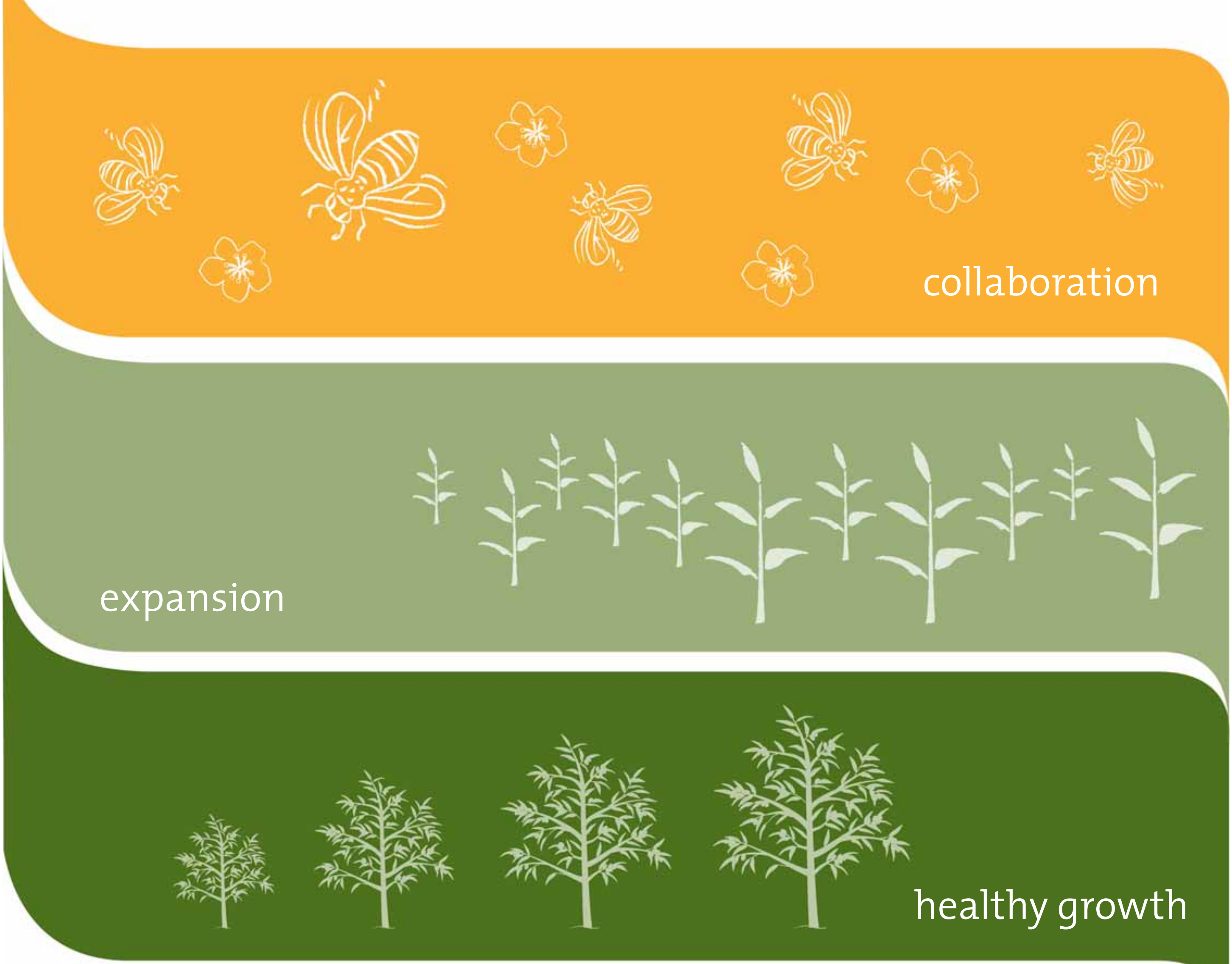
SELECT HARVESTS



annual report 06

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Select Harvests – A Snapshot

Our almond operations

Our food products

Our environment

Inaugural shareholder open day

With new acreage coming into production, ambitious expansion plans and a planned upgrade in processing capacity, Select Harvests is poised to succeed in an environment of growing global almond demand and strong market fundamentals.

Shareholder Information

Annual General Meeting

The annual general meeting will be held on Monday, 30 October, 2006, at the ASX Theatrette, 530 Collins St, Melbourne Victoria, commencing at 2:00 pm. A separate notice of meeting has been posted to all shareholders.

2006/2007 Calendar

Feb	Announcement of interim results
Apr	Payment of interim dividend
Aug	Announcement of preliminary full year results
Sept	Annual report to shareholders
Oct	Payment of final dividend
Oct	Annual general meeting

Our mission

Is to continue to develop and expand our business model, generating sustainable earnings growth and delivering increased value to shareholders.

Our strategy

Is to develop a fully-integrated food company via ongoing diversification and expansion of our income streams, leveraging core strengths – almond growing and knowledge of edible nuts and their markets – to develop sustained earnings growth and reduced volatility from agricultural risk.

Our activities

Today, we operate our own orchards, manage orchards for investors, market almonds in domestic and export markets, and process and market an extensive range of nut- and fruit-based products to all market sectors. Select Harvests has rapidly and successfully migrated into an integrated agri-food business with diversified income streams.

Our outlook

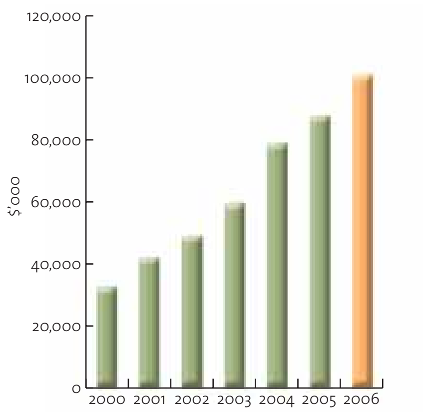
Select Harvests is one of the world's biggest almond growers. Our food products division has a significant – and growing – share of the Australian market. Our future outlook is positive, thanks to increasing world nut consumption, the existence of strong fundamentals in the domestic and international almond markets, increasing interest in almonds as a healthy food product and increasing investor interest in almonds as a mainstream horticultural investment. A further 11,000 acres of new almond plantings, significant technological and scientific advances, further upscaling of nursery and development resources and processing capacity are planned for 2007 and the years ahead. Ambitious sales, market, and distribution targets from our food products business will continue to capitalise on growing consumer demand, and our strong balance sheet and cash flows will enable us to both fund and accelerate our growth strategies into the future.

Our year in brief

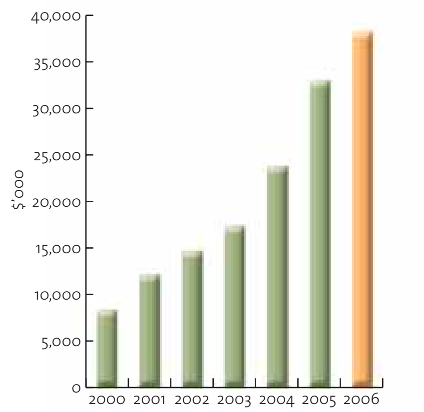
2006 Highlights

- New almond developments UP 102 percent
- Acres under management UP 48 percent
- Inaugural shareholder open day held in Robinvale
- Largest planting year – over 800,000 trees
- Laid groundwork for a further 11,000 acres of planting in 2007
- 2 millionth tree planted!
- Established high-tech tissue culturing laboratory
- Employed additional specialised, technical personnel to meet the challenges of a larger, more diversified business

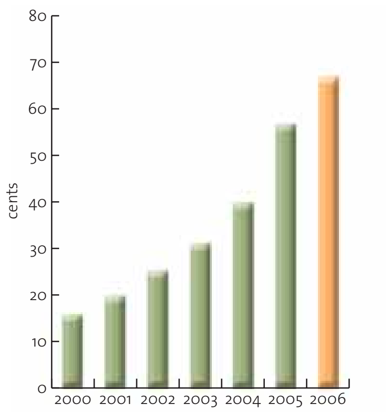
Total shareholders' equity



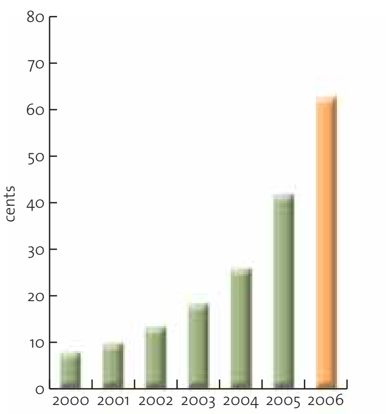
Earnings before interest and tax (EBIT)*



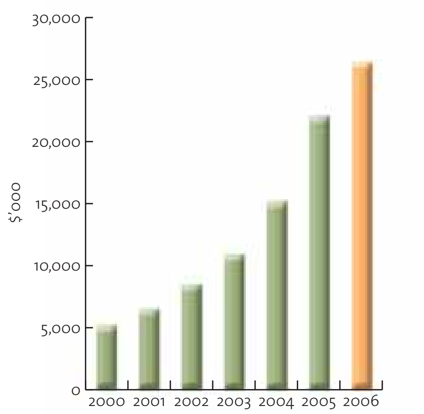
Earnings per share (EPS)*



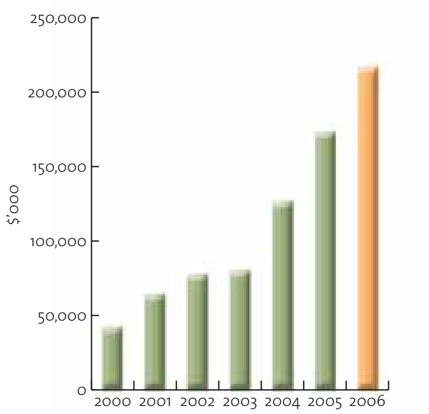
Dividend per ordinary share (DPS)



Net profit after tax (NPAT)*



Total sales*



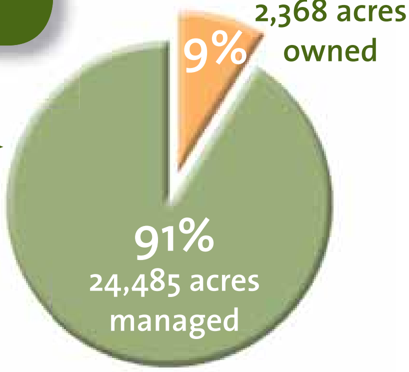
** FY05 and FY06 exclude discontinued operations.*

Our business at a glance

Almond Division

Almond Operations

2006 EBIT $32.1 million
2005 EBIT $26.3 million



Nursery

Orchard establishment

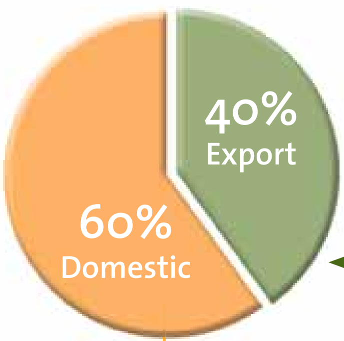
Farm management

Harvesting

Processing

Almond Sales

$50.1 million
5,500 metric tonnes



35% domestic sales

Food Products Division

Lucky
Sunsol
Nu-Vit
Meriram
Soland
Temptations

Sales and Marketing

2006 EBIT $9.2 million
2005 EBIT $9.3 million

2006 Sales $152.5 million
2005 Sales $131.4 million

Supply to major supermarkets, independent supermarkets and health food stores

Supply to manufacturers

Supply to other distributors

Select Harvests – A snapshot

"Our strategic initiatives, Australia's competitiveness in international almond markets and a high demand for almonds as a horticultural investment vehicle continue to help us to expand our business and enhance future growth prospects and returns."

John Bird: Managing Director

Select Harvests Limited is Australia's largest almond grower. Today, it manages over 50 percent of Australia's almond orchards and is one of the world's largest and most forward-looking growers, supplying almonds to domestic and export markets in Asia, Europe and the Middle East.

More than this, Select Harvests is also Australia's leading manufacturer, processor and marketer of a range of packaged nuts, fruit- and nut-based foods and associated products, with distribution into Australian supermarkets, healthfood stores, and industrial markets, as well as to export markets in Asia.

This integrated business model has been deliberately created via a focused diversification and growth strategy which has delivered an annual increase in after-tax profit of 20 percent or more for the seventh consecutive year.

Balanced business streams

Select Harvests operates a comprehensive 'seedling-to-supermarket' almond growing and marketing operation, made up of two, balanced business streams: almond operations and food products.

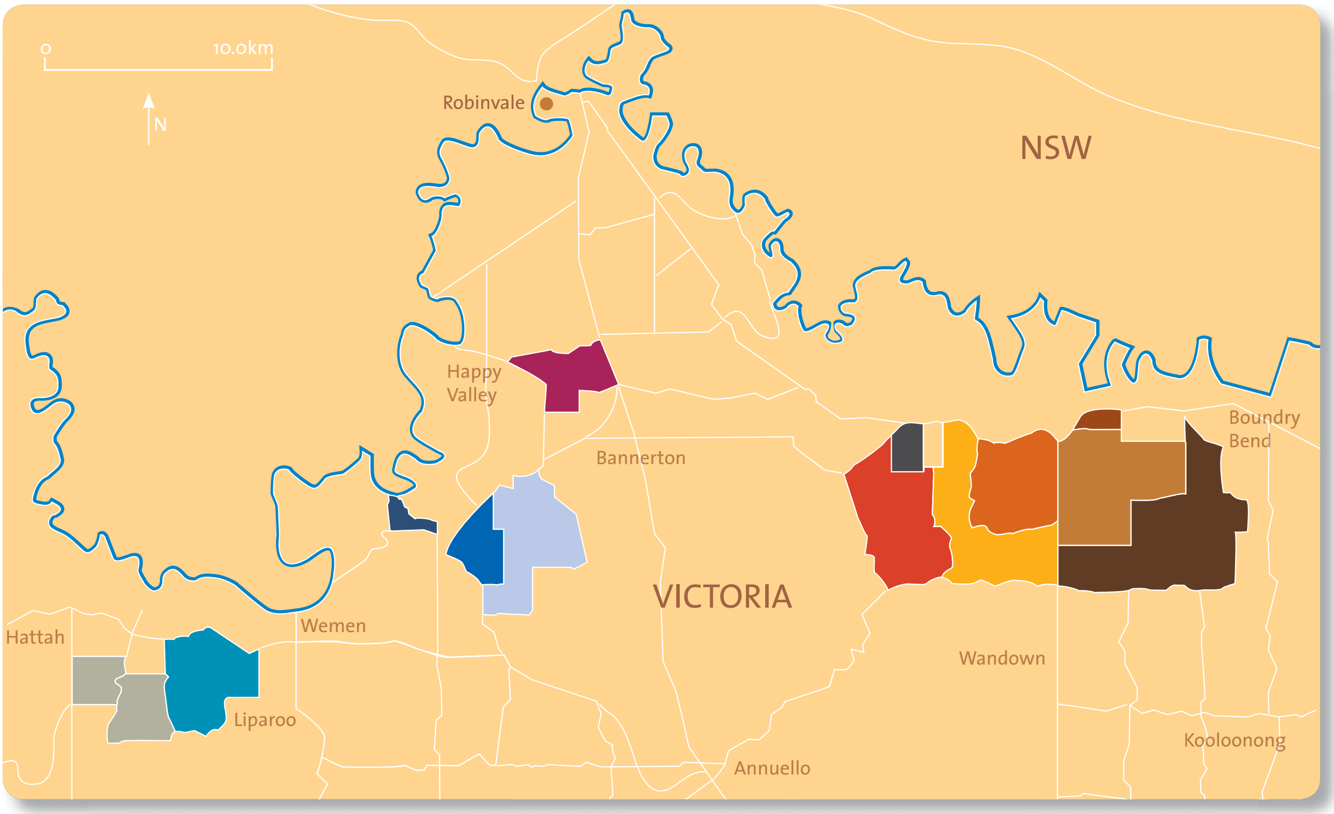
Our almond operations

- Own or lease 2,368 acres of almond orchards in northwest Victoria.
- Manage 24,485 acres of almond orchards for external investors on a fee-for-service basis. Our comprehensive service includes orchard establishment, tree supply, farm management, harvesting, processing, and marketing.
- Currently process approximately 6,200 metric tonnes of almonds – approximately 40 percent of Australia's crop. Future tonnage will exceed 30,000 metric tonnes as orchards planted in the recent past mature and come into full production.
- Export approximately 40 percent of almonds produced to India, Japan, China, Indonesia, the Middle East, Germany, Spain, the United Kingdom, Russia, France, Holland, Belgium and other markets.

Our food products division

- Produces an extensive and innovative range of packaged cooking ingredients, snacks, muesli, and natural health foods from nuts, seeds, grains, and dried fruits.
- Leads the Australian market in the supply of processed and packaged nuts to retail stores through the Lucky, Sunsol, Nu-Vit, Meriram, Soland and now Select Harvests Temptations.
- Manufactures a range of ingredients for food manufacturers and distributors.

Owned and managed orchards



	YEAR ESTABLISHED	ACRES
(purple)	2006	1,041
(navy)	1987	420
(blue)	2002-2005	596
(teal)	2001	2,474
(grey)	2006	2,051
(orange)	2005	2,240
(dark grey)	1981	1,083
(red)	2004-2006	2,120

	YEAR ESTABLISHED	ACRES
(light blue)	1997-2003	2,420
(rust)	1978-2002	360
(tan)	2003	2,763
(dark brown)	2004-2005	4,279
(yellow)	2006	3,751
	Other orchards *(not shown)*	1,255
	Total	**26,853**

From the Chairman and Managing Director

Delivering Shareholder Value

We are once again pleased to report to shareholders that our business model continues to deliver value in all important sectors: profit growth, increased dividend payments and share price appreciation. At the same time we have made further progress in expanding our core activities, creating a larger and more secure base upon which to secure future shareholder returns.

Our pattern of integration into a balanced agri-food business operation spanning both almond growing and the production of nut-based products continues, with the ongoing expansion of our almond operations and aggressive and effective marketing in our food products business.

We have made conscious and determined efforts over the past year to increase our technical capabilities. This has been achieved in two ways: Firstly, by employing new, highly-qualified personnel in key areas; and secondly, by adopting appropriate systems and technologies in key areas.

This strategy of combining the best available expertise and the latest technologies will ensure our capabilities and efficiencies in the challenging times ahead.

Naturally, we continue to operate responsibly in all areas, contributing to our communities, exercising all due care in resource use and waste disposal, and exercising all due environmental care.

Our achievements for the year

Earnings

Strategic objectives

Earnings growth, improved quality of earnings and diversification of earnings streams, with reduced dependency on almond pricing.

Achievements during 2005/06

- Total sales revenue from continuing operations increased by 25 percent to $217.9 million.
- Total EBIT from continuing operations increased by 16 percent to $38.4 million.
- Net profit after tax from continuing operations increased by 20 percent to $26.5 million.

Objectives for 2006-07

- Continue to deliver earnings growth through the aggressive expansion of our almond operations and branded food products business.

Shareholder value

Strategic objectives:

Enhance shareholder value.

Achievements during 2005/06

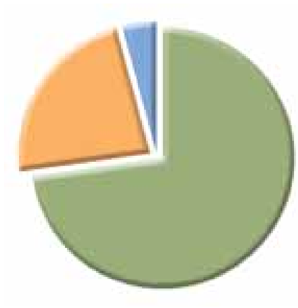
- Total dividends increased by 50 percent to 63¢ per share.
- Earnings per share increased by 18 percent to 67.1¢ per share.
- Total shareholders' equity increased by 15 percent to $101 million.
- Return on shareholders' equity increased to 26 percent p.a.
- Share price increased by 34 percent to $13.02 at 30 June 2006.

Objectives for 2006/07

- Utilise our strong balance sheet and cash flow to fund expansion, R&D activity, new business opportunities, and returns to shareholders.

2006 EBIT $38.4 million

Almond operations	78%
Food products	22%



2005 EBIT $33.1 million

Almond operations	73%
Food products	23%
Pesticide products	4%

2004 EBIT $23.8 million

Almond operations	71%
Food products	26%
Pesticide products	3%

2003 EBIT $17.4 million

Almond operations	70%
Food products	24%
Pesticide products	6%

The past year's results

Domestic and international almond demand continues to grow. However, due to climatic conditions, and the effects of a record 2005 almond crop, yields achieved from our company owned orchards were adversely affected. This was partly offset by the sale of the balance of our 2005 almond crop at historically high prices. The increase in earnings for the year was driven by the growth of our managed orchard operations.

In food products, sales increased by 16 percent, but margin pressure, increased competition, and higher operating costs (notably fuel- related) have impacted on our financial result. It has been a challenging year, and we anticipate 2007 being equally competitive.

We are doing everything possible to maximise opportunities in an environment of increasing consumer demand and increasing retail response to that demand. We are launching new products, we have employed key personnel and have ambitious plans. From a strong base, we are maximising economies of scale resulting from our deliberate growth strategies, and continuing to position ourselves for the future.

Dual expansion

In the last year we have expanded both our orchard management services and food products division – the cornerstones of our expansion and diversification strategy.

Our footprint across Victoria continues to increase: We have recently established a further 8,300 acres of almond orchards (bringing our total area under management to 26,853 acres, a 48 percent increase). This will provide an increased base for generating orchard management services income and brings our share of all Australian almond acreage above 50 percent, cementing our ranking in the top three almond growers globally.

Significantly, the groundwork was completed this year for a planting of a further 11,000 acres in 2007.

The wisdom of previous strategic acquisition decisions continued to pay off, adding significantly to an increase in food product sales for the year from $131 million to $153 million. The appointment of dedicated specialist staff and aggressive growth in long-established brands such as Lucky significantly increased our share in important supermarket and healthfood market sectors.

These initiatives have expanded our business model and future growth prospects and we are targeting further growth in the current year.

Market opportunities

A sustained period of consumption growth, coupled with the USA's supply plateau (brought about by low additional planting levels in that country) have contributed to a rise in almond prices. The anticipated 15 percent drop in the 2005 USA almond crop did occur, bringing global almond supply significantly below the previous year's demand – and helping maintain prices at higher-than-usual levels.

The lag we expected between US plantings and resultant enhanced crop levels will continue to benefit us as our past years' plantings become mature and commence production.

Almond prices have now returned to lower levels than the records of 2005 – but they are at historical highs and provide good returns. The strong fundamentals of the almond market improves returns for both Select Harvests and our investor growers and underpins the attractiveness of almond orchards as an investment in Australia.

"We are fortunate to be operating in a marketplace that goes on providing opportunities for growth and are delighted to once again report that we approach the future with confidence."

Max Fremder: Chairman & John Bird: Managing Director

Emphasising the 'nut' in nutrition

Internationally, the nut health message continues to gain momentum. Australia is a strong promoter of nut-based products, and Select Harvests is working with others to create and increase awareness of the beneficial effects of regular and increased nut consumption. We have targeted health professionals and other food and diet influencers, and will continue promoting to our end users – the consumers who buy our products.

Nut-based products continue to grow in popularity showing strong consumption growth both domestically and in international markets. There is continuing evidence of a move towards natural snacks with a greater focus by retailers and increased marketing activity from retailers, suppliers and industry groups.

The consumption trends towards healthy eating matches the branding position of our food products division and the market growth provides the base for revenue growth and an expanded market for our future almond crops.

Future Prospects

The strong fundamentals of the international almond market and Australia's competitiveness as an almond grower and marketer, has increased the demand for almond orchards. To match this demand we are planning, with our alliance partners, to expand our orchard establishment activities over the next few years. To facilitate this expansion, we will upgrade our tree nursery capacity and development infrastructure and resources, and with our partners we are focussing on identifying suitable land reserves to support this growth.

We are planning to establish a further 11,000 acres of investor-owned orchards in 2007. The larger area under management and increased production from maturing orchards will increase orchard management services revenue for the year.

Our food products division continues to operate in a growth market and we are looking for further growth in 2007, particularly from our branded businesses.

Our strong balance sheet and future cashflow position will allow us to fund the expansion of our business to support and deliver growth in to the future. We will continue to aggressively expand our almond operations over the next few years with external investors and investigate other tree crops that may be suitable to our business model. We continue to look for further expansion opportunities by acquisition which would complement and add value to our existing food products business. In addition, we will continue to monitor and assess opportunities to increase dividends to shareholders.

Our People

We have in the last year significantly grown our business in terms of sales, acreage and, most significantly, people.

A restructuring of the management organisation of both our almond and food products divisions has been conducted to support our aggressive growth objectives.

Our ability to successfully manage our ongoing expansion and at the same time deliver improved results is in no small part due to the skill, effort and dedication of our staff at all levels, at all of our locations. The continued support of our customers and suppliers has also been vital.

We thank board members, management and staff for their efforts over the last year and their contribution to the ongoing development of the company.

We are pleased with the progress the company has made in recent years: Our business model continues to serve us well today and we anticipate it will do so in the coming years as well. We are fortunate to be operating in a marketplace that goes on providing opportunities for growth and are delighted to once again report that we approach the future with confidence.

We remain committed to profitably growing the company and delivering even more enhanced shareholder value in the future.

Max Fremder, Chairman

John Bird, Managing Director

Our almond operations

Our almond operations continue their shift from owned into managed orchards. Large-scale developments of over 800,000 trees were planted in Winter 2006. The almond division has been enhanced by the appointment of new specialist personnel and the creation of new technical facilities.

Over the past year, we established four new almond projects covering approximately 8,300 acres (compared to 4,100 additional acres planted in 2005) – our largest development ever.

The technical division has established a new laboratory which is developing tissue culturing techniques with the goal of creating new almond rootstocks which may enable us and our partners to broaden our plantable areas and enhance yields.

Our nursery operation continued to meet the high demands of our ambitious planting programs, and we are further ramping up its capabilities to meet even greater planned future demand.

Results for the year

The division increased EBIT for the year by 22 percent to $32.1 million, with increased earnings driven by the further expansion of our orchard management services business.

- The area of investor-owned orchards developed up 55 percent to 24,485 acres
- Expansion of total acres under management up 48 percent to 26,853 acres
- Total 2006 crop production increased to 6,230 tonnes
- 2006 crop production from investor-owned orchards up 24 percent from 3,721 tonnes
- 2006 crop production from company-owned orchards down 33 percent to 1,624 tonnes

Our achievements for the year

Strategic objectives:

- Maintain and enhance our position as a low-cost almond producer.
- Significantly develop investor-owned orchard acreage to deliver long-term stable income streams, economies of scale, and guaranteed supply to meet increasing market demand.

Achievements during 2005/06:

- Increased investor-owned crop up from 3,721 tonnes in 2005 to 4,606 tonnes in 2006.
- Increased area of investor-owned orchards by nearly 50 percent to 24,485 acres.

Our objectives for 2006-07

- Plant 11,000 or more acres of new almond orchards.
- Further scale up nursery, tissue culturing and technical capabilities to support future developments.

Almond Operations

	2006	2005
EBIT (A$,000)	32,075	26,270
% of group EBIT	78	74
No. of employees	152	126

History – and change

Select Harvests is a vastly different company today compared to our earliest days. Our first orchards were planted at Boundary Bend near Robinvale in northwest Victoria in the mid-1970s. Further expansion from 1980 to 1988 made us Australia's largest almond grower, farming approximately 1,870 acres. Today, we are a major grower with a total of 26,853 acres under management.

In 1998 the company embarked on a strategy to expand acreage under management and tonnage produced and sold by developing new almond orchards on behalf of external investors. This changed the income stream of the business from the revenue from our almond crop to a fee-based, recurring income stream from orchard development, farm management, harvesting, processing and marketing.

This second phase of the company's development started with increased plantings on an annual basis. Today we manage over 24,000 acres of investor-owned orchards, with this year's plantings exceeding 8,300 acres.

Almonds are now established as a mainstream horticultural investment in Australia and, together with our strategic alliance partners we are planning to further expand our almond plantings into the foreseeable future.

The 2006 Almond Crop

Our 2006 crop yielded 6,230 tonnes, up 1.5 percent from 6,140 tonnes in 2005.

After a record crop in 2005, the crop from company-owned orchards was down by approximately 33 percent in 2006 due to heavy crop load in 2005 and the impact of climatic conditions which reduced flowering density and eventual almond production.

The financial impact of 2006's lower crop was offset somewhat by the price achieved on the balance of 2005 crop sold during the financial year.

Investor-owned orchards increased tonnage produced to 4,606 from 3,721 tonnes in 2005 as new orchards came into production. Our investor-owned orchards have a young profile, with only 32 percent in production to date and only 6.5 percent fully mature. We anticipate that the future almond crop from these orchards will increase in line as almond trees come into maturity.

Approximately 40 percent of our 2006 crop was exported to markets including India, China, Japan, Indonesia, Spain, UK, Russia, France, Holland, Belgium and Germany. The balance of the crop is contracted to be delivered progressively through to March 2007, when new crop supplies will become available.

Processing Capacity

Select Harvests operates a hulling and shelling facility to extract the almond kernel from the outer hull and shell. We also operate a separate facility to sort, grade, and pack almonds as required by the market. Shareholders may recall that we upgraded the shelling and hulling plant to accommodate 2005, 2006 and 2007's projected crops. Plans are in place to establish a further 30,000 metric tonnes of processing capacity in stages prior to the 2008 and subsequent harvests. This will enable us to upgrade our sorting, grading and packing capacity to meet the increased tonnage which will be produced by our developing orchards.

The by-product from our almond hulling and cracking processing plant is currently sold to feed lots within the local area. Investigations are being carried out on developing potential new markets for the use of this by-product.

Our market

Almond prices have settled below the record highs of 2005 but remain robust. Current market fundamentals indicate a positive outlook and our improving economies of scale allow us to compete effectively in terms of cost, quality and market access, with ample opportunity to substantially expand production without making a major impact on world supply.

Global consumption of almonds has grown strongly over recent years. The USA's low planting levels in the mid- to late-1990s continue to advantage us due to the resultant flat world supply. Increasing demand is providing strong support for the almond market in the short- to medium-terms, and while the USA almond industry accelerated plantings in 2005, these will take a number of years to come on-stream.

Australia retains its competitive position

Australia has an established competitive position as an almond grower on the global stage, with today's production of around 16,000 tonnes contributing around three percent of world supply. This is in contrast to the USA's industry, which provides over 80 percent of world supply. This will grow to 50,000 tonnes as recently planted orchards come into full production over the next 7 years.

"The biggest change for me personally and Select Harvests' almond division has been the sheer growth we're experiencing. We planted our two-millionth tree in June..."

Tim Millen: Group Horticultural Manager

From this small base we can effectively compete with the major player due to:

- Our comparable growing costs and higher average yields per acre combining to lower our cost per kilogram produced.
- The US almond crop's susceptibility to insect damage – which lowers almond quality and restricts access to higher quality customers.
- Australia's counter-seasonal crop, which allows us to supply fresh almonds to our export markets at times when US growers cannot, at competitive freight rates.

Ongoing development activity in Australia is likely to see us overtake Spain as the world's second largest almond producer in the next 10 years. Select Harvests currently manages around 50 percent of Australia's almond orchards and will continue to increase as we develop additional orchards into the future.

On a world scale, Select Harvests is in the top three almond growers. Due to our integrated model, we are also a major player in the almond processing and marketing areas, and we anticipate becoming one of the world's top 10 suppliers in the next few years as our crops mature. Therefore, as an almond grower, we have scale both domestically and internationally and operate at a competitive advantage to US growers.

Outlook

The fundamentals of the international almond market appear favourable at present and in the medium-term.

In addition, Australia's competitiveness as a grower and marketer of almonds and the scale and industry exposure achieved in recent years has increased the attractiveness of and demand for almond orchard investments.

We plan to expand the area of investor-owned orchards over the next few years, with a further 11,000 acres to be planted in 2007. In addition, we are scaling up our tree nursery facilities, development resources and infrastructure to support increased developments in 2008 and beyond.

Finally, early signs (good nut set) indicate that the 2007 crop will be a significant improvement on last year's.

Tissue Culturing Laboratory

The ongoing rapid expansion of Select Harvests' almond orchards will, amongst other things, be dependent upon access to sufficient quantities of vigorous almond rootstock, as well as rootstock suited to different soil types.

Accordingly, the decision was taken to conduct research into more rapid rootstock cultivation as well as development of a variety of rootstocks to suit different soil types and growing conditions. We entered into an arrangement with the Victorian Dept. of Primary Industry and collaboratively have succeeded in culturing the GF677 rootstock tissue in the laboratory.

With the help of our new Research and Development Manager Dr. Narender Pathania, his wife Dr. Nandita Pathania and Dr. Guizhen Li, as well as our lab technicians and consultants, we hope to be able to accelerate rootstock propagation significantly and create vigorous new rootstocks for a variety of soil types – allowing us to plan to achieve more rapid planting rates in varied environments to support our increased developments into the future.

Tissue culturing involves accelerating plant growth in vitro (i.e. 'in glass', in the laboratory) by exposing plant tissue to a carefully balanced 'diet' of nutrients, hormones and light under sterile conditions. This system allows the production of many identical new plants extremely quickly.

> *Our challenge is to be farmers of the future. Someone needs to satisfy the world's increasing demand for almonds – why not the Australian almond industry?*

John Bird: Managing Director

The World Almond Market and Australia's place in it

In the next five years, the Australian almond industry and Select Harvests are poised to gain extra market share in world almond markets thanks to several factors.

Driven largely by the USA, almond demand has grown over recent years thanks to growing awareness of almond's health benefits and strong marketing efforts.

With growth came additional plantings, which so far have met the increasing demand.

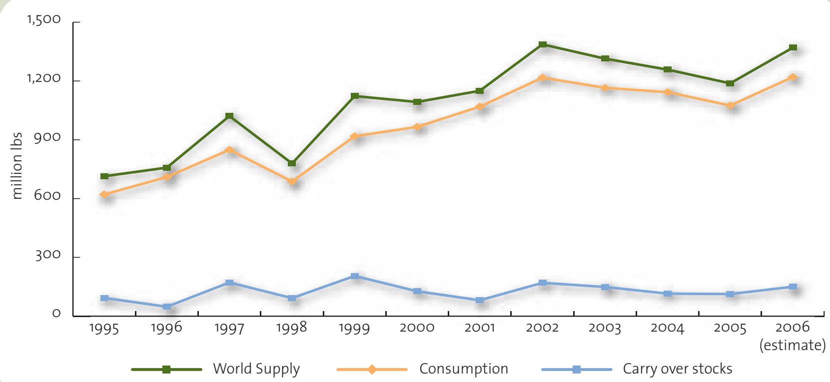
This growing demand worldwide and high levels of new plantings prior to 1999 remained in balance until 2002-2005, when the USA's almond crop plateaued. The US then experienced a lower-than-usual crop in 2005 (approximately 10 percent down on the previous year), which provoked October 2005's record high price for almonds (a 30 percent spike). As the world's biggest producer (accounting for some 80+ percent of total almond output), the USA's performance affects all players.

Between 1999 to 2006, Australian almond acreage has increased five-fold (from around 9,000 to some 45,000 acres). This will increase production capacity from today's 16,000 tonnes to over 50,000 tonnes by 2012.

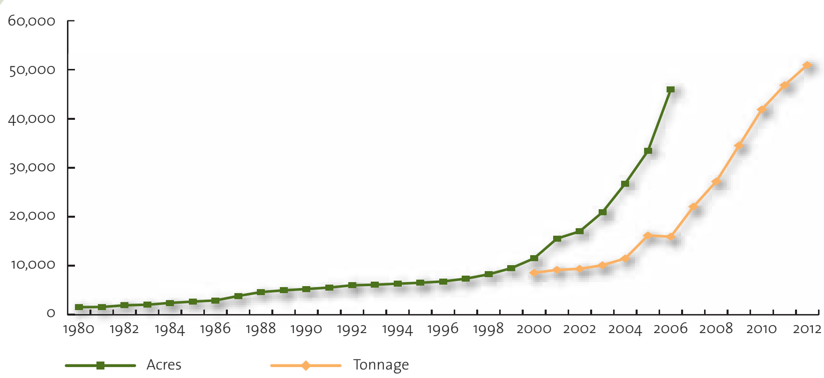
Our increased capacity and the USA's lower level of plantings from 1999 out mean that in a growing market, Australia is positioned to win increased market share in the next five to seven years as our current plantings mature and come into production.

We may challenge Spain for the position of the world's Number Two producer in the next few years.

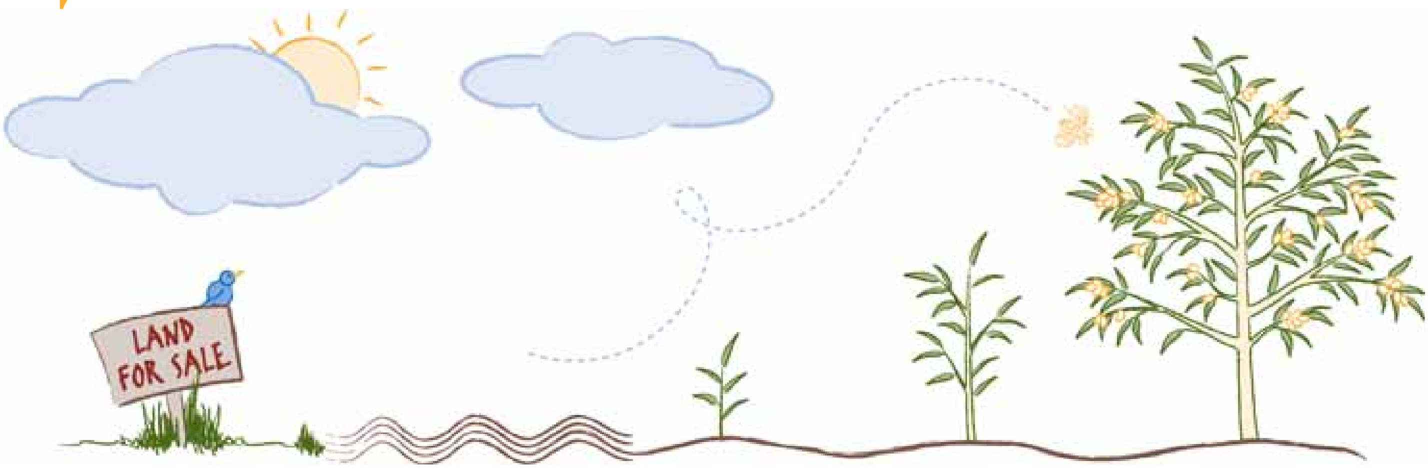
World almond consumption



Australian almond industry acres and tonnage projections



Establishing an almond orchard



MONTHS

-18	-12	-9	-6	-3	PLANTING 3 WINTER MONTHS	12	24	36	PRODUCTION ONLY AFTER 3RD YEAR

LAND

Selection, purchase, soil analysis, climate assessment, layout design, water sourcing

WATER

Land irrigation licensing and water diversion licensing (from river)

PREPARATION

Irrigation laid out, ground ripped and disc'ed, tree rows pegged
Ground fertilised, weeds controlled. Roads and power provided, shedding built
Dams built, pump stations provided, high-tech weather, rainfall
and usage monitoring and dripper systems installed

NURSERY

Root stock sourced, planted and grown
Root stock budded with almond bud which grows into an almond tree for planting in the orchard

PLANTING

Planting, staking, tying, installing tree guards

MANAGING

Water and irrigation supply and management
Tree pruning and training for optimum yields
Fertilisation
Orchard spraying – nutrients & disease control
Weed control

HARVESTING

Almonds shaken from trees. Mechanical sweeping and collection. Transport to hulling/cracking facility. Processing, packing and transport to market.

Our food products

Result for the year

The division increased sales for the year by 16 percent to $152 million, while experiencing a slight drop in EBIT.

The key developments for the year were:

- Increased sales and market share in branded products.
- Increased consumption of nuts and associated products, particularly in the natural food and healthy snacking areas.
- Increasing attention in nut categories shown by retailers and suppliers.
- Continuing aggressive private label strategies by retailers.
- Higher costs in fuel-related activities.

Sticking to our strategy

Our established core strategy of moving closer to the consumer remained in place through 2006, with a heightened emphasis on brand management.

We have come a long way from our origins as a farm gate seller of almonds. Over the past eight years we have established a processing and marketing business to allow us to value-add to our almond crop and to other nut types, marketing the resultant ranges to a number of channels rather than concentrating on a single product (almonds) with limited channels. Our diversification into processing and marketing has enabled us to 'lock in' distribution channels for the future almond production from new orchards developed on behalf of investors.

The strategic acquisitions made in the past have given us the manufacturing base needed to produce a range of nut-based products which lead the market in Australia.

Our achievements for the year

Strategic objectives:

Grow distribution and market share to enhance our position as the leading processor, marketer, and distributor of almonds, other nuts, and dried fruits. Further add value to the marketing and distribution of almonds harvested from our almond operations.

Achievements during 2005/06:

- Increased sales revenue by 16 percent to $152 million.
- Increased market share in the branded cooking, health, snacking and muesli categories of Australian supermarkets and healthfood outlets.
- Launched our own brand and category: Select Harvest 'Temptations' fruit, nut and chocolate snacking blends.
- Consolidated division under a single, national management team.

Objectives for 2006/07:

- Continue to build our branded products in the cooking, health, snacking and muesli categories.
- Expand domestic distribution for our products outside the grocery channel.
- Continue to develop and expand our export business in Asia and Europe.
- Utilise our competencies in product sourcing, processing, marketing and distribution to maximise our retail and industrial business.

Current Position

Today Select Harvests' Food Products Division produces an extensive range of packaged nuts and associated products including snacks, cooking ingredients, mueslis, natural health foods, seeds, pastes, dried fruits and more. We are Australia's leading supplier of processed and packaged nuts to Australian supermarkets with a presence in all categories where nuts are ranged.

We market through the Lucky, Sunsol, Nu-Vit, Meriram and Soland brands – as well as manufacturing a number of private-label and bulk products for retailers. We also produce a number of nut-based ingredients for food manufacturers, food service distributors and healthfood stores.

We service all major supermarkets and smaller independent retailers and run a national merchandising team to service our product ranges in major outlets.

“We plan to leverage our strong position to further grow our brands across both supermarkets and healthfood stores.”

Joseph Ebbage, Group Marketing Manager

Our market

The ‘nuts = health’ message continues to gain momentum among key audiences, with resultant increases in consumption of nut-based products. This is assisted by new interest in almonds among key influencers including health professionals and dietary specialists. Retailers are responding to this increased interest and demand by both increasing the shelf space they make available to nut-based products (a positive for us) and creating their own ‘private label’ nut lines (a challenge for us in marketing and margin terms).

There is also additional promotional and marketing activity being seen from suppliers and industry groups, with the major growth occurring in the natural snacking and health food area, with a move by consumers towards healthy and natural foods.

Our brands are well positioned in these categories and we are benefiting from this trend in terms of sales and market share growth, while also exploiting opportunities to innovate with range extensions and new category launches.

Exports

In export sales, we have had some success in ranging our products in Hong Kong, Singapore and Malaysia, and we will continue to develop these markets in future, as well as seeking other opportunities to export processed almond products.

Promoting nuts

Select Harvests is involved in a range of industry initiatives and collaborations designed to promote the great taste and numerous health benefits associated with the regular consumption of nuts.

Through the Almond Board of Australia (ABA), we are actively promoting almonds to the local market with the slogan: ‘Love your heart, love your waist – eat a handful of almonds a day!’

Over the past year the ABA has conducted marketing programs aimed at both:

1) Increasing the consumption of almonds in Australia, and
2) Differentiating Australian almonds from Californian almonds in the international marketplace.

ABA activities have included magazine promotions, exhibitions, Heart Foundation sponsorship, and alignments with key sporting and dietetic associations. For more information visit www.aussiealmonds.com.au

In addition, we are involved in an Australian tree nut industry association which supports the ‘Nuts for Life’ campaign.

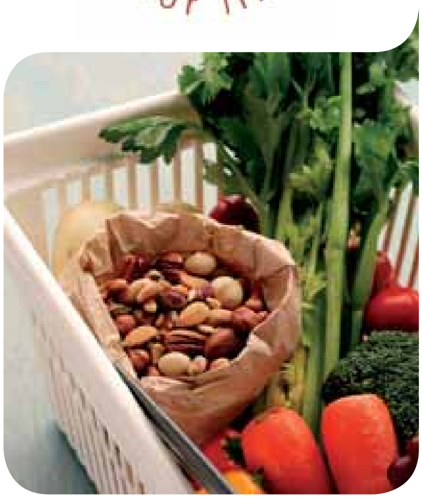
This campaign encourages consumers to ‘Eat a handful of nuts, five times a week’ and focusses on informing GPs and health professionals about the benefits of nut consumption.

For more information on ‘Nuts for Life’ visit www.nutsforlife.com.au

Food Safety

Food safety and quality management remain key components of our management systems. Our major raw materials are natural agricultural products which can be subject to contamination by foreign materials and/or microbacterial invasion.

New safety systems we have adopted include our own microbiological laboratory – which has saved turnaround time and money on testing, notably of our own almonds. Our quality system now focuses more closely on raw material assessment and is more tightly linked to an approved supplier regime which is improving the quality of our suppliers and their supplies.



Our involvement in ‘Nuts for Life’ provides information and aims to increase awareness of the benefits of nut consumption.

Food Products Division

	2006	2005
EBIT (A$,000)	9,212	9,341
% of group EBIT	22	26
No of employees	134	132

Lucky growth

The 49-year-old Lucky brand grew by 21 percent is sales during the year.

Driving this growth was the continued sales increase in Lucky snacking products, with Lucky Six Pack and Lucky Share Pack sales growing significantly in 2006.

Within Lucky's core cooking nut business, growth was generated through innovative new products such as Lucky Pine Nuts and Slivered Almonds.

Mueslis

In mueslis, we continued category growth, consolidating on our strengths in supermarkets of all sizes, nationwide.

We remain a major player in Coles' and Woolworths' cereal sections with our Meriram and Sunsol brands.

Meriram and Sunsol, our supermarket stars

Nu-vit

Nu-vit is a major brand within the important healthfood sections in Woolworths and Coles supermarkets. Key growth drivers during 2006 were Nu-vit's healthy snack packs for children and its gluten-free range of mueslis and seeds.

Nu-Vit – strong in supermarket healthfood sections

Soland

The Soland brand – created specifically to suit healthfood stores – is a leading brand in the healthfood store sector. Soland has a comprehensive range of products including a growing organic offering.

Soland – a market leader in healthfood stores

Select Harvests Temptations

The new Select Harvests Temptations range comprises a delicious blend of chocolate with nuts and fruit. This is an innovative new entrant into the snack area.

Our newest brand and product: Select Harvests Temptations

"The increase in consumption of products containing almonds continues, with growing acceptance and endorsement of the health benefits of almonds by health professionals helping the increased uptake among consumers."

Outlook

We expect the market for nuts to continue to grow, supported by our increased marketing focus and activity. Our plan remains to capitalise on market growth and leverage our strong position to further grow our brands across supermarkets.

Our product development focus in the 'healthy snacking' area is proving viable and we will continue to maximise ranging and sales of almond-based products.

We will also continue to concentrate on business opportunities in non-supermarket channels (including healthfood stores), and we envisage continuing expansion in this area.

Almonds and Health

Australian almonds are both great tasting and good for health. In fact, current research indicates that a handful (just 30g) of almonds eaten every day will help adults to reach their recommended Vitamin E intake.

Most Australians probably only get about half the amount of Vitamin E they ideally require each day – so the message to 'eat a handful of almonds a day' will help bridge that gap.

Almonds also offer fibre, protein, iron and zinc – all important parts of a balanced diet. And almonds are 100 percent cholesterol free.

Almonds and weight management

Almonds are also an important part of a weight management diet. This is because a handful of almonds eaten each day can replace other foods with high levels of saturated fats. This can be good for Australian waistlines.

In fact, several important studies have shown that almonds can be included as part of a healthy, balanced diet for weight maintenance. They can even be included as part of a calorie-controlled diet and assist with weight loss.

For more information on the health benefits of Australian almonds, visit the almond industry website at www.australianalmonds.com.au

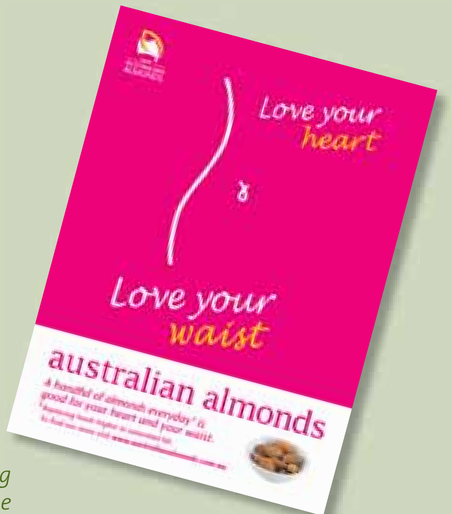
Promoting almonds

Select Harvests is working hard in its own right and with other nut growers and marketers to spread the good news about the benefits of almond consumption – as well as to promote Australian almonds to the world.

Almonds with breakfast, as a snack, as an ingredient in a main meal or as part of dessert are encouraged through the 'Nuts for Life' campaign. In other work, the Almond Board of Australia is promoting frequent nut consumption (with slogans such as 'Love your heart, love your waist – eat a handful of almonds a day!' and 'Eat a handful of nuts, five times a week!').

For more information on nut health, visit the site above, or www.nutsforlife.com.au

"Almonds are fantastically nutritious – offering not just energy but also protein, 'good' fats, dietary fibre, essential minerals including iron and zinc, and vitamins including Vitamin E... which may contribute to better heart health."



Select Harvests is active in promoting almonds generally via our support of the Almond Board of Australia

Our environment

As a major agricultural concern and a major participant in the economy – and therefore the ecology – of the Robinvale district in north-western Victoria, Select Harvests has a significant responsibility towards stewardship of the local environment.

We are proud of our approach to the environment and our positive results there – particularly in two areas we receive the most questions about: our use of water – and our reliance on bees!

A Water-wise Approach

In a State impacted by drought, water is a precious resource which Select Harvests treats with all due respect. We are acutely aware of the value of our water allocations, and manage it meticulously. In fact, we rely heavily on high technology to sense, monitor and alert us to water use and water requirements in our orchards.

So efficient was our water management in 2006, we were delighted to donate back a significant volume of unused quota to the State Dept. of Sustainability and Environment for inclusion in Lower Murray Water's unused 'pool', which was subsequently employed to flood river redgum stands in the local floodplain.

To ensure we manage water responsibly, we:

- Monitor soil moisture to enhance more efficient use of water.
- Monitor the efficiency of our use of water to optimise almond production results.
- Work with all appropriate authorities as well as our farm managers to accurately monitor shallow and deep water tables.
- Work with authorities to develop strategies to better meter the volumes of water we draw from the Murray and use on our farms – enabling us to forecast demand and schedule draws with greater accuracy.

Who's a busy bee, then?

The cover of this report highlights an important and all-natural collaboration that we exploit – that of almonds and bees (which we rely upon exclusively for almond pollination).

The expansion of almond orchards in Robinvale and greater Sunraysia has created increased demand for bees not just locally but nationally. In fact, at three hives required per acre of mature almonds, this demand is already impacting significantly on the national bee industry.

Our planned 11,000 extra acres of plantings next year will require 33,000 bee hives for pollination – a significant planning issue for us and for the bee industry.

Over recent years we have worked with our principal bee contractor in the planning and supply of our increased hive requirements for now and in the future. By promoting and sourcing new apiarists to provide pollination services this will ensure all our demand is met. With the numbers of hives required, quality control systems are in place to ensure that each hive is strong and maintained during the pollination season.

New challenges are, of course, arising. Over the last two years Select Harvests has been working with relevant authorities on understanding the bio-security issues involved with the interstate transfer of hives – as well as the prevention of outbreaks of pests and disease.

Bees are an important part of our success. The Australian almond and bee industries plan to hold a summit in the year ahead to enhance understanding of the likely impact of our increased demand for bees. This conference will involve apiarists and other specialists, and will cover issues such as increase in bee supply, the costs involved, optimal beehive numbers per acre, movement of hives around the country, and risks – with a focus on pests and diseases that may impact on bees.

Our community

We directly or indirectly employ the services of a large number of people and businesses in and around the Robinvale area of North Western Victoria.

We are the largest employer of full-time and casual staff in the district (approximately 150 full-time staff work for us, and approximately 200 casual employees assist us with planting, pruning, and harvesting on a seasonal basis). We also employ staff in other locations in Australia.

Our impact on the community is therefore significant, and by default we are involved in the support and development of many facilities in the area via financial and product contributions, including new sponsorships for groups including:

- Cancer Council Victoria's 'Relay for Life'
- Braybrook College's Alpine School Leadership program
- Rotary Australia's National Conference in Broken Hill, NSW
- Starlight Foundation
- Pater Macallum Foundation
- Robinvale SES
- Commonwealth Games 2006
- Oxfam Trailwalkers

The Power to Improve

Select Harvests' – and other agricultural concerns' – increased demand on the local power supply have created opportunities for enhanced power supply to Robinvale and the district.

Today, Select Harvests is playing a lead role in:

- Working with authorities (our electricity retailer, Powercor) to better use the existing power backbone and to reduce the sudden draws on power through strategic staging of pump start-ups and pumping timeframes.
- Paying for upgraded power facilities (a spin-off of our size and the volume of demand we require – which benefits the entire community).

Contributing to the Melbourne Community

Select Harvests is also proud to be an annual contributor to:

- The Rotary Club of Preston, which promotes 'Circus Quirkus' – an event for special needs and disadvantaged children (we have been a proud sponsor since 1998).
- The Lions Club of Melbourne, which hosts the 'World Festival of Magic', a family magic show held at the Melbourne Convention Centre for disabled, terminally ill and handicapped children (we have been a sponsor since 2000).

Our inaugural shareholder open day

"The inaugural Open Day was a big thing for us – a big, exciting day. Staff donated their time and showed they really do care about the business. It was a great success..."

Select Harvests held its inaugural Shareholder Open Day in March this year. The day was organised by Select Harvests staff, was attended by staff and senior management and provided an opportunity for shareholders to view at first hand the almond operation 'in action' in Robinvale.

The day involved lunch with tours of the orchards and processing facilities.

Approximately 200 shareholders attended with three coaches travelling to Robinvale from Melbourne. Shareholders from a number of locations across Australia took time to visit us, and judging from the number of congratulatory emails and letters, they gained a positive overview of the business and its people.

Robinvale Open Day – some shareholder comments

"...the thing that impressed us most was the staff of the company and the way they worked together to make the day such a success. You must be enormously proud of the people who work for Select Harvest... I would like to congratulate both of you [Chairman Max Fremder and MD John Bird]... for making yourselves available to shareholders, non stop, during the day."

R Smart, *Mt Waverley Vic*

"It was great to finally meet you and other members of the Select Team... It is pleasing to know our investment is in good hands."

P&B Roberts, *Hollywell Qld*

"We were most impressed with the professional way the visit was handled and the modern facilities and forward thinking of your management."

N&G Iveson, *Beaumaris Vic*

"We never thought we would learn so much."

LG Campbell, *Malvern Vic*

"We came away with good emories and a better understanding of our shareholding."

D&A Buchanan, *EW East Vic*

"Finally, congratulations on being 'innovators' and perhaps some larger companies will follow your lead and encourage shareholders to participate in the understanding of their companies."

D&L Kelly, Bendigo Vic

"Please express our thanks to Max [Fremder] and the Directors for their magnificent hospitality."

R. Barber, *West Heidelberg Vic*

Photos courtesy of Mr Robert Barber, Shareholder Select Harvests

Our people

> *We understand that as our business grows, so too does the skillset required to manage it. We have commissioned consultants to comprehensively reassess our needs, and have employed specialist expertise to meet the challenges ahead.*

Annabel Galea: Group OH&S Manager

We continue to experience significant change and new challenges as we rapidly expand our business. In consultation with HR specialists, both Select Harvests divisions have undergone significant restructures.

In almond operations, we have a new divisional structure and have hired extensively in the technical area to assist us to cater for our ambitious future planting plans.

In food products, the substantial challenges of knitting a number of recent acquisitions (Munch Nuts, Meriram, Renshaw, and Chiquita Nibbles) into a single group has been achieved with the addition of a Group Marketing Manager and a Group Sales Manager which, together with the Group Operations Manager, has resulted in all sales, marketing, and operations management now being run nationally. The addition of brand management and other sales and marketing support staff will assist us greatly in continuing to build our brands' market position in supermarkets and healthfood outlets nationwide.

Flexibility is the order of the day during changing times, and we recognise that our ability to manage changes while also delivering improved results to shareholders is a direct result of the patience, skill, energy, effort and dedication of both our existing and new staff at all operating locations.

New Appointments

Key appointments made in the past year include:

Food Products Division

- Joseph Ebbage was appointed to the role of Group Marketing Manager across all our brands.
- Natalie Wood joined us as Brand Manager for Lucky, with Giri Yelburga as our retail shelf space analyst.
- Michael Kinneavy was appointed as National Business Manager for cooking, cereal and snack products.
- Kevin Bush has been appointed to the position of Group Sales Manager, and Anton Lesar as our sales business analyst.

Almond Operations

- Research & Development Manager Dr. Narendera Singh Pathania (B.Sc Ag, M.Sc Hort and PhD Hort) and Dr. Nandita Pathania (B.Sc Ag, M.Sc and PhD–Plant Pathology) add two science doctorates to our technical team.
- Tim Kennedy (B.App Sc. Vit) is the almond division's new Technical Program Manager and Purchasing Officer.
- Jane Finch (Degree in Horticulture Management) joins us as Irrigation and Nutrition Manager.

Employment and Personal Development

Select Harvests Ltd is the largest employer of both full-time and casual personnel in the Robinvale district. Select values the personal growth of employees and the development of their skills.

- Being an employer of a large workforce in the area, the Company is making a significant contribution to the community's financial infrastructure.
- Full-time staffing levels at 30th June '06 were approximately 150 employees.
- Casual employee numbers vary, peaking seasonally at around 200.
- Select employees are currently undertaking a range of training courses at providers including Robinvale and Sunraysia TAFEs and Latrobe University, working on horticulture certificates and diplomas; administration certificates; engineering and fabrication certificates; and irrigation courses.
- Select Harvests' first apprentice engineer completed his certificate this year, with two further young staff currently completing their apprenticeships.

Our Board

Directors

M A Fremder
(Chairman)

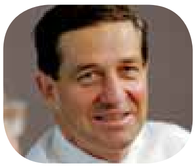
Joined the board in March 1996. Formerly a director of IAMA Limited, and founder of Nufarm, one of Australia's largest chemical manufacturers for the rural industry. Mr Fremder also was Non-Executive Director of Tassal Limited between 3 October 2003 and 18 March 2005. Member of the Remuneration Committee, and the Nomination Committee.

J Bird
(Managing Director)

Joined the board in September 2001. Has had many years experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods and has been the Managing Director of Select Harvests Limited since January 1998. Member of the Nomination Committee.

C G (Sandy) Clark, B.Comm, Dip.Ag.Econ
(Non-Executive Director)

Joined the board in January 1998. Is currently Chairman, Aviva Australia Holdings Limited; Chairman, The Myer Family Office Limited; Director, Southern Cross Broadcasting Australia Ltd; Director, The Myer Foundation; Trustee, The William Buckland Foundation; Chairman of Council, Melbourne Grammar School; and a director of a number of private companies. Member of the Audit and Risk Committee, and the Nomination Committee, and Chairman of the Remuneration Committee.



G F Dan O'Brien, B.Sc, B.VMS, MBA
(Non-Executive Director)

Joined the Board on 29 March 2004. Dan is the principal of Dromoland Capital, a private equity group, non-executive director of Thomas & Coffey Limited, and Coates Hire Limited, and is also an executive director of Hexima Limited. Mr O'Brien has significant commercial experience having held CEO positions for BIL Australia Limited, Mattel Asia Pacific, and The King Island Company. He holds an MBA, having graduated with distinction from Harvard Business School and is a qualified veterinary surgeon. Member of the Audit and Risk Committee, Remuneration Committee, and Nomination Committee. Mr O'Brien was a director of SPC Ardmona Limited between 9 January 2002 and 4 March 2005.

J C Leonard, B.Mktng & Bus. Admin, MBA *(Non-Executive Director)*

Joined the Board on 21 July 2004. Has held senior management positions with the Mars group of companies in Australia including General Manager of Mars Confectionery, Managing Director of Uncle Bens, and Managing Director of Mars Australia and New Zealand. In addition, he has served as President, Asia Pacific of all Mars businesses, and a Director of the Managing Board of Mars Incorporated global business. Member of the Audit and Risk Committee, and Nomination Committee.

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

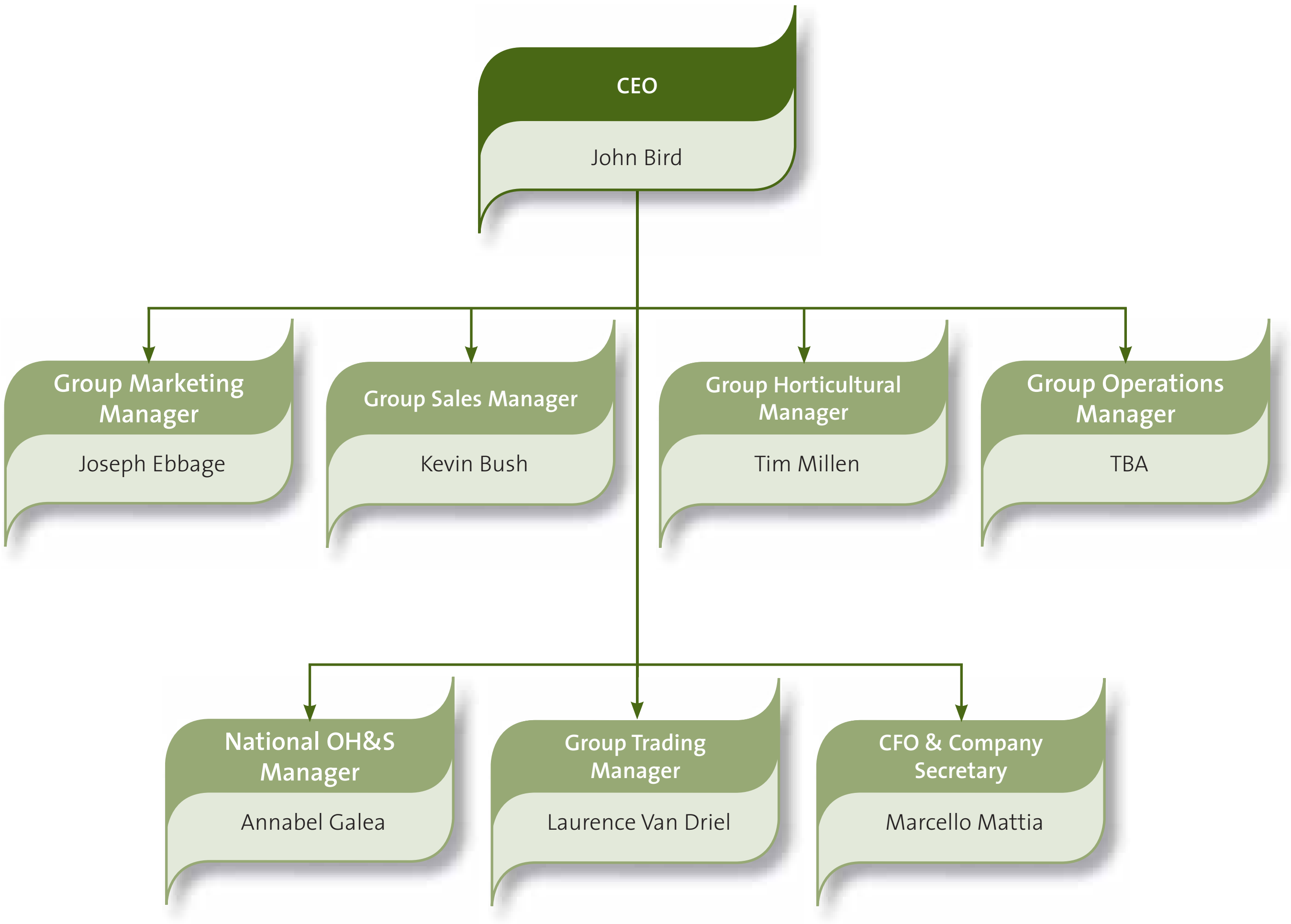
Joined the Board on 27 January 2005. A Chartered Accountant, Mr Herron retired as a Senior Partner of PricewaterhouseCoopers in December 2002. He was a member of the Coopers & Lybrand (now PricewaterhouseCoopers) Board of Partners where he was National Deputy Chairman and was the Melbourne office Managing Partner for six years. He also served on several international committees within Coopers & Lybrand. He is a Non-Executive Director of GUD Holdings Ltd, Heemskirk Consolidated Ltd and a major industry superannuation fund. He is also a Director of Variety Club Inc. He was a non-Executive Director of National Telecoms Group Ltd from 6 July 2001 to 30 June 2003. Chairman of the Audit and Risk Committee, and member of the Nomination Committee.

Company Secretary

M Mattia, B.Bus (Acc), ACA
(Company Secretary)

Appointed to the position of Company Secretary and Chief Financial Officer on 1 May 2003. He is qualified as a Chartered Accountant having had several years consulting experience with a leading international professional services firm. He has also held general management and senior finance roles in private and international organisations.

Our organisation



Statistical summary

Select Harvests consolidated results for years ended 30 June		2006	2005	2004	2003	2002	2001
Total sales		217,866	173,864	127,381	80,994	78,327	64,996
Earnings before interest and tax		38,369	33,069	23,836	17,421	14,749	12,196
Operating profit before tax		37,903	31,802	22,587	16,110	12,803	10,260
Net profit after tax		26,492	22,104	15,225	10,962	8,554	6,564
Earnings per share (Basic)	(cents)	67.1	56.9	40.0	31.3	25.4	20.0
Return on shareholders' equity	(% pa)	26.1	25.1	19.2	18.3	17.3	15.5
Dividend per ordinary share	(cents)	53.0	42.0	26.0	18.5	13.5	10.0
Special dividend per ordinary share	(cents)	10.0	–	–	–	–	–
Dividend franking	(% pa)	100	100	100	100	100	100
Dividend payout ratio	(%)	80.0	75.4	65.7	62.8	54.5	50.0
Financial ratios							
Net tangible assets per share	($)	1.83	1.52	1.35	1.08	0.77	0.56
Net interest cover	(times)	82.3	26.2	19.1	13.3	7.6	6.3
Debt/equity ratio	(%)	1.3	1.0	10.2	15.4	38.9	70.2
Current asset ratio	(times)	1.82	1.52	1.70	1.61	1.30	1.31
Balance sheet data as at 30 June							
Current assets		72,455	58,832	32,486	25,077	22,599	23,584
Non-current assets		79,421	78,676	74,469	60,672	63,090	66,405
Total assets		151,876	137,508	106,955	85,749	85,689	89,989
Current liabilities		39,905	38,757	19,077	15,581	17,381	18,048
Non-current liabilities		10,490	10,656	8,610	10,162	18,971	29,568
Total liabilities		50,395	49,413	27,687	25,743	36,352	47,616
Net assets		101,481	88,095	79,268	60,006	49,337	42,373
Shareholders' equity							
Share capital		52,665	46,925	43,940	36,206	34,199	31,124
Reserves		12,691	13,766	14,191	9,458	9,458	9,458
Retained profits (accumulated losses)		36,125	27,404	21,137	14,342	5,680	1,791
Total shareholders' equity		101,481	88,095	79,268	60,006	49,337	42,373
Other data as at 30 June							
Fully paid shares	(000)	39,708	39,069	38,525	35,455	34,585	32,841
Number of shareholders		3,369	2,999	2,413	2,054	1,610	1,286
Select Harvest's share price:							
– year's high	($)	15.01	10.20	7.00	4.95	3.25	1.70
– year's low	($)	9.50	6.47	4.44	2.60	1.49	1.18
– close	($)	13.02	9.70	6.67	4.80	3.10	1.68
Market capitalisation		516,998	378,970	256,965	170,184	107,214	55,173

$000 (except where indicated)

Notes: 1. FY05 and subsequent years are based on AIFRS. 2. FY05 and FY06 exclude discontinued operations

Financial contents

Directors' Report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "consolidated entity") for the year ended 30 June 2006 and the independent auditor's report thereon.

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 as at the year end. Directors were in office for this entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

M A Fremder *(Chairman)*

Joined the board in March 1996. Formerly a director of IAMA Limited, and founder of Nufarm, one of Australia's largest chemical manufacturers for the rural industry. Mr Fremder also was Non-Executive Director of Tassal Limited between 3 October 2003 and 18 March 2005. Member of the Remuneration Committee and the Nomination Committee.

Interest in Shares and Options: 5,662,365 fully paid shares.

J Bird *(Managing Director)*

Joined the board in September 2001. Has had many years experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods and has been the Managing Director of Select Harvests Limited since January 1998. Member of the Nomination Committee.

Interest in Shares and Options: 426,522 fully paid shares, 58,400 options expiring 1 November 2006 exercisable at $5.60 each, and 33,800 options expiring 20 October 2007 exercisable at $7.78 each.

C G (Sandy) Clark, B.Comm, Dip.Ag.Econ *(Non-Executive Director)*

Joined the board in January 1998. Is currently Chairman, Aviva Australia Holdings Limited; Chairman, The Myer Family Office Limited; Director, Southern Cross Broadcasting Australia Ltd; Director, The Myer Foundation; Trustee, The William Buckland Foundation; Chairman of Council, Melbourne Grammar School; and a director of a number of private companies. Member of the Audit and Risk Committee and the Nomination Committee, and Chairman of the Remuneration Committee.

Interest in Shares and Options: 23,892 fully paid shares.

G F Dan O'Brien, B Sc, B VMS, MBA *(Non-Executive Director)*

Joined the Board on 29 March 2004. Dan is the principal of Dromoland Capital, a private equity group, non-executive director of Thomas & Coffey Limited, and Coates Hire Limited, and is also an executive director of Hexima Limited. Mr O'Brien has significant commercial experience having held CEO positions for BIL Australia Limited, Mattel Asia Pacific, and The King Island Company. He holds an MBA, having graduated with distinction from Harvard Business School and is a qualified veterinary surgeon. Member of the Audit and Risk Committee, Remuneration Committee, and Nomination Committee. Mr O'Brien was a director of SPC Ardmona Limited between 9 January 2002 and 4 March 2005.

Interest in Shares and Options: 50,000 fully paid shares.

J C Leonard, B.Mktng & Bus. Admin, MBA *(Non-Executive Director)*

Joined the Board on 21 July 2004. Has held senior management positions with the Mars group of companies in Australia including General Manager of Mars Confectionery, Managing Director of Uncle Bens, and Managing Director of Mars Australia and New Zealand. In addition, he has served as President, Asia Pacific of all Mars businesses, and a Director of the Managing Board of Mars Incorporated global business. Member of the Audit and Risk Committee, and Nomination Committee.

Interest in Shares and Options: 455,932 fully paid shares.

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

Joined the Board on 27 January 2005. A Chartered Accountant, Mr Herron retired as a Senior Partner of PricewaterhouseCoopers in December 2002. He was a member of the Coopers & 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 & Lybrand. He is a Non-Executive Director of GUD Holdings Ltd, Heemskirk Consolidated Ltd and a major industry superannuation fund. He is also a Director of Variety Club Inc. He was a non-Executive Director of National Telecoms Group Ltd from 6 July 2001 to 30 June 2003. Chairman of the Audit and Risk Committee, and member of the Nomination Committee.

Interest in Shares and Options: 5,000 fully paid shares.

M Mattia, B Bus (Acc), ACA *(Company Secretary)*

Appointed to the position of Company Secretary and Chief Financial Officer on 1 May 2003. He is qualified as a Chartered Accountant having had several years consulting experience with a leading international professional services firm. He has also held general management and senior finance roles in private and international organisations.

Interest in shares and options: 30,300 fully paid shares.

Corporate Information

Nature of Operations and Principal Activities

The principal activities during the year of entities within the consolidated entity 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.

Effective 1 October 2005, Select Harvests Limited sold all of its shares in Riverina Pelletising Services Pty Ltd and ceased its involvement in the production of pelletised snail, slug and rodent baits for third party brand owners. There were no other significant changes in the nature of the activities of the consolidated entity during the year.

Employees

The consolidated entity employed 297 full time employees as at 30 June 2006 (2005: 276 employees).

Review and Results of Operations

Refer to Chairman's report and Managing Director's report in the front section of the Annual Report.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Significant Events after the Balance Date

On 28 August 2006, the Directors declared a fully franked final dividend of 33 cents per ordinary share to be paid on Monday 2 October 2006 to shareholders registered at 5.00 pm on Friday 8 September 2006. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments and Expected Results

Refer to Chairman's report and Managing Director's report in the front section of the Annual Report.

Directors' Report

Environmental Regulation and Performance

The consolidated entity's operations are subject to environmental regulations under laws of the Commonwealth or of a State or Territory. Details of the consolidated entity's performance in relation to such environmental regulations follows:

The consolidated entity holds licences issued by the Environmental Protection Authority which specify limits for discharges to the environment which are the result of the consolidated entity's operations. These licences regulate the management of discharge to the air and stormwater run-off associated with the operations.

There have been no significant known breaches of the consolidated entity's licence conditions.

Remuneration Report

Principles used to determine the Nature and Amount of Remuneration (Audited)

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. Remuneration packages include a mix of fixed remuneration, performance based remuneration, and equity based remuneration. Non-executive directors receive fees and do not receive options or bonus payments. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

(i) Short-term incentives

Executive directors and senior executives may receive short term incentives based on achievement of specific business plans and performance indicators, which include financial and operational targets relevant to performance at the consolidated entity level, divisional level, or functional level, as applicable, for the financial year. The Remuneration Committee is responsible for assessing whether the KPIs are met based on detailed reports on performance prepared by management.

(ii) Long-term incentives

In addition, the consolidated entity offers executive directors and senior executives participation in the long-term incentive scheme involving the issue of options to the employee under the executive share option scheme. The executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price set at the time the offer was made. The options are granted annually in three tranches upon achievement of a 10% increase in EPS. The Remuneration Committee is responsible for assessing whether the targets are met based on reports prepared by management.

Details of Remuneration (Audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Select Harvests Limited and the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity includes the directors as listed above and the following executive officers, which also includes the 5 highest paid executives of the consolidated entity:

Name	Position	Employer
M Mattia	Chief Financial Officer & Company Secretary	Select Harvests Limited
M Ciobo	General Manager – Meriram	Kibley Pty Ltd
R Tanti	National Sales Manager	Select Harvests Marketing Pty Ltd
D Jones	General Manager – Operations – Food Products Division (from 25 July 2005 to 31 May 2006)	Select Harvests Limited
W Turner	General Manager – Almond Division	Kyndalyn Park Pty Ltd
T Millen	Horticultural Manager	Kyndalyn Park Pty Ltd
L Van Driel	Trading Manager	Select Harvests Marketing Pty Ltd

The nature and amount of each major element of the remuneration of each director of the Company and each of the key management personnel of the company and the consolidated entity for the financial year is detailed below.

Remuneration of Directors of Select Harvests Limited

2006	BASE FEE $	ANNUAL REMUNERATION SHORT TERM INCENTIVES $	NON CASH BENEFITS $	SUPERANNUATION CONTRIBUTIONS $	LONG TERM REMUNERATION OPTIONS GRANTED NUMBER	VALUE $	TOTAL $
Non Executive							
M A Fremder	84,000	–	–	7,560	–	–	91,560
C G Clark	42,000	–	–	3,780	–	–	45,780
G F Dan O'Brien	42,000	–	–	3,780	–	–	45,780
J C Leonard	42,000	–	–	3,780	–	–	45,780
R M Herron	42,000	–	–	3,780	–	–	45,780
Executive							
J Bird	422,614	177,512	34,484	37,049	114,800	87,499	759,157

2005	BASE FEE $	ANNUAL REMUNERATION SHORT TERM INCENTIVES $	NON CASH BENEFITS $	SUPERANNUATION CONTRIBUTIONS $	LONG TERM REMUNERATION OPTIONS GRANTED NUMBER	VALUE $	TOTAL $
Non Executive							
M A Fremder	84,000	–	–	7,560	–	–	91,560
C G Clark	42,000	–	–	3,780	–	–	45,780
G F Dan O'Brien	42,000	–	–	3,780	–	–	45,780
J C Leonard	39,773	–	–	3,580	–	–	43,353
R M Herron	18,025	–	–	1,622	–	–	19,647
Executive							
J Bird	332,823	155,041	32,766	29,478	136,400	77,089	627,197

Remuneration of the Key Management Personnel of the Company and the Consolidated Entity

2006	BASE FEE $	ANNUAL REMUNERATION SHORT TERM INCENTIVES $	NON CASH BENEFITS $	SUPERANNUATION CONTRIBUTIONS $	LONG TERM REMUNERATION OPTIONS GRANTED NUMBER	VALUE $	TOTAL $
M Mattia	176,664	71,661	38,238	15,857	19,500	19,286	321,706
M Ciobo	210,000	–	30,251	39,670	–	–	279,921
R Tanti	187,388	21,500	23,816	11,002	7,400	7,252	250,958
D Jones	167,495	–	25,381	14,047	–	–	206,923
(Commenced 25/7/05 Terminated 31/5/06)							
L Van Driel	128,624	25,000	20,923	11,920	15,300	11,466	197,933
W Turner	116,307	30,246	18,519	17,512	14,400	14,252	196,836
T Millen	105,256	15,026	24,187	10,243	7,500	5,558	160,270

Directors' Report

Remuneration of the Key Management Personnel of the Company and the Consolidated Entity

2005	ANNUAL REMUNERATION BASE FEE $	SHORT TERM INCENTIVES $	NON CASH BENEFITS $	SUPERANNUATION CONTRIBUTIONS $	LONG TERM REMUNERATION OPTIONS GRANTED NUMBER	VALUE $	TOTAL $
M Mattia	159,332	57,168	37,984	14,149	8,800	8,800	277,433
M Ciobo	210,000	–	30,530	18,900	–	–	259,430
R Tanti (Commenced 29/9/04)	91,477	–	17,862	6,060	–	–	115,399
L Van Driel	99,163	17,487	14,821	9,625	19,800	10,974	152,070
W Turner	115,705	27,067	19,000	12,759	7,000	7,000	181,531
T Millen	96,195	13,930	5,000	9,826	9,300	5,156	130,107

Notes

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

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

Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

The category 'other' includes the value of any non-cash benefits provided and includes FBT where applicable.

Service Arrangements (Audited)

Service arrangements between the consolidated entity and executive directors and key management personnel are on a continuing basis and include, in certain cases, relevant notice periods. There are no specific termination benefits applicable to the service arrangements.

Share Based Compensation (Audited)

(i) Executive Share Option Scheme

The current executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price at the time the offer was made.

Individual parcels of options offered to participating employees are based on a percentage of fixed remuneration. The options are granted annually in three tranches on achievement of a 10% increase in EPS. Options granted as remuneration are subject to continuing service with the consolidated entity. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed during the year.

The assessed fair value at offer date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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 option.

The model inputs for options offered during the year ended 30 June 2006 included:

a) options are granted for no consideration, have a three year life, and one third of the options offered vest in each year and are exercisable from the date of vesting to the expiry date
b) exercise price: $11.05 (2005 - $7.78)
c) offer date: 22 September 2005 (2005 – 17 September 2004)
d) expiry date: 31 October 2008 (2005 – 20 October 2007)

e) share price at offer date: $11.03 (2005 – $7.53)

f) expected price volatility of the company's shares: 27.10% (2005 – 23.30%)

g) expected dividend yield: 3.81% (2005 – 3.38%)

h) risk free interest rate: 5.10% (2005 – 5.25%)

The following table is a summary of the Executive Share Option Schemes currently in place.

	PARTICIPATING EMPLOYEES	OPTION VALUATION $	EXERCISE PRICE $	NUMBER OF OPTIONS OFFERED	EXPIRY DATE	GRANTED SEPTEMBER 04	GRANTED AUGUST 05	BALANCE
2003 Offer	6	1.00	5.60	193,200	1 November 2006	64,400	66,400	52,600
2004 Offer	7	0.98	7.78	234,300	20 October 2007	–	86,100	134,800
2005 Offer	7	1.72	11.05	153,300	31 October 2008	–	–	153,300
Total				580,800		64,400	152,500	340,700

(ii) Options Granted

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the executive director and the following key management personnel of the Company as part of their remuneration.

	NUMBER OF OPTIONS GRANTED 2006	NUMBER OF OPTIONS GRANTED 2005
Director		
J Bird	114,800	136,400
Key management personnel		
M Mattia	19,500	8,800
W Turner	14,400	7,000
L Van Driel	15,300	19,800
T Millen	7,500	9,300
R Tanti	7,400	–

(iii) Shares Issued on Exercise of Options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of the consolidated entity and other key management personnel are set out below.

	NUMBER OF SHARES ISSUED ON EXERCISE OF OPTIONS 2006	NUMBER OF SHARES ISSUED ON EXERCISE OF OPTIONS 2005
Director		
J Bird	155,400	166,200
Key management personnel		
M Mattia	28,300	–
W Turner	21,400	–
L Van Driel	22,400	15,900
T Millen	11,100	11,400

(iii) Shares Issued on Exercise of Options (continued)

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows.

NUMBER OF SHARES	AMOUNT PAID ON EACH SHARE
217,100	$3.31
60,700	$5.60
38,800	$7.78

There were no amounts unpaid on the shares issued.

Additional Information (Unaudited)

(i) Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current year. Over the past 5 years, the consolidated entity's profit from ordinary activities after income tax has grown at an average rate of 32% per annum, and total shareholder return has grown at an average rate of 58% per annum.

(ii) Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included above, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. No options will vest if the conditions are not satisfied hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been calculated based on the option price.

NAME	CASH BONUS		OPTIONS					
	PAID %	FORFEITED %	YEAR GRANTED	VESTED %	FORFEITED %	FINANCIAL YEARS IN WHICH OPTIONS MAY VEST	MINIMUM TOTAL VALUE OF GRANT YET TO VEST ($)	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST ($)
J Bird	100	–	2003	66	–	2007	–	29,200
			2004	33	–	2007	–	-
						2008	–	66,248
			2005	–	–	2007	–	-
						2008	–	-
						2009	–	119,024
M Mattia	100	–	2003	66	–	2007	–	8,800
			2004	33	–	2007	–	-
						2008	–	20,972
			2005	–	–	2007	–	-
						2008	–	-
						2009	–	34,572
R Tanti	–	–	2004	33	–	2007	–	-
						2008	–	14,504
			2005	–	–	2007	–	-
						2008	–	-
						2009	–	33,368

L Van Driel	100	–	2003	66	–	2007	–	3,900
			2004	33	–	2007	–	–
						2008	–	8,036
			2005	–	–	2007	–	–
						2008	–	–
						2009	–	24,080
W Turner	100	–	2003	66	–	2007	–	7,000
			2004	33	–	2007	–	–
						2008	–	14,504
			2005	–	–	2007	–	–
						2008	–	–
						2009	–	21,672
T Millen	100	–	2003	66	–	2007	–	1,800
			2004	33	–	2007	–	–
						2008	–	3,920
			2005	–	–	2007	–	–
						2008	–	–
						2009	–	18,232

M Ciobo did not participate in the short term or long term incentive scheme for the 2005 financial year, hence no incentive earnings were payable during the 2006 financial year. D Jones commenced employment with the consolidated entity on 25 July 2005 and ceased employment on 31 May 2006.

(iii) Share based compensation: options

NAME	REMUNERATION CONSISTING OF OPTIONS (%) A	VALUE GRANTED $ B	VALUE EXERCISED $ C	VALUE LAPSED $ D	TOTAL VALUE $
Directors					
J Bird	25	87,499	75,524	–	91,524
Key Management Personnel					
M Mattia	15	19,286	28,086	–	–
L Van Driel	15	11,466	14,896	–	4,018
W Turner	15	14,252	21,252	–	–
T Millen	15	5,588	5,395	–	5,560

A The percentage of the value of remuneration consisting of options, based on the value at grant date set out in column B

B The value at grant date calculated in accordance with AASB2 Share-based payments of options granted during the year as part of remuneration.

C The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D The value at lapsed date of options that were granted as part of remuneration and that lapsed during the year.

(iv) Loans to directors and executives

Information on loans to directors and executives (if any), are set out in note 34.

(v) Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Select Harvests Limited granted and not exercised during or since the end of the financial year to the five most highly remunerated officers of the company as part of their remuneration were as follows:

NAME	OPTIONS GRANTED & NOT EXERCISED
J Bird	92,200
M Mattia	–
M Ciobo	–
R Tanti	7,400
L Van Driel	4,100

The options were granted under the consolidated entity's executive share option scheme on 24 August 2005. Details of options granted to the directors and the five most highly remunerated officers of the consolidated entity can be found above. No options have been granted since the end of the financial year.

(vi) Unissued Ordinary shares Under Option

At the date of this report unissued ordinary shares of the company under option are:

OFFER	NUMBER OF SHARES	EXERCISE PRICE ($)	EXPIRY DATE
2003	62,000	5.60	1 November 2006
2004	47,300	7.78	20 October 2007

All options expire on the earlier of their expiry date or termination of the employee's employment.

Current option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Dividends

DIVIDENDS	CENTS	$
Final dividends proposed and not recognised as a liability:		
• on ordinary shares	33.0	13,103,560
Fully Franked Dividends paid in the year:		
Interim for the year		
• on ordinary shares	20.0	7,912,371
Special for the year		
• on ordinary shares	10.0	3,956,185
		24,972,116
Final for 2005 shown as recommended in the 2005 report		
• on ordinary shares	26.0	10,209,752

Indemnification and Insurance of Directors and Officers

During the year the Company has paid a premium in respect to 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.

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

Further disclosure required under section 300 (9) of the Corporations Act 2001 is prohibited under the terms of the contract.

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 were as follows:

			MEETINGS OF COMMITTEES					
	DIRECTORS' MEETINGS		AUDIT AND RISK		REMUNERATION		NOMINATION	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
M A Fremder	12	12	–	–	1	1	1	1
J Bird	12	12	–	–	–	–	1	1
C G Clark	12	12	4	4	1	1	1	1
G F Dan O'Brien	12	11	4	4	1	1	1	1
J C Leonard	12	11	4	3	–	–	1	1
R M Herron	12	12	4	4	–	–	1	1

Committee Membership

During or since the end of the financial year, the company had an Audit and Risk Committee, a Remuneration Committee, and a 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	REMUNERATION	NOMINATION
R M Herron (Chairman)	C G Clark (Chairman)	M A Fremder (Chairman)
C G Clark	M A Fremder	J Bird
G F Dan O'Brien	G F Dan O'Brien	C G Clark
J C Leonard		G F Dan O'Brien
		J C Leonard
		R M Herron

Directors' Interests in Contracts

Directors' interest in contracts are disclosed in note 34 to the financial statements

Auditors Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-audit Services

Non-Audit services are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, PricewaterhouseCoopers, are detailed in note 33. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by Corporations Act 2001 as non-audit services are reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

Directors' Report

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 Class Order 98/100. 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's corporate governance statement is contained in detail in the corporate governance section of this annual report.

Signed in accordance with a resolution of the directors.

M A Fremder
Chairman

Melbourne, 28 August 2006

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the year ended 30 June 2006, 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 Limited and the entities it controlled during the period.

Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
28 August 2006

Governance

Corporate Governance Statement

This statement outlines the key corporate governance practices of the consolidated entity which considers the ASX Corporate Governance Council recommendations.

Board of Directors and its Committees

Role of the Board

The Board of Directors of Select Harvests Limited is responsible for the overall corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Select Harvests Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. Details of the Board's charter is located on the company's website.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to carry out its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

The Board has delegated responsibility for the operation and administration of the company to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to carry out its responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee, and an Audit and Risk Committee. The Board also performs, as part of its function, the role of Nomination Committee. These Committees have written charters, which are reviewed on a regular basis and are located on the company's website. The Board has also established a framework for the management of the consolidated entity.

The full Board holds twelve scheduled meetings each year, plus any additional meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for meetings is prepared and includes the Managing Director's report, financial reports, business segment reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are involved in Board discussions where appropriate, and Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Director Education

The consolidated entity has a process to educate new Directors about the nature of the business, current issues, the corporate strategy, and the expectations of the consolidated entity concerning performance of Directors. Directors also have the opportunity to visit the facilities of the consolidated entity and to meet with management to gain a better understanding of business operations. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense.

Composition of the Board

The names of the Directors of the company in office at the date of this report are set out in the Directors' report.

The composition of the Board is determined in accordance with the following ASX principles:

- The Board should comprise at least four Directors;
- The Board should maintain a majority of independent non-executive Directors;
- The Chairperson must be a non-executive Director; and
- The Board should comprise Directors with an appropriate range of qualifications, skills and experience.

The Board assesses the independence of each Director in light of interests known to the Board, as well as those disclosed by each Director. In accordance with the ASX Corporate Governance Council's recommendations, the Board wishes to outline the following:

- The Chairman of the Company, Mr M A Fremder, is a substantial shareholder, having a 14.3% shareholding at 30 June 2006.
- The Chairman of the Company, Mr M A Fremder, owns (directly or indirectly) almond orchards totalling 1,341 acres in respect to which the consolidated entity provides orchard management services under contract at market rates.
- A non-executive Director of the Company, Mr J C Leonard, owns (directly or indirectly) almond orchards totalling 1,041 acres in respect to which the consolidated entity provides orchard management services under contract at market rates.

Nomination Committee

The Board of Directors, as one of its important functions, performs the role of Nomination Committee. The Board's role as Nomination Committee is to ensure that the composition of the Board of Directors is appropriate for the purpose of fulfilling its responsibilities to shareholders.

The duties and responsibilities of the Board in its role as Nomination Committee are as follows:

- To access and develop the necessary and desirable competencies of Board members;
- To develop and review Board succession plans;
- To evaluate the performance of the Board;
- To recommend to the Board, the appointment and removal of Directors; and
- Where a vacancy exists, to determine the selection criteria based on the skills deemed necessary and to identify potential candidates with advice from external consultants.

The Chairman of the Board evaluates the performance of each Board member annually in the last quarter of each financial year. The Chairman of the Audit Committee reviews the performance of the Chairman of the Board in the same period. The performance of each Board member is reviewed against the Board charter and any specific objectives agreed and set by the Board for the consolidated entity.

The Nomination Committee meets annually unless otherwise required. The Committee met once during the financial year and the Committee members' attendance record is disclosed in the table of Directors' meetings. The members of the Nomination Committee are disclosed in the Directors' Report.

Further details of the Nomination Committee's charter are available on the Company's website.

Remuneration

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and the Directors themselves. It evaluates the performance of the Managing Director and is also responsible for share option schemes, incentive performance packages, superannuation entitlements and fringe benefits policies. Remuneration levels are reviewed annually and the Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace.

Governance

The members of the Remuneration Committee are disclosed in the Directors' Report.

The Managing Director is invited to Remuneration Committee meetings as required to discuss senior executives' performance and remuneration packages.

The Remuneration Committee meets once a year or as required. The Committee met once during the financial year and the Committee members' attendance record is disclosed in the table of Directors' meetings.

Further details of the Remuneration Committee's charter is available on the company's website.

Remuneration Policies

Remuneration levels are set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. Remuneration packages include a mix of fixed remuneration, performance based remuneration, and equity based remuneration.

Executive Directors and senior executives may receive short term incentives based on achievement of specific business plans and performance indicators, which include financial and operational targets relevant to performance at the consolidated entity level, divisional level, or functional level, as applicable, for the financial year. In addition, the consolidated entity offers executive Directors and senior executives participation in the long-term incentive scheme involving the issue of options to the employee under the executive share option scheme. The executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price set at the time the offer was made. The options are granted annually in three tranches on achievement of the performance hurdles.

Non-executive Directors do not receive any performance related remuneration.

Audit and Risk Committee

The Audit and Risk Committee has a documented charter, approved by the Board. All members of the Committee are non-executive Directors with a majority being independent, and the Chairman of the Audit and Risk Committee is not the Chairman of the Board of Directors.

The members of the Audit and Risk Committee during the financial year are disclosed in the Directors' Report.

The external auditors, the Managing Director and Chief Financial Officer are invited to Audit and Risk Committee meetings at the discretion of the Committee, and the external auditor also meets with the Audit Committee during the year without management being present. The Committee met four times during the year and the Committee members' attendance record is disclosed in the table of Directors' meetings.

The Managing Director and the Chief Financial Officer have provided a statement in writing to the Board that the consolidated entity's financial reports for the year ended 30 June 2006 present a true and fair view, in all material respects, of the consolidated entity's financial condition and operational results and are in accordance with the relevant accounting standards. This statement is required annually.

Further details of the Audit and Risk Committee's charter are available on the Company's website.

The duties and responsibilities of the Audit and Risk Committee include:

- Recommending to the Board the appointment of the external auditors;
- Recommending to the Board the fee payable to the external auditors;
- Reviewing the audit plan and performance of the external auditors;
- Determining that no management restrictions are being placed upon the external auditors;
- Evaluating the adequacy and effectiveness of the reporting and accounting controls of the Company through active communication with operating management and the external auditors;
- Reviewing all financial reports to be made to shareholders and/or the public prior to their release;
- Evaluating systems of internal control;

- Monitoring the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest;
- Requiring reports from management and the external auditors on any significant regulatory, accounting or reporting development to assess potential financial reporting interest;
- Reviewing and approving all significant company accounting policy changes;
- Reviewing the company's taxation position;
- Reviewing the annual financial statements with the Chief Financial Officer and the external auditors, and recommending acceptance to the Board;
- Evaluating the adequacy and effectiveness of the company's risk management policies and procedures including insurance; and
- Directing any special projects or investigations deemed necessary by the Board or by the Committee.

The Audit and Risk Committee is committed to ensuring that it carries out its functions in an effective manner. Accordingly, it reviews its charter at least once in each financial year.

Risk Management

The Board oversees the establishment, implementation, and review of a system of risk management within the consolidated entity. The consolidated entity's areas of focus in respect of risk management practices include, but are not limited to, environment, occupational health and safety, property, financial reporting and internal control.

The Board is responsible for the overall risk management and internal control framework, but recognises that no cost-effective risk management and internal control system will preclude all errors and irregularities. The Board has the following procedures in place to monitor performance and to identify areas of concern:

- Strategic Planning - The Board reviews and approves the strategic plan that encompasses the consolidated entity's strategy, designed to meet the stakeholders' needs and manage business risk. The strategic plan is dynamic and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the consolidated entity;
- Financial reporting – Monthly actual results are reported against budgets approved by the Directors and revised forecasts prepared during the year;
- Functional Reporting – Key areas subject to regular or periodical reporting to the Board include, but are not limited to, operational, treasury (including foreign exchange), environmental, occupational health & safety, insurance, and legal matters;
- Continuous disclosure – A process is in place to identify matters that may have a material effect on the price of the Company's securities and to notify them to the ASX; and
- Investment appraisal – Guidelines for capital expenditure include annual budgets, appraisal and review procedures, due diligence requirements where businesses are being acquired or divested.

The Managing Director and Chief Financial Officer have provided a statement in writing to the Board that the declaration made in respect of the consolidated entity's financial reports is founded on a system of risk management and internal compliance and control which reflects the policies adopted to date by the Board, and that the consolidated entity's risk management and internal control and compliance system is operating effectively in all material respects based on the criteria for effective internal control established by the Board.

Ethical Standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. The consolidated entity's code of conduct includes the following:

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Should a situation arise where the Board believes that a material conflict exists, the Director concerned shall not receive the relevant Board papers and will not be present at the meeting when the item is considered.

Governance

Details of Director related entity transactions with the Company and consolidated entity are set out in the notes to the financial statements.

Dealings in Company Shares

Directors and senior management are prohibited from dealing in Company shares except within a four week trading window that commences 48 hours after the release of the consolidated entity's results at year-end and half year on the basis that they are not in possession of any price sensitive information. Directors must advise the ASX of any transactions conducted by them in shares in the Company.

Communication with Shareholders

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments;
- The half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year audited financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- The consolidated entity has nominated the Company Secretary to ensure compliance with the consolidated entity's continuous disclosure requirements, and overseeing and co-ordinating disclosure of information to the ASX;
- Information is posted on the consolidated entity's website immediately after ASX confirms an announcement has been made to ensure that the information is made available to the widest audience. The consolidated entity's website is www.selectharvests.com.au
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. It is the policy of the consolidated entity and the policy of the auditor for the lead engagement partner to be present at the Annual General Meeting to answer any questions about the conduct of the audit and the preparation and content of the auditor's report; and
- Occasional letters from the Chairman and Managing Director may be utilised to provide shareholders with key matters of interest.

This financial report covers both Select Harvests Limited as an individual entity and the consolidated entity consisting of Select Harvests Limited and its subsidiaries. The financial report is presented in the 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 consolidated entity'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 28 August 2006. 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

Income Statements

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Revenue					
Sales of goods and services	4	217,866	173,864	–	–
Other revenue	4	162	95	29,694	19,549
Total revenue		218,028	173,959	29,694	19,549
Other income (expenses)					
Almond stock fair value adjustment		467	787	–	–
Almond tree fair value adjustment		85	(229)	–	–
Total other income (expenses)		552	558	–	–
Expenses					
Cost of sales	5(a)	(165,546)	(127,973)	–	–
Distribution expenses		(4,021)	(3,286)	–	–
Marketing expenses		(622)	(659)	–	–
Occupancy expenses		(2,052)	(1,863)	–	–
Administrative expenses		(3,094)	(2,916)	(2,665)	(2,115)
Finance costs	5	(628)	(1,361)	(903)	(2,074)
Other expenses		(4,714)	(4,657)	(494)	(426)
Profit before income tax		37,903	31,802	25,632	14,934
Income tax expense	6	(11,411)	(9,698)	(201)	(359)
Profit from continuing operations		26,492	22,104	25,431	14,575
Profit from discontinued operations	7	4,309	801	4,033	–
Profit for the year		30,801	22,905	29,464	14,575
Profit Attributable to Members of Select Harvests Limited	27(c)	30,801	22,905	29,464	14,575
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share (cents per share)	31	67.1	56.9		
Diluted earnings per share (cents per share)	31	67.0	56.7		
Earnings per share for profit attributable to the ordinary equity holders of the company:					
Basic earnings per share (cents per share)	31	78.1	58.9		
Diluted earnings per share (cents per share)	31	77.9	58.8		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Current assets					
Cash and cash equivalents	9	22,557	4,588	21,775	4,280
Trade and other receivables	10	24,442	25,687	728	780
Inventories	11	24,682	24,796	–	–
Derivative financial instruments	12	774	3,761	774	3,761
Total current assets		72,455	58,832	23,277	8,821
Non-current assets					
Receivables	13	–	–	36,256	44,126
Other financial assets	14	–	21	9,607	12,195
Property, plant and equipment	15	44,382	43,991	464	523
Deferred tax assets	16	345	267	223	–
Biological assets – almond trees	17	5,799	5,516	–	–
Intangible assets	18	28,895	28,881	–	–
Total non-current assets		79,421	78,676	46,550	56,844
Total assets		151,876	137,508	69,827	65,665
Current liabilities					
Payables	19	34,407	32,822	408	1,370
Interest-bearing liabilities	20	953	535	852	49
Derivative financial instruments	12	44	22	44	22
Current tax liabilities		2,294	3,239	2,294	3,239
Provisions	21	2,207	2,139	199	191
Total current liabilities		39,905	38,757	3,797	4,871
Non-current liabilities					
Payables	22	–	–	7,964	13,423
Interest-bearing liabilities	23	350	376	75	–
Deferred tax liabilities	24	9,718	9,920	–	709
Provisions	25	422	360	71	48
Total non-current liabilities		10,490	10,656	8,110	14,180
Total liabilities		50,395	49,413	11,907	19,051
Net assets		101,481	88,095	57,920	46,614
Equity					
Contributed equity	26	52,665	46,925	52,665	46,925
Reserves	27	12,691	13,766	4,300	6,121
Retained profits (accumulated losses)	27	36,125	27,404	955	(6,432)
Total equity		101,481	88,095	57,920	46,614

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Total equity at the beginning of the financial year		88,095	74,451	46,614	41,301
Changes in fair value of cash flow hedges and interest rate swaps, net of tax	27(a)	(1,360)	(15)	(2,105)	(15)
Net income (expense) recognised directly in equity		(1,360)	(15)	(2,105)	(15)
Profit for the year	27(c)	30,801	22,905	29,464	14,575
Total recognised income and expense for the year		29,441	22,890	27,359	14,560
Transactions with equity holders in their capacity as equity holders:					
– Contributions of equity, net of transaction costs	26(a)	5,740	2,985	5,740	2,985
– Employee share options	27(a)	285	193	287	192
– Dividends provided for or paid	8	(22,080)	(12,424)	(22,080)	(12,424)
		(16,055)	(9,246)	(16,053)	(9,247)
Total equity at the end of the financial year		101,481	88,095	57,920	46,614

The above statements of changes in equity should be read in conjunction with the accompanying notes

Cash flow statements

for the year ended 30 June 2006

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash flows from operating activities					
Receipts from customers		236,975	180,687	–	–
Payments to suppliers and employees		(189,982)	(137,414)	(3,636)	(1,328)
		46,993	43,273	(3,636)	(1,328)
Interest received		162	94	128	69
Interest paid		(628)	(1,361)	(462)	(1,219)
Income tax paid		(12,145)	(8,478)	(12,145)	(382)
Net cash inflow/(outflow) from operating activities	28(a)	34,382	33,528	(16,115)	(2,860)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		208	774	43	134
Proceeds from sale of pesticide products division	7	5,645	–	5,646	–
Payment for property, plant and equipment		(5,646)	(6,155)	(90)	(133)
Payment for other non-current assets	28(d)	(500)	(6,933)	–	–
Net cash inflow/(outflow) from investing activities		(293)	(12,314)	5,599	1
Cash flows from financing activities					
Proceeds from issues of ordinary shares		1,360	515	1,362	515
Repayments of borrowings		(494)	(7,597)	43,635	16,657
Payment of dividends on ordinary shares		(17,773)	(9,955)	(17,773)	(9,955)
Net cash inflow/(outflow) from financing activities		(16,907)	(17,037)	27,224	7,217
Net increase/(decrease) in cash and cash equivalents		17,182	4,177	16,708	4,358
Cash and cash equivalents at the beginning of the financial year		4,539	362	4,231	(127)
Cash and cash equivalents at the end of the financial year	28(b)	21,721	4,539	20,939	4,231

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes

to the financial statements as at 30 June 2006

1. Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Select Harvests Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosure.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Select Harvests Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First time Adoption of Australian Equivalents* to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Select Harvests Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Select Harvests Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the consolidated and parent entity's equity and its net income are given in note 40.

Historical cost convention

These financial statements have been prepared under 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 profit and loss, and certain classes of property, plant and equipment.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Select Harvests Limited (the parent entity) and all entities which Select Harvests Limited controlled at any point during the year and at balance date.

Subsidiaries are fully consolidated from the date at which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity comprising the consolidated entity 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) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value except for almond stocks which are measured at fair value less estimated point of sale costs in accordance with AASB 141: 'Agriculture' – refer to (f) below.

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.

(f) Biological Assets

Almond trees

Almond trees are classified as a biological asset and valued in accordance with AASB 141 'Agriculture'.

Developing almond trees are valued at their growing cost until the year they bear their first commercial crop. The value of crop bearing almond trees is measured at fair value using a discounted cash flow methodology. The discounted cash flow incorporates the following factors:

- Almond trees have an estimated 30-year economic life, with crop yields consistent with long-term yield rates;
- Selling prices are based on long-term average trend prices;
- Growing, processing and selling costs are based on long-term average levels;
- Cash flows are discounted at a rate that takes into account the cost of capital plus a suitable risk factor; and
- Asset values (eg: land, buildings, water licenses, etc) to be deducted from the cumulative cash flow, to determine the tree value, are based on current valuation and then adjusted annually to account for capital expenditure, depreciation and utilised acreage.

Notes

to the financial statements as at 30 June 2006

Nursery trees are grown by the consolidated entity for sale to external almond orchard owners and for use in almond orchards owned by the consolidated entity. Nursery trees are carried at fair value.

Growing almond crop

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

New orchards growing costs

All costs associated with the establishment, planting and growing of almond trees for a new orchard are accumulated for the first three years of that orchard. Once immature trees commence bearing a commercial crop a proportion of the annual growing costs are expensed on the basis of yield achieved as a proportion of anticipated yield of a mature tree. At the end of the eighth year full maturation is deemed to occur, after which the tree is considered to be mature in terms of revenue generation and the annual growing costs are then expensed in full. Almond trees are valued as described above once they commence bearing a commercial crop.

(g) 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 consolidated entity 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 consolidated entity 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 consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

(h) Property, plant and equipment

Cost and valuation

All classes of property, plant and equipment are measured at 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.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Depreciation

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

The useful lives for each class of assets are:

Buildings:	25 to 40 years
Leasehold improvements:	5 to 40 years
Plant and equipment:	5 to 20 years
Leased Plant and Equipment:	5 to 10 years
Plantation land, 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.

(i) Leases

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

Operating leases

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

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the consolidated entity 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 as at 30 June 2006

(j) Intangibles

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity'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.

(k) 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

Control of the goods has passed to the buyer.

Rendering of Services

Revenue from the rendering of services is recognised upon the delivery of the service to the customer. Certain clients may be invoiced in advance of provision of services.

Interest

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

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

Almond Pool Revenue

Under the contractual arrangements with external growers the Company simultaneously acquires and sells the almonds and does not make a margin on those sales. These transactions are disclosed in Note 4 and are not recognised as revenue.

As at 30 June 2006 the Company 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).

(l) Other income

Almond Stocks

Increments or decrements in the net market value of almond stocks are recognised as income or expenses in the income statement in the financial year in which they occur. The net increment or decrement in the total market value of the almond stocks is determined as the difference between the net market value and quantities at the beginning of the year and at year end, less any further costs required to get the almonds stocks to a saleable state.

(m) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. 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.

Tax Consolidation

The parent entity of Select Harvests Limited and its subsidiaries have implemented the tax consolidation legislation and formed a tax-consolidated group from 1 July 2003.

The parent entity and its wholly owned Australian subsidiaries in the tax-consolidated group continue to 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 stand alone taxpayer in its own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details of tax funding agreements are outlined in note 6. 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.

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.

(n) Impairment of assets

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

(o) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories are charged against profit on a net basis in their respective categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits.
- Other types of employee benefits.

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

Share-based payments

Share-based compensation benefits are provided to employees via the Select Harvests Limited Executive Share Option Scheme.

Share options granted before 7 November 2002 and/or vested before 1 January 2005:

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005:

The fair value of options granted under the Select Harvests Limited Executive Share Option Scheme 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 options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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 option.

The fair value of the options granted 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 options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and proceeds received are credited to share capital.

(p) Financial instruments

Financial Assets

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.

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. Details of the terms and conditions are set out in note 34.

Financial Liabilities

The bank overdraft is carried at the principal amount. 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 consolidated entity.

Finance lease liability is accounted for in accordance with AASB 117 'Leases'.

(q) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as foreign exchange hedge contracts) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity 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 consolidated entity for similar instruments.

(r) Borrowing costs

Borrowing costs, inclusive of all facility fees, bank charges, and interest, are expensed as incurred.

(s) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

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(t) Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business and is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately on the face of the income statement.

(u) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. These are as follows:

(a) AASB 119 Employee Benefits: Accounting for actuarial gains and losses and group plans
(b) AASB 2005-1 Amendments to Australian Accounting Standard [AASB 139]: Cash flow hedge accounting of forecast intra-group transactions
(c) AASB 2005-4 Amendments to Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]: Fair value option
(d) UIG 4 Determining whether an Asset Contains a Lease
(e) UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(f) AASB 2005-6 Amendments to Australian Accounting Standards [AASB 3]: Business combinations involving entities under common control
(g) AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]: Financial guarantee contracts
(h) AASB 7 Financial instruments: Disclosures
(i) AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]: consequential amendments arising from the issue of AASB 7
(j) UIG 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
(k) AASB 2006-1 Amendments to Australian Accounting Standards [AASB 121]: Clarification regarding monetary items forming part of the net investment in a foreign operation
(l) UIG 7 Applying the Restatement Approach under [AASB 129]: Financial Reporting in Hyperinflationary Economies
(m) UIG 8 Scope of AASB 2
(n) UIG 9 Reassessment of Embedded Derivatives.

The consolidated entity has commenced but has not completed its review of the impact (if any) of the new accounting standards and UIG interpretations.

(v) Provisions

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

(w) Contributed equity

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

(x) Comparatives

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

(y) Rounding amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relation to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. Financial risk management

The Consolidated entity's activities expose it to a variety of financial risks. Risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the consolidated entity.

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 consolidated entity's functional currency.

The consolidated entity 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.

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

(ii) Price risk

The consolidated entity is exposed to commodity price risk. The consolidated entity sells almonds harvested from owned orchards domestically and overseas throughout the year based on an almond price which will fluctuate from time to time due to changes in international market conditions. The consolidated entity has an active and ongoing almond marketing and selling program in place which is continually monitored and adapted for changes in almond prices.

The consolidated entity also purchases raw materials and other inputs to the manufacturing and almond growing process domestically and overseas. The price of such inputs will also fluctuate from time to time based on market forces. Where practical, the consolidated entity, through its procurement programs, contracts from time to time to acquire such quantity of inputs as is projected to be required at fixed prices.

(b) Credit risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity 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.

(c) Liquidity risk

The consolidated entity maintains committed credit facilities in place with financial institutions for the ongoing funding of its activities.

(d) Cash flow interest rate risk

As the consolidated entity has no significant interest-bearing assets, income and operating cash flows are not materially exposed to changes in market interest rates.

The consolidated entity's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk.

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

Almond trees

Almond trees are classified as a biological asset and valued in accordance with AASB 141 'Agriculture'. The consolidated entity's accounting policies in relation to almond trees are detailed in note 1(f).

In applying this policy, the consolidated entity has made various assumptions. These are detailed in note 17 of the financial statements. As at 30 June 2006, the value of almond trees carried in the financial statements of the consolidated entity is $5.8 million (2005:$5.5 million).

4. Revenue

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Revenue from continuing operations					
Total revenue from operating activities		217,866	173,864	–	–
Other revenue from continuing operations					
Management fees		–	–	3,398	3,010
Dividends and distributions					
– Controlled entities		–	–	25,212	13,907
– Other corporations		–	1	–	–
Total dividends and distributions		–	1	28,610	13,907
Interest					
– Wholly owned entities		–	–	956	2,563
– Other persons/corporations		162	94	128	69
Total interest		162	94	1,084	2,632
Total other revenue from continuing operations		162	95	29,694	19,549
Total revenue		218,028	173,959	29,694	19,549
Revenue from discontinued operations		6,637	4,166	5,700	–
Revenue/Cost of goods sold from external almond pool sales					
Revenue from external almond pool sales		17,444	12,632	–	–
Cost of goods sold from external almond pool sales		(17,444)	(12,632)	–	–
		–	–	–	–

Revenue from external almond pool sales includes sales of almonds for externally owned almond orchards, which are sold by the consolidated entity on a pooled basis, the proceeds from which are distributed to the pool participants.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

5. Expenses and losses/(gains)

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(a) Expenses					
Cost of goods and services sold		165,546	127,973	–	–
Depreciation of non-current assets					
freehold land and buildings		1	5	–	1
buildings		68	55	–	–
plantation land and irrigation systems		336	342	–	–
leased plant and equipment		217	323	12	8
plant and equipment		2,927	2,453	208	166
Total depreciation of non-current assets		3,549	3,178	220	175
Finance costs					
wholly owned entities		–	–	440	855
other persons		628	1,361	463	1,219
Total finance costs		628	1,361	903	2,074
Movement in provisions for doubtful debts		(14)	24	–	–
Movement in provision for employee entitlements		1,143	1,166	31	117
Movement in provision for stock diminution		(199)	(105)		
Operating lease rental					
minimum lease payments		5,403	3,713	–	–
Total operating lease rental		5,403	3,713	–	–
(b) Losses/(gains)					
Net loss on disposal of property, plant and equipment		6	78	10	44

6. Income tax

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(a) Income tax expense					
Current tax		11,287	9,458	222	315
Deferred tax		258	667	(29)	34
Under/(over) provided in prior years		(87)	32	8	10
		11,458	10,157	201	359
Income tax expense is attributable to:					
profit from continuing operations		11,411	9,698	201	359
profit from discontinued operations		47	459	–	–
Aggregate income tax expense		11,458	10,157	201	359
Deferred income tax (revenue) expense included in income tax expense comprises:					
decrease/(increase) in deferred tax assets	16	(341)	(1)	(442)	–
(decrease)/increase in deferred tax liabilities	24	599	668	413	34
		258	667	(29)	34

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	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit from continuing operations before income tax expense		37,903	31,802	25,632	14,934
Profit from discontinued operations before income tax expense		4,356	1,260	4,033	–
		42,259	33,062	29,665	14,934
Tax at the Australian tax rate of 30% (2005 – 30%)		12,678	9,919	8,899	4,480
Tax effect of amounts that are not deductible (taxable) in calculating taxable income					
rebateable dividends		–	–	(7,564)	(4,172)
amortisation of intangible assets		–	–	–	–
other non allowable items		109	206	68	41
other non assessable items		(1,242)	–	(1,210)	–
under/(over) provision of previous year		(87)	32	8	10
Income tax expense		11,458	10,157	201	359

(c) Tax consolidation legislation

Select Harvests Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(m).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Select Harvests Limited.

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

The amounts receivable/payable under the tax funding agreement are 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.

7. Discontinued operation

(a) Description

On 23 August 2005 Select Harvests Ltd announced that a contract of sale was signed to sell all of the shares in Riverina Pelletising Services Pty Ltd for a total consideration of $5.7 million to Australian Businesspoint Pty Ltd. The transaction was completed on 15 October 2005 with effect from 1 October 2005, and the entity disposed of is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in the segment information.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the three months ended 30 September 2005 (2006 column) and the year ended 30 June 2005.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Revenue	937	4,166	–	–
Expenses	(720)	(2,906)	–	–
Profit before income tax	217	1,260	–	–
Income tax expense	(47)	(459)	–	–
Profit after income tax of discontinued operations	170	801	–	–
Gain on sale of the division before income tax	4,139	–	4,033	–
Income tax expense	–	–	–	–
Gain on sale of the division after income tax	4,139	–	4,033	–
Profit from discontinued operations	4,309	801	4,033	–
Net cash inflow/(outflow)from operating activities	(595)	1,096	–	–
Net cash inflow/(outflow) from investing activities (2005 includes an inflow of $5,644,650 from the sale of the division)	5,645	–	5,645	–
Net cash inflow/(outflow) from financing activities	595	(1,096)	–	–
Net increase in cash generated by the division	5,645	–	5,645	–

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 30 September 2005 (2006 column) and 30 June 2005.

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash	1	1	–	–
Property, plant and equipment	685	707	–	–
Investments	20	20	1,612	2,588
Trade receivables	600	1,021	–	–
Inventories	485	600	–	–
Other	4	56	–	–
Total assets	1,795	2,405	1,612	2,588
Trade creditors	(179)	(269)	–	(764)
Provision for tax	43	(275)	–	–
Provision for employee benefits	(153)	(142)	–	–
Total liabilities	(289)	(686)	–	(764)
Net assets	1,506	1,719	1,612	1,824

(d) Details of the sale of the division

Consideration received or receivable:

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash	5,645	–	5,645	–
Total disposal consideration	5,645	–	5,645	–
Carrying amount of net assets sold	(1,506)	–	(1,612)	–
Gain on sale before income tax	4,139	–	4,033	–
Income tax expense	–	–	–	–
Gain on sale after income tax	4,139	–	4,033	–

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	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

8. Dividends paid or provided for on ordinary shares

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(a) Dividends paid during the year				
(i) Interim – paid 3 April 2006 (2005: 1 April 2005)				
Fully franked dividend (20.0c per share) (2005:16.0c per share)	7,913	6,225	7,913	6,225
(ii) Special dividend– paid 3 April 2006 (2005: Nil)				
Fully franked dividend (10.0c per share) (2005: Nil)	3,956	–	3,956	–
	11,869	6,225	11,869	6,225
(iii) Final – paid 3rd October 2005 (2005:1 October 2004)				
Fully franked dividend (26.0c per share) (2005:16.0c per share)	10,211	6,199	10,211	6,199
	22,080	12,424	22,080	12,424
(b) Dividends proposed and not recognised as a liability				
Fully franked dividend payable on 2 October 2006 (33.0c per share, $13,103,560)				
(c) Franking credit balance				
Franking credits available for the subsequent financial year arising from:				
Franking account balance as at the beginning of the financial year	16,733	20,872		
Current year tax payment instalments and adjustments	29,526	19,782		
Interim dividends paid	(11,869)	(12,425)		
Franking account balance at end of financial year	34,390	28,229		
Current year income tax payable	5,353	(1,286)		
Dividend declared	(13,104)	(10,210)		
Franking account balance after payment of current year tax and dividends	26,639	16,733		

9. Cash and cash equivalents

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Cash at bank and in hand	16,057	588	15,275	280
Deposits at call	6,500	4,000	6,500	4,000
	22,557	4,588	21,775	4,280
(a) Reconciliation to cash at the end of the year				
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flow as follows:				
Balances as above	22,557	4,588	21,775	4,280
Bank overdrafts (note 20)	(836)	(49)	(836)	(49)
Balances per statement of cash flows	21,721	4,539	20,939	4,231

(b) Cash at bank and on hand

Details of the interest rates applicable to cash at bank and on hand are detailed in note 36.

(c) Deposits at call

The deposits are bearing a floating interest rate at 30 June 2006. Details of the interest rates applicable to deposits at call are detailed in note 36.

		CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000

10. Receivables (current)

		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Trade debtors		23,602	24,829	–	–
Provision for doubtful debts		(10)	(24)	–	–
		23,592	24,805	–	–
Prepayments		825	825	703	770
Other receivables		25	57	25	10
		24,442	25,687	728	780

(a) Bad and doubtful trade receivables

The consolidated entity has recognised a profit/(loss) of $14,332 (2005: ($24,000)) in respect of bad and doubtful trade receivables during the year ended 30 June 2006. This loss has been included in 'other expenses' in the income statement.

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group.

(c) 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 consolidated entity operates. Refer to note 2 for more information on the risk management policy of the consolidated entity.
Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 36.

11. Inventories (current)

		2006 $'000	2005 $'000	2006 $'000	2005 $'000
Raw materials					
Raw materials at cost		6,793	7,234	–	–
Provision for diminution in value	11(a)	–	(51)	–	–
		6,793	7,183	–	–
Finished goods					
Finished goods at cost		6,060	7,649	–	–
Provision for diminution in value	11(a)	(267)	(466)	–	–
		5,793	7,183	–	–
Other inventory					
Other inventory at cost		5,763	5,318	–	–
		5,763	5,318	–	–
Almond stocks					
Almond stocks at cost (refer to note 1(f))		6,333	5,112	–	–
		6,333	5,112	–	–
Total inventories		24,682	24,796	–	–
(a) Movements in provision for diminution in value					
Beginning of the financial year		(517)	(412)	–	–
Movement during the year		250	(105)	–	–
End of the financial year		(267)	(517)	–	–

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	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000

12. Derivative financial instruments (current)

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current assets				
Forward exchange contracts – cash flow hedges	774	3,761	774	3,761
Total current derivative financial instrument assets	774	3,761	774	3,761
Forward exchange contracts – cash flow hedges	44	–	44	–
Interest rate swap contracts – cash flow hedge	–	22	–	22
Total current derivative financial instrument liabilities	44	22	44	22

(i) Forward exchange contracts – cash flow hedges

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

The net amount of the foreign currency the consolidated entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Company at balance date was $777,000 (2005: $10,295,000).

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

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

BUY UNITED STATES DOLLARS	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
SETTLEMENT	2006 $'000	2005 $'000	2006 $	2005 $
Less than 6 months	5,304	10,994	0.74	0.76
6 months to 1 year	–	1,080	–	0.76
Greater than 1 year	–	248	–	0.77
	5,304	12,322		

SELL UNITED STATES DOLLARS	BUY AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
SETTLEMENT	2006 $'000	2005 $'000	2006 $	2005 $
Less than 6 months	4,457	15,796	0.61	0.64
6 months to 1 year	70	1,770	0.76	0.49
1 year to 2 years	–	5,051	–	0.59
	4,527	22,617		

(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 is the net fair value of these contracts. The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(iii) Interest rate risk exposures

Refer to note 36 for the consolidated entity's exposure to interest rate risk on derivative financial instruments.

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000

13. Receivables (non-current)

Related party receivables					
Wholly-owned group					
– controlled entities	34	–	–	37,355	45,225
– provision for impairment	34	–	–	(1,099)	(1,099)
		–	–	36,256	44,126

14. Other financial assets (non-current)

Investments at cost comprise:					
Shares					
Other Corporations		–	21	–	–
Controlled entities – unlisted		–	–	9,607	12,195
		–	21	9,607	12,195

15. Property, plant and equipment

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Freehold land and buildings					
At cost		–	315	–	–
Accumulated depreciation		–	(83)	–	–
	15(b)	–	232	–	–
Buildings					
At cost	15(a)	2,840	2,792	–	–
Accumulated depreciation		(329)	(261)	–	–
	15(b)	2,511	2,531	–	–
Plantation land and irrigation systems					
At cost	15(a)	24,934	24,147	–	–
Accumulated depreciation		(1,497)	(1,162)	–	–
	15(b)	23,437	22,985	–	–
Total land and buildings		25,948	25,748	–	–
Plant and equipment under lease					
At cost		1,657	2,771	103	–
Accumulated amortisation		(956)	(1,457)	(12)	–
	15(b)	701	1,314	91	–
Plant & equipment					
At cost		33,242	31,165	869	1,198
Accumulated depreciation		(16,977)	(15,424)	(496)	(689)
	15(b)	16,265	15,741	373	509
Capital works in progress					
At cost		1,468	1,188	–	14
	15(b)	1,468	1,188	–	14
Total plant and equipment		18,434	18,243	464	523
Total property, plant and equipment:					
Cost		64,141	62,378	972	1,212
Accumulated depreciation and amortisation		(19,759)	(18,387)	(508)	(689)
Total written down amount		44,382	43,991	464	523

(a) Valuations

The consolidated entity has elected to measure items of property, plant and equipment at the date of transition to Australian equivalents to IFRSs at fair value and to use fair value as the deemed cost at that date. The consolidated entity has chosen to apply this transitional provision adopting the directors valuation on 30 June 2004 as deemed cost.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(b) Reconciliations					
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.					
Freehold land and buildings					
Carrying amount at beginning		232	384	–	149
Additions		–	25	–	24
Depreciation expense		(1)	(5)	–	(1)
Disposal through sale of entity		(231)	–	–	–
Disposals		–	(172)	–	(172)
		–	232	–	–
Buildings					
Carrying amount at beginning		2,531	2,586	–	–
Additions		48	–	–	–
Depreciation expense		(68)	(55)	–	–
		2,511	2,531	–	–
Plantation land and irrigation systems					
Carrying amount at beginning		22,985	23,003	–	–
Additions		787	434	–	–
Disposals		–	(382)	–	–
Transfer between classes		–	272	–	–
Depreciation expense		(335)	(342)	–	–
		23,437	22,985	–	–
Plant and equipment under lease					
Carrying amount at beginning		1,314	1,704	–	75
Additions		103	–	103	–
Additions through acquisition of entities / operations		–	505	–	–
Transfers between classes		(467)	(572)	–	(67)
Depreciation expense		(249)	(323)	(12)	(8)
		701	1,314	91	–
Plant and equipment					
Carrying amount at beginning		15,741	12,678	509	523
Additions		3,400	4,648	90	95
Disposals		(214)	(113)	(53)	(6)
Additions through acquisition of entities / operations		–	142	–	–
Disposal through sale of entity		(453)	–	–	–
Transfers between classes		724	839	14	67
Transfers between entities		–	–	22	(4)
Depreciation expense		(2,933)	(2,453)	(209)	(166)
		16,265	15,741	373	509

	NOTES	CONSOLIDATED 2006 $'000	2005 $'000	PARENT ENTITY 2006 $'000	2005 $'000
Capital works in progress					
Carrying amount at beginning		1,188	1,437	14	–
Additions		951	1,048	–	14
Transfers between classes		(257)	(539)	(14)	–
Reclassification to other accounts		(414)	(758)		
		1,468	1,188	–	14
Total written down value		44,382	43,991	464	523

16. Deferred tax assets

	NOTES	CONSOLIDATED 2006 $'000	2005 $'000	PARENT ENTITY 2006 $'000	2005 $'000
The balance comprises temporary differences attributable to:					
Amounts recognised in profit and loss					
Inventories		–	30	–	–
Assets at cost		(180)	(209)	–	–
Employee benefits		312	241	81	–
Accruals		100	198	32	–
Provisions		329	–	329	–
Doubtful debts		3	7	–	–
		564	267	442	–
Amounts recognised directly in equity					
Cash flow hedges		(219)	–	(219)	–
		345	267	223	–
Movements:					
Opening balance 1 July		267	266	–	–
Credited/(charged) to income statement		341	1	442	–
Credited/(charged) to equity		(219)	–	(219)	–
Transfer on sale of discontinued operation		(44)	–	–	–
Closing balance at 30 June		345	267	223	–
Deferred tax assets to be recovered after more than 12 months		(69)	(209)	111	–
Deferred tax assets to be recovered within 12 months		414	476	112	–
		345	267	223	–

17. Biological assets – almond trees

The consolidated entity, as part of its operations, grows, harvests, and sells almonds. Harvesting of almonds occurs from February through to April each year. The almond orchards are located in the Robinvale area of North West Victoria.

As at 30 June 2006 the consolidated entity owned and managed a total of 1,863 acres of almond orchards (2005: 1,863 acres) and leased and managed a total of 505 acres of almond orchards (2005: 505 acres).

During the year ended 30 June 2006, 1,624 metric tonnes of almonds were harvested from these orchards (2005: 2,419 metric tonnes). These almonds had a fair value less estimated point of sale costs of $12.5 million (2005: $17.1 million).

	CONSOLIDATED	
	2006 $ '000	2005 $ '000
Carrying amount at 1 July	5,516	4,986
Additions	198	759
Almond tree fair value adjustment	85	(229)
Carrying amount at 30 June	5,799	5,516

Developing almond trees are valued at their growing cost until the year they bear their first commercial crop. The value of crop bearing almond trees is calculated using a discounted cash flow methodology. The discounted cash flow incorporates the following factors:

- Almond trees have an estimated 30-year economic life, with crop yields consistent with long-term yield rates;
- Selling prices are based on long-term average trend prices;
- Growing, processing and selling costs are based on long-term average levels;
- Cash flows are discounted at a rate that takes into account the cost of capital plus a suitable risk factor; and
- Asset values to be deducted from the cumulative cash flow, to determine the tree value, are based on current valuation and then adjusted annually to account for capital expenditure, depreciation and utilised acreage. Asset values include growing costs capitalised proportionately between the year of planting and the year in which the almond trees achieve full maturation.

(a) Financial risk management strategies

The consolidated entity is exposed to financial risks arising from changes in the price of almonds. The consolidated entity reviews its outlook for almond prices regularly in considering the need for active financial risk management.

(b) Non-current assets pledged as security

Refer to note 23 for information on biological assets whose title is restricted and the carrying amounts of any biological assets pledged as security by the parent entity or its subsidiaries.

18. Intangibles

	CONSOLIDATED		
	GOODWILL $'000	BRAND NAMES* $'000	TOTAL $'000
At 1 July 2004			
Cost	29,396	2,900	32,296
Accumulated amortisation	(5,051)	–	(5,051)
Net book amount	24,345	2,900	27,245
Year ended 30 June 2005			
Opening net book amount	24,345	2,900	27,245
Additions/acquisition of business	1,636	–	1,636
Closing net book amount	25,981	2,900	28,881
Year ended 30 June 2006			
Opening net book amount	25,981	2,900	28,881
Additions	14	–	14
Closing net book amount	25,995	2,900	28,895

** Brand name assets relate to the 'Lucky' brand, which has been assessed as having an indefinite useful life.*

(a) Impairment tests for goodwill

Goodwill is allocated to the consolidated entity's cash-generating units (CGU) identified according to business segment. The total value of goodwill relates to the Food Products CGU. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial projections covering a five-year period assuming a growth rate of 2% per annum. Cash flows beyond the five-year period are extrapolated using estimated growth rates that do not exceed the long-term average growth rate for the business in which the CGU operates. A weighted average cost of capital (11.8%) has been used to discount the cash flow projections.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
19. Payables (current)					
Trade creditors		8,668	7,042	2	97
Other creditors		25,739	25,780	406	1,273
		34,407	32,822	408	1,370
20. Interest-bearing liabilities (current)					
Secured					
Bank overdraft	20(a)	836	49	836	49
Lease liability	29	117	486	16	–
Total secured current borrowings		953	535	852	49

(a) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 23.

(b) Interest rate risk exposures

Details of the consolidated entity's exposure to interest rate changes on borrowings are set out in note 36.

(c) Fair value disclosures

Details of the fair value of borrowings for the consolidated entity are set out in note 23.

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000

21. Provisions (current)

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Employee benefits	25(a)	2,207	2,059	199	191
Other		–	80	–	–
		2,207	2,139	199	191

22. Payables (non-current)

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Aggregate amounts payable to related parties – wholly owned companies		–	–	7,964	13,423
		–	–	7,964	13,423

23. Interest-bearing liabilities (non-current)

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent entity 2006 $'000	Parent entity 2005 $'000
Secured					
Lease liability	29	350	376	75	–
Total secured non-current borrowings		350	376	75	–
(a) Total secured liabilities					
The total secured liabilities (current and non-current) are as follows:					
Bank overdraft		836	49	836	49
Lease liability		467	862	91	–
Total secured liabilities		1,303	911	927	49

(b) Assets pledged as security:

The bank overdraft and bills of exchange 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.
Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of a default.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
The carrying amounts of assets pledged as security for current and non-current borrowings are:					
Current					
Floating charge					
Cash and cash equivalents		22,557	4,588	21,775	4,280
Receivables		24,442	25,687	728	780
Inventories		24,682	24,796	–	–
Derivative financial instruments		774	3,761	774	3,761
Total current assets pledged as security		72,455	58,832	23,277	8,821
Non-current					
Floating charge					
Receivables		–	–	36,256	41,205
Other financial assets		–	21	9,607	12,195
Property, plant and equipment		44,382	43,991	464	523
Biological assets – almond trees		5,799	5,516	–	–
Total non-current assets pledged as security		50,181	49,528	46,327	53,923
Total assets pledged as security		122,636	108,360	69,604	62,744

(c) Financing arrangements

The consolidated entity and the Company have bank overdraft facilities available to the extent of 2,000,000 Australian dollars and 3,000,000 United States dollars (2005: AUD2,000,000 and USD Nil).

As at 30 June 2006 the consolidated entity and company have used AUD Nil and USD 578,503 (2005: AUD Nil and USD Nil) of the facility.

The consolidated entity and the Company have a commercial bill facility available to the extent of $28,000,000 (2005: $28,000,000).

As at 30 June 2006 the consolidated entity and Company have used $Nil (2005: $Nil).

The current interest rates are 5.78% on the commercial bill facility, 9.60% on the Australian dollar bank overdraft facility, and 6.72% on the United States dollar bank overdraft facility.

(d) Interest rate risk exposures

Details of the consolidated entity's exposure to interest rate risk are set out in note 36.

(e) Fair value

The fair value of borrowings at balance date is equal to the carrying amounts set out in part (a) above.

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2006 $'000	2005 $'000	2006 $'000	2005 $'000

24. Deferred tax liabilities (non-current)

The balance comprises temporary differences attributable to:

	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Amounts recognised in profit and loss				
Inventory	1,233	940	–	–
Assets at cost	8,487	8,147	–	–
Employee benefits	(508)	(525)	–	(76)
Accruals	(396)	(70)	–	(7)
Provisions	–	(330)	–	(329)
Intangibles	870	870	–	–
Operating leases	(289)	(233)	–	–
	9,397	8,799	–	(412)
Amounts recognised directly in equity				
Cash flow hedges	321	1,121	–	1,121
	9,718	9,920	–	709
Movements:				
Opening balance 1 July	9,920	9,260	709	681
Credited/(charged) to income statement	599	668	413	34
Credited/(charged) to equity	(801)	(8)	(1,122)	(6)
Closing balance at 30 June	9,718	9,920	–	709
Deferred tax liabilities to be settled after more than 12 months	9,068	9,575	–	791
Deferred tax liabilities to be settled within 12 months	650	345	–	(82)
	9,718	9,920	–	709

25. Provisions (non-current)

	NOTES	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Employee entitlements	25(a)	422	360	71	48
(a) Aggregate employee entitlements liability		2,629	2,419	270	239
(b) Number of full time employees at year end		297	276	11	11

26. Contributed equity

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
(a) Issued and paid up capital					
Ordinary shares fully paid		52,665	46,925	52,665	46,925
		52,665	46,925	52,665	46,925

(b) Movements in shares on issue

	2006 NUMBER OF SHARES	2006 $'000	2005 NUMBER OF SHARES	2005 $'000
Beginning of the financial year	39,069,120	46,925	38,525,552	43,940
Issued during the year:				
dividend reinvestment scheme	322,037	4,305	287,268	2,470
employee share scheme	316,600	1,435	256,300	515
End of the financial year	39,707,757	52,665	39,069,120	46,925

(c) Share options

Options over ordinary shares:

Employee share scheme

The company continued to offer employee participation in short-term and long-term incentive schemes as part of the remuneration packages for the employees of the companies. Both the short-term and long-term schemes involve payments up to an agreed proportion of the total fixed remuneration of the employee, with relevant proportions based on market-relativity of employees with equivalent responsibilities.

The employee is able to receive payments under the short-term incentive scheme based on the achievement of agreed business plans by the individual. This performance is measured and reported by a balanced scorecard approach.

The long-term scheme involves the issue of options to the employee, under the executive share option scheme. During or since the end of the financial year, 237,700 options (2005: 228,700 options) have been granted under this scheme (refer note 38 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at $13.02 on 30 June 2006 ($9.70 on 30 June 2005).

(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.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

27. Reserves and retained profits

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Capital reserve	27(a)	3,270	3,270	3,270	3,270
Cash flow hedge reserve	27(a)	1,258	2,633	512	2,633
Interest rate swap reserve	27(a)	–	(15)	–	(15)
Asset revaluation reserve	27(a)	7,645	7,645	–	–
Options reserve	27(a)	518	233	518	233
		12,691	13,766	4,300	6,121
Retained profits	27(c)	36,125	27,404	955	(6,432)

(a) Movements

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Capital reserve				
Balance at beginning of year	3,270	3,270	3,270	3,270
Surplus on revaluation	–	–	–	–
Balance at end of year	3,270	3,270	3,270	3,270
Cash flow hedge reserve				
Balance at beginning of year	2,633	–	2,633	–
Adjustment on adoption of AASB 132 and AASB 139 net of tax	–	2,674	–	2,674
Currency translation differences arising during the year	(1,375)	(41)	(2,121)	(41)
Balance at end of year	1,258	2,633	512	2,633
Interest rate swap reserve				
Balance at beginning of year	(15)	–	(15)	–
Adjustment on adoption of AASB 132 and AASB 139 net of tax	–	(42)	–	(42)
Swap translation differences arising during the year	15	27	15	27
Balance at end of year	–	(15)	–	(15)
Asset revaluation reserve				
Balance at beginning of year	7,645	10,920	–	–
Adjustment on adoption of AASB 132 and AASB 139 net of tax	–	(3,275)	–	–
Surplus on revaluation	–	–	–	–
Balance at end of year	7,645	7,645	–	–
Options reserve				
Balance at beginning of year	233	–	233	–
Adjustment on adoption of AASB 132 and AASB 139 net of tax		41		41
Option expense	358	192	358	192
Transfer to share capital (options exercised)	(73)	–	(73)	–
Balance at end of year	518	233	518	233

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve is used to isolate realised capital profits from disposal of non-current assets.

(ii) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.

(iii) Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued but not exercised.

(iv) Cash flow hedge reserve

The cash flow hedge reserve is used to record gains or losses on foreign exchange contracts in a cash flow hedge that are recognised directly in equity.

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
(c) Retained profits				
Balance at the beginning of year	27,404	21,137	(6,432)	(8,874)
Adjustment on adoption of AASB 132 and AASB 139, net of tax	–	(4,213)	3	292
Profit attributable to members of Select Harvests Limited	30,801	22,905	29,464	14,575
Total available for appropriation	58,205	39,829	23,035	5,993
Dividends paid	(22,080)	(12,425)	(22,080)	(12,425)
Balance at end of year	36,125	27,404	955	(6,432)

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

28. Cash flow statement

(a) Reconciliation of the net profit after tax to the net cash flows from operations

Net profit	30,801	22,905	29,464	14,575
Non-cash Items				
Depreciation and amortisation	3,571	3,178	230	175
Almond stock fair value adjustment	467	787	–	–
Almond trees fair value adjustment	85	(229)	–	–
Net (profit)/loss on disposal of property, plant and equipment	6	(78)	10	44
Net (profit) on disposal of discontinued operation	(4,139)	–	(4,033)	–
Dividends received from controlled entities	–	–	(25,212)	(13,907)
Interest received	–	–	(516)	(1,708)
Management fees received	–	–	(3,398)	(3,011)
Changes in assets and liabilities				
(Increase)/decrease in trade receivables	1,244	(9,143)	–	–
(Increase)/decrease in inventory	114	(5,685)	–	–
(Increase)/decrease in receivables and other assets	2,150	341	(4,831)	23
(Decrease)/increase in trade and other creditors	1,420	19,111	(5,983)	915
(Decrease)/increase in income tax payable	(945)	1,010	(945)	(60)
(Decrease)/increase in deferred income tax liability	(601)	833	(932)	42
(Decrease)/increase in employee entitlements	209	498	31	52
Net cash flow from operating activities	34,382	33,528	(16,115)	(2,860)

(b) Reconciliation of cash

Cash balance comprises:				
cash at bank	22,557	4,588	21,775	4,280
bank overdraft	(836)	(49)	(836)	(49)
Closing cash balance	21,721	4,539	20,939	4,231

(c) Acquisition of entities and businesses

There were no acquisitions of entities during the year.

During the 2006 financial year the consolidated entity paid $500,000 to the shareholders of Meriram Pty Ltd and Kibley Pty Ltd in relation to the achievement of the EBIT target for the financial year ended 30 June 2005.

During the 2005 financial year the consolidated entity paid $1,500,000 to the shareholders of Meriram Pty Ltd and Kibley Pty Ltd in relation to the achievement of the EBIT target for the financial year ended 30 June 2004.

In the 2005 financial year the consolidated entity acquired the Chiquita Nibbles business from Chiquita Brands South Pacific Limited for a total consideration of $5.4 million.

Notes

to the financial statements as at 30 June 2006

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Details of these transactions are:				
Purchase consideration	500	6,933	–	–
Cash consideration	500	6,933	–	–
	–	–	–	–
Assets and liabilities held at acquisition date:				
Receivables	–	–	–	–
Inventories	–	4,225	–	–
Property, plant and equipment	–	647	–	–
Intangible assets	–	–	–	–
Other assets	–	81	–	–
Creditors	–	–	–	–
Interest liabilities	–	(505)	–	–
Provisions	–	(150)	–	–
Other liabilities	–	–	–	–
	–	4,298	–	–
Goodwill on consolidation	500	2,635	–	–
	500	6,933	–	–

29. Expenditure commitments

Lease commitments – Group company as lessee				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	6,202	4,304	–	–
Later than one year but not later than five years	23,130	16,602	–	–
Later than five years	14,917	17,126	–	–
	44,249	38,032	–	–
(i) Operating leases (non-cancellable):				
Minimum lease payments				
– Not later than one year	5,577	3,860	–	–
– Later than one year and not later than five years	19,857	13,599	–	–
– Later than five years	12,129	13,442	–	–
– Aggregate lease expenditure contracted for at reporting date	37,563	30,901	–	–
Aggregate expenditure commitments comprise:				
Aggregate lease expenditure contracted for at reporting date	37,563	30,901	–	–

	Note	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Operating lease payments are for rental of premises, farming and factory equipment.					
(ii) Finance leases:					
– Not later than one year		149	536	24	–
– Later than one year and not later than five years		384	426	83	–
– Total minimum lease payments		533	962	107	–
– Future finance charges		(66)	(100)	(15)	–
– Lease liability		467	862	92	–
Current liability	20	117	486	16	
Non-current liability	23	350	376	76	–
		467	862	92	–
Finance leases are for various items of plant and equipment					
(iii) Almond orchard lease:					
Minimum lease payments					
– Not later than one year		625	444	–	–
– Later than one year and not later than five years		3,273	3,003	–	–
– Later than five years		2,788	3,684	–	–
– Aggregate lease expenditure contracted for at reporting date		6,686	7,131	–	–
Aggregate expenditure commitments comprise:					
Aggregate lease expenditure contracted for at reporting date		6,686	7,131	–	–

The almond orchard lease comprise the lease of a 505 acre almond orchard from Sandhurst Trustees Limited in which the consolidated entity has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement.

30. Subsequent events

On 28 August 2006, the Directors declared a fully franked final dividend of 33 cents per ordinary share to be paid on Monday 2 October 2006 to shareholders registered at 5.00 pm on Friday 8 September 2006.

There has been no other matter or circumstance, which has arisen since 30 June 2006 that has significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2006, of the consolidated entity, or

b) the results of those operations, or

c) the state of affairs, in financial years subsequent to 30 June 2006, of the consolidated entity.

31. Earnings per share

	CONSOLIDATED 2006 $'000	2005 $'000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit from continuing operations	26,492	22,104
Profit from discontinued operation	4,309	801
Profit attributable to equity holders of the company used in calculating basic earnings per share	30,801	22,905
Diluted earnings per share:		
Profit from continuing operations	26,520	22,122
Profit from discontinued operation	4,309	801
Profit attributable to equity holders of the company used in calculating diluted earnings per share	30,829	22,923

	NUMBER OF SHARES 2006	2005
Weighted average number of ordinary shares used in calculating basic earnings per share	39,458,133	38,864,450
Effect of dilutive securities:		
Share options	126,363	153,518
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	39,584,496	39,017,968

32. Remuneration of directors and key management personnel

Principles used to determine the nature and amount of remuneration

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and key management personnel. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. Remuneration packages include a mix of fixed remuneration, performance based remuneration, and equity based remuneration.

Executive directors and key management personnel may receive short term incentives based on achievement of specific business plans and performance indicators, which include financial and operational targets relevant to performance at the consolidated entity level, divisional level, or functional level, as applicable, for the financial year. In addition, the consolidated entity offers executive directors and key management personnel participation in the long-term incentive scheme involving the issue of options to the employee under the executive share option scheme. The executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price set at the time the offer was made. The options are granted annually in three tranches on achievement of the performance hurdles.

Non-executive directors each receive a base fee of $45,780 per annum. The Chairman receives up to twice the base fee. Non-executive directors do not receive any performance related remuneration nor are they issued options on securities.

(a) Directors

The following persons were directors of Select Harvests Limited during the financial year:

(i) Chairman – non-executive

M A Fremder

(ii) Executive director

J Bird, Managing Director

(iii) Non-executive directors

C G Clark

G F Dan O'Brien

J C Leonard

R M Herron

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing, and controlling the continuing activities of the consolidated entity, directly or indirectly, during the financial year:

Name	Position	Employer
M Mattia	Chief financial officer & company secretary	Select Harvests Limited
M Ciobo	General manager – Meriram	Kibley Pty Ltd
R Tanti	National sales manager	Select Harvests Marketing Pty Ltd
D Jones	General manager – operations – food products division (from 25 July 2005 to 31 May 2006)	Select Harvests Limited
L Van Driel	Trading manager	Select Harvests Marketing Pty Ltd
W Turner	General manager – almond division	Kyndalyn Park Pty Ltd
T Millen	Horticultural manager	Kyndalyn Park Pty Ltd

All of the above persons were also key management persons during the year ended 30 June 2005, except for D Jones who commenced employment with the consolidated entity on 25 July 2005. V Cavanagh (General manager – pesticide products division) was a key management person in the year ended 30 June 2005 and ceased employment with the consolidated entity pursuant to the sale of the Pesticide Products business on 1 October 2005.

(c) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Short term employment benefits	2,323,092	1,759,149	1,366,049	1,000,912
Post employment benefits	179,980	121,119	89,633	63,949
Share based payments	145,313	109,019	106,785	85,889
	2,648,385	1,989,287	1,562,467	1,150,750

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32. Remuneration of directors and key management personnel (cont'd)

Number of options held by directors and key management personnel

The movement during the financial year in the number of options over ordinary shares in the company held, directly or indirectly, by each director and key management personnel is as follows:

2006	HELD AT 1 JULY 2005	GRANTED AS REMUNERATION	EXERCISED	HELD AT 30 JUNE 2006	VESTED AND EXERCISABLE AT 30 JUNE 2006
Directors					
J Bird	132,800	114,800	(155,400)	92,200	92,200
Key Management Personnel					
M Mattia (Chief financial officer and company secretary)	8,800	19,500	(28,300)	–	–
R. Tanti (Sales manager – food products)	–	7,400	–	7,400	7,400
T Millen (Horticultural manager)	9,200	7,500	(11,100)	5,600	5,600
W Turner (General manager – almond division)	7,000	14,400	(21,400)	–	–
L Van Driel (Trading manager)	11,200	15,300	(22,400)	4,100	4,100

2005	HELD AT 1 JULY 2004	GRANTED AS REMUNERATION	EXERCISED	HELD AT 30 JUNE 2005	VESTED AND EXERCISABLE AT 30 JUNE 2005
Directors					
J Bird	162,600	136,400	(166,200)	132,800	132,800
Key Management Personnel					
M Mattia (Chief financial officer and company secretary)	–	8,800	–	8,800	8,800
T Millen (Horticultural manager)	11,300	9,300	(11,400)	9,200	9,200
W Turner (General manager – almond division)	–	7,000	–	7,000	7,000
L Van Driel (Trading manager)	7,300	19,800	(15,900)	11,200	11,200

No options held by directors or key management personnel are vested but not exercisable

Number of shares held by directors and 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 key management personnel, including their personally related entities, is as follows:

2006	HELD AT 1 JULY 2005	RECEIVED AS REMUNERATION	RECEIVED ON EXERCISE OF OPTIONS	OTHER – DRP, SALES & PURCHASES	TOTAL
Directors - Non Executive					
M A Fremder	5,598,352	–	–	64,013	5,662,365
J C Leonard	413,091	–	–	42,841	455,932
C G Clark	22,927	–	–	965	23,892
R M Herron	5,000	–	–	–	5,000
G F Dan O'Brien	50,000	–	–	–	50,000
Directors – Executive					
J Bird	271,122	–	155,400	–	426,522
Key Management Personnel					
M Mattia (Chief financial officer and company secretary)	2,000	–	28,300	–	30,300
M Ciobo (General manager - Meriram)	35,728	–	–	–	35,728
W Turner (General manager – almond division)	–	–	21,400	–	21,400
L Van Driel (Trading manager)	20,500	–	22,400	(4,200)	38,700
T Millen (Horticultural manager)	22,944	–	11,100	–	34,044

2005	HELD AT 1 JULY 2004	RECEIVED AS REMUNERATION	RECEIVED ON EXERCISE OF OPTIONS	OTHER – DRP, SALES & PURCHASES	TOTAL
Directors - Non Executive					
M A Fremder	5,548,911	–	–	49,441	5,598,352
J C Leonard (appointed 21/7/2004)	–	–	–	413,091	413,091
C G Clark	22,079	–	–	848	22,927
R M Herron (appointed 27/01/05)	–	–	–	5,000	5,000
G F Dan O'Brien	20,000	–	–	30,000	50,000
Directors – Executive					
J Bird	266,107	–	166,200	(161,185)	271,122
Key Management Personnel					
M Mattia (Chief financial officer and company secretary)	–	–	–	2,000	2,000
M Ciobo (General manager - Meriram)	35,728	–	–	–	35,728
L Van Driel (Trading manager)	8,600	–	15,900	(4,000)	20,500
T Millen (Horticultural manager)	11,544	–	11,400	–	22,944

Other transactions with directors and key management personnel

Transactions with directors and key management personnel that require disclosure in accordance with AASB 124 for the year ended 30 June 2005 are detailed in note 34.

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000

33. Remuneration of auditors

	NOTES	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT ENTITY 2006 $'000	PARENT ENTITY 2005 $'000
Amounts received or due and receivable by Pitcher Partners for:					
• An audit or review of the financial report of the entity and any other entity in the consolidated entity		–	118,800	–	118,800
• Other financial services	33(a)	35,500	80,987	35,500	80,987
		35,500	199,787	35,500	199,787
Amounts received or due and receivable by PricewaterhouseCoopers for:					
• An audit or review of the financial report of the entity and any other entity in the consolidated entity		110,000	–	110,000	–
• Other financial services	33(a)	29,225	–	29,225	–
		139,225	–	139,225	–

(a) Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:

	2006 $'000	2005 $'000
Pitcher Partners:		
Taxation compliance and advice	15,160	17,858
Tax consolidation advice	–	24,892
IFRS advice	2,936	29,505
Sale of pesticide products	12,828	–
Other	4,576	8,732
	35,500	80,987
PricewaterhouseCoopers:		
Taxation compliance and advice	6,855	–
Tax consolidation advice	–	–
IFRS advice	10,000	–
Sale of pesticide products	12,370	–
	29,225	–

34. Related party disclosures

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 37.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 32.

(d) Transactions with related parties

(i) Wholly-owned group transactions

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Dividend revenue				
Subsidiaries	–	–	25,212	13,908
Interest income				
Subsidiaries	–	–	956	2,563
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidated entities	–	–	2,090	3,021
Other transactions				
Management fees	–	–	3,398	3,011

Management fees are received by Select Harvests Limited from controlled entities under normal terms and conditions.

There have been no transactions with Riverina Pelletising Services Pty Ltd subsequent to the disposal of Select Harvests Limited's shares in this entity on 1 October 2005.

(ii) Director-related entity transactions

Services

Select Harvests Limited has an Almond Orchard Management Agreement and a Land Lease agreement with Maxdy Nominees Pty Ltd, a company in which Mr M A Fremder is a director. Under the terms of the agreements, Select Harvests Limited has developed and continues to manage 300 acres of almond orchard on a fee basis for Maxdy Nominees Pty Ltd.

In addition, Select Harvests Limited will process and sell the entire production of the orchard for a 25 year period. The consolidated entity received an amount of $996,691 (2005: $951,906) during the financial year in relation to the above contract. The agreements are under normal terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arms length in the same circumstances.

34. Related party disclosures (cont'd)

Select Harvests Limited also has an Almond Orchard Management Agreement with Almas Almonds Pty Ltd, a company which manages the Almas Almonds Partnership in which both Mr M A Fremder and Mr J C Leonard have an indirect interest. Under the terms of the agreement, Select Harvests Limited is developing and shall manage 1,041 acres of almond orchard on a fee basis for Almas Almonds Pty Ltd.

In addition, Select Harvests Limited will process and sell the entire production of the orchard for the entire 30-year life of the orchard. The consolidated entity received an amount of $187,380 (2005: Nil) during the financial year in relation to the above contract. The agreements are under normal terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arms length in the same circumstances.

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	CONSOLIDATED		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non current receivables				
Subsidiaries	–	–	36,256	44,126
Non current payables				
Subsidiaries	–	–	7,964	13,423
(f) Loans to/from related parties				
Loans to/from subsidiaries				
Beginning of the year	–	–	30,703	32,533
Loans advanced	–	–	253,223	381,917
Loan repayments received	–	–	(256,590)	(386,310)
Interest charged	–	–	956	2,563
Interest received	–	–	–	–
End of year	–	–	28,292	30,703

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

35. Segment information

Segment products and locations

The consolidated entity has the following business segments:

- The food products division processes, markets, and distributes edible nuts, dried fruits, seeds, and a range of natural health foods.
- The almond operation comprises the growing, processing and sale of almonds to the food industry from company owned almond orchards; the sale of a range of management services to external owners of almond orchards, including orchard development, tree supply, farm management, land rental and, irrigation infrastructure; and the sale of almonds on behalf of external investors.

The consolidated entity operates predominantly within the geographical area of Australia.

35. Segment information (cont'd)

BUSINESS SEGMENTS	FOOD PRODUCTS 2006 $'000	FOOD PRODUCTS 2005 $'000	ALMOND OPERATIONS 2006 $'000	ALMOND OPERATIONS 2005 $'000	TOTAL CONTINUING OPERATIONS 2006 $'000	TOTAL CONTINUING OPERATIONS 2005 $'000	DISCONTINUED OPERATIONS 2006 $'000	DISCONTINUED OPERATIONS 2005 $'000	ELIMINATIONS AND CORPORATE 2006 $'000	ELIMINATIONS AND CORPORATE 2005 $'000	CONSOLIDATED ENTITY 2006 $'000	CONSOLIDATED ENTITY 2005 $'000
Revenue and other income												
Sales to customers outside the consolidated entity	152,549	131,381	65,317	42,483	217,866	173,864	936	4,165	–	–	218,802	178,029
Intersegment revenues	1,145	721	24,605	19,075	25,750	19,796	16	509	(25,766)	(20,305)	–	–
Sale of almonds to customers outside the consolidated entity on behalf of managed orchard owners†	–	–	17,444	12,632	17,444	12,632	–	–	–	–	17,444	12,632
Less Cost of almonds sold by the consolidated entity on behalf of managed orchard owners†	–	–	(33,843)	(23,508)	(33,843)	(23,508)	–	–	16,399	10,876	(17,444)	(12,632)
Other revenue and other income	32	24	552	787	584	812	1	1	–	–	585	812
Total segment revenue and other income	153,726	132,126	74,075	51,469	227,801	183,596	953	4,676	(9,367)	(9,429)	219,387	178,842
Unallocated revenue											129	69
Total consolidated revenue and other income											219,516	178,911
Results												
Segment result	9,212	9,341	32,075	26,270	41,287	35,611	4,356	1,260	(2,918)	(2,540)	42,725	34,331
Unallocated expenses											(466)	(1,268)
Consolidated entity profit before income tax expense											42,259	33,063
Income tax expense											(11,458)	(10,158)
Consolidated entity profit after income tax expense											30,801	22,905
Net profit											30,801	22,905

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35. Segment information (cont'd)

BUSINESS SEGMENTS	FOOD PRODUCTS		ALMOND OPERATIONS		TOTAL CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		ELIMINATIONS AND CORPORATE		CONSOLIDATED ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Assets												
Segment assets	71,324	72,352	64,230	60,877	135,554	133,229	–	2,404	16,322	1,825	151,876	137,458
Liabilities												
Segment liabilities	13,478	12,091	35,385	36,490	48,863	48,581	–	686	1,211	97	50,074	49,364
Other segment information:												
Acquisition of non-current segment assets	923	1,548	4,633	4,457	5,556	6,005	–	17	90	133	5,646	6,155
Depreciation and amortisation of segment assets	1,586	1,457	1,743	1,446	3,329	2,903	22	100	220	175	3,571	3,178
Profit on sale of discontinued operations before tax	–	–	–	–	–	–	4,139	–	–	–	4,139	–

† The consolidated entity provides a range of management and other services to externally owned or third party orchards. In addition to these services, the consolidated entity sells the crop of almonds harvested from the orchards of the external owners. These almonds are sold by the consolidated entity on a pooled basis, the proceeds from which are distributed to the pool participants. The consolidated entity earns a marketing fee for providing this service.

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on consolidation.

36. Interest rate risk

Interest rate risk

The consolidated entity'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		INTEREST RATE MATURING IN: 1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON-INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 %	2005 %
(i) Financial assets														
Cash	16,055	586	6,500	4,000	–	–	–	–	2	2	22,557	4,588	4.0	3.0
Trade and other receivables	–	–	–	–	–	–	–	–	24,442	25,687	24,442	25,687	–	–
Total financial assets	16,057	586	6,500	4,000	–	–	–	–	24,444	25,689	46,999	30,275		
(ii) Financial liabilities														
Bank overdraft – USD	784	–	–	–	–	–	–	–	–	–	784	–	6.7	6.2
Bank overdraft - AUD	52	49	–	–	–	–	–	–	–	–	52	49	9.6	9.1
Trade creditors	–	–	–	–	–	–	–	–	8,668	7,042	8,668	7,042	–	–
Other creditors	–	–	–	–	–	–	–	–	25,739	25,780	25,739	25,780	–	–
Finance lease liability	–	–	117	486	350	376	–	–	–	–	467	862	7.0	7.0
Bills of exchange and promissory notes	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Foreign exchange contracts	(777)	10,295	–	–	–	–	–	–	–	–	–	–	–	–
Total financial liabilities	59	10,344	117	486	350	376	–	–	34,407	32,822	35,710	33,733		

Notes

37. Controlled entities

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2006	2005
Parent Entity:			
Select Harvests Limited	Australia	100	100
Subsidiaries of Select Harvests Limited:			
Allinga Farms Pty Ltd	Australia	100	100
Kyndalyn Park Pty Ltd	Australia	100	100
Riverina Pelletising Services Pty Ltd	Australia	0	100
Select Home Garden Pty Ltd	Australia	100	100
Select Harvests Marketing Pty Ltd	Australia	100	100
Subsidiaries of Select Harvests Marketing Pty Ltd:			
Meriram Pty Ltd	Australia	100	100
Kibley Pty Ltd	Australia	100	100

(b) Controlled Entities Acquired

No controlled entities were acquired during the financial year ended 30 June 2006.

38. Employee benefits

Executive share option scheme

The consolidated entity has in place an executive share option scheme. The scheme provides for the board to offer to eligible employees a parcel of options, which will be granted for no consideration in three equal tranches over a period of approximately three years from the date of each result announcement to the ASX in each financial year.

Each option is convertible into one ordinary share. The exercise price of the options, determined in accordance with the rules of the scheme, is based on the weighted average price of the company's shares over the first 50 sales of shares in the ordinary course of trading on the stock market of the ASX immediately following the result announcement.

All options expire on the earlier of their expiry date or termination of the employee's employment. The granting of options is conditional upon the consolidated entity achieving growth of at least 10% in EPS in each financial year over the preceding financial year. Accordingly, the scheme does not represent remuneration for past services.

There are no voting or dividend rights attached to the options.

The assessed fair value at offer date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, 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 option.

The model inputs for options offered during the year ended 30 June 2006 included:

a) options are granted for no consideration, have a three year life, and one third of the options offered vest in each year and are exercisable from the date of vesting to the expiry date

b) exercise price: $11.05 (2005 – $7.78)

c) offer date: 22 September 2005 (2005 – 17 September 2004)

d) expiry date: 31 October 2008 (2005 – 20 October 2007)

e) share price at offer date: $11.03 (2005 – $7.53)

f) expected price volatility of the company's shares: 27.10% (2005 – 23.30%)

g) expected dividend yield: 3.81% (2005 – 3.38%)

h) risk free interest rate: 5.10% (2005 – 5.25%)

38. Employee benefits (cont'd)

Summary of options over unissued ordinary shares

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

2006

GRANT DATE	EXERCISE DATE ON OR AFTER	EXPIRY DATE	EXERCISE PRICE $	NUMBER OF OPTIONS AT BEGINNING OF YEAR	OPTIONS GRANTED	OPTIONS LAPSED	OPTIONS EXERCISED	NUMBER OF OPTIONS AT END OF YEAR: ON ISSUE	NUMBER OF OPTIONS AT END OF YEAR: VESTED	PROCEEDS RECEIVED $	NUMBER OF SHARES ISSUED	FAIR VALUE PER SHARE $	FAIR VALUE AGGREGATE $
01/09/2003	01/09/2003	20/10/2005	3.31	62,300	–	–	62,300	–	–	206,213	62,300	5.60	348,880
27/08/2004	27/08/2004	20/10/2005	3.31	69,600	–	–	69,600	–	–	230,376	69,600	7.82	544,272
24/08/2005	24/08/2005	20/10/2005	3.31	–	85,200	–	85,200	–	–	282,012	85,200	11.70	996,840
27/08/2004	27/08/2004	01/11/2006	5.60	56,300	–	–	25,300	31,000	31,000	141,680	25,300	7.82	197,846
24/08/2005	24/08/2005	01/11/2006	5.60	–	66,400	–	35,400	31,000	31,000	198,240	35,400	11.70	414,180
24/08/2005	24/08/2005	20/10/2007	7.78	–	86,100	–	38,800	47,300	47,300	301,864	38,800	11.70	453,960

2005

GRANT DATE	EXERCISE DATE ON OR AFTER	EXPIRY DATE	EXERCISE PRICE $	NUMBER OF OPTIONS AT BEGINNING OF YEAR	OPTIONS GRANTED	OPTIONS LAPSED	OPTIONS EXERCISED	NUMBER OF OPTIONS AT END OF YEAR: ON ISSUE	NUMBER OF OPTIONS AT END OF YEAR: VESTED	PROCEEDS RECEIVED $	NUMBER OF SHARES ISSUED	FAIR VALUE PER SHARE $	FAIR VALUE AGGREGATE $
28/08/2002	28/08/2002	20/10/2004	1.66	66,900	–	–	66,900	–	–	111,054	66,900	3.15	210,735
01/09/2003	01/09/2003	20/10/2004	1.66	66,900	–	–	66,900	–	–	111,054	66,900	5.60	374,640
27/08/2004	27/08/2004	20/10/2004	1.66	–	79,100	–	79,100	–	–	131,306	79,100	7.82	618,562
01/09/2003	01/09/2003	20/10/2005	3.31	82,000	–	–	19,700	62,300	62,300	65,207	19,700	5.60	110,320
27/08/2004	27/08/2004	20/10/2005	3.31	–	85,200	–	15,600	69,600	69,600	51,636	15,600	7.82	121,992
27/08/2004	27/08/2004	01/11/2006	5.60	–	64,400	–	8,100	56,300	56,300	45,360	8,100	7.82	63,342

The fair value of shares issued as a result of exercising the options during the reporting period is the market price of the company's shares on the ASX as at the close of trading on the *exercise date*.

38. Employee benefits (cont'd)

The amounts recognised in the financial statements of the consolidated entity in relation to executive share options exercised during the financial year were:

	2006 $'000	2005 $'000
Issued and paid up capital	1,360	515

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		PARENT ENTITY	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Options issued under employee option plan	358	192	109	132
	358	192	109	132

39. Contingent liabilities

Upon achieving an EBIT target of $2.5 million in the financial year ending 30 June 2005, a further payment to a maximum of $500,000 was to be made in respect of the acquisition of Meriram Pty Ltd and Kibley Pty Ltd.

During the year the consolidated entity paid $500,000 to the shareholders of Meriram Pty Ltd and Kibley Pty Ltd in relation to the achievement of the EBIT target for the financial year ended 30 June 2005.

Cross guarantees given by the entities comprising the consolidated entity are detailed in note 23.

Notes

to the financial statements as at 30 June 2006

40. Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		489	–	489	–	–	–
Receivables		15,702	–	15,702	19	–	19
Inventories		15,444	–	15,444	–	–	–
Prepayments		956	–	956	784	–	784
Derivative financial instruments	40(a)	–	3,820	3,820	–	3,820	3,820
Total current assets		32,591	3,820	36,411	803	3,820	4,623
Non-current assets							
Other financial assets		19	–	19	12,195	–	12,195
Property, plant and equipment		41,792	–	41,792	747	–	747
Deferred tax assets	40(b)	322	(56)	266	124	(124)	–
Receivables		–	–	–	41,673	–	41,673
Biological assets – almond trees		4,986	–	4,986	–	–	–
Intangible assets	40(c)	27,245	–	27,245	–	–	–
Total non-current assets		74,364	(56)	74,308	54,739	(124)	54,615
Total assets		106,955	3,764	110,719	55,542	3,696	59,238
LIABILITIES							
Current liabilities							
Payables	40(e)	14,344	523	14,867	587	–	587
Interest bearing liabilities		957	–	957	205	–	205
Derivative financial instruments	40(d)	–	60	60	–	60	60
Current tax liabilities		2,229	–	1,547	378	–	378
Provisions		1,547	–	2,229	150	–	150
Total current liabilities		19,077	583	19,660	1,320	60	1,380
Non-current liabilities							
Interest bearing liabilities		7,123	–	7,123	6,700	–	6,700
Deferred tax liabilities	40(b)	1,263	7,998	9,261	–	681	681
Payables		–	–	–	9,150	(10)	9,140
Provisions		224	–	224	36	–	36
Total non-current liabilities		8,610	7,998	16,608	15,886	671	16,557
Total liabilities		27,687	8,581	36,268	17,206	731	17,937
Net assets		79,268	(4,817)	74,451	38,336	2,965	41,301
EQUITY							
Contributed equity		43,940	–	43,940	43,940	–	43,940
Reserves	40(h)	14,191	(603)	13,588	3,270	2,673	5,943
Retained earnings	40(i)	21,137	(4,214)	16,923	(8,874)	292	(8,582)
Total equity		79,268	(4,817)	74,451	38,336	2,965	41,301

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

		CONSOLIDATED			PARENT ENTITY		
	NOTES	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000	PREVIOUS AGAAP $'000	EFFECT OF TRANSITION TO AIFRS $'000	AIFRS $'000
ASSETS							
Current assets							
Cash and cash equivalents		4,539	–	4,539	4,231	–	4,231
Receivables		24,862	–	24,862	10	–	10
Inventories		24,796	–	24,796	–	–	–
Prepayments		825	–	825	770	–	770
Derivative financial instruments	40(a)	–	3,761	3,761	–	3,761	3,761
Total current assets		55,022	3,761	58,783	5,011	3,761	8,772
Non-current assets							
Other financial assets		21	–	21	12,195	–	12,195
Property, plant and equipment		43,991	–	43,991	523	–	523
Deferred tax assets	40(b)	395	(128)	267	83	(83)	–
Receivables		–	–	–	41,205	–	41,205
Biological assets – almond trees		5,516	–	5,516	–	–	–
Intangible assets	40(c)	27,367	1,514	28,881	–	–	–
Total non-current assets		77,290	1,386	78,676	54,006	(83)	53,923
Total assets		132,312	5,147	137,459	59,017	3,678	62,695
LIABILITIES							
Current liabilities							
Payables	40(e)	32,044	778	32,822	1,370	–	1,370
Interest bearing liabilities		486	–	486	–	–	–
Derivative financial instruments	40(d)	–	22	22	–	22	22
Current tax liabilities		3,239	–	3,239	318	–	318
Provisions		2,139	–	2,139	191	–	191
Total current liabilities		37,908	800	38,708	1,879	22	1,901
Non-current liabilities							
Interest bearing liabilities		376	–	376	–	–	–
Deferred tax liabilities	40(b)	2,123	7,797	9,920	–	709	709
Payables		–	–	–	13,490	(67)	13,423
Provisions		360	–	360	48	–	48
Total non-current liabilities		2,859	7,797	10,656	13,538	642	14,180
Total liabilities		40,767	8,597	49,364	15,417	664	16,081
Net assets		91,545	(3,450)	88,095	43,600	3,014	46,614
EQUITY							
Contributed equity		46,925	–	46,925	46,925	–	46,925
Reserves	40(h)	14,191	(425)	13,766	3,270	2,851	6,121
Retained earnings	40(i)	30,429	(3,025)	27,404	(6,595)	163	(6,432)
Total equity		91,545	(3,450)	88,095	43,600	3,014	46,614

Notes

to the financial statements as at 30 June 2006

(2) Reconciliation of profit for the year ended 30 June 2005

	NOTES	CONSOLIDATED PREVIOUS AGAAP $'000	CONSOLIDATED EFFECT OF TRANSITION TO AIFRS $'000	CONSOLIDATED AIFRS $'000	PARENT ENTITY PREVIOUS AGAAP $'000	PARENT ENTITY EFFECT OF TRANSITION TO AIFRS $'000	PARENT ENTITY AIFRS $'000
Sales revenue		173,864	–	173,864	–	–	–
Cost of sales		(127,973)	–	(127,973)	–	–	–
Gross profit		45,891	–	45,891	–	–	–
Other revenues from ordinary activities	40(f)	870	(775)	95	18,829	(135)	18,694
Other revenues from almond stock fair value adjustment		787	–	787	–	–	–
Distribution expenses		(3,286)	–	(3,286)	–	–	–
Marketing expenses		(659)	–	(659)	–	–	–
Occupancy expenses	40(e)	(1,608)	(255)	(1,863)	–	–	–
Administrative expenses	40(g)	(2,724)	(192)	(2,916)	(1,980)	(135)	(2,115)
Borrowing costs expensed		(1,361)	–	(1,361)	(1,219)	–	(1,219)
Other expenses from ordinary activities	40(f),(c)	(6,946)	2,289	(4,657)	(561)	135	(426)
Other expenses from almond tree fair value adjustment		(229)	–	(229)	–	–	–
Profit before income tax		30,735	1,067	31,802	15,069	(135)	14,934
Income tax expense	40(b)	(9,820)	122	(9,698)	(366)	7	(359)
Profit from continuing operations		20,915	1,189	22,104	14,703	(128)	14,575
Profit from discontinued operations		801	–	801	–	–	–
Profit for the year		21,716	1,189	22,905	14,703	(128)	14,575

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Notes to the reconciliations

(a) Foreign currency transactions

The impact of applying AASB 132 and AASB 139 and recognising qualifying forward exchange contracts as cash flow hedges is as follows:

(i) At 1 July 2004

For the consolidated entity and parent entity a derivative financial instrument receivable of $3,819,852 is recognised. A foreign exchange reserve is recognised for $2,673,896 and deferred tax liability is increased by $1,145,956.

(ii) At 30 June 2005

For the consolidated entity and parent entity the balance of the derivative financial instrument receivable is increased by $3,760,623. The foreign exchange reserve is increased by $2,632,436 and deferred tax liability is increased by $1,128,187.

(iii) For the year ended 30 June 2005

There was no effect for the consolidated and parent entity.

(b) Deferred tax liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 Income Taxes has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets. The effects are as follows:

(i) At 1 July 2004 and at 30 June 2005

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%):

	1 JULY 2004		30 JUNE 2005	
	CONSOLIDATED	PARENT ENTITY	CONSOLIDATED	PARENT ENTITY
	$'000	$'000	$'000	$'000
Adjustments arising from adoption of AASB 112	8,054	805	7,925	792
Increase (decrease) in deferred tax liability	8,054	805	7,925	792

Upon transition, $3,276,004 was allocated to the asset revaluation reserve, $1,145,956 was allocated to foreign exchange reserve, ($18,113) to interest rate swap reserve and the balance allocated to retained earnings for the consolidated entity.

(ii) For the year ended 30 June 2005

For the consolidated entity this has decreased income tax expense by $121,845. For the parent entity this has decreased income tax expense by $7,233.

(c) Goodwill

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.

(i) At 1 July 2004

There is no effect on the consolidated entity or parent entity.

(ii) At 30 June 2005

For the consolidated entity the balance of intangible assets is increased by $1,513,782. Retained earnings is increased by this amount. There was no effect on the parent entity.

(iii) For the year ended 30 June 2005

For the consolidated entity amortisation expense is decreased by $1,513,782. There was no effect on the parent entity.

(d) Interest rate swaps

The impact of applying AASB 132 and AASB 139 and recognising a derivative financial instrument payable in relation to interest rate swap contracts which qualify as cash flow hedges is as follows:

(i) At 1 July 2004

For the consolidated entity and parent entity a derivative financial instrument payable of $60,375 is recognised. The interest rate swap reserve is decreased by $42,263 and deferred tax liability is decreased by $18,113.

(ii) At 30 June 2005

For the consolidated entity and parent entity the balance of the derivative financial instrument payable is increased by $22,458. The interest rate swap reserve is decreased by $15,721 and deferred tax liability is decreased by $6,738.

(iii) For the year ended 30 June 2005

There was no effect for the consolidated and parent entity.

(e) Operating Leases

Lease payments in respect of operating leases are recognised as an expense on a straight line basis over the term of the lease. The impact of adjustments made to recognise operating lease payments pursuant to AASB 117 is as follows:

(i) At 1 July 2004

For the consolidated entity the balance of payables is increased by $523,018. Retained earnings are decreased by this amount. There was no effect on the parent entity.

(ii) At 30 June 2005

For the consolidated entity the balance of payables is increased by $777,880. Retained earnings are decreased by this amount. There was no effect on the parent entity.

(iii) For the year ended 30 June 2005

For the consolidated entity rental expense is increased by $254,862. There was no effect on the parent entity.

(f) Revenue

The impact of adjustments made to eliminate proceeds from the sale of fixed assets from revenue is as follows:

(i) At 1 July 2004

There is no effect on the consolidated entity or the parent entity.

(ii) At 30 June 2005

There is no effect on the consolidated entity or the parent entity.

(iii) For the year ended 30 June 2005

For the consolidated entity revenue is decreased by $774,665 and expenses are decreased by $774,665. For the parent entity revenue is decreased by $133,618 and expenses are decreased by $133,618.

(g) Share-based payments

Under AASB 2 Share-based Payments, from 1 July 2004, the consolidated entity is required to recognise an expense for those options that were issued to employees under the Select Harvests Limited Executive Share Option Scheme after 7 November 2002 but that had not vested by 1 January 2005. The effect of this is:

(i) At July 2004

For the consolidated entity there has been a decrease in retained earnings of $40,886 and a corresponding increase in the options reserve. For the parent entity there has been a decrease in retained earnings of $31,245, an increase in the options reserve of $40,886 and a decrease in non-current payables of $9,641.

(ii) At 30 June 2005

For the consolidated entity there has been a decrease in retained earnings of $232,597 and a corresponding increase in reserves. For the parent entity there has been a decrease in retained earnings of $163,644, an increase in the options reserve of $232,597 and a decrease in non-current payables of $68,953.

(iii) For the year ended 30 June 2005

For the consolidated entity there has been an increase in employee benefits expense of $191,711. For the parent entity there has been an increase in employee benefits expense of $161,201.

(h) Reserves

The effect on reserves of the changes set out above are as follows:

		1 JULY 2004		30 JUNE 2005	
		CONSOLIDATED	PARENT ENTITY	CONSOLIDATED	PARENT ENTITY
	NOTES	$'000	$'000	$'000	$'000
Foreign exchange reserve	(a)	2,674	2,674	2,632	2,632
Interest rate swap reserve	(d)	(42)	(42)	(16)	(16)
Option reserve	(g)	41	41	233	233
Asset revaluation reserve	(b)	(3,276)	–	(3,276)	–
Total adjustment		(603)	2,673	(427)	2,849

(i) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

		1 JULY 2004		30 JUNE 2005	
		CONSOLIDATED	PARENT ENTITY	CONSOLIDATED	PARENT ENTITY
	NOTES	$'000	$'000	$'000	$'000
Deferred tax liability	(b)	(3,650)	323	(3,528)	327
Operating leases	(e)	(523)	–	(778)	–
Share-based payments	(g)	(41)	(31)	(233)	(164)
Goodwill	(c)	–	–	1,514	–
Total adjustment		(4,214)	292	(3,025)	163

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 44 to 99 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 company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of their operations, changes in equity, and their cash flows, 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) the audited remuneration disclosures set out in the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

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

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

M A Fremder
Chairman

Melbourne, 28 August 2006

Audit Report

Independent audit report to the members of Select Harvests Limited

Audit opinion

In our opinion:

1. the financial report of Select Harvests Limited:
   - gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Select Harvests Limited and the Select Harvests Group (defined below) as at 30 June 2006, and of their performance for the year ended on that date, and
   - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001, and
2. the remuneration disclosures that are contained on pages 28 to 32 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Select Harvests Limited (the company) and the Select Harvests Group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading 'remuneration report' on pages 28 to 32 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website: **http://www.pwc.com/au/financialstatementaudit**

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the *Corporations Regulations 2001*.

Audit Report

Independent audit report to the members of Select Harvests Limited (continued)

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
28 August 2006

ASX Information

ASX additional information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 July 2006.

(a) Distribution of equity securities

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
1 to 1000	1,359
1,001 to 5,000	1,342
5,001 to 10,000	329
10,001 to 100,000	296
100,001 and over	43

	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES
The number of shareholders holding less than a marketable parcel of shares are:	59	771

(b) Twenty largest shareholders

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

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY
1	Maxdy Nominees Pty Ltd	5,662,365	14.3
2	Almonds Australia Pty Ltd	4,500,000	11.3
3	Westpac Custodian Nominees Limited	2,142,934	5.4
4	M F Custodians Ltd	1,906,334	4.8
5	Invia Custodian Pty Limited	1,389,288	3.5
6	Thurston Investments Pty Ltd	938,000	2.4
7	Le Grand Pty Ltd	745,000	1.9
8	National Nominees Limited	614,943	1.5
9	AMP Life Limited	515,614	1.3
10	Ellise Investments Pty Ltd	455,932	1.1
11	Mr Peter Charles Nicholas Middendorp	436,767	1.1
12	John Bird	426,522	1.1
13	Longo Pty Ltd	410,575	1.0
14	Mr Rodney Milton Fitzroy	345,295	0.9
15	Mid Manhattan Pty Ltd	322,596	0.8
16	Est Mr James Ronald Mackinnon c/o Mr Bourne and Mr Macauley	317,003	0.8
17	Mirrabooka Investments Limited	300,000	0.8
18	Mutual Trust Pty Ltd	300,000	0.8
19	J P Morgan Nominees Australia Limited	241,280	0.6
20	Dr John Carey	230,181	0.6

ASX Information

ASX additional information (continued)

(c) Substantial shareholders

The names of substantial shareholders are:

	NUMBER OF SHARES
Maxdy Nominees Pty Ltd	5,662,365
Almonds Australia Pty Ltd	4,500,000
Westpac Custodian Nominees Limited	2,142,934

(d) Voting rights

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

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

Corporate Information

ABN 87 000 721 380

Directors

M A Fremder *(Chairman)*

J Bird *(Managing Director)*

C G Clark *(Non-Executive Director)*

G F Dan O'Brien *(Non-Executive Director)*

J C Leonard *(Non-Executive Director)*

R M Herron *(Non-Executive Director)*

Company Secretary

M Mattia

Registered Office Select Harvests Limited

360 Settlement Road
Thomastown Vic 3074

Postal address

PO Box 5
Thomastown Vic 3074
Telephone (03) 9474 3544
Facsimile (03) 9474 3588
Email info@selectharvests.com.au

Solicitors

Gadens Lawyers

Bankers

Australia and New Zealand Banking Group Limited

Auditors

PricewaterhouseCoopers

Share Register

Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

Telephone (03) 9415 5040
Facsimile (03) 9473 2562

Internet

www.selectharvests.com.au

Almond Vegetable Tagine

Description

A simple one pot meal (Serves 4)

Ingredients

2 tablespoons vegetable oil

75g pkt (¾ cup) blanched almonds

1 red onion, chopped

2 cloves garlic, crushed

1 teaspoon ground coriander

½ teaspoon ground cumin

2 ¾ cups sweet potato, peeled and cut into chunks

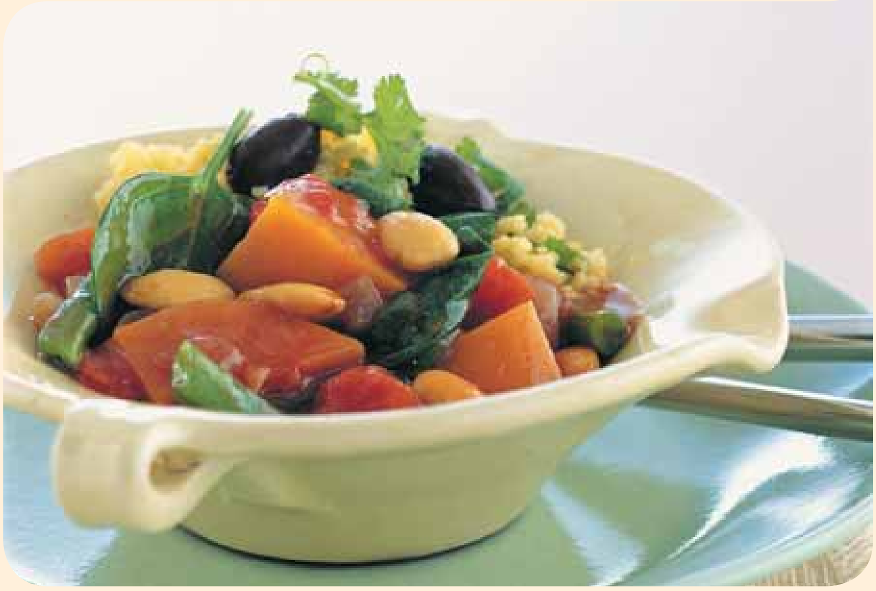
415g or similar weight can chopped tomatoes

2 cups vegetable stock

3 ½ cups green beans, trimmed, cut in half

10-15 spinach leaves rinsed

Salt, freshly ground pepper or chilli flakes



Almonds at their best, a delicious addition to any dish

Instructions

Heat 1 tablespoon oil in a large pan, stir fry almonds until golden. Remove, drain on paper towel.

Add remaining oil to pan, add next 5 ingredients, fry over moderate heat, stirring occasionally for 5 minutes.

Add tomatoes, stock and beans. Bring to the boil, reduce heat, cover, simmer 10-15 minutes until vegetables are tender. Stir through spinach, cook until just wilted.

Add almonds. Season to taste.

Serve with couscous or rice, tossed with chopped coriander and whole pitted black olives.

Handy Tips

Alternate the vegetables, eg diced eggplant, pumpkin, zucchini or capsicum.

Nutrition Information*	
Energy	1294kJ
Protein	9.6g
Fat, total	20.2g
- saturated	2.00g
- monounsaturated	13.4g
- polyunsaturated	3.3g
Carbohydrates, total	22.8g
- sugars	12.4g
Sodium	558mg
Dietary fibre	10.8g

**Source: Nuts for Life Newsletter 1 July 2003 issue*

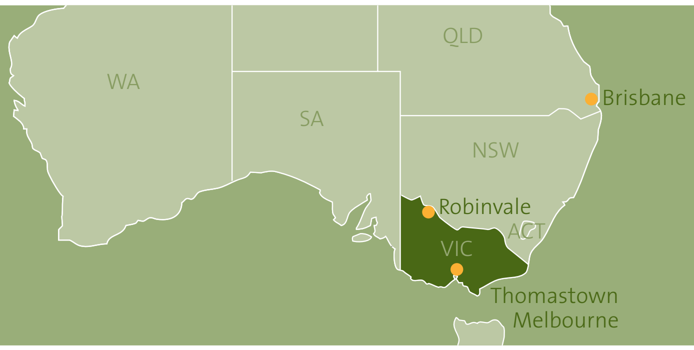
SELECT HARVESTS

Select Harvests Limited

ABN 87 000 721 380

360 Settlement Road
Thomastown VIC 3074
Australia

Telephone (03) 9474 3544
Facsimile (03) 9474 3588
Email info@selectharvests.com.au



Our locations

www.selectharvests.com.au