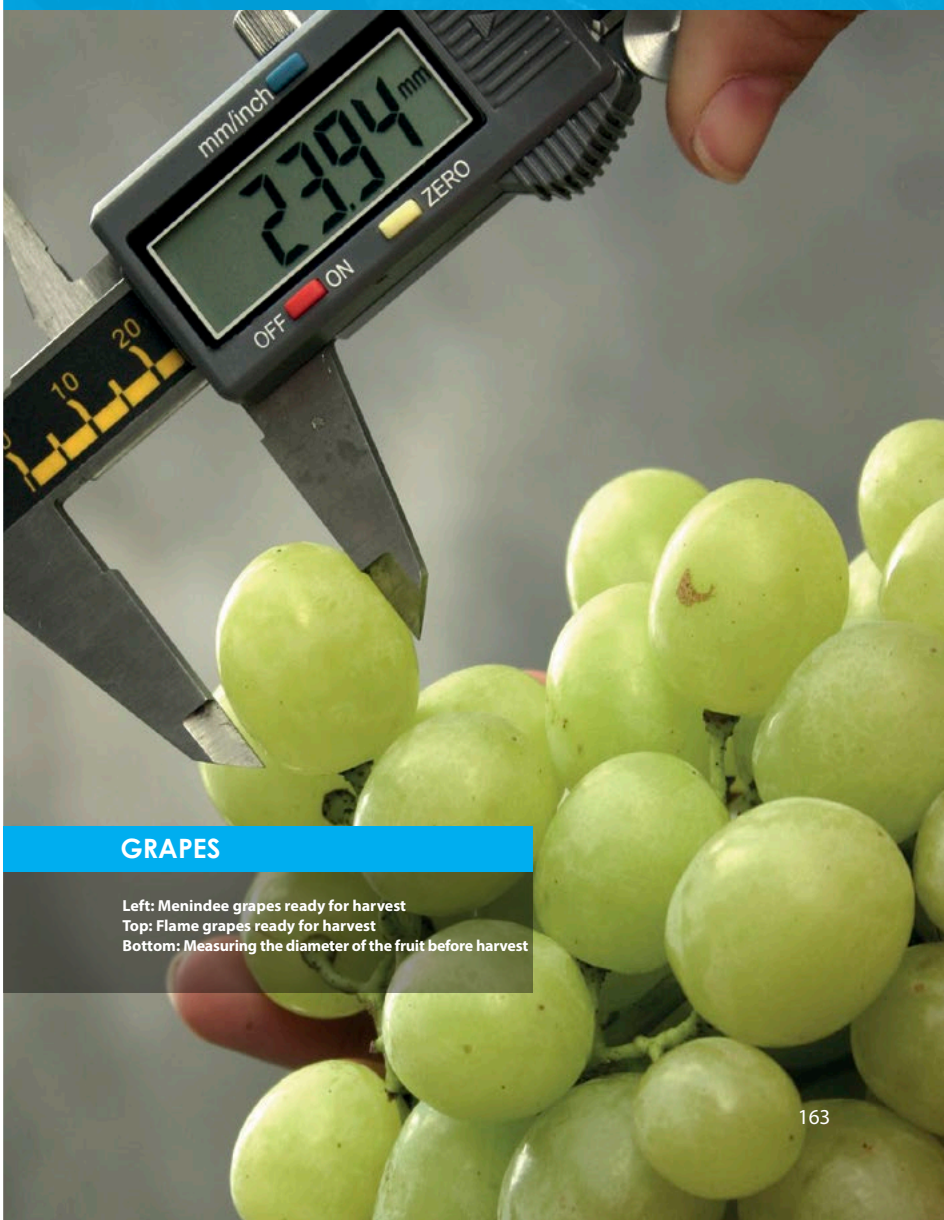
KPMG Transaction Services

A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Angus Reynolds
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200



Section 9
Additional information



GRAPES

Left: Menindee grapes ready for harvest
Top: Flame grapes ready for harvest
Bottom: Measuring the diameter of the fruit before harvest

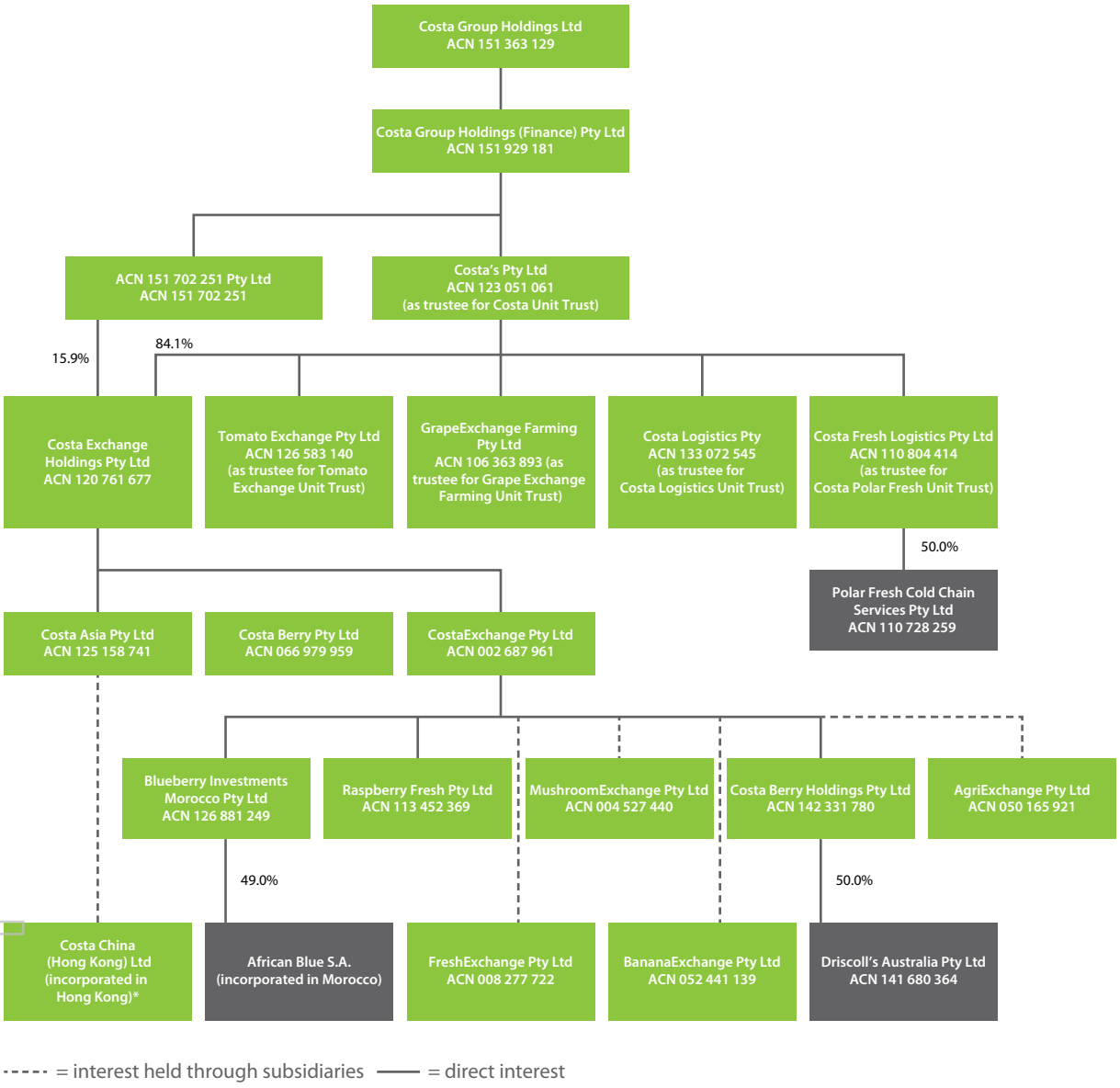
9.1 REGISTRATION

The Company was registered in Victoria, Australia on 8 June 2011 as a private company limited by shares and was converted into a public company limited by shares on 30 April 2015.

9.2 COMPANY TAX STATUS

The Company will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax. The Company will be subject to tax at the Australian corporate tax rate.

9.3 CORPORATE STRUCTURE



*currently 100% owned by Costa Asia Pty Ltd. It is proposed that 30% will be transferred to Driscoll's as part of the China JV. See Section 9.5.3.2 for further information.

9.4 SALE OF EXISTING SHARES BY SELLING SHAREHOLDERS

SaleCo, a special purpose vehicle, was incorporated on 17 June 2015. The Selling Shareholders have executed a deed poll in favour of, and for the benefit of, SaleCo and Costa under which the Selling Shareholders irrevocably offer to sell certain Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing.

The Existing Shares that SaleCo acquires from the Selling Shareholders will be converted to Shares and transferred to Successful Applicants at the Final Price. The price payable by SaleCo for these Existing Shares is the Final Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Offer Management Agreement, and the deed poll described above.

The directors of SaleCo are Neil Gregory Chatfield, Frank Aloysius Costa, and Kevin Michael Schwartz. The sole shareholder of SaleCo is Neil Gregory Chatfield.

Costa and SaleCo have entered into a deed of indemnity, under which Costa is to indemnify SaleCo, each of its directors and certain other officers for, and hold them harmless against, any losses incurred by them (whether directly or indirectly) in respect of the Offer, including, without limitation, as a result of:

- any misleading or deceptive statement (including by omission) in the Prospectus or any other public information and advertising (including any roadshow materials) in connection with the Offer;
- a breach by Costa of its obligations under the deed of indemnity or any other binding obligation on Costa in respect of the Prospectus or the Offer;
- the distribution of the Prospectus and the making of the Offer;
- the allotment and issue of the New Shares and the transfer of the Shares under the Offer;
- any claims that SaleCo or any of its directors has any liability under the relevant provisions of the Corporations Act or other applicable law; and
- any review, inquiry or investigation undertaken by ASIC, the ASX, the ATO or any other regulatory or government agency in relation to the Offer or the Prospectus.

9.5 MATERIAL CONTRACTS

The Directors consider that there are a number of contracts which are significant or material to Costa or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares.

9.5.1 Offer Management Agreement

The Offer is managed by the Joint Lead Managers pursuant to an offer management agreement dated 25 June 2015 between the Joint Lead Managers, the Company and SaleCo (**Offer Management Agreement**). Under the Offer Management Agreement, the Joint Lead Managers have agreed to arrange and manage the Offer.

Fees and expenses

The Company has agreed to pay the Joint Lead Managers a management and selling fee equal to 2.75%, of the funds raised under the Offer. The management and selling fee, will become payable by Costa on the date of settlement of the Offer and will be paid to the Joint Lead Managers in equal proportions.

The Company (with the agreement of the Existing Shareholders) may also pay an incentive fee to the Joint Lead Managers of up to 0.5% of the funds raised under the Offer. Payment of the incentive fee is at the absolute discretion of the Company (with agreement of the Existing Shareholders) and, if paid, will be so paid to the Joint Lead Managers in equal proportions, and on the date of settlement of the Offer.

In addition to the fees described above, the Company and SaleCo have agreed to reimburse the Joint Lead Managers for certain agreed costs and expenses, including legal expenses, incurred by the Joint Lead Managers in relation to the Offer.

Withdrawal right

Under the Offer Management Agreement, the parties acknowledge and agree that the Company and SaleCo or an Existing Shareholder may, in their absolute and unfettered discretion, immediately after close of the Bookbuild and before the Final Price has been agreed between the parties, withdraw the Offer on the basis that the proposed final price is not to their ultimate satisfaction.

Determination of the Final Price

The Final Price will be determined by the Joint Lead Managers, by agreement with the Company, SaleCo and the Existing Shareholders.

Termination events

The Offer Management Agreement is subject to customary termination events. A Joint Lead Manager may, at any time after the date of the Offer Management Agreement, until on or before 5.00pm on the Settlement Date, terminate the Offer Management

Agreement without cost or liability by notice to the Company and SaleCo and the other Joint Lead Manager if, without limitation, any of the following events occur:

- a statement in the Prospectus is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the Prospectus (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- approval for quotation of the Shares is refused or not granted by the ASX, or is granted subject to conditions other than standard conditions customarily imposed, or otherwise, if approval is granted, then such approval is subsequently withdrawn (without immediate replacement), qualified (other than by customary conditions or other conditions acceptable to the Company and the Joint Lead Managers acting reasonably) or withheld;
- if at any time the S&P/ASX 200 Index falls below a level that is 90% or less of the level as at the close of trading on the day immediately prior to the date of close of the Bookbuild and is at or below that level at any time on or before the issue and transfer of Shares under the Offer;
- the Company and SaleCo do not provide a certificate as and when required under the Offer Management Agreement;
- the Company or SaleCo or any material member of the group is or becomes insolvent;
- ASIC issues an order (including an interim order) (other than an order that does not become public or that is withdrawn by the earlier of 2 Business Days or prior to 9.00am on the date of Settlement of the Offer) under section 739 of the Corporations Act, or holds a hearing under section 739(2) of the Corporations Act, or makes an application under Part 9.5 of the Corporations Act;
- any person gives notice under section 730 of the Corporations Act or any person who has previously consented to the inclusion of their name in the Prospectus (or any supplementary prospectus) withdraws their consent;
- the Company and SaleCo issue, or in the reasonable opinion of the Joint Lead Managers are required to issue, a supplementary prospectus, and the Company and SaleCo lodge a supplementary prospectus in a form that has not been approved by the Joint Lead Managers;
- the Company, SaleCo or any of their respective directors or officers, engage in any fraudulent conduct or activity, whether or not in connection with the Offer;
- any event specified in the timetable for the Offer is delayed by more than 2 Business Days (other than any delay agreed between the Company and the Joint Lead Manager); and
- any of the escrow deeds is withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with (other than with the consent of the Joint Lead Managers, not to be unreasonably withheld where a variation, alteration or amendment is not material).

Termination events subject to materiality

In addition to the termination events noted above, a Joint Lead Manager may, at any time after the date of the Offer Management Agreement, until on or before 5.00pm on the Settlement Date, terminate the Offer Management Agreement without cost or liability by notice to the Company and SaleCo and the other Joint Lead Manager if, without limitation, any of the following events occur and the Joint Lead Manager has reasonable grounds to believe that the event: (i) has or is likely to have a material adverse effect on the success, settlement or marketing of the Offer or on the ability of the Joint Lead Manager to market or promote the Offer, or on a likely price at which the Shares will trade on ASX, or the willingness of investors to subscribe for Shares; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager, or give rise to, or result in, a contravention by the Joint Lead Manager, or the Joint Lead Manager being involved in a contravention of any applicable law:

- a new circumstance arises after the Prospectus is lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before it was lodged with ASIC;
- there is a change in the senior management or board of the directors of the Company, or the Chairman, CEO or CFO of the Company vacates their respective office;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company and the group (insofar as the position in relation to the entity in the group affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the group from those respectively disclosed in the Prospectus;
- a contravention by the Company or SaleCo of the Corporations Act, the Listing Rules, their respective constitutions, or any other applicable laws;
- the Prospectus or any aspect of the Offer does not comply with any applicable law or regulation;
- a representation, warranty, undertaking or obligation contained in the Offer Management Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed;
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, Canada, Japan, the United Kingdom, the People's Republic of China, South Korea, Israel, Singapore, Ukraine, Russia or any member state of the European Union, or a major terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries; and
- trading in securities generally has been suspended or materially limited, for 1 trading day or a substantial part of 1 day, by any of the ASX, New Zealand Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Exchange or the Tokyo Stock Exchange.

Conditions, representations, warranties, undertakings and other terms

The Offer Management Agreement contains standard representations, warranties and undertakings by the Company and SaleCo to the Joint Lead Managers, as well as common conditions precedent, including that the Company and SaleCo must provide the Joint Lead Managers the report of the due diligence committee of the Company and SaleCo, and all relevant annexures, entry into voluntary escrow arrangements by each of the Escrowed Shareholders, ASIC and ASX granting the waivers and modifications necessary to enable the Offer to proceed in accordance with the timetable. The representations and warranties given by the Company and SaleCo relate to matters such as the conduct of the Company and SaleCo, power and authorisations, information provided by the Company and SaleCo, financial information, information in the Prospectus, the conduct of the Offer and compliance with laws, the ASX Listing Rules and other legally binding requirements. The Company also provides additional representations and warranties in connection with matters including in relation to its assets, material contracts, insurance, litigation, intellectual property, authorisations, internal accounting controls, and eligibility for listing.

The Company's undertakings include that it will not, during the period following the date of the Offer Management Agreement, and up until:

- 120 days after the issue and transfer of Shares under the Offer, issue any equity securities or any securities that are convertible into equity or alter its capital structure without the consent of the Joint Lead Managers other than an issue of securities by the Company pursuant to the Offer or the Offer Management Agreement, an employee share or option plan, a non-underwritten dividend reinvestment plan or a bonus share plan described in the Prospectus, or any other transaction or arrangement otherwise disclosed in the Prospectus;
- 90 days after the issue and transfer of Shares under the Offer, alter the capital structure of the Company or amend its constitution, without the prior written consent of the Joint Lead Managers, except as otherwise contemplated in the Prospectus;
- 90 days after the issue and transfer of Shares under the Offer, dispose or charge (or agree to do so) the whole or any part of its business, except as otherwise disclosed in the Prospectus; and
- 90 days after the issue and transfer of Shares under the Offer, vary any term of a material contract in a material respect without the prior consent of the Joint Lead Managers.

Indemnity

Subject to certain exclusions relating to, among other things, fraud or wilful misconduct or gross negligence of an indemnified party, Costa and SaleCo agree to keep the Joint Lead Managers and certain affiliated parties indemnified from losses suffered in connection with the Offer.

9.5.2 Description of New Banking Facilities

New Banking Facilities

Costa has entered into a commitment letter attaching an agreed from syndicated facility agreement with a domestic bank syndicate (**Lenders**) for the Lenders to provide post-Offer debt finance facilities (**New Banking Facilities**) to Costa Group Holdings (Finance) Pty Ltd (**Borrower**). The New Banking Facilities will be available following satisfaction of customary conditions precedent, including that the Offer has been successfully completed and the Shares are listed on the ASX. The New Banking Facilities will comprise:

- A$125 million three year bullet revolving facility (**Facility A**); and
- A$125 million four year bullet revolving facility (**Facility B**),

together the **Facilities**.

($ million)	Facility limit	Forecast indebtedness as at 28 June 2015 (following Completion of the Offer)
Facility A	125.0	71.0
Facility B	125.0	71.0
Total	250.0	142.0

New Banking Facilities and purpose

The New Banking Facilities can be drawn by the Borrower for the following purposes:

- repaying Costa's Existing Banking Facilities;
- paying transaction fees, costs and expenses in relation to the Offer and the finance documents; and
- funding working capital, capital expenditure and other general corporate purposes (including funding capital expenditure and acquisitions) of Costa.

The Facilities may also be utilised by the Borrower to obtain letters of credit and bank guarantees. The Lenders may also provide all or part of their Facility B commitment by way of certain ancillary banking facilities.

Security

The New Banking Facilities are being provided by the Lenders on an unsecured basis.

Guarantors

The New Banking Facilities are required to be guaranteed by the Company, the Borrower and each wholly owned subsidiary of the Company necessary to ensure that the EBITDA and total assets of the Company and those subsidiaries (together **Obligors**) comprises at least:

- 85% of the EBITDA of the consolidated Company and each wholly owned Subsidiary; and
- 85% of the total assets of the Company and each wholly owned Subsidiary,
- in each case determined on an unconsolidated basis and excluding certain intra-group items. The Borrower may select which wholly owned subsidiaries are Obligors under the Facility in order to satisfy the group guarantor test as described above.

Repayment

There are no scheduled amortisation payments during the term of the New Banking Facilities. Each Facility must be repaid in full on the maturity date (being three years from the date of the initial drawdown for Facility A and four years from the date of initial drawdown for Facility B).

The Borrower will be able to make voluntary prepayments under either Facility (subject to certain minimum payment amounts and notice requirements). To the extent that principal repayments are made, the Borrower may re-draw any part of a Facility up to the applicable facility limit.

The New Banking Facilities do not contain any mandatory prepayment provisions.

Interest rates and pricing

The New Banking Facilities incur a variable rate of interest calculated as an aggregate of the applicable screen rate (the average BBSY bid rate displayed at or about 10.30am (Sydney time)), plus a margin.

The margin is determined by reference to a pricing grid which sets the margin by reference to the most recent Total Leverage Ratio (as defined in the agreement for the Facilities).

Facility fees

Fees payable in connection with the New Banking Facilities are consistent with similar facilities made available to other corporate borrowers and include the following:

- a one-off upfront fee payable by the Borrower on the date of the Borrower's initial drawdown of the New Banking Facilities; and
- a commitment fee on the undrawn portion of each Lender's commitment under the New Banking Facilities, set at a percentage of the applicable margin, payable quarterly in arrears.

Financial covenants

The New Banking Facilities contain financial covenants and other undertakings which are customary for similar facilities made available to corporate borrowers. The following financial covenants apply and are tested semi-annually, with the first calculation date being 31 December 2015:

- Total Leverage Ratio, being the ratio of net debt to EBITDA, not to exceed 3.50x; and
- Interest Cover Ratio, being the ratio of EBITDA to net interest expense, must be at least 3.00x.

For the purpose of calculating the financial covenants, a number of customary pro forma adjustments are made to EBITDA, net debt and net interest expense. These adjustments are not reflected in EBITDA, net debt or net interest expense shown in the Prospectus or in statutory EBITDA, and therefore these measures will be different to the values used for covenant calculation under the New Banking Facilities. Accordingly, the ratios for covenant calculations will not necessarily reflect the key ratios reported on by the Company.

A breach of the covenants and undertakings (which are not remedied within any applicable grace period) will be an event of default under the New Banking Facilities and will, among other consequences, prevent the Company from paying dividends.

Costa expects to remain in compliance with these financial covenants and other undertakings in the New Banking Facilities during the Forecast Period based on the Forecast Financial Information and the assumptions stated in relation to the Forecast Financial Information.

Other relevant provisions

The New Banking Facilities also include other terms such as representations, undertakings and events of default typical for facilities of this nature. Any breach by the Company, Borrower or an Obligor (as the case may be) of the representations or undertakings given or made by it, or the occurrence of an event of default, may lead to the Facilities becoming due and payable and/or the Lender's commitments being cancelled.

The New Banking Facilities also contain a review event, where any person acting alone or jointly acquires "Control" (as that term is defined in section 50AA of the Corporations Act) of the Company or the Borrower following completion of the Offer. If a review event occurs, the parties are required to enter into a period of consultation and good faith negotiations for a period to agree appropriate

amendments to the finance documents to allow the New Banking Facilities to continue. If agreement cannot be reached, then a Lender may elect to exit the relevant Facility by giving notice that the loans made by that Lender are to become due and payable and the relevant Lenders' commitment cancelled.

9.5.3 Agreements with Driscoll's

9.5.3.1 Driscoll's Australia Partnership

Overview

Costa's unincorporated Australian partnership with Driscoll's (**Driscoll's Australia Partnership**) was formed under the partnership agreement dated (as amended by the amendment agreement dated 11 June 2015) 26 March 2010 between Costa Berry Holdings Pty Ltd (ACN 142 331 780) (**CBH**) (a wholly owned subsidiary of Costa), Berry Holdings of Australia Pty Ltd (ACN 108 172 425) (**BHOA**) (a wholly owned subsidiary of Driscoll's), CostaExchange Pty Ltd (ACN 002 687 961) (**Costa Exchange**), and Driscoll's (**Driscoll's Australia Partnership Agreement**). Each of CBH and BHOA (each a **Driscoll's Australia Partner**) holds a 50% interest in the capital assets, equity and revenue of the Driscoll's Australia Partnership.

As at the date of this Prospectus, there are no outstanding capital contributions. Any further capital contributions can only be required with Costa's consent through Costa's representation on the management committee of the Driscoll's Australia Partnership.

Business

The primary business of the Driscoll's Australia Partnership is the production, propagation, marketing, licensing, sale and distribution of strawberry, blueberry, raspberry and blackberry plants and fruits in Australia and New Zealand using certain genetics and trademarks licensed to the partnership by the Driscoll's Australia Partners and related entities along with public genetic varieties.

Management

Driscoll's Australia Pty Ltd (ACN 141 680 364) acts as the **Manager** of the Driscoll's Australia Partnership and as agent of CBH and BHOA (who each hold a 50% interest in the Manager's share capital). CBH and BHOA have entered into a management agreement with the Manager to conduct aspects of the business as their agent for the duration of the Driscoll's Australia Partnership. The Manager is paid a management fee for the provision of management services, which is an amount to be agreed between the Driscoll's Australia Partners and the Manager from time to time.

A management committee of four members (two members being nominated by each Driscoll's Australia Partner) has also been established to make decisions relating to the partnership and the business and to supervise the Manager. The management committee has broad powers in relation to the management of the Driscoll's Australia Partnership, such as to calculate the Driscoll's Australia Partnership's profits and the amount to be distributed to each Driscoll's Australia Partner, annually review and adjust the management fee to be paid to the Manager, decide upon capital budgeting and dispose of and acquire assets or approve expenditure for any property of the business. Any decision made by the management committee is binding on CBH and BHOA.

CBH, BHOA and the Manager have also entered into a shareholders agreement with respect to CBH and BHOA's shareholding in the Manager. The governance regime set out in the shareholders agreement closely follows that set out in the Driscoll's Australia Partnership Agreement.

Change in control

The Driscoll's Australia Partnership Agreement (as amended in June 2015) contains a change in control clause which will be triggered where a "direct competitor" acquires or proposes to acquire (and such proposal is accepted) more than 20% of the direct or indirect voting control or assets of CBH.

A "direct competitor" includes a list of specific companies which are presently considered competitors of Driscoll's. It also includes persons that sell and/or market berries in geographic locations where Driscoll's or its affiliates conducts operations, or have publicly announced or demonstrated their intention to sell and/or market berries in Australia (with reasonable grounds existing that such persons would be capable of achieving a material sale volume of such berries within 4 years), if that person's competition with Driscoll's or its affiliates is reasonably likely to have a material adverse impact on Driscoll's or its affiliates.

In circumstances where the change of control clause is triggered without Driscoll's consent, Driscoll's will have the right to acquire all of Costa's interest in the Driscoll's Australia Partnership for market value (as determined by an experienced valuer). In the event that Driscoll's acquires Costa's entire interest in the Driscoll's Australia Partnership, the Driscoll's Australia Partnership Agreement will terminate, which will have the consequences outlined under the heading "Termination" below.

Exclusivity/non-competes

Each of CBH, BHOA, CostaExchange and Driscoll's have agreed that it and its related entities (as that term is defined in the Corporations Act) will not, either directly or indirectly, compete with, or solicit business from, the business of the Driscoll's Australia Partnership in any way while CBH (in the case of CBH and CostaExchange) and BHOA (in the case of BHOA and Driscoll's) remains a Driscoll's Australia Partner without the prior written consent of the other partner. There are certain limited exceptions to take into account transitional and pre-existing arrangements, none of which are considered material to the operation of the Driscoll's Australia Partnership.

Termination

The Driscoll's Australia Partnership continues until termination under the Driscoll's Australia Partnership Agreement. The agreement will terminate when only one partner remains in the Driscoll's Australia Partnership or both CBH and BHOA agree in writing to dissolve the partnership.

If the Driscoll's Australia Partnership Agreement is terminated, there will be significant consequences for the other agreements entered into by Costa (see below for a description of these agreements). These are:

- the shareholders agreement entered into by CBH, BHOA and the Manager will terminate (described under the heading "Management" above);
- the CXL Grower and Sales Agency Agreement will terminate (described under the heading "Grower agreements and marketing arrangements" below);
- the Driscoll's Marketing Agreement will terminate (described under the heading "Grower agreements and marketing arrangements" below);
- various intellectual property licences may be terminated by the relevant licensors under the licences (either CostaExchange or Driscoll's, as applicable) on notice; and
- the management agreement entered into by CBH, BHOA and the Manager (described under the heading "Management" above) may be terminated.

Overview of IP and marketing arrangements

The Driscoll's Australia Partnership is granted the following intellectual property and marketing rights:

- exclusive non-transferable licences to Costa's intellectual property and Driscoll's intellectual property, which permit the Driscoll's Australia Partnership to use and grow specified varieties of plants in Australia and New Zealand and harvest, market and sell the fruit from those plants in Australia and New Zealand in return for a licence fee, on its own account or through third party nurseries and growers. These licences include a licence in respect of Costa's plant breeder's rights, including the Corindi Selections (see Section 9.5.6.3) and trade marks;
- the right to act as exclusive agent for the purposes of marketing and selling fruit imported into Australia and New Zealand by Driscoll's and its affiliates;
- the right to act as exclusive agent for the purposes of marketing and selling fruit grown by Costa using Costa varieties, Driscoll's varieties or public varieties of plants; and
- the right to act as authorised marketer of fruit under pre-existing grower agreements (described below).

Under the management agreement, the Driscoll's Australia Partnership authorises the Manager to exercise the intellectual property rights granted to the partnership under the licences as permitted and required under the grower agreements (including authorising growers to grow plants and produce fruit), to engage plant nurseries to grow plants and to conduct research and development as directed by the Driscoll's Australia Partnership.

In June 2015, Costa and Driscoll's agreed to amend these rights to also grant the Driscoll's Australia Partnership the right to market fruit harvested in Australia and New Zealand in Asia (including China) under the Driscoll's label.

Grower agreements and marketing arrangements

Driscoll's Marketing Agreement

Driscoll's and the Driscoll's Australia Partnership have entered into the Driscoll's Marketing Agreement to grant the Driscoll's Australia Partnership the right to act as exclusive agent in Australia and New Zealand for the purposes of marketing and selling Driscoll's fruit imported into Australia and New Zealand by the Driscoll's Australia Partnership and its affiliates. Under the Driscoll's Marketing Agreement, the Driscoll's Australia Partnership is entitled to a commission calculated as an agreed percentage of gross sales and Driscoll's is entitled to the remaining amount.

The Driscoll's Marketing Agreement will continue unless it is terminated in accordance with its terms, or as noted under the heading "Termination" above, unless it is automatically terminated upon termination of the Driscoll's Australia Partnership Agreement.

CXL Grower and Sales Agency Agreement

CostaExchange and the Driscoll's Australia Partnership have entered into the CXL Grower and Sales Agency Agreement dated 26 March 2010 (**CXL Grower and Sales Agency Agreement**) for the supply of raspberry, strawberry, blackberry and blueberry plants (including varieties licensed to the Driscoll's Australia Partnership by Driscoll's and Costa and public varieties) (**Plants**) as well as other plant material to CostaExchange for which CostaExchange will pay a plant fee and a propagation fee and applicable levies to the Driscoll's Australia Partnership.

Under this agreement, CostaExchange provides the growing services to produce and harvest fruit from the Plants and package the fruit using Driscoll's trademarks, and other related services. CostaExchange must deliver the fruit from the Plants to the Driscoll's Australia Partnership at CostaExchange's expense and CostaExchange appoints the Driscoll's Australia Partnership to market and sell that fruit, except for any fruit which is to be exported or processed.

The Driscoll's Australia Partnership is entitled to a commission calculated as a fixed percentage of the proceeds of the sale of the fruit, which varies in accordance with variety and whether the sales are to supermarket or central markets, and the balance of the proceeds are payable to CostaExchange as grower.

The CXL Grower and Sales Agency Agreement will continue unless it is terminated in accordance with its terms, or as noted under the heading "Termination" above, unless it is automatically terminated upon termination of the Driscoll's Australia Partnership Agreement.

Pre-existing grower agreements

On formation of the Driscoll's Australia Partnership, Costa appointed the Driscoll's Australia Partnership to be an authorised marketer of fruit produced under pre-existing Costa grower agreements and must procure that any fruit delivered by growers under the those pre-existing agreements is forwarded to the Driscoll's Australia Partnership to be sold on behalf of the growers or purchased on behalf of the business of the Driscoll's Australia Partnership (with limited exceptions for fruit to be exported or processed). The Driscoll's Australia Partnership must pay the growers and fulfil other obligations under the existing agreements as an authorised marketer of the fruit produced. As consideration, Costa must pass on to the Driscoll's Australia Partnership any entitlements or proceeds that Costa is entitled to receive under the pre-existing grower arrangements (excluding royalties received by Costa as licensor of the berry varieties).

New grower agreements

Any new agreements entered into with growers or trial growers of fruit in Australia and New Zealand after the establishment of the Driscoll's Australia Partnership must be entered into by the Driscoll's Australia Partnership.

9.5.3.2 China JV/MOU with Driscoll's

Costa and Driscoll's entered into a memorandum of understanding (**MOU**) in September 2014 to form an incorporated joint venture for the purpose of producing certain berry varieties in China and marketing and distributing that produce (**China JV**). The MOU, which is non-binding apart from its confidentiality provision, sets out the various responsibilities of Costa and Driscoll's in the proposed China JV and the key terms of the definitive legal agreements that will govern it.

Costa incorporated Costa China (Hong Kong) Limited in Hong Kong (**China JV Company**) in January 2015 to be the joint venture vehicle and is in the process of incorporating that company's wholly owned subsidiary in China, Costa Fruit Planting (Yunnan) Co. Ltd. (**PRC Subsidiary**). Driscoll's has entered into a lease which expires on 31 July 2029 in Yunnan province for the initial growing site of the China JV and intends to sub-lease this site to the China JV Company upon formation of the China JV for the duration of the lease term. In February 2015, Costa and Driscoll's entered into an Interim Services Agreement to govern, among other things, the incurrence and reimbursement of expenses and the title to intellectually property created in connection with the China JV, in each case prior to the execution of definitive legal agreements governing the China JV up until 30 September 2015.

While Costa and Driscoll's are still in the process of negotiating the definitive legal agreements governing the China JV (which they have undertaken to endeavor to finalise no later than 31 July 2015), and the parties are not bound to enter into the China JV until definitive legal agreements are signed (and any conditions satisfied), it is expected that the principal agreements, whose key terms are described below, will consist of a shareholders agreement, exclusive marketing agreement and licence agreements.

Shareholders agreement

Costa and Driscoll's intend to enter into a shareholders agreement with the China JV Company. The shares in the China JV Company will be held in the following proportions:

- Costa – 70%; and
- Driscoll's – 30%.

If a "direct competitor" of Driscoll's acquires more than 20% of the direct or indirect voting control or assets of Costa, Driscoll's will have the right to acquire all of Costa's shares in the China JV Company for 120% of their fair market value. A "direct competitor" includes a list of specific companies which are presently considered competitors of Driscoll's. It also includes persons that sell and/or market berries or have publicly announced or demonstrated their intention to sell and/or market berries in China, if that person's competition with Driscoll's or its affiliates is reasonably likely to have a material adverse impact on Driscoll's or its affiliates.

The shareholders agreement is expected to also contain customary governance provisions, transfer restrictions and minority protection rights.

Exclusive marketing agreement

Driscoll's intends to enter into an exclusive marketing agreement with the PRC Subsidiary, which will provide Driscoll's with exclusive marketing rights worldwide (except for Australia and New Zealand) for any berries produced by the China JV. The agreement will also include agreed commissions and fees and otherwise be based on Driscoll's standard terms.

Licence agreements

Costa intends to enter into an exclusive licence agreement with the PRC Subsidiary (or a separate joint venture with Driscoll's) to license certain blueberry varieties to the China JV, with the right for the China JV to sublicense those varieties to agreed third party growers in China. It is intended that Driscoll's will enter into a non-exclusive licence agreement with the PRC Subsidiary (or the separate joint venture) to license certain blueberry, raspberry, strawberry and blackberry varieties to the China JV. The proposed licence agreements will include the right to trial certain berry varieties in China and will also include customary intellectual property provisions related to the berry varieties. In June 2015, Costa agreed that it will license its blueberry varieties exclusively to Driscoll's in China via a separate joint venture even if the China JV is not established. Final documentation in relation to any such licensing arrangements, including commercialisation terms, has not yet been agreed between Costa and Driscoll's.

9.5.4 Joint venture agreement with African Blue

Overview

The African Blue JV was established under a joint venture agreement dated 19 November 2007 and amended and restated in 2014 (**African Blue JV Agreement**). The African Blue JV Agreement is between Blueberry Investments Morocco Pty Ltd (ACN 126 881 249) (**BIM**) (a wholly owned subsidiary of the Company), Mountain Blue Management Pty Ltd (ACN 126 382 170) (**MBM**), Gailes Holdings Limited (**Gailes**), Bennani Abdellatif (**Bennani**), Total Worldfresh Limited (**Worldfresh**), African Blue S.A. (**African Blue**), Agro Gailes (**AG**), and Avi Weizman (**Avi**). African Blue is incorporated in Morocco. As at the date of this Prospectus, there are no outstanding capital contributions owing by Costa and Costa does not currently expect to need to provide any financial accommodation to the African Blue JV.

MBM was a founding shareholder of the African Blue JV and ceased to be a shareholder in March 2014.

The shares in African Blue are held by the entities below in the following proportions:

- BIM – 49%;
- Gailes – 21%;
- Bennani – 20%; and
- Worldfresh – 10%.

together the **African Blue Joint Venturers**.

Business and management

African Blue was incorporated for the primary purpose of carrying out the business of planting, cultivating, harvesting, packaging, distributing or exporting of blueberries to address demand across the European Union.

Certain services are provided to the African Blue JV by parties to the African Blue JV Agreement. These services include the provision of farm management services by Avi and Bennani and packing services by AG.

The business of the African Blue JV is overseen by the joint venture's board. The voting entitlements of the directors in attendance at board meetings are in accordance with the respective proportions of the African Blue Joint Venturers who appointed them. Most key board resolutions are decided by a simple majority (51%) including decisions relating to new issues of securities, the recommendation or declaration of dividends, the adoption of the budget, and capital and leasing expenditure exceeding certain limits. Decisions relating to the marketing of blueberries or changes to the internal controls of African Blue (including financial protocols required for the discharge of its Australian and UK audit obligations) require a 70% majority.

New business opportunities

The African Blue JV Agreement contains a clause requiring African Blue Joint Venturers to offer African Blue a first right of refusal in relation to any business opportunity which may benefit African Blue. Where the offer is not accepted and acted upon by African Blue within 21 days, the African Blue Joint Venturer may proceed with that business opportunity for its own benefit without further reference to African Blue subject to compliance at all times with the African Blue JV Agreement, including each African Blue Joint Venturer's restraint undertaking. Costa considers it is reasonable to interpret this clause as being limited to business opportunities to which African Blue has rights under its existing licences.

Exclusivity and non-compete provisions

The African Blue JV Agreement contains clauses prohibiting an African Blue Joint Venturer and its related entities from competing with African Blue in Africa and the European Union or from soliciting the customers of African Blue or a subsidiary without obtaining African Blue's prior written consent (which may be withheld in African Blue's absolute discretion), until two years after the African Blue Joint Venturer ceases to be a shareholder of African Blue.

Under the African Blue JV Agreement, MBM and its related entities are prohibited from competing against African Blue in Morocco for three years, in North Africa (north of the Sahara Desert) and Europe for two years and in South Africa (south of Sahara Desert) for three months from March 2014.

Default and change of control

Certain events of default in relation to an African Blue Joint Venturer trigger a right of all other African Blue Joint Venturers to purchase all of the defaulting African Blue Joint Venturer's shares at a purchase price determined by an auditor according to accounting standards and with regard to profit, strategic positioning, future prospects of African Blue and other factors that the auditor considers appropriate.

Events of default include an unremedied material breach of the African Blue JV Agreement or certain ancillary agreements, change in law that prohibits an African Blue Joint Venturer from being a shareholder in African Blue, cessation of business (or threat of cessation of business) by an African Blue Joint Venturer, certain insolvency related events, a disposal of shares in African Blue in breach of the pre-emptive rights set out in the African Blue JV Agreement and a change of control.

A change of control of an African Blue Joint Venturer will constitute an event of default if:

- an African Blue Joint Venturer becomes a subsidiary of another corporation;[1]
- the holding company[2] of an African Blue Joint Venturer ceases or cease to hold or control 50% of such ordinary shares or other rights; or
- any person or persons who between them control or beneficially own (as at the date of the African Blue JV Agreement) 50% of the ordinary shares or other voting, income or capital participation rights of an African Blue Joint Venturer, and that person or persons ceases or cease to hold or control 50% of such ordinary shares or other rights.

Each African Blue Joint Venturer has given their consent to the IPO, and has otherwise waived any rights that they may have otherwise had in relation to the change in Costa's shareholding resulting from the IPO.

Intellectual property

Under a licence agreement dated 19 November 2007 (as amended on 7 January 2014), CostaExchange, Mountain Blue Orchards Pty Ltd (**MBO**) (an entity associated with former African Blue shareholder, MBM) and Raspberry Fresh Pty Ltd (**Raspberry Fresh**) (a wholly owned subsidiary of the Company) granted a non-exclusive licence of certain plant varieties owned by each of them, including Corindi Selections (the **Raspberry Fresh Licensed Varieties**) to Raspberry Fresh for use solely in the conduct and for the sole benefit of sublicensing to the African Blue JV (**Raspberry Fresh Head Licence**). Under the Raspberry Fresh Head Licence agreement, Raspberry Fresh must pay to CostaExchange or MBO (as applicable) a licence fee which is equivalent to the fee payable by African Blue under any sub-licence (including the Raspberry Fresh Sub-Licence defined below). The agreement for the Raspberry Fresh Head Licence continues until at least 2019, unless it is terminated earlier. The Raspberry Fresh Head Licence will automatically terminate if the African Blue JV Agreement is terminated, and may be terminated following the occurrence of an event of default. An event of default is defined as including an event of default under the African Blue JV Agreement (described in this Section 9.5.4).

By way of a sub-licence agreement commencing on 24 September 2009 (**Raspberry Fresh Sub-Licence**), Raspberry Fresh then granted to African Blue an exclusive, non-transferable licence to use the Raspberry Fresh Licensed Varieties in Morocco to plant, harvest, grow, process, pack and store crops of fruit of the Raspberry Fresh Licensed Varieties, as well as a licence to offer for sale and to sell and to engage in trade in the rest of the world (except for North America, Central America and South America) in relation to fruit of the Raspberry Fresh Licensed Varieties that are harvested from plants planted in Morocco. The Raspberry Fresh Sub-Licence continues until at least 2019, unless it is terminated earlier.

In March 2014, MBM ceased to be a shareholder in African Blue. As a result, African Blue's rights to MBO's varieties are restricted to the use of MBO's Raspberry Fresh Licensed Varieties to plant, grow, maintain, harvest and sell fruit in respect of those plants (and the fruit from those plants) which have been planted or ordered by or on behalf of African Blue prior to the date on which MBM ceased to be a shareholder in African Blue.

African Blue must pay a royalty payment to Raspberry Fresh, calculated as a fixed percentage of revenue received from the sale of the fruit of the Raspberry Fresh Licensed Varieties by African Blue or any of its licensees.

9.5.5 Partnership agreement with Polar Fresh

Overview

The Polar Fresh Partnership was formed under the partnership deed dated 26 April 2005 (**Polar Fresh Partnership Deed**) and is currently conducted by Costa Fresh Logistics Pty Ltd (as trustee for the Costa Polar Fresh Unit Trust) and Polar Fresh Investments Pty Ltd (owned by Swire Cold Storage) (each a **Polar Fresh Partner**). The Polar Fresh Partnership is carried on under the name of Polar Fresh Cold Chain Services Pty Ltd (a company jointly owned by the Polar Fresh Partners) (**Polar Fresh**).

Business and management

The Polar Fresh Partnership was formed to conduct the business of tendering for, and if successful, conducting distribution centre operating contracts for Coles Supermarkets Australia Pty Ltd (ABN 45 004 189 708) (**Coles**) composite chilled requirements.

1. Under the African Blue JV Agreement, a subsidiary is defined as a company where the majority of its share capital is owned by another company.
2. Under the African Blue JV Agreement, a holding company is defined as a company that owns the share capital of another company.

The Polar Fresh Partnership (through Polar Fresh) is the supplier that operates various distribution centres and provides services to Coles. The Polar Fresh Partners must each appoint representatives to a board of representatives to make decisions as to the management and conduct of the Polar Fresh Partnership.

Further provisions

The Polar Fresh Partnership Deed contains exclusivity and non-compete provisions that operate anywhere in Queensland, New South Wales and Victoria until the expiration or earlier termination of the distribution agreements. The Polar Fresh Partnership Deed will be dissolved on the termination of all distribution agreements (unless the Polar Fresh Partners agree to an extension of the term).

9.5.6 Intellectual property arrangements

9.5.6.1 Provision of blueberry seeds

Costa and the University of Florida Board of Trustees (**University of Florida**) entered into three consecutive agreements in 1995, 2000 and 2006, respectively, under which the University of Florida agreed to supply blueberry seeds to CostaExchange for use in its blueberry breeding program. The last of these agreements (dated 27 November 2006) expired on 30 June 2014. Costa is currently negotiating a new agreement with the University of Florida for the exchange of blueberry seeds for use in the parties' respective breeding programs. It is intended that this new agreement (which is close to finalisation) will have a term of 2015 to 2025.

9.5.6.2 2012 University of Florida Agreement (including Corindi Selections)

CostaExchange is party to a Plant Material License Agreement with Florida Foundation Seed Producers, the commercialisation arm of the University of Florida (**FFSP**) with an effective date of 4 June 2012 (**2012 Agreement**), which deals with the commercialisation for the varieties that have been, and are being, developed from materials provided under the agreements entered into between the parties in 1995 and 2000. The 2012 Agreement covers all varieties that have been commercialised by CostaExchange as at the date of this Prospectus and covers all varieties that have been identified by Costa for possible commercialisation within the next five years. As at the date of this Prospectus, no commercial varieties have yet been developed from the material received from the University of Florida under the agreement entered into in 2006 and no commercialisation agreement exists relating to these varieties. The 2012 Agreement deals with licensing and ownership issues as follows:

- the **Florida Germplasm**: FFSP is the owner of all intellectual property rights in Florida Germplasm (ie. blueberry seeds provided by FFSP to CostaExchange under the agreements entered into in 1995 and 2000);
- the **Corindi Selections**: FFSP and CostaExchange are joint owners of all intellectual property rights in the Corindi Selections (ie. the first and second generation selections from the Florida Germplasm which were bred by CostaExchange either before or during the 2012 Agreement, and which have potential suitability for use as commercial varieties or as parents to develop additional germplasm from which additional Corindi Selections are to be made). Corindi Selections represent a significant proportion of blueberry varieties grown and licensed by Costa in Australia, and all of the varieties licensed by CostaExchange internationally; and
- the **Subsequent Selections**: CostaExchange is the owner of all intellectual property rights in all third (and subsequent) generation selections derived from the Florida Germplasm and made by or on behalf of CostaExchange.

The 2012 Agreement commenced on 4 June 2012 and continues for 10 years. The agreement can be extended by CostaExchange for a further 10 years by giving at least six months' notice to FFSP.

FFSP grants to CostaExchange various rights, including an exclusive, worldwide licence to use seeds of the Corindi Selections to produce seedlings and to possess, asexually propagate, grow and maintain plant material from the seedlings and to make selections from the first generation plants grown from the plant material of the Corindi Selections, as well as an exclusive licence to sell, offer to sell, import and export fruit harvested from the Corindi Selections throughout the world. CostaExchange must pay FFSP a royalty calculated as a fixed percentage of all the proceeds from the sale, lease, transfer or other conveyance received by CostaExchange for the use of the Corindi Selections outside Australia. CostaExchange commits to paying a small minimum base royalty per year.

No royalty payments are due on the sale of fruit from the Corindi Selections in Australia by CostaExchange or its sub-licensees.

The 2012 Agreement also grants a licence to CostaExchange to grow specified blueberry plant varieties bred solely by FFSP (**Florida Plant Varieties**). As the sole breeder, FFSP retains ownership of all intellectual property rights in those varieties. CostaExchange pays to FFSP a flat fee royalty payment for each plant of the Florida Plant Varieties propagated beyond 1,500 plants per genotype in any one location on or after 1 July 2010.

9.5.6.3 Licence agreement with Driscoll's and Fall Creek

Under a licence agreement dated 9 September 2010 between CostaExchange, Driscoll's and Fall Creek Farm & Nursery, Inc (**Fall Creek**), CostaExchange grants to Driscoll's two licences, as follows:

- a limited exclusive licence to grow certain Corindi Selections varieties in the United States, Mexico, Canada, Chile, Peru, Uruguay and Argentina and to harvest and sell the fruit of those plants in North, Central and South America. This licence continues for as long as any of the relevant varieties are covered by patent protection; and
- a limited exclusive licence to test and evaluate new varieties from CostaExchange's Australian blueberry breeding program. This licence continues until 8 September 2020.

Driscoll's pays to CostaExchange a royalty on each plant which Fall Creek receives an order for and delivers to Driscoll's, or any third party at the request of Driscoll's, in the United States, Mexico, Canada, Chile, Peru, Uruguay and Argentina. Driscoll's also pays a royalty of a percentage on the final sales value that is received by Driscoll's for the sale of all fruit harvested from plants of the relevant varieties. These arrangements are independent of CostaExchange's joint ventures with Driscoll's for Australia and China.

In June 2015, Costa and Driscoll's agreed to amend this agreement to add Colombia as a growing territory and to add Asia and Europe as selling territories (subject to pre-existing production and marketing arrangements for Costa's varieties in these territories and contractual restrictions). Final documentation in relation to these amendments have not yet been agreed between Costa and Driscoll's.

9.5.6.4 Driscoll's amending agreement

Costa and Driscoll's entered into an agreement with effect from 11 June 2015, under which Driscoll's consented to a change of control in Costa under the Offer, and the parties agreed to amend a number of the existing agreements between them (see Sections 9.5.3.1, 9.5.3.2 and 9.5.6.3 for a description of the existing agreements (as amended)). In addition the parties agreed to expand their relationship into additional geographies. In particular:

- Costa granted Driscoll's an exclusive right to grow and harvest Costa's berry varieties in Europe (excluding the United Kingdom), the Mediterranean and the Middle East (excluding Israel) and the exclusive right to market the fruit harvested in Asia (including China), Africa and Europe (excluding the United Kingdom), in each case subject to:
  - Costa's pre-existing production and marketing arrangements for Costa's berry varieties and existing contractual obligations and restrictions;
  - Costa and Driscoll's agreeing on commercial terms between the parties (including royalties to be paid), which will be substantially the same as, and no more onerous than, the existing commercial terms under the agreement between Costa, Driscoll's and Fall Creek described in Section 9.5.6.3; and
  - Costa being able to obtain intellectual property protection for the relevant Costa berry varieties in the relevant territories;
- Costa granted Driscoll's a right of first refusal to production rights where Costa intends to grant production rights for a territory to a third party (other than a company in which Costa has a majority equity interest), subject to any pre-existing production arrangements for Costa berry varieties in that territory or where Costa is prohibited from doing so by pre-existing contractual obligations or restrictions; and
- Costa granted Driscoll's a right of first refusal to market Costa berry varieties in respect of any production of Costa berry varieties by Costa or any company in which Costa has a majority equity interest, to the extent that such right would not conflict with any pre-existing marketing arrangements or contractual obligations or restrictions.

It is proposed that formal documentation in relation to the above changes will be entered into by Costa and Driscoll's after the Prospectus Date.

9.5.7 Syngenta Product Supply Agreement

Under a Product Supply Agreement that commenced on 1 June 2013, Syngenta grants to TEPL as trustee for Tomato Exchange Unit Trust the exclusive supply of certain agreed varieties of seeds for the purpose of growing, harvesting, marketing and distributing the produce in Australia for a specified period. A base price in respect of the seeds is charged by Syngenta and reviewed annually.

TEPL must purchase quantities of the agreed varieties of seeds solely from Syngenta, including the seeds as required for planting the specified minimum growing area, during the term of the agreement and on the terms and conditions set out in the agreement.

The agreement commenced on 1 June 2013 and continues for a period of 3 years unless terminated earlier. Costa is currently in the process of negotiating an extension of this agreement.

9.5.8 Services Agreement with Como

TEPL as trustee for Tomato Exchange Unit Trust and Como Glasshouse Pty Ltd (ACN 124 616 459) (**Como**) entered into a growing services agreement on 28 March 2014. Como subsequently assigned its rights and obligations under the agreement to Como Glasshouse No. 2 Pty Ltd (ACN 604 272 942) (**Como 2**) and the agreement was varied by TEPL and Como 2 in June 2015. This agreement continues until 24 August 2018 (unless terminated in accordance with its terms).

Under the growing services agreement, Como is appointed as an independent contractor to provide tomato growing services in approximately 10 hectares of its glasshouse in Two Wells, South Australia. TEPL provides seedlings and blocks and retains ownership in the tomato plants and crops at all times. TEPL is required to pay a growing services fee in respect of all tomatoes grown in those dedicated compartments that meet specification.

9.5.9 Jandakot distribution services agreement

The Jandakot distribution centre services agreement with Coles is an agreement which is material to the performance of the CF&L business division, but not to Costa as a whole.

Costa has been providing fresh produce warehousing services in Western Australia to Coles from Costa's Jandakot distribution centre since November 2001. On 12 November 2011, Costa Logistics Pty Ltd as trustee for Costa Logistics Unit Trust (**Costa Logistics**),

entered into a 5 year Jandakot distribution centre agreement with Coles to provide warehousing services (**Jandakot DC Agreement**). The Jandakot DC Agreement expires on 11 November 2016. Under the Jandakot DC Agreement, Costa must receive and store Coles produce and pick and pack goods in accordance with Coles' specific requirements.

Coles may elect to terminate the Jandakot DC Agreement immediately if a party other than the Costa Family Shareholders or Paine + Partners Shareholder controls (as that term is defined in section 50AA of the Corporations Act) Costa Logistics or a holding company or significant shareholder of Costa Logistics (including the Company). It is not expected that the Offer will result in a change in control of Costa.

If invited, Costa intends to participate in any tender process that Coles runs in connection with the renewal of Coles' fresh produce warehousing services in Western Australia.

9.5.10 Existing Shareholders Deed

Limited provisions of the Existing Shareholders' Deed will remain on foot at Completion of the Offer. The provisions that will remain on foot are described in Section 6.3.5.2.

9.5.11 Lease arrangements with related parties

9.5.11.1 Overview

Certain Costa group members have entered into lease arrangements with entities ultimately owned and controlled by members of the Costa Family, including Frank Costa. These related parties are:

- Costa Asset Management (formerly known as Baxter Hill Pty Ltd) – in relation to two glasshouses in Guyra and banana ripening rooms infrastructure in Derrimut;
- Vitalharvest – in relation to the CitrusExchange Leases and BerryExchange Leases which include:
  - a lease at Bookpurnong (South Australia)[3];
  - leases at Corindi (New South Wales)[4];
  - a lease at Dunorlan (Tasmania)[5];
  - a lease at Murtho (South Australia)[6];
  - a lease at Renmark (South Australia)[7];
  - a lease at Sulphur Creek (Tasmania)[8]; and
  - a lease at Tumbarumba (New South Wales)[9],

  together, the **Vitalharvest Leases** and a lease for a packing facility in Bookpurnong, South Australia; and
- Frank Costa – in relation to a block of land in Werribee (Victoria).

9.5.11.2 Lease with Costa Asset Management

TEPL is party to a lease with Costa Asset Management in relation to the existing 20 hectare glasshouses in Guyra. The lease expires in 2023 with an option for Costa to extend for a further 10 years. While the land and building is owned by Costa Asset Management, the plant and equipment used in the operations at the site are owned or leased directly by Costa from third parties.

The terms of this existing Guyra lease are generally market standard, except that the conditions that may be imposed around tenant amendments to the premises are slightly more onerous conditions than usual and TEPL is required to maintain an all risk insurance policy in respect of damage and destruction to the premises, the estate and the lessor's fixtures.

In FY2014, Costa paid $8,730,958.91 (excluding GST) in rent to Costa Asset Management under the Guyra lease. Costa expects to pay rent of $4.6 million (excluding GST) in FY2015 and $4.6 million (excluding GST) in FY2016.

There is a further lease in respect of some of the banana ripening rooms infrastructure in Derrimut between Costa Asset Management and Costa's Pty Ltd. The lease in respect of this equipment will expire in 2020 and either party may exercise a sale/purchase option at the expiry of the lease term, under which Costa Asset Management will sell the equipment to Costa's Pty Ltd for $1.

In FY2014, Costa paid $720,000 (plus GST) rent to Costa Asset Management under the lease for the Derrimut banana infrastructure. Costa expects to pay rent of $720,000 (plus GST) in FY2015 and $720,000 (plus GST) in FY2016.

3. See Table 11 in Section 3.4.1.4.3 for hectare and expiry date information in relation to this lease.
4. See Table 4 in Section 3.4.1.1.5 for hectare and expiry date information in relation to this lease.
5. See Table 4 in Section 3.4.1.1.5 for hectare and expiry date information in relation to this lease.
6. See Table 11 in Section 3.4.1.4.3 for hectare and expiry date information in relation to this lease.
7. See Table 11 in Section 3.4.1.4.3 for hectare and expiry date information in relation to this lease.
8. See Table 4 in Section 3.4.1.1.5 for hectare and expiry date information in relation to this lease.
9. See Table 4 in Section 3.4.1.1.5 for hectare and expiry date information in relation to this lease.

9.5.11.3 Vitalharvest Leases

The Vitalharvest Leases include some unusual provisions which are described below.

Restrictions on tenant

CostaExchange (under the BerryExchange Leases) and AgriExchange (under the CitrusExchange Leases) are required to obtain Vitalharvest's consent in relation to the use of third party pack sheds and in relation to selling fruit through a third party.

Under the BerryExchange Leases, CostaExchange must obtain Vitalharvest's consent to pack fruit (either from CostaExchange's or a third party's crop) other than through the pack sheds owned, leased or occupied by CostaExchange (or any other related entity of CostaExchange) from time to time and used for the provision of packaging of berries. CostaExchange is also required to obtain consent before it sells berries other than through the BerryExchange Division. There is an express exception for berries sold through the Driscoll's Australia Partnership.

Under the CitrusExchange Leases, AgriExchange must obtain Vitalharvest's consent before packing fruit from AgriExchange's crops or any third party citrus fruit other than through the packaging division operated by AgriExchange from the pack sheds, that are owned, leased or occupied by AgriExchange (or any other entity in the AX Group[10]) from time to time and used for the provision of citrus packaging services. AgriExchange is also required to obtain consent before it sells fruit other than through Vitor Marketing Pty Limited or the Vitor Riverland Unit Trust.

Cross-default termination rights

Each of the BerryExchange Leases contains cross-default provisions such that if a right to terminate arises under one BerryExchange Lease, it will trigger a right to terminate each of the other BerryExchange Leases. A similar cross-default mechanism is also contained in the CitrusExchange Leases.

There is therefore a risk that all of the BerryExchange Leases or CitrusExchange Leases as applicable may be terminated due to a breach of just one lease.

Vitalharvest has a right to terminate the BerryExchange Leases or the CitrusExchange Leases where CostaExchange or AgriExchange (as applicable) fails to pay amounts due under the leases, fails to remedy a breach, ceases to carry on the berry or citrus business (as applicable) or where CostaExchange or AgriExchange (as applicable) becomes insolvent.

Rent

The rent payable by Costa under the Vitalharvest Leases is made up of:

- a base rent, which is calculated at 8% of Vitalharvest's invested cost in each property, inclusive of initial acquisition cost and subsequent capital investment; plus
- additional variable rent calculated at 25% of earnings derived from business conducted at each Vitalharvest-owned property.

The percentage of base and additional rent is fixed for the term of the lease. This rental structure has been in place since Costa entered into the leases in 2011 and is fully reflected in Costa's historical and forecast operating results. Costa also believes that this rental structure encourages Vitalharvest to continue to invest in, and share the risk and rewards of, capital improvements undertaken at these properties.

In FY2014, Costa paid $15,554,134.50 (excluding GST) to Vitalharvest under the Vitalharvest Leases. Costa expects to pay rent of $17,146,475.26 (excluding GST) in FY2015 and $15,165,288.00 (excluding GST) in FY2016.

Further, upon exercise of the options under the Vitalharvest Leases the base rent is stated under the lease to be adjusted to the higher of (i) 8% of the value of the land (including improvements) and (ii) the total amount of rent being paid at the end of the then current lease term (being both the base and variable components of rent). Variable rent then would continue to be payable in addition to the new base rent amount. However, the parties have acknowledged that the base rent was not intended to incorporate a variable component on renewal and are currently finalising a formal variation.

Right of first refusal

CostaExchange/AgriExchange (as applicable) have a right to terminate the Vitalharvest Leases if Vitalharvest becomes insolvent or ceases to carry on business. CostaExchange/AgriExchange also have the benefit of a first right of refusal to purchase the land if CostaExchange/AgriExchange terminate the Vitalharvest Leases in the circumstances. This provides a mechanism for the Costa tenant entity to regain the Vitalharvest properties if Vitalharvest encounters financial difficulty.

Stapled options to renew

The BerryExchange Leases contain options to renew which can only be exercised in relation to all of the BerryExchange Leases. This means that if the option is exercised in relation to one of the BerryExchange Leases, the option is automatically exercised in relation to all the other BerryExchange Leases. A similar clause is also contained in all the CitrusExchange Leases, so that if the option is exercised in relation to one CitrusExchange Lease, the option is automatically exercised in relation to all other CitrusExchange Leases.

10. AX Group is defined in the CitrusExchange Leases as meaning AgriExchange Murtho Pty Ltd, AgriExchange, Vitor Marketing Pty Limited, CostaExchange and an associated or related entity of each of these entities.

9.5.11.4 Lease with Frank Costa

In 2006, Costa entered into a 70 year lease with Frank Costa for a block of land in Werribee, Victoria. At the time of entering into the lease, a company related to the Costa family made a large upfront payment as part of the consideration for entry into the lease and Costa now pays ongoing rent to Frank Costa of $1 per annum. The amount of rent is not subject to review for the term of the lease, which will expire in 2076.

Costa does not currently use the land leased from Frank Costa for its own business purposes but sublets the land to an unrelated third party. Costa receives rent of approximately $195,000 (excluding GST) per annum under the sublease. The sublease will expire in 2018.

9.6 DESCRIPTION OF THE SYNDICATE

The Joint Lead Managers to the Offer are Goldman Sachs and UBS.

The Co-Lead Manager to the Offer is CBA Equities Limited.

The Co-Managers to the Offer are JBWere Limited, Ord Minnett Limited and UBS Wealth Management Australia Limited.

9.7 REGULATORY RELIEF

Costa has sought relief from ASIC so that:

- Costa does not have a relevant interest in the Shares which are subject to the voluntary escrow arrangements described in Section 7.7;
- Costa was permitted to brief employees and management regarding option arrangements as part of the Offer as well as general updates regarding the Offer; and
- Costa will be exempt from the operation of section 1020B(2) of the Corporations Act when trading on the ASX on a conditional and deferred settlement basis.

Costa has sought a number of confirmations from the ASX in connection with its application to the Official List.

9.8 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia are regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.8 contains a general description of these laws.

9.8.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (**Substantial Interest**), or 40% or more by two or more unassociated foreign persons and their associates (**Aggregate Substantial Interest**). Where a foreign person holds a Substantial Interest in the Costa or foreign persons hold an Aggregate Substantial Interest in Costa, Costa itself will be a "foreign person" for the purposes of the FATA.

Where an acquisition of a Substantial Interest or an Aggregate Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government's Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct investment' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% where the investor is building a strategic stake in the target or obtains potential influence or control over the target investment.

9.8.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

9.9 TAXATION CONSIDERATIONS

The comments in this Section 9.9 provide a general outline of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and that hold Shares on capital account for Australian income tax purposes. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation entities that hold their Shares on capital account.

This summary does not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading in shares, or Shareholders who are exempt from Australian tax. This summary also does not cover the consequences for Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the Income Tax Assessment Act 1997 (Cth).

The summaries are general in nature and are not exhaustive of all income tax consequences that could apply in all circumstances of any given Shareholder. The individual circumstances of each Shareholder may affect the taxation implications of the investment of the Shareholder.

It is recommended that all Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Shares, having regard to the specific circumstances.

The summaries discussed in this Section 9.9 are based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Prospectus. The summaries in this Section 9.9 do not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in this Section 9.9 do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the tax, stamp duty and GST consequences should be reconsidered by Shareholders in light of the changes. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances.

This Section 9.9 does not constitute financial product advice as defined in the Corporations Act. This Section 9.9 is confined to taxation issues and is only one of the matters which need to be considered by Shareholders before making a decision about their investments. Shareholders should consider taking advice from a licensed adviser, before making a decision about their investments.

9.9.1 Income tax treatment of dividends received for Australian tax resident Shareholders

Individuals and complying superannuation entities

Where dividends on a Share are paid by the Company, those dividends will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

The rate of tax payable by each Australian tax resident Shareholder that is an individual will depend on the individual circumstances of the Shareholder and his/her prevailing marginal rate of income tax.

Shareholders who are individuals or complying superannuation entities should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a "qualified person". The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

Where a dividend paid by the Company is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate Shareholders can then pass on the benefit of the franking credits to their own shareholder(s) on the payment of franked dividends.

Excess franking credits received by a corporate Shareholder cannot give rise to a refund, but may in certain circumstances be converted into carry forward tax losses.

Trusts and partnerships

Australian tax resident Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and franking credit in determining the net income of the trust or partnership. A beneficiary, trustee or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership as the case may be.

Shares held "at risk"

To be eligible for the benefit of franking credits and tax offset, a Shareholder must satisfy the "holding period" rule and "related payment" rule. This requires that a Shareholder hold the Shares "at risk" for more than 45 days continuously (not including the date of acquisition and disposal).

Any day on which a Shareholder has a materially diminished risk of loss or opportunity for gain in respect of the Shares (e.g. through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the Shareholder held the Shares "at risk". In addition, a Shareholder must not be obliged to make a "related payment" in respect of any dividend, unless they hold the Shares "at risk" for the required holding period around the dividend dates.

Where these rules are not satisfied, the Shareholder will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed A$5,000. Special rules apply to trusts and beneficiaries.

In addition to the above, certain integrity rules prevent taxpayers from obtaining franking credits if the taxpayer has engaged in "dividend washing" practices.

Shareholders should obtain their own professional tax advice to determine if these requirements, as they apply to them, have been satisfied.

9.9.2 Capital gains tax (CGT) implications for Australian tax resident Shareholders

The disposal of a Share by a Shareholder will be a CGT event. A capital gain will arise where the "capital proceeds" on disposal exceed the "cost base" of the Share (broadly, the amount paid to acquire the Share plus any transaction costs incurred in relation to the acquisition or disposal of the Shares). In the case of an "arm's length" on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the Shares.

A CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee, and the Shares have been held for more than 12 months prior to the CGT event. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the Shareholder is the trustee of a trust that has held the Shares for more than 12 months before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the "reduced cost base" of the Share exceeds the "capital proceeds" from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.9.3 Tax file numbers

Shareholders are not required to quote their tax file number (**TFN**), or where relevant Australian Business Number (**ABN**), to the Company. However, if a valid TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions and/or unfranked dividends at the maximum marginal tax rate plus the Medicare levy. Australian tax should not be required to be deducted by the Company in respect of fully franked dividends.

A Shareholder that holds Shares as part of an enterprise may quote their ABN instead of their TFN. Non-residents are exempt from this requirement.

9.9.4 GST

No GST should be payable by Shareholders in respect of the acquisition or disposal of their Shares, regardless of whether or not the Shareholder is registered for GST.

Shareholders may not be entitled to claim full input tax credits in respect of any GST included in the costs they have incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by Shareholders in this respect relevant to their particular circumstances.

No GST should be payable by Shareholders on receiving dividends distributed by the Company.

9.9.5 Stamp duty

Shareholders should not be liable for stamp duty in respect of the acquisition of their Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of their Shares while the Company remains listed.

9.10 FOOD SAFETY, PROCESSING AND LABELLING

Costa is required to comply with range of specific food safety, processing and labelling obligations under state and territory Food Acts and the Australia and New Zealand Food Standards Code (**Code**), including in relation to:

- the handling, transportation and disposal of food during production and processing;
- the health, hygiene and training requirements of persons who may handle the food during production and processing, or who may handle surfaces likely to come into contact with the food during production and processing;
- the cleaning, sanitisation and maintenance of premises where food is produced and processed, and the equipment used in production and processing;
- the use of any chemicals or micro biological materials in the production of food such as fertilisers; and
- food labelling and marketing.

These regulatory requirements are enforced by regulators in each state and territory, with the potential for substantial fines for breach of the obligations.

The Australian Consumer Law (**ACL**) additionally contains a general product safety and liability (or consumer guarantees) regime and prohibits misleading representations in trade or commerce, which extends to the content of food labels or other public-facing materials such as advertising. The ACL is enforced by the Australian Competition and Consumer Commission, which has the power to issue infringement notices and to seek a wide range of orders for breaches of the ACL, including penalties, corrective advertising, injunctions, variation of contracts, refunds and compliance programs.

Costa has procedures in place to ensure that it complies with state and territory Food Acts, the Code and the ACL.

9.11 LEGAL PROCEEDINGS

Costa may be involved from time to time in disputes or other claims. These disputes may lead to legal and other proceedings, and may cause Costa to suffer additional costs. Other than as noted below, the Directors are not aware of any current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Costa is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Costa.

In 2009, Costa obtained planning approval for development works at its mushroom facility in Casuarina, Western Australia. A condition of the approval required that operations at the facility be conducted in accordance with an approved environmental management plan. The local council is seeking that the environmental management plan include noise and odour control measures. Costa and the council have been unable to agree on the nature and extent of the noise and odour attenuation measures and accordingly have not yet finalised the environmental management plan for the facility. Costa has challenged the council's failure to approve the environmental management plan and the parties are continuing in discussions regarding the attenuation measures that will be required.

9.12 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria and each Applicant or bidder submits to the exclusive jurisdiction of the courts of Victoria.

9.13 CONSENTS TO BE NAMED AND STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- each of Goldman Sachs and UBS has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Joint Lead Manager to the Offer in the form and context in which it is named;
- CBA Equities Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co-Lead Manager to the Offer in the form and context in which it is named;
- JBWere Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co Manager to the Offer in the form and context in which it is named;
- UBS Wealth Management Australia Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co Manager to the Offer in the form and context in which it is named;
- Ord Minnett Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Co Manager to the Offer in the form and context in which it is named;
- King & Wood Mallesons has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to Costa and SaleCo in relation to the Offer in the form and context in which it is named;

- KPMG Transaction Services has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Costa in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Limited Assurance Investigating Accountant's Reports on the Financial Information in the form and context in which they appear in this Prospectus;
- KPMG has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor and taxation advisor to Costa in the form and context in which it is so named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry of the Company in the form and context in which it is named and has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Costa;
- US Highbush Blueberry Council has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to the inclusion of the references to it in the form and context in which they are included; and
- Nielsen has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus and to the inclusion of the references to it in the form and context in which they are included.

9.14 SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the Shares may not be offered or sold in any country outside Australia unless it is accompanied by the Institutional Offering Memorandum as part of the Institutional Offer and to the extent permitted below.

9.14.1 China

The information in this Prospectus does not constitute a public offer of Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for the purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the People's Republic of China to legal or natural persons other than directly to "qualified domestic institutional investors".

9.14.2 European Economic Area – Belgium, Denmark, Germany and Netherlands

The information in this Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

9.14.3 France

This Prospectus is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Prospectus and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

9.14.4 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this Prospectus, you should obtain independent professional advice.

9.14.5 Ireland

The information in this Prospectus does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (**Prospectus Regulations**). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

9.14.6 Italy

The offering of the Shares in the Republic of Italy has not been authorised by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, **CONSOB**) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended (**Decree No. 58**), other than:

- to qualified investors (**Qualified Investors**), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended (**Regulation No. 1197l**); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

9.14.7 Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (**FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

9.14.8 Korea

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. The Shares have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (**FSCMA**) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, Shares may not be offered or sold in Korea other than to "qualified professional investors" (as defined in the FSCMA).

9.14.9 Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

9.14.10 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.14.11 Norway

This Prospectus has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this Prospectus shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 No. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

9.14.12 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the Offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA); or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.14.13 Sweden

This Prospectus has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this Prospectus may not be made available, nor may the Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this Prospectus and they may not distribute it or the information contained in it to any other person.

9.14.14 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this Prospectus nor any other offering or marketing material relating to the Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland.

9.14.15 Taiwan

The Shares have not been registered in Taiwan nor approved by the Financial Supervisory Commission, Executive Yuan, the Republic of China. Holders of the Shares may not resell them in Taiwan nor solicit any other purchasers in Taiwan for this offering.

9.14.16 United Arab Emirates

Neither this Prospectus nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This Prospectus does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company or SaleCo.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

9.14.17 United Kingdom

Neither the information in this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This Prospectus is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company or SaleCo.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

9.15 OTHER ADDITIONAL INFORMATION

9.15.1 Cost of the Offer

The costs of the Offer are expected to be approximately $44.4 million (excluding GST). These costs will be borne by Costa from the proceeds of the Offer.

9.15.2 Privacy

By making an application for Shares, you are providing personal information to Costa and SaleCo through Costa's service provider, the Share Registry, which is contracted by Costa to manage Applications. Costa, SaleCo and the Share Registry on their behalf, collect, hold and use that personal information to process your Application or administer your investment. If you do not provide information requested, Costa, SaleCo and the Share Registry may not be able to process or accept your Application. By submitting an Application, each Applicant agrees that Costa, SaleCo and the Share Registry may use the information provided by an Applicant (including in an Application Form) for the purposes of processing your Application, servicing your needs as a Shareholder, providing you with facilities or services you request and carrying out appropriate administration and Costa, SaleCo and the Share Registry may disclose it for those purposes to Costa and Costa's other related bodies corporate.

The other types of persons that may be provided with your personal information from time to time are:

- the Share Registry;
- other agents and service providers, including print service providers and mail houses;
- regulatory bodies, including the ATO and the ASX;
- future bidders for Shares in the context of takeovers; and
- authorised securities brokers, legal firms, accounting firms, auditors and other advisers (including the Joint Lead Managers),

for purposes relating to your investment or as otherwise required under the Privacy Act 1988 (Cth). If an Applicant becomes a Shareholder, the Corporations Act requires Costa to include information about the Shareholder (including their name, address and details of their Shares held) in its public register of members. The information contained in Costa's public register of members must remain there even if that person ceases to be a Shareholder.

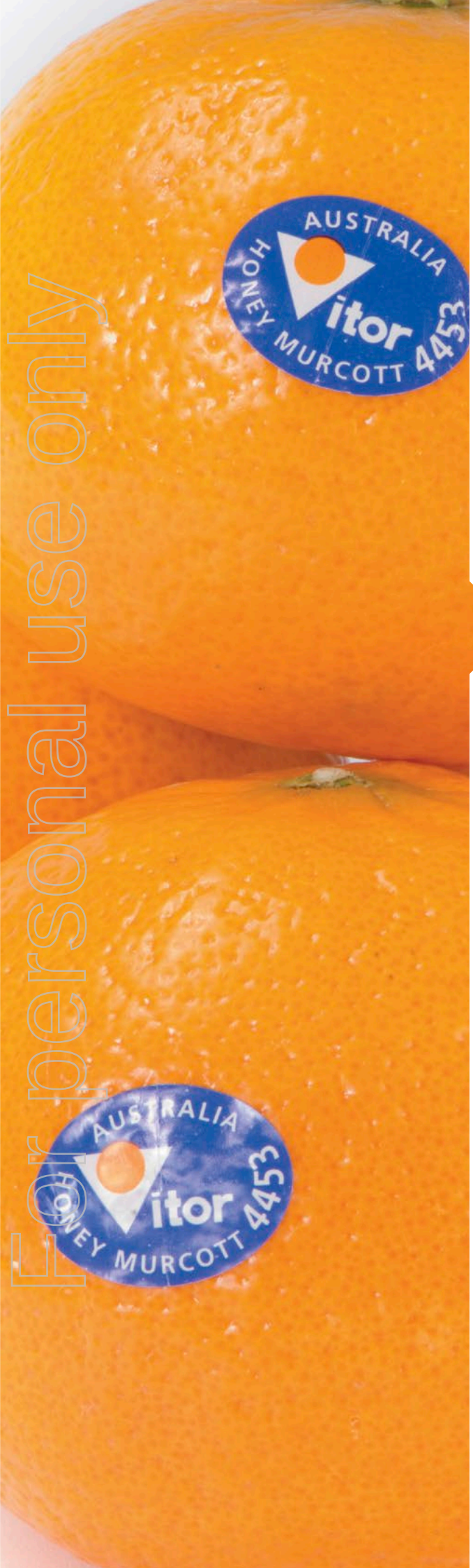
An Applicant has a right to gain access to or correct information that Costa holds about that person. A fee may be charged for access. Access requests must be made in writing to Costa's Privacy Officer at privacy@costagroup.com.au or Attn Privacy Officer 275 Robinsons Rd, Ravenhall, VIC 3023. Applicants can obtain a copy of Costa's privacy policy in relation to Shareholders by visiting Costa's website on www.costagroup.com.au.

9.16 PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.17 STATEMENT OF DIRECTORS

This Prospectus is authorised by each director of Costa and SaleCo who consents to its lodgement with ASIC and its issue.



Appendix A
Significant accounting policies

OUR BRANDS

Left: Vitor Honey Murcott Mandarins
Top: Driscoll's blueberries
Bottom: Blush truss tomatoes

A.1 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Financial Information in Section 4 are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A.2 BASIS OF PREPARATION

See Section 4.2 for details regarding the basis on which the Financial Information has been prepared. The Statutory Historical Financial Information has been derived from the general purpose statutory consolidated financial statements of Costa for FY2013 and FY2014 and the consolidated financial statements for 1H FY2014 and 1H FY2015. These consolidated financial statements are Tier 2 general purpose financial statements, which have been prepared in accordance with AAS – Reduced Disclosure Requirements adopted by the AASB and the Corporations Act.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for revaluations to fair value for certain classes of assets and liabilities (derivatives) as described in the accounting policies below.

A.3 BASIS OF CONSOLIDATION

A.3.1 Subsidiaries

Subsidiaries are entities controlled by Costa. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

A.3.2 Investments in associates and joint ventures (equity accounted investments)

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

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

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

A.3.3 Transactions eliminated on consolidation

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

A.4 FOREIGN CURRENCY TRANSLATIONS AND BALANCES

A.4.1 Functional and presentation currency

The financial statements of each entity within Costa are 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 Costa's functional and presentation currency.

A.4.2 Transactions and balances

Transactions in foreign currencies of entities within Costa 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 period.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the period.

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

- assets and liabilities are translated at period-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.

A.5 REVENUE

A.5.1 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.

A.5.2 Rendering of services

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

A.5.3 Dividends

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

A.5.4 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.

A.5.5 Rental income

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

A.5.6 Royalty income

Royalty revenue is recognised by Costa in relation to rights provided to entities external to Costa to sell plants and produce that arise from Costa's operations.

A.5.7 Commission income

Commission revenue is recognised by Costa for sales of goods undertaken by Costa in its capacity as an agent of the transaction.

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

A.6 INCOME TAX

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

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

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

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

A.6.1 Tax consolidation

The parent entity Costa Group Holdings Limited, 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, revenues and expenses in relation to its own transactions, events and balances only. This means that:

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

A.7 BORROWING COSTS

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

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

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

A.8 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.

A.9 INVENTORIES

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

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

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

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

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

A.10 BIOLOGICAL ASSETS

Biological assets are measured at their fair value less costs to sell at the end of the period. The fair value is determined as the net present value of cash flows expected to be generated by the crops (discounted at a risk adjusted interest rate). Where fair value cannot be measured reliably, biological assets are measured at cost.

Net increments and decrements in the fair value of the biological assets are recognised as income or expense in profit or loss, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period; and
- costs incurred in maintaining or enhancing the biological assets recognised at the beginning of the period and the total fair value of the biological assets recognised at the end of the period.

The market value of the produce picked during the 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 citrus and raspberries are measured at fair value less incremental costs to sell while mushrooms are measured at cost. These are disclosed as current biological assets.

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

i. the productive life of the asset;
ii. the period over which the asset will mature;
iii. the expected future sale price;
iv. the costs expected to arise throughout the life of the asset; and
v. net cash flows discounted at a pre-tax average real rate of 13% to 20% per annum (depending on agricultural risk) and assuming 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.

A.11 FINANCIAL INSTRUMENTS

A.11.1 Classification

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

A.11.2 Derivative financial instruments

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Interest rate swaps

Costa holds derivative interest rate swaps as part of its compliance with certain covenants attached to its borrowings.

Foreign exchange contracts

Costa enters into foreign exchange contracts to hedge its exposure against foreign currency risk in line with the entity's risk management strategy.

A.11.3 Non-derivative financial instruments

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

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

A.11.4 Loans and receivables

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

A.11.5 Available-for-sale financial assets

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

A.11.6 Financial liabilities

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

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

Financial liabilities are classified as current liabilities unless Costa has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

A.12 PROPERTY, PLANT AND EQUIPMENT

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

A.12.1 Land and buildings

Land and buildings are measured on a cost basis.

A.12.2 Plant and equipment

Plant and equipment are measured on a cost basis.

A.12.3 Improvements

Improvements are measured on a cost basis.

A.12.4 Depreciation

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

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

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

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

A.13 ASSETS HELD FOR SALE

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale or held-for-distribution if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

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

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

A.14 IMPAIRMENT

A.14.1 Non-derivative financial assets

Financial assets measured at amortised cost

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

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

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

A.14.2 Available-for-sale financial assets

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

A.14.3 Equity accounted investments

An impairment loss in respect of an equity accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the policy set out below in non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A.14.4 Non-financial assets

The carrying amounts of Costa's non-financial assets, other than biological assets, equity accounted investments, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (**CGU**) exceeds its recoverable amount.

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

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

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

A.15 INTANGIBLE ASSETS

A.15.1 Goodwill

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

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

A.15.2 Brand names

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

A.15.3 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 as there is no expiry date associated with the underlying assets in terms of its generation of future economic benefits to Costa, and are therefore tested for impairment annually. The carrying amount of market lease premiums is supported by a value in use calculation.

A.15.4 Water rights

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

A.15.5 Software

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

A.15.6 Assets acquired separately and from a business combination

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

Internally generated intangible assets are capitalised when Costa is certain that there are future economic benefits that will arise from these assets. Other internally generated intangible assets that do not fit this recognition criterion are charged against profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each period 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 nature of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each 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.

A.16 PROVISIONS

Provisions are recognised if, as a result of a past event, Costa 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 Costa expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

A.17 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.

A.17.1 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 Costa 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 profit or loss. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that Costa 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.

A.17.2 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.

A.18 EMPLOYEE BENEFITS

A.18.1 Short term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee benefits expected to be settled within 12 months of the end of the period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

A.18.2 Long term employee benefit obligations

Liabilities arising in respect of long service leave and annual leave which are not expected to be settled within 12 months of the end of the period 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 end of the period.

Employee benefit obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the end of the period, regardless of when the actual settlement is expected to occur.

A.18.3 Bonus plan

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

A.18.4 Termination benefits

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

A.19 GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian 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.

A.20 SHARE CAPITAL

A.20.1 Ordinary shares

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

A.20.2 Redeemable Convertible Preference Shares

Redeemable Convertible Preference Shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Directors.

Redeemable Convertible Preference Shares are classified as a financial liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

A.21 SHARE-BASED PAYMENTS

Costa provides benefits to its employees and directors in the form of share-based payment transactions, whereby employees render services in exchange for shares or options (equity-settled transactions).

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

A.22 CASH AND CASH EQUIVALENTS

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

A.23 GOVERNMENT GRANTS

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

A.24 COMPARATIVES

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

A.25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial report in conformity with AAS 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. There are no changes in critical accounting estimates and judgements in the current period as compared to the previous reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include:

A.25.1 Recoverability of goodwill

Goodwill is allocated to CGUs 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 three years. Management's determination of cash flow projections and gross margins is 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% per annum (2014: 3%) for cash flows post FY2018, a terminal value growth rate of 3.0% (2014: 3.0%) and a pre-tax discount rate of 15.1% per annum (2014: 15.1%) to determine value in use.

A.25.2 Recoverability of non-financial assets other than goodwill

All assets are assessed for impairment at each period end by evaluating whether indicators of impairment exist in relation to the continued use of the asset by Costa. 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.

A.25.3 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 Costa 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.

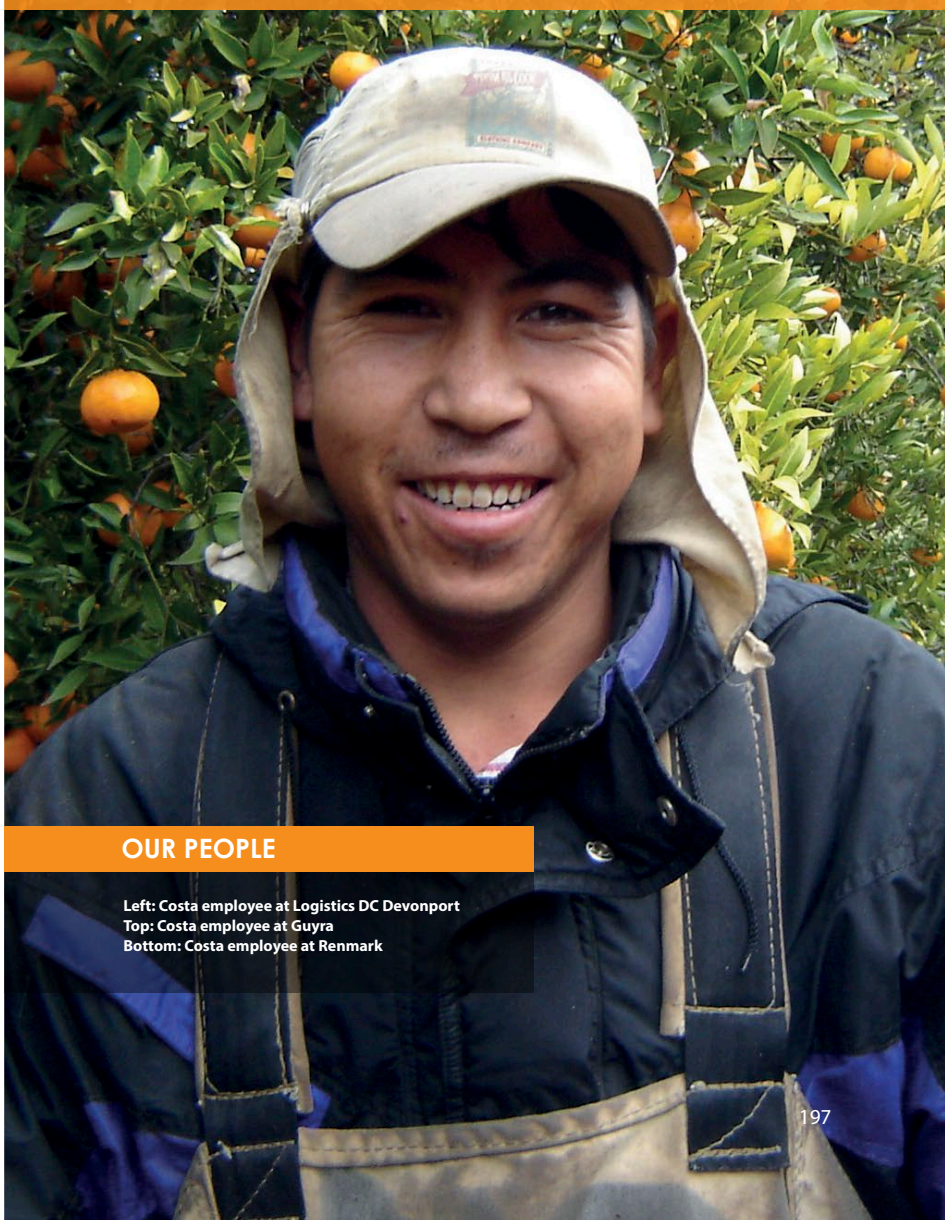
A.25.4 Valuation of biological assets

The valuation takes into account expected sale prices, yields, growth profile, picked fruit quality and expected incremental cost related to the sale of the assets and management must make a judgement as to the trend in these factors.

A.25.5 Revenue recognition (agency commissions)

Certain sales undertaken by Costa are performed in its capacity as an agent, and not merchant relationship. Costa identifies these agency relationships when Costa pays the grower any proceeds that are received for the sale of the produce, after deduction of the commission and expenses applicable to the produce sold (and, if elected by Costa, after deducting any amounts owing by the grower under any other agreement.) Costa acknowledges that the deduction of commission or expenses constitutes payment of these amounts by the grower.

Appendix B
Glossary



OUR PEOPLE

Left: Costa employee at Logistics DC Devonport
Top: Costa employee at Guyra
Bottom: Costa employee at Renmark

B.1 GLOSSARY

Term	Meaning
1H FY2014	26 weeks ended 29 December 2013
1H FY2015	26 weeks ended 28 December 2014
2H FY2015	26 weeks ending 28 June 2015
3IP	South Australian River Murray Sustainable Irrigation Industry Improvement Program
AAS or **Australian Accounting Standards**	Australian Accounting Standards and other authoritative pronouncements adopted by the Australian Accounting Standards Board and Urgent Issues Group interpretations
AASB	Australian Accounting Standards Board
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
ACN	Australian Company Number
African Blue	African Blue S.A.
African Blue JV	the joint venture established under the joint venture agreement dated 19 November 2007, and amended and restated in 2014, between Blueberry Investments Morocco Pty Ltd, Gailes Holdings Limited, Bennani Abdellatif, Total Worldfresh Limited, African Blue, Agro Gailes and Avi Weizman
AgriExchange	AgriExchange Pty Ltd (ACN 050 165 921)
Amycel	Amycel, Inc.
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Amount or **Application Monies**	the amount of money accompanying an Application Form submitted by an Applicant
Application Form	the application form attached or accompanying this Prospectus (including the electronic form provided by an online application facility)
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	the rules of the ASX that govern the admission, quotation and removal of securities from the ASX official list
ASX Recommendations	revised in 2014, the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition)
ASX Settlement Operating Rules	the settlement rules of the ASX as amended, varied or waived from time to time
ATO	Australian Taxation Office
AUD, A$** or **$	Australian dollar
Audit and Risk Committee	the committee described in Section 6.5.3.1
Australian quarantine regulations or **quarantine regulations**	regulations imposed by the Australian Quarantine and Inspection Service

Term	Meaning
BerryExchange Division	that part of CostaExchange's business that operates its berry business under the name "Costa (Berry Category)" or "BerryExchange" including without limitation all growing, harvesting, packaging, sale of blueberries and rubus, and the development, commercialisation and licensing of plant varietal rights, conducted by CostaExchange
BerryExchange Leases	the leases between CostaExchange and Vitalharvest relating to the following properties: • Taradale Road, Tumbarumba, New South Wales; • 1 Range Road, Corindi, New South Wales; • 39 Red Ridge Road, Upper Corindi, New South Wales; • Lot 8, Kathleen Drive, Corindi, New South Wales; • 212 Grays Road, Halfway Creek, New South Wales; • 315 Zig Zag Road, Sulphur Creek, Tasmania; and • 535-536 Dunorlan Road, Dunorlan, Tasmania
BHOA	Berry Holdings of Australia Pty Ltd (ACN 108 172 425) (a wholly owned subsidiary of Driscoll's)
BIM	Blueberry Investments Morocco Pty Ltd (ACN 126 881 249) (a wholly owned subsidiary of the Company)
Board or **Board of Directors**	the board of directors of Costa
Bookbuild	the bookbuild process managed by the Joint Lead Managers to determine the Final Price
Broker	any ASX participating organisation selected by the Joint Lead Managers and Costa to act as a Broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker
Broker Firm Offer Applicant	a person who submits an Application under the Broker Firm Offer
CAGR	compound annual growth rate, which describes the rate of growth over the specified period as if the growth was at a steady rate over that period (i.e. it may not describe the actual year on year changes, which may vary across this period)
CBH	Costa Berry Holdings Pty Ltd (ACN 142 331 780) (a wholly owned subsidiary of the Company)
CEO	Chief Executive Officer, Harry Debney
CF&L	Costa Farms and Logistics
CGT	capital gains tax
Chairman	Neil Chatfield
CHESS	ASX's Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules
China JV	the joint venture to be formed between Costa and Driscoll's, anticipated key features of which are set out in the confidential memorandum of understanding dated 10 September 2014
CitrusExchange Leases	the leases between AgriExchange and Vitalharvest relating to the following properties: • Solora Estate, Bookpurnong Road, Bookpurnong, South Australia; • Kangara Farm, Murtho Road, Renmark, South Australia; and • Yandilla Farm comprising: Farm 1: Chowilla and Tarcoola Streets, Renmark West, South Australia; Farm 2: Thomson and Birds Roads, Paringa, South Australia; Farm 3: Nicholls Road, Renmark West, South Australia; Farm 5: Government and Cootlong Roads, Renmark West, South Australia; and Farm 9: Murtho Road, Murtho, South Australia
Co-Lead Manager	CBA Equities Limited (ACN 003 485 952/AFSL No. 238817)

Term	Meaning
Co-Managers	JBWere Limited (ACN 137 978 360/AFSL No. 341162), Ord Minnett Limited (ACN 002 733 048/AFSL No. 237121) and UBS Wealth Management Australia Limited (ACN 005 311 937/AFSL No. 231127)
Code	Australia and New Zealand Food Standards Code
Company	Costa Group Holdings Limited (ACN 151 363 129)
Completion of the Offer	the completion of the Offer, being the date upon which Shares are issued or transferred to Successful Applicants in accordance with the terms of the Offer
Constitution	the constitution of Costa
Corindi Selections	has the meaning given in Section 9.5.6.2
Corporations Act	Corporations Act 2001 (Cth)
Costa	the Company and, as the context requires, its controlled entities and the business conducted by them
CostaExchange	CostaExchange Pty Ltd (ACN 002 687 961) (a wholly owned subsidiary of the Company)
Costa AFR	Costa AFR Pty Ltd (ACN 151 727 614) as trustee for the Costa AFR Unit Trust
Costa Asia	Costa Asia Pty Ltd (ACN 125 158 741) (a wholly owned subsidiary of the Company)
Costa Asset Management	Costa Asset Management Pty Ltd (ACN 079 151 894), an entity which is not related to Costa
Costa's Pty Ltd	Costa's Pty Ltd (ACN 123 051 061) (a wholly owned subsidiary of the Company)
Costa Family or **Costa Family Shareholders**	Costa AFR Pty Ltd (ACN 151 727 614) as trustee for the Costa AFR Unit Trust and Costa Asset Management Pty Ltd (ACN 079 151 894) as trustee for the Costa Asset Management Unit Trust
Costa Fresh Logistics	Costa Fresh Logistics Pty Ltd (ACN 110 804 414) (a wholly owned subsidiary of the Company)
Costa Offer Information Line	1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia), and in each case, open from 8.30am to 5.30pm (Sydney time), Monday to Friday during the Offer Period
Director	each of the directors of the Company
Driscoll's	Driscoll Strawberry Associates
Driscoll's Australia	Driscoll's Australia Pty Ltd (ACN 141 680 364)
Driscoll's Australia Partnership	Costa's unincorporated partnership with Driscoll's, formed under the Driscoll's Australia Partnership Agreement
Driscoll's Australia Partnership Agreement	the partnership agreement entered into between BHOA and CBH dated 26 March 2010
DRP	dividend reinvestment plan
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
EBITDA before SGARA	earnings before interest, tax, depreciation, amortisation and SGARA
EBITDA margin	EBITDA divided by revenue, expressed as a percentage
Eligible Employees	Australian resident permanent full time or part time employees of the Company or any of its subsidiaries as at 5.00pm (Sydney time) on 25 June 2015 provided that in each case such person is not in the United States
Eligible U.S. Fund Manager	a dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not "U.S. persons" (as defined in Rule 902(k) under the U.S. Securities Act) for which it has and is exercising investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act

Term	Meaning
Employee Offer	has the meaning given in Section 7.5
Enterprise Value	the sum of market capitalisation at the Final Price and pro forma net debt
EPS	earnings per Share
Escrowed Management Shareholders	Harry Debney, Linda Kow and George Haggar
Escrow Period	the period commencing the date Costa is admitted to the Official List of the ASX and continuing until the date that Costa's FY2016 financial results are provided to the ASX for release to the market
Escrowed Shareholders	Costa Family Shareholders, Paine + Partners Shareholder, and the Escrowed Management Shareholders
Escrowed Shares	the Shares retained immediately following Completion of the Offer by the Escrowed Shareholders
Existing Banking Facilities	the existing banking facility dated 7 October 2011 as amended from time to time, between the Company, National Australia Bank Limited (as "Agent" and "Security Trustee") and others
Existing CEO Options	the options to acquire C class shares in the Company, granted by the Company to Harry Debney which will be disposed of for cash or Shares at Completion of the Offer, as described in Section 6.3.3.1
Existing Options	the option to acquire C class shares in the Company granted to employees and directors of the Company, all of which (other than those on issue to Neil Chatfield and Greg Hunt) will be disposed for cash or Shares at Completion of the Offer, as described in Section 6.3.3.2
Existing Shareholders	those Shareholders who hold Existing Shares at the Prospectus Date, being Costa Family Shareholders and the Paine + Partners Shareholder
Existing Shareholders Deed	The shareholders' deed entered into between the Company and the Existing Shareholders dated July 2011 (as amended)
Existing Shares	the A Class Shares, B Class Shares and Redeemable Preference Shares held by all Existing Shareholders as at the Prospectus Date which will convert into Shares at Completion of the Offer
Exposure Period	the seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an Application may not be accepted
Facility A	Facility A under the New Banking Facilities
Facility B	Facility B under the New Banking Facilities
FFSP	Florida Foundation Seed Producers, Inc.
Final Price	the price per Share that all Successful Applicants will pay for Shares under the Offer as determined by the bookbuild and the process set out in Section 7, denominated in Australian dollars
Financial Information	has the meaning given in Section 4.1
Financial Services Guide	the guide prepared by KPMG Transaction Services referred to in Section 8
FIRB	Foreign Investment Review Board
Forecast Financial Information	has the meaning given in Section 4.1
Forecast Period	FY2015 and FY2016
FY2012	53 weeks ended 1 July 2012
FY2013	52 weeks ended 30 June 2013
FY2014	52 weeks ended 29 June 2014
FY2015	52 weeks ending 28 June 2015
FY2016	52 weeks ending 26 June 2016

Term	Meaning
FY2017	52 weeks ending 25 June 2017
FY2018	expected to be 53 weeks ending 1 July 2018
Goldman Sachs	Goldman Sachs Australia Pty Ltd (ABN 21 006 797 897/AFSL No. 243346)
GST	has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Historical Financial Information	the Statutory Historical Financial Information and the Pro Forma Historical Financial Information
IFRS	International Financial Reporting Standards
Independent Auditor	KPMG
Independent Director	each of Neil Chatfield and Peter Margin
Indicative Price Range	the indicative price range for the Offer of $2.20 to $2.70 per Share
Institutional Investors	Investors who are: • persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "professional investors" or "sophisticated investors" under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply), in either case provided that if such investors are in the United States, they are either a QIB or an Eligible U.S. Fund Manager
Institutional Offer	the invitation to Institutional Investors in Australia under this Prospectus and Institutional Investors in certain other eligible jurisdictions under the Institutional Offering Memorandum to acquire Shares, as described in Section 7.4
Institutional Offering Memorandum	the offering memorandum under which the Institutional Offer will be made in certain overseas jurisdictions which consists of this Prospectus and an offer document "wrap" and the audited statutory historical financial statements of the company for FY2013, FY2014, 1H FY2014 and 1H FY2015
Investigating Accountant	KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215/AFSL No. 246901)
IP	intellectual property
IPO	initial public offering
Joint Lead Managers	Goldman Sachs and UBS
Joint Ventures	investments in non-wholly owned entities including joint ventures, associates and subsidiaries
Listing	admission of Costa to the Official List of the ASX and quotation of the Shares on the ASX
LTI Plan	Long Term Incentive Plan described in Section 6.3.4.2
Limited Assurance Investigating Accountant's Report	each of the Investigating Accountant's reports set out in Section 8
New Banking Facilities	the new banking facilities described in Section 9.5.2
New CEO Options	the 1,891,944 options to acquire Shares granted by the Company to Harry Debney under this Prospectus as described in Section 6.3.3.1
New Shareholders	persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)
New Shares	the new Shares to be issued by Costa under the Offer

Term	Meaning
Nielsen	The Nielsen Company (Australia) Pty Ltd (ABN 35 008 417 874)
nm	used in place of a figure that does not provide a meaningful result
Non-Executive Director	each of the Independent Directors, Frank Costa and Kevin Schwartz
NPAT	net profit/(loss) after tax
Obligors	the obligors described in Section 9.5.2
Offer	the offer under this Prospectus of New Shares for issue by Costa and of Shares by SaleCo
Offer Management Agreement	the agreement of that name between the Company, SaleCo and the Joint Lead Managers on or about Prospectus Date
Offer Period	Friday, 3 July 2015 to Thursday, 16 July 2015
Official List	the official list of the ASX
Operating EBITDA	has the meaning given in Section 4.2.4
Options	the Existing Options and the New CEO Options
Paine + Partners Shareholder	P&P Cos Holdings B.V.
Polar Fresh	Polar Fresh Cold Chain Services Pty Ltd (ACN 110 728 259)
Polar Fresh Investments Pty Ltd	Polar Fresh Investments Pty Ltd (ABN 111 919 727)
Priority Offer	has the meaning given in Section 7.6
Pro Forma Forecast Cash Flow Information	has the meaning given in Section 4.1
Pro Forma Forecast Financial Information	the Pro Forma Forecast Results and Pro Forma Forecast Cash Flow Information
Pro Forma Forecast Results	has the meaning given in Section 4.1
Pro Forma Historical Cash Flow Information	has the meaning given in Section 4.1
Pro Forma Historical Financial Information	the Pro Forma Historical Results, Pro Forma Historical Cash Flow Information and the Pro Forma Historical Statement of Financial Position
Pro Forma Historical Results	has the meaning given in Section 4.1
Pro Forma Historical Statement of Financial Position	has the meaning given in Section 4.1
Production Value	the value of recorded production at wholesale prices realised into the market place
Prospectus	this document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	the date on which this Prospectus was lodged with ASIC, being 25 June 2015
QIB	qualified institutional buyer, as defined in Rule 144A under the U.S. Securities Act
Raspberry Fresh Pty Ltd or **Raspberry Fresh**	Raspberry Fresh Pty Ltd (ACN 113 452 369) (a wholly owned subsidiary of the Company)
Redeemable Preference Shares	the convertible redeemable preference shares issued by Costa and held by certain Existing Shareholders as at the Prospectus Date

Term	Meaning
Riverland Region	the region of South Australia that covers the area near the Murray River from where it flows into South Australia downstream to Blanchetown
SaleCo	Costa SaleCo Limited (ACN 606 334 990)
Selling Shareholders	those Existing Shareholders who have agreed to sell Existing Shares to SaleCo prior to Listing
Settlement	the settlement of the Offer
SGARA	has the meaning given in Section 4.2.4
Share	a fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	a holder of a Share
Statutory Forecast Cash Flow Information	has the meaning given in Section 4.1
Statutory Forecast Financial Information	the Statutory Forecast Results and Statutory Forecast Cash Flow Information
Statutory Forecast Results	has the meaning given in Section 4.1
Statutory Historical Cash Flow Information	has the meaning given in Section 4.1
Statutory Historical Financial Information	the Statutory Historical Results, Statutory Historical Cash Flow Information and Statutory Historical Statement of Financial Position
Statutory Historical Results	has the meaning given in Section 4.1
Statutory Historical Statement of Financial Position	has the meaning given in Section 4.1
STI Plan	Short Term Incentive Plan described in Section 6.3.4.1
Successful Applicant	an Applicant who is issued or transferred Shares under the Offer
Swire Cold Storage	Swire Cold Storage Pty Ltd (ABN 14 059 512 159)
Sydney time	Australian Eastern Daylight Time
Syngenta	Syngenta Australia Pty Ltd (ABN 33 002 933 717)
TEPL	Tomato Exchange Pty Ltd (ACN 126 583 140) (a wholly owned subsidiary of the Company)
TFN	tax file number
Transacted Sales	has the meaning given in Section 4.2.4
UBS	UBS AG, Australia Branch (ABN 47 088 129 613/AFSL No. 231087)
U.S. or **United States**	United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
U.S. Securities Act	U.S. Securities Act of 1933, as amended
Vitalharvest	Vitalharvest Limited (ACN 140 954 874)
Vitalharvest Leases	BerryExchange Leases and CitrusExchange Leases
WHS	work health and safety

CORPORATE DIRECTORY

Company's registered office

Costa Group Holdings Limited
275 Robinsons Road
Ravenhall VIC 3023
Australia

Joint lead managers

Goldman Sachs Australia Pty Ltd
Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Co-lead manager

CBA Equities Limited
Ground Floor, Tower 1
201 Sussex Street
Sydney NSW 2000
Australia

Co-managers

JBWere Limited
Level 16
101 Collins Street
Melbourne VIC 3000
Australia

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000
Australia

UBS Wealth Management Australia Limited
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Australian legal adviser

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

Investigating accountant

KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Limited
147 Collins Street
Melbourne VIC 3000
Australia

Auditor

KPMG
147 Collins Street
Melbourne VIC 3000
Australia

Share registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia

Costa's Offer information line

1300 733 154 (toll free within Australia) or +61 1300 733 154 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday.

Offer website

www.costagroup.com.au

costa

fresh is our passion