



SELECT HARVESTS



# GROWING TOGETHER

ANNUAL REPORT 2016







# Company Profile

**Select Harvests is one of Australia's largest almond growers and a leading manufacturer, processor and marketer of nut products, health snacks and muesli. We supply the Australian retail and industrial markets plus export almonds globally.**

We are Australia's second largest almond producer and marketer with core capabilities across: Horticulture, Orchard Management, Nut Processing, Sales and Marketing. These capabilities enable us to add value throughout the value chain.

## Our Operations

Our geographically diverse almond orchards are at or near maturity. Located in Victoria, South Australia and New South Wales our portfolio includes more than 7,602 Ha (18,776 acres) of company owned and leased almond orchards and land suitable for planting.

These orchards, plus other independent orchards, supply our state-of-the-art primary processing facility at Carina West near Robinvale, Victoria and our value-added processing facility at Thomastown in the Northern Suburbs of Melbourne. Our primary processing facility has the capacity to process 25,000 metric tonnes of almonds in the peak season and is capable of meeting the ever increasing demand for both in-shell and kernel product. Our processing plant in Thomastown processes over 10,000 metric tonnes of product per annum.

## Export

Select Harvests is one of Australia's largest almond exporters and continues to build strong relationships in the fast growing markets of India and China, as well as maintaining established routes to markets in Asia, Europe and the Middle East.

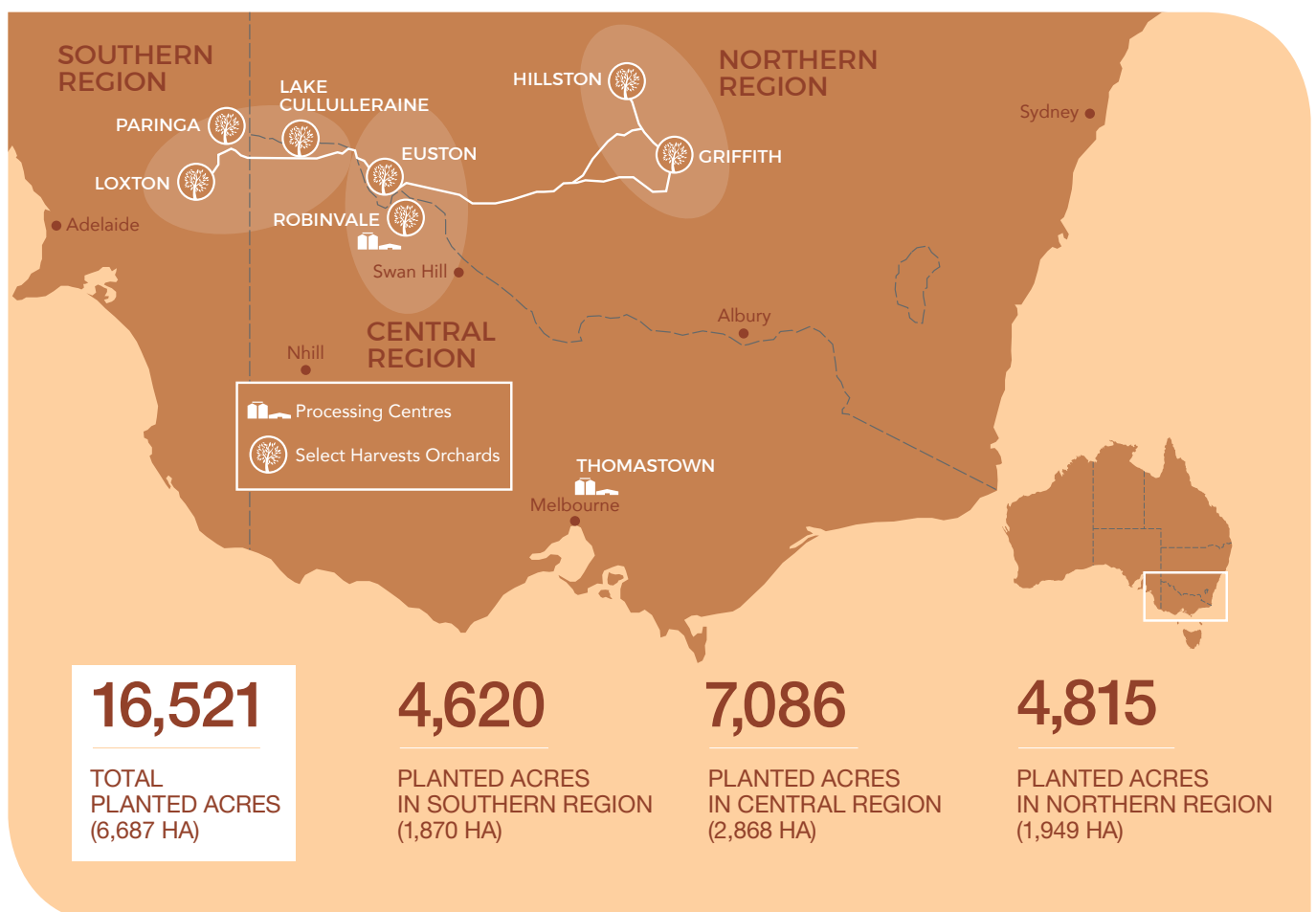
## Our Brands

The Select Harvests Food Division provides a capability and route to market domestically and around the world for processed almonds and other natural products. It supplies both branded and private label products to the key retailers, distributors and industrial users. Our market leading brands are: Lucky, NuVitality, Sunsol, Allinga Farms and Soland in retail; Renshaw and Allinga Farms in wholesale and industrial markets. In addition to almonds, we market a broad range of snacking and cooking nuts, health mixes and muesli.

## Our Mission

To deliver sustainable shareholder value by being a global leader in integrated growing, processing & marketing of almonds.

# Geographic Diversity



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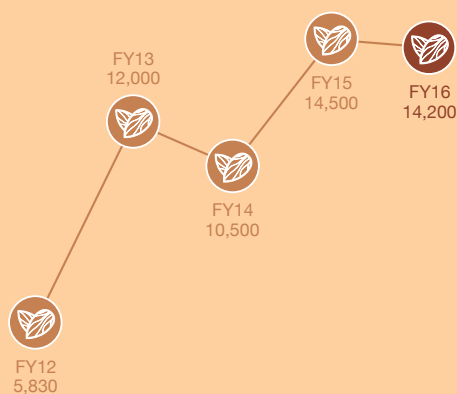




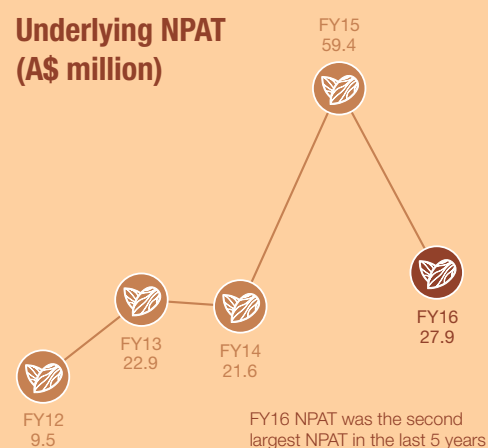
## Performance Summary

Key Financial Data \$000's	FY15	FY16
Revenues	223,474	285,917
EBIT		
Almond Division	87,503	36,093
Food Division	6,817	10,342
Corporate	(4,685)	(5,132)
<b>Total EBIT</b>	<b>89,635</b>	<b>41,303</b>
Interest expense	(5,331)	(5,495)
<b>Profit Before Tax</b>	<b>84,304</b>	<b>35,808</b>
Tax expense	(24,855)	(7,949)
<b>NPAT (before non-recurring items)</b>	<b>59,419</b>	27,859
Non-recurring items	(2,653)	5,937
<b>NPAT Reported</b>	<b>56,766</b>	<b>33,796</b>
<b>EPS (before non-recurring items)</b>	<b>86.8 cents</b>	<b>38.5 cents</b>
<b>EPS Reported</b>	<b>82.9 cents</b>	<b>46.7 cents</b>
<b>Total Dividend (Interim &amp; Final)</b>	<b>50.0 cents</b>	<b>46.0 cents</b>
<b>Net Debt</b>	<b>115,609</b>	<b>67,265</b>
<b>Gearing (Net Debt/Equity)</b>	<b>40.2%</b>	<b>23.1%</b>
<b>Operating Cashflow</b>	<b>30,399</b>	<b>92,866</b>

### Harvest Volume (MT)



### Underlying NPAT (A\$ million)



**FY16  
PRODUCED  
ONE OF THE  
LARGEST  
CROPS IN THE  
COMPANY'S  
HISTORY**

# Chairman and Managing Director's Report

Welcome to Select Harvests' 2015/16 Annual Report. It has been a challenging and volatile year for the almond industry generally. While some way from the record result of 2014/15, the 2015/16 result was still one of the best in the history of the company. Importantly, with outstanding cash generation and the balance sheet in great shape, the company was able to continue to invest in initiatives to deliver additional growth, productivity gains, capacity increases, cost reductions and improved efficiency underpinned by sustainable business practices.

## Highlights

- Record operating cash flow A\$92.9 million
- Net Profit After Tax ("NPAT") of A\$27.9 million – 2nd best result in last 8 years
- 2nd largest SHV almond crop – 14,200 tonnes
- Avg SHV almond price A\$8.08/kg
- Record Food Division result – A\$10.3 million Earnings Before Interest & Tax ("EBIT")
- Sale & leaseback – 3 properties for A\$64.0 million
- Sale of WA land – A\$9.5 million
- Invested in Strategic Projects – H<sub>2</sub>E and Parboil
- Increased area planted to almonds to 16,521 acres
- Improved financial strength – Net Debt to Equity 23%
- Maintained strong dividend payment – full year 46 cents per share ("cps")

## Financial Performance

In challenging market conditions, the company produced a Reported NPAT of A\$33.8 million in FY16. Excluding the impact of after-tax gains on asset sales, Underlying NPAT was A\$27.9 million.

Reported Earnings per Share ("EPS") was 46.7 cps while Underlying EPS was 38.5 cps.

The company generated record operating cash flow of A\$92.9 million, further boosted by proceeds from the sale of the WA property plus the sale and leaseback of the 3 almond properties.

The company paid a final fully franked dividend of 25 cps on 30 September 2016 (Record Date 5 September 2016) taking the full year dividend to 46 cps (last year 50 cps).

At 30 June 2016, Net Debt (including lease liabilities) was A\$67.3 million and Net Debt to Equity was 23%.

## Strategy

The company has continued to make solid progress against its 8 strategic objectives, investing in growth and efficiency, which is delivering increased scale, diversity and profitability.

Importantly, the future benefits of some of this investment is yet to reveal itself in the financial results. For example, in 2012 the 8,804 bearing acres (i.e. revenue generating) were equal to the planted acres and yet when we look at the orchard portfolio today, there are 16,521 planted acres and only 12,319 bearing acres – i.e. an area totalling an additional 34% of existing bearing acres is not yet generating revenue. These current non-bearing acres will deliver increasing yields over the next 7 years and cash flows over the next 30 years.

Both the Almond and the Food Division require globally cost competitive, sustainable foundations in order to securely anchor the growth opportunities the company has in front of it.

Energy costs are embedded in everything we do, so it is critically important that we can rely on a dependable supply of economic and sustainable power.

Project H<sub>2</sub>E will produce low-cost electricity from almond by-product streams that will power the adjacent Carina West Hulling and Shelling processing centre and neighbouring farms.

Project Parboil will deliver a state of the art almond-only value-added processing facility adjacent to the Hulling & Shelling operation with 3x the existing value-added capacity and using power generated from Project H<sub>2</sub>E.

## Orchard Funding and Growth

During the year, the business sold and leased back 3 properties from First State Super ("FSS") for net proceeds of A\$64.0 million.

The company has secured an additional 2 properties for FSS and will plant out 1,000 acres of greenfield almonds (property cost and capex paid by FSS and leased out by Select Harvests) across 2017 and 2018.

The planning and development of 2,084 acres of new almond orchards in VIC and NSW took place. At the time of writing this report, the company has 16,521 acres of planted almond orchards that will generate approximately of 16,000 tonnes of almonds in 2018, rising to 18,000 tonnes in 2020 and to 23,000 tonnes in 2024.

Select Harvests continues to actively seek to acquire orchards (preferably mature).

## Almond Division

The Almond Division delivered an EBIT of A\$36.1 million in FY2016 – significantly down on the record FY2015 profit of A\$87.5 million. Price and volume variation explain the vast majority of the year on year profit decline.

Almond volume was 14,200 tonnes (FY15 14,500 tonnes) while price was A\$8.08/kg (FY15 A\$11.45/kg). The harvest was completed more quickly than last year given favourable harvest weather, the slightly smaller crop size and additional harvest equipment.

Tree health and vitality has been given significant focus in recent years and the high performance orchard program is gaining traction – old trees that in theory should be past their prime are delivering outstanding yields. We expect further improvements as the program is enhanced.

## Food Division

The Food Division produced an FY2016 EBIT of A\$10.3 million, well up on FY2015 EBIT of A\$6.8 million. This Division is performing ahead of plan and is investing now for future export led growth in Consumer Brands and Industrial & Trading.

The strongly improved result was driven by increased sales of Consumer Branded products, strong sales to industrial food manufacturers, margin management and passing on commodity price increases.

Branded Consumer sales are up 10% while Lucky continues to climb to higher market shares – July 2016 MAT 42.3% vs 40.1% July 2015 MAT.

New products now make up 13% of sales.

Industrial sales are up 17%, driven by aligning with key regional industrial customers while our trading has been astute in a volatile market.

## Safety

Our first and foremost objective is the safety of our people and through the Zero Harm Safety Strategy we strive to improve our safety performance. The strategy aims to reduce Long Term Injury Frequency Rates ("LTIFR") and Medically Treated Injury Frequency Rates ("MTIFR") by 25% and increase the Hazard Identification Frequency Rate ("HIFR") by 75%. Our focus is to prevent injuries before they occur.





# Chairman and Managing Director's Report

Continued

## Market Outlook

Volatile market conditions in 2016 made it a difficult market to navigate. A slightly larger global crop, combined with demand reduction on the back of very high almond prices collided with the Middle East credit squeeze which forced traders to aggressively sell product to provide liquidity in their businesses. This created a perfect almond storm and a severe price decline.

As credit returned and price acted to stimulate demand, almond shipments out of California have increased considerably – up 3% in the last 12 months and 21% in the last 3 months in total. Export growth is even more pronounced with exports up 9% in the last 12 months, 33% in the last 3 months and 54% in the last month.

We expect strong demand to continue and for it to have a positive impact on prices.

We are confident that Select Harvests is a strong and growing business, well positioned to supply an inherently healthy product with a growing range of uses and products that the world quite clearly is demanding more of.

## Thankyou

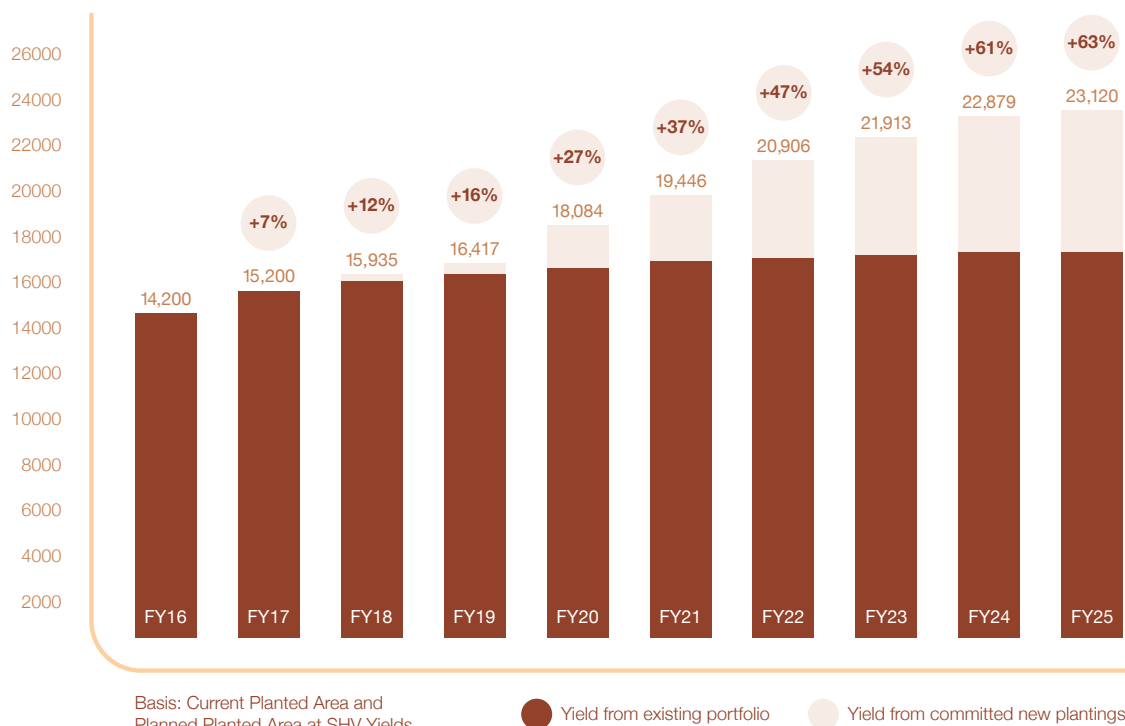
As the theme of this Annual Report makes clear, Select Harvests is Growing Together. We would like to thank all of the Select Harvests stakeholders who are working hard to grow our business and improve our performance, in particular our hardworking and enthusiastic employees. In addition, we'd like to thank our supportive shareholder base.

We hope you agree our business is positioned for long and successful growth and we look forward to delivering that together.

**Michael Iwaniw, Chairman**

**Paul Thompson, Managing Director**

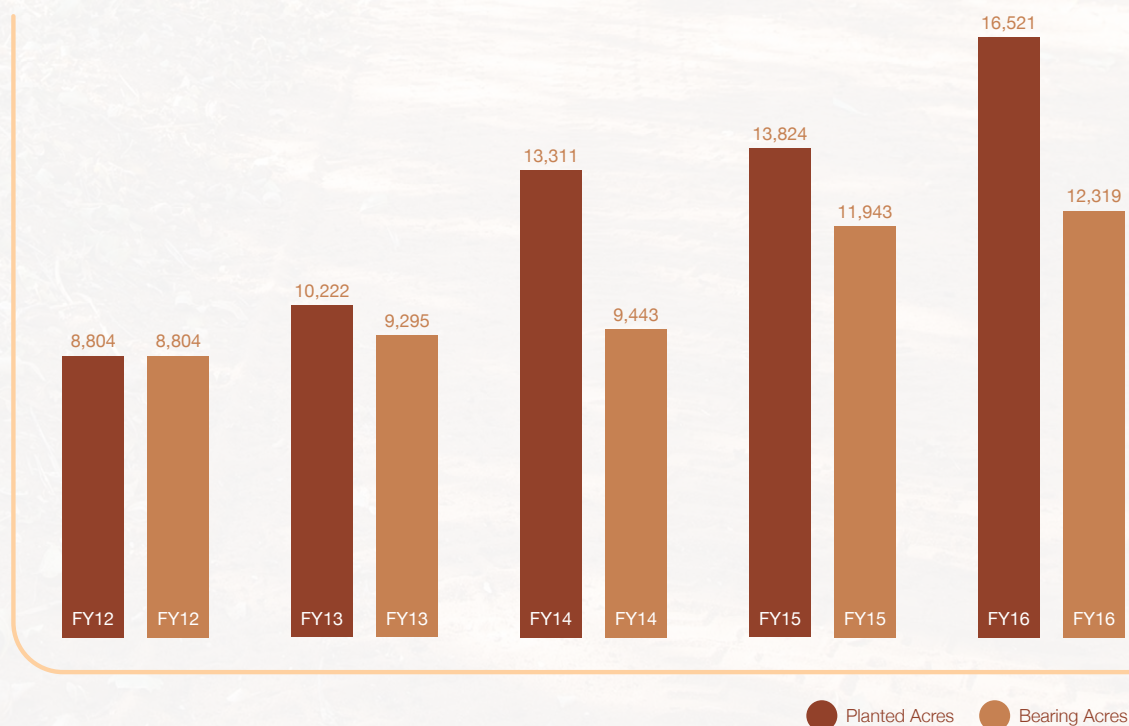
## SHV THEORETICAL HARVEST VOLUME 2016 – 2025



Select Harvests future almond production will increase from 14,200 tonnes in 2016 to approx. 16,000 tonnes in 2018, 18,000 tonnes in 2020 rising to 23,000 tonnes in 2024 making Select Harvests one of the largest almond producers in the world.



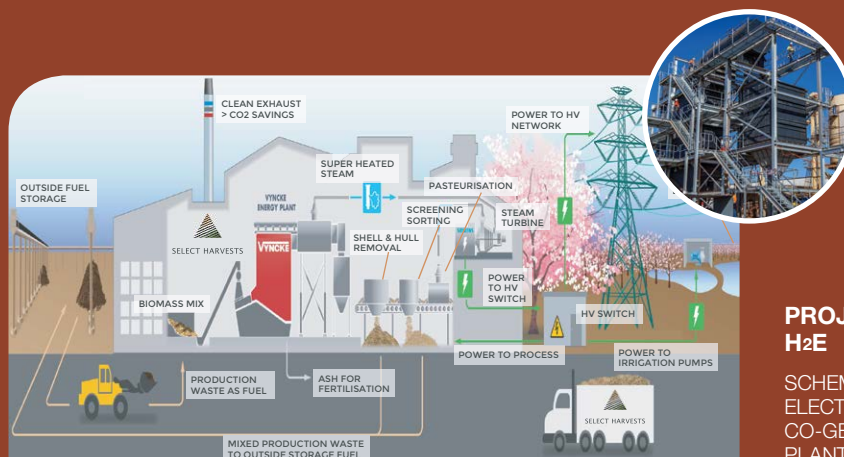
### PLANTED/BEARING ALMOND ORCHARDS (ACRES)



In addition to the existing 12,319 bearing acres, there are another 4,202 acres that are planted but non-bearing – these non-bearing acres begin to produce almonds and then increasingly move to full maturity over the next 7 years, significantly increasing Select Harvests productive base.



# Strategy Explanation & Progress



**PROJECT H<sub>2</sub>E**  
SCHEMATIC OF  
ELECTRICITY  
CO-GENERATION  
PLANT

## Strategic Objective & Activities

FY14 / Completed



### FY14 Initiatives



#### CONTROL CRITICAL MASS OF ALMONDS

Secure the critical mass of nuts needed to maximize profitability and leverage the global almond opportunity.

- Acquired 275 HA (680 acres) planted orchard
- Acquired 405 HA (1,000 acres) unplanted



#### IMPROVE YIELD & CROP VALUE

Improve yield and overall crop value by perfecting on-farm and farm to factory practices.

- Total review of Horticultural assets
- Further A\$500K frost fans
- Additional harvest equipment



#### BE BEST IN CLASS SUPPLY CHAIN

Continuously improve our supply chain, achieving high quality, low cost and optimum capital utilisation.

- Evaluate operational improvements & refine proposals
- New Optical Sorter at Thomastown



#### INVEST IN INDUSTRIAL & TRADING DIVISION

Allocate resources to leverage our trading skills and grow sales in the industrial channel.

- Grew Industrial Division 24% through local and SE Asia customer base
- Innovations assisted growth



#### STRENGTHEN PACKAGED FOOD BUSINESS

Commit funds and develop structure to generate domestic and export growth for the packaged food business delivering sustainable returns above the cost of capital.

- Product Development – Innovation/ Renovation/Reformulation/Repackaging
- Brand relaunch – Sunsol & Lucky Smart Snax



#### FIX OUR SYSTEMS & PROCESS

Develop the business systems and processes required to be a global industry leader.

- OHS improvement – LTI's dropped 73%
- New risk management framework
- New OHS policies/procedures



#### NON-ORGANIC GROWTH

Acquire businesses in related categories leveraging existing capabilities that are EPS accretive and deliver sustainable returns above our cost of capital.

- N/A – Objective only introduced in FY16

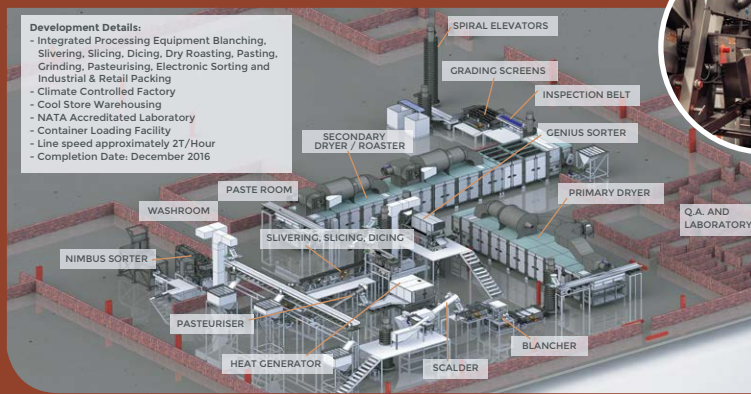


#### ENGAGE WITH OUR PEOPLE & OUR STAKEHOLDERS

Engage with investors and our industry while developing the team required to be a global industry leader.

- Hort 3 training for Farm Management
- Refreshed company website
- Introduction of employee newsletters/intranet





## PROJECT PARBOIL

INTERNAL SCHEMATIC  
OF ALMOND VALUE-ADDED  
PROCESSING FACILITY

### FY15 / Completed



### FY16 / Completed



### FY17 / Ongoing

### FY19

#### FY15 Initiatives

- Acquired 1,004 HA (2,481 acres) planted orchard
- Acquired 1,808 HA (4,465 acres) unplanted
- Acquired 6,215 ML high security water
- Replanted 207 HA (512 acres) in Q3CY2014

- Additional harvest equipment
- Biostimulants trial
- Trial catch & shake harvest technology

- High voltage network (Project H<sub>2</sub>E) Cogen Plant
- Carina West Dryer

- Expanding business with food processors in local and SE Asian markets

- Multiple relaunches & new products
- Range rationalisation
- New distributors – Thailand & Malaysia

- IT upgrade

- N/A – Objective only introduced in FY16

- Further development of Performance Review process
- Diversity Committee

#### FY16 Initiatives

- Acquired mature orchards
- Develop 2,024+ HA (5,000+ acres) of greenfield almonds
- Planted 384HA (948 acres) in Q3CY2015

- Increase Hort program to target 3.2T/HA (1.3T/acre) yield
- On farm drying
- Irrigation management

- Reduce cost (Project Parboil)
- Refrigerated storage
- Biomass (Project H<sub>2</sub>E)

- Increase value adding capacity (Project Parboil)

- Relaunch key brands
- Accelerate NPD rate of branded business
- Distribution in SE Asia

- Single Company ERP
- Reduce LTI's by 25% Y on Y

- Understand and review potential investments in related space

- Improve skill levels on farm & processing QA
- Employee diversity

#### FY16+

- Acquire mature orchards
- Replace old orchards
- Invest in greenfield orchards

- Better on-farm execution
- Use of new technologies as they become available

- Project H<sub>2</sub>E
- Project Parboil

- Project Parboil
- Take advantage of FTA's

- China launch
- New product development
- Reinvigorate Soland, Lucky & NuVitality Brands

- Investment in Single Company ERP
- Redevelop business processes to capitalise on ERP

- Understand and review potential investments in related space

- Embrace diversity
- Improve culture

## Almond Division



### UNDERLYING EBIT (\$M)

FY15

87.5

FY16

36.1

▼ 59%

The Almond Division delivered a historically strong result with EBIT of A\$36.1 million, notwithstanding that it was 59% down on the outstanding FY15 record result. The decline was overwhelmingly driven by a reduction in almond price to A\$8.08/kg, well down on FY15 price of A\$11.45/kg. FY16 volume was 14,200 tonnes, down marginally on FY15 crop of 14,500 tonnes. FY16 AUD/USD FX rate 0.72 (FY15 0.77)

Favourable weather around harvest and continued investment in additional harvest equipment resulted in harvest being completed in record time. Processing of the crop was finished by mid-August but the dryness of this years' crop resulted in lower processing productivity, as the almonds were more prone to damage and needed to move through the processing plant more slowly.

Other achievements for the year in review:

- 14,200 tonne almond crop – 2nd largest on record
- Sale and leaseback of 3 properties to First State Super ("FSS") for A\$64.0 million
- Sale of WA property for A\$9.5 million
- Progressed the plant out of 2,084 acres in Vic & NSW
- Acquired 2 new properties (1,000 acres) and will plant out to almonds in CY17 and CY18

The high nutrition program that has been introduced in recent times is having a positive impact on tree health and yield. The company is well on the way to increasing the average yield in the orchard to 1.3 tonnes/acre and is now focussing on delivering productivity increases in excess of this level.

The company's water strategy has provided water security and mitigated the impact of the recent El Nino on the average price that the company has paid for its water. Importantly, this strategy has allowed capital that would otherwise have been tied up in water, to be applied to higher return applications such as almonds and the value added processing facilities.

The almond market has had a volatile 12 months, impacted by incremental supply and demand fluctuations, along with a significant credit event in the Middle-East that severely impacted credit availability to almond traders. The August Position Report from the Almond Board of California has demonstrated increasingly strong year on year monthly shipments of US Almonds, both to the US export market and more recently to the US domestic market. This gives confidence in the almond market outlook.

Despite the challenging conditions in the global almond market, the company continued to roll out its strategic plan to increase its critical mass of almonds. With the Select Harvests almond orchard now comprising 16,521 planted acres across the 3 major Australian Almond growing regions, Select Harvests is now one of the largest producers of almonds in the world. Production volumes are expected to be in excess of 15,000 tonnes in 2017, rising to 18,000 tonnes in 2020 and 23,000 tonnes in 2024.

The company continues to investigate opportunities to acquire mature orchards at the right price.

With the 2017 crop having received sufficient chill hours, a good pollination and the benefit of the new horticultural program, the bud potential is strong.

**THE ALMOND DIVISION  
DELIVERED A HISTORICALLY STRONG  
RESULT WITH EBIT OF A\$36.1M**





# Food Division



The Food Division delivered a great result in FY16 with EBIT of A\$10.3 million, up 52% on the FY15 result of A\$6.8 million and ahead of target. This was driven by increased sales of branded products, strong sales to industrial food manufacturers, margin management and passing on commodity price increases.

Industrial sales are up 17%, partly through aligning with key regional industrial customers. Strong performance in commodity trading was partially offset by reduced margins in the Private Label business.

Consumer Brand sales were up 10%, with Lucky again performing strongly and achieving July 2016 MAT 42.3% (July 2015 MAT 40.1%).

New products now make up 13% of sales and new product development is a focus for the Company. The recent launch of "Lucky Entertainers" and "Lucky Topperz", along with the relaunch of NuVit brand as NuVitality and the re-set of the Sunsol range has driven this outcome.

## UNDERLYING EBIT (\$M)

FY15	FY16
6.8	10.3
	▲ 52%



The Food Business has further defined its export strategy and is keenly focussed on establishing, developing and growing distribution partners for its brands in China. The Food Business is investing in future export led growth in Consumer Brands and Industrial & Trading.

The investment being made in Project H<sub>2</sub>E will ensure a sustainable, reliable and economic power supply to the business, while Project Parboil will deliver significant quality assurance improvements, productivity enhancements and cost savings through a world class, value-added, fully integrated almond processing capability that will enhance our ability to supply high quality almond products to our customers.

Select Harvests Food Division is well placed to supply the growing demands of global Food Manufacturers and Consumers who see the benefits of consuming plant based proteins like almonds.



INDUSTRIAL  
SALES UP  
**17%**

CONSUMER BRAND  
SALES UP  
**10%**



## People & Diversity

**Select Harvests recognises the advantages of having a diverse workforce including (but not limited to) gender, age, ethnicity, religious and cultural beliefs and sexual orientation.**

Select Harvests employs a very diverse workforce of approximately 297 permanent employees and a seasonal workforce of 109, employed in regional and urban Australia.

The company has particularly strong experience in the employment of people from ethnically diverse backgrounds with

43% of the Select Harvests workforce stating they come from culturally diverse backgrounds.

Females comprise 29% of senior management roles. This year a female with diverse FMCG experience was appointed to the Board and a female with diverse experience and cultural ethnicity was appointed to the Executive. The Company is committed to its target of 30% female representation on the Board and Senior Management team.

The Company reinforced its commitment to building the diversity of its workforce through the activities of the Diversity Committee, comprising employees across all functions of the business.

A copy of the Company's Diversity Policy is available on the website (see Governance section). It lists our 2015/16 Diversity Objectives and demonstrates all objectives were met in 2015/16 with our gender participation in progress.



### FEMALES COMPRISE 29% OF SENIOR MANAGEMENT ROLES

**SUZANNE BRIDGEWOOD**  
WAREHOUSE MANAGER

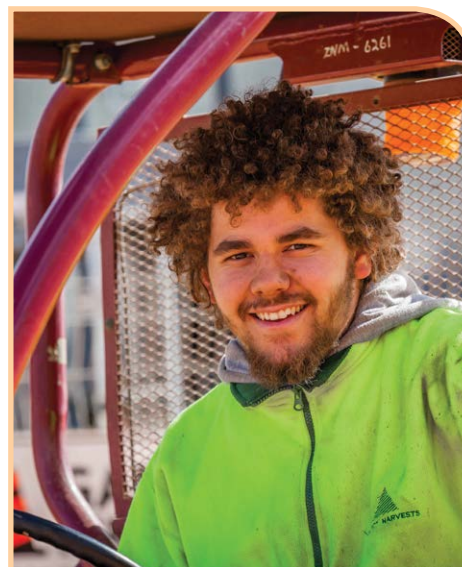
CARINA WEST  
PROCESSING FACILITY

## Communities

**Select Harvests operates in areas with many diverse cultural and ethnic backgrounds. We are proud to partner with a number of these community organisations to support the creation of a sustainable future workforce.**

We have contributed over A\$100,000 to community projects that includes groups, clubs, charities and schools.

- Strategic Partnership with Robinvale College – through the donation of a school bus and trailer to improve school attendance and provide safe transportation
- Mallee Almond Festival sponsor
- Foodbank Victoria
- Cancer Council – Australia's Biggest Morning Tea
- Upgrade/Purchase infrastructure – schools, clubs, community centres in Leeton, Loxton and Robinvale
- Student Tours of the farms, office and processing facilities
- Partnership with the Clontarf Foundation (a charitable, not-for-profit organisation which exists to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men and by doing so equips them to participate meaningfully in society)



**ZEKE BOWDEN-HALL**  
APPRENTICE

FOLLOWING HIS PARTICIPATION IN THE CLONTARF FOUNDATION PROGRAM.



## OH&S

**Our first and foremost objective is the safety of our people and through the Zero Harm Safety Strategy we strive to improve our safety performance. Our focus is to prevent injuries before they occur.**

The Zero Harm Safety Strategy targets 25% reductions in LTIFR (Lost Time Injury Frequency Rate) and MTIFR (Medically Treated Injury Frequency Rate) and a 75% increase in HIFR (Hazard Identification Frequency Rate). We are pleased

to report that in FY16 we exceeded LTIFR by 29% and our HIFR by 436%. Unfortunately, our MTIFR increased significantly, due to minor injuries.

The OH&S Committees meet on a monthly basis with the aim of improving the safety performance.

We acknowledge that we can continue to improve our safety performance and that all incidents are preventable.

Our 2016/17 Safety Strategy has been extended to include wellness.

### BEE POLLINATING AN ALMOND FLOWER



## Sustainability & Environment

**Sustainability at Select Harvests is about providing long term environmental benefits which generate value for shareholders, customers, consumers and the communities in which we operate.**

Select Harvests is a significant user of water. We recognise it as a scarce and finite resource that is an important input to our business. We conserve, recycle and save water wherever possible. This includes drainage to recycle orchard water, the use of low friction irrigation products and technology to avoid overuse. In recent years we have focussed on projects that improve the efficiency of water distribution to our orchards – replacing old and obsolete dripper tape, blocking irrigation to non-productive areas of our orchard and installing modern irrigation management infrastructure.

Select Harvests is a significant user of energy, both on our farms and in our

processing facilities. We have taken a variety of actions to reduce energy utilisation and its cost, including installing energy-saving low friction pumps. In 2016, we installed our first off-the-grid farm hub at Allinga Farm (see photo of the solar panel array).

The biggest energy saving initiative is Project H<sub>2</sub>E, the biomass electricity co-generation plant which will become operational in FY17. Consuming almond by-product (hull, shell and orchard waste), Project H<sub>2</sub>E will generate enough electricity to power the Carina West Processing Facility as well as nearby pumps for the Carina Orchard. Project H<sub>2</sub>E will result in a carbon footprint reduction of 27% – equivalent to taking 8,210 cars off the road.

Select Harvests is a significant user of bees for pollinating its orchards. We are committed to achieving effective and efficient pollination and bee management and are active in the bee community through conference attendance and sharing industry insights. As part of our bee stewardship, we plant alternative forage crops to almonds, such as canola, in order to assist bee health and performance. In future, we will plant perennial native species to further aid. We also provide water at hive sites to assist bee hydration.



### SOLAR PANELS AT ALLINGA ORCHARD

## Executive Team



**PAUL CHAMBERS** / Chief Financial Officer and Company Secretary

Joined Select Harvests as Chief Financial Officer and Company Secretary in September 2007. He is a Chartered Accountant and has over 25 years experience in senior financial management roles in Australian and European organisations, including corporate positions with the Fosters Group, and Henkel Australia and New Zealand. He is a member of the Australian Institute of Company Directors.



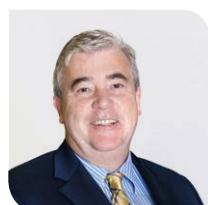
**BRUCE VAN TWEST** / General Manager Operations

Bruce joined Select Harvests in 2012. With a deep working knowledge of complex 'end to end' supply chains, Bruce has been a highly successful contributor within the executive management teams of large-scale corporates across food production, apparel, industry consumables and suppliers to automotive industries. Prior to joining Select Harvests he was Operations Director at Kraft Foods, CEO of Bizwear & Alert Safety and Director Supply, ANZ at SCA Hygiene Australasia.



**PETER ROSS** / General Manager Horticulture

Peter joined Select Harvests in 1999. He has held the positions of Plant Manager, Project Manager and General Manager for the processing area of the Almond Division before being appointed to the role of General Manager for Horticulture in November 2012. Prior to joining Select Harvests Peter ran his own maintenance and fabrication business servicing agriculture, mining and heavy industry.



**LAURENCE VAN DRIEL** / General Manager Trading and Industrial

Laurence joined Select Harvests in 2000. Laurence has over 30 years' experience in trading edible nuts and dried fruits. He has a comprehensive knowledge of international trade and deep insights into the trading cultures of the various countries in which these commodities are sold. He has held senior purchasing and sales management positions with internationally recognised companies.



**MARK EVA** / General Manager Sales & Marketing – Consumer Products

Mark joined Select Harvests in 2012. Mark has strong FMCG experience across branded, private label and commodity products with a track record of driving profitable sales growth. He joined Select Harvests from SCA Hygiene where he was the Director of Sales and Marketing, Consumer. He was previously General Manager – Marketing, Sales and Innovation at Bulla Dairy Foods.



**KATHIE TOMEO** / General Manager, Human Resources

Kathie Tomeo joined Select Harvests as General Manager, Human Resources in May 2016. Kathie is an HR Director with international experience gained in Agricultural, Banking, Financial Services, Technology and Retail industries. Kathie brings over 10 years' experience in senior HR generalist roles with expertise in change and project management at local, country and regional levels. Kathie holds a Master degree in Human Resource Management and Bachelor of Commerce.



## Board of Directors



**MICHAEL IWANIW** / Chairman

Appointed to the board on 27 June 2011 and appointed Chairman 3 November 2011. He began his career as a chemist with the Australian Barley Board (ABB), became managing director in 1989 and retired 20 years later. During these years he accumulated extensive experience in all facets of the company's operations, including leading the transition from a statutory authority and growing the business from a small base to an ASX 100 listed company. Helped orchestrate the merger of ABB Grain, AusBulk Ltd and United Grower Holdings Limited to form one of Australia's largest agri-businesses. He has a Bachelor of Science, a graduate diploma in business administration and is a member of the Australian Institute of Company Directors. He is Chairman of Australian Grain Technologies and a former director of Australian Renewable Fuels Ltd. He is a member of the Remuneration and Nomination Committee.



**PAUL THOMPSON** / Managing Director

Appointed the Managing Director and Chief Executive Officer (CEO) of Select Harvests Limited on 9 July 2012. Has over 30 years of management experience. Formerly President of SCA Australasia, part of the SCA Group, one of the world's largest personal care and tissue products manufacturers. He is a member of the Australian Institute of Company Directors and has formerly held positions as a Director of the Food and Grocery Council and councillor in the Australian Industry Group.



**ROSS HERRON** / Non-Executive Director

Joined the Board on 27 January 2005. A Chartered Accountant, Mr Herron retired as a Senior Partner of PricewaterhouseCoopers in December 2002. He was a member of the Coopers and Lybrand (now PricewaterhouseCoopers) Board of Partners where he was National Deputy Chairman and was the Melbourne office Managing Partner for six years. He also served on several international committees within Coopers and Lybrand. He is Chairman of GUD Holdings Ltd, Deputy Chairman of Insurance Manufacturers Australia Limited and a non-executive director of Kinetic Superannuation Ltd as well as being the immediate past chairman of RACV Pty Ltd. He is Chairman of the Audit and Risk Committee.



**MICHAEL CARROLL** / Non-Executive Director

Joined the board on 31 March, 2009. He brings to the Board diverse experience from executive and non-executive roles in food and agribusiness. Current board roles include Sunny Queen Australia, Gardiner Dairy Foundation, Tassal, Rural Funds Management, Paraway Pastoral Company and the Australian Rural Leadership Foundation. Previous board roles include the Australian Farm Institute, Rural Finance Corporation, Queensland Sugar Limited, Meat and Livestock Australia and Warrnambool Cheese & Butter. During his executive career Mike established and led the NAB's agribusiness division with earlier senior executive roles including marketing, investment banking and corporate advisory services. He is Chairman of the Remuneration and Nomination Committee.



**FRED GRIMWADE** / Non-Executive Director

Appointed to the board on 27 July, 2010. Fred is a Principal and Director of Fawcner Capital, a specialist corporate advisory firm, and works with a wide range of companies in a board or advisory capacity. He is Chairman of CPT Global Ltd and Troy Resources Ltd. He is also a director of Australian United Investment Company Ltd, XRF Scientific Ltd and NewSat Limited. He has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs and Co. He is a current member of the Audit and Risk Committee and was a member of the Remuneration and Nomination Committee.



**PAUL RIORDAN** / Non-Executive Director

Appointed to the board on 2 October 2012. He has worked in various rural enterprises during his career, in Australia and the United States, including small seed production, large-scale sheep and grain organisations, and beef cattle. He is co-founder and Executive Director (Operations) of Boundary Bend Olives, Australia's largest vertically integrated olive company. Paul has a Diploma of Farm Management from Marcus Oldham Agriculture College, Geelong and has extensive operational and business experience in vertically integrated agri-businesses. He is a member of the Audit and Risk Committee.



**NICKI ANDERSON** / Non-Executive Director

Appointed to the board on 21 January 2016. She is an accomplished leader with deep experience in marketing and innovation within branded food and consumer goods businesses, which include SPC Ardmona and McCain. Nicki had held senior positions in marketing within world class FMCG companies and was most recently Managing Director within the Blueprint Group concentrating on sales, marketing and merchandising within retail sales channel. She is currently a director on the Board of Australia Made Campaign Limited. She is a member of the Remuneration and Nomination Committee.

# Historical Summary

## SELECT HARVESTS CONSOLIDATED RESULTS FOR YEARS ENDED 30 JUNE

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total sales	229,498	224,655	248,581	238,376	248,316	246,766	190,918	188,088	223,474	285,917
Earnings before interest and tax	40,549	27,120	26,827	26,032	22,612	(2,495)	5,241	31,288	85,845	49,785
Operating profit/(loss) before tax	40,014	25,384	23,047	23,603	18,473	(8,743)	198	26,833	80,514	44,290
Net profit after tax	28,098	18,130	16,712	17,253	17,674	(4,469)	2,872	21,643	56,766	33,796
Earnings per share (Basic)	(cents)	71.0	46.7	42.6	43.3	33.7	(7.9)	5.0	37.5	46.7
Return on shareholders' equity	(%)	29.4	19.3	16.6	15.2	10.5	(2.8)	1.8	12.3	11.6
Dividend per ordinary share	(cents)	57	45	12	21	13	8	12	20	46
Dividend franking	(%)	100	100	100	100	100	100	55	–	54
Dividend payout ratio	(%)	80.0	96.7	28.2	48.5	38.6	(101.3)	239.8	53.5	60.3

### Financial ratios

Net tangible assets per share	(\$)	1.57	1.41	1.56	1.87	2.17	2.19	2.14	2.38	3.35	3.22
Net interest cover	(times)	75.80	15.60	7.10	10.70	6.70	(0.4)	1.0	6.9	15.9	9.0
Net debt/equity ratio	(%)	1.7	49.7	51.9	39.6	43.3	41.7	49.6	54.0	38.2	23.1
Current asset ratio	(times)	1.32	0.87	0.79	1.44	1.96	1.42	1.61	4.02	3.36	1.90

### Balance sheet data as at 30 June

Current assets	70,983	77,014	81,075	83,993	91,228	76,936	123,303	136,639	207,782	155,521
Non-current assets	89,170	118,934	133,884	145,612	214,352	202,371	180,542	194,080	280,130	294,251
Total assets	160,153	195,948	214,959	229,605	305,580	279,307	303,845	330,719	487,912	449,772
Current liabilities	53,680	88,162	102,348	58,469	46,454	54,369	76,800	33,988	61,893	81,783
Non-current liabilities	10,969	13,715	11,735	57,515	90,311	64,608	67,540	121,325	138,632	77,088
Total liabilities	64,649	101,877	114,083	115,984	136,765	118,977	144,340	155,313	200,525	158,871
Net assets	95,504	94,071	100,876	113,621	168,815	160,330	159,505	175,406	287,387	290,901

### Shareholders' equity

Share capital	41,953	44,375	46,433	47,470	95,066	95,957	97,007	99,750	170,198	178,553
Reserves	11,273	11,235	12,949	11,327	11,201	10,472	9,144	12,190	12,818	11,168
Retained profits	42,278	38,461	41,494	54,824	62,548	53,901	53,354	63,466	104,371	101,180
Total shareholders' equity	95,504	94,071	100,876	113,621	168,815	160,330	159,505	175,406	287,387	290,901

### Other data as at 30 June

Fully paid shares	('000)	38,739	39,009	39,519	39,779	56,227	56,813	57,463	57,999	71,436	72,919
Number of shareholders		2,953	3,319	3,296	3,039	3,227	3,359	3,065	3,779	4,328	8,928

### Select Harvests' share price – close

Market capitalisation	(\$)	11.60	6.00	2.16	3.46	1.84	1.30	3.27	5.14	11.00	6.74
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\$'000 (except where indicated)

\* The 2014 result has been restated due to the early adoption of changes to Accounting Standards, AASB 116 Property, Plant and Equipment, and AASB 141 Agriculture, impacting 'bearer plants'.



# Financial Report

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# Directors' Report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "Company") for the year ended 30 June 2016.

## DIRECTORS

The qualifications, experience and special responsibilities of each person who has been a director of Select Harvests Limited at any time during or since the end of the financial year is provided below, together with details of the company secretary. Directors were in office for this entire period unless otherwise stated.

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

#### M Iwaniw, B Sc, Graduate Diploma in Business Management, MAICD (Chairman)

Appointed to the board on 27 June 2011 and appointed Chairman 3 November 2011. He began his career as a chemist with the Australian Barley Board (ABB), became managing director in 1989 and retired 20 years later. During these years he accumulated extensive experience in all facets of the company's operations, including leading the transition from a statutory authority and growing the business from a small base to an ASX 100 listed company. Helped orchestrate the merger of ABB Grain, AusBulk Ltd and United Grower Holdings Limited to form one of Australia's largest agri-businesses. He has a Bachelor of Science, a graduate diploma in business administration and is a member of the Australian Institute of Company Directors. He is Chairman of Australian Grain Technologies and a former director of Australian Renewable Fuels Ltd. He is a member of the Remuneration and Nomination Committee.

Interest in shares: 199,097 fully paid shares.

#### P Thompson (Managing Director and Chief Executive Officer)

Appointed the Managing Director and Chief Executive Officer (CEO) of Select Harvests Limited on 9 July 2012. Has over 30 years of management experience. Formerly President of SCA Australasia, part of the SCA Group, one of the world's largest personal care and tissue products manufacturers. He is a member of the Australian Institute of Company Directors and has formerly held positions as a Director of the Food and Grocery Council and councillor in the Australian Industry Group.

Interest in Shares: 338,379 fully paid shares.

#### M Carroll, MBA, B AgSc and FAICD (Non-Executive Director)

Joined the board on 31 March, 2009. He brings to the Board diverse experience from executive and non-executive roles in food and agribusiness. Current board roles include Sunny Queen Australia, Gardiner Dairy Foundation, Tassal, Rural Funds Management, Paraway Pastoral Company and the Australian Rural Leadership Foundation. Previous board roles include the Australian Farm Institute, Rural Finance Corporation, Queensland Sugar Limited, Meat and Livestock Australia and Warrnambool Cheese & Butter. During his executive career Mike established and led the NAB's agribusiness division with earlier senior executive roles including marketing, investment banking and corporate advisory services. He is Chairman of the Remuneration and Nomination Committee.

Interest in Shares: 10,941 fully paid shares.

#### F S Grimwade, MBA, LLB (Hons), B Com, FAICD, SF Fin and FCIS (Non-Executive Director)

Appointed to the board on 27 July, 2010. Fred is a Principal and Director of Fawkner Capital, a specialist corporate advisory firm, and works with a wide range of companies in a board or advisory capacity. He is Chairman of CPT Global Ltd and Troy Resources Ltd. He is also a director of Australian United Investment Company Ltd, XRF Scientific Ltd and NewSat Limited. He has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs and Co. He is a current member of the Audit and Risk Committee and was a member of the Remuneration and Nomination Committee.

Interest in shares: 102,804 fully paid shares.



### **R M Herron, FCA and FAICD (Non-Executive Director)**

Joined the Board on 27 January 2005. A Chartered Accountant, Mr Herron retired as a Senior Partner of PricewaterhouseCoopers in December 2002. He was a member of the Coopers and Lybrand (now PricewaterhouseCoopers) Board of Partners where he was National Deputy Chairman and was the Melbourne office Managing Partner for six years. He also served on several international committees within Coopers and Lybrand. He is Chairman of GUD Holdings Ltd, Deputy Chairman of Insurance Manufacturers Australia Limited and a non-executive director of Kinetic Superannuation Ltd as well as being the immediate past chairman of RACV Pty Ltd. He is Chairman of the Audit and Risk Committee.

Interest in Shares: 53,920 fully paid shares.

### **P Riordan (Non-Executive Director)**

Appointed to the board on 2 October 2012. He has worked in various rural enterprises during his career, in Australia and the United States, including small seed production, large-scale sheep and grain organisations, and beef cattle. He is co-founder and Executive Director (Operations) of Boundary Bend Olives, Australia's largest vertically integrated olive company. Paul has a Diploma of Farm Management from Marcus Oldham Agriculture College, Geelong and has extensive operational and business experience in vertically integrated agri-businesses. He is a member of the Audit and Risk Committee.

Interest in shares: 10,000 fully paid shares.

### **N Anderson, EMBA, B Bus, GAICD (Non-Executive Director)**

Appointed to the board on 21 January 2016. She is an accomplished leader with deep experience in marketing and innovation within branded food and consumer goods businesses, which include SPC Ardmona and McCain. Nicki had held senior positions in marketing within world class FMCG companies and was most recently Managing Director within the Blueprint Group concentrating on sales, marketing and merchandising within retail sales channel. She is currently a director on the Board of Australia Made Campaign Limited. She is a member of the Remuneration and Nomination Committee.

Interest in shares: 3,500 fully paid shares.

### **P Chambers, BSc Hons, CA, GAICD (Chief Financial Officer and Company Secretary)**

Joined Select Harvests as Chief Financial Officer and Company Secretary in September 2007. He is a Chartered Accountant and has over 25 years experience in senior financial management roles in Australian and European organisations, including corporate positions with the Fosters Group, and Henkel Australia and New Zealand. He is a member of the Australian Institute of Company Directors.

Interest in shares: 113,171 fully paid shares.

### **V Huxley, BCom, CA, (Assistant Company Secretary)**

Joined Select Harvests in 2011 and appointed Assistant Company Secretary in November 2014. She is a Chartered Accountant with over 15 years experience in senior financial management and corporate advisory roles across agriculture, manufacturing, retail and the healthcare industry.

Interest in shares: Nil.

## **CORPORATE INFORMATION**

Nature of operations and principal activities

The principal activities during the year of entities within the Company were:

- Processing, packaging, marketing and distribution of edible nuts, dried fruits, seeds, and a range of natural health foods, and
- The growing, processing and sale of almonds to the food industry from company owned almond orchards, the provision of management services to external owners of almond orchards, including orchard development, tree supply, farm management, land rental and irrigation infrastructure, and the marketing and selling of almonds on behalf of external investors.

## **EMPLOYEES**

The Company employed 630 full time equivalent employees as at 30 June 2016 (2015: 564 full time equivalent employees).

Full time equivalent employees include: executive, permanent, contractor and seasonal (casual and labour agency hire) employment types.

# Directors' Report

Continued

## OPERATING AND FINANCIAL REVIEW

### Highlights and Key developments during the year

In the financial year ended 30 June 2016 Select Harvests has delivered a strong result with record cash flows and low debt.

The focus this year by the Board, Executive Management and employees, has been on strengthening the balance sheet, continuing to grow the almond orchard foot print, improving the Food Division profitability, whilst progressing significant capital projects. The Company completed the sale and leaseback of three orchards to First State Super (FSS) for proceeds of \$64.0

million during the year. 2,084 acres (844 Ha) of new almond orchards have been planted out on FSS properties in Victoria and New South Wales. Over \$22 million has been

invested in the construction of the new cogeneration plant and value added processing facility at Carina West, both of which will be commissioned in the first half of FY17.

### Financial Performance Review

#### Profitability

Reported Net Profit After Tax (NPAT) is \$33.8 million, which compares to a reported Net Profit After Tax of \$56.8 million in 2015. Earnings Before Interest and Taxes (EBIT) is \$49.8 million, which compares to EBIT of \$85.8 million in FY15. Adjusting for the impact of gains on sale of assets of \$8.5 million incurred in FY16, underlying EBIT is \$41.3 million, and underlying NPAT is \$27.9 million.

To better understand the underlying performance of the business in comparison to last year, the impact of adjusting items is set out in the table below:

### Results Summary and Reconciliation

\$000's	REPORTED RESULT (AIFRS)		UNDERLYING RESULT	
	FY16	FY15	FY16	FY15
<b>EBIT (\$000's)</b>				
Almond Division	44,575	83,713	36,093 <sup>(1)</sup>	87,503 <sup>(2)</sup>
Food Division	10,342	6,817	10,342	6,817
Corporate Costs	(5,132)	(4,685)	(5,132)	(4,685)
<b>Operating EBIT</b>	<b>49,785</b>	<b>85,845</b>	<b>41,303</b>	<b>89,635</b>
Interest Expense	(5,495)	(5,331)	(5,495)	(5,331)
<b>Net Profit Before Tax</b>	<b>44,290</b>	<b>80,514</b>	<b>35,808</b>	<b>84,304</b>
Tax Expense	(10,494)	(23,748)	(7,949)	(24,855)
<b>Net Profit After Tax</b>	<b>33,796</b>	<b>56,766</b>	<b>27,857</b>	<b>59,419</b>
Earnings Per Share	46.7	82.9	38.5	86.8

(1) The adjustment to the reported Almond division EBIT in FY16 relates to gains on asset sales of \$8.5 million, to exclude these gains from the underlying EBIT in the period.

(2) The adjustment to the reported Almond division EBIT in FY15 relates to acquisition transaction costs of \$3.8 million, to exclude these costs from the underlying EBIT in the period.

Any further commentary set out below reviews divisional performance on a like for like basis, taking into account the adjustments referred to above.



### Almond Division Profitability

Revenues of \$161.2 million, compared to \$115.4 million in 2015. The increase in revenues is driven by the realised sales of the 2015 and 2016 crop in the financial year, with an increase in volumes and at almond prices higher than average prices achieved in the previous financial year.

Underlying EBIT is \$36.1 million which compares to underlying EBIT of \$87.5 million last year. This result is driven by the valuation of the 2016 crop, based on a yield of 14,200 MT and an almond price projection of \$8.08/kg compared to higher volume and record prices of the 2015 crop.

### Food Division Profitability

Revenues of \$161.8 million compare to \$138.8 million in 2015, an increase of 16.6%.

EBIT of \$10.3 million, compares to \$6.8 million in 2015. The increase in revenues and EBIT is driven by the combined impact of increased sales of branded products, strong sales to industrial food manufacturers, increases in commodity trading, offset by reduced sales in private label. A continuation in the improved sales mix during the year has again improved the overall quality of earnings, in spite of the challenge of increased raw material cost, and a tough pricing environment in this segment.

### Interest Expense

Interest expense has increased to \$5.5 million in FY16 compared to \$5.3 million in FY15, with finance lease interest replacing some bank interest as a result of the sale and lease back transaction.

### Balance Sheet

Net assets at 30 June 2016 are \$290.9 million, compared to \$287.4 million last year.

The balance sheet includes the impact of \$88.0 million of financing cash outflows resulting from the pay down of bank debt following the completion of the sale and lease back of almond orchards during the financial year.

Net working capital has decreased by 24%. As summarised below, the main decrease relates to the value of inventory, which comprises the fair value of the unsold 2016 almond crop, which is lower than the corresponding period last year, due to the combined impact of the lower almond price valuation and lower yield.

\$000's	2016	2015
Trade and other receivables	48,477	60,082
Inventories	104,316	142,354
Trade and other payables	(23,180)	(31,273)
<b>Net working capital</b>	<b>129,613</b>	<b>171,163</b>

### Cash flow and Net Bank Debt

Net bank debt at 30 June 2016 was \$67.3 million (including finance lease commitments of \$41.8 million), with a gearing ratio (net bank debt/net assets) of 23.1%. Operating cash inflow in the financial year is \$92.9 million, compared to \$30.4 million last year. The improvement in operating cash inflow is mainly driven by the cash flows derived from the proceeds on selling through the 2015 crop, and sales to date of the 2016 crop. Capital expenditures of \$47.5 million are primarily a result of the investment in the cogeneration plant, new almond value added production facility, new orchard developments, and upgrades to existing irrigation systems. Proceeds from the sale and leaseback of almond orchards have fully funded these investments as well as providing a land bank for future new almond developments.

### Dividends

A fully franked final dividend of 25 cents per share has been declared, resulting in a total dividend of 46 cents per share. This compares to a total dividend of 50 cents per share in FY15.

## CORPORATE SOCIAL RESPONSIBILITY

### Occupational Health and Safety (OH&S)

Our first and foremost objective is the safety of our people. Through our Zero Harm safety strategy, we strive to improve our safety performance. This strategy targets to reduce our Lost Time Injury Frequency Rates (LTIFR) and Medically Treated Injury Frequency Rate (MTIFR) by 25% and an increase of Hazard Identification Frequency Rate (HIFR) by 75%. Our focus is to prevent injuries before they occur.

We are pleased to report that we have exceeded our LTIFR by 29% and our HIFR by 436%. Unfortunately, our MTIFR has significantly increased from last year, resulting from minor injuries.

Our OH&S Committees meet on a monthly basis with the objective to continuously improve our safety performance. These meetings are focused on driving continuous safety improvement and sharing information across the business. The scope of the meetings includes ongoing hazard identification and closure, toolbox talks, safety audits and results, injury elimination,

site inspections and reviews and a review of training and procedures. All salaried staff have safety included as part of their KPIs. All procedures include a safety analysis and all new equipment is reviewed from a safety perspective prior to being implemented.

We acknowledge that we can continue to improve our safety performance and that all incidents are preventable. Despite the improvements made, opportunities exist to continue to complete more detailed safety investigations to enable a greater number of hazards to be identified in advance.

Following this year's results, our OH&S strategy will be reviewed and updated to include wellness.

The Executive and the Board review the safety performance on a monthly basis.

### Sustainability

Sustainability at Select Harvests is about providing long term environmental benefits which generate value for our shareholders, customers, consumers and the communities in which we operate.

We are pleased to share the various sustainability and environmental achievements across our business which

# Directors' Report

Continued

## CORPORATE SOCIAL RESPONSIBILITY Continued

we will continue in pursuit of being a leader within the almond industry.

The Company is committed to preserving native vegetation and wildlife through our wildlife management plan. All orchards have strict policies relating to the preservation of native vegetation and wildlife. All developments ensure that regulations around native vegetation and wildlife are adhered to.

We are a signatory of the National Packaging Industry Covenant, which aims to deliver more sustainable packaging, increased recycling rates and reduced packaging litter. In addition, all office and farm waste is recycled where appropriate.

Select Harvests holds licences issued by the Environmental Protection Authority which specify limits for discharges to the environment. These licences regulate the management of discharge to the air and storm water runoff associated with the operations. In 2015/16, no environmental breaches have been notified by the Environmental Protection Authority.

### Water Utilisation

We recognise that water is a scarce and finite resource and a necessity for the growth of our orchards and for our manufacturing facilities. We conserve, recycle and save water wherever possible through a variety of approaches taken across our business. This includes the installation of drainage to recycle orchard water, the use of low friction irrigation products and technology to avoid overuse.

In the past three years several capital projects have focused on the increased efficiency of water distribution to our orchards. This has included the replacement of old and obsolete dripper tape, the blocking off of irrigation to non-productive areas of our orchards and the installation of modern water management infrastructure.

Based on weather conditions, we manage irrigation on a daily basis through efficient usage of our pumps and labour utilisation to coincide with the irrigation demand required.

### Energy Savings

We have taken a variety of actions to reduce energy utilisation and subsequent costs. These include the installation of energy saving electric pumps and low friction irrigation products. In our facility and orchard

development, the replacement of existing equipment with low energy technology is being used. This is evident in the pumping stations at the farms and the redevelopment work at the Carina West facility.

In 2016 we installed our first off-the-grid farm hub. This farm hub is powered by solar electricity and we are looking to replicate this approach across our remaining farms.

In addition, we perform load shedding during high demand power events for days of extreme heat when the power consumption from the grid is high.

### Pollination Management

Our commitments to efficient pollination and bee management has included attendance at various Eastern Australian bee conferences to share our insights with industry, in addition to efforts taken to maximise the bee habitat during pollination. As part of our bee stewardship, we supply alternative forage sources for bee arrivals to aid bee health. Crops such as canola have been planted in 2016 and in future we will seek perennial native floral species as alternative forage sources. We have also supplied the provision of water at hive sites and ensure that no spraying of weedicides occurs when the hives are present.

### Infrastructure Projects

#### Project H<sub>2</sub>E (Hull to Energy) – Biomass Cogeneration Power Plant

Project H<sub>2</sub>E is a world first installation using almond hull & shell and orchard waste as a fuel source for generating electricity and steam directly to a manufacturing site. Project H<sub>2</sub>E will generate enough energy to power the Carina West Processing Facility and the nearby irrigation pumps at our Carina Orchard. This project is due to be completed by the end of 2016. This project has created 8 new career opportunities for permanent staff.

Half of the electricity generated by the power plant will be consumed within Select Harvests' site infrastructure and the remaining power distributed into the local electricity network grid.

Our Hull to Energy project will result in a carbon footprint reduction of 27% which is equivalent to removing 8,210 cars off the road and will consume 30,000 tonnes of almond and orchard waste per annum.

#### Project Parboil (Almond Value-Add Production Facility)

Project Parboil will be a state-of-the-art, fully integrated almond processing facility, enabling the processing of blanched, roasted and sliced almonds which will add value to the existing packing line at Carina West. The electricity and steam energy will be supplied from Project H<sub>2</sub>E. Commissioning of Project Parboil is due to be commissioned in the first half of FY17. This project has created 12 new career opportunities for permanent staff.

Further information on these projects (including time lapse photos of their construction) can be located on our website [www.selectharvests.com.au/our-projects](http://www.selectharvests.com.au/our-projects).

### Quality and Food Safety Improvements

Project Parboil will supply almond products from a world class food production site giving Select Harvests a step change in food safety technology. This site will enable Select Harvests' to continue its progress in improved customer satisfaction.

In the last four years, our customer complaints per million packets sold have reduced by 78%. This reflects our level of commitment into food safety, which is also evidenced by the following certifications:

AQIS Certificate  
HACCP Certificate  
SQF2000 L3 Certificate  
HALAL Certificate  
KOSHER Certificate  
UNILEVER Sustainable Supplier Diploma

Select Harvests will see FY2017 as a year of continuing to drive innovative and environmentally sustainable projects to deliver improved food quality, safety and security as a leader in our industry.

### Communities

We work in regions which have diverse cultural and ethnic backgrounds. We are proud to continue partnering with a number of diverse regional communities where we operate to support the creation of a sustainable future workforce. We have contributed over \$100,000 to community projects.

Through our participation, fundraising and education efforts, we continue to support a



number of community groups, clubs, charities and schools. The following examples show some of the commitments made to our local communities:

- We have developed a strategic partnership with Robinvale College where we have donated a school bus and trailer to improve the attendance and transportation of students to school safely
- We are a sponsor of the Mallee Almond Festival
- We have donated the equivalent of 18,000 meals to Foodbank Victoria
- Thomastown facility participation in Australia's Biggest Morning Tea for the Cancer Council
- Donations to the Leeton and Loxton areas to purchase and upgrade infrastructure for schools, clubs and community centres
- Providing student tours of our offices, processing plant and farms
- Partnership with the Clontarf Foundation program\*

\*The Clontarf Foundation is a charitable not-for-profit organisation which exists to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men and by doing so equips them to participate meaningfully in society.

We have recently had Zeke Bowden-Hall commence employment with Select Harvests as an Apprentice, following his participation in the Clontarf program. Zeke participated in Select Harvests' work experience program when he decided to join the team. Zeke will be enrolled at Sunraysia Institute of TAFE to complete a Certificate III in Engineering Fabrication Trade.

## RISK MANAGEMENT

It is a policy of Select Harvests to ensure that a formal risk management process is in place to identify, analyse, assess, manage and monitor risks throughout all parts of the business.

The Company maintains and refreshes its detailed risk register annually. The register provides a framework and benchmark against which risks are reported on at different levels in the business, with a bi annual report presented to the Board.

During this financial year a number of specific risks have been focussed on, being:

- Safety (including employee safety and fire prevention);
- Horticultural Risks (including climatic, disease, water management, pollination, and quality); and
- Processing and manufacturing Risks (including product quality, utilities supply, major equipment failure);

The Company continues to focus on product quality with process improvements and capital investments being made, both on farm and at the processing facilities to mitigate risks associated with inventory management from harvest through to consumer.

Managing financial risks, including exposure to currency volatility has once again been a key focus area for management and the Board.

## OUTLOOK

Select Harvests now has a defined growth plan to increase future almond production to over 23,000 tonnes by FY24/25.

The horticultural program for the 2017 crop is well underway. Recent rain has resulted in water prices returning to similar levels to last year. Our 2016/17 water management strategy is formulated, and the annual plan to supply water to the almond orchards is fully funded for the new season. The trees have received sufficient chill hours through the dormancy period, and pollination during early August has occurred. Bud growth indicates that on the basis of normal growing conditions through the rest of season, crop potential is good for 2017.

The commissioning of the 2 major investments in cogeneration and value-added processing (Parboil) assets remain a key priority for the business, along with the management of our new almond orchard plant outs. The unlocking of productivity improvements from our existing asset base, meaning improved yield, quality, sales mix and cost out, remains an absolute focus for the business, with the potential for significant financial outcomes to be achieved.

The Food Business will continue the strategy to enter new markets and channels, including growth in the export markets and the launch of new products and innovations. The expansion of export sales, in particular through developing distribution and marketing models in China, is a strategic priority with increased investment and resources being applied in this area.

The fundamentals underpinning Select Harvests' strategy such as the global almond

industry, and trends towards healthy consumption of wholesome foods remain very strong, meaning that the outlook for the company remains positive.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 August 2016, the directors declared a final fully franked dividend of 25 cents per share payable on 30 September 2016 to shareholders on the register on 5 September 2016.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulations under laws of the Commonwealth or of a State or Territory.

The Company holds licences issued by the Environmental Protection Authority which specify limits for discharges to the environment which are the result of the Company's operations. These licences regulate the management of discharge to the air and stormwater runoff associated with the operations. There have been no significant known breaches of the Company's licence conditions.

The Company takes its environmental responsibilities seriously, has a good record in environmental management to date, and adheres to environmental plans that preserve the habitat of native species. Almond developments have had a positive environmental impact. The change in land use and the increase in food source have seen a rejuvenation of remnant native vegetation and an increase in the wildlife population, in particular bird species. The Company has committed funding to the monitoring of Regent parrot populations around our orchards and the effectiveness of protecting native vegetation corridors in preserving wildlife.

## NON IFRS FINANCIAL INFORMATION

The non IFRS financial information included within this Directors' Report has not been audited or reviewed in accordance with Australian Auditing Standards.

# Directors' Report

Continued

## NON IFRS FINANCIAL INFORMATION Continued

Non IFRS financial information includes underlying EBIT, underlying result, underlying NPAT, underlying earnings per share, net interest expense, net bank debt, net debt, net working capital and adjustments to reconcile from reported results to underlying results.

### REMUNERATION REPORT

The directors present the 2016 Remuneration Report which sets out remuneration information for the Company's non-executive directors, executive director and other key management personnel.

For the purposes of this report, key management personnel are members of the Executive Management team who have the authority and responsibility for planning, directing and controlling the activities of the Company. They include all directors of the Board, executive and non-executive.

#### 1. Overview of Remuneration Arrangements

##### Remuneration strategy

The objective of the Group's executive reward framework is to set remuneration levels to attract and retain appropriately qualified and experienced directors and senior executives. The framework aligns executive reward with achievement of specific business plans and performance indicators, which include occupational health and safety, financial and operational targets relevant to performance at the consolidated entity level, divisional level, or functional level, as applicable, for the financial year.

Remuneration packages include a mix of fixed remuneration, performance based remuneration and equity based remuneration. Executive directors and other key management personnel may receive short and long term incentives.

The Remuneration Committee makes recommendations to the Board on remuneration packages and other terms of employment for executive and non-executive directors. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. The Group has structured an executive reward framework that is market competitive, performance driven and compliant with the Group's reward strategy.

##### Non-executive directors' remuneration

Non-executive directors receive fees (including statutory superannuation) but do not receive any performance related remuneration nor are they issued options or performance rights on securities. This reflects the responsibilities and the Group's demands of directors. Non-executive directors' fees are periodically reviewed by the Board to ensure that they are continually appropriate and in line with market expectations. The current aggregate fee limit of \$830,000 was approved by shareholders at the 26 November 2015 Annual General Meeting. For the reporting period the total amount paid to non-executive directors was \$592,267.

The remuneration is a base fee with the Chair of the Board and each of the Committees receiving additional amounts commensurate with their responsibilities. The current directors' fees are as follows:

##### Base Fees (including superannuation)

Chairman	\$202,500
Other non-executive directors	\$90,000

##### Additional Fees (including superannuation)

Chair of the Audit and Risk Committee	\$12,000
Chair of the Remuneration Committee	\$12,000

##### Executive remuneration

Executive remuneration has three components:

1. Base salary and benefits;
2. Short term performance incentives; and
3. Long term incentives.

An overview of these remuneration arrangements is included in the table below.

Table 1: Overview of Executive Remuneration Arrangements

FIXED REMUNERATION			
<b>Base salary and benefits</b>	Consists of cash salary, superannuation and non cash benefits, in the form of salary sacrifice arrangements such as motor vehicles and certain private expense reimbursements.		
	Reviewed annually with reference to the market and Company objectives. There are no guaranteed base pay increases in any executives' contracts.		
VARIABLE REMUNERATION		% OF FIXED REMUNERATION	
		CEO	Executives
<b>Short term incentives (STI)</b>		Up to 40%	Up to 40%
<b>Purpose</b>	Create incentive to exceed the annual business objectives.		
<b>Term</b>	1 year		
<b>Instrument</b>	Cash		
<b>Performance conditions*</b>	<ul style="list-style-type: none"> <li>It is a condition of any STI payment that key OH&amp;S foundations are in place to ensure a safe working environment for all employees.</li> <li>30% Financial (including exceeding the annual NPAT targets)</li> <li>50% Project goals (achievement of stretching and balanced Key Performance Indicators as established in annual performance plans)</li> <li>20% Values and Challenges (Company values displayed and response to challenge)</li> </ul>		
<b>Why these were chosen</b>	To incentivise successful and sustainable financial outcomes, annual business objectives that drive the achievement of long term business objectives, continuous safety improvement and behaviour consistent with Company values and objectives.		
<b>Long term incentives (LTI)</b>		Up to 133%	Up to 30%
<b>Purpose</b>	Reward achievement of long term business objectives and sustainable value creation for shareholders		
<b>Term</b>	3 years, vesting at the end of the period.		
<b>Instrument</b>	Performance rights		
<b>Performance conditions*</b>	<ul style="list-style-type: none"> <li>Continuing service</li> <li>50% Compound Annual Growth Rate (CAGR) in Underlying earnings per share (EPS) over three years</li> <li>50% Total shareholder return (TSR) compared to the TSR of a peer group of ASX listed companies over three years</li> </ul> <p>The performance targets and vesting proportions are as follows:</p>		
PREVIOUS ISSUES		CURRENT ISSUES****	
Measure	Rights to Vest	Measure	Rights to Vest
<b>Underlying EPS**</b>		<b>Underlying EPS**</b>	
Below 5% CAGR	Nil	Below 5% CAGR	Nil
5% CAGR	25%	5% CAGR	25%
5.1% – 6.9% CAGR	Pro rata vesting	5.1% – 19.9% CAGR	Pro rata vesting
7% or higher CAGR	50%	20% or higher CAGR	50%
<b>TSR</b>		<b>TSR</b>	
Below the 60th percentile***	Nil	Below the 50th percentile***	Nil
60th percentile***	25%	50th percentile***	25%
61st – 74th percentile***	Pro rata vesting	51st – 74th percentile***	Pro rata vesting
At or above 75th percentile***	50%	At or above 75th percentile***	50%
<b>Why these were chosen</b>	Underlying EPS represents a strong measure of overall business performance. TSR provides a shareholder perspective of the Company's relative performance against comparable companies.		

\* The Remuneration Committee is responsible for assessing whether the targets are met. Financial performance conditions are determined on an underlying results basis.

\*\* Underlying EPS is basic EPS adjusted for the impact of the following (underlying adjustments being consistent with guidance for underlying measures as issued by the Australian Institute of Company Directors and Financial Services Institute of Australasia in March 2009 and ASIC Regulator Guide RG230 'Disclosing Non-IFRS financial information')

\*\*\* Of the peer group of ASX listed companies.

\*\*\*\* Relates to the FY16-FY17 performance period.



# Directors' Report

Continued

## REMUNERATION REPORT Continued

### 2. Company Performance

The following section provides an overview of the Company's performance and its link to remuneration outcomes.

#### Table 2: Performance of Select Harvests Limited

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current year.

	2016	2015	2014*	2014	2013	2012
Net profit after tax (\$ million)	33,796	56,766	21,643	29,007	2,872	(4,469)
Basic EPS (cents)	46.7	82.9	37.5	50.2	5.0	(7.9)
Basic EPS Growth	(44%)	121%	650%	904%	163%	(123%)
Dividend per share (cents)	46.0	50.0	20.0	20.0	12.0	8.0
Opening share price 1 July (\$)	11.00	5.14	3.27	3.27	1.30	1.84
Change in share price (\$)	(4.26)	5.86	1.87	1.87	1.97	(0.54)
Closing share price 30 June (\$)	6.74	11.0	5.14	5.14	3.27	1.30
TSR % p.a. +	(35%)	124%	63%	63%	161%	(25%)

\* Restated as a result of early adopting the amendments made to AASB 116 Property, Plant and Equipment and AASB 141 Agriculture in relation to bearer plants.

+ TSR is calculated as the change in share price for the year plus dividends announced for the year, divided by opening share price.

#### Short Term Incentive (STI)

Details of the range of potential STI cash payments, actual payments made and the amounts forfeited by the CEO and executive team in relation to the 2016 financial year are shown in Table 3 below. The actual outcomes are based on performance against the conditions outlined in Table 1.

Table 3: STI

	STI Range (of TFR#)	2016			2015		
		STI Payment (\$)	% Achieved	% Forfeited	STI Payment (\$)	% Achieved	% Forfeited
Executive director							
P Thompson	0%-40%	133,371	57%	43%	169,950	75%	25%
Other key management personnel							
P Chambers	0%-40%	78,439	56%	44%	101,198	75%	25%
M Eva	0%-40%	74,986	60%	40%	94,554	75%	25%
P Ross	0%-40%	70,817	57%	43%	91,155	75%	25%
L Van Driel	0%-40%	90,792	71%	29%	85,641	69%	31%
B Van Twest	0%-40%	80,297	59%	41%	99,498	75%	25%
K Tomeo*	0%-30%	–	–	–	–	–	–
C Barbuto**	0%-20%	(3,893)	(17%)	117%	17,400	75%	25%

# Total Fixed Remuneration

\* Commenced 09 May 2016

\*\* Resigned 26 January 2016.

The STI is usually paid in September following determination of the STI entitlement, so the above STI payment amounts represent an accrual in relation to the current financial performance year, which will be paid in the following financial year, plus any over or under accrual of the prior year following STI entitlement.

The STI program is also available to a select group of other key senior managers within the business.

### Long Term Incentive (LTI)

Vesting of performance rights is based on performance against the hurdles over the three years prior to vesting.

The following illustrates the Company's performance against the metrics in the LTI plan.

**Table 4: LTI Performance Conditions and Current Outcomes**

<b>EPS Growth</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Basic EPS (cents)	46.7	82.9	50.2
Underlying EPS* (cents)	38.5	86.8	50.2
3 Year EPS CAGR	0%	73%	44%
3 Year EPS CAGR target 5% – 7%			
Percentage vested	0%	100%	100%

\* Underlying EPS is basic EPS adjusted for the impact of the following:

1. In FY16, gains on asset sales of \$8.5 million and \$2.8m in R&D tax offsets.
2. In FY15, acquisition transaction costs of \$3.8 million.
3. The tax impact of items 1 to 2.

<b>Relative TSR Performance</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
TSR % p.a.	(35%)	124%	63%
3 Year Median TSR %	108%	749%	164%
3 Year Median TSR Ranking	73rd percentile	100th percentile	71st percentile
3 Year Median TSR Ranking target 60th – 75th percentile			
Peer group 3 Year Median TSR	64%	61%	30%
SHV Ranking against peer group*	5th out of 16	1st out of 15	5th out of 15
Percentage vested	94%	100%	88%

\* TSR ranking relative to ASX Consumer Staples also included in the All Ordinaries index, excluding alcohol and tobacco products companies.

### 3. Details of Remuneration

Details of the remuneration of the directors and other key management personnel of Select Harvests Limited and the consolidated entity are set out in the following tables.

It should be noted that performance rights granted, referred to in the remuneration details set out in this report, comprise a proportion of rights which have not yet vested and are reflective of rights that may or may not vest in future years.

# Directors' Report

Continued

## REMUNERATION REPORT Continued

Table 5: 2016 and 2015 Remuneration

		ANNUAL REMUNERATION				LONG TERM REMUNERATION			
		Base Fee \$	Short Term Incentives \$	Non Cash Benefits \$	Super- annuation Contri- butions \$	Long Service Leave Accrued \$	Perform- ance Rights Granted \$	Termina- tion Benefits \$	Total \$
<b>Non Executive Directors</b>									
M Iwaniw	2016	183,650	–	–	–	–	–	–	183,650
	2015	160,000	–	–	–	–	–	–	160,000
M Carroll	2016	89,849	–	–	8,531	–	–	–	98,380
	2015	84,018	–	–	7,982	–	–	–	92,000
F Grimwade	2016	78,725	–	–	7,475	–	–	–	86,200
	2015	73,059	–	–	6,941	–	–	–	80,000
R M Herron	2016	89,849	–	–	8,531	–	–	–	98,380
	2015	84,018	–	–	7,982	–	–	–	92,000
P Riordan	2016	78,725	–	–	7,475	–	–	–	86,200
	2015	73,059	–	–	6,941	–	–	–	80,000
N Anderson*	2016	36,018	–	–	3,439	–	–	–	39,457
	2015	–	–	–	–	–	–	–	
<b>Executive Director</b>									
P Thompson	2016	510,612	133,371	53,575	19,221	–	153,164	–	869,943
	2015	504,512	169,950	43,289	18,699	–	446,857	–	1,183,307
<b>Other key management personnel</b>									
P Chambers	2016	312,398	78,439	15,739	19,264	7,942	113,649	–	547,431
	2015	303,158	101,198	15,468	18,699	7,443	36,051	–	482,017
M Eva	2016	266,698	74,986	28,567	19,264	–	34,739	–	424,254
	2015	242,928	94,554	47,853	18,699	–	92,690	–	496,724
P Ross	2016	289,672	70,817	3,986	19,264	34,654	113,822	–	532,215
	2015	274,267	91,155	10,884	18,699	–	33,625	–	428,630
L Van Driel	2016	292,595	90,792	–	27,797	8,230	117,769	–	537,183
	2015	284,073	85,641	–	34,654	7,644	74,258	–	486,270
B Van Twest	2016	307,088	80,297	15,739	19,264	–	35,269	–	457,657
	2015	298,095	99,498	14,866	18,699	–	100,548	–	531,706
K Tomeo*	2016	34,633	–	–	3,290	–	–	–	37,923
	2015	–	–	–	–	–	–	–	–
C Barbuto*	2016	95,511	(3,893)	–	10,357	–	–	–	101,975
	2015	117,082	17,400	–	11,123	–	–	–	145,605

+ Appointed 21 January 2016

\* Commenced 09 May 2016

\*\* Resigned 26 January 2016.



## Notes

The elements of remuneration have been determined on the basis of the cost to the consolidated entity.

Performance rights granted have been independently valued using the Black Scholes simulation option pricing model, which takes account of factors such as the exercise price of the rights, the current level and volatility of the underlying share price and the time to maturity of the rights. The amount shown here is an accounting expense and reflects the value as determined using this model. The value is expensed over the vesting period of the rights.

## Fixed and Variable Remuneration

Table 6 details the proportion of fixed and variable remuneration earned by directors and key management personnel during the 2016 and 2015 financial years.

**Table 6: Fixed and Variable Remuneration**

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI <sup>+</sup>	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
<b>Non Executive Directors</b>						
M Iwaniw	100.0	100.0	–	–	–	–
M Carroll	100.0	100.0	–	–	–	–
F Grimwade	100.0	100.0	–	–	–	–
R M Herron	100.0	100.0	–	–	–	–
P Riordan	100.0	100.0	–	–	–	–
N Anderson+	100.0	–	–	–	–	–
<b>Executive Director</b>						
P Thompson	67.1	47.9	15.3	14.4	17.6	37.8
<b>Other key management personnel</b>						
P Chambers	64.9	71.5	14.3	21.0	20.8	7.5
M Eva	74.1	62.3	17.7	19.0	8.2	18.7
P Ross	65.3	70.9	13.3	21.3	21.4	7.8
L Van Driel	61.2	67.1	16.9	17.6	21.9	15.3
B Van Twest	74.7	61.3	17.5	19.3	7.7	19.5
K Tomeo*	100.0	–	–	–	–	–
C Barbuto**	103.8	88.0	(3.8)	12.0	–	–

+ Appointed 21 January 2016

\* Commenced 09 May 2016

\*\* Resigned 26 January 2016

# based on the value of performance rights as at grant date as valued using the option pricing model.

# Directors' Report

Continued

## REMUNERATION REPORT Continued

### Performance Rights

Table 7 details awards of performance rights granted to executives under the LTI Plan that are still in progress.

**Table 7: Performance Rights affecting Remuneration**

Grant Year	Vesting Conditions	Performance Period	Participating Executives	Performance Achieved	Vested %
2012	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2014 30 June 2015 30 June 2016	P Chambers* P Ross*	30 June 2014 rights achieved 100% of EPS condition rights and 88% of TSR condition rights  30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights  30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights	94% of 30 June 2014 rights  100% of 30 June 2015 rights  47% of 30 June 2016 rights
2013	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2014 30 June 2015 30 June 2016	L Van Driel**	30 June 2014 rights achieved 100% of EPS condition rights and 88% of TSR condition rights  30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights  30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights	94% of 30 June 2014 rights  100% of 30 June 2015 rights  47% of 30 June 2016 rights
	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2015 30 June 2016 30 June 2017	P Thompson** M Eva** B Van Twest**	30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights  30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights  2017 period to be determined.	100% of 30 June 2015 rights  47% of 30 June 2016 rights  N/A other periods
2016	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2017	P Chambers*** P Ross*** L Van Driel***	2017 period to be determined.	N/A other periods

\* Granted 29 June 2012

\*\* Granted 30 April 2013

\*\*\* Granted 11 February 2016.

The LTI Plan provides for the offer of a parcel of performance rights with a three year performance period to participating employees. The rights vest at the end of the three year period on achievement of the performance hurdles.

Performance rights are granted under the plan for no consideration. The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

**Table 8: Grants of Performance Rights**

The following table details the grants of performance rights available to the Managing Director & CEO and executive team.

Name	RIGHTS TO DEFERRED SHARES							
	Year Granted	Number Granted	Value per right*	Vested %	Vested Number	Forfeited Number	Financial years in which rights may vest	Max. Value yet to vest*
P Thompson	2013	300,000	\$2.26	100%	300,000	0	30 June 2015	\$0
	2013	300,000	\$2.26	47%	141,450	158,550	30 June 2016	\$0
	2013	300,000	\$2.26	0%	0	0	30 June 2017	\$678,136
P Chambers	2012	57,960	\$1.08	94%	54,511	3,449	30 June 2014	\$0
	2012	57,960	\$1.15	100%	57,960	0	30 June 2015	\$0
	2012	57,960	\$1.20	47%	27,328	30,632	30 June 2016	\$0
	2016	60,000	\$4.44	0%	0	0	30 June 2017	\$266,570
M Eva	2013	52,687	\$2.26	100%	52,687	0	30 June 2015	\$0
	2013	60,000	\$2.26	47%	28,290	31,710	30 June 2016	\$0
	2013	60,000	\$2.26	0%	0	0	30 June 2017	\$135,627
P Ross	2012	54,060	\$1.08	94%	50,843	3,217	30 June 2014	\$0
	2012	54,060	\$1.15	100%	54,060	0	30 June 2015	\$0
	2012	54,060	\$1.20	47%	25,489	28,571	30 June 2016	\$0
	2016	60,000	\$4.44	0%	0	0	30 June 2017	\$266,570
L Van Driel	2013	50,600	\$2.25	94%	47,589	3,011	30 June 2014	\$0
	2013	50,600	\$2.26	100%	50,600	0	30 June 2015	\$0
	2013	50,600	\$2.26	47%	23,858	26,742	30 June 2016	\$0
	2016	60,600	\$4.44	0%	0	0	30 June 2017	\$266,570
B Van Twest	2013	60,000	\$2.26	100%	60,000	0	30 June 2015	\$0
	2013	60,000	\$2.26	47%	28,290	31,710	30 June 2016	\$0
	2013	60,000	\$2.26	0%	0	0	30 June 2017	\$135,627

\* This represents the value of the performance rights as at their grant date as valued using the option pricing model. The minimum possible total value of the rights is nil if the applicable vesting conditions are not met.



# Directors' Report

Continued

## REMUNERATION REPORT Continued

### Table 9: Details of Performance Rights Granted, Vested and Exercised

The following table illustrates the movements in performance rights granted to the Managing Director & CEO and executive team during the period.

	NUMBER				
	Opening Balance	Granted during the year	Vested during the year	Forfeited during the year	Closing Balance
<b>2016</b>					
<b><i>Executive Director</i></b>					
P Thompson	600,000	–	141,450	158,550	300,000
<b><i>Other key management personnel</i></b>					
P Chambers	57,960	60,000	27,328	30,632	60,000
M Eva	120,000	–	28,290	31,710	60,000
P Ross	54,060	60,000	25,489	28,571	60,000
L Van Driel	50,600	60,000	23,858	26,742	60,000
B Van Twest	120,000	–	28,290	31,710	60,000

All vested rights are exercisable at the end of the year.

### Table 10: Number of shares held by directors and other key management personnel

The movement during the financial year in the number of ordinary shares of the company held, directly or indirectly, by each director and other key management personnel, including their personally related entities, is as follows:

	Held at 1 July 2015	Received on exercise of performance rights	Other – DRP, sales and purchases	Held at 30 June 2016
<b><i>Non-executive directors</i></b>				
M Iwaniw	188,087	–	11,010	199,097
R M Herron	49,879	–	4,041	53,920
M Carroll	3,202	–	7,739	10,941
F Grimwade	102,804	–	–	102,804
P Riordan	10,000	–	–	10,000
N Anderson <sup>+</sup>	–	–	3,500	3,500
<b><i>Executive director</i></b>				
P Thompson	37,111	300,000	1,268	338,379
<b><i>Other key management personnel</i></b>				
P Chambers	76,511	57,960	(21,300)	113,171
P Ross	50,843	54,060	–	104,903
M Eva	–	52,687	–	52,687
L Van Driel	47,589	50,600	(98,189)	–
B Van Twest	–	60,000	(37,500)	22,500
K Tomeo <sup>*</sup>	–	–	–	–
C Barbuto <sup>**</sup>	–	–	–	–

<sup>+</sup> Appointed 21 January 2016

<sup>\*</sup> Commenced 09 May 2016

<sup>\*\*</sup> Resigned 26 January 2016

#### 4. Service Agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the managing director, chief financial officer and other key management personnel are also formalised in service agreements. Each of these agreements provide for performance related cash bonuses.

The major provisions of the agreements are set out below.

Name	Title	Term	Notice Period	Base Salary incl. Super annuation
P Thompson	Managing Director & CEO	On-going	6 months	583,408
P Chambers	Chief Financial Officer	On-going	3 months	347,401
M Eva	General Manager Sales and Marketing Consumer	On-going	3 months	314,529
P Ross	General Manager Horticulture	On-going	3 months	312,922
L Van Driel	Group Trading Manager	On-going	3 months	320,392
B Van Twest	General Manager Operations	On-going	3 months	342,091
K Tomeo*	General Manager Safety, People and Sustainability	On-going	3 months	255,000
C Barbuto**	Group Human Resource	On-going	3 months	200,000

\* Commenced 09 May 2016

\*\* Resigned 26 January 2016

Base salaries quoted are for the year ended 30 June 2016. They are reviewed annually by the Remuneration Committee, however at the time of preparing the remuneration report the review for the 30 June 2017 year is yet to be completed.

Other than the notice periods noted above there are no specific termination benefits applicable to the service agreements.

#### 5. Use of Remuneration Consultants

In October 2015, the Remuneration Committee engaged Mercer Consulting (Mercer) and Guerdon Associates (Guerdon) to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan respectively. Total consulting fees paid were \$42,940.

Mercer and Guerdon have confirmed that any remuneration recommendations have been made free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Mercer and Guerdon was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations was provided by Mercer and Guerdon directly to the chair of the Remuneration Committee; and
- Mercer and Guerdon was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Mercer and Guerdon was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

# Directors' Report

Continued

## DIVIDENDS

	Cents	2016 \$'000
<b>Interim unfranked dividend for 2016</b>		
• on ordinary shares	21.0	15,255
<b>Final fully franked dividend declared for 2016</b>		
• on ordinary shares	25.0	18,230

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year the Company entered into an insurance contract to indemnify directors and officers against liabilities that may arise from their position as directors and officers of the Company and its controlled entities. The terms of the contract do not permit disclosure of the premium paid.

Officers indemnified include the company secretary, all directors, and executive officers participating in the management of the Company and its controlled entities.

## COMMITTEE MEMBERSHIP

During or since the end of the financial year, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee comprising members of the Board of Directors.

Members acting on the Committees of the Board during or since the end of the financial year were:

### Audit and Risk

R M Herron (Chairman)

F Grimwade

P Riordan

### Remuneration and Nomination

M Carroll (Chairman)

M Iwaniw

N Anderson (replacing F Grimwade)

F Grimwade (resigned from committee)

## Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS		MEETINGS OF COMMITTEES			
			AUDIT AND RISK		REMUNERATION AND NOMINATION	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
M Iwaniw	13	13	–	–	2	2
P Thompson	13	13	–	–	–	–
R M Herron	13	11	4	4	–	–
M Carroll	13	13	–	–	2	2
F Grimwade	13	13	4	4	1	1
P Riordan	13	12	4	4	–	–
N Anderson <sup>+</sup>	6	6	–	–	–	–

+ Appointed 21 January 2016



## DIRECTOR'S INTERESTS IN CONTRACTS

Directors' interests in contracts are disclosed in Note 24 to the financial statements.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

## NON-AUDIT SERVICES

Non-audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the Company during the year are detailed in Note 23. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001* as non-audit services are reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

## ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Class Order applies.

## PROCEEDINGS ON BEHALF OF THE COMPANY

There are no material legal proceedings in place on behalf of the Company as at the date of this report.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Select Harvests Limited support and have adhered to the ASX principles of corporate governance. This year, the Company has adopted Listing Rule 4.10.3 which allows companies to publish their corporate governance statement on their website rather than in their annual report. A copy of the statement along with any related disclosures is available at: <http://www.selectharvests.com.au/governance>.

This report is made in accordance with a resolution of the directors.



**M Iwaniw**  
Chairman

Melbourne, 26 August 2016

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Select Harvests Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'A. Cronin'.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
26 August 2016

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Annual Financial Report

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This financial report covers the Group consisting of Select Harvests Limited and its subsidiaries. The financial report is presented in Australian currency.

Select Harvests Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Select Harvests Limited  
360 Settlement Road  
Thomastown Vic 3074

A description of the nature of the Company's operations and its principal activities is included in the review of operations and activities and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 26 August 2016. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All financial reports and other information are available on our website: [www.selectharvests.com.au](http://www.selectharvests.com.au).



# Statement of Comprehensive Income

For the year ended 30 June 2016

For the year ended 30 June 2016	Note	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Revenue</b>			
Sales of goods and services	6	285,917	223,474
Other revenue	6	251	170
<b>Total revenue</b>		<b>286,168</b>	<b>223,644</b>
<b>Other income</b>			
Inventory fair value adjustment		(43,033)	47,517
Gain on sale of assets		8,644	–
<b>Total other income</b>		<b>(34,389)</b>	<b>47,517</b>
<b>Expenses</b>			
Cost of sales	7	(186,286)	(168,130)
Distribution expenses		(4,463)	(4,349)
Marketing expenses		(1,304)	(1,181)
Occupancy expenses		(1,314)	(1,304)
Administrative expenses		(6,642)	(5,180)
Finance costs	7	(5,538)	(5,387)
Other expenses		(1,942)	(5,116)
<b>PROFIT BEFORE INCOME TAX</b>		<b>44,290</b>	<b>80,514</b>
Income tax expense	8	(10,494)	(23,748)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>33,796</b>	<b>56,766</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		<b>1,053</b>	<b>(156)</b>
<b>Other comprehensive income/(expense) for the year</b>		<b>1,053</b>	<b>(156)</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>34,849</b>	<b>56,610</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents per share)	22	46.7	82.9
Diluted earnings per share (cents per share)	22	46.0	81.0

The above statement should be read in conjunction with the accompanying Notes.

# Balance Sheet

As at 30 June 2016

As at 30 June 2016	Note	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,435	270
Trade and other receivables	10	48,477	60,082
Inventories	11	104,316	142,354
Derivative financial instruments	12	1,293	76
		<b>155,521</b>	<b>202,782</b>
Assets held for sale		–	5,000
<b>TOTAL CURRENT ASSETS</b>		<b>155,521</b>	<b>207,782</b>
<b>NON-CURRENT ASSETS</b>			
Other assets		–	349
Property, plant and equipment (includes bearer plants)	13	238,187	231,442
Intangible assets	14	56,064	48,339
<b>TOTAL NON-CURRENT ASSETS</b>		<b>294,251</b>	<b>280,130</b>
<b>TOTAL ASSETS</b>		<b>449,772</b>	<b>487,912</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	23,180	31,273
Interest bearing liabilities	16	30,619	22,418
Derivative financial instruments	12	–	288
Current tax liabilities		25,142	5,473
Deferred gain on sale	17	175	–
Employee entitlements		2,667	2,441
<b>TOTAL CURRENT LIABILITIES</b>		<b>81,783</b>	<b>61,893</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	16	38,082	93,461
Deferred tax liabilities	8(c)	34,452	44,064
Deferred gain on sale	17	3,197	–
Employee entitlements		1,357	1,107
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>77,088</b>	<b>138,632</b>
<b>TOTAL LIABILITIES</b>		<b>158,871</b>	<b>200,525</b>
<b>NET ASSETS</b>		<b>290,901</b>	<b>287,387</b>
<b>EQUITY</b>			
Contributed equity	18	178,553	170,198
Reserves		11,168	12,818
Retained profits		101,180	104,371
<b>TOTAL EQUITY</b>		<b>290,901</b>	<b>287,387</b>

The above balance sheet should be read in conjunction with the accompanying Notes.

# Statement of Changes in Equity

For the year ended 30 June 2016

<b>CONSOLIDATED</b>	<i>Notes</i>	<b>Contributed Equity \$'000</b>	<b>Reserves<sup>(1)</sup> \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
<b>Balance at 30 June 2014</b>		<b>99,750</b>	<b>12,190</b>	<b>63,466</b>	<b>175,406</b>
Profit for the year		–	–	56,766	56,766
Other comprehensive loss		–	(156)	–	(156)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>(156)</b>	<b>56,766</b>	<b>56,610</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs and deferred tax	18	5,792	–	–	<b>5,792</b>
Issue of ordinary shares		64,656	–	–	<b>64,656</b>
Dividends paid or provided	9	–	–	(15,861)	<b>(15,861)</b>
Employee performance rights	25	–	784	–	<b>784</b>
<b>Balance restated at 30 June 2015</b>		<b>170,198</b>	<b>12,818</b>	<b>104,371</b>	<b>287,387</b>
Profit for the year		–	–	33,796	33,796
Other comprehensive income		–	1,053	–	1,053
<b>Total comprehensive profit for the year</b>		<b>–</b>	<b>1,053</b>	<b>33,796</b>	<b>34,849</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs and deferred tax	18	8,355	–	–	<b>8,355</b>
Transfer to retained earnings		–	(3,271)	3,271	–
Dividends paid or provided	9	–	–	(40,258)	<b>(40,258)</b>
Employee performance rights	25	–	568	–	<b>568</b>
<b>Balance at 30 June 2016</b>		<b>178,553</b>	<b>11,168</b>	<b>101,180</b>	<b>290,901</b>

(1) Nature and purpose of reserves

(i) Capital reserve

The capital reserve was previously used to isolate realised capital profits from disposal of non-current assets. This has now been transferred to retained profits in the current year as this is longer required.

(ii) Asset revaluation reserve

The asset revaluation reserve was previously used to record increments and decrements in the value of non-current assets. This revaluation reserve is no longer in use given assets are now recorded at cost. This is in line with accounting policies within Note 1.

(iii) Options reserve

The options reserve is used to recognise the fair value of performance rights granted and expensed but not exercised.

(iv) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on the fair value movements in the interest rate swap and foreign currency contracts in a cash flow hedge that are recognised directly in equity.

The above statement of changes in equity should be read in conjunction with the accompanying Notes.



# Statement of Cash Flows

For the year ended 30 June 2016

	Note	CONSOLIDATED	
		2016 \$'000	2015 \$'000
For the year ended 30 June 2016			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		304,306	205,747
Payments to suppliers and employees		(205,688)	(170,330)
		<b>98,618</b>	<b>35,417</b>
Interest received		294	136
Interest paid		(5,156)	(5,154)
Income tax paid		(890)	–
<b>Net cash inflow from operating activities</b>	19	<b>92,866</b>	<b>30,399</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Government grants		4,118	2,302
Proceeds from sale of property, plant and equipment		9,800	227
Proceeds from sale and leaseback transaction		34,922	–
Payment for water rights		(9,591)	(11,218)
Payment for property, plant and equipment		(32,717)	(33,833)
Acquisition of almond orchards	3	(5,285)	(54,600)
Tree development costs		(4,408)	(2,810)
<b>Net cash outflow from investing activities</b>		<b>(3,161)</b>	<b>(99,932)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale and leaseback transaction		28,362	–
Proceeds from issues of shares		–	64,656
Proceeds from borrowings		197,000	97,332
Repayments of borrowings		(279,608)	(91,500)
Repayments of finance leases		(1,911)	–
Dividends on ordinary shares, net of Dividend Reinvestment Plan		(31,903)	(10,068)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(88,060)</b>	<b>60,420</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,645</b>	<b>(9,113)</b>
Cash and cash equivalents at the beginning of the financial year		(5,100)	4,013
<b>Cash and cash equivalents at the end of the financial year</b>		<b>(3,455)</b>	<b>(5,100)</b>
Reconciliation to cash at the end of the year:			
Cash and cash equivalents		1,435	270
Bank overdrafts		(4,890)	(5,370)
		<b>(3,455)</b>	<b>(5,100)</b>

The above cash flow statement should be read in conjunction with the accompanying Notes.

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Company consisting of Select Harvests Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*. Select Harvests Limited is a for profit entity for the purpose of preparing the financial statements.

### Compliance with IFRS

The consolidated financial statements of the Select Harvests Limited group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the income statement, biological assets, and certain classes of property, plant and equipment.

### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

### New and amended standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

### (i) AASB 9 Financial Instruments (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company is yet to assess its full impact and has not yet decided when to adopt AASB 9.

### (ii) AASB15 Revenue from Contracts with Customers (effective from 1 January 2017)

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company is yet to assess its full impact and has not yet decided when to adopt AASB 15.

### (iii) AASB 16 Leases (effective from 1 April 2019)

The standard was released on 23 February 2016 and will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The current standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The Company is yet to assess its full impact and has not yet decided when to adopt AASB 16.

### (b) Principles of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(z)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the

transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each entity comprising the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of Select Harvests Limited.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

### (d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity, the revenue can be reliably measured, and the risks and rewards have passed to the buyer. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of Goods

Risk and reward for the goods has passed to the buyer.

#### Interest

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income

on impaired loans is recognised using the original effective interest rate.

### Almond Pool Revenue

Under contractual arrangements, the group acts as an agent for external growers by simultaneously acquiring and selling the almonds and therefore, does not make a margin on those sales. These amounts are not included in the group's revenue.

As at 30 June 2016 the group held almond inventory on behalf of external growers which was not recorded as inventory of the Company.

All revenue is stated net of the amount of Goods and Services Tax (GST).

### (e) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the consolidated entity.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which they become receivable.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are deducted from the carrying amount of the asset on the Balance sheet. The Grant is recognised in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

### (f) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, money market investments readily convertible to cash within two working days, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### (g) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured

at amortised cost using the effective interest method, less provision for impairment.

### (h) Inventories

Inventories are valued at the lower of cost and net realisable value except for almond stocks which are measured at fair value less estimated cost to sell at the point of harvest, and subsequently at Net Realisable Value under AASB 102 Inventories.

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

- Raw materials and consumables: purchase cost on a first in first out basis;
- Finished goods and work in progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity; and
- Almond stocks are valued in accordance with AASB 141 Agriculture whereby the cost of the non-living (harvested) produce is deemed to be its net market value immediately after it becomes non-living. This valuation takes into account current almond selling prices and current processing and selling costs.
- Other inventories comprise consumable stocks of chemicals, fertilisers and packaging materials.

### (i) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

### (i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### (ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

### (j) Property, plant and equipment

#### Cost and valuation

All classes of property, plant and equipment are measured at historical cost less accumulated depreciation.

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



# Notes to the Financial Statements

Continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

### (j) Property, plant and equipment Continued

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land water rights are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

Buildings:	25 to 40 years
Leasehold improvements:	5 to 40 years
Plant and equipment:	5 to 20 years
Leased plant and equipment:	5 to 10 years
Bearer plants	10 to 30 years
Irrigation systems:	10 to 40 years

#### Capital works in progress

Capital works in progress are valued at cost and relate to costs incurred for owned orchards and other assets under development.

#### (k) 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.

#### Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis over the term of the lease.

#### Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the income statement.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

#### (l) Agriculture produce

##### Growing almond crop

The growing almond crop is valued in accordance with AASB 141 Agriculture. The fair value amount is an aggregate of the fair valuation of the current year almond crop and the reversal of the fair valuation of the prior year almond crop. The current year fair valuation takes into account current almond selling prices and current growing, processing and selling costs. The calculated crop value is then discounted to take into account that it is only partly developed, and then further discounted by a suitable factor to take into account the agricultural risk until crop maturity.

#### (m) Intangibles

##### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill is not amortised. Instead, goodwill 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 any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

##### Brand names

Brand names are measured at cost. Directors are of the view that brand names have an indefinite life. Brand names are therefore not depreciated. Instead, brand names are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be

impaired, and are carried at cost less any accumulated impairment losses.

#### Permanent water rights

Permanent water rights are recorded at historical cost. Such rights have an indefinite life, and are not depreciated. As an integral component of the land and irrigation infrastructure required to grow almonds, the carrying value is tested annually for impairment. If events or changes in circumstances indicate impairment, the carrying value is adjusted to take account of any impairment losses.

#### (n) Impairment of assets

Goodwill and other Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

#### (o) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

#### **(i) Investment allowances and similar tax incentives**

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

#### **(ii) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

#### **(q) Employee benefits**

##### **(i) Short-term obligations:**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### **(ii) Other long-term benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

#### **Share-based payments**

Share-based compensation benefits are provided to employees via the Select Harvests Limited Long Term Incentive Plan (LTIP). Information relating to this scheme is set out in Note 25.

The fair value of performance rights granted under the Select Harvests Limited LTIP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights. The fair value at grant date is independently determined using a Black Scholes option pricing model that takes into account the term of the right, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right. The fair value of the performance rights granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of rights that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of rights that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

#### **(r) Financial Instruments**

##### **Financial Assets**

Collectability of trade receivables is reviewed on an ongoing basis. Trade receivables are carried at full amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable, and where there is objective evidence of impairment, debts which are known to be non-collectible are written off immediately.

Amounts receivable from other debtors are carried at full amounts due. Other debtors are normally settled on 30 days from month end unless there is a specific contract which specifies an alternative date. Amounts receivable from related parties are carried at full amounts due.

# Notes to the Financial Statements

Continued

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

### (r) Financial Instruments Continued

#### Financial Liabilities

The bank overdraft disclosed within interest bearing liabilities is carried at the principal amount and is part of the Net Cash balance in the Statement of Cash Flows. Interest is charged as an expense as it accrues. Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Finance lease liabilities are accounted for in accordance with AASB 117 Leases.

### (s) Fair value estimation

The fair value of certain financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets, such as foreign exchange hedge contracts and the interest rate swap, are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar instruments.

### (t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for

liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs, inclusive of all facility fees, bank charges, and interest, are expensed as incurred.

### (v) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

### (w) Contributed equity

Ordinary shares are classified as equity. The value of new shares or options issued is shown in equity.

### (x) Earnings per share

#### (i) Basic Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive ordinary shares, and the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

### (y) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer

### (z) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement as a discount on acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (aa) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

### (ab) Rounding amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 in relation to the "rounding off" of amounts in the financial report. Consequently, amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### (ac) Parent entity financial information

The financial information for the parent entity, Select Harvests Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### (i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of Select Harvests Limited.

#### (ii) Tax consolidation legislation

Select Harvests Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Select Harvests Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Select Harvests Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Select Harvests Limited for any current tax payable assumed and are compensated by Select Harvests Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Select Harvests Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity,

which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors.

### Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Inventory – Current Year Almond Crop

The current year almond crop is classified as a biological asset and valued in accordance with AASB 141 Agriculture. In applying this standard, the consolidated entity has made various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The assumptions are the estimated average almond selling price at the point of harvest of \$8.08 per kg and almond yield based on a crop estimate for the Company orchards of 14,200mt.

#### Fair Value of Acquired Assets

In calculating the fair value of acquired assets, in particular almond orchards, the Company has made various assumptions. These include future almond price, long term yield and discount rates. The valuation of almond trees is very sensitive to these

assumptions and any change may have a material impact on these valuations.

### Carrying value of intangible assets

The Group tests annually whether intangible assets, have suffered any impairment, in accordance with the accounting policy stated in Note 1(n). The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Key assumptions and sensitivities are disclosed in Note 14.

## 3. BUSINESS COMBINATIONS

### (a) Summary of acquisitions

On 18 September 2015, Select Harvests acquired 370 acres of land, which includes 200 acres of almond orchards, in New South Wales for \$5.3 million cash consideration.

The fair values of assets and liabilities recognised as a result of the acquisitions are as follows:

	\$'000
Plantation land and irrigation systems	1,792
Buildings	200
Biological assets-trees	2,340
Permanent water rights	953
<b>Net Identifiable Assets</b>	<b>5,285</b>
Net cash outflow on acquisition	5,285
<b>Total purchase consideration</b>	<b>5,285</b>

Included in other expenses in the income statement are transaction costs totalling \$0.4 million relating to statutory, legal and advisors fees associated with the acquisitions.

### (b) Financial contribution of acquisitions

The acquired businesses contributed earnings before interest and tax of \$503,000 to the group for the period from acquisition date to 30 June 2016.

If the acquisition had occurred on 1 July 2015, consolidated profit after tax for the year ended 30 June 2016 would have remained unchanged from the reported results.



# Notes to the Financial Statements

Continued

## 4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by management pursuant to policies approved by the Board of Directors.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Group sells both almonds harvested from owned orchards through the almond pool and processed products internationally in United States dollars, and purchases raw materials and other inputs to the manufacturing and almond growing process from overseas suppliers predominantly in United States dollars. The Group also acquires capital related items internationally in Euro.

Management and the Board review the foreign exchange position of the Group and, where appropriate, take out forward exchange contracts, transacted with the Group's banker's, to manage foreign exchange risk.

The exposure to foreign currency risk at the reporting date was as follows:

Group	30 June 2016 USD \$'000	30 June 2016 EUR \$'000	30 June 2015 USD \$'000	30 June 2015 EUR \$'000
Trade receivables net of payables	21,995	–	24,045	–
Overdraft	(3,627)	–	(4,141)	–
Foreign exchange contracts				
– buy foreign currency (cash flow hedges)	991	1,625	6,198	5,158
– sell foreign currency (cash flow hedges)	19,033	–	10,864	–

### Group sensitivity analysis

Based on financial instruments held at 30 June 2016, had the Australian dollar strengthened/weakened by 5% against the US dollar and the EUR, with all other variables held constant, the Group's post tax profit for the year would have been \$825,000 lower/\$912,000 higher (2015: \$860,000 lower/\$951,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been \$1,555,000 lower/\$1,719,000 higher (2015: \$811,000 lower/\$896,000 higher), arising mainly from foreign forward exchange contracts designated as cash flow hedges.

#### (ii) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings issued at variable rates, which exposes the Group to cash flow interest rate risk. The Group's borrowings at variable interest rate are denominated in Australian dollars.

At the reporting date the Group had the following variable rate borrowings:

	30 June 2016 Average Interest Rate %	Balance \$'000	30 June 2015 Average Interest Rate %	Balance \$'000
Debt facilities (AUD)	6.37%	22,000	5.06%	94,608
Overdraft (USD)	1.29%	4,890	1.43%	5,370

An analysis of maturities is provided in (c) below.

The Group analyses interest rate exposure on an ongoing basis in conjunction with the debt facility, cash flow and capital management. With the current low level of debt and soft market sentiment, the Company has chosen not to enter into an interest rate agreement.

### Group sensitivity

At 30 June 2016, if interest rates had changed by +/- 25 basis points from the weighted average interest rate with all other variables held constant, post tax profit for the year would have been \$45,000 lower/higher (2015: \$182,000 lower/higher).

### Interest rate risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the balance date, are as follows:

	FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN:						NON-INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
			1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS							
Financial Instruments	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 %	2015 %
(i) Financial assets														
Cash	1,435	270	–	–	–	–	–	–	–	–	1,435	270	–	–
Trade and other receivables	–	–	–	–	–	–	–	–	44,888	58,308	44,888	58,308	–	–
Forward exchange contracts	–	–	–	–	–	–	–	–	1,293	76	1,293	76	–	–
Total financial assets	1,435	270	–	–	–	–	–	–	46,181	58,384	47,616	58,654		
(ii) Financial liabilities														
Bank overdraft – USD @ AUD	4,890	5,370	–	–	–	–	–	–	–	–	4,890	5,370	1.29	1.43
Commercial Bills	22,000	94,609		10,000	–	–	–	–	–	–	22,000	104,609	6.37	5.06
Trade creditors	–	–	–	–	–	–	–	–	8,007	8,112	8,007	8,112	–	–
Other creditors	–	–	–	–	–	–	–	–	15,173	23,161	15,173	23,161	–	–
Interest Rate Swap	–	–	–	–	–	–	–	–	–	135		135	–	–
Forward exchange contracts	–	–	–	–	–	–	–	–	–	153	–	153	–	–
Total financial liabilities	26,890	99,979		10,000	–	–	–	–	23,180	31,561	50,070	141,540	–	–

### (b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as exposure to wholesale, retail and farm investor customers, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates. Given that the majority of income is derived from large, blue chip customers with no history of default, the provision raised against receivables is deemed to be satisfactory.

The Group's banking partners have long-term credit ratings of AA- and A+ (Standard and Poor's).

### (c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

# Notes to the Financial Statements

Continued

## 4. FINANCIAL RISK MANAGEMENT Continued

### (c) Liquidity risk Continued

#### Financing arrangements

The following debt facilities are held with the National Australia Bank (NAB), Rabobank (Rabo) and Commonwealth Bank (CBA) in proportions of 50%, 25% and 25% respectively, except as noted.

Debt facilities	Expiry Date	Facility Limit
1. Revolving	01/03/2019	\$65,000,000
2. Working capital	01/03/2018	\$29,000,000
3. Seasonal*#	01/09/2019	\$21,000,000
		AUD \$115,000,000
4. Overdraft*	01/03/2017	USD \$5,000,000

\* Held with NAB only

# Available for the period 1 March to 30 June each year.

The interest rate paid on these facilities is determined by an incremental margin on the BBSY or LIBOR rate.

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2016 \$'000	2015 \$'000
<b>Floating rate</b>		
– Revolving/Working capital/Seasonal facility	AUD \$93,000	AUD \$170,392
– Bank overdraft facility USD	USD \$1,373	USD \$859

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The debt facilities (revolving, working capital, seasonal) may be drawn at any time over the term.

### Maturities of financial liabilities

The table below analyses the Group's financial liabilities, net and gross settled derivative instruments into relevant maturity groupings based on the remaining period at the reporting date on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Less than 6 months \$'000	6 – 12 months \$'000	More than 12 months \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
<b>Group at 30 June 2016</b>						
Non derivatives						
Variable Rate		22,624	–	–	22,624	22,000
	Bank Overdraft	–	–	4,890	4,890	4,890
Derivatives						
	Interest Rate Swap	–	–	–	–	–
	EUR buy – outflow	1,625	–	–	1,625	24
	USD buy – outflow	991	–	–	991	(2)
	USD sell – (inflow)	(19,033)	–	–	(19,033)	1,271
	USD net	(18,042)	–	–	(18,042)	1,269

		Less than 6 months \$'000	6 – 12 months \$'000	More than 12 months \$'000	Total contractual cash flows \$'000	Carrying Amount (assets)/ liabilities \$'000
<b>Group at 30 June 2015</b>						
Non derivatives						
Variable Rate	Debt facilities	–	21,511	96,698	118,209	101,427
	Trade finance	–	3,182	–	3,182	3,182
	Bank Overdraft	5,370	–	–	5,370	5,370
Derivatives						
	Interest Rate Swap	101	34	–	135	135
	EUR buy – outflow	2,710	2,448	–	5,158	(58)
	USD buy – outflow	4,518	1,680	–	6,198	(18)
	USD sell – (inflow)	(10,864)	–	–	(10,864)	153
	USD net	(6,346)	1,680	–	(4,666)	135

### (d) Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Disclosures are required of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level one);
- Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level two); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level three).

At 30 June 2016 the group's assets and liabilities measured and recognised at fair value comprised the foreign exchange forward contracts while at 30 June 2015, it comprised the interest rate swap derivative and foreign exchange forward contracts. Both are level 2 measurements under the hierarchy.



# Notes to the Financial Statements

Continued

## 5. SEGMENT INFORMATION

### Segment products and locations

The segment reporting reflects the way information is reported internally to the Chief Executive Officer.

The Company has the following business segments:

- Food Division – processes, markets, and distributes edible nuts, dried fruits, seeds, and a range of natural health foods.
- Almond Division – grows, processes and sells almonds to the food industry from company owned almond orchards, and provides a range of management services to external owners of almond orchards, including orchard development, tree supply, farm management, land and irrigation infrastructure rental, and the sale of almonds on behalf of external investors.

The Company operates predominantly within the geographical area of Australia.

The segment information provided to the Chief Executive Officer is referenced in the following table:

	FOOD DIVISION (\$'000)		ALMOND DIVISION (\$'000)		ELIMINATIONS AND CORPORATE (\$'000)		CONSOLIDATED ENTITY (\$'000)	
	Jun 2016	Jun 2015	Jun 2016	Jun 2015	Jun 2016	Jun 2015	Jun 2016	Jun 2015
<b>Revenue</b>								
Total revenue from external customers	161,825	138,757	124,092	84,717	–	–	285,917	223,474
Intersegment revenue	–	–	36,887	30,550	(36,887)	(30,550)	–	–
<b>Total segment revenue</b>	<b>161,825</b>	<b>138,757</b>	<b>160,979</b>	<b>115,267</b>	<b>(36,887)</b>	<b>(30,550)</b>	<b>285,917</b>	<b>223,474</b>
Other revenue	–	–	208	113	43	57	251	170
<b>Total revenue</b>	<b>161,825</b>	<b>138,757</b>	<b>161,187</b>	<b>115,380</b>	<b>(36,844)</b>	<b>(30,493)</b>	<b>286,168</b>	<b>223,644</b>
EBIT	10,342	6,817	44,575	83,713	(5,132)	(4,685)	49,785	85,845
Interest received	–	–	–	–	43	56	43	56
Finance costs expensed	–	–	(2,127)	(182)	(3,411)	(5,205)	(5,538)	(5,387)
<b>Profit before income tax</b>	<b>10,342</b>	<b>6,817</b>	<b>42,448</b>	<b>83,531</b>	<b>(8,500)</b>	<b>(9,834)</b>	<b>44,290</b>	<b>80,514</b>
<b>Segment assets (excluding intercompany debts)</b>	<b>75,039</b>	<b>77,059</b>	<b>375,295</b>	<b>418,225</b>	<b>(562)</b>	<b>(7,372)</b>	<b>449,772</b>	<b>487,912</b>
<b>Segment liabilities (excluding intercompany debts)</b>	<b>(10,446)</b>	<b>(11,489)</b>	<b>(96,588)</b>	<b>(78,115)</b>	<b>(51,837)</b>	<b>(110,921)</b>	<b>(158,871)</b>	<b>(200,525)</b>
<b>Acquisition of non-current segment assets</b>	<b>240</b>	<b>584</b>	<b>60,476</b>	<b>98,741</b>	<b>1,852</b>	<b>326</b>	<b>62,568</b>	<b>99,651</b>
<b>Depreciation and amortisation of segment assets</b>	<b>454</b>	<b>475</b>	<b>12,091</b>	<b>10,033</b>	<b>54</b>	<b>38</b>	<b>12,599</b>	<b>10,546</b>

Sales to major customers include Coles 31% and Woolworths 17% of total sales of the Food Division

## 6. REVENUE

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Revenue from continuing operations</b>			
– Management services		4,400	5,725
– Sale of goods		281,517	217,749
– Other revenue		251	170
<b>Total revenue</b>		<b>286,168</b>	<b>223,644</b>

## 7. EXPENSES

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Profit before tax includes the following specific expenses:</b>			
Cost of goods and services sold		186,286	168,130
Depreciation of non-current assets:			
Buildings		205	193
Plantation land and irrigation systems		1,364	1,202
Plant and equipment		5,241	3,649
Bearer plants		5,789	5,502
<b>Total depreciation of non-current assets</b>		<b>12,599</b>	<b>10,546</b>
Employee benefits		23,854	20,803
Finance costs		5,538	5,387
Operating lease rental minimum lease payments		5,169	5,334
Net (gain)/loss on disposal of property, plant and equipment		(8,644)	251
Acquisition transaction costs		381	3,790

# Notes to the Financial Statements

Continued

## 8. INCOME TAX

### (a) Income tax expense

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Current tax		(25,142)	(10,406)
Deferred tax		11,609	(13,461)
<b>Over provided in prior years</b>		3,039	119
		<b>(10,494)</b>	<b>(23,748)</b>
Income tax expense is attributable to:			
Profit from continuing operations		(10,494)	(23,748)
Aggregate income tax expense		<b>(10,494)</b>	<b>(23,748)</b>
Deferred income tax benefit included in income tax benefit comprises:			
(Increase)/Decrease in deferred tax assets	8(c)	7,163	(17,599)
Increase/(Decrease) in deferred tax liabilities	8(c)	4,446	4,138
		<b>11,609</b>	<b>(13,461)</b>

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Profit from continuing operations before income tax expense		44,290	80,514
Tax at the Australian tax rate of 30% (2015 – 30%)		(13,287)	(24,154)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income			
Other assessable items		(246)	287
Over provided in prior years		3,039	119
<b>Income tax expense</b>		<b>(10,494)</b>	<b>(23,748)</b>

## (c) Deferred tax liabilities (Non-current)

		CONSOLIDATED	
	Notes	2016 \$'000	2015 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
<b><i>Amounts recognised in profit and loss</i></b>			
Accruals and provisions		(2,305)	(3,499)
Inventory		10,437	23,078
Property, plant and equipment (includes bearer plants)		34,824	25,571
Intangibles		750	134
Lease liabilities		(8,561)	–
		<b>35,145</b>	<b>45,284</b>
<b><i>Amounts recognised directly in other comprehensive income</i></b>			
Cash flow hedges		(276)	(664)
<b><i>Amounts recognised directly in equity</i></b>			
Equity raising costs		(417)	(556)
Net deferred tax liabilities		<b>34,452</b>	<b>44,064</b>
<b>Movements:</b>			
Opening balance 1 July		44,064	26,553
Prior period under provision		1,470	(119)
(Credited)/Charged to income statement		(11,609)	13,461
Debited/(Credited) to equity		527	(1,223)
Use of carry forward tax losses		–	5,392
Closing balance at 30 June		<b>34,452</b>	<b>44,064</b>



# Notes to the Financial Statements

Continued

## 9. DIVIDENDS PAID OR PROPOSED

### (a) Dividends paid during the year

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
(i) Interim – paid 15 April 2016 (2015: 16 April 2015)			
Unfranked dividend (21c per share) (2015: Fully franked 15c per share)		15,255	10,641
(ii) Final – paid 13 October 2015 (2015: 15 October 2014)			
Unfranked dividend (35c per share) (2015: Fully franked 20c per share)		25,003	5,220
		40,258	15,861

### (b) Dividends proposed and not recognised as a liability.

A final fully franked dividend of 25 cents per share has been declared by the directors (\$18,229,689).

### (c) Franking credit balance

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2015: 30%)		<b>1,699</b>	<b>331</b>

The above amounts represent the balance of the franking account (presented as the gross dividend value) as at the end of the financial year, adjusted for:

- (i) Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- (ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

## 10. TRADE AND OTHER RECEIVABLES

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Trade receivables		44,956	58,338
Provision for impairment of trade receivables		(68)	(30)
		44,888	58,308
Prepayments		3,589	1,774
		<b>48,477</b>	<b>60,082</b>

**(a) Trade receivables past due but not impaired**

As at 30 June 2016, trade receivables of \$3,692,661 (2015: \$5,796,640) were past due but not impaired.

**(b) Effective interest rates and credit risk**

All receivables are non-interest bearing.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of business segments in which the Company operates. Refer to Note 4 for more information on the risk management policy of the Company.

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in Note 4.

**(c) Fair value**

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

**11. INVENTORIES**

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Raw materials at cost		7,311	9,522
Finished goods at cost		20,495	10,889
Other inventory at cost		8,804	9,684
Almond stock at cost	1(f)	67,706	112,259
		<b>104,316</b>	<b>142,354</b>

**12. DERIVATIVE FINANCIAL INSTRUMENTS**

		CONSOLIDATED	
	Notes	2016 \$'000	2015 \$'000
<b>Current Assets</b>			
Forward exchange contracts – cash flow hedges		1,293	76
Total current derivative financial instrument assets		<b>1,293</b>	<b>76</b>
<b>Current Liabilities</b>			
Interest rate swap – cash flow hedges		–	135
Forward exchange contracts – cash flow hedges		–	153
Total current derivative financial instrument liabilities		<b>–</b>	<b>288</b>

**(i) Cash flow hedges**

The Company entered into forward exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective of entering the forward exchange contracts is to protect the Company against unfavourable exchange rate movements for highly probable contracted and forecasted sales and purchases undertaken in foreign currencies.

The accounting policy in regard to forward exchange contracts is detailed in Note 1(c).

# Notes to the Financial Statements

Continued

## 12. DERIVATIVE FINANCIAL INSTRUMENTS Continued

### (i) Cash flow hedges Continued

At balance date, the details of outstanding forward exchange contracts are:

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Less than 6 months</b>				
Buy United States Dollars Settlement	991	4,518	0.74	0.77
Buy Euro Dollars Settlement	1,625	2,710	0.67	0.70

	BUY AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Less than 6 months</b>				
Sell United States Dollars Settlement	19,033	10,864	0.71	0.77

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>More than 6 months</b>				
Buy United States Dollars Settlement	–	1,680	–	0.76
Buy Euro Dollars Settlement	–	2,448	–	0.68

### (ii) Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and Notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations at maturity. The credit risk exposure to forward exchange contracts and the interest rate swap are the net fair values of these instruments.

The net amount of the foreign currency the Company will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Company at balance date was USD \$18,042,745 and EUR \$1,625,403 (2015: USD \$4,665,372; EUR \$5,158,417).

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

### 13. PROPERTY, PLANT AND EQUIPMENT

#### (a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment for the current financial year.

	Buildings \$'000	Plantation land and irrigation systems \$'000	Plant and equipment \$'000	Bearer Plants \$'000	Capital work in progress \$'000	Total \$'000
<b>At 1 July 2014</b>						
Cost	12,591	88,262	49,142	75,201	4,782	229,978
Accumulated depreciation	(2,040)	(28,538)	(38,574)	(4,493)	–	(73,645)
<b>Net book amount</b>	<b>10,551</b>	<b>59,724</b>	<b>10,568</b>	<b>70,708</b>	<b>4,782</b>	<b>156,333</b>
<b>Year ended 30 June 2015</b>						
Opening net book amount	10,551	59,724	10,568	70,708	4,782	156,333
Additions	–	35	10,552	4,476	18,075	33,138
Acquired through business combinations	1,040	23,451	–	25,223	3,375	53,089
Disposals	–	–	(564)	–	(8)	(572)
Depreciation expense	(193)	(1,202)	(3,649)	(5,502)	–	(10,546)
Transfers between classes	57	4,728	2,795	2,653	(10,233)	–
<b>Closing net book amount</b>	<b>11,455</b>	<b>86,736</b>	<b>19,702</b>	<b>97,558</b>	<b>15,991</b>	<b>231,442</b>
<b>At 30 June 2015</b>						
Cost	13,688	116,476	61,610	107,553	15,991	315,318
Accumulated depreciation	(2,233)	(29,740)	(41,908)	(9,995)	–	(83,876)
<b>Net book amount</b>	<b>11,455</b>	<b>86,736</b>	<b>19,702</b>	<b>97,558</b>	<b>15,991</b>	<b>231,442</b>
<b>Year ended 30 June 2016</b>						
Opening net book amount	11,455	86,736	19,702	97,558	15,991	231,442
Additions	–	–	9,053	7,191	31,294	47,538
Acquired through business combinations	200	1,792	–	2,340	–	4,332
Disposals	–	(23,832)	(151)	–	(8,543)	(32,526)
Depreciation expense	(205)	(1,364)	(5,241)	(5,789)	–	(12,599)
Transfers between classes	–	4,865	6,596	–	(11,461)	–
<b>Closing net book amount</b>	<b>11,450</b>	<b>68,197</b>	<b>29,959</b>	<b>101,300</b>	<b>27,281</b>	<b>238,187</b>
<b>At 30 June 2016</b>						
Cost	13,888	99,301	76,959	117,084	27,281	334,513
Accumulated depreciation	(2,438)	(31,104)	(47,000)	(15,784)	–	(96,326)
<b>Net book amount</b>	<b>11,450</b>	<b>68,197</b>	<b>29,959</b>	<b>101,300</b>	<b>27,281</b>	<b>238,187</b>

# Notes to the Financial Statements

Continued

## 13. PROPERTY, PLANT AND EQUIPMENT *Continued*

### (b) Leased assets

Plant and equipment and bearer plants includes the following amounts where the Group is a lessee under a finance lease.

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Leasehold plant and equipment and bearer plants</b>			
At cost		44,938	6,673
Accumulated depreciation and impairment		(3,231)	(452)
		41,707	6,221

### (c) Assets held for sale

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Property, plant and equipment		–	5,000

During the financial year, the Company successfully disposed the Western Australian orchards for \$9.5 million. This resulted in net gain on sale of \$4.5 million during the year.

## 14. INTANGIBLES

	CONSOLIDATED			
	Goodwill \$'000	Brand Names* \$'000	Permanent Water Rights \$'000	Total \$'000
<b>Year ended 30 June 2015</b>				
Opening net book amount	25,995	2,905	8,263	37,163
Acquisition of permanent water rights	–	–	573	573
Disposal of permanent water rights	–	–	(583)	(583)
Acquired through business combinations	–	–	11,186	11,186
Closing net book amount	25,995	2,905	19,439	48,339
<b>Year ended 30 June 2016</b>				
Opening net book amount	25,995	2,905	19,439	48,339
Acquisition of permanent water rights	–	–	9,745	9,745
Disposal of permanent water rights	–	–	(2,973)	(2,973)
Acquired through business combinations	–	–	953	953
Closing net book amount	25,995	2,905	27,164	56,064

\* Brand name assets principally relate to the "Lucky" brand, which has been assessed as having an indefinite useful life. This assessment is based on the Lucky brand having been sold in the market place for over 50 years, being a market leader in the cooking nuts category and remaining a heritage brand.



### (a) Impairment tests for goodwill and brand names

Goodwill is allocated to the Company's cash-generating units (CGU) identified according to operating segment. The total value of goodwill and brand names relates to the Food Products CGU. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. These calculations use cash flow forecasts based on financial projections by management covering a five year period based on growth rates taking into account past performance and its expectations for the future, in line with the Strategic Review. Assumptions made include that new product development, enhanced marketing and market penetration and the exiting of lower margin business will improve EBIT over the forecast period. Cash flow projections beyond the five year period are not extrapolated, but a terminal value is included in the calculations. A real pre-tax weighted average cost of capital of 12.7% (2015:12.6%) has been used to discount the cash flow projections.

### (b) Impact of possible changes to key assumptions

The recoverable amount of the goodwill and brand names in the Food Division exceeds the carrying amount of goodwill at 30 June 2016. A decrease of 10% in the projected annual cash flows, or an increase of 1% in the pre-tax discount rate of 12.7% does not result in an impairment of the goodwill and brand names at 30 June 2016. These changes would be considered reasonably possible changes to the key assumptions.

### (c) Permanent water rights

The value of permanent water rights relates to the Almond Division Cash Generating Unit (CGU) and is an integral part of land and irrigation infrastructures required to grow almond orchards. The fair value of permanent water rights is supported by the tradeable market value, which at current market prices is in excess of book value.

## 15. TRADE AND OTHER PAYABLES

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Trade creditors		8,007	8,112
Other creditors and accruals		15,173	23,161
		<b>23,180</b>	<b>31,273</b>

## 16. INTEREST BEARING LIABILITIES

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Current – Secured</b>			
Bank overdraft		4,890	5,370
Trade finance		–	3,182
Debt facilities		22,000	12,499
Finance lease	20(b)	3,729	1,367
		<b>30,619</b>	<b>22,418</b>
<b>Non-current – Secured</b>			
Debt facilities		–	88,927
Finance lease	20(b)	38,082	4,534
		<b>38,082</b>	<b>93,461</b>

# Notes to the Financial Statements

Continued

## 16. INTEREST BEARING LIABILITIES *Continued*

### (a) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank facilities are set out in 16(c).

Finance lease is secured with plant and equipment and bearer plants with various leasing companies and First State Super respectively.

### (b) Interest rate risk exposures

Details of the Company's exposure to interest rate changes on borrowings are set out in Note 4.

### (c) Assets pledged as security

The bank overdraft and debt facilities of the parent entity and subsidiaries are secured by the following:

- (i). A registered mortgage debenture is held as security over all the assets and undertakings of Select Harvests Limited and the entities of the wholly owned group.
- (ii). A deed of cross guarantee exists between the entities of the wholly owned group.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Current</b>			
Floating charge			
Cash and cash equivalents		1,435	270
Receivables		48,477	60,082
Inventories		104,316	142,354
Derivative financial instruments		1,293	76
Assets held for sale		–	5,000
Total current assets pledged as security		155,521	207,782
<b>Non-current</b>			
Floating charge			
Prepayments		–	349
Property, plant and equipment		196,480	231,442
Permanent water rights		27,164	19,439
Total non-current assets pledged as security		223,644	251,230
Total assets pledged as security		<b>379,165</b>	<b>459,012</b>

### Financing arrangements

The Company has a debt facility available to the extent of \$115,000,000 as at 30 June 2016 (2015: \$275,000,000). The Company has bank overdraft facilities available to the extent of US\$5,000,000 (2015: US\$5,000,000).

The current interest rates at balance date are 2.83% (2015: 4.37%) on the debt facility, and 1.62% (2015: 1.16%) on the United States dollar bank overdraft facility.

At 30 June 2016 the Company was in technical breach of one of the banking facility covenants and therefore the total debt facility drawn has been disclosed as a current liability. Subsequent to year end this covenant has been waived and the Company is negotiating with its lenders to reset its covenant thresholds to more appropriate levels. All other covenants and financial undertakings associated with the banking facilities have been met during the period and as at 30 June 2016.

## 17. DEFERRED GAIN ON SALE

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
<b>Current</b>			
Sale and leaseback		175	–
<b>Non-Current</b>			
Sale and leaseback		3,197	–

The deferred gain on sale relates to the sale and leaseback of bearer plants for three orchards that were sold to First State Super. The lease is for a 20 years term.

## 18. CONTRIBUTED EQUITY

### (a) Issued and paid up capital

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Ordinary shares fully paid		178,553	170,198
		<b>178,553</b>	<b>170,198</b>

### (b) Movements in shares on issue

	2016		2015	
	Number of Shares	\$'000	Number of Shares	\$'000
<b>Beginning of the financial year</b>	<b>71,435,801</b>	<b>170,198</b>	<b>57,999,427</b>	<b>99,750</b>
Issued during the year:				
• Dividend reinvestment plan	907,649	8,355	894,540	5,792
• Long term incentive plan – tranche vested	575,307	–	152,943	–
• Ordinary shares issued under equity raising (net of transaction costs and deferred tax)	–	–	12,388,891	64,656
<b>End of financial year</b>	<b>72,918,757</b>	<b>178,553</b>	<b>71,435,801</b>	<b>170,198</b>

### (c) Performance Rights

#### Long Term Incentive Plan

The Company offered employee participation in long term incentive schemes as part of the remuneration packages for the employees. In determining the quantum of rights offered the board considers a number of factors including: the corporate strategy; the appropriate mix of fixed and at risk remuneration; the fair value and face value of the rights; and the market relativity of employees with equivalent responsibilities.

The long term scheme involves the issue of performance rights to the employee, under the Long Term Incentive Plan. During the financial year, performance rights granted during the 2012 and 2013 year have vested under this plan (refer Note 25 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at \$6.74 on 30 June 2016 (\$11.00 on 30 June 2015).

# Notes to the Financial Statements

Continued

## 18. CONTRIBUTED EQUITY Continued

### (d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (e) Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 19. RECONCILIATION OF THE NET PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Net profit after tax		33,796	56,766
<b>Non-cash items</b>			
Depreciation and amortisation		12,599	10,546
Inventory fair value adjustment		43,033	(47,517)
Net (gain)/loss on sale of assets		(8,644)	251
Options expense		568	784
Income tax expense		10,494	23,748
<b>Changes in assets and liabilities</b>			
Decrease/(Increase) in receivables		13,428	(20,786)
Decrease/(Increase) in inventory		(6,175)	(14,990)
Decrease/(Increase) in other assets		(1,599)	(619)
Decrease in trade payables		(8,747)	9,730
Increase/(Decrease) in income tax payable		19,668	(5,473)
(Decrease)/increase in deferred tax liability		(9,613)	17,511
Increase in employee entitlements		477	448
(Decrease) in other payables		(6,418)	–
Net cash flow from operating activities		<b>92,866</b>	<b>30,399</b>

### Non cash financing activities

During the current year the company issued 907,649 (2015: 894,540) and Nil (2015: \$12,388,891) of new equity as part of the Dividend Reinvestment Plan and Equity Raising respectively.

## 20. EXPENDITURE COMMITMENTS

### (a) Operating lease commitments

Commitments payable in relation to leases contracted for at the reporting date but not recognised as liabilities:

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Within one year		20,351	11,039
Later than one year but not later than five years		77,871	41,487
Later than five years		191,957	92,873
		<b>290,179</b>	<b>145,399</b>

### (i) Property and equipment leases (non-cancellable):

Minimum lease payments			
• Within one year		3,431	4,062
• Later than one year and not later than five years		7,120	9,205
• Later than five years		–	–
Aggregate lease expenditure contracted for at reporting date		<b>10,551</b>	<b>13,267</b>

Property and equipment lease payments are for rental of premises, farming and factory equipment.

### (ii) Almond orchard leases:

Minimum lease payments			
• Within one year		16,920	6,977
• Later than one year and not later than five years		70,751	32,282
• Later than five years		191,957	92,873
Aggregate lease expenditure contracted for at reporting date		<b>279,628</b>	<b>132,132</b>

The almond orchard leases comprises:

- (i) 20 years lease of a 512 acre almond orchard and a 1,002 acre lease from Arrow Funds Management in which the Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell. Other leases within the consolidated entity have renewal and first right of refusal clauses.
- (ii) A 20 years lease term of 3,017 acres at Hillston with Rural Funds Management.
- (iii) 2,458 acres of almond orchards and approximately 2,500 acres for future development of almonds with First State Super for a lease term of 20 years. The Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell.



# Notes to the Financial Statements

Continued

## 20. EXPENDITURE COMMITMENTS *Continued*

### (b) Finance lease commitments

Commitments payable in relation to leases contracted for at the reporting date and recognised as liabilities:

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Within one year		6,392	1,610
Later than one year but not later than five years		20,792	4,788
Later than 5 years		36,575	–
Minimum lease payments		<b>63,759</b>	<b>6,398</b>
Future finance charges		(21,948)	(497)
Total lease liabilities		<b>41,811</b>	<b>5,901</b>
The present value of finance lease liabilities is as follows:			
Within one year		3,729	1,367
Later than one year but not later than five years		12,963	4,534
Later than 5 years		25,119	–
Minimum lease payments		<b>41,811</b>	<b>5,901</b>

Finance lease payments are for rental of farming equipment and bearer plants with a net carrying amount of \$14,273,752 (2015: \$6,220,629) and \$27,433,668 (2015: Nil) respectively.

### (c) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<i>Notes</i>	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Property, plant and equipment		13,456	9,070

## 21. EVENTS OCCURRING AFTER BALANCE DATE

On 26 August 2016, the Directors declared a final fully franked dividend of 25 cents per share in relation to the financial year ended 30 June 2016 to be paid on 30 September 2016.

## 22. EARNINGS PER SHARE

	2016 Cents	2015 Cents
Basic earnings per share attributable to equity holders of the company	46.7	82.9
Diluted earnings per share attributable to equity holders of the company	46.0	81.0

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
<b>Basic earnings per share:</b>		
Profit attributable to equity holders of the company used in calculating basic earnings per share	33,796	56,766
<b>Diluted earnings per share:</b>		
Profit attributable to equity holders of the company used in calculating diluted earnings per share	33,796	56,766

	NUMBER OF SHARES	
	2016	2015
Weighted average number of ordinary shares used in calculating basic earnings per share	72,426,703	68,455,421
<b>Effect of dilutive securities:</b>		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	73,498,364	70,074,337

## 23. REMUNERATION OF AUDITORS

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
<i>Notes</i>		
<b>Audit and other assurance services</b>		
Audit and review of financial statements	264,200	297,000
Other assurance services	–	151,000
<b>Total remuneration for audit and other assurance services</b>	<b>264,200</b>	<b>448,000</b>
<b>Taxation services</b>		
<b>Tax consulting</b>	–	31,818
Total remuneration for taxation services	–	31,818
Total remuneration of PricewaterhouseCoopers	264,200	479,818

# Notes to the Financial Statements

Continued

## 24. RELATED PARTY DISCLOSURES

### (a) Parent entity

The parent entity within the consolidated entity is Select Harvests Limited.

### (b) Subsidiaries

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2016	2015
<b>Parent Entity:</b>			
Select Harvests Limited (i)	Australia	100	100
<b>Subsidiaries of Select Harvests Limited:</b>			
Kyndalyn Park Pty Ltd (i)	Australia	100	100
Select Harvests Food Products Pty Ltd (i)	Australia	100	100
Meriram Pty Ltd (i)	Australia	100	100
Kibley Pty Ltd (i)	Australia	100	100
Select Harvests Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Orchards Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Water Rights Unit Trust (i)	Australia	100	100
Select Harvests Water Rights Trust (i)	Australia	100	100
Select Harvests Land Unit Trust (i)	Australia	100	100
Select Harvests South Australian Orchards Trust (i)	Australia	100	100
Select Harvests Victorian Orchards Trust (i)	Australia	100	100
Select Harvests NSW Orchards Trust (i)	Australia	100	100

(i) Members of extended closed group

### (c) Key management personnel compensation

	CONSOLIDATED	
	2016	2015
	\$	\$
Short term employment benefits	3,308,438	3,275,159
Post-employment benefits	173,172	169,118
Long service leave	50,826	15,087
Share based payments	568,412	784,029
	<b>4,100,848</b>	<b>4,243,393</b>

Other disclosures relating to key management personnel are set out in the Remuneration Report.

### (d) Director related entity transactions

There were no director related entity transactions during the year.

## 25. SHARE BASED PAYMENTS

### Long Term Incentive Plan

The Group offers executive directors and senior executives the opportunity to participate in the long term incentive plan (LTI Plan) involving the issue of performance rights to the employee under the LTI Plan. The LTI Plan provides for the offer of a parcel of performance rights with a three year performance period to participating employees on an annual basis. One third of the rights vesting each year, with half of the rights vesting upon achievement of underlying earnings per share (EPS) CAGR targets and the other half vesting upon achievement of total shareholder return (TSR) targets. The underlying EPS growth targets are based on the CAGR of the company's underlying EPS over the three years prior to vesting. The TSR targets are measured based on the company's average TSR compared to the TSR of a peer group of ASX listed companies over the three years prior to vesting. The performance targets and vesting proportions are as follows:

PREVIOUS ISSUES		CURRENT ISSUES	
Measure	Rights to Vest	Measure	Rights to Vest
<b>Underlying EPS</b>		<b>Underlying EPS</b>	
Below 5% CAGR	Nil	Below 5% CAGR	Nil
5% CAGR	25%	5% CAGR	25%
5.1% – 6.9% CAGR	Pro rata vesting	5.1% – 19.9% CAGR	Pro rata vesting
7% or higher CAGR	50%	20% or higher CAGR	50%
<b>TSR</b>		<b>TSR</b>	
Below the 60th percentile*	Nil	Below the 50th percentile*	Nil
60th percentile*	25%	50th percentile*	25%
61st – 74th percentile*	Pro rata vesting	51st – 74th percentile*	Pro rata vesting
At or above 75th percentile*	50%	At or above 75th percentile*	50%

\* Of the peer group of ASX listed companies as outlined in the directors' report.

### Summary of performance rights over unissued ordinary shares

Details of performance rights over unissued ordinary shares at the beginning and ending of the reporting date and movements during the year are set out below:

#### 2016

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	BALANCE AT END OF THE YEAR		PROCEEDS RECEIVED	SHARES ISSUED	FAIR VALUE PER SHARE	FAIR VALUE AGGREGATE
			Number	Number	Number	Number	On Issue	Vested	\$	\$	\$	\$
29/06/2012	29/06/2015	–	112,020	–	59,203	52,817	–	–	–	–	1.14	–
30/04/2013	30/04/2016	–	890,600	–	248,712	221,888	420,000	–	–	–	2.26	949,200
11/02/2016	11/02/2017	–	–	180,000	–	–	180,000	–	–	–	4.44	799,200

#### 2015

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	BALANCE AT END OF THE YEAR		PROCEEDS RECEIVED	SHARES ISSUED	FAIR VALUE PER SHARE	FAIR VALUE AGGREGATE
			Number	Number	Number	Number	On Issue	Vested	\$	\$	\$	\$
29/06/2012	29/06/2015	–	224,040	–	–	112,020	112,020	–	–	–	1.14	127,703
30/04/2013	30/04/2016	–	1,353,887	–	–	463,287	890,600	–	–	–	2.26	2,012,756

# Notes to the Financial Statements

Continued

## 25. SHARE BASED PAYMENTS Continued

### Fair value of performance rights granted

The assessed fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the term of the rights, the impact of dilution, the share price at offer date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

The model inputs for rights granted in the tables above included:

	11 February 2016 Performance Rights Issue	30 April 2013 Performance Rights Issue	29 June 2012 Performance Rights Issue
Share price at grant date	\$4.44	\$2.90	\$1.62
Expected volatility*	30%	30%	30%
Expected dividends	Nil	Nil	Nil
Risk free interest rate	5%	5%	5%

\* Expected share price volatility was calculated with reference to the annualised standard deviation of daily share price returns on the underlying security over a specified period.

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	CONSOLIDATED	
	2016 \$	2015 \$
Performance rights granted under employee long term incentive plan	568,412	784,029
	568,412	784,029

## 26. CONTINGENT LIABILITIES

### (i) Guarantees

Cross guarantees given by the entities comprising the Group are detailed in Note 24(b).



## 27. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 \$'000	2015 \$'000
<b>Balance Sheet</b>		
<b>Current Assets</b>	6,231	1,475
<b>Total Assets</b>	524,109	569,084
<b>Current Liabilities</b>	56,915	28,362
<b>Total Liabilities</b>	316,654	368,420
<b>Shareholders' Equity</b>		
Issued capital	178,553	170,198
Reserves		
Capital reserve	–	3,270
Cash flow hedge reserve	904	(149)
Options reserve	2,621	2,052
Retained profits	25,377	25,293
<b>Total Shareholders' Equity</b>	<b>207,455</b>	<b>200,664</b>
<b>Profit for the year</b>	<b>21,815</b>	<b>5,901</b>
<b>Total comprehensive income</b>	<b>20,762</b>	<b>5,745</b>

### (b) Tax consolidation legislation

Select Harvests Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(o). On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Select Harvests Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Select Harvests Limited for any current tax payable assumed and are compensated by Select Harvests Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Select Harvests Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

### (c) Guarantees entered into by parent entity

Each entity within the consolidated group has entered into a cross deed of financial guarantee in respect of bank overdrafts and loans of the group.

# Directors' Declaration

Loans are made by Select Harvests Limited to controlled entities under normal terms and conditions.

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 38 to 71 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 36.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Managing Director and Chief Financial Officer required under section 295A of the *Corporations Act 2001*.

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



**M Iwaniw**  
Chairman

Melbourne, 26 August 2016

# Independent Auditor's Report to the Members of Select Harvests Limited



## Independent auditor's report to the members of Select Harvests Limited

### *Report on the financial report*

We have audited the accompanying financial report of Select Harvests Limited (the company), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Select Harvests Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

### *Auditor's responsibility*

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

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

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

### *Independence*

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

**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Independent Auditor's Report to the Members of Select Harvests Limited

Continued



## *Auditor's opinion*

In our opinion:

- (a) the financial report of Select Harvests Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Select Harvests Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Andrew Cronin'.

Andrew Cronin  
Partner

Melbourne  
26 August 2016

# ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows.

## (A) DISTRIBUTION OF EQUITY SECURITIES

The following information is current as at 31 July 2016.

The number of shareholders, by size of holding, in each class of share is:

Number of ordinary shares	Number of Shareholders
1 to 1,000	4,379
1,001 to 5,000	3,264
5,001 to 10,000	711
10,001 to 100,000	514
100,001 and over	40

The number of shareholders holding less than a marketable parcel of shares is:

Number of ordinary shares	Number of Shareholders
5,496	327

## (B) TWENTY LARGEST SHAREHOLDERS

The following information is current as at 31 July 2016.

The names of the twenty largest registered holders of quoted shares are:

		Number of Shares	Percentage of Shares
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,635,615	26.93%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,776,412	9.29%
3	NATIONAL NOMINEES LIMITED	4,625,503	6.34%
4	CITICORP NOMINEES PTY LIMITED	3,405,131	4.67%
5	BNP PARIBAS NOMS PTY LTD	1,074,060	1.47%
6	INVIA CUSTODIAN PTY LIMITED	1,000,000	1.37%
7	THE TRUST COMPANY SUPERANNUATION LIMITED	725,995	1.00%
8	TRINITY MANAGEMENT PTY LTD	567,561	0.78%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	513,663	0.70%
10	UBS NOMINEES PTY LTD	454,763	0.62%
11	BRAZIL FARMING PTY LTD	450,000	0.62%
12	MR PETER ROBIN JOY	446,900	0.61%
13	NATIONAL NOMINEES LIMITED	408,540	0.56%
14	SANDHURST TRUSTEES LTD	357,556	0.49%
15	REZANN PTY LTD	329,000	0.45%
16	WARD MCKENZIE PTY LTD	300,000	0.41%
17	ROBERT FERGUSON + JENNIFER FERGUSON + RACHEL FERGUSON	280,000	0.38%
18	BOND STREET CUSTODIANS LIMITED	250,000	0.34%
19	INVIA CUSTODIAN PTY LIMITED <ANTHONY SUPERFUND A/C>	250,000	0.34%
20	INVIA CUSTODIAN PTY LIMITED <ELAINE SUPERFUND A/C>	250,000	0.34%



# ASX Additional Information

Continued

## (C) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders are:

	Number of Shares
FMR LLC	6,851,754
Goldman Sachs Group	4,734,173

## (D) VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

The Company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

# Corporate Information

ABN 87 000 721 380

## Directors

M Iwaniw (Chairman)  
P Thompson (Managing Director)  
R M Herron (Non-Executive Director)  
M Carroll (Non-Executive Director)  
F S Grimwade (Non-Executive Director)  
P Riordan (Non-Executive Director)  
N Anderson (Non-Executive Director)

## Company Secretaries

P Chambers  
V Huxley (Assistant)

## Registered Office – Select Harvests Limited

360 Settlement Road  
THOMASTOWN VIC 3074

### Postal address

PO Box 5  
THOMASTOWN VIC 3074

T (03) 9474 3544  
F (03) 9474 3588  
E [info@selectharvests.com.au](mailto:info@selectharvests.com.au)

## Solicitors

Minter Ellison Lawyers

## Bankers

National Australia Bank Limited  
Rabobank Australia  
Commonwealth Bank of Australia

## Auditor

PricewaterhouseCoopers

## Share Register

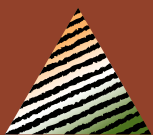
Computershare Investor Services Pty Limited

Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

T (03) 9415 4000  
F (03) 9473 2555

## Website

[www.selectharvests.com.au](http://www.selectharvests.com.au)



## SELECT HARVESTS

### Select Harvests Limited

ABN 87 000 721 380

PO Box 5

Thomastown VIC 3074

360 Settlement Road

Thomastown VIC 3074

T (03) 9474 3544

F (03) 9474 3588

E [info@selectharvests.com.au](mailto:info@selectharvests.com.au)

ASX ticker code: SHV

[www.selectharvests.com.au](http://www.selectharvests.com.au)

### Company Websites

[www.luckynuts.com.au](http://www.luckynuts.com.au)

[www.sunsol.com.au](http://www.sunsol.com.au)

[www.soland.com.au](http://www.soland.com.au)

[www.allingafarms.com.au](http://www.allingafarms.com.au)

### Company Instagram Sites

[www.instagram.com/select\\_harvests/](https://www.instagram.com/select_harvests/)

[www.instagram.com/lucky\\_nuts/](https://www.instagram.com/lucky_nuts/)

[www.instagram.com/sunsol\\_muesli/](https://www.instagram.com/sunsol_muesli/)

[www.instagram.com/nuvitalityau/](https://www.instagram.com/nuvitalityau/)



#### Market leader in the cooking nut category

##### Cooking Nut product range

almonds, walnuts, cashews, brazilnuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas (market share – July 2016 MAT – 42.3%)

##### Snacking

##### product range

portion control packs, Lucky Smart Snax and Lucky Snack Tubs

##### Distribution

major supermarkets and export markets including the Middle East, Indonesia and Papua New Guinea



#### Product range

nuts, dried fruit, legumes and pulses, cereals, grains, seeds, flour, muesli and organic foods

Bulk and convenient packs

##### Distribution

health and food stores and pharmacies nationally



#### Product range

muesli, dried fruit, nuts and snacks

##### Distribution

major supermarkets (muesli) and export markets including Hong Kong, Singapore, Malaysia, Indonesia and the Pacific Rim



#### Product range

muesli, dried fruit, wholefoods, nuts and snacks

##### Distribution

Health aisle of major supermarkets and export markets including Hong Kong, Singapore, Malaysia, Indonesia and Pacific Rim



#### Product range

almonds and other nuts, dried fruit, seeds, nut pastes, pralines and muesli

Bulk and convenient packs

Products sold to local and overseas food manufacturers, wholesalers, distributors and re-packers



Supplies bulk product to major bakeries, manufacturers and wholesalers who depend on quality and service.