

Appendix 4E Preliminary final report

Name of entity

Select Harvests Limited

ABN or equivalent company reference: 87 000 721 380

1. Reporting period

Report for the financial year ended 30 June 2018

Previous corresponding period is the financial year ended 30 June 2017

2. Results for announcement to the market

(All amounts in this report are expressed in A\$'000 unless otherwise stated)

(All amounts in this Report are expressed in NZ \$ unless otherwise stated)				
Revenues from ordinary activities (<i>item 2.1</i>)	Down	13.2%	to	\$210,238
Profit from continuing ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	120.3%	to	\$20,371
Net profit for the period attributable to members (<i>item 2.3</i>)	Up	120.3%	to	\$20,371
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Final dividend	7 ¢		7 ¢	
Previous corresponding period	Nil ¢		Nil ¢	
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	10 September 2018			

3. Statement of Financial Performance (*item 3*)

Refer to the attached financial accounts

4. Statement of Financial Position (*item 4*)

Refer to the attached financial accounts

SELECT HARVESTS LIMITED
ABN: 87 000 721 380

5. Statement of Cash Flows (item 5)

Refer to the attached financial accounts.

6. Statement of Retained Earnings (item 6)

Refer to the attached financial accounts.

7. Dividends (item 7)

	Date of payment	Total amount of dividend
Interim Dividend - year ended 30 June 2018	5 April 2018	\$4,752,282

Amount per security

	Amount per security	Franked amount per security at 30 % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	12 ¢	12 ¢	0 ¢
Previous year	10 ¢	10 ¢	0 ¢

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	11,418	7,349
Preference securities <i>(each class separately)</i>	-	-
Other equity instruments <i>(each class separately)</i>	-	-
Total	11,418	7,349

8. Details of dividend or distribution reinvestment plans in operation are described below (item 8):

The final dividend may be reinvested in ordinary shares under the company's Dividend Reinvestment Plan.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

11 September 2018

SELECT HARVESTS LIMITED
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9. Net tangible assets per security (item 9)

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$ 3.34	\$ 2.95

10. Details of entities over which control has been gained or lost during the period: (item 10)

Control gained over entities

Name of entity (item 10.1)	Not applicable
Date(s) of gain of control (item 10.2)	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	Not applicable
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Not applicable

Loss of control of entities

Name of entities (item 10.1)	Not applicable
Date(s) of loss of control (item 10.2)	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.3).	Not applicable
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Not applicable

11. Details of associates and joint venture entities

Name of associates or joint venture entities (item 11.1)	Not applicable
Details of reporting entity's percentage holdings in each of these entities (item 11.2)	Not applicable
Contribution to consolidated profit (loss) from ordinary activities after tax by those entities (item 11.3).	Not applicable
Profit (loss) from ordinary activities after tax of those entities for the whole of the previous corresponding period (item 11.3)	Not applicable

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12. Significant information relating to the entity's financial performance and financial position. (item 12)

Not applicable.

13. Set of Accounting Standards used to compile the report. (item 13)

The financial information provided in this report (Appendix 4E) is based on Australian Accounting Standards.

The financial accounts (attached) were prepared in accordance with Australian Accounting Standards.

14. Commentary on the results for the period. (item 14)

Not applicable

15. Statement on whether the report is based on audited financial accounts (item 15)

This report (Appendix 4E) is based on financial accounts that have been audited.

16. Financial accounts have been audited (item 16 and 17)

The financial accounts have been audited and contain an independent audit report that is unqualified.

Sign here:

Date: 27 August 2018



Print name: Bradley Crump
Company Secretary

Select Harvests Limited

ABN 87 000 721 380



Annual Financial Report

for the year ended 30 June 2018

Corporate Information

ABN 87 000 721 380

Directors

M Iwaniw (Chairman)
P Thompson (Managing Director)
M Carroll (Non-Executive Director)
F S Grimwade (Non-Executive Director)
N Anderson (Non-Executive Director)
F Bennett (Non-Executive Director)
P Riordan (Non-Executive Director); resigned 30 June 2018
R Herron (Non-Executive Director); passed away 13 November 2017

Company Secretary

B Crump (Appointed 7 August 2018)
V Huxley (Resigned 24 August 2018)
P Chambers (Resigned 8 November 2017)

Registered Office - Select Harvests Limited

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Thomastown VIC 3074

Postal address
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Thomastown VIC 3074
Telephone (03) 9474 3544

Email info@selectharvests.com.au

Solicitors

Minter Ellison Lawyers

Bankers

National Australia Bank Limited
Rabobank Australia

Auditor

PricewaterhouseCoopers

Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
Telephone (03) 9415 4000

Website

www.selectharvests.com.au

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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 2018.

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. He 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. Michael is the immediate past Chairman of Australian Grain Technologies. He is a member of the Remuneration and Nomination Committee.

Interest in shares: 205,503 fully paid shares.

P Thompson, B Bus and MAICD (Managing Director and Chief Executive Officer)

Appointed the Managing Director and Chief Executive Officer (CEO) of Select Harvests Limited on 9 July 2012. Paul 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: 483,607 fully paid shares.

M Carroll, B AgSc, MBA 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 non-executive board roles include Sunny Queen Farms, Tassal, Rural Funds Management, Rural Funds Poultry, Paraway Pastoral Company, Australian Rural Leadership Foundation and Viridis Ag Pty Ltd. Previous board roles include Queensland Sugar Limited 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 Chair of the Remuneration and Nomination Committee.

Interest in Shares: 20,997 fully paid shares.

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

Appointed to the board on 27 July, 2010. Fred is a Principal and Director of Fawcner Capital, a specialist corporate advisory and investment firm. He is Chairman of CPT Global Ltd and a director of Australian United Investment Company Ltd, XRF Scientific Ltd and AgCap Pty Ltd. He was formerly Chairman of Troy Resources Ltd, a non-executive director of AWB Ltd., and 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.

Interest in shares: 106,375 fully paid shares.

N Anderson, B Bus, MBA, GAICD (Non-Executive Director)

Appointed to the board on 21 January 2016. Nicki is an accomplished leader with deep experience in strategy, marketing and innovation within branded food and consumer goods businesses, including agri businesses SPC Ardmona and McCain. Nicki has over 20 years local and international experience including senior positions in marketing and innovation within world class FMCG companies and was Managing Director within the Blueprint Group concentrating on sales, marketing and merchandising within the retail sales channel. She is currently a Non-Executive director of the Australia Made Campaign Limited, Skills Impact (representing the National Farmers Federation) and Mrs Mac's Pty Ltd. She is the Chair of the Monash University Advisory Board (Marketing). She is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Interest in shares: 7,071 fully paid shares.

F Bennett, BA (Hons), FCA, FAICD and FIML (Non-Executive Director)

Appointed to the board on 6 July 2017. Fiona has an extensive background in corporate governance, audit and risk, and is currently a non-executive director of Hills Limited and the Chairman of the Victorian Legal Services Board. Fiona has previously served on the boards of Beach Energy Limited, Boom Logistics Limited, Alfred Health and the Institute of Chartered Accountants in Australia. She was formerly a senior executive in several leading listed companies and major government sector and consulting organisations. She is Chair of the Audit and Risk Committee.

Interest in shares: 7,500 fully paid shares.

P Riordan (Non-Executive Director)

Appointed to the board on 2 October 2012 and resigned on 30 June 2018. 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 was a member of the Audit and Risk Committee.

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

Joined the Board on 27 January 2005 and served on the Board until he passed away on 13 November 2017. 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 was formerly Chairman of GUD Holdings Ltd and was a director of the Judicial Commission of Victoria. He was a former 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 was formerly Chairman of the Audit and Risk Committee.

Brad Crump (Chief Financial Officer and Company Secretary)

Joined Select Harvests as Chief Financial Officer on 20 November 2017 and appointed Company Secretary on 7 August 2018. He is a Certified Practising Accountant and has over 10 years experience in senior financial management. Most recently he has been the CFO of Redflex Limited and previously gained extensive experience in agribusiness as CFO of Landmark (Australia's largest rural services provider) and senior roles within AWB Limited. He brings extensive agribusiness, agri services and related capital management experience to the role.

Interest in shares: Nil.

V Huxley, BCom, CA, AGIA (Company Secretary)

Joined Select Harvests in 2011 and was appointed Assistant Company Secretary in November 2014 and as Company Secretary in November 2017. She resigned on 24 August 2018. She is a Chartered Accountant with over 15 years of experience in senior financial management and corporate advisory roles across agriculture, manufacturing, retail and the healthcare industry.

Interest in shares: Nil.

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 and resigned on 8 November 2017. He is a Chartered Accountant and has over 25 years of 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.

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 558 full time equivalent employees as at 30 June 2018 (2017: 588 full time equivalent employees).

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

Operating and Financial Review

Highlights and Key developments during the year

The financial year ended 30 June 2018 has been a significant improvement from the prior year. Prior period investments made in greenfield orchards and acquisitions of producing orchards, an uplift in global almond pricing and a focus on lowering costs of production have started delivering returns that are forecast to increase in future financial periods.

The focus this year by the Board, Executive Management and employees is to consolidate the company's asset base to deliver improved returns through increasing yields, improved cost of production and optimising the capital project investments made in the past eighteen months. Capital expenditure on major projects has decreased significantly (due to planned project completion) and with improved financial performance the focus is to keep current debt levels at a minimum and optimise performance. Green field expansion, mature orchard acquisitions and non-almond related opportunities continue to be assessed for future growth.

Financial Performance Review

Profitability

Reported Net Profit After Tax (NPAT) is \$20.4 million, which compares to a reported Net Profit After Tax of \$9.2 million in 2017. Earnings Before Interest and Taxes (EBIT) is \$34.9 million, which compares to EBIT of \$17.0 million in FY17.

Results Summary and Reconciliation

	Reported Result (AIFRS)	
	FY18	FY17
	\$ 000's	\$ 000's
EBIT		
Almond Division	35,447	13,686
Food Division	4,952	7,950
Corporate Costs	(5,530)	(4,657)
Operating EBIT	34,869	16,979
Interest Expense	(5,405)	(5,001)
Net Profit Before Tax	29,464	11,978
Tax Expense	(9,093)	(2,729)
Net Profit After Tax	20,371	9,249
Earnings Per Share	23.2	12.6

Almond Division Profitability

Revenues of \$118.9 million, compared to \$120.7 million in 2017. Lower revenues are a result of the timing of export sales with 2017 crop sales boosted by the catch up of prior year inventory. Additionally, given the ability to utilise the Parboil value add facility, additional tonnages are held on hand to allow a full year of processing lower grade inventory.

FY2018 EBIT of \$35.4 million represents a 158% increase on the FY2017 EBIT of \$13.7 million. This result is driven by the valuation of the 2018 crop, based on a yield achieved of 15,700 MT and an almond price projection of \$8.05/kg compared to the lower FY2017 yield of 14,100 MT and price of \$7.43/kg. Additionally, the realised sales of the 2017 crop during FY2018 are at higher prices than originally anticipated.

A focus on reducing horticultural costs has also delivered a significant benefit by reducing the cost per kg produced.

Food Division Profitability

Revenues of \$128.0 million compare to \$146.9 million in 2017, a decrease of 12.9%. EBIT of \$5.0 million, compares to \$8.0 million in 2017. The decrease in revenues is predominantly due to the introduction of the Coles house brand in the nut cooking range adversely impacting the Lucky brand market share. Additionally, EBIT has also been negatively impacted by lower margins in the Industrial sector. This is a result of the full increase in almond prices not being passed through the processed industrial market. This reduction has been partially offset by the increasing volume of manufacturing grade material available for sale due to the higher 2018 crop yield.

Interest Expense

Interest expense has increased to \$5.4 million in FY18 compared to \$5.0 million in FY17. The higher interest cost is due predominantly to the higher debt levels for the first five months of the financial year (prior to the capital raising).

Balance Sheet

Net assets at 30 June 2018 are \$378.6 million, compared to \$277.6 million last year. The major uplift in net assets is a result of the capital raising completed in November 2017 (Refer to note 18(b)). Funds received were used to pay down the company's debt position (incurred due to the acquisition of orchards and investment in capital projects).

Net working capital has increased by 14.8%. This increase is due to higher levels of production, the earlier timing of harvest and processing activities and increased global pricing – all leading to increased levels of inventories and receivables.

\$000's	2018	2017
Trade and other receivables	51,378	46,806
Inventories	109,321	87,474
Trade and other payables	(22,972)	(14,294)
Net working capital	137,727	119,986

Cash flow and Net Bank Debt

Net bank debt at 30 June 2018 was \$70.8 million (30 June 2017 \$145.8 million) (including finance lease commitments of \$36.5 million, 30 June 2017 \$41.4 million), with a gearing ratio (net bank debt/equity) of 18.7% (2017: 52.5%). The improved net debt position is a result of a capital raising conducted during the year, improved operating cash flows and lower investing cash outflows.

Operating cash inflow in the financial year is \$18.3 million, compared to \$4.7 million last year. The improvement is a result of lower taxes paid based on FY2017 performance. The timing of working capital movements stated above has led to lower net business operations cash inflows. Investment cash outflows decreased from \$56.8 million in FY2017 to \$25.9 million in FY2018. This is due to no major acquisitions during the period and the completion of major capital works projects.

Dividends

A 7 cents final dividend has been declared, resulting in a total dividend of 12 cents per share for the financial year. This compares to a total dividend of 10 cents per share in FY17.

Corporate Social Responsibility

Occupational Health and Safety (OH&S)

Our Zero Harm OH&S and Wellbeing strategy aims to prevent incidents before they occur and improve individual wellbeing in the workplace. The agricultural and manufacturing industries are relatively high risk with our activities including manual handling and the use of heavy equipment and farm machinery. Our annual target is to improve year on year performance by 15%. This includes 15% less injuries, 15% reduction in injury severity and 15% more hazards identified and resolved to prevent harm.

The four key strategic priorities are:

1. A Safety Culture
2. Education
3. Process improvement and performance measurement
4. Employee wellness

The key activities to implement our strategies include:

- OHS Committees with representatives for all sites
- Safety walks, workplace ergonomics, return to work programs and site/department audits.
- Capital project key risk assessments
- Monthly training focus topics (e.g. Manual Handling and Traffic Management)
- Industry consultation & discussions to share best practice
- Employee Assistance Program (EAP), including mental health education and offer of professional support
- The development of a company-wide safety manual due for launch in FY2018/19

	2015/16 Financial	2016/17 Financial	2017/18 Financial	Variance 2016/17 v 2017/18
LTIFR (Lost Time Injury Frequency Rate)	18.4	15.1	17.4	+15.2%
MTIFR (Medically Treated Injury Frequency Rate)	40	19	17	-10.5%
LTISR (Lost Time Injury Severity Rate)	16	13	7	-46%
TRIFR (Total Injury Frequency Rate)	99	70	82	+17%

This year we had a mixed result with some of the key measures falling short of target. The most pleasing results were that the severity of injuries has decreased with Lost Time Severity Index dropping and our Hazard Identification Rate increasing. Despite the injury severity reduction and more potential hazards being addressed, disappointingly, Medically Treated Injuries rate and Total Injury Frequency Rate fell short of our target.

We have had no incidences of bullying in the workplace. This year extensive work has been done to review and update our safety workplace manual and instructions. All staff will be trained during the first half of the 2018/19 financial year.

Community

Select Harvests is a significant employer and proud member of the community with orchards in regional Victoria, South Australia and New South Wales and we have significant processing facilities at Thomastown in the Northern Metropolitan area of Melbourne and Robinvale, in North West Victoria. We are actively involved in all our local communities. Many of our employees contribute to local community organisations on a regular basis.

Select Harvests supports the local communities with both financial and non-financial support and through product donations. We have an annual grants program in each region to support local community organisation and charities. We request these charities and community groups submit projects for support. Our site leadership teams recommend the allocation of funds. This year we have supported over 30 organisations including schools, clubs, sports teams and local community groups. A selection of these include:

- Robinvale College
- Mallee Almond Festival
- Foodbank Victoria
- Rotary Club of Preston
- Clontarf Foundation
- Loxton North School
- Renmark Football Club
- Hillston Secondary College

Fair Employment Practices

Our policies, practices and procedures ensure that all our employees and contractors are treated in a fair and reasonable manner. We are an Equal Employment Opportunity employer, who values and respects Inclusion and Diversity in our workplace.

All third-party labour providers engaged are subject to meeting our Contractor Engagement and Recruitment Policies that warrant compliance with Australian labour laws and legislative obligations. We undertake regular audits to ensure compliance with focus on the payment of wages and eligibility to work in Australia. We have had nil breaches.

Sustainability

Select Harvests aims to operate a sustainable business with environmental, social and financial security. This ensures Select Harvests will generate value for our shareholders, customers, consumers and our local communities.

We recognise the potential impact of horticultural practices and are committed to preserving native vegetation and wildlife. Our policies govern our wildlife management plan and fulfil our licencing requirements as required.

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

Our Food Products Division has successfully obtained Sedex Members Ethical Trade Audit (SMETA) accreditation. This demonstrates our commitment to engaging in ethical business practices and compliance in the key areas of Health and Safety, Labour Standards, Environment and Business Ethics. This enables us to partner with key customers who recognise these critical capabilities.

A summary of our environmental, water, energy consumption and pollination management practices are outlined below.

Environmental Regulation and Performance

Select Harvests is subject to environmental regulations under laws of the Commonwealth and State Governments of Victoria, New South Wales and South Australia. We hold licences issued by the Environmental Protection Authority which specify limits for discharges to the environment from our facilities and orchards. These licences regulate the management of discharge to the air and stormwater runoff.

We take our environmental responsibilities seriously and have policies and procedures in place to ensure we adhere to our 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 wildlife population.

We are pleased to report that we have had no environmental breaches in the last year. There have been no breaches of the Company's licence conditions.

Water

Water is a scarce and finite resource and water efficiency is a key input on our almond orchards. We invest significant capital and management resources into improving our water utilisation. These include installing best practice irrigation systems to deliver water efficiently, dedicated resources on each farm to optimise water which include reviewing and agreeing the irrigation and fertigation application on a weekly basis. To complement and actively provide guidance to water and fertiliser management, we also utilise several innovative technology solutions such as soil water monitoring, plant based monitoring and high-resolution imagery.

In some orchards we are recycling water from our drainage system, resulting in cost savings and lessening the impact to water tables. In addition, we are trialling higher yielding varieties that use less water per metric tonne of almonds.

Given almonds are a long-term investment and we operate in several different irrigation regions, we have developed a diverse water strategy to enable a secure supply. The strategy is reviewed by the Board annually and reported monthly. The key objectives of the strategy are to mitigate our risk exposure to immediate and future forecast weather events (e.g. drought), high market prices plus projected and market trends.

Energy and Recycling

Our largest energy saving initiative remains Project H₂E, the biomass electricity co-generation plant which has commenced commissioning. Consuming almond by-product (including hull, shell and orchard waste), Project H₂E will generate enough electricity to power the Carina West Processing Facility as well as nearby pumps for the Carina West Orchard. Project H₂E is forecast to deliver a carbon footprint reduction of 27% or the equivalent of removing 8,210 cars off the road. It is currently producing energy and is in the final stage of commissioning. We are currently investigating the use of solar and other sustainable energy sources to operate our facilities, orchards and associated housing.

Our other sustainability efforts for this project include the recycling of all processing waste streams into stockfeed, power generation and composting combined with potash, as input to our ongoing zero waste approach.

Office waste, containers and packaging are wherever possible recycled or reused. All food waste is sold into the stockfeed industry.

Pollination Management

Our almond orchards are dependent on bee pollination. The key challenges and risks in bee stewardship centre on crop safety and optimum bee health. We source our pollination services by adopting several approaches which include utilising several pollination brokers and through direct relationship with apiarists. This generates productive relationships and an optimum pollination outcome.

Recognising the importance of bees, we actively engage and support the bee and pollination industries. This includes the sponsorship and support for apiary associations, participation and presentation at conferences, all-of-horticulture and almond specific R&D projects, committees and meetings.

We continue to investigate innovative technology solutions to generate improved colony health and pollination outcomes. These include colony imagery and artificial pollen application.

Our bee stewardship practices continue on orchard, with the fostering of alternative forage sources for bees, provision of water at pollination sites to aid bee hydration, avoidance of weedicide spraying when colonies are present, audited spray diaries and ongoing inspections to monitor for colony strength and promote healthy colonies.

Other critical components to ensuring maximum yield include successful cross-pollination through varietal selection. On orchard horticultural practices are established to avoid or minimise bloom pathogens (disease causing fungi).

This season we are undertaking a mechanical pollination trial at our Carina orchard. We have trials of self-pollinating trees in all three growing regions.

Risk Management

Select Harvests has a risk management process 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.

Each month major risks are reviewed by Senior Management and the Board. They include

- Safety Risks (including employee safety, fire prevention and plant operation);
- Horticultural Risks (including climatic, disease, water management, pollination and quality)
- Food Safety Risks (including product quality, utilities supply, major equipment failure); and
- Financial Risks (including currency, customer concentration, market pricing)

Outlook

The horticultural program for the 2019 crop is well underway and the trees have received sufficient chill hours through the dormancy period. We are in the early stage of pollination so the effectiveness is yet to be assessed.

Based on industry average yields and the age profile of the orchards, and assuming normal growing conditions for the season, the Select Harvests 2019 theoretical crop would be approximately 17,000MT (+/- 5%). Factors that are likely to positively impact the crop are:

- Orchards negatively impacted by frost last season are expected to rebound strongly given their lower 2018 yields.
- As part of our ongoing risk mitigation strategy, between seasons we have installed 77 frost fans. This will protect approximately 400Ha (1,000acres), predominately on our NSW orchards.
- Greenfield investments are currently yielding higher than industry average expectations.

There are also horticultural and climatic risks that may negatively impact the theoretical crop.

Water pricing remains a concern as dry conditions prevail and long-term forecasts suggest this may continue. Fortunately our policy of owning a third of our water requirements, long and medium term leasing a third of our requirements and acquiring a third on the spot market means we are not fully exposed to the recent increases in water prices.

USD almond pricing is currently steady based on an estimated US crop of 2.45 billion pounds. The impact of US tariffs is still uncertain as is the movement of the AUD.

The Almond Division remains well placed going into FY2019 with high quality assets and an increasing production profile in place. The focus areas moving forward are:

- Maximise the yield potential of the orchard profile through best of class horticultural management.
- Improve efficiency and further reduce the cost of production per kg following the progress made in FY2018.
- Improve quality levels through targeted equipment investment in the Robinvale processing plant.
- Optimise the value-add opportunities out of the Parboil facility at an improved cost per kg through improved production planning.
- Fully operate H2E to deliver all production plant power requirements, deliver surplus power to the grid and produce high quality pot ash to be re-applied to current orchard assets.
- New greenfield opportunities continue to be assessed in addition to mature orchard acquisition both domestically and internationally.

China remains an exciting opportunity for the Food Division. Our distributor has gained direct distribution for Sunsol through the JD.com e-commerce platform and are now expanding into bricks and mortar grocery outlets. As announce previously we signed a separate license and distribution agreement with PepsiCo China for the Lucky brand.

The domestic branded and third-party packing market remains challenging as we continue to operate within tight margins. Production efficiencies through investment in quality equipment, improved production planning and targeted entry points remains a focus.

The industrial segment of the Food Division will continue to naturally grow as our orchard's production platform continues to increase, again focussing on the export markets. This will deliver increasing volumes of manufacturing grade material which will be processed through the Parboil facility or our Thomastown plant and sold to both domestic and export customers.

The medium and long-term fundamentals of our industry and business remain strong. Through Select Harvests high quality assets we are well placed to deliver on the increasing demand from consumers and industry for plant protein product, in both developed and developing economies.

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 27 August 2018, the directors declared a final fully franked dividend of 7 cents per share payable on 5 October 2018 to shareholders on the register on 10 September 2018.

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, 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.

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.

Dividends	Cents	2018 \$'000
<i>Interim franked dividend for 2018</i>		
▪ on ordinary shares	5.0	4,752
<i>Final fully franked dividend declared for 2018</i>		
▪ on ordinary shares	7.0	6,666

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

F Bennett (Chair, replacing R Herron)
 F Grimwade
 N Anderson (replacing P Riordan)
 P Riordan (resigned 30 June 2018)
 R Herron (passed away 13 November 2017)

Remuneration and Nomination

M Carroll (Chair)
 M Iwaniw
 N Anderson

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	-	-	3	3
P Thompson	13	13	5	4	3	3
M Carroll	13	13	1	1	3	3
F Grimwade	13	13	5	5	-	-
N Anderson	13	13	2	2	3	3
F Bennett	13	13	5	5	-	-
P Riordan ^{#+}	13	12	3	1	-	-
R M Herron ^{#*}	4	4	1	1	-	-

^{#+} Resigned 30 June 2018

^{#*} Passed away 13 November 2017

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 24(e) 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 29.

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. The directors are satisfied that no non-audit services were provided during the year, as detailed in Note 23.

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. The Company has previously 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, 27 August 2018

Remuneration Report

Introduction from the Chair of the Remuneration and Nominations Committee

Dear Shareholder,

On behalf of my Board colleagues I'm pleased to present our Financial Year 2018 remuneration report. The objective of Select Harvests remuneration strategy is to attract, retain and motivate the people we require to sustainably manage and grow the business. Executive remuneration packages include a balance of fixed remuneration, short term cash incentives and long term equity incentives. The framework endeavours to align executive reward with market conditions and shareholders' interests.

Fixed remuneration is aligned to the market mid-point for similar roles in comparable companies.

The short term incentive program is based on annual performance and assessed against key financial and operational performance indicators (KPIs). The performance targets are based on the annual business plan and set at a level that results in a 50% payout on achievement of a stretching but realistically achievable level of performance. Maximum payout only occurs where there is a clearly outstanding level of performance across all KPIs. In addition to KPIs for their business unit and areas of direct responsibility all KMP share a company NPAT KPI to encourage a strong executive team dynamic and cross business unit collaboration.

Setting KPIs for a business such as ours has the challenge of a number of factors such as climatic conditions, commodity prices and exchange rates having a significant effect on results. While management can to some degree mitigate these "agricultural risks" and should be encouraged to do so, they are largely out of our control. The Board retains some discretion in evaluating overall individual and company performance. Rewarding performance aligned to shareholder interest, demonstrated leadership in conjunction with SHV values and taking into account operating conditions.

The health and well-being of our people remains the paramount priority for the business, with the short term incentive payments conditional on the foundations being in place for a safe work environment and demonstration of a strong safety culture.

The long term incentive plan is based on 3 year performance of total shareholder returns relative to peers and EPS growth. The peer group we reference is other consumer staple companies in the all ordinaries index with 50% vesting on achievement of median performance and full vesting at the 75th percentile. The EPS compound annual growth band is broad with vesting starting at 5% and full vesting occurring at 20%. The choice of a broad band reflects our desire for the start point to have a reasonable probability of occurring and for full vesting to only occur when there is a strong outcome for shareholders.

The remuneration outcomes resulting from the FY2018 performance are set out in this Remuneration Report. Last year's results fell short of our plans which we set at what the board considered a challenging and achievable level. The Almond Division rebounded with a solid result despite the negative impacts of significant frost event in our NSW orchards. The Food Division result was well short of plan largely driven by the impact of private label products on the Lucky brand. This has resulted in a minimum acceptable level of performance and therefore triggered a modest level of short term incentive payments. From a longer term perspective 3 year compound annual growth in our earnings per share was below our target, as was our 3 year total shareholder return relative to other consumer staples. Consequently, no performance rights were vested.

We look forward to stronger performance in FY2019 where our employee's performance triggers higher STI payouts and LTI vesting so that they and you, our shareholders share greater rewards.



Mike Carroll

Chair – Remuneration & Nomination Committee

The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

1. KEY QUESTIONS

What are our remuneration objective and guiding principles?

Objective: To deliver sustainable returns as a leader in “better for you” plant based foods					
Principles	Align management and shareholder interests	Reflect our values of: <ul style="list-style-type: none"> • Trust & Respect, • Integrity & Diversity, • Sustainability, • Performance & Innovation 	Deliver competitive advantage in attracting, motivating and retaining talent	Encourage a diverse workforce	Simple, easily understood, rewarding performance and creating a culture that delivers shareholder value

How is our remuneration structured?

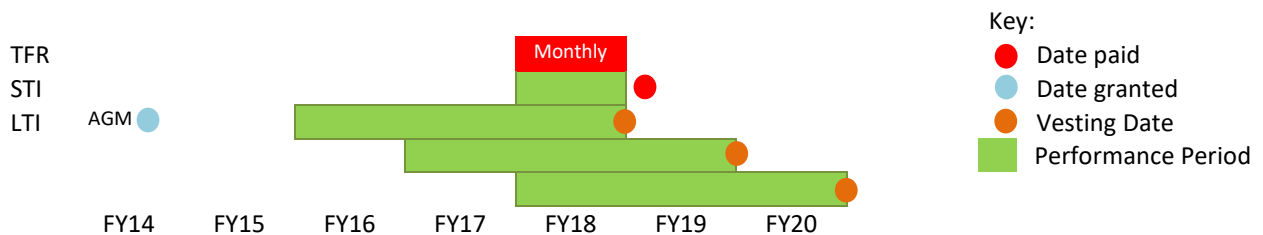
The table below provides an overview of the different remuneration components within the framework.

Objective	Attract and retain the best talent	Reward current year performance	Reward long term sustainable performance
Remuneration Component	Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Purpose	TFR is set in relation to the external market and takes into account: <ul style="list-style-type: none"> • Size and complexity of the role • Individual responsibilities 	STI ensures appropriate differentiation of pay for performance and is based on business and individual performance outcomes	LTI ensures alignment to long-term overall company performance and is consistent with: <ul style="list-style-type: none"> • Profitable growth • Long-term shareholder return
Delivery	Base salary, superannuation and salary sacrifice components based on total remuneration	Annual cash payment	Performance rights (vesting after three years, subject to performance)
FY18 Approach	Target TFR positioning is Median of Comparator Group Comparators: Listed Food and Agribusiness Companies	STI Performance Measures ¹ : <ul style="list-style-type: none"> • NPAT (30%) • Capital management (15%) • Orchard performance (10%) • Project delivery (25%) • Board discretion With a safety gate	LTI Performance Measures <ul style="list-style-type: none"> • Relative TSR (50%) • EPS growth (50%) With a positive TSR gate <ul style="list-style-type: none"> • Holding Lock The participant's holding is equal to their fixed annual remuneration <ul style="list-style-type: none"> • Clawback conditions For fraud or dishonest conduct Breach of his/her obligations to the Group or any Group Company

1. This summarises the CEO's Performance Measures. Other KMP's measures are tailored to their responsibilities

When remuneration is earned and received?

The remuneration components are structured to reward executives progressively across different timeframes. The diagram below shows the period over which FY18 remuneration is delivered and when the awards vest.



What is the remuneration mix for Key Management Personnel?

The remuneration mix for KMP is balanced between fixed and variable remuneration.

- CEO: 50% of remuneration is performance-based pay and 37.5% of remuneration is delivered as performance rights to shares.
- Other KMP: 35% of their remuneration is performance-based pay and 20% of their remuneration is delivered as performance rights to shares.

CEO

Total Fixed Remuneration	Performance Dependent
(50%)	Target STI (12%) Maximum LTI (38%)

Other KMP

Total Fixed Remuneration	Performance Dependent
(65%)	Target STI (16%) Maximum LTI (19%)

STI payments are based on 50% of the maximum vesting on achievement of a stretching but achievable planned level of performance having regard to past and otherwise expected achievements.

LTI grants are at face value, where face value represents the share pricing at the time of allocating grants and relates to rights due for vesting at 30 June 2018. Executive KMP have minimum shareholding requirements.

How much did you pay your executive in FY2018?

The table below presents the remuneration paid to, or vested for, Executive KMP in FY18.

\$	Total Fixed Remuneration	STI Achieved ¹	Vested Performance Rights ²	Total
Paul Thompson - CEO	610,992	113,926	-	724,918
Brad Crump – CFO ³	247,238	43,120	-	290,358
Mark Eva – GM Consumer	333,685	66,585	-	400,270
Peter Ross – GM Almond Operations	325,071	60,466	-	385,537
Ben Brown – GM Horticulture ⁴	75,597	76,575	-	152,172
Laurence Van Driel – GM Trading	336,467	76,977	-	413,444
Kathie Tomeo – GM Human Resources	260,772	23,439	-	284,211
Vanessa Huxley – GM Finance and Company Secretary	270,179	25,836	-	296,015

1. Cash STI will be paid after the 30 June 2018 financial statements have been finalised.

2. The vested performance rights value in this table has been determined using the closing share price on the last trading day of FY18. Vesting occurs after the finalisation of the 30 June 2018 financial statements and hurdle testing is completed by an independent expert. Sale of shares emanating from vested performance rights under the current plan are subject to a holding lock which requires Executive KMPs to accumulate and hold a value equivalent to their annual TFR.

3. Appointed 20 November 2017

4. Appointed 1 April 2018

What equity was granted for FY18?

No equity was granted to KMPs in FY18. However, the performance testing period for the third tranche of performance rights approved at the 2014 AGM commenced on the 1st of July 2017. These performance rights are subject to performance conditions starting 1 July 2017 and finishing 30 June 2020. The table below presents the value of this grant at face value at the time of grant and at the start of the performance period.

	Equity grants that commenced performance testing in FY18 at Face Value		
	Number of Performance Rights	Face Value based on the Share Price at time of 2014 AGM, on 21 November 2014 (Date of CEO grant approval, Share Price \$6.49)*	Face Value based on the Share Price at commencement of the Performance Period (1 July 2017, Share Price \$4.90)
Paul Thompson – CEO	75,000	\$486,750	\$367,500
Brad Crump – CFO	18,000	\$116,820	\$88,200
Mark Eva – GM Consumer	15,000	\$97,350	\$73,500
Peter Ross – GM Almond Operations	15,000	\$97,350	\$73,500
Ben Brown – GM Horticulture	7,500	\$48,675	\$36,750
Laurence Van Driel – GM Trading	15,000	\$97,350	\$73,500
Kathie Tomeo – GM Human Resources	10,000	\$64,900	\$49,000

* Grant date for these rights vary amongst executives. The face value is indicative based on the date the CEO's rights were approved by shareholders

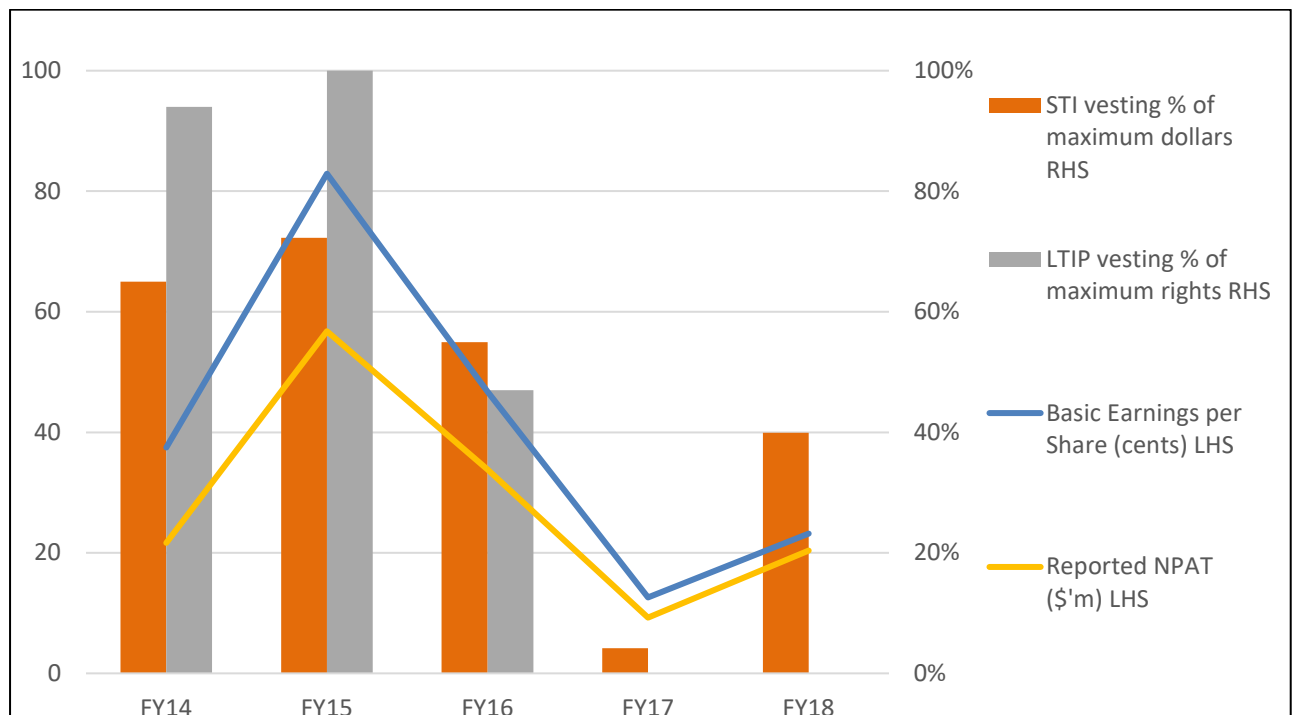
Notes:

Allocations to KMPs who resigned at the date of this report were forfeited and are not included.

Mr Crump was allocated these performance rights on commencement of his employment on 20th November 2017.

Is there alignment between management and shareholder interests?

The following chart shows the alignment between shareholder's interests as measured by reported profit and earnings per share and management's interests as measured by the proportion of STI that pays out and the number of performance rights vesting. The board believes these outcomes show "at risk" remuneration has varied appropriately.



2. EXECUTIVE KMP REMUNERATION

2.1 Overview of FY18 remuneration framework

Fixed Remuneration			
Base salary	Consists of cash salary, superannuation and salary sacrifice arrangements based on total cost to the company. Reviewed annually with reference to the market median for comparable companies, the individual's performance and potential and the company's future plans. There is no guaranteed base pay increase in any executives' contracts.		
Short Term Incentive (STI)		% of Fixed Remuneration	
Opportunity		CEO Threshold – 12.5% Target – 25% Maximum – 50%	Other KMP Threshold – 7.5-12.5% Target – 15-25% Maximum – 30-50%
Purpose	To provide incentive to exceed the annual business objectives.		
Term	1 year		
Instrument	Cash		
Performance measures	KPI Score Card <ul style="list-style-type: none"> Company NPAT Business Unit EBIT Capital management Operational performance Project delivery Board discretion With a safety tollgate	CEO 30% 0% 15% 10% 25% 20%	Other KMP 20-30% 0-10% 0-10% 20% 10-25% 20%
Why these were chosen	To provide a balance between outperforming the annual operating plan, individual business unit plans, focus on the efficient use of capital and strengthening the balance sheet, on time and budget delivery of strategic projects and sustained orchard productivity. The board retains some discretion to adjust the outcomes based whether they were influenced by uncontrollable "headwinds" or "tailwinds" and the degree to which behaviours reflect our values. The health and well-being of our people remains paramount and no incentives is paid if the foundations for a safe work environment were not maintained.		
Long Term Incentive (LTI)		% of Fixed Remuneration	
Opportunity		CEO Face Value – up to 82%	Other KMP Face Value – up to 35%
Purpose	Reward achievement of long term business objectives and sustainable value creation for shareholders.		
Term	3 years, vesting at the end of the period.		
Instrument	Performance rights		
Performance conditions*	1. Continuing service 2. Positive absolute shareholder return 3. 50% Compound Annual Growth in underlying earnings per share** over three years. The performance targets and vesting proportions are as follows: <ul style="list-style-type: none"> Below 5% CAGR Nil 5% CAGR 25% 5.1% - 19.9% CAGR Pro rata vesting 20% or higher CAGR 50% 4. 50% Total Shareholder Return relative to a peer group of ASX listed companies over three years. The performance targets and vesting proportions are as follows: <ul style="list-style-type: none"> Below the 50th percentile Nil 50th percentile 25% 51st – 74th percentile Pro rata vesting At or above 75th percentile 50% 		
Why these were chosen	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 and Nomination Committee is responsible for assessing whether the targets are met and in doing so obtains the advice of an independent expert.

** EPS adjustments are made consistent with the guidance 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'.

Other	
Hedging policy	Individuals cannot hedge Select Harvests equity that is unvested or subject to restrictions.
Clawback	The Board may determine that any unvested share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct or dishonesty.
Minimum shareholding requirements	Vested performance rights are to be held until the accumulated value is equal to 100% base salary.

2.2 How STI outcomes are linked to performance

At the commencement of each annual operating cycle the board sets KPIs for the CEO and the CEO sets KPIs for the KMP with target levels of performance based on the board approved annual operating plan. At the end of the operating cycle the board assesses performance against these KPIs and how this rates against the scales set out in the following table. This determines the STI reward.

Performance Level	Performance description	Quantitative KPI targets as a percentage planned performance	Subjective targets (based on a 1 to 5 scale)	STI Reward as a percentage of the maximum	STI Reward as a percentage of TFR
Unsatisfactory	Unacceptable level of performance	< 95%	Score 1 or less than 2	No payment	No payment
Threshold	The minimum acceptable level of performance that needs to be achieved before any reward would be available.	95%	Score 2	25%	12.5%
		96% - 99%	Score > 2 & < 3	Pro-rata from 25% to 49%	Pro-rata from 12.5% to 24%
Target	Represents the planned level of performance. Financial and other quantitative KPIs are set at the budgeted level assuming plans are challenging but achievable	100%	Score of 3	50%	25%
		101% - 114%	Score > 3 & < 5	Pro-rata from 51% to 99%	Pro-rata from 26% to 49%
Outstanding	A clearly outstanding level of performance and evident to all as an exceptional level of achievement	115% +	Score of 5	100% (double on target reward)	50%

For FY2018 the KMP score cards averaged 39% as a percentage of the potential maximum score and resulted in STI rewards as a percentage of TFR of 20%. This level of performance was below the target or planned level of performance but above the threshold level at which STI payments are triggered.

The individual KMP actual STI payments and potential maximum payments are set out in the following table in section 2.3.

The safety tollgate, which requires maintenance of a safe work environment, was passed.

2.3 What we paid executive KMP in FY18 – Further detail

The following pages compare the maximum potential and actual remuneration for FY18 and FY17 for current KMP. Amounts include:

- Total fixed remuneration
- STI achieved as a result of business and individual performance (versus the maximum potential cash STI)
- Share performance rights that vested during the year at face value¹(versus the maximum initial award face value) for the performance testing period concluding in that year.

This information differs from the statutory remuneration disclosures presented in Section 5.1 as the performance rights value is based on the closing share price on the day the tranche of performance rights were approved.

\$'000			Total Fixed Remuneration	Short Term Incentive	Performance Rights	Total
P Thompson Managing Director & CEO	Actual Remuneration	FY18	611	114	-	725
	Maximum Potential	FY18	611	305	487	1,403
	Actual Remuneration	FY17	598	1	-	599
	Maximum Potential	FY17	598	239	411	1,248
M Eva General Manager Consumer	Actual Remuneration	FY18	334	66	-	400
	Maximum Potential	FY18	334	173	97	604
	Actual Remuneration	FY17	328	24	-	352
	Maximum Potential	FY17	328	131	82	541
P Ross General Manager Almond Operations	Actual Remuneration	FY18	325	60	-	385
	Maximum Potential	FY18	325	165	97	587
	Actual Remuneration	FY17	321	3	-	324
	Maximum Potential	FY17	321	128	82	531
L Van Driel Group Trading Manager	Actual Remuneration	FY18	336	77	-	413
	Maximum Potential	FY18	336	169	97	602
	Actual Remuneration	FY17	328	4	-	332
	Maximum Potential	FY17	328	131	82	541
K Tomeo General Manager People	Actual Remuneration	FY18	261	23	-	284
	Maximum Potential	FY18	261	78	65	404
	Actual Remuneration	FY17	255	7	-	262
	Maximum Potential	FY17	255	77	-	332
B Crump* Chief Financial Officer	Actual Remuneration	FY18	247	43	-	290
	Maximum Potential	FY18	385	193	117	695
B Brown** General Manager Horticulture	Actual Remuneration	FY18	76	76	-	152
	Maximum Potential	FY18	300	150	49	499
V Huxley General Manager Finance and Company Secretary	Actual Remuneration	FY18	270	26	-	296
	Maximum Potential	FY18	270	76	65	411
	Actual Remuneration	FY17	249	5	-	254
	Maximum Potential	FY17	249	62	-	311

* Appointed 20 November 2017; ** Appointed 1 April 2018

1. 2017 Performance Rights valued at \$1.37, the closing share price on the day of the 2012 AGM at which they were approved (20/11/2012)
2018 Performance Rights valued at \$6.49, the closing share price on the day of the 2014 AGM at which they were approved (21/11/2014)

2.4 FY19 Outlook

The Committee and Board continue to review and finesse our remuneration arrangements:

- Our proposed LTIP grants for YE2019 will be for a single year allocation. Our prior practice of obtaining approval for 3 tranches for the current and following 2 years, resulted in the point of testing for the final tranche being six years after the grant date. An annual allocation will allow closer alignment to current strategic plans.
- The 2019 STIP KPI's are evolving to see a greater focus on financial metrics. This includes introducing a capital efficiency measure.
- The change in our reporting period will have ramifications for our incentive arrangements, and any modifications will aim to achieve a fair balance between shareholders and the executives' interests
- We are evaluating the move to a single incentive-based remuneration plan as a number of companies are doing. This remains "work in progress" and something we will consider more closely once our new reporting period is bedded down.

2.5 Long Term Performance Perspective

The following table provides the performance outcomes over a five year period which align to the STI and LTI outcomes for Executive KMP.

	2018	2017	2016	2015	2014*	2014
Net profit after tax (\$ million)	20,371	9,249	33,796	56,766	21,643	29,007
Basic EPS (cents)	23.2	12.6	46.7	82.9	37.5	50.2
Basic EPS Growth	84%	(73%)	(44%)	121%	650%	904%
Dividend per share (cents)	12.0	10.0	46.0	50.0	20.0	20.0
Opening share price 1 July (\$)	4.90	6.74	11.00	5.14	3.27	3.27
Change in share price (\$)	2.00	(1.84)	(4.26)	5.86	1.87	1.87
Closing share price 30 June (\$)	6.90	4.90	6.74	11.0	5.14	5.14
TSR % p.a.*	43%	(26%)	(35%)	124%	63%	63%

* 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

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 criteria in the LTI plan.

EPS Growth	2018	2017	2016	2015
Basic EPS (cents)	23.2	12.6	46.7	82.9
Underlying EPS* (cents)	23.2	12.6	38.5	86.8
3 Year EPS CAGR	(36%)	(37%)	(1%)	73%
3 Year EPS CAGR target 5% - 7%				
Percentage vested	0%	0%	0%	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

Relative TSR Performance	2018	2017	2016	2015
TSR % p.a.	43%	(26%)	(35%)	124%
3 Year Median TSR %	(22.5%)	1%	108%	749%
3 Year Median TSR Ranking	0 percentile	13 th percentile	73 rd percentile	100 th percentile
3 Year Median TSR Ranking target 60 th – 75 th percentile				
Peer group 3 Year Median TSR	27%	18%	64%	61%
SHV Rank against peer group	15 th out of 15	14 th out of 16	5 th out of 16	1 st out of 15
Percentage vested	0%	0%	94%	100%

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

2.6 Terms of KMP Service Agreements

Remuneration and other terms of employment for the KMP are formalised in service agreements. These service agreements set out the base salary arrangements and future review. Each of these agreements provide for participation in a Short Term Incentive Plan and a Long Term Incentive Plan.

Other significant provisions of the agreements are that the term is on-going with a 6 months notice period for the CEO and 3 months notice period for all other KMP.

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

3. NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

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.

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 appropriate and in line with market expectations.

Non-Executive Directors' professional development is supported and funded through the companies training budget. There is no equity ownership requirement for Non-Executive Directors.

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 \$746,186.

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

Base Fees (including superannuation)

Chairman	\$211,713
Other non-executive directors	\$94,140

Additional Fees (including superannuation)

Chair of the Audit and Risk Committee	\$12,552
Chair of the Remuneration and Nominations Committee	\$12,552

4. GOVERNANCE

4.1 Role of the Remuneration and Nomination Committee

The Remuneration and Nomination Committee which operates under its own Charter and reports to the Board. The Charter, which the Board reviews annually, was last updated in July 2018. A copy of the Charter is available on the Company's website: www.selectharvests.com.au

4.2 Use of Remuneration Advisors

The following arrangements were made to ensure that the engagement and delivery of services from Guerdon Associates are free from undue influence by members of the Group's Key Management Personnel are as follows:

- Remuneration Consultants are to be engaged by, and report directly to, the Chair of the Remuneration and Nomination Committee. Agreements for the provision of remuneration consulting services are to be executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board.
- Reports containing remuneration recommendations are to be provided directly to the Chair of the Remuneration and Nominations Committee; and
- Remuneration Consultants are permitted to speak to management throughout the engagement (if required) to understand company processes, practices and other business issues and obtain management perspectives. However, the Remuneration Consultants are not permitted to provide any member of management with a copy of their draft or final report that contains remuneration recommendations.

For the year ended 30 June 2018, the Remuneration and Nomination Committee engaged Guerdon Associates to:

- Review Select Harvests' annual report and operational scope
- Research and analysis of Bloomberg and Morningstar for prospective peer companies with comparative scope;
- Review and analysis of position descriptions and discussions on position responsibilities and accountabilities;
- Collation of peer company's remuneration policy (statutory and non-statutory) data; and
- Project management and peer review

The total consulting fees paid were \$46,610.

4.3 Share Trading Policy

The Share Trading Policy was last reviewed by the Board in November 2017. A copy is available on the Company's website: www.selectharvests.com.au

Under the policy senior executives may not hedge Select Harvests equity that is unvested or subject to restrictions.

5. KMP STATUTORY DISCLOSURES

5.1 Details of 2018 and 2017 Remuneration

Remuneration of the directors and other key management personnel of Select Harvests Limited and the consolidated entity

		ANNUAL REMUNERATION				LONG TERM		Post Employment Benefits	Total
		Base Fee	Short Term Incentives	Non Cash Benefits	Super-annuation Contributions	Long Service Leave Accrued and paid	Performance Rights Granted		
		\$	\$	\$	\$	\$	\$	\$	\$
Non Executive Directors									
M Iwaniw	2018	211,713	-	-	-	-	-	-	211,713
	2017	207,562	-	-	-	-	-	-	207,562
M Carroll	2018	97,435	-	-	9,256	-	-	-	106,691
	2017	95,480	-	-	9,071	-	-	-	104,551
F Grimwade	2018	85,972	-	-	8,167	-	-	-	94,139
	2017	84,247	-	-	8,004	-	-	-	92,251
N Anderson	2018	85,972	-	-	8,167	-	-	-	94,139
	2017	84,247	-	-	8,004	-	-	-	92,251
F Bennett [#]	2018	91,521	-	-	9,361	-	-	-	100,882
	2017	-	-	-	-	-	-	-	-
P Riordan ^{##}	2018	85,972	-	-	8,167	-	-	-	94,139
	2017	84,247	-	-	8,004	-	-	-	92,251
R M Herron ^{##}	2018	40,624	-	-	3,859	-	-	-	44,483
	2017	95,480	-	-	9,071	-	-	-	104,551
Executive Director									
P Thompson	2018	543,291	113,926	47,796	19,905	69,359	173,584	-	967,861
	2017	539,777	1,416	38,689	19,565	-	117,165	-	716,612
Other key management personnel									
M Eva	2018	278,884	66,585	34,663	20,138	36,328	22,523	-	459,121
	2017	271,179	23,968	37,668	19,565	-	7,397	-	359,777
P Ross	2018	299,153	60,466	5,908	20,010	6,585	22,523	-	414,645
	2017	290,482	3,637	10,692	19,565	6,806	17,203	-	348,385
L Van Driel	2018	305,908	76,977	-	30,559	7,980	22,523	-	443,947
	2017	299,910	3,787	-	28,491	8,153	17,203	-	357,544
K Tomeo	2018	237,534	23,439	-	23,238	-	9,825	-	294,036
	2017	232,877	7,076	-	22,123	-	7,059	-	269,135
B Crump [*]	2018	225,788	43,120	-	21,450	-	13,140	-	303,498
	2017	-	-	-	-	-	-	-	-
B Brown ^{**}	2018	69,090	76,575	-	6,507	-	13,089	-	165,261
	2017	-	-	-	-	-	-	-	-
V Huxley [^]	2018	232,734	25,836	13,988	23,457	(23,942)	(13,468)	-	258,605
	2017	176,999	6,162	11,657	20,795	23,942	13,468	-	253,023
P Chambers ⁺	2018	140,991	-	10,256	13,831	(1,607)	(20,202)	28,637 ^(a)	171,906
	2017	321,079	7,797	15,436	19,565	8,067	17,203	-	389,147
B Van Twest ⁺⁺	2018	26,281	-	1,308	1,635	-	(20,202)	-	9,022
	2017	315,376	(6,738)	15,696	19,565	-	7,397	-	351,296

Appointed 6 July 2017; ## Resigned 30 June 2018; ^ Passed away 13 November 2017

* Appointed 20 November 2017; ** Appointed 1 April 2018; ^ Appointed 9 September 2016; Resigned 24 August 2018;

+ Resigned 8 November 2017 and his STI reversed; ++ Resigned 31 July 2017 and his STI reversed;

(a) Relates to services provided subsequent to retirement.

Notes

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.

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

Performance rights granted have been independently valued using the Monte Carlo 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.

5.2 Details of LTI Performance Rights Granted, Vested and Exercised

Performance rights granted to the Managing Director and Executive team during the period.

2018	Number				
	Opening balance	Granted during the year	Vested during the year	Forfeited during the year	Closing balance
Executive Director					
P Thompson	225,000	-		(75,000)	150,000
Other key management personnel					
M Eva	45,000	-	-	(15,000)	30,000
P Ross	45,000	-	-	(15,000)	30,000
L Van Driel	45,000	-	-	(15,000)	30,000
K Tomeo	10,000	-	-	-	10,000
B Crump*	-	18,000	-	-	18,000
B Brown**	22,500	-	-	(7,500)	15,000
V Huxley	30,000	-	-	(10,000)	20,000
P Chambers+	45,000	-	-	(45,000)	-
B Van Twest++	45,000	-	-	(45,000)	-

* Appointed 20 November 2017; ** Appointed 1 April 2018

+ Resigned 8 November 2017; ++ Resigned 31 July 2017

All vested rights are exercisable at the end of the year, subject to a holding lock that requires KMP to hold share with a value equivalent to their base salary.

5.3 Active Plan Performance Rights Granted

Performance rights granted to executives under the LTI Plans that are relevant to FY17 and beyond.

Grant Date	Vesting Conditions	Performance Period	Participating Executives	Performance Achieved	Vested %
30 Apr 2013	<ul style="list-style-type: none"> EPS Compound Annual Growth Relative TSR performance to peer group Continuous service 	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 30 June 2017 rights achieved 0% of EPS condition rights and 0% of TSR condition rights	100% of 30 June 2015 rights 47% of 30 June 2016 rights 0% of 30 June 2017 rights
11 Feb 2016	<ul style="list-style-type: none"> EPS Compound Annual Growth Relative TSR performance to peer group Continuous service 	30 June 2017	P Chambers P Ross L Van Driel	30 June 2017 rights achieved 0% of EPS condition rights and 0% of TSR condition rights	0% of 30 June 2017 rights
2017	<ul style="list-style-type: none"> EPS Compound Annual Growth Relative TSR performance to peer group Continuous service Holding Lock 	30 June 2018 30 June 2019 30 June 2020	P Thompson* M Eva* P Ross* L Van Driel* K Tomeo* B Brown^ V Huxley* P Chambers* B Van Twest*	30 June 2018 rights achieved 0% of EPS condition rights and 0% of TSR condition rights 2019-2020 period to be determined.	N/A
20 Nov 2017	<ul style="list-style-type: none"> EPS Compound Annual Growth Relative TSR performance to peer group Continuous service Holding Lock 	30 June 2020	B Crump	2020 period to be determined.	N/A

+ Granted 20 October 2014; * Granted 29 September 2016; ^ Granted 2 December 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 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.

5.4 Grants of Performance Rights

The table details the grants of performance rights to the Managing Director 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	0%	0	300,000	30-Jun-17	\$0
	2017	75,000	\$4.35	0%	0	75,000	30-Jun-18	\$0
	2017	75,000	\$4.20	0%	0	0	30-Jun-19	\$315,000
	2017	75,000	\$4.07	0%	0	0	30-Jun-20	\$305,250
M Eva	2013	60,000	\$2.26	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	15,000	30-Jun-18	\$0
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
P Ross	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	15,000	30-Jun-18	\$0
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
L Van Driel	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	15,000	30-Jun-18	\$0
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
K Tomeo	2017	10,000	\$3.38	0%	0	0	30-Jun-20	\$33,800
B Crump	2018	18,000	\$3.65	0%	0	0	30-Jun-20	\$65,700
B Brown	2017	7,500	\$2.85	0%	0	7,500	30-Jun-18	\$0
	2017	7,500	\$3.45	0%	0	0	30-Jun-19	25,875
	2017	7,500	\$3.38	0%	0	0	30-Jun-20	25,350
V Huxley	2017	10,000	\$2.85	0%	0	10,000	30-Jun-18	\$0
	2017	10,000	\$3.45	0%	0	0	30-Jun-19	34,500
	2017	10,000	\$3.38	0%	0	0	30-Jun-20	33,800
P Chambers	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	15,000	30-Jun-18	\$0
	2017	15,000	\$3.45	0%	0	15,000	30-Jun-19	\$0
	2017	15,000	\$3.38	0%	0	15,000	30-Jun-20	\$0
B Van Twest	2013	60,000	\$2.26	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	15,000	30-Jun-18	\$0
	2017	15,000	\$3.45	0%	0	15,000	30-Jun-19	\$0
	2017	15,000	\$3.38	0%	0	15,000	30-Jun-20	\$0

* 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.

5.5 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 2017	Received on exercise of performance rights	Other – DRP, sales and purchases	Held at 30 June 2018
Non-executive directors				
M Iwaniw	201,932	-	3,571	205,503
M Carroll	17,228	-	3,769	20,997
F Grimwade	102,804	-	3,571	106,375
N Anderson	3,500	-	3,571	7,071
F Bennett [#]	-	-	7,500	7,500
P Riordan ^{##}	10,000	-	-	10,000
R M Herron ^{##}	56,952	-	(56,952)	-
Executive director				
P Thompson	479,975	-	3,632	483,607
Other key management personnel				
P Ross	130,392	-	-	130,392
M Eva	80,977	-	(22,000)	58,977
L Van Driel	23,858	-	-	23,858
K Tomeo	-	-	-	-
B Crump [*]	-	-	-	-
B Brown ^{**}	-	-	-	-
V Huxley [^]	-	-	-	-
P Chambers ⁺	90,249	-	(90,249)	-
B Van Twest ⁺⁺	28,290	-	(28,290)	-

[#] Appointed 6 July 2017; ^{##} Resigned 30 June 2018; ^{##} Passed away 13 November 2017

^{*} Appointed 20 November 2017; ^{**} Appointed 1 April 2018

[^] Resigned 24 August 2018; ⁺ Resigned 8 November 2017; ⁺⁺ Resigned 31 July 2017



Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Ltd for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
27 August 2018

SELECT HARVESTS Limited ABN 87 000 721 380**Annual financial report****Contents**

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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 27 August 2018. 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.

Statement of Comprehensive Income

For the year ended 30 June 2018	Note	CONSOLIDATED	
		2018 \$'000	2017 \$'000
Revenue			
Sales of goods and services	5	206,549	239,981
Other revenue	5	3,689	2,161
Total revenue		210,238	242,142
Other income			
Inventory fair value adjustment		13,391	(14,250)
Gain on sale of assets		48	12
Total other income		13,439	(14,238)
Expenses			
Cost of sales	6	(172,623)	(194,240)
Distribution expenses		(3,543)	(3,972)
Marketing expenses		(1,190)	(1,445)
Occupancy expenses		(1,344)	(1,232)
Administrative expenses	6	(7,108)	(7,014)
Finance costs		(5,441)	(5,032)
Other expenses	6	(2,964)	(2,991)
PROFIT BEFORE INCOME TAX		29,464	11,978
Income tax expense	7	(9,093)	(2,729)
PROFIT ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		20,371	9,249
Other comprehensive (expense)/ income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		(2,229)	205
Other comprehensive (expense)/ income for the year		(2,229)	205
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		18,142	9,454
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	22	23.2	12.6
Diluted earnings per share (cents per share)	22	23.1	12.4

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

Balance Sheet

As at 30 June 2018	Note	CONSOLIDATED	
		2018 \$'000	2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents		394	1,060
Trade and other receivables	9	51,378	46,806
Inventories	10	109,321	87,474
Current tax assets		984	-
Derivative financial instruments	11	41	1,270
TOTAL CURRENT ASSETS		162,118	136,610
NON-CURRENT ASSETS			
Property, plant and equipment	12	293,831	282,477
Intangible assets	13	60,604	60,604
TOTAL NON-CURRENT ASSETS		354,435	343,081
TOTAL ASSETS		516,553	479,691
CURRENT LIABILITIES			
Trade and other payables	14	22,972	14,294
Interest bearing liabilities	15	8,156	110,385
Derivative financial instruments	11	1,732	160
Current tax liabilities		-	2,322
Deferred gain on sale	16	175	175
Employee entitlements	17	3,069	3,035
TOTAL CURRENT LIABILITIES		36,104	130,371
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	62,991	36,492
Deferred tax liabilities	7(c)	34,285	30,591
Deferred gain on sale	16	2,846	3,021
Employee entitlements	17	1,687	1,597
TOTAL NON-CURRENT LIABILITIES		101,809	71,701
TOTAL LIABILITIES		137,913	202,072
NET ASSETS		378,640	277,619
EQUITY			
Contributed equity	18	268,567	181,164
Reserves		9,601	11,602
Retained profits		100,472	84,853
TOTAL EQUITY		378,640	277,619

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

Statement of Changes in Equity

CONSOLIDATED	Note	Contributed Equity \$'000	Reserves ¹ \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2016		178,553	11,168	101,180	290,901
Profit for the year		-	-	9,249	9,249
Other comprehensive income		-	205	-	205
Total comprehensive income for the year		-	205	9,249	9,454
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	18	2,611	-	-	2,611
Dividends paid or provided	8	-	-	(25,576)	(25,576)
Employee performance rights	25	-	229	-	229
Balance at 30 June 2017		181,164	11,602	84,853	277,619
Profit for the year		-	-	20,371	20,371
Other comprehensive expense		-	(2,229)	-	(2,229)
Total comprehensive income/(expense) for the year		-	(2,229)	20,371	18,142
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	18	949	-	-	949
Issue of ordinary shares	18	86,454	-	-	86,454
Dividends paid or provided	8	-	-	(4,752)	(4,752)
Employee performance rights	25	-	228	-	228
Balance at 30 June 2018		268,567	9,601	100,472	378,640

1. Nature and purpose of reserves

(i) 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.

(ii) Options reserve

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

(iii) 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 2018	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		207,119	249,969
Payments to suppliers and employees		(175,264)	(211,212)
		31,855	38,757
Interest received		36	31
Interest paid		(5,128)	(5,028)
Income tax paid		(8,476)	(29,022)
Net cash inflow from operating activities	19	18,287	4,738
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Government grants		4,021	2,805
Proceeds from sale of property, plant and equipment		118	12
Payment for water rights		-	(4,540)
Payment for property, plant and equipment		(17,058)	(23,581)
Acquisition of almond orchards		-	(21,838)
Tree development costs		(12,957)	(9,646)
Net cash outflow from investing activities		(25,876)	(56,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		86,454	-
Proceeds from borrowings		170,780	209,250
Repayments of borrowings		(241,780)	(128,750)
Repayments of finance leases		(4,898)	(3,962)
Dividends on ordinary shares, net of Dividend Reinvestment Plan		(3,803)	(22,964)
Net cash inflow from financing activities		6,753	53,574
Net (decrease)/ increase in cash and cash equivalents		(836)	1,524
Cash and cash equivalents at the beginning of the financial year		(1,931)	(3,455)
Cash and cash equivalents at the end of the financial year		(2,767)	(1,931)
Reconciliation to cash at the end of the year:			
Cash and cash equivalents		394	1,060
Bank overdrafts		(3,161)	(2,991)
		(2,767)	(1,931)

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.

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 2018 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB15 Revenue from Contracts with Customers (effective for reporting periods commencing from 1 January 2018)

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 will apply to the Company from 1 July 2018. The Company has completed an assessment of the impact of the change to the standard, and no significant change is expected to the recognition of revenue.

(ii) AASB 9 Financial Instruments (effective for reporting periods commencing from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and while introducing new rules for hedge accounting and a new expected credit loss model for calculating impairment provisions on financial assets. The standard will apply to the Company from 1 July 2018.

The Company has completed an assessment of the impact of the change to the standard. No significant change is expected to the recognition or disclosure of hedge accounting transactions or to the provisioning for potential future credit losses on financial assets.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) AASB 16 Leases (effective for reporting periods commencing 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 currently in the process of completing its assessment of the full impact of the change and expects to adopt the changes from 1 October 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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.

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) Comparatives

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

(e) 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.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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.

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, may not 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 \$8.05 per kg and almond yield based on a crop estimate for the Company orchards of 15,700mt.

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 13. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Key assumptions and sensitivities are disclosed in Note 13.

Notes to the Financial Statements

3. 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, enter into a variety of derivative financial instruments, transacted with the Group's bankers to manage its foreign exchange risk, including forward foreign currency contracts and options

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

Group	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	USD \$'000	EUR \$'000	USD \$'000	EUR \$'000
Trade receivables net of payables	19,377	-	16,710	-
Overdraft	(2,340)	-	(2,296)	-
Foreign Exchange Contracts (FEC)				
- buy foreign currency (cash flow hedges)	1,761	375	3,399	440
- sell foreign currency (cash flow hedges)	24,533	-	25,500	-
Sell foreign currency option contracts*	20,000	-	-	-

* Foreign currency option contracts have three possible outcomes depending on the spot rate at maturity. These are shown at face value. The outcome could also be USD\$ Nil or USD\$40,000,000.

Group sensitivity analysis

Based on financial instruments held at 30 June 2018, 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 \$1,906,000 lower/\$2,106,000 higher (2017: \$938,000 lower/\$1,037,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been \$2,673,000 lower/\$2,954,000 higher (2017: \$1,564,000 lower/\$1,728,000 higher), arising mainly from forward foreign currency contracts designated as cash flow hedges.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(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 2018	Balance	30 June 2017	Balance
	Average		Average	
	Interest Rate		Interest Rate	
	%	\$'000	%	\$'000
Debt facilities (AUD)	4.04%	31,500	3.05%	102,500
Overdraft (USD)	1.22%	2,340	1.64%	2,296

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. As part of the Risk Management policy of Select Harvests Limited, the company had entered into an agreement to swap \$13.5m (2017: \$27.5m) of debt for 1 year at 1.77% to reduce the risk that higher interest rate pose to the company's cash flows.

Group sensitivity

At 30 June 2018, 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 \$59,000 lower/higher (2017: \$183,000 lower/higher).

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

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:

Financial Instruments	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							
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 %	2017 %
(i) Financial assets														
Cash	-	-	-	-	-	-	-	-	394	1,060	394	1,060	-	-
Trade and other receivables	-	-	-	-	-	-	-	-	45,403	41,131	45,403	41,131	-	-
Forward foreign currency contracts	-	-	-	-	-	-	-	-	21	1,270	21	1,270	-	-
Interest Rate Swap	-	-	20	4	-	17	-	-	-	-	20	21	-	-
Total financial assets	-	-	20	4	-	17	-	-	45,818	43,461	45,838	43,482		
(ii) Financial liabilities														
Bank overdraft – USD @ AUD	3,161	2,991	-	-	-	-	-	-	-	-	3,161	2,991	1.22	1.64
Commercial Bills	31,500	102,500	-	-	-	-	-	-	-	-	31,500	102,500	4.04	3.05
Trade creditors	-	-	-	-	-	-	-	-	12,206	8,160	12,206	8,160	-	-
Other creditors	-	-	-	-	-	-	-	-	10,766	6,134	10,766	6,134	-	-
Forward foreign currency contracts	-	-	-	-	-	-	-	-	1,732	160	1,732	160	-	-
Total financial liabilities	34,661	105,491	-	-	-	-	-	-	24,704	14,454	59,365	119,945		

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

3. FINANCIAL RISK MANAGEMENT (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.

(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, established 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.

Financing arrangements

The following debt facilities are held with National Australia Bank (NAB) and Rabobank (Rabo).

Debt facilities	Expiry Date	Facility Limit	Amount drawn 30 June 2018
1. Term*	20/12/2020	\$80,000,000	\$31,500,000
2. Seasonal#	30/06/2020	\$20,000,000	-
		\$100,000,000	AUD \$31,500,000
3. Overdraft+	31/12/2018	USD \$5,000,000	USD \$2,340,290

* Held with NAB (\$50 million) and RABO (\$30 million);

Held with RABO only and available for the period 1 March to 30 June each year.

+ Held with NAB only and reviewed annually.

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:

	2018	2017
	\$'000	\$'000
Floating rate		
- Term/ Revolving/ Working capital/Seasonal /Cash advance facility	AUD \$68,500	AUD \$40,500
- Bank overdraft facility USD	USD \$2,660	USD \$2,704

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The debt facilities (term and seasonal) may be drawn at any time over the term subject to restrictions noted above on the seasonal facility.

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	6 – 12 months	More than 12 months	Total contractual cash flows	Carrying amount (assets)/ liabilities
		\$'000	\$'000	\$'000	\$'000	\$'000
Group at 30 June 2018						
Non-derivatives						
Variable Rate	Debt facilities	-	-	33,017	33,017	31,500
	Trade and other payables	22,972	-	-	22,972	22,972
	Bank Overdraft	-	3,192	-	3,192	3,161
Derivatives	Interest Rate Swap	-	13,500	-	13,500	21
	FEC EUR buy – outflow	375	-	-	375	1
	FEC USD buy – outflow	1,761	-	-	1,761	(21)
	FEC USD sell – (inflow)	(24,533)	-	-	(24,533)	771
	USD Sell option	(15,000)	(5,000)	-	(20,000)	600
	FEC USD net	(37,772)	(5,000)	-	(42,772)	1,350

		Less than 6 months	6 – 12 months	More than 12 months	Total contractual cash flows	Carrying Amount (assets)/ liabilities
		\$'000		\$'000	\$'000	\$'000
Group at 30 June 2017						
Non-derivatives						
Variable Rate	Debt facilities	103,647	-	-	103,647	102,500
	Trade and other payables	14,294	-	-	14,294	14,294
	Bank Overdraft	-	3,029	-	3,029	2,991
Derivatives	Interest Rate Swap	-	27,000	13,500	40,500	21
	FEC EUR buy – outflow	440	-	-	440	17
	FEC USD buy – outflow	3,399	-	-	3,399	144
	FEC USD sell – (inflow)	(25,500)	-	-	(25,500)	(1,270)
	FEC USD net	(22,101)	-	-	(22,101)	(1,126)

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair Value Measurement

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 forward foreign currency contracts and 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.

Disclosures are required of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level one);
- (b) 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
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level three).

At 30 June 2018 the group's assets and liabilities measured and recognised at fair value comprised the forward foreign currency contracts and interest rate swap derivative. Both are level 2 measurements under the hierarchy.

4. 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 and leased 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.

Notes to the Financial Statements

4. SEGMENT INFORMATION (continued)

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

	2018	2017	2018	2017	2018	2017	2018	2017
	Food Division (\$'000)		Almond Division (\$'000)		Eliminations and Corporate (\$'000)		Consolidated Entity (\$'000)	
Revenue								
Total revenue from external customers	128,063	146,852	78,486	93,129		-	206,549	239,981
Intersegment revenue	-	-	36,739	25,418	(36,739)	(25,418)	-	-
Total segment revenue	128,063	146,852	115,225	118,547	(36,739)	(25,418)	206,549	239,981
Other revenue	-	-	3,653	2,130	36	31	3,689	2,161
Total revenue	128,063	146,852	118,878	120,677	(36,703)	(25,387)	210,238	242,142
EBIT	4,952	7,950	35,447	13,686	(5,530)	(4,657)	34,869	16,979
Interest received	-	-	-	-	36	31	36	31
Finance costs expensed	-	-	(2,499)	(2,731)	(2,942)	(2,301)	(5,441)	(5,032)
Profit before income tax	4,952	7,950	32,948	10,955	(8,436)	(6,927)	29,464	11,978
Segment assets (excluding intercompany debts)	73,065	70,708	443,587	408,398	(99)	585	516,553	479,691
Segment liabilities (excluding intercompany debts)	(8,248)	(8,247)	(92,269)	(89,079)	(37,396)	(104,746)	(137,913)	(202,072)
Acquisition of non-current segment assets	295	240	27,969	61,609	200	1,852	28,464	63,701
Depreciation and amortisation of segment assets	409	461	16,202	14,341	193	64	16,804	14,866

Sales to major customers include Coles 25% and Woolworths 17% of total sales of the Food Division.

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.

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

5. REVENUE

Revenue from continuing operations

- Sale of goods	202,370	232,120
- Management services	4,179	7,861
- Government grant and other revenue	3,689	2,161

Total revenue	210,238	242,142
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Notes to the Financial Statements

5. REVENUE (continued)

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.

Management services

Management services revenue relates to services provided for the management and development of farms and is recognised as services are provided.

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 selling almonds on their behalf and does not make a margin on those sales. These amounts are not included in the group's revenue. However, the Company receives a marketing fee for providing this service.

As at 30 June 2018 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).

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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

6. EXPENSES

Profit before tax includes the following specific expenses:

Depreciation of non-current assets:

Buildings	391	220
Plantation land and irrigation systems	1,964	1,644
Plant and equipment	8,562	7,115
Bearer plants	5,887	5,887
Total depreciation of non-current assets	16,804	14,866
Employee benefits	29,435	26,220
Operating lease rental minimum lease payments	2,986	3,225
Net (gain) on disposal of property, plant and equipment	(48)	(12)

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

7. INCOME TAX

(a) Income tax expense

Current tax	(3,376)	(6,473)
Deferred tax	(5,601)	2,816
Over provided in prior years	(116)	928
	(9,093)	(2,729)

Income tax expense is attributable to:

Profit from continuing operations	(9,093)	(2,729)
Aggregate income tax expense	(9,093)	(2,729)

Deferred income tax benefit included in income tax benefit comprises:

Increase / (Decrease) in deferred tax assets	7(c)	455	(481)
(Increase) / Decrease in deferred tax liabilities	7(c)	(6,056)	3,297
		(5,601)	2,816

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

7. INCOME TAX (continued)

Profit from continuing operations before income tax expense		29,464	11,978
Tax at the Australian tax rate of 30% (2017 – 30%)		(8,839)	(3,593)
Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income			
Other assessable items		(138)	(64)
(Under)/ Over provided in prior years		(116)	928
Income tax expense		(9,093)	(2,729)

(c) Deferred tax liabilities (Non-current)

The balance comprises temporary differences attributable to:

Amounts recognised in profit and loss

Receivables	574	-
Inventory	10,149	5,590
Property, plant and equipment (includes bearer plants)	34,760	35,139
Intangibles	871	871
Accruals and provisions	(3,163)	(2,019)
Lease liabilities	(8,251)	(8,423)
	34,940	31,158

Amounts recognised directly in other comprehensive income

Cash flow hedges	(507)	(276)
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Amounts recognised directly in equity

Equity raising costs	(148)	(291)
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Net deferred tax liabilities	34,285	30,591
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Movements:

Opening balance 1 July	30,591	34,452
Prior period (over)/ under provision	(1,677)	(1,045)
Charged/ (Credited) to income statement	5,601	(2,816)
(Credited)/ Debited to equity	(230)	-
Closing balance at 30 June	34,285	30,591

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.

Notes to the Financial Statements

7. INCOME TAX (continued)

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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

8. DIVIDENDS PAID OR PROPOSED FOR ON ORDINARY SHARES

(a) Dividends paid during the year

(i) *Interim* – paid 5 April 2018 (2017: 5 April 2017)

Fully franked dividend (5c per share)

(2017: Fully franked dividend 10c per share) 4,752 7,349

(ii) *Final* – paid Nil (2017: 30 September 2016)

(2017: Fully franked dividend 25c per share)

-	18,227
4,752	25,576

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

A final fully franked dividend of 7 cents per share has been declared by the directors (\$6,665,844).

(c) Franking credit balance

2018	2017
\$'000	\$'000

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2017: 30%)

33,701	28,074
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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.

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

9. TRADE AND OTHER RECEIVABLES

Trade receivables	45,422	41,134
Provision for impairment of trade receivables	(19)	(3)
	45,403	41,131
Prepayments	5,975	5,675
	51,378	46,806

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.

Notes to the Financial Statements

9. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables past due but not impaired

As at 30 June 2018, trade receivables of \$3,254,131 (2017: \$6,152,100) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Note	CONSOLIDATED	
		2018 \$'000	2017 \$'000
Up to 3 months		2,939	6,299
3 to 6 months		315	138
> 6 months		-	(285)
		3,254	6,152

(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 3 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 3.

(c) Fair value

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

	Note	CONSOLIDATED	
		2018 \$'000	2017 \$'000

10. INVENTORIES

Raw materials		6,273	4,740
Finished goods		14,799	27,550
Other inventory		10,928	7,368
Almond stock	(a)	77,321	47,816
		109,321	87,474

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.

Notes to the Financial Statements

10. INVENTORIES (continued)

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.

(a) Agriculture produce

Growing almond crop

The growing almond crop is valued in accordance with AASB 141 Agriculture. The inventory fair value adjustment in the Statement of Comprehensive Income 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.

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

11. DERIVATIVE FINANCIAL INSTRUMENTS

Current Assets

Forward exchange and option contracts – cash flow hedges	21	1,270
Interest rate swap – fair value hedge	20	-
Total current derivative financial instrument assets	41	1,270

Current Liabilities

Forward exchange and option contracts – cash flow hedges	1,732	160
Total current derivative financial instrument liabilities	1,732	160

(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.

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(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 whereas the time value for option contracts are recognised in the income statement. 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.

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

At balance date, the details of outstanding foreign currency contracts are:

Less than 6 months	Sell Australian Dollars		Average Exchange Rate	
	2018	2017	2018	2017
	\$'000	\$'000	\$	\$
FEC Buy USD Settlement	USD1,761	USD3,399	0.74	0.74
FEC Buy Euro Settlement	EUR375	EUR440	0.63	0.65

Less than 6 months	Buy Australian Dollars		Average Exchange Rate	
	2018	2017	2018	2017
	\$'000	\$'000	\$	\$
FEC Sell USD Settlement	USD24,533	USD25,500	0.75	0.74
Options Sell USD Settlement	USD15,000	-	0.76	-

More than 6 months	Buy Australian Dollars		Average Exchange Rate	
	2018	2017	2018	2017
	\$'000	\$'000	\$	\$
Option Sell USD Settlement	USD5,000	-	0.75	-

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(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 foreign currency contracts should the counterparty not pay the currency it is committed to deliver to the Company at balance date was USD \$42,771,322 and EUR \$375,244 (2017: USD \$22,101,085; EUR \$439,568).

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.

Notes to the Financial Statements

12. 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
At 30 June 2016						
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)
Net book amount	11,450	68,197	29,959	101,300	27,281	238,187
Year ended 30 June 2017						
Opening net book amount	11,450	68,197	29,959	101,300	27,281	238,187
Additions	1,500	7,827	5,090	17,700	27,044	59,161
Disposals	-	-	(5)	-	-	(5)
Depreciation expense	(220)	(1,644)	(7,115)	(5,887)	-	(14,866)
Transfers between classes	2,179	2,692	6,618	1,896	(13,385)	-
Closing net book amount	14,909	77,072	34,547	115,009	40,940	282,477
At 30 June 2017						
Cost	17,567	109,820	88,486	136,680	40,940	393,493
Accumulated depreciation	(2,658)	(32,748)	(53,939)	(21,671)	-	(111,016)
Net book amount	14,909	77,072	34,547	115,009	40,940	282,477
Year ended 30 June 2018						
Opening net book amount	14,909	77,072	34,547	115,009	40,940	282,477
Additions	-	-	-	8,364	20,100	28,464
Disposals	-	-	(236)	-	(70)	(306)
Depreciation expense	(391)	(1,964)	(8,562)	(5,887)	-	(16,804)
Transfers between classes	3,899	1,803	17,702	-	(23,404)	-
Closing net book amount	18,417	76,911	43,451	117,486	37,566	293,831
At 30 June 2018						
Cost	21,466	111,623	105,802	145,044	37,566	421,501
Accumulated depreciation	(3,049)	(34,712)	(62,351)	(27,558)	-	(127,670)
Net book amount	18,417	76,911	43,451	117,486	37,566	293,831

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.

As part of the Company's refinancing activities in November 2017 an independent bank valuation was completed for specific assets of our Almond Division (owned orchards and Carina West Processing Facility). The book value of the assets at time of valuation was \$171.6 million against an independent valuation to these assets at \$250.6 million.

Notes to the Financial Statements

12. 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. Bearer plants are assumed ready for use when a commercial crop is produced from the seventh year post planting. 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.

(b) Leased assets

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

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

Leasehold plant and equipment and bearer plants

At cost	48,215	48,474
Accumulated depreciation and impairment	(11,507)	(7,143)
	36,708	41,331

Leases

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

Finance leases

Leases 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.

Notes to the Financial Statements

	CONSOLIDATED			
	Goodwill	Brand	Permanent	Total
	\$'000	Names*	Water Rights	
		\$'000	\$'000	\$'000

13. INTANGIBLES

Year ended 30 June 2017

Opening net book amount	25,995	2,905	27,164	56,064
Acquisition of permanent water rights	-	-	4,540	4,540
Closing net book amount	25,995	2,905	31,704	60,604

Year ended 30 June 2018

Opening net book amount	25,995	2,905	31,704	60,604
Closing net book amount	25,995	2,905	31,704	60,604

*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.

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.

The Company had completed an assessment of these rights, currently at a historical cost value of \$31.7m, based on current market rates and have determined a comparable value of \$51.6M.

Notes to the Financial Statements

13. INTANGIBLES (continued)

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).

(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. 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 with a nil growth rate (2017: Nil) is included in the calculations. A real pre-tax weighted average cost of capital of 11.1% (2017:12.6%) 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 2018. A decrease of 10% in the projected annual cash flows, or an increase of 1% in the pre-tax discount rate of 11.1% does not result in an impairment of the goodwill and brand names at 30 June 2018. 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.

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

14. TRADE AND OTHER PAYABLES

Trade creditors	12,206	8,160
Other creditors and accruals	10,766	6,134
	22,972	14,294

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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

15. INTEREST BEARING LIABILITIES

Current- Secured

Bank overdraft		3,161	2,991
Debt facilities		-	102,500
Finance lease	20(b)	4,995	4,894
		8,156	110,385

Non-current- Secured

Debt facilities		31,500	-
Finance lease	20(b)	31,491	36,492
		62,991	36,492

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.

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.

(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 15(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 3.

(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.

Notes to the Financial Statements

15. INTEREST BEARING LIABILITIES (continued)

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

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000
Current			
<i>Floating charge</i>			
Cash and cash equivalents		394	1,060
Receivables		51,378	46,806
Inventories		109,321	87,474
Derivative financial instruments		41	1,270
Total current assets pledged as security		161,134	136,610
Non-current			
<i>Floating charge</i>			
Property, plant and equipment		257,123	241,146
Permanent water rights		31,704	31,704
Total non-current assets pledged as security		288,827	272,850
Total assets pledged as security		449,961	409,460

Financing arrangements

In December 2017, the Company refinanced its debt facility with its lenders. The changes include a revision to existing financial covenants relating to debt serviceability, gearing and assessment periods.

The Company has a debt facility available to the extent of \$100,000,000 as at 30 June 2018 (2017: \$143,000,000). The Company has bank overdraft facilities available to the extent of US\$5,000,000 (2017: US\$5,000,000). The current interest rates at balance date are 3.46% (2017: 2.93%) on the debt facility, and 1.925% (2017: 1.925%) on the United States dollar bank overdraft facility.

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

16. DEFERRED GAIN ON SALE

Current

Sale and leaseback	<u>175</u>	<u>175</u>
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Non-Current

Sale and leaseback	<u>2,846</u>	<u>3,021</u>
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The deferred gain on sale relates to the sale and leaseback of bearer plants for three orchards that were sold to First State Super on 22 September 2015 and 01 January 2016. The lease is for a 20 year term.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

17. PROVISIONS

Current

Employee benefits		<u>3,069</u>	<u>3,035</u>
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Non-Current

Employee benefits		<u>1,687</u>	<u>1,597</u>
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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.

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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

18. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	<u>268,567</u>	<u>181,164</u>
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Contributed equity

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

(b) Movements in shares on issue

	2018		2017	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the financial year	73,606,835	181,164	72,918,757	178,553
Issued during the year:				
▪ Dividend reinvestment plan	180,700	949	413,373	2,611
▪ Long term incentive plan – tranche vested	-	-	274,705	-
▪ Ordinary shares issued under equity raising (net of transaction costs and deferred tax)	21,438,814	86,454	-	-
End of financial year	95,226,349	268,567	73,606,835	181,164

(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 2013 and 2016 year were forfeited under this plan (refer Note 25 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at \$6.90 on 30 June 2018 (\$4.90 on 30 June 2017).

(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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

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

Net profit after tax		20,371	9,249
Non-cash items			
Depreciation and amortisation		16,797	14,866
Inventory fair value adjustment		(13,391)	14,250
Net (gain)/ loss on sale of assets		(48)	(12)
Options expense		228	229
Deferred gain on sale		(175)	(175)
Rental adjustment		(1,707)	-
Changes in assets and liabilities			
(Increase)/ Decrease in receivables		(4,572)	1,596
(Increase)/ Decrease in inventory		(8,456)	2,592
Increase/ (Decrease) in trade payables		8,728	(11,783)
(Decrease)/ Increase in income tax payable		(3,306)	(22,819)
(Decrease)/ Increase in deferred tax liability		3,693	(3,861)
Increase in employee entitlements		125	606
Net cash flow from operating activities		18,287	4,738

Non cash financing activities

During the current year the company issued 180,700 (2017: 413,373) of new equity as part of the Dividend Reinvestment Plan.

(a) Net debt reconciliation

Net debt movement in current year as follows:

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000
Cash and cash equivalents		(2,767)	(1,931)
Borrowings – repayable within one year		-	(102,500)
Borrowings- repayable after one year		(31,500)	-
Finance lease liabilities- repayable within one year		(4,995)	(4,894)
Finance lease liabilities- repayable after one year		(31,491)	(36,492)
Net debt		(70,753)	(145,817)

	Liabilities from financing activities					Total
	Cash/ bank overdraft	Finance leases due within 1 year	Finance leases due after 1 year	Borrowings due within 1 year	Borrowings due after 1 year	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net debt as at 1 July 2017	(1,931)	(4,894)	(36,492)	(102,500)	-	(145,817)
Cash flows	(1,087)	4,894		102,500	(31,500)	74,807
Acquisitions finance leases	-	-		-	-	-
Foreign exchange adjustments	251	-	-	-	-	251
Other non-cash movements	-	(4,995)	5,001	-	-	6
Net debt as at 30 June 2018	(2,767)	(4,995)	(31,491)	-	(31,500)	(70,753)

Notes to the Financial Statements

20. EXPENDITURE COMMITMENTS

(a) Operating lease commitments

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

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000
Minimum lease payments			
▪ Within one year		24,114	22,312
▪ Later than one year and not later than five years		92,353	83,454
▪ Later than five years		196,100	200,700
Aggregate lease expenditure contracted for at reporting date		312,567	306,466

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.

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

Minimum lease payments			
▪ Within one year		3,297	2,930
▪ Later than one year and not later than five years		5,872	2,777
▪ Later than five years		-	-
Aggregate lease expenditure contracted for at reporting date		9,169	5,707

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

(ii) Almond orchard leases:

Minimum lease payments			
▪ Within one year		20,817	19,382
▪ Later than one year and not later than five years		86,481	80,677
▪ Later than five years		196,100	200,700
Aggregate lease expenditure contracted for at reporting date		303,398	300,759

The almond orchard leases comprises:

- (i) A 20 year lease of a 512 acre (207 hectares) almond orchard and a 1,002 acre (405 hectares) 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 year lease of 3,017 acres (1,221 hectares) at Hillston with Rural Funds Management.
- (iii) A 20 year lease of 5,877 acres (2,382 hectares) of almond and 722 acres (292 hectares) citrus orchards and approximately 599 acres (242 hectares) for future development of almonds with First State Super. 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

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

20. EXPENDITURE COMMITMENTS (continued)

(b) Finance lease commitments

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

Within one year	7,141	7,404
Later than one year but not later than five years	15,034	19,623
Later than 5 years	31,441	34,008
Minimum lease payments	53,616	61,035
Future finance charges	(17,130)	(19,650)
Total lease liabilities	36,486	41,385

The present value of finance lease liabilities is as follows:

Within one year	4,995	4,894
Later than one year but not later than five years	8,523	12,392
Later than 5 years	22,968	24,099
Minimum lease payments	36,486	41,385

Finance lease payments are for rental of farming equipment and bearer plants with a net carrying amount of \$12,216,283 (2017: \$15,367,974) and \$24,491,675 (2017: \$25,962,568) respectively.

(c) Capital commitments

	Note	CONSOLIDATED	
		2018	2017
		\$'000	\$'000

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

Property, plant and equipment	11,557	7,947
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21. EVENTS OCCURRING AFTER BALANCE DATE

On 27 August 2018, the directors declared a final fully franked dividend of 7 cents per share in relation to the financial year ended 30 June 2018 to be paid on 5 October 2018.

Notes to the Financial Statements

22. EARNINGS PER SHARE

	2018 Cents	2017 Cents
Basic earnings per share attributable to equity holders of the company	23.2	12.6
Diluted earnings per share attributable to equity holders of the company	23.1	12.4

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Basic earnings per share:		
Profit attributable to equity holders of the company used in calculating basic earnings per share	20,371	9,249
Diluted earnings per share:		
Profit attributable to equity holders of the company used in calculating diluted earnings per share	20,371	9,249
	Number of shares	
	2018	2017
Weighted average number of ordinary shares used in calculating basic earnings per share	87,863,273	73,366,492
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	88,352,139	74,372,588

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.

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 after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

	Note	CONSOLIDATED	
		2018	2017
		\$	\$

23. REMUNERATION OF AUDITORS

Audit and other assurance services

Audit and review of financial statements	285,000	255,000
Other services	-	-
Total remuneration of PricewaterhouseCoopers	285,000	255,000

Notes to the Financial Statements

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 (%)	
		2018	2017
Parent Entity:			
Select Harvests Limited (i)	Australia	100	100
Subsidiaries of Select Harvests Limited:			
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
Jubilee Almonds Irrigation Trust Inc	Australia	100	100

(i) Members of extended closed group

(c) Key management personnel compensation

	Note	CONSOLIDATED	
		2018	2017
		\$	\$
Short term employment benefits		3,659,706	3,275,885
Post-employment benefits		227,707	211,388
Long service leave		94,703	46,968
Share based payments		223,333	204,095
		4,205,449	3,738,336

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.

(e) Directors' interests in contracts

Michael Carroll is a director of Rural Funds Management, the responsible entity for Rural Fund Group, which leases orchards to Select Harvests. These transactions are on normal commercial terms and procedures are in place to manage any potential conflicts of interest.

Notes to the Financial Statements

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) Cumulative Annual Growth Rate (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
Underlying EPS		Underlying EPS	
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%
TSR		TSR	
Below the 60 th percentile*	Nil	Below the 50 th percentile*	Nil
60 th percentile*	25%	50 th percentile*	25%
61 st – 74 th percentile*	Pro rata vesting	51 st – 74 th percentile*	Pro rata vesting
At or above 75 th percentile*	50%	At or above 75 th percentile*	50%

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

** Relates to rights that are due to vest from 30 June 2018 onwards.

Notes to the Financial Statements

25. SHARE BASED PAYMENTS (continued)

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:

2018

Grant date	Vesting date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at end of the year		Proceeds received \$	Shares issued Number	Fair value per share \$	Fair value aggregate \$
							On Issue	Vested				
20/10/2014	30/06/2020	-	225,000	-	75,000	-	150,000	-	-	-	4.21	631,500
29/09/2016	30/06/2020	-	265,000	-	145,000	-	120,000	-	-	-	3.23	387,600
02/12/2016	30/06/2020	-	67,500	-	37,500	-	30,000	-	-	-	3.23	96,900
20/11/2017	30/06/2020	-	-	18,000	-	-	18,000	-	-	-	3.65	65,700

2017

Grant date	Vesting date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at end of the year		Proceeds received \$	Shares issued Number	Fair value per share \$	Fair value aggregate \$
							On Issue	Vested				
30/04/2013	30/06/2017	-	420,000	-	420,000	-	-	-	-	-	2.26	-
11/02/2016	30/06/2017	-	180,000	-	180,000	-	-	-	-	-	4.44	-
20/10/2014	30/06/2020	-	-	225,000	-	-	225,000	-	-	-	4.21	946,500
29/09/2016	30/06/2020	-	-	265,000	-	-	265,000	-	-	-	3.23	856,600
02/12/2016	30/06/2020	-	-	67,500	-	-	67,500	-	-	-	3.23	217,800

Notes to the Financial Statements

25. SHARE BASED PAYMENTS (continued)

Fair value of performance rights granted

The assessed fair value at grant date is determined using a Monte Carlo 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:

	20 November 2017 Performance Rights Issue	2 December 2016 Performance Rights Issue	29 September 2016 Performance Rights Issue	20 October 2014 Performance Rights Issue	11 February 2016 Performance Rights Issue
Share price at grant date	\$4.64	\$6.23	\$5.62	\$5.95	\$4.44
Expected volatility*	45%	45%	45%	45%	30%
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	1.85%	1.58%	1.58%	2.84%	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	
	2018	2017
	\$	\$
Performance rights granted under employee long term incentive plan	228,150	228,910

Share-based payments

Share-based compensation benefits are provided to employees via the Select Harvests Limited Long Term Incentive Plan (LTIP).

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 Monte Carlo 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.

Notes to the Financial Statements

26. CONTINGENT LIABILITIES

(i) Guarantees

Cross guarantees are given by the entities comprising the Group. Group entities are set out 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:

Balance Sheet	2018 \$'000	2017 \$'000
Current Assets	2,062	4,187
Total Assets	572,414	573,528
Current Liabilities	7,259	111,538
Total Liabilities	292,683	379,185
Shareholders' Equity		
Issued capital	268,567	181,164
Reserves		
Cash flow hedge reserve	(1,350)	1,109
Options reserve	3,078	2,850
Retained profits	9,436	9,220
Total Shareholders' Equity	279,731	194,343
Profit for the year	13,564	13,073
Total comprehensive income	15,793	12,868

(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 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.

Notes to the Financial Statements

27. PARENT ENTITY FINANCIAL INFORMATION (continued)

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.

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.

(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.

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

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 31 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 2018 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 27.

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, 27 August 2018



Independent auditor's report

To the members of Select Harvests Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Select Harvests Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the balance sheet as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

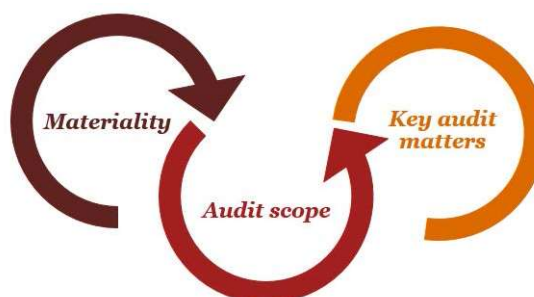
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our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

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$1.4 million, which represents approximately 5% of the Group's three year average profit before tax, and further reduced for relevant factors impacting the profit before tax for the year ended 30 June 2018. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. A three year average was used to address volatility in the profit before tax calculation 	<ul style="list-style-type: none"> As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Group financial report. Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. One of the key areas in this respect is the Group's inventory valuation. Our audit mainly consisted of procedures performed by the audit engagement team at the Thomastown head office in Melbourne, with site visits to the Carina West processing facility and surrounding orchards. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Inventory valuation – almond crop Accounting for bearer plants Carrying value of intangible assets Borrowings Capital projects These are further described in the <i>Key audit matters</i> section of our report.

caused by the almond price and yield fluctuations between years.

- We selected a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Inventory valuation – almond crop Refer to Critical accounting estimates and judgements in note 2 to the financial report</p> <p>The current year almond crop is classified by the Group as a biological asset. Australian Accounting Standards require agriculture produce (such as almonds) from an entity's biological assets to be measured at fair value less costs to sell, at the point of harvest.</p> <p>To measure these biological assets, the Group has made various assumptions at the balance date as the actual crop yield will not be known until it is completely processed and the selling price of the crop can only be estimated.</p> <p>As outlined in Note 2 - Critical Accounting Estimates and Judgements, the key assumptions are the estimated average almond selling price at the point of harvest of \$8.05 per kg, crop estimate for the Group's orchards of 15,700 mt based on estimated harvest yield, quality and grade of the almonds, and the estimated remaining cost of processing.</p> <p>We believe this was a key audit matter because of its financial significance to the Group's assets, liabilities and net profit at 30 June 2018 and the judgemental nature of the key assumptions.</p>	<p>We performed a number of audit procedures in relation to the Group's valuation of the almond crop, including the following:</p> <ul style="list-style-type: none"> • Tested the almond crop on hand based on a physical observation and sample testing performed during the Group's inventory stocktake at 30 June 2018. • Assessed the yield, quality and grade estimates of unprocessed almonds based on (i) the experience of the 2018 crop actually processed at 30 June 2018, and (ii) historical experience from prior years. • Evaluated the Group's ability to make estimates of the fair value of almond crops by comparing prior estimates to actual results with the benefit of hindsight, including assessing the fair value recognised at 31 December 2017 compared to actual selling prices of the almond crop achieved in the period to 30 June 2018. This included comparing a sample of committed sales to contracts and considering external spot price information. • Considered sources of estimation uncertainty and external factors, such as global almond prices, global supply pressures and foreign exchange rate assumptions with reference to external industry information and market data. • Tested the costs of harvesting and processing the almond crop during the period, and the allocation to inventory at 30 June 2018. • Tested the mathematical accuracy of the Group's

Key audit matter	How our audit addressed the key audit matter
	<p>almond crop calculations.</p> <p>We also evaluated the adequacy of the disclosures made in note 2 and 10.</p>
<p>Accounting for bearer plants Refer to note 12 to the financial report</p> <p>The Group accounts for its Almond trees as Property, Plant and Equipment, to be recorded at cost less accumulated depreciation.</p> <p>Under applicable accounting standards, the Group capitalises growing and leasing costs proportionate to maturity up to 7 years, when trees are deemed to reach a mature commercial state. It is from this point that depreciation would commence on a units of production method, reflecting the commencement of the revenue stream from the trees. Depreciation is charged over 10 to 30 years depending on the maturity of the bearer plant.</p> <p>At 30 June 2018, carrying value of \$117 m of Property Plant and Equipment related to trees against which depreciation of \$5.9 m was charged during the year.</p> <p>This was a key audit matter due to the significance of the net book value to the Group's balance sheet, estimates and judgements regarding capitalisation and depreciation, and complexities in accounting for leasing arrangements.</p>	<p>We performed a number of audit procedures in relation to the Group's accounting for bearer plants, including the following:</p> <ul style="list-style-type: none"> • Tested the amount and nature of a sample of growing costs capitalised during the year to supporting purchase documentation for trees with a maturity of up to 7 years old. • Evaluated the Group's useful life assessment, maturity of trees and yield profile assumptions applied in the units of production method for depreciation against the 2018 crop processed to 30 June 2018 and historical experience. <p>We also evaluated the adequacy of the disclosures made in note 12.</p>
<p>Carrying value of intangible assets Refer to Critical accounting estimates and judgements in note 2 and note 13 to the financial report</p> <p>As required by Australian Accounting Standards, the Group tests annually whether goodwill and other intangible assets that have an indefinite useful life have suffered any impairment. Impairment is recognised where the estimated recoverable amount for each division is less than the carrying amount of the division's intangible assets.</p> <p>The Food Division has goodwill and brand names of \$29m. The recoverable amount of the Food Division is estimated by the Group using a value-in-use discounted cash flow model (the model). The model's cash flows are based on the Board approved Food Division budget for FY2019 and growth projections for FY2020-FY2023. Assumptions applicable to the model are described in Note 13, including key growth and discount rate assumptions.</p>	<p>We performed a number of audit procedures in relation to the Group's assessment of the carrying value of intangibles assets, including the following:</p> <ul style="list-style-type: none"> • Evaluated the Group's cash flow forecasts for the Food Division in the model and the process by which they were developed with reference to current year results, external industry information and market data. • Checked that the forecast earnings were consistent with the Board approved FY2019 budget, and that the key assumptions such as forecast growth and discount rates were subject to oversight from the directors. • Compared the previous year's forecasts for FY2018 with the actual results for FY2018 to assess the accuracy and reliability of forecasting. • Assessed the Group's discount rate assumption, including having regard to the inputs utilised in

Key audit matter	How our audit addressed the key audit matter
<p>The Almond Division has permanent water rights assets held at cost of \$32 m. The recoverable amount of permanent water rights related to the Almond Division is based on the current tradable market value of the rights.</p> <p>This was a key audit matter due to the significant carrying value of the Group's intangible non-current assets which are subject to the significant judgements and assumptions outlined above in determining whether any impairment of value has occurred.</p>	<p>the Group's weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts.</p> <ul style="list-style-type: none"> Considered the sensitivity of the calculations by varying key assumptions such as forecast growth and discount rates. <p>We compared the carrying amount of the permanent water rights to the tradeable market value.</p> <p>We evaluated the adequacy of the disclosures made in note 2 and 13.</p>
<p>Borrowings <i>Refer to note 15 in the financial report</i></p> <p>There are external borrowings on the balance sheet at 30 June 2018 of \$31.5 m.</p> <p>Given the financial significance of the borrowings balance, requirements to operate within specified covenants, the cyclical and somewhat unpredictable financing demands of the business and the importance of capital for continued growth in support of the Group's strategy, the accounting for the Group's borrowings was considered a key audit matter.</p>	<p>We obtained confirmations directly from the Group's banks to confirm the borrowings' balance, tenure and conditions.</p> <p>We read the most up-to-date agreements between the Group and its lenders to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown.</p> <p>We evaluated whether the debt was classified in accordance with Australian Accounting Standards and we also evaluated the adequacy of the disclosures made in note 1(a) and note 15.</p>
<p>Capital projects <i>Refer to reconciliation of the carrying amounts of property, plant and equipment in note 12 to the financial report</i></p> <p>The Group has a capital works in progress balance of \$37.5 m as at 30 June 2018. The most significant capital project within this balance is Project H2E (Hull to Energy) – this is a Biomass Cogeneration Power Plant Project that will use almond hull and shell as a fuel source for generating electricity and steam directly to the Group's Carina West manufacturing site.</p> <p>Project Parboil has been commissioned in FY2018. This is a state-of-the-art, fully integrated almond processing facility at Carina West, enabling the processing of blanched, roasted and sliced almonds and the production of almond paste.</p> <p>In accordance with the Group's accounting policies, the Group capitalises costs up to the commissioning date of each project and then the costs will be depreciated over</p>	<p>We performed a number of audit procedures in relation to the Group's capital projects, including the following:</p> <ul style="list-style-type: none"> Compared, on a sample basis, costs incurred to supporting documentation and checked amounts were appropriately capitalised. Considered changes in key assumptions such as electricity and hull price assumptions, and agreed these assumptions to external market information, where available. Considered the impact of additional project costs capitalised and confirmed that they don't represent triggers for impairment. Confirmed the commissioning dates and depreciation useful life assumptions in relation to Project Parboil. <p>We also evaluated the adequacy of the disclosures made in note 12.</p>

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
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the useful lives of the asset.

The Group analysed additional capital costs and changes in key assumptions compared to FY2017 and concluded that there are no triggers of impairment.

This was a key audit matter due to the financial significance of capital expenditure made by the Group, the number of judgements and assumptions required in determining the related cash flows of each project, delays in the completion of the projects from initial estimates and forecast expenditure for each project that have exceeded initial estimates.

Other information

The directors are responsible for the other information. The other information included in the Group's Annual Financial Report for the year ended 30 June 2018 comprises the Director's Report and ASX Additional Information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We expect other information to be made available to us after the date of this auditor's report, including Company Profile, Geographic Diversity, Performance Summary, Strategy Explanation & Progress, Almond Division, Food Products Division, People and Diversity, Communities, OH&S, Sustainability and Environment, Executive Team, Board of Directors, Historical Summary, Financial Summary and Corporate Information.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the

financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Select Harvests Ltd for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



PricewaterhouseCoopers



Andrew Cronin
Partner

Melbourne
27 August 2018

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 2018.

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	5,238
1,001 to 5,000	4,785
5,001 to 10,000	1,177
10,001 to 100,000	705
100,001 and over	38

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
9,325	437

(b) Twenty largest shareholders

The following information is current as at 31 July 2018.

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

		NUMBER OF SHARES	PERCENTAGE OF SHARES
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,439,465	22.51%
2	CITICORP NOMINEES PTY LIMITED	10,015,411	10.52%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,923,948	9.37%
4	NATIONAL NOMINEES LIMITED	3,476,405	3.65%
5	UBS NOMINEES PTY LTD	2,857,449	3.00%
6	INVIA CUSTODIAN PTY LIMITED <A/M Unit A/C>	2,194,047	2.30%
7	TRINITY MANAGEMENT PTY LTD	654,677	0.69%
8	MIRRABOOKA INVESTMENTS LIMITED	550,000	0.58%
9	UBS NOMINEES PTY LTD	444,962	0.47%
10	INVIA CUSTODIAN PTY LIMITED <ANTHONY SUPERFUND A/C>	444,047	0.47%
11	INVIA CUSTODIAN PTY LIMITED <ELAINE SUPERFUND A/C>	444,047	0.47%
12	INVIA CUSTODIAN PTY LIMITED <FAMILY SUPERFUND A/C>	444,047	0.47%
13	INVIA CUSTODIAN PTY LIMITED <RITA SUPERFUND A/C>	444,047	0.47%
14	BNP PARIBAS NOMS PTY LTD <DRP>	417,511	0.44%
15	MR FRANCIS IAN WALKER	402,296	0.42%
16	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	399,769	0.42%
17	REZANN PTY LTD <RIPKA FAMILY A/C>	339,000	0.36%
18	MR JOHN PATERSON	322,073	0.34%
19	MS LIAN HUA KOH	305,000	0.32%
20	BRAZIL FARMING PTY LTD	300,000	0.32%

ASX additional information

(c) Substantial shareholders

The names of substantial shareholders are:

	NUMBER OF SHARES
FMR LLC	7,242,984
Thorney Investment Group	5,630,000

(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.