# ANNUAL REPORT 2011

SELECT HARVESTS

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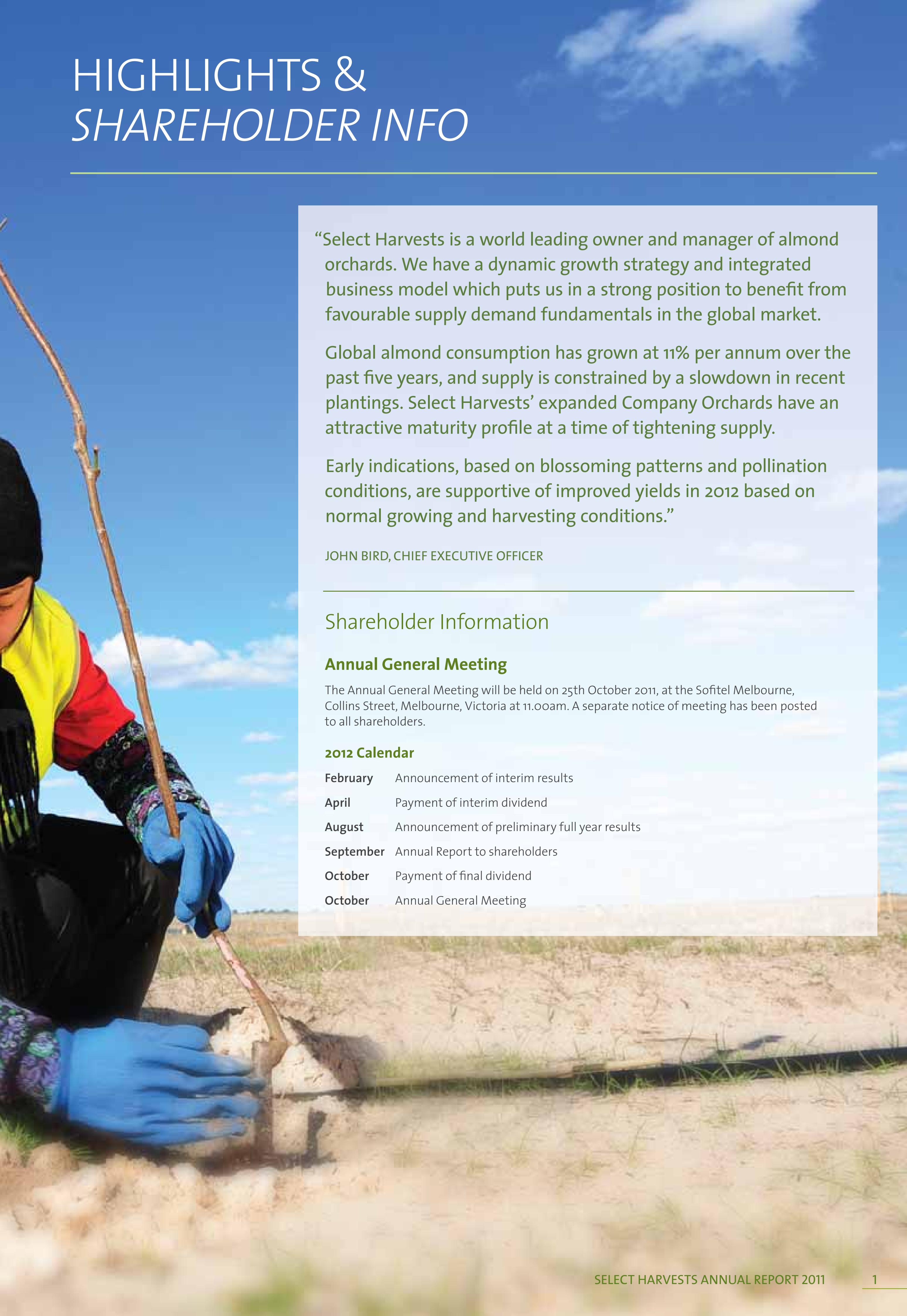


# HIGHLIGHTS & *SHAREHOLDER INFO*

"Select Harvests is a world leading owner and manager of almond orchards. We have a dynamic growth strategy and integrated business model which puts us in a strong position to benefit from favourable supply demand fundamentals in the global market.

Global almond consumption has grown at 11% per annum over the past five years, and supply is constrained by a slowdown in recent plantings. Select Harvests' expanded Company Orchards have an attractive maturity profile at a time of tightening supply.

Early indications, based on blossoming patterns and pollination conditions, are supportive of improved yields in 2012 based on normal growing and harvesting conditions."

JOHN BIRD, CHIEF EXECUTIVE OFFICER

## Shareholder Information

### Annual General Meeting

The Annual General Meeting will be held on 25th October 2011, at the Sofitel Melbourne, Collins Street, Melbourne, Victoria at 11.00am. A separate notice of meeting has been posted to all shareholders.

### 2012 Calendar

| | |
|---|---|
| **February** | Announcement of interim results |
| **April** | Payment of interim dividend |
| **August** | Announcement of preliminary full year results |
| **September** | Annual Report to shareholders |
| **October** | Payment of final dividend |
| **October** | Annual General Meeting |

# INTEGRATED *BUSINESS MODEL*

Select Harvests has an integrated business model which captures the full almond value chain. Our expertise encompasses orchard establishment, orchard management, processing, and marketing. We have established routes to domestic and international markets.

With 40,000 metric tonnes capacity, our state-of-the-art Robinvale processing facility is well placed to meet a shortfall in capacity across the Australian industry.

### OPERATING EBIT

**2010: $29.6m**

**2011: $25.9m[1 & 2]**

### ORCHARD DEVELOPMENT

— Nursery

— Orchard establishment

### ORCHARD MANAGEMENT EBIT

2010: $11.2m

2011: $10.3m

ACRES : 34,000

### ORCHARD MANAGEMENT

— Almond growing

— Harvesting

### COMPANY ORCHARDS EBIT

2010: $6.8m

2011: $8.1m[1]

2010 CROP: 2,800 mt

2011 CROP: 4,173 mt (est)

### ALMOND PROCESSING EBIT

2010: $6.5m

2011: $3.8m

2010 CROP: 18,700 mt

2011 CROP: 18,400 mt (est)

### PROCESSING

— Almond processing

— Value-added processing

### VALUE-ADDED PROCESSING EBIT

2010: $3.2m

2011: $2.5m[2]

### SALES & MARKETING EBIT

2010: $1.9m

2011: $1.2m

### SALES & MARKETING

— Almond pool sales

— Value-added product sales

1. Includes $5.6m impact of discount on acquisition, net of transaction fees
2. Includes $1 million of one off costs/product recall costs

# KEY FINANCIAL *RESULTS*

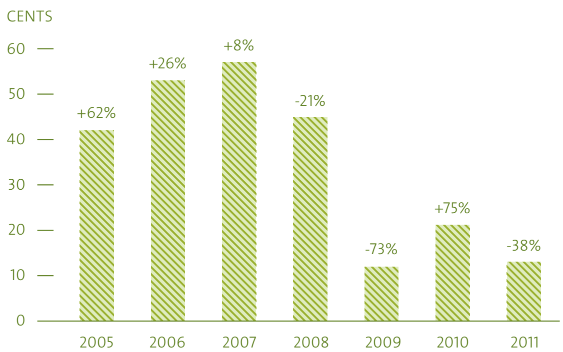
While significant progress was made against our strategy in 2011 it remained a challenging year. The financial performance reflects a number of external pressures including adverse growing conditions impacting yields, and some of the wettest harvesting conditions on record.

Overall the crop this year was 30% below standard industry yields and processing and marketing was delayed by the wet harvest. The stronger Australian dollar, and the effect of the wet conditions on crop quality contributed to a weaker than anticipated almond price which was 12% below the price achieved in 2010. Early indications for 2012 show good crop potential across Company and Managed Orchards.

| A $'000's | Year ended 30 June 2011 | Year ended 30 June 2010 | % increase (decrease) |
|---|---|---|---|
| *Sales revenue* | 248,316 | 238,376 | 4.2% |
| *EBIT* | | | |
| – Management services | 14,144 | 17,717 | -20.2% |
| – Almond orchards | 8,069 | 6,791 | 18.8% |
| Almond division | 22,213 | 24,508 | -9.4% |
| Food division | 3,709 | 5,104 | -27.3% |
| *Operating EBIT* | 25,922 | 29,612 | -12.5% |
| Corporate costs | (3,310) | (3,580) | -7.5% |
| *EBIT* | 22,612 | 26,032 | -13.1% |
| *Net profit after tax* | 17,674 | 17,253 | 2.4% |

EARNINGS PER SHARE


ORDINARY DIVIDEND PER SHARE



# FROM THE *CHAIRMAN*

"Select Harvests has made excellent progress in our strategy to expand our Company Orchards. We have built a diversified orchard portfolio with an attractive maturity profile which leaves us well placed to benefit from the strong supply-demand fundamentals in the global almond market."

CURT LEONARD—*CHAIRMAN*

## Progress

Over the past year your Company has made significant progress towards a fundamental and significant transition in our business, further positioning the Company to benefit from anticipated tightening supply in the global almond market.

I am pleased to report that just two years since the challenges presented by Timbercorp's collapse, and despite a number of external pressures affecting the industry this year, we have executed on a growth strategy to increase the total almond acreage we own and manage over the long term, and to broaden our access to the full almond value chain.

The Timbercorp experience brought home to us the need to diversify our earnings stream and increase our control over future earnings. Over the past two years we have invested considerably in our business such that we are on track to quadruple our portfolio of Company Orchards from 3,400 acres two years ago to 13,100 acres. As a direct result of that expansion, we now stand to benefit from an improved maturity profile across Company Orchards just as global supply is expected to plateau.

Therefore, while it was with some disappointment that we learnt this year that Olam did not intend to extend its Almond Orchard Management Agreement with Select Harvests beyond the 2012 crop, we are confident that our expanded Company Orchards and integrated business model positions us well for the future.

## Capital Structure

Our business strategy requires that we invest funds not only in acquiring orchards but also to support the crop cycle. After a review of our capital requirements we successfully completed a $45 million capital raising in September 2010.

More recently we have further strengthened our capital structure with the agreement of a new debt facility of up to $115 million, which gives us increased flexibility to support our growth strategy. The new facility has a repayment schedule and associated financial undertakings which are aligned with the Board's capital management plan, which aims to ensure the company has balance sheet flexibility to prudently manage funding requirements.

Investing cash flows reflect our expansion of Company Orchards. Investment of $66 million included $25 million in acquisitions, $20 million in our greenfield development in Western Australia and a further $14 million in growing costs for less mature orchards.

## Financial Performance

2011 has not been an easy year. We have faced external pressures including an Australian dollar which appreciated by some 30% against its US counterpart during the period, adverse climatic conditions during the growing period and heavy and frequent rainfall before and during the harvest. These were not conditions we faced alone, they affected the entire Australian almond industry, but they are reflected in our financial performance for the year.

Net Profit After Tax for the year was $17.7 million compared to $17.3 million a year ago. Excluding the upwards revaluation of orchards bought during the period, and other one off items, NPAT was $12.5 million.

The final fully franked dividend of 3c per share took our dividend for the year to 13c per share. This reflects our confidence in the outlook for the business, the profit performance during the year and the Board's intention to balance shareholder returns while retaining sufficient funds to invest in the business.

## Future Strategy

I am extremely excited about the future for Select Harvests. Global almond fundamentals remain compelling and Select Harvests has the strategy and expertise to benefit from those strong fundamentals.

What that means is that we will continue to seek out opportunities to expand our total acreage by acquisition, long-lease or by establishing new orchards. We will also seek to further leverage our state-of-the-art processing facility and marketing expertise to meet an anticipated shortfall in capacity in the Australian market.

## Board

Our Directors have a broad and diverse range of complementary skills and experience and I am pleased to report that during the year we appointed Michael Iwaniw as a non-executive director. Mr Iwaniw's appointment further strengthens the board following the appointment of Fred Grimwade in July 2010.

Mr Iwaniw has a career spanning 40 years in the Australian grain industry. He started his career as a chemist at the Australian Barley Board (ABB) and becoming the Managing Director in 1989, retiring from that role some 20 years later. His depth of experience in agribusiness, combining domestic and international operations, is highly complementary to our existing board.

I would like to take this opportunity to thank our team for their professionalism, hard work and commitment, and to thank you, our shareholders, for your ongoing support. I have every confidence that Select Harvests is well placed for the next phase of our company's growth.

# OUR BOARD
# *OF DIRECTORS*

CURT LEONARD—*CHAIRMAN*

Curt joined the Board on 21 July 2004. He has held senior management positions with the Mars group of companies in Australia including General Manager of Mars Confectionery, Managing Director of Uncle Ben's, 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. Curt is a Director of Patties Foods Limited. He is Chairman of the Board, a member of the Audit and Risk committee and Remuneration Committee.

JOHN BIRD—*CEO*

John became the CEO of Select Harvests Limited in January 1998. He has had many years' experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods. Appointed Managing Director and joined the Board in September 2001. Through his deep industry experience the company has developed over 40,000 acres of almond orchards during the last 13 years. John is a member of the Nomination Committee.

FRED GRIMWADE—
*NON- EXECUTIVE DIRECTOR*

Fred was appointed to the Board on 27 July, 2010. He works with a wide range of companies in a board or advisory capacity. He is Chairman of CPT Global Limited, and is a Principal and Executive Director of Fawkner Capital and is also a director at Troy Resources NL. He has held General Management positions in Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman Sachs & Co. Fred is a member of the Remuneration Committee, Audit and Risk Committee and the Nomination Committee.

MICHAEL IWANIW—
*(NON- EXECUTIVE DIRECTOR)*

Michael was appointed to the board on 27 June, 2011. He began his career as a chemist with the Australian Barley Board (ABB), became managing director in 1989 and retired 20 years later. Helped orchestrate the merger of ABB Grain, AusBulk Ltd and United Grower Holdings Limited to form one of Australia's largest agri-businesses. He has a Bachelor of Science, a graduate diploma in business administration and is a member of the Australian Institute of Company Directors. He has acted as a Non-executive director for a number of companies including Toepfer International, New World Grain, Australian Bulk Alliance and 5-star flower mill, and is currently a non-executive director of Australian Grain Growers Cooperative.

ROSS HERRON—
*NON-EXECUTIVE DIRECTOR*

Ross joined the Board on 27 January 2005. A Chartered Accountant, he 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, Customers Ltd, Royal Automobile Club of Victoria (RACV) Ltd and a major industry superannuation fund. Ross is Chairman of the Audit and Risk Committee, and member of the Remuneration and Nomination Committees.

MICHAEL CARROLL—
*NON-EXECUTIVE DIRECTOR*

Michael joined the Board on 31 March, 2009. He works with a range of agribusiness companies in a board and advisory capacity, and has directorships with Meat and Livestock Australia, the Rural Finance Corporation, Rural Funds Management, and Warrnambool Cheese and Butter. He has 18 years' experience in banking and finance, having lead and established the Agribusiness division within the National Australia Bank. He has worked for a number of companies in the agricultural sector. He is Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and Nomination Committee.

# FROM THE *CEO*

"We have significantly expanded our Company Orchards from 3,400 acres two years ago to 13,100 acres when Stage 2 planting in Western Australia is completed.

We have expanded our Company Orchards footprint in Victoria and firmly consolidated our presence in New South Wales and Western Australia. Company and Managed Orchards are in good productive health and early indications are supportive of improved yields in 2012."

JOHN BIRD—*CEO*

Our Company Orchards expansion continued at a pace in 2011. During the year we acquired 2,145 acres comprising 645 acres in Sunraysia, Victoria, and 1500 acres in the Riverina area of New South Wales. Our exciting greenfield development in Western Australia also progressed well with Stage 1 planting of 2,000 acres completed and Stage 2 planting of 2,300 acres currently underway.

The underlying financial performance of the business during the year reflected the challenges faced by the entire Australian almond industry. These included adverse growing conditions, the worst rainfall during harvesting in over 60 years, and an Australian dollar which reached $1.10 against its US counterpart. This was the second consecutive year of abnormal growing conditions and it resulted in a lower than expected 2011 crop, delays in processing and marketing that crop and additional processing costs. The quality of the crop was also impacted by the wet conditions, contributing to an almond price which was 12% below the price achieved in 2010.

Net Profit After Tax of $17.7 million, an increase of 2% compared to last year, included the impact of $5.6 million of a discount on the acquisition of Company Orchards (net of transaction fees) during the period. The discount arises through valuing those orchards using long term almond price assumptions, and yield projections, based on the maturity of the orchards, and is consistent with the valuation methodology we use for existing Company Orchards.

Early indications for 2012 are positive with good flowering patterns and pollination conditions indicating good crop potential.

## Managed Orchards

Managed Orchards includes the 29,500 acres Select Harvests manages on behalf of Olam and the 4,500 acres of orchards managed for other third-party owners. Fee income is received from management of the orchards and processing and selling of the crop they produce, as well as incentive payments based on performance.

Managed Orchards EBIT of $14.1 million (2010: $17.7 million) reflected the rebased fee income associated with management services contracts following the transition in ownership of the former Timbercorp orchards to Olam. No incentives were achieved in 2011 under those contracts, while the Company retains the potential to earn incentives in 2012.

The total crop for Managed Orchards is now estimated to be 18,400 metric tonnes compared to 18,600 metric tonnes a year ago. Early indications for the 2012 crop are good. Achieving standard industry yields during the year would deliver a crop of 33,800 metric tonnes.

### Olam Contract

During the period we received notification from Olam that it would not extend its Almond Orchard Management Agreement with Select Harvests beyond the 2012 crop. Olam was very clear that the decision is consistent with its strategy to manage all of its own nuts businesses and we will work closely with them to ensure a smooth transition of those orchards.

This will not impact 2012 earnings. There will be a part year impact on 2013 earnings, by which time we will see the continued benefits of our strategy to expand Company Orchards as established orchards near maturity and newly planted orchards begin to yield their first almonds.

Excluding the Olam orchards, and following the completion of Stage 2 planting in Western Australia, Select Harvests will be the manager of 17, 600 acres of almond orchards. These orchards have the potential to produce approximately 23,000 tonnes of almonds annually at full maturity.

## Company Orchards

Company Orchards EBIT of $8.1 million (2010: $6.8 million) includes the $5.6 million impact of the discount on acquisition of almond orchards. Excluding the impact of the discount on acquisition, Company Orchards EBIT was $2.5 million compared to $6.8 million last year. This was despite an increase in the estimated crop from 2,800 metric tonnes in 2010 to 4,173 metric tonnes in 2011. The EBIT performance was negatively impacted by a number of factors including the wet weather during the 2010 and 2011 harvests and the impact of that wet weather on the quality of the almond crop. This substantially increased the cost of processing and delayed the marketing program for the crop. The quality of the crop contributed to a lower almond price than previously anticipated. The performance also included increased rental costs on leased orchards, primarily the 3,000 acres of orchards leased at Hillston in the Riverina region of New South Wales.

In Western Australia the trees planted in the Stage 1 planting of 2,000 acres are growing well, and have ready access to reliable water sources. The first commercial crop is expected from these orchards in 2013. Stage 2 planting of 2,300 acres commenced in Winter 2011. There is potential for up to 10,000 acres in Western Australia with Stage 3 and Stage 4 and we are reviewing the optimal funding and ownership structure for that further development.

Company Orchards will benefit in 2012 from an improved maturity profile and additional acreage. Achieving standard industry yields would deliver a 2012 Company Orchards crop of 8,200 metric tonnes.

## Food Division

Our Food Division provides us with a vertically integrated route to market for Australian almond products. EBIT of $3.7 million was impacted by a product recall in the Australian market in April 2011. The recall was precautionary and resulted in a decline in sales, which are now rebuilding.

Excluding the impact of one-off costs, value added EBIT increased 9% to $3.5 million. The performance of value-added products was driven by brand extensions of "Lucky" products and increased consumer awareness of the health benefits of eating almonds. This was particularly pleasing as we continue to focus on optimising our core almond products and brands.

## Future Growth

Select Harvests remains very well placed to take advantage of growth opportunities within the sector and we are determined to make the most of the opportunities that present to us.

We anticipate our future growth will come from:

- Volume growth from existing orchards as they reach maturity
- Continued expansion of Company Orchards by acquisition or long-lease of established orchards that are nearly or fully mature, and therefore are, or soon to be, cash generative
- Further greenfield development in Western Australia
- Securing farm services and processing and marketing contracts, utilising spare processing capacity and marketing capabilities to meet industry demand

## Outlook

The outlook for Select Harvests is positive. In 2012 Select Harvests will benefit from an increase in Company Orchards acreage as well as an improved maturity profile, and higher water allocations, across its Company Orchards and Managed Orchards.

After the second consecutive year of below standard industry yields early indications, based on blossoming patterns and pollination conditions, are supportive of improved yields in 2012. Should yields return to more normal levels there is the potential for a substantial uplift in crop volumes across Company and Managed orchards.

In the medium term yields derived from the maturity profile of Company Orchards will coincide with the emergence of tightening world almond supply.

The fundamentals of the international and Australian almond industry are strong. Global almond demand has grown by 11% per annum over the past five years and is estimated to be worth US$4.5 billion by 2013. Australia is a fast growing almond producing nation on track to become the world's second largest almond producer by 2015 with a product quality and counter seasonal timing which typically allows access to premium market segments.

As a world-leading orchard manager, processor and marketer of almonds, with an attractive maturity profile across its orchard portfolio, Select Harvests is well positioned to benefit from the favourable supply-demand fundamentals in the global almond market.

# THE GLOBAL *ALMOND MARKET*

**The global almond market is worth an estimated US$4.5 billion and continues to demonstrate attractive growth. Over the last decade consumption has increased at around 8% per annum, increasing to 11% per annum over the past 5 years. In 2011 consumption is estimated to have grown by 13%.**

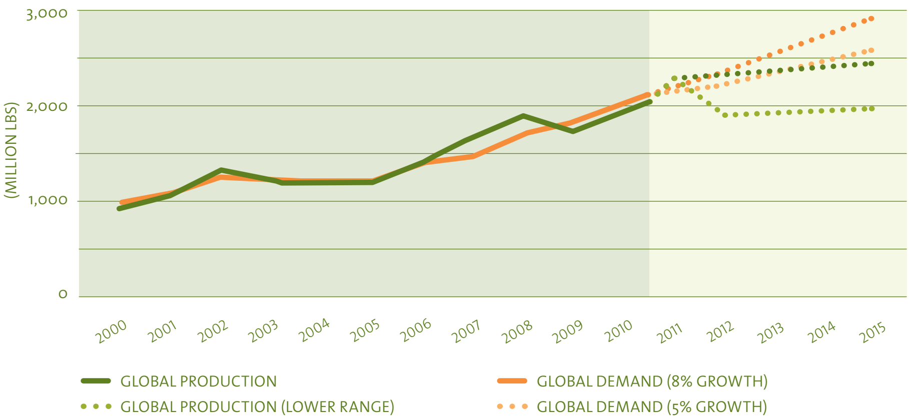
Almond supply is constrained by a slow-down in plantings by some major producers in recent years, a lack of suitable growing conditions globally and the relatively long-lead times from planting to full production.

## US Almond Supply

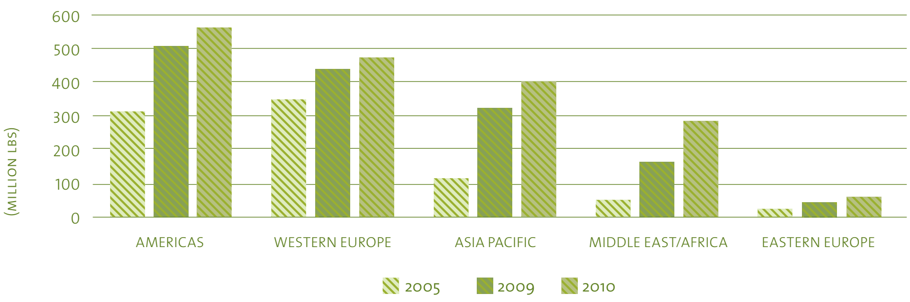
The US is the world's largest almond producer, with Californian almonds accounting for over 80% of global almond supply. In 2011 shipments from the US increased 13% reflecting continued growth in consumption globally and the maturity profile of Californian orchards, the majority of which are now at full maturity.

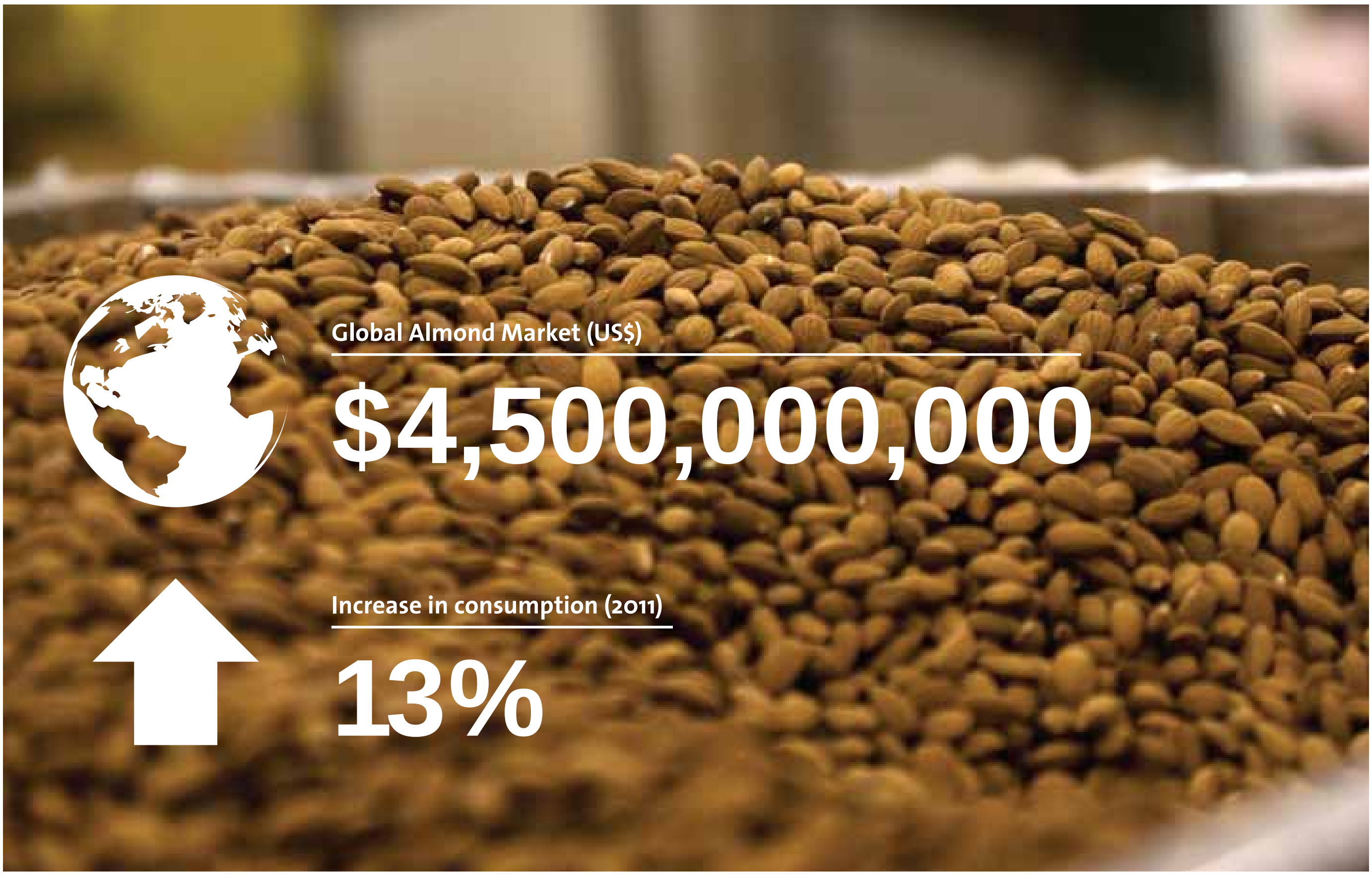
US shipments increased to growth markets including India, the Middle East and China, where increasing affluence is driving consumption. Traditional markets such as Western Europe also continued to grow driven by healthy eating trends.

GLOBAL ALMOND SUPPLY AND DEMAND OUTLOOK




US ALMOND SHIPMENTS BY DESTINATION



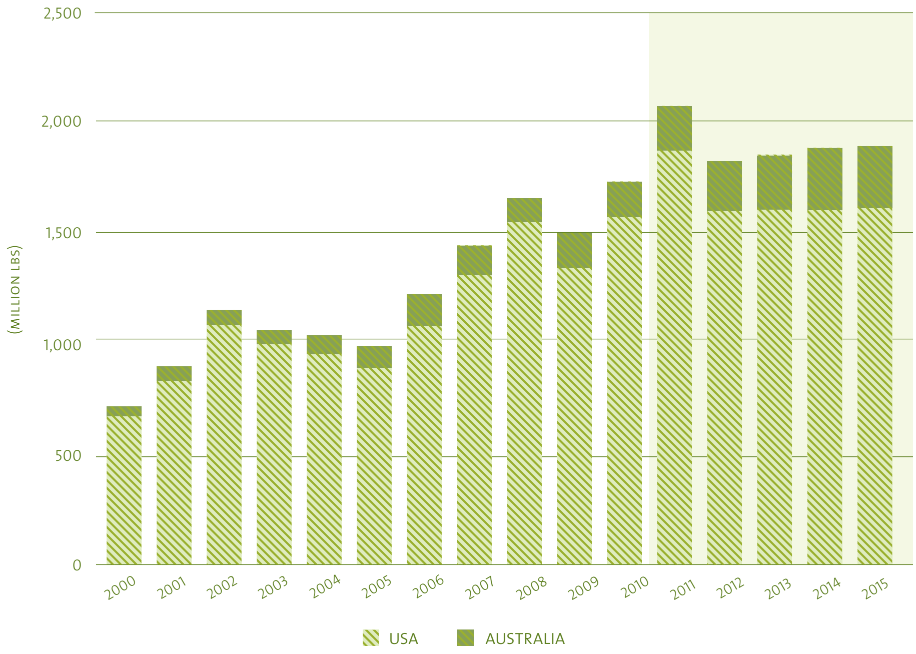
# AUSTRALIAN
# *ALMONDS*

**A five-fold increase in Australian almond plantings over the past decade gives Australia an enviable maturity profile within the global market. With our Western Australian greenfield development and 30 years heritage in orchard development, Select Harvests remains at the forefront of growth in the industry.**

Already a significant global producer and seller of almonds Australia's contribution to global almond production is expected to increase from 4% in 2010 to 10% in 2015, making it the world's second largest almond producer.

Approximately 70% of the Australian almond crop is exported to more than 40 countries around the world with Australia's product quality and counter seasonal timing allowing access to higher priced market segments. We are particularly well positioned to serve fast growing emerging economies such as China and India. India is already Australia's largest almond export market.

ALMOND PRODUCTION FORECAST




# EXPANDING
# *COMPANY ORCHARDS*

A core element of our strategy has been our focus on expanding Company Orchards to enable us to diversify our earnings stream and broaden access to the whole of the almond value chain.

Our Company Orchards portfolio is on track to quadruple from 3,400 acres two years ago, to 13,100 acres when Stage 2 planting of our greenfield development in Western Australia is completed.

**FY11 total orchards under management: (acres)**

**47,100**

**Managed Orchards: (acres)**

**34,000**

**Company Orchards: (acres)**

**13,100**

### Sunraysia, Victoria

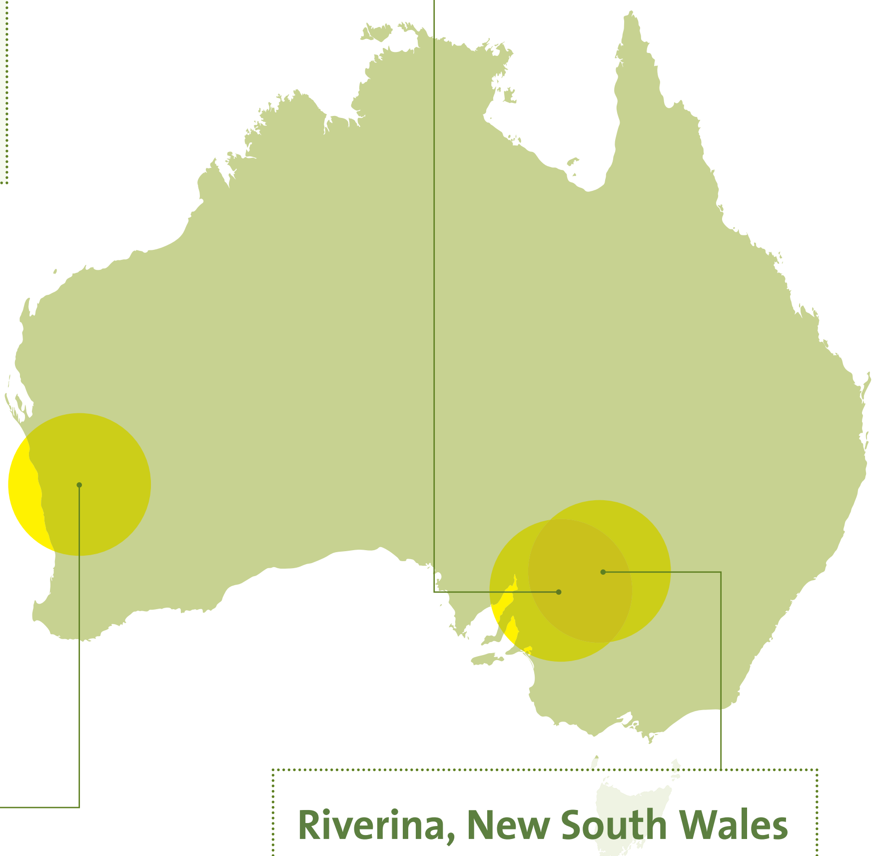
**Managed Orchards: (acres)**

**34,000**

**Company Orchards: (acres)**

**4,300**

**Processing facility with capacity to support growth.**



### Wheatbelt Region, Western Australia

**Company Orchards Stage 1: (acres)**

**2,000**

**Company Orchards Stage 2: (acres)**

**2,300**

### Riverina, New South Wales

**Company Orchards: (acres)**

**4,500**

## The Riverina, New South Wales

Over the past two years Select Harvests has acquired and leased 4,500 acres of established orchards in the Riverina region of New South Wales.

In April 2011 we acquired the 1,500 acre Belvedere almond orchards near Narranderra for $19.5 million. These orchards are in good productive health with the majority of trees reaching full maturity in 2013. Select Harvests also manages and controls 3,000 acres of orchards near Hillston under a 20 year lease agreement with Rural Funds Management.

## Sunraysia, Victoria

In 2011 Select Harvests secured 530 acres of orchards at Lake Powell and another 115 acres of orchards at Bannerton. This brings the total Company Orchards in Sunraysia to 4,300 acres, the majority of which are set to reach full maturity by 2014. In addition we manage 4,500 acres of orchards in Sunraysia excluding the Olam orchards and will continue to seek opportunities to own and manage orchards in the region.

## Robinvale Processing Facility

A key component of our integrated business model is our state-of-the-art Robvinale processing facility. Robinvale has capacity to process up to 40,000 tonnes of almonds. With an anticipated shortfall in processing capacity across the Australian industry we will seek to increase processing volumes, utilising spare capacity, marketing expertise and our established routes to market.

## The Wheatbelt, Western Australia

In the winter of 2011 we commenced Stage 2 planting of 2,000 acres at our greenfield orchards in the Dandaragan Plateau in Western Australia. Stage 1 planting of 2,000 acres was completed in winter 2010 with early indications extremely positive for the second phase of development. Stage 2 planting of 2,300 acres commenced in Winter 2011. Over time there is potential to develop 10,000 acres with Stage 3 and Stage 4 plantings.

# OUR
# *EXECUTIVE TEAM*

## TIM MILLEN—
## *HORTICULTURAL MANAGER*

Tim joined Select Harvests in 1996. Tim has over 18 years' experience in horticulture. He has held senior horticultural positions in operations management, as well as holding the roles of Technical Officer and Horticulturist. Prior to commencing with Select Harvests, Tim was Orchard Manager for an Australian and New Zealand Nashi, Stonefruit and Pipfruit operation.

## PETER ROSS—*OPERATIONS MANAGER ALMOND DIVISION*

Peter joined Select Harvests in 1999. Peter held the position of Plant and then Project Manager for the processing area of the Almond Division before being appointed to his current role in July of this year. Prior to commencing with Select Harvests, Peter ran his own maintenance and fabrication business servicing agriculture, mining and heavy industry.

## LAURENCE VAN DRIEL—
## *TRADING MANAGER*

Laurence joined Select Harvests in 2000. Laurence has over 20 years' experience in trading edible nuts and dried fruits. He has a comprehensive knowledge of international trade and deep insights into the trading cultures of the various countries in which these commodities are sold. He has held senior purchasing and sales management positions with internationally recognised companies.

## MATTHEW GRAHAM—
## *GENERAL MANAGER – FOOD DIVISION*

Matthew joined Select Harvests in August 2007 and moved into the Group Manager Sales & Marketing role in March 2009. He was appointed General Manager – Food Division in January 2011.

Prior to joining Select Harvests he developed his multi channel FMCG experience through senior management roles at both Mars Food, and Nestle Confectionery. His experience includes Channel and Customer Management roles across our major Grocery customers.

## PAUL CHAMBERS—
## *CHIEF FINANCIAL OFFICER & COMPANY SECRETARY*

Paul joined Select Harvests in 2007. Paul is a Chartered Accountant and has over 20 years' experience in senior financial management roles in Australian and European organisations. He was CFO, Henkel ANZ and prior to that he held corporate positions with the Fosters Group. He has managed complex change, acquisition and business integration projects.

**CEO: JOHN BIRD**

- Horticultural Manager: **TIM MILLEN**
- Operations Manager Almond Division: **PETER ROSS**
- Trading Manager: **LAURENCE VAN DRIEL**
- General Manager – Food Division: **MATTHEW GRAHAM**
- CFO & Company Secretary: **PAUL CHAMBERS**

# MARKETING
# *OUR PRODUCTS*

## Select Harvests Food Products

**Select Harvests Food Products is a leading almond marketer with established routes to market in Australia and around the world.**

In Australia our direct access to the whole food industry encompasses the retail, food service and food manufacturing sectors and ensures that we capture the maximum value from the almond value chain.

Internationally we are a major exporter of almonds to Asia, Europe and the Middle-East with strong relationships in rapidly growing emerging markets such as India.

With almonds at the core of the Food Products business, the overarching objective is to put more almonds into the hands of more consumers. To achieve this objective, we work closely with the Almond Board of Australia to partner with our major retail customers.

In each quarter, we developed promotions in line with the seasonal advertising calendar of the Australian almond industry:

- The Australian almond blossom season in August: highlighting the natural goodness of almonds;
- Celebrate Christmas with Australian almonds in November and December: promoting the versatility of almonds for Christmas cooking;
- The "New Year, New Heart" promotion in January and February: communicating the heart health benefits of eating a handful of almonds everyday;
- The "New Season" promotion in April and May: focusing on the enjoyment of Australian almonds fresh from the orchards.

One of the features of this year's promotional campaign was the giveaway of over 150,000 heart-shaped almond snack tins. These are extremely popular with consumers and an effective tool in driving incremental almond consumption.

## Growing our brands

The branded component of our business focused on driving our hero brand, Lucky. The strong sales growth of Lucky leveraged the growing consumer interest in healthy snacking as well as the trend of Australians returning to home cooking.

Lucky's healthy snacking offer was significantly enhanced by the national launch of the Lucky Smart Snax range. Each of the products in this range has been developed in consultation with an Approved Practising Dietitian to maximize beneficial nutrients like dietary fibre, protein, healthy fats and antioxidants.

Three new six pack products were also introduced nationally last year which helped drive the continued growth of the Lucky snacking segment. These six packs are: Lucky Oven Roasted Almonds and Cranberries, Lucky Oven Roasted Almonds and Yoghurt Sultanas, and Lucky Oven Roasted Cashews and Yoghurt Currants.

Within Lucky's traditional cooking portfolio, we added Lucky Natural Sliced Almonds in February. The almonds in this product have thicker slices, compared to the Lucky Flaked Almonds and the skin is left on, which adds to the nutritional value of the product. They are ideal for baking or tossing over a salad or stir-fry.

One of the promotional activities to support the Lucky brand was an exhibition at the inaugural MasterChef Live show which was held in Sydney in December 2010. Building on the phenomenal success of the MasterChef franchise, this show was a mixture of live theatre conducted by a number of celebrity chefs and a food festival, where food companies promoted their products to enthusiastic consumers over the three days.

In response to the growing consumer trend towards healthy, natural foods, we have launched new products within our Sunsol brand. Sunsol has an extensive range of nuts, nut mixes and various health related products including mueslis, which are sold through independent supermarkets. New packaging for these products was developed and launched from November 2010, designed to ensure maximum visibility in-store and to reflect the natural properties of the brand.

Our Food Products business also features two health food brands: Nu-Vit, which is merchandised in the health food category of the major supermarkets and Soland, which is sold through independent health food stores. We are able to leverage learnings from operating within this health food sector back into our Lucky and Sunsol brands. Over the past year, we have upgraded the packaging of both the Nu-Vit and Soland brands, improving their shelf-presence and consumer convenience.

An important component of our marketing strategy has been the re-development of the websites for our key brands. Our portfolio of brand websites includes www.luckynuts.com.au, www.sunsol.com.au and www.soland.com.au.

The range of possible consumer touch points with our brands have been further extended through our presence on social media sites such as Facebook and Twitter.

## Almond exports

Globally consumption of almonds continues to be driven by healthy eating trends in Western economies and increasing affluence in emerging markets.

Almonds are a versatile product with a variety of uses – in Europe and Australia almonds are used for baking, snacking, confectionary and cereals. In India, the Middle East and China almonds are a celebratory food with consumption frequently driven around major festivals.

Over 70% of Select Harvests sales are to international markets where the company has established strong relationships and is supported by the counter seasonal timing and traditional premium quality of the Australian crop.



Almond consumption is being driven by healthy eating trends in established markets and increasing affluence in emerging markets.

Select Harvests Food Products is a leading marketer of almonds in Australia and around the world.

# ENVIRONMENT *AND COMMUNITY*

## OUR COMMUNITY

Select Harvests have proudly supported a range of community health initiatives around the Diabetes Week and Healthy Bones Week promotions. We have also provided assistance to the Variety 2010 Christmas Party and Oscar's Law, a charity devoted to ending puppy factories.

We also support a range of community projects in Robinvale, Victoria. As a major employer in this region, Select Harvests has a long history of working closely with the local community. One example is the role we play in hosting the annual Mallee Almond Blossom Festival at Kyndalyn Park where people of the region gather to enjoy the colour of our orchards in blossom. This event grows each year with over 50 stalls promoting the local produce and wines from the region.

Other important community activities around Robinvale that we support are the Robinvale and Euston Football clubs and the Robinvale Secondary College Chaplaincy program.

## OUR ENVIRONMENT

In 2011, Environmental scientists from Charles Sturt University, in conjunction with support from the Victorian Department of Sustainability and Environment (DSE), NSW Office of Environment & Heritage (OEH), and the Mallee Catchment Management Authority, continued research on the Australian Research Council (ARC) funded Linkage project titled "Managing agricultural landscapes to maximise production and conservation outcomes: the case of the Regent Parrot". Select Harvests is a major funding partner in this project, and contributed considerable in-kind staffing resources.

The main aims of the research are to (1) identify the relationships between key habitat and food resources and native birds, with a focus on the endangered Regent parrot, (2) investigate the foraging behaviour of birds, to determine both positive (e.g. nut cleanup after harvest) and negative interactions with crops (e.g. fruit damage), to assess overall cost-benefits that birds provide to farmers, and (3) provide management guidelines to maximise biodiversity and production gains.

To undertake this work, CSU and Select Harvests provided industry scholarships for two PhD students. One of these doctoral projects investigated: (a) nut loss during the ripening season to causes other than birds, and (b) the removal of nuts from trees by birds post-harvest. Data collected from fieldwork over the past two years, in conjunction with Select Harvests management data, is currently being analysed to investigate relationships between birds and crops, and overall cost-benefits of native birds to farmers. The other PhD project focussed specifically on the Regent Parrot, which has involved capture, and the first-ever radio-tracking of this species in the Robinvale region. Initial data from this work has revealed noticeable differences in the spatial locations of where different age cohorts of Regent Parrots are found (i.e. crops versus native vegetation). Also, tracking of birds has revealed how almond crops provide access to patches of native vegetation not previously accessible by these birds, by infilling with trees previously open landscapes.

The wealth of data being generated from the project is being analysed to help guide future farming and conservation management decisions.

# OUR
# *PEOPLE*

## OCCUPATIONAL HEALTH AND SAFETY

**Select Harvests takes a proactive approach to its Occupational Health and Safety (OHS) program.**

The overall aim of our program is to: apply what is morally and legally right; use a simple and practical approach; and provide a platform for everyone to contribute.

Health and safety performance is measured by a range of positive performance indicators relating to auditing, reporting of hazards and closure of issues raised, health and safety committee meetings, procedure development and updates, special projects and training, in addition to negative performance indicators such as the number and severity of accidents, medically treated injuries, lost time injuries and workers compensation claims.

A critical component to the development of an OHS programme is the involvement of employees. This process has been encouraged through the election of OHS Representatives in the workplace, monthly OHS committee meetings, open discussions in training sessions, staff meetings and discussions on safety issues.

Both Select Harvests Almond Division and Food Products Division have dedicated OHS committees. Meeting monthly, health and safety representatives in conjunction with Management discuss and contribute to safety matters within each division with outcomes being implemented across the business.

Areas of focus and improvement in the Almond Division have been a review of harvest machinery in collaboration with Worksafe Victoria with the insight of potential improvements on new equipment; participation in Worksafe Victoria's "Safety in Agriculture" audit on systems and processes involving five Worksafe Inspectors over a duration of 7-days looking at all aspects of the business; a full review of the contractor management process and the establishment of OHS management systems across NSW and WA orchards.

Some of the highlights for the Food Products Division include a decrease in the number of lost time injuries as well as the number of medically treated injuries. The reporting of hazards through the hazard reporting procedure has been embedded within the company. Both short term and long term solutions are being addressed in a shorter period of time. A number of special projects have been undertaken including extra guarding on conveyors and equipment; resurfacing of a selection of the factory floors with a food grade non-slip resistant coating; and a review of the internal and external traffic management programme.

Training programmes are considered a priority and have included:

- ChemCert (Chemical Users Certificate)
- First Aid
- Test & Tagging
- OHS 5-Day for H&S Reps
- EEO Training
- Bee Safety Awareness
- Mule (ATV) Training – (SHV developed
- training program)
- Traffic Management Training – (SHV developed)
- 1080 Training for relevant staff
- Forklift Training for relevant staff
- ACUP permit
- HCDG Licencing for relevant staff
- Fire Safety Training

A review of existing policies, and the development of new policies, procedures and forms has been undertaken to align the OHS programme with the Draft Model Work Health and Safety Bill and Regulations.


# STATISTICAL *SUMMARY*

| SELECT HARVESTS CONSOLIDATED RESULTS FOR YEARS ENDED 30 JUNE | | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| Total sales | | 248,316 | 238,376 | 248,581 | 224,655 | 229,498 | 217,866 |
| Earnings before interest and tax | | 22,612 | 26,032 | 26,827 | 27,120 | 40,549 | 38,369 |
| Operating profit before tax | | 19,223 | 23,603 | 23,047 | 25,384 | 40,014 | 37,903 |
| Net profit after tax | | 17,674 | 17,253 | 16,712 | 18,130 | 28,098 | 26,492 |
| Earnings per share (Basic) | (cents) | 33.7 | 43.3 | 42.6 | 46.7 | 71.0 | 67.1 |
| Return on shareholders' equity | (%) | 10.5 | 15.2 | 16.6 | 19.3 | 29.4 | 26.1 |
| Dividend per ordinary share | (cents) | 13 | 21 | 12 | 45 | 57 | 53 |
| Special dividend per ordinary share | (cents) | - | - | - | - | - | 10 |
| Dividend franking | (%) | 100 | 100 | 100 | 100 | 100 | 100 |
| Dividend payout ratio | (%) | 38.6 | 48.5 | 28.2 | 96.7 | 80.0 | 80.0 |
| **Financial ratios** | | | | | | | |
| Net tangible assets per share | (%) | 2.17 | 1.87 | 1.56 | 1.41 | 1.57 | 1.83 |
| Net interest cover | (times) | 6.7 | 10.7 | 7.1 | 15.6 | 75.8 | 82.3 |
| Net debt/equity ratio | (%) | 43.3 | 39.6 | 51.9 | 49.7 | 1.7 | 1.3 |
| Current asset ratio | (times) | 2.00 | 1.44 | 0.79 | 0.87 | 1.32 | 1.82 |
| **Balance sheet data as at 30 June** | | | | | | | |
| Current assets | | 87,978 | 83,993 | 81,075 | 77,014 | 70,983 | 72,455 |
| Non-current assets | | 214,352 | 145,612 | 133,884 | 118,934 | 89,170 | 79,421 |
| Total assets | | 302,330 | 229,605 | 214,959 | 195,948 | 160,153 | 151,876 |
| Current liabilities | | 43,954 | 58,469 | 102,348 | 88,162 | 53,680 | 39,905 |
| Non-current liabilities | | 89,561 | 57,515 | 11,735 | 13,715 | 10,969 | 10,490 |
| Total liabilities | | 133,515 | 115,984 | 114,083 | 101,877 | 64,649 | 50,395 |
| Net assets | | 168,815 | 113,621 | 100,876 | 94,071 | 95,504 | 101,481 |
| **Shareholders' equity** | | | | | | | |
| Share capital | | 95,066 | 47,470 | 46,433 | 44,375 | 41,953 | 52,665 |
| Reserves | | 11,201 | 11,327 | 12,949 | 11,235 | 11,273 | 12,691 |
| Retained profits | | 62,548 | 54,824 | 41,494 | 38,461 | 42,278 | 36,125 |
| Total shareholders' equity | | 168,815 | 113,621 | 100,876 | 94,071 | 95,504 | 101,481 |
| **Other data as at 30 June** | | | | | | | |
| Fully paid shares | (000) | 56,227 | 39,779 | 39,519 | 39,009 | 38,739 | 39,708 |
| Number of shareholders | | 3,227 | 3,039 | 3,296 | 3,319 | 2,953 | 3,369 |
| **Select Harvests' share price** | | | | | | | |
| - close | ($) | 1.84 | 3.46 | 2.16 | 6.00 | 11.60 | 13.02 |
| Market capitalization | | 103,458 | 137,635 | 85,361 | 234,054 | 449,372 | 516,998 |

***$ '000 (except where indicated)***

# CONTENTS

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 2011.

## 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

**J C Leonard, B.Mktng & Bus. Admin, MBA (Chairman)**

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. Is a Director of Patties Foods Limited. He is Chairman of the Board, a member of the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

Interest in Shares and Options: 947,099 fully paid shares.

**J Bird (Managing Director)**

Became the CEO of Select Harvests Limited in January 1998. Has had many years experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods. Appointed Managing Director and joined the Board in September 2001. Member of the Nomination Committee.

Interest in Shares and Options: 645,005 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, Royal Automobile Club Of Victoria (RACV) Ltd, Customers Limited, and a major industry superannuation fund. Chairman of the Audit and Risk Committee, and a member of the Remuneration Committee and Nomination Committee.

Interest in Shares and Options: 40,672 fully paid shares.

**M Carroll, BSC, MBA (Non-Executive Director)**

Joined the board on 31 March, 2009. He works with a range of agribusiness companies in a board and advisory capacity, and has directorships with Meat and Livestock Australia, the Rural Finance Corporation, Rural Funds Management and Warnambool Cheese and Butter. He has 18 years experience in banking and finance, having led and established the Agribusiness division within the National Australia Bank. He has worked for a number of companies in the agricultural sector including Monsanto Agricultural Products and a venture capital biotechnology company. He is Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and Nominations Committee.

Interest in Shares and Options: 0 fully paid shares.

**F S Grimwade, B.Com, LLBW(Hons), MBA, (Non-Executive Director)**

Appointed to the board on 27 July, 2010. He works with a wide range of companies in a board or advisory capacity. He is Chairman of CPT Global Limited, a Principal and Executive Director of Fawkner Capital, a specialist corporate advisory firm, and is also a director of Troy Resources NL. He has held General Management positions in Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs & Co.

Interest in shares and options: 30,000 fully paid shares.

**M Iwaniw (Non-Executive Director)**

Appointed to the board on 27 June, 2011. He began his career as a chemist with the Australian Barley Board (ABB), became managing director in 1989 and retired 20 years later. During these years he accumulated extensive experience in all facets of the company's operations, including leading the transition from a statutory authority and growing the business from a small base to an ASX 100 listed company. Helped orchestrate the merger of ABB Grain, AusBulk Ltd and United Grower Holdings Limited to form one of Australia's largest agri-businesses. He has a Bachelor of Science, a graduate diploma in business administration and is a member of the Australian Institute of Company Directors. He has acted as a Non-executive director for a number of companies including Toepfer International, New World Grain, Australian Bulk Alliance and 5-star flour mill, and is currently a non-executive director of Australian Grain Growers Cooperative.

Interest in shares and options: 3,000 fully paid shares.

**M A Fremder (Non–Executive Director)**

Joined the board in March 1996 and from that time was Chairman of The Board until retiring from this position on 15 August, 2008. 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 a Non-executive director of Tassal Limited between 3 October 2003 and 18 March 2005. Member of the Remuneration Committee, Audit and Risk Committee, and Chairman of the Nomination Committee.

Interest in Shares and Options (at date of retirement): 5,835,234 fully paid shares.

Max Fremder retired 27 October 2010.

**P Chambers, BSc Hons, ACA (Chief Financial Officer and Company Secretary)**

Joined Select Harvests as Chief Financial Officer and Company Secretary in September 2007. He is a Chartered Accountant and has over 20 years experience in senior financial management roles in Australian and European organisations, including corporate positions with the Fosters Group, and Henkel Australia and New Zealand.

Interest in shares and options: 8,000 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.

## Employees

The consolidated entity employed 384 full time employees as at 30 June 2011 (2010: 387 employees).

## Review and results of operations

Profit attributable to the members of Select Harvests Limited for the year ended 30 June 2011 was $17.7 million compared to $17.3 million in 2010.

For additional information refer to the announcement lodged with the ASX and the report before the Appendix 4E.

## Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follows:

- Contributed equity increased by $47,596,154 (from $47,469,830 to $95,065,984) as the result of a rights issue and the issue of shares under the dividend reinvestment plan. Details of the changes in contributed equity are disclosed in note 25 to the financial statements.
- Olam advised that they will not be extending the existing management services agreement beyond 30th June 2012. Olam will take control of the management of their orchards in July 2012.
- Select Harvests agreed on a new debt facility of up to $115 million with National Australia Bank. The new facility replaces the $88 million debt facility with ANZ.

## Significant events after the balance date

On 29 August 2011, the Directors declared a final dividend of 3 cents per share payable on 13 October 2011 to shareholders on the register on 7 September 2011.

## Likely developments and expected results

In 2012, the company will focus on integrating the newly acquired almond orchards and complete the plant out of the second stage of the Western Australia development. Results will benefit from the increased acreages now owned, which will increase the contribution from company orchards.

## 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 follow:

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.

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

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

**Principles used to determine the nature and amount of remuneration**

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

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

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

***Non-executive directors***

Non-executive directors receive fees but do not receive any performance related remuneration nor are they issued options on securities. This reflects the responsibilities and the Group's demands of directors. Non-executive directors' fees are periodically reviewed by the Board to ensure that they are continually appropriate and in line with market expectations.

***Directors' fees***

The current base fees were last reviewed with effect from 1 July 2008. Non-executive directors each receive a base fee of $65,000 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.

The following fees have applied:

| | From 1 July 2008 |
|---|---|
| ***Base Fees (excluding superannuation)*** | |
| Chair | $130,000 |
| Other non-executive directors | $65,000 |

A review of Directors' fees resulted in an increase in fees effective 1 July 2011. Base fees for the Chair increased to $133,250. Base fees for other non-executive directors increased to $66,625. An additional fee was approved for the Chairman of the Audit and Risk committee of $10,000, and for the Chair of the Remuneration committee of $8,000.

***Executive Pay***

The executive pay and reward framework has three components:

1. base pay and benefits (including superannuation);
2. short term performance incentives; and
3. long term incentives involving the issue of options in the Select Harvests Limited executive Share Option Scheme.

The combination of these three components forms the executive's total remuneration.

***Base pay and benefits***

A total employment cost package which can be structured as a combination of cash and non cash benefits at the discretion of the company.

Executives receive a base pay that is reviewed annually to ensure market competitiveness in line with the objectives of the remuneration framework. There are no guaranteed base pay increases in any executives' contracts.

Executives receive benefits including motor vehicle and certain private expense reimbursements.

***Superannuation***

Retirement benefits are delivered under the Select Harvests Limited Employees' Superannuation Fund.

***Short-term incentives***

Executive directors and senior executives may receive short term incentives based on achievement of 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. Financial targets ensure that variable reward is only available when value has been created for Shareholders. Operational targets allow for the recognition of efficiencies that will provide for future shareholder value. The company has elected to pay bonuses for the 2011 financial year due to the operational and financial initiatives implemented that will have a positive impact on earnings in the long term.

***Long-term incentives***

The Group offers executive directors and senior executives the opportunity to participate 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 and have a three year life, with one third vesting in each year, 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.

***Performance of Select Harvests Limited***

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current year. Over the past 5 years, the consolidated entity's EPS has fallen 53%.

| Earnings Per Share | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Cents** | 71.0 | 46.7 | 42.6 | 43.3 | 33.7 |
| **Growth** | 6% | (34%) | (9%) | 2% | (22%) |

Options, vesting proportionally one-third per year over a three year period, were granted each year for the last five years, but none have vested.

***Details of remuneration***

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 |
|---|---|---|
| P Ross | Operations Manager Almond Division | Select Harvests Limited |
| T Millen | Group Horticultural & Farm Operations Manager | Select Harvests Limited |
| L Van Driel | Group Trading Manager | Select Harvests Food Products Pty Ltd |
| P Chambers | Chief Financial Officer & Company Secretary | Select Harvests Limited |
| M Graham | Sales & Marketing Manager | Select Harvests Food Products Pty Ltd |
| K Martin | Operations Manager Food Products Division | Select Harvests Limited |

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. It should be noted that "share based payments" referred to in the remuneration details set out in this report comprise a proportion of share options which have not yet vested and are reflective of options that may be vested in the financial year.

| 2011 | ANNUAL REMUNERATION | | | | LONG TERM | | |
|---|---|---|---|---|---|---|---|
| | Base Fee $ | Short Term Incentives $ | Non Cash Benefits $ | Super Contri-butions $ | Long Service Leave Accrued $ | Options Granted $ | Total $ |
| ***Non Executive*** | | | | | | | |
| M A Fremder* | 27,083 | - | - | 2,438 | - | - | **29,521** |
| F Grimwade** | 59,583 | - | - | 5,363 | - | - | **64,946** |
| J C Leonard | 130,000 | - | - | 11,700 | - | - | **141,700** |
| M Carroll | 65,000 | - | - | 5,850 | - | - | **70,850** |
| R M Herron | 65,000 | - | - | 5,850 | - | - | **70,850** |
| M Iwaniw*** | - | - | - | - | - | - | **-** |
| ***Executive*** | | | | | | | |
| J Bird | 642,874 | 198,069 | 27,932 | 36,995 | 10,885 | (106,827) | **809,928** |
| ***Other key management personnel*** | | | | | | | |
| M Graham | 224,047 | 35,535 | 23,465 | 23,443 | 4,333 | - | **310,823** |
| K Martin**** | 336,922 | 26,265 | - | 17,026 | - | (25,500) | **354,713** |
| L Van Driel | 206,499 | 35,535 | 31,219 | 21,510 | 3,964 | (23,000) | **275,727** |
| T Millen | 196,791 | 35,535 | 11,899 | 19,448 | 3,604 | (23,500) | **243,777** |
| P Chambers | 226,449 | 41,714 | 43,171 | 24,135 | 4,494 | (27,000) | **312,963** |
| P Ross | 248,073 | - | - | 22,327 | 4,135 | (25,000) | **249,535** |

* Retired 27 October 2010
** Commenced 27 July 2010
*** Commenced 27 June 2011
**** Departed 25 February 2011 (Base fee includes Termination Payments of $174,007)

**+ Options granted** includes a negative adjustment for options previously recognised as remuneration that will not vest.

| 2010 | ANNUAL REMUNERATION | | | | LONG TERM | | |
|---|---|---|---|---|---|---|---|
| | Base Fee $ | Short Term Incentives $ | Non Cash Benefits $ | Super Contri-butions $ | Long Service Leave Accrued $ | Options Granted $ | Total $ |
| ***Non Executive*** | | | | | | | |
| M A Fremder | 65,000 | - | - | 5,850 | - | - | **70,850** |
| J C Leonard | 130,000 | - | - | 11,700 | - | - | **141,700** |
| M Carroll | 65,000 | - | - | 5,850 | - | - | **70,850** |
| R M Herron | 65,000 | - | - | 5,850 | - | - | **70,850** |
| ***Executive*** | | | | | | | |
| J Bird | 583,003 | 128,200 | 27,932 | 63,830 | 13,502 | 53,408 | **869,875** |
| ***Other key management personnel*** | | | | | | | |
| M Graham | 197,395 | 22,500 | 21,579 | 19,951 | 5,027 | - | **266,452** |
| K Martin | 240,963 | 25,500 | - | 23,982 | 5,831 | 12,750 | **309,026** |
| L Van Driel | 190,727 | 23,000 | 31,219 | 19,053 | 5,298 | 11,500 | **280,797** |
| T Millen | 180,782 | 40,000 | 39,848 | 16,270 | 5,546 | 11,500 | **293,946** |
| P Chambers | 215,531 | 27,000 | 43,171 | 21,828 | 6,174 | 13,500 | **327,204** |
| P Ross | 267,368 | - | - | - | - | 12,500 | **279,868** |

**Notes**

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.

| 2011 | Fixed Remuneration | | At risk - STI | | At risk - LTI | |
|---|---|---|---|---|---|---|
| | 2011 % | 2010 % | 2011 % | 2010 % | 2011 % | 2010 % |
| ***Non Executive*** | | | | | | |
| M A Fremder | 100.0 | 100.0 | - | - | - | - |
| J C Leonard | 100.0 | 100.0 | - | - | - | - |
| M Carroll | 100.0 | 100.0 | - | - | - | - |
| R M Herron | 100.0 | 100.0 | - | - | - | - |
| F Grimwade | 100.0 | 100.0 | - | - | - | - |
| M Iwaniw | - | - | - | - | - | - |
| ***Executive*** | | | | | | |
| J Bird | 78.4 | 78.8 | 21.6 | 15.0 | - | 6.2 |
| ***Other key management personnel*** | | | | | | |
| M Graham | 88.6 | 91.4 | 11.4 | 8.6 | - | - |
| K Martin | 93.1 | 87.4 | 6.9 | 8.4 | - | 4.2 |
| L Van Driel | 88.1 | 87.5 | 11.9 | 8.3 | - | 4.2 |
| T Millen | 86.7 | 82.1 | 13.3 | 13.9 | - | 4.0 |
| P Chambers | 87.7 | 87.4 | 12.3 | 8.4 | - | 4.2 |
| P Ross | 100.0 | 95.5 | - | - | - | 4.5 |

***Service Agreements***

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

The major provisions of the agreements are set out below.

| NAME | TERM OF AGREEMENT | BASE SALARY INCL SUPER* |
|---|---|---|
| J Bird | On-going | 707,800 |
| M Graham | On-going – 3 Month Notice | 270,955 |
| T Millen | On-going | 228,137 |
| P Chambers | On-going – 3 Month Notice | 293,755 |
| L Van Driel | On-going | 259,228 |
| P Ross | On-going | 270,400 |

* Base salaries quoted are for the year ended 30 June 2011; they are reviewed annually by the Remuneration Committee.

There are no specific termination benefits applicable to the service arrangements.

***Share-based compensation***

*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. The options are granted annually in three tranches on achievement of the performance hurdles.

Individual parcels of options offered to participating employees are based on a percentage of fixed remuneration. The options vest 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. Options previously granted as remuneration in relation to 293,593 shares, valued at $388,125 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.

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

During or since the end of the financial year, the Company granted 455,553 options over unissued ordinary shares to the executive director and the key management personnel of the Company as part of their remuneration.

| 2011 | Number of Options granted during the year | $ Value of options at grant date | Number of options vested during the year | Number of options lapsed during the year | $ Value at lapse date |
|---|---|---|---|---|---|
| ***Executive*** | | | | | |
| J Bird | 191,927 | 55,019 | nil | (103,125) | (152,625) |
| ***Other key management personnel*** | | | | | |
| M Graham | 41,320 | 11,845 | nil | - | - |
| K Martin | 45,811 | 13,132 | nil | (154,692) | (154,148) |
| L Van Driel | 41,320 | 11,845 | nil | (20,270) | (30,000) |
| T Millen | 41,320 | 11,845 | nil | (20,270) | (30,000) |
| P Chambers | 48,506 | 13,905 | nil | (26,351) | (38,999) |
| P Ross | 45,349 | 13,000 | nil | - | - |

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.

No options were exercised in the financial year ended 30 June 2011 (and in 2010).

***Details of remuneration: Bonuses and share based compensation benefits***

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 | 95 | 5 | 2008 | - | 100 | 2011 | Nil | nil |
| | | - | 2009 | - | 100 | 2012 | Nil | 53,408 |
| | | - | 2010 | - | 100 | 2013 | Nil | 55,019 |
| L Van Driel | 95 | 5 | 2008 | - | 100 | 2011 | Nil | nil |
| | | - | 2009 | - | 100 | 2012 | Nil | 11,500 |
| | | - | 2010 | - | 100 | 2013 | Nil | 11,845 |
| T Millen | 95 | 5 | 2008 | - | 100 | 2011 | Nil | nil |
| | | - | 2009 | - | 100 | 2012 | Nil | 11,500 |
| | | - | 2010 | - | 100 | 2013 | Nil | 11,845 |
| P Ross | - | - | 2008 | - | 100 | 2011 | Nil | nil |
| | | - | 2009 | - | 100 | 2012 | Nil | 12,500 |
| | | - | 2010 | - | 100 | 2013 | Nil | 13,000 |
| P Chambers | 95 | 5 | 2008 | - | 100 | 2011 | Nil | nil |
| | | - | 2009 | - | 100 | 2012 | Nil | 13,500 |
| | | - | 2010 | - | 100 | 2013 | Nil | 13,905 |
| M Graham | 90 | 10 | 2010 | - | 100 | 2013 | Nil | 11,845 |

* These options are not legally forfeited, but they have been deemed unlikely to vest.

***Loans to directors and executives***

Information on loans to directors and executives (if any), are set out in Note 32.

***Share options granted to directors and the most highly remunerated officers***

For 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, refer to table above.

No options have been granted since the end of the financial year.

***Unissued Ordinary shares Under Option***

At the date of this report there are 1,127,292 unissued ordinary shares of the company under option.

## Dividends – Select Harvests Limited

| DIVIDENDS | Cents | 2011 $000'S |
|---|---|---|
| Interim for the year<br>• on ordinary shares | 10.0 | 5,567 |
| Final for 2011 shown as recommended in the 2011 report<br>• on ordinary shares | 3.0 | 1,687 |

## Indemnification and insurance of directors and officers

During the year the Company entered into an agreement at a premium of $53,671 (incl GST) 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.

## Directors' meetings

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

| | | | 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 | 4 | 4 | 1 | 1 | - | - | - | - |
| J Bird | 12 | 12 | - | - | - | - | 1 | 1 |
| J C Leonard | 12 | 12 | 4 | 4 | 1 | 1 | 1 | 1 |
| R M Herron | 12 | 11 | 4 | 4 | 1 | 1 | 1 | 1 |
| M Carroll | 12 | 12 | 4 | 4 | 1 | 1 | 1 | 1 |
| F Grimwade | 12 | 12 | 4 | 4 | 1 | 1 | 1 | 1 |
| M Iwaniw | - | - | - | - | - | - | - | - |

## 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) | M Carroll (Chairman) | J C Leonard (Chairman) |
| J C Leonard | J C Leonard | J Bird |
| F Grimwade | F Grimwade | R M Herron |
| M Carroll | R M Herron | M Carroll |
| M Iwaniw | M Iwaniw | M Iwaniw |
| M A Fremder | M A Fremder | F Grimwade |
| | | M A Fremder |

M A Fremder retired from the board 27 October 2010

M Iwaniw joined the board 27 July 2011

## Director's interests in contracts

Director's interest in contracts are disclosed in Note 32 to the financial statements.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 31.

## 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 are detailed in Note 31. 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.

## 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.

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

**J C Leonard**
**Chairman**
Melbourne, 29 August 2011

## Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the year ended 30 June 2011, 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.

| | |
|---|---|
| John O'Donoghue | Melbourne |
| Partner | 29 August 2011 |
| PricewaterhouseCoopers | |

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

This statement outlines the key corporate governance practices of the consolidated entity which considers the ASX Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council. During the reporting period, the company has been compliant with the ASX Guidelines.

These principles are:

Principle 1 – Lay solid foundations for management and oversight

Principle 2 – Structure the board to add value

Principle 3 – Promote ethical and responsible decision making

Principle 4 – Safeguard integrity in financial reporting

Principle 5 – Make timely and balanced disclosure

Principle 6 – Respect the right of shareholders

Principle 7 – Recognise and manage risk

Principle 8 – Remunerate fairly and responsibly

The statements set out below refer to the above Principles as applicable.

## Board of Directors and its Committees

The role of the Board and Board Processes set out below are with reference to **Principle 1, Lay solid foundations for management and oversight.**

### 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 are 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. A number of channels are used to source candidates to ensure the company benefits from a diverse range of individuals during the selection process.

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.

Set out below, Director Education, Independent Advice and Access to Company Information, Composition of The Board and the Nomination Committee, make reference to **Principle 2, Structure the board to add value.**

**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:

- A former non–executive director of the Company (resigned October 27, 2010), Mr M A Fremder, is a substantial shareholder, having a 10.46% shareholding at 30 June 2011.
- A former non–executive director of the Company (resigned October 27, 2010), Mr M A Fremder, owns (directly or indirectly) almond orchards totalling 2,082 acres in respect to which the consolidated entity provides orchard management services under contract at market rates.
- The Chairman of the Company, Mr J C Leonard, owns (directly or indirectly) almond orchards totalling 1,782 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.

The statements set out below in relation to Remuneration, the Remuneration Committee and Remuneration Policies are with reference to **Principle 8, Remunerate fairly and responsibly.**

## 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.

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 are 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 each year and vest over three years on achievement of the performance hurdles.

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

Set out below are statements in relation to the Audit and Risk Committee and Risk Management, with reference to **Principle 7, Recognise and Manage Risk,** and **Principle 4, Safeguard integrity in Financial Reporting.**

**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 2011 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 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; The Board reviews actual results 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.

The statements set out below on Ethical standards, Conflict of Interest and Dealings in Company Shares are with reference to **Principle 3, Promote ethical and responsible decision making.**

## 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:

***Diversity***

Select Harvests is an equal opportunity employer and recruits people from a diverse range of backgrounds.

Workplace diversity encompasses the full variety of differences between people in the organisation. It recognises differences in gender, race, ethnicity, age, disability and cultural background. Embracing such diversity in its workforce contributes to the achievement of the Group's objectives and enhances its reputation.

Select Harvests is committed to achieving the goals of providing access to equal opportunities at work based on merit; and fostering a culture that embraces the values of diversity.

To support this goal, The Board has developed a Diversity Policy which will guide the group in implementing diversity initiatives and measures in the year ahead.

The Group acknowledges the changes to Corporate Governance Principles and Recommendations and is reviewing its Policies and practices to ensure they align with the spirit of **Principle 3.**

*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. 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.

The statement below in relation to Communication with Shareholders is with reference to **Principle 5, Make timely and balanced disclosures** and **Principle 6, Respect the right of shareholders.**

*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.

## SELECT HARVESTS Limited ABN 87 000 721 380

## Annual financial report

**Contents**



This financial report covers 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 29 August 2011. 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 STATEMENT

| For the year ended 30 June 2011 | Notes | CONSOLIDATED 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Sales of goods and services | 4 | 248,316 | 238,376 |
| Other revenue | 4 | 1,642 | 735 |
| Total revenue | | **249,958** | **239,111** |
| **Other income (expenses)** | | | |
| Biological asset fair value adjustment | 15 | 2,397 | 2,405 |
| Total other income (expenses) excluding discount on acquisition | | **2,397** | **2,405** |
| **Expenses** | | | |
| Cost of sales | 5 | (220,439) | (200,651) |
| Distribution expenses | | (7,249) | (6,890) |
| Marketing expenses | | (1,114) | (631) |
| Occupancy expenses | | (1,276) | (1,331) |
| Administrative expenses | | (3,544) | (3,783) |
| Finance costs | 5 | (3,774) | (2,946) |
| Other expenses | | (2,247) | (1,681) |
| Discount on acquisition | 7 | 6,511 | - |
| **PROFIT BEFORE INCOME TAX** | | **19,223** | **23,603** |
| Income Tax Expense | 6 | (1,549) | (6,350) |
| **PROFIT ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED** | 25(c) | **17,674** | **17,253** |
| **Earnings per share for profit attributable to the ordinary equity holders of the company:** | | | |
| Basic earnings per share (cents per share) | 29 | 33.7 | 43.3 |
| Diluted earnings per share (cents per share) | 29 | 33.7 | 43.3 |

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

| For the year ended 30 June 2011 | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |
| **Profit for the year** | | **17,674** | **17,253** |
| **Other comprehensive income** | | | |
| Changes in fair value of cash flow hedges, net of tax | | 179 | (1,743) |
| **Other comprehensive income for the year** | | **179** | **(1,743)** |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED** | | **17,853** | **15,510** |

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

# BALANCE SHEET

| As at 30 June 2011 | Notes | CONSOLIDATED 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 7,398 | 13,184 |
| Receivables (current) | 10 | 37,065 | 33,495 |
| Inventories | 11 | 37,618 | 34,152 |
| Derivative financial instruments | 12 | 348 | 541 |
| Current tax receivables | | 5,549 | 2,621 |
| **TOTAL CURRENT ASSETS** | | **87,978** | **83,993** |
| **NON CURRENT ASSETS** | | | |
| Other Assets | 13 | 1,283 | 1,553 |
| Property, plant and equipment | 14 | 116,523 | 87,560 |
| Biological assets – almond trees | 15 | 49,585 | 17,363 |
| Intangible assets | 16 | 46,961 | 39,136 |
| **TOTAL NON CURRENT ASSETS** | | **214,352** | **145,612** |
| **TOTAL ASSETS** | | **302,330** | **229,605** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 24,221 | 37,504 |
| Interest bearing liabilities | 18 | 16,458 | 18,153 |
| Derivative financial instruments | 12 | 79 | 42 |
| Provisions | 19 | 3,196 | 2,770 |
| **TOTAL CURRENT LIABILITIES** | | **43,954** | **58,469** |
| **NON CURRENT LIABILITIES** | | | |
| Trade and other payables | 20 | 137 | 329 |
| Interest bearing liabilities | 21 | 64,000 | 40,000 |
| Deferred tax liabilities | 22 | 24,373 | 16,302 |
| Provisions | 23 | 1,051 | 884 |
| **TOTAL NON CURRENT LIABILITIES** | | **89,561** | **57,515** |
| **TOTAL LIABILITIES** | | **133,515** | **115,984** |
| **NET ASSETS** | | **168,815** | **113,621** |
| **EQUITY** | | | |
| Contributed equity | 24 | 95,066 | 47,470 |
| Reserves | 25 | 11,201 | 11,327 |
| Retained profits | 25 | 62,548 | 54,824 |
| **TOTAL EQUITY** | | **168,815** | **113,621** |

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

# STATEMENT OF CHANGES IN EQUITY

| CONSOLIDATED | Notes | Contributed Equity | Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balance at 1 July 2009** | | **46,433** | **12,949** | **41,494** | **100,876** |
| Profit for the year | | - | - | 17,253 | 17,253 |
| Other comprehensive income | | - | (1,743) | - | (1,743) |
| **Total comprehensive income for the year** | | - | **(1,743)** | **17,253** | **15,510** |
| **Transactions with equity holders in their capacity as equity holders:** | | | | | |
| Contributions of equity, net of transaction costs | 24 | 1,037 | - | - | **1,037** |
| Employee share options | 25 | - | 120 | - | **120** |
| Dividends paid or provided | 8 | - | - | (3,922) | **(3,922)** |
| **Balance at 30 June 2010** | | **47,470** | **11,327** | **54,824** | **113,621** |
| **Profit for the year** | | - | - | 17,674 | 17,674 |
| **Other comprehensive income** | | - | 179 | - | 179 |
| **Total comprehensive income for the year** | | **-** | **179** | **17,674** | **17,853** |
| **Transactions with equity holders in their capacity as equity holders:** | | | | | |
| Contributions of equity, net of transaction costs and deferred tax | 24 | 47,596 | - | - | **47,596** |
| Dividends paid or provided | 8 | - | - | (9,950) | **(9,950)** |
| Employee share options | | - | (305) | - | **(305)** |
| **Balance at 30 June 2011** | | **95,066** | **11,201** | **62,548** | **168,815** |

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

# STATEMENT OF CASH FLOWS

| For the year ended 30 June 2011 | Notes | CONSOLIDATED 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 318,352 | 298,694 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (316,257) | (263,455) |
| | | **2,095** | **35,239** |
| Interest received | | 385 | 517 |
| Interest paid | | (3,774) | (3,719) |
| Income tax received/(paid) | | 1,841 | (6,542) |
| **Net Cash Inflow From Operating Activities** | 26 | **547** | **25,495** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | - | 15 |
| Payment for property, plant and equipment | 14 | (21,087) | (12,143) |
| Acquisition of almond orchards | 7 | (24,991) | - |
| Tree development costs | 15 | (19,415) | (3,102) |
| **Net Cash Outflow From Investing Activities** | | **(65,493)** | **(15,230)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from equity raising | 24 | 45,057 | - |
| Commercial bill draw downs | | 79,000 | - |
| Repayments of borrowings | | (55,000) | (1,500) |
| Dividends payment on ordinary shares, net of DRP | | (8,202) | (2,886) |
| **Net Cash Inflow (Outflow) from financing activities** | | **60,855** | **(4,386)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(4,091)** | **5,879** |
| Cash and cash equivalents at the beginning of the financial year | | 10,031 | 4,152 |
| **Cash and cash equivalents at the end of the financial year** | 9(a) | **5,940** | **10,031** |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the 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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

***Compliance with IFRS***

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

***Historical cost convention***

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

***Critical accounting estimates***

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher level of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### (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 all those entities (including special purpose entities) over which the consolidated entity has power to govern the financial and operating policies, generally accompanying of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

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

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

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

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

**(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 cost to sell at the point of harvest, and subsequently at Net Realisable Value under AASB 102 Inventories.

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

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

**(f) Biological assets**

***Almond trees***

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

A fair value review is completed at each period end to ensure compliance with AASB 141. The value of almond trees is measured at fair value using a discounted cash flow methodology.

The discounted cash flows incorporate 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 being $6 per Kg;
- Growing, processing and selling costs are based on long term average levels;
- Cash flows are discounted at a rate of 14%, that takes into account the cost of capital plus a suitable risk factor; and
- An appropriate rental charge is included to represent the use of the developed land on which the trees are planted.

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 an orchard in a new area where there is no previous experience of commercial almond production are accumulated for the first three years of that orchard. Once the fair value of this orchard becomes reliably measurable, the orchard is measured in accordance with the almond trees policy noted above.

**(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 cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

**(h) Property, plant and equipment**

**Cost and valuation**

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

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

***Depreciation***

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

The useful lives for each class of assets are:

| | |
|---|---|
| Buildings: | 25 to 40 years |
| Leasehold improvements: | 5 to 40 years |
| Plant and equipment: | 5 to 20 years |
| Leased plant and equipment: | 5 to 10 years |
| 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.

**(j) Business Combinations**

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

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

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

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

**(k) 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.

***Permanent water rights***

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

**(l) 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.

***Interest***

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

***Dividends***

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

*Almond Pool Revenue*

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

As at 30 June 2011 the group held almond inventory on behalf of external growers which was not recorded as inventory of the Company.

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

**(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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

***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**

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

**(o) Employee benefits**

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

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

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

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

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

Contributions are made by the 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. Information relating to this scheme is set out in Note 35.

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 independently 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 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 is adjusted to reflect market vesting conditions, but excludes the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of 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. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

**(p) Financial Instruments**

***Financial Assets***

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

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

Amounts receivable from related parties are carried at full amounts due.

***Financial Liabilities***

The bank overdraft is carried at the principal amount and is part of the Net Cash balance in the Statement of Cash Flows. Interest is charged as an expense as it accrues.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Finance lease liabilities are 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 and the Interest Rate Cap, are 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) Borrowings

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

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

### (s) Borrowing costs

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

### (t) Earnings per share

#### *(i) Basic Earnings per share*

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

#### *(ii) Diluted earnings per share*

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

### (u) Segment Reporting

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

### (v) New accounting standards and UIG pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

**AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through the income statement and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

**IFRS 13 Fair Value Measurement (effective 1 January 2013)**

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

**Revised IAS 1 Presentation of Financial Statements (effective 1 July 2012)**

In June 2011, the IASB made an amendment to IAS 1 Presentation of Financial Statements. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to the income statement in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the income statement in the current period. The group intends to adopt the new standard from 1 July 2012.

**AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)**

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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

**(w) 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.

**(x) Trade and other payables**

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

**(y) Contributed equity**

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

**(z) Comparatives**

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

**(aa) Rounding amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & 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.

**(ab) Parent entity financial information**

The financial information for the parent entity, Select Harvests Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements, except as set out below.

***(i) Investments in subsidiaries, associates and joint venture entities***

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

***(ii) Tax consolidation legislation***

Select Harvests Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Select Harvests Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Select Harvests Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

The amounts receivable/payable under the tax funding agreement 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.

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

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

## 2. FINANCIAL RISK MANAGEMENT

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

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

**(a) Market risk**

***(i) Foreign exchange risk***

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

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

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

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

| Group | 30 June 2011 USD $000's | 30 June 2010 USD $000's |
|---|---|---|
| Trade receivables net of payables | 6,034 | 5,798 |
| Cash at bank/(overdraft) | (1,344) | (2,377) |
| | | |
| Foreign exchange contracts | | |
| - buy foreign currency (cash flow hedges) | 3,000 | 5,367 |
| - sell foreign currency (cash flow hedges) | 2,186 | 6,874 |

**Group sensitivity analysis**

Based on financial instruments held at the 30 June 2011, had the Australian dollar strengthened/weakened by 5% against the US dollar, with all other variables held constant, the Group's post tax profit for the year would have been $147,000 lower/$162,000 higher (2010: $136,000 lower/$150,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Other components of equity would have been $121,000 higher/$134,000 lower (2010:$195,000 higher/$216,000 lower), arising mainly from foreign forward exchange contracts designated as cash flow hedges.

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

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

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

| | 30 June 2011 Weighted Average Interest Rate % | Balance $'000 | 30 June 2010 Weighted Average Interest Rate % | Balance $'000 |
|---|---|---|---|---|
| Debt facilities | 8.48% | 79,000 | 8.00% | 55,00 |
| Overdraft (USD) | 3.80% | 1,458 | 3.80% | 3,153 |

An analysis of maturities is provided in 2(c) below

The Group analyses interest rate exposure on an ongoing basis in conjunction with debt facility, cash flow and capital management. As part of the Risk Management policy of Select Harvests Limited, the company has entered into an agreement to cap $30,000,000 of debt at a rate of 5.75% to reduce the risk that higher interest rates pose to the company's cash flows.

**Group sensitivity**

At 30 June 2011, if interest rates had changed by +/- 25 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $136,000 lower/higher (2010: $94,000 lower/higher).

**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 | | Fixed 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 % | 2010 % |
| *(i) Financial assets* | | | | | | | | | | | | | | |
| Cash | 7,398 | 13,184 | - | - | - | - | - | - | - | - | 7,398 | 13,184 | - | - |
| Trade and other receivables | - | - | - | - | - | - | - | - | 34,514 | 33,495 | 34,514 | 33,495 | - | - |
| Interest Rate Cap | - | - | - | - | - | - | - | | 320 | 358 | 320 | 358 | - | - |
| Foreign exchange contracts | - | - | - | - | - | - | - | - | 28 | 183 | 28 | 183 | - | - |
| Total financial assets | 7,398 | 13,184 | - | - | - | - | - | - | 34,862 | 34,036 | 42,260 | 47,220 | - | - |
| *(ii) Financial liabilities* | | | | | | | | | | | | | | |
| Bank overdraft – USD @ AUD | 1,458 | 3,153 | - | - | - | - | - | - | - | - | 1,458 | 3,153 | 3.8 | 3.8 |
| Commercial Bills | 79,000 | 55,000 | - | - | - | - | - | - | - | - | 79,000 | 55,000 | 8.5 | 8.0 |
| Trade creditors | - | - | - | - | - | - | - | - | 12,443 | 16,591 | 12,443 | 16,591 | - | - |
| Other creditors | - | - | - | - | - | - | - | - | 10,874 | 20,335 | 10,874 | 20,335 | - | - |
| Foreign exchange contracts | - | - | - | - | - | - | - | - | 79 | 42 | 79 | 42 | - | - |
| Total financial liabilities | 80,458 | 58,153 | - | - | - | - | - | - | 23,396 | 36,968 | 103,854 | 95,121 | - | - |

**(b) Credit risk**

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

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

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

The Group's banking partner has a long-term credit rating of AA (Standard & Poors).

Refer to note 10 for a summary of aged receivables impaired, and past due but not impaired.

**(c) Liquidity risk**

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

***Financing arrangements***

The following table contains the breakdown of the NAB facility detail:

| Debt facilities | Facility Limit | Review Date |
|---|---|---|
| 1. Core debt | $50m | 21/06/2016 |
| 2. Working capital | $32m | Annual Review |
| 3. Acquisition | $30m | 31/12/2012 |
| 4. USD Overdraft | $3m | 30/06/2012 |

The debt margin above is based on a margin above BBSY or LIBOR.

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

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Floating rate | | |
| - Working capital/Acquisition facility | $A 34,542 | $A 25,000 |
| - Bank overdraft facility USD | $US 2,119 | $US 623 |

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The commercial bill acceptance facility may be drawn at any time over a three year term.

**(d) Fair Value Measurement**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. As of 1 July 2009, Select Harvests Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level one);

(b) Inputs other than quoted prices included within level one that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level two); and

(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level three).

At both 30 June 2011 and 30 June 2011, the Group's assets and liabilities measured and recognised at fair value comprised the interest rate cap derivative and FX forward contracts. Both are measured with reference to level 2.

***Maturities of financial liabilities***

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

| | | Less than 6 months $'000 | 6 – 12 months $'000 | More than 12 months $'000 | Total contractual cash flows $'000 | Carrying Amount (assets)/ liabilities $'000 |
|---|---|---|---|---|---|---|
| **Group at 30 June 2010** | | | | | | |
| Non derivatives | | | | | | |
| Variable Rate | Bills payable | 2,500 | 17,500 | 74,000 | 94,000 | 79,000 |
| | Bank Overdraft | 1,458 | - | - | 1,458 | 1,458 |
| Derivatives | Interest Rate Cap | (99) | (94) | (137) | (330) | (320) |
| | USD buy - outflow | (3,000) | - | - | (3,000) | 79 |
| | USD sell - inflow | 2,186 | - | - | 2,186 | (28) |
| | USD net | (814) | - | - | (814) | 51 |

| | | Less than 12 months $'000 | | More than 12 months $'000 | Total contractual cash flows $'000 | Carrying Amount (assets)/liabilities $'000 |
|---|---|---|---|---|---|---|
| **Group at 30 June 2009** | | | | | | |
| Non derivatives | | | | | | |
| Variable Rate | Debt facilities | 2,500 | 17,500 | 55,000 | 75,000 | 55,000 |
| | Bank Overdraft | 3,153 | - | - | 3,153 | 3,153 |
| Derivatives | Interest Rate Cap | (107) | (100) | (329) | (536) | (536) |
| | USD buy - outflow | (5,367) | - | - | (5,367) | (183) |
| | USD sell - inflow | 6,807 | 67 | - | 6,874 | 42 |
| | USD net | 1,440 | 67 | - | 1,507 | (141) |

## 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 15 of the financial statements. As at 30 June 2011, the value of almond trees carried in the financial statements of the consolidated entity is $49.6 million (2010:$17.4 million). The valuation of almond trees is very sensitive to the assumption of the long term almond price. Any change to the long term almond price may have a material impact on these valuations.

***Estimated impairment of intangible assets***

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

Key assumptions are disclosed in Note 16.

***Income taxes***

The income tax provision is developed at Balance Sheet date based on a preliminary estimate of the tax payable or receivable. This includes an estimate of allowable R&D tax concession credits. The tax return in relation to the financial year ended 30 June 2011 will be prepared and submitted during the financial year ended 30 June 2012.

***WA expenditure***

Costs in relation to the Western Australia Greenfield orchard development have been capitalised. Costs incurred to date are within company investment budgets and future returns are estimated to support the existing carrying value of these costs.

***Impairment of hulling and cracking PP&E***

The notification of Olam International that it will not be renewing its management agreement at the end of the initial term is a trigger for the impairment assessment of the hulling and cracking processing plant. A valuation assessment has been undertaken applying estimated future cashflows. This supports the carrying value at Balance Sheet date.

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |
| **4. REVENUE** | | | |
| **Revenue from continuing operations** | | | |
| - Management services | | 104,801 | 102,321 |
| - Sale of goods | | 143,515 | 136,055 |
| | | **248,316** | **238,376** |
| **Other revenue** | | | |
| Bank interest | | **385** | **517** |
| - Other persons/corporations | | **1,257** | **218** |
| **Total other revenue** | | **1,642** | **735** |
| **Total revenue** | | **249,958** | **239,111** |
| **5. EXPENSES** | | | |
| **Profit before tax includes the following specific expenses:** | | | |
| Cost of goods & services sold | | 220,439 | 200,651 |
| **Depreciation of non current assets** | | | |
| Buildings | | 46 | 51 |
| Plantation land and irrigation systems | | 406 | 355 |
| Plant and equipment | | 4,760 | 4,546 |
| **Total depreciation of non current assets** | | **5,212** | **4,952** |
| **Finance costs** | | | |
| other persons | | 3,774 | 3,718 |
| capitalised | 5a | - | (772) |
| **Total finance costs** | | **3,774** | **2,946** |
| Impairment losses: trade receivables | | 3 | 170 |
| Foreign exchange (gain) | | 47 | 98 |
| Operating lease rental minimum lease payments | | 11,990 | 10,692 |
| Net loss (gain) on disposal of property, plant and equipment | | (16) | (15) |

**(a) Capitalised Borrowing Costs**

The capitalised rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the 2010 year, 8.0%. There were no capitalised borrowing costs in 2011.

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |

## 6. INCOME TAX

**(a) Income tax expense**

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Current Tax | | (3,375) | 2,196 |
| Deferred tax | | 5,585 | 4,929 |
| (Over) provided in prior years | | (661) | (775) |
| | | **1,549** | **6,350** |
| Income tax expense is attributable to: | | | |
| Profit from continuing operations | | 1,549 | 6,350 |
| Aggregate income tax expense | | **1,549** | **6,350** |
| Deferred income tax (revenue) expense included in income tax expense comprises: | | | |
| Decrease (increase) in deferred tax assets | 22 | 439 | (78) |
| (Decrease) increase in deferred tax liabilities | 22 | 5,146 | 5,007 |
| | | 5,585 | 4,929 |

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

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Profit from continuing operations before income tax expense | | 19,223 | 23,603 |
| Tax at the Australian tax rate of 30% (2010 – 30%) | | 5,767 | 7,081 |
| Tax effect of amounts that are not deductible (taxable) in calculating taxable income | | | |
| Other non assessable items | | (1,982) | 44 |
| Current year R&D estimate | | (1,575) | - |
| (Over) provided in prior years | | (661) | (775) |
| Income tax expense | | **1,549** | **6,350** |

## 7. BUSINESS COMBINATION

**(a) Summary of Acquisitions**

On 2 December 2010, Select Harvests acquired 532 acres of established almond orchards at Lake Powell, Northern Victoria.

On 19 January 2011, Select Harvests purchased 116 acres of established almond orchards at Bannerton Park, Northern Victoria.

On 22 June 2011, Select Harvests purchased 1,500 acres of established almond orchards near Narranderra, New South Wales.

Details of the purchase consideration, the net assets acquired and discount on acquisition are as follows:

| | **$000s** |
|---|---|
| Purchase consideration | |
| Cash paid | **24,991** |

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

| | **Fair Value $000s** |
|---|---|
| Property, Plant and Equipment | 14,052 |
| Biological Assets – Almond Trees | 12,248 |
| Inventory | 197 |
| Water | 7,825 |
| Annual leave liability | (30) |
| Deferred tax liability | (2,790) |
| **Net Identifiable Assets** | **31,502** |
| Discount arising on acquisition | 6,511 |
| **Net Cash outflow on acquisition** | **24,991** |

Included in other expenses in the income statement are transaction costs totaling $776k relating to stamp duty.

**(b) Revenue and profit contribution**

The acquired businesses contributed $1.4m revenue and $200k profit contribution for the period between acquisition and 30 June 2011. Select Harvests were able to acquire these assets at a discount to fair value arising from the vendor's requirement to realise assets for funding purposes.

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|

## 8. DIVIDENDS PAID OR PROPOSED FOR ON ORDINARY SHARES

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **(a) Dividends paid during the year** | | | |
| ***(i) Interim -*** *paid 22 April 2011 (2010: 9 April 2010)* | | | |
| Fully franked dividend (10c per share) | | | |
| (2010: 10c per share) | | 5,566 | 3,922 |
| | | 5,566 | 3,922 |
| ***(ii) Final – paid*** *(2010: nil)* | | | |
| Fully franked dividend (11c per share) | | | |
| (2009: nil c per share) | | 4,384 | - |
| | | 9,950 | 3,922 |
| **(b) Dividends proposed and not recognised as a liability** | | | |
| A final dividend of 3 c per share has been declared by the directors ($1,686,809) | | | |
| **(c) Franking credit balance** | | | |
| Franking credits available for the subsequent financial year arising from: | | | |
| Franking account balance after payment of current year tax and dividends | | 44,867 | 45,328 |
| | | 44,867 | 45,328 |

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, is $1,686,809 (2010 - $4,375,642).

## 9. CASH AND CASH EQUIVALENTS

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Cash at bank and in hand | | 7,398 | 13,184 |
| | | **7,398** | **13,184** |
| ***(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 | | 7,398 | 13,184 |
| Bank overdrafts | 18 | (1,458) | (3,153) |
| | | **5,940** | **10,031** |

## 10. TRADE AND OTHER RECEIVABLES

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Trade receivables | | 34,496 | 33,000 |
| Provision for impairment of trade receivables | | (3) | (170) |
| | | 34,493 | 32,830 |
| Prepayments | | 2,572 | 665 |
| | | **37,065** | **33,495** |

***(a) Impaired trade receivables***

As at 30 June 2011 current trade receivables of the Group with a value of $3,305 (2010: $170,000) were impaired. The amount of the provision was $3,305 (2010:$170,000).

The aging of these receivables is as follows:

| | Consolidated | |
|---|---|---|
| | **2011 $'000** | **2010 $'000** |
| Over 6 months | 3 | 170 |
| | 3 | 170 |
| Movements in the provision for impairment of receivables are as follows: | | |
| At 1 July 2010 | 170 | 4,688 |
| Provision for impairment recognised during the year | 3 | 170 |
| Receivables written off during the year | (170) | (4,688) |
| At 30 June 2011 | 3 | 170 |

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

As at 30 June 2011, trade receivables of $4,457,660 (2010: $4,094,787) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows::

| | Consolidated | |
|---|---|---|
| | **2011 $'000** | **2010 $'000** |
| Up to 3 months | 4,099 | 3,607 |
| 3 to 6 months | 227 | 277 |
| > 6 months | 132 | 211 |
| | 4,458 | 4,095 |

***(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 2.

***(d) Fair value***

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

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |

## 11. INVENTORIES (CURRENT)

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Raw materials** | | | |
| Raw materials at cost | | 6,587 | 9,250 |
| | | 6,587 | 9,250 |
| **Finished goods** | | | |
| Finished goods at cost | | 5,610 | 8,200 |
| | | 5,610 | 8,200 |
| **Other inventory** | | | |
| Other inventory at cost | | 9,817 | 6,468 |
| | | 9,817 | 6,468 |
| **Almond stocks** | | | |
| Almond stock at Net Realisable Value | 1(f) | 15,604 | 10,234 |
| | | 15,604 | 10,234 |
| | | **37,618** | **34,152** |

## 12. DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Forward exchange contracts – cash flow hedges | | 28 | 183 |
| Interest rate cap – cash flow hedges | | 320 | 358 |
| Total current derivative financial instrument assets | | **348** | **541** |
| **Current Liabilities** | | | |
| Forward exchange contracts – cash flow hedges | | 79 | 42 |
| Total current derivative financial instrument liabilities | | **79** | **42** |

***(i) Cash flow hedges***

On 1 April 2010, the consolidated entity entered into an agreement to fix the interest rate applicable to $30m of debt at 5.75% for a term of 3 years. The market value of the cap is recognised as a current asset in the balance sheet. Movements in the fair value of the cap are treated similar to those of forward exchange contracts. Movements caused by changes in the intrinsic value of the cap are recognised in Other Comprehensive Income to the extent that the hedge is effective; those relating to a change in the time value of money are recognised in the income statement.

The consolidated entity also 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 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 Settlement | Sell Australian Dollars | | Average Exchange Rate | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $ | 2010 $ |
| Less than 6 months | 3,000 | 5,367 | 1.04 | 0.87 |
| | **3,000** | **5,367** | | |

| Buy United States Dollars Settlement | Buy Australian Dollars | | Average Exchange Rate | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $ | 2010 $ |
| Less than 6 months | 2,186 | 6,807 | 1.05 | 0.85 |
| 6 months to 1 year | - | 67 | - | 0.89 |
| | **2,186** | **6,874** | | |

***(ii) Credit risk exposures***

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

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

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 $813,858 (2010: $1,506,736).

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.

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|

## 13. OTHER ASSETS (NON-CURRENT)

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Prepayments | | 1,283 | 1,553 |
| | | **1,283** | **1,553** |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Notes | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| ***Buildings*** | | | |
| At cost | | 11,909 | 10,609 |
| Accumulated depreciation | | (799) | (753) |
| | 14(a) | **11,110** | **9,856** |
| ***Plantation land and irrigation systems*** | | | |
| At cost | | 40,847 | 30,091 |
| Accumulated depreciation | | (3,490) | (3,084) |
| | 14(a) | 37,357 | 27,007 |
| **Total land and buildings** | | **48,467** | **36,863** |
| | | | |
| **Plant and equipment** | | | |
| At cost | | 88,518 | 69,583 |
| Accumulated amortisation | | (35,601) | (30,841) |
| | 14(a) | 52,917 | 38,742 |
| | | | |
| **Capital works in progress** | | | |
| At cost | 14(a) | 15,139 | 11,955 |
| **Total plant and equipment** | | **68,056** | **50,697** |
| | | | |
| **Total property, plant and equipment** | | | |
| Cost | | 156,413 | 122,238 |
| Accumulated depreciation and amortisation | | (39,890) | (34,678) |
| **Total written down amount** | | **116,523** | **87,560** |

**(a) Reconciliations**

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| ***Buildings*** | | | |
| Carrying amount at beginning | | 9,856 | 9,809 |
| Acquired through business combinations | | 1,300 | 98 |
| Depreciation expense | | (46) | (51) |
| | | **11,110** | **9,856** |
| ***Plantation land and irrigation systems*** | | | |
| Carrying amount at beginning | | 27,007 | 27,362 |
| Acquired through business combinations | | 10,756 | - |
| Depreciation expense | | (406) | (355) |
| | | **37,357** | **27,007** |
| ***Plant and equipment*** | | | |
| Carrying amount at beginning | | 38,742 | 39,878 |
| Acquired through business combinations | | 1,996 | - |
| Disposals | | (16) | (94) |
| Transfers between classes | | 16,955 | 3,504 |
| Depreciation expense | | (4,760) | (4,546) |
| | | **52,917** | **38,742** |
| ***Capital works in progress*** | | | |
| Carrying amount at beginning | | 11,955 | 3,438 |
| Additions | | 20,139 | 12,143 |
| Expensed to profit & loss | | - | (24) |
| Transfers between classes | | (16,955) | (3,602) |
| | | 15,139 | 11,955 |
| **Total written down value** | | **116,523** | **87,560** |

## 15. 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 Victoria NSW and WA.

As at 30 June 2011 the consolidated entity owned a total of 6,254 acres of almond orchards (2010: 4,142 acres) and leased a total of 4,521 acres of almond orchards (2010: 4,521 acres).

For almond trees on orchards leased on a long term basis by the company, the future economic risks and rewards associated with these trees remain with Select Harvests. Accordingly, the tree valuations are deemed to be an asset of the company.

During the year ended 30 June 2011, 4,173 metric tonnes of almonds were harvested from these orchards (2010: 2,800 metric tonnes). These almonds had a fair value less estimated point of sale costs of $19.8 million (2010: $15.3 million).

| | Consolidated | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Carrying amount at 1 July | 17,363 | 14,261 |
| Transferred to inventory | (1,838) | (2,405) |
| Change in fair value | 2,397 | 2,405 |
| Acquired through business combinations | 12,248 | - |
| Additions | 19,415 | 3,102 |
| Carrying amount at 30 June | **49,585** | **17,363** |

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 being $6 per kg;
- Growing, processing and selling costs are based on long term average levels;
- Cash flows are discounted at a rate of 14% (2010: 14%) which takes into account the cost of capital plus a suitable risk factor; and
- An appropriate rental charge is included to represent the use of the developed land on which the trees are planted.

***Price risk***

The Group is exposed to commodity price risk in relation to its owned orchards. The Group 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 Group has an active and ongoing almond marketing and selling program in place which is continually monitored and adapted for changes in almond prices.

The Group 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.

**(a) Financial risk management strategies**

The consolidated entity is exposed to financial risks arising from changes in the Australian dollar 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 21 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.

| | Consolidated | | | |
|---|---|---|---|---|
| | Goodwill $'000 | Brand Names* $'000 | Permanent Water Rights $'000 | Total $'000 |
| **16. INTANGIBLES** | | | | |
| **Year ended 30 June 2010** | | | | |
| Opening net book amount | 25,995 | 2,905 | 10,236 | 39,136 |
| Closing net book amount | **25,995** | **2,905** | **10,236** | **39,136** |
| **Year ended 30 June 2011** | | | | |
| Opening net book amount | 25,995 | 2,905 | 10,236 | 39,136 |
| Acquired through business combinations | - | - | 7,825 | - |
| Closing net book amount | **25,995** | **2,905** | **18,061** | **46,961** |

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

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

Goodwill is allocated to the consolidated entity's cash-generating units (CGU) identified according to operating 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 forecasts based on financial projections by management covering a five-year period assuming a 10% growth rate based on projected crop increases and other growth rates based on past performance and its expectations for the future. These do not exceed the long-term growth rate for the business in which the Food Products Division operates in. A weighted average cost of capital of 13% (2010:12.8%) has been used to discount the cash flow projections.

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

The recoverable amount of the goodwill in the Food Products Division exceeds the carrying amount of goodwill at 30 June 2011. If a pre-tax discount rate of 13.8% was used instead of 12.8% the recoverable amount of the goodwill in the Food Products Division would still exceed the carrying amount of goodwill at 30 June 2011.

**(c) Permanent water rights**

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

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |
| **17. TRADE AND OTHER PAYABLES (CURRENT)** | | | |
| Trade creditors | | 12,443 | 17,168 |
| Other creditors and accruals | | 11,778 | 20,336 |
| | | **24,221** | **37,504** |
| **18. INTEREST BEARING LIABILITIES (CURRENT)** | | | |
| **Secured** | | | |
| Bank overdraft | | 1,458 | 3,153 |
| Working capital facility | | 15,000 | 15,000 |
| Total secured current borrowings | | **16,458** | **18,153** |

**(a) Security**

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank facilities are set out in Note 21.

**(b) Interest rate risk exposures**

Details of the consolidated entity's exposure to interest rate changes on borrowings are set out in Note 2.

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **19. PROVISIONS (CURRENT)** | | | |
| Employee benefits | | 3,196 | 2,770 |
| | | **3,196** | **2,770** |
| **20. TRADE AND OTHER PAYABLES (NON-CURRENT)** | | | |
| Interest rate cap payable | | 137 | 329 |
| | | **137** | **329** |
| **21. INTEREST BEARING LIABILITIES (NON-CURRENT)** | | | |
| Term debt facility | | 50,000 | 40,000 |
| Acquisition facility | | 14,000 | - |
| | | **64,000** | **40,000** |

**Assets pledged as security**

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

(i) A registered mortgage debenture is held as security over all the assets and undertakings of Select Harvests Limited and the entities of the wholly owned group.

(ii) A deed of cross guarantee exists between the entities of the wholly owned group.

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

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **Current** | | | |
| *Floating charge* | | | |
| Cash and cash equivalents | | 7,398 | 13,184 |
| Receivables | | 37,065 | 33,495 |
| Inventories | | 37,618 | 34,152 |
| Current tax receivables | | 5,549 | 2,621 |
| Derivative financial instruments | | 348 | 541 |
| Total current assets pledged as security | | **87,978** | **83,993** |
| **Non-current** | | | |
| *Floating charge* | | | |
| Prepayments | | 1,283 | 1,553 |
| Property, plant and equipment | | 116,523 | 87,560 |
| Biological assets – almond trees | | 49,585 | 17,363 |
| Permanent water rights | | 18,061 | 10,236 |
| Total non-current assets pledged as security | | 185,452 | 116,712 |
| Total assets pledged as security | | **273,430** | **200,705** |

**Financing arrangements**

The consolidated entity and the Company have bank overdraft facilities available to the extent of USD 3,000,000 (2010: USD 3,000,000).

The consolidated entity and the company have a debt facility available to the extent of $115,000,000 (2010: $75,000,000). As at 30 June 2011 the consolidated entity and company have used $79,000,000 (2010: $55,000,000). The split between current and non-current liabilities has been based on the repayment requirements under the terms of the debt facility.

The current interest rates are 5.76% on the debt facility, and 2.41% on the United States dollar bank overdraft facility.

A number of covenants and financial undertakings are associated with the company banking facilities, all of which have been met during the period and as at 30 June 2011.

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 |
|---|---|---|---|
| **22. DEFERRED TAX LIABILITIES (NON CURRENT)** | | | |
| **The balance comprises temporary differences attributable to:** | | | |
| ***Amounts recognised in profit and loss*** | | | |
| Inventory | | 792 | 2,416 |
| Assets at cost | | 28,748 | 14,819 |
| Accruals and provisions | | (1,515) | (1,954) |
| Intangibles | | 871 | 871 |
| | | **28,896** | **16,152** |
| ***Amounts recognised directly in OCI*** | | | |
| Cash flow hedges | | (18) | 150 |
| ***Amounts recognised directly in equity*** | | | |
| Equity raising costs | | (791) | - |
| Total deferred tax liabilities | | 28,087 | 16,302 |
| Carry forward tax losses | | (3,714) | - |
| Net deferred tax liabilities | | **24,373** | **16,302** |
| **Movements:** | | | |
| Opening balance 1 July | | 16,302 | 10,871 |
| Prior period under provision | | 4,183 | - |
| Credited to income statement | | 5,585 | 4,929 |
| Business combination | | 2,790 | - |
| Credited / (charged) to equity | | (773) | 502 |
| Carry forward tax losses | | (3,714) | - |
| Closing balance at 30 June | | **24,373** | **16,302** |
| **23. PROVISIONS (NON CURRENT)** | | | |
| Employee entitlements | | **1,051** | **884** |
| (a) Aggregate employee entitlements liability (including current liabilities in Note 19) | | 4,218 | 3,654 |
| (b) Number of full time employees at year end | | 384 | 387 |

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|

## 24. CONTRIBUTED EQUITY

**(a) Issued and paid up capital**

| | | 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| Ordinary shares fully paid | | 95,066 | 47,470 |
| | | **95,066** | **47,470** |

**(b) Movements in shares on issue**

| | 2011 Number of Shares | 2011 $'000 | 2010 Number of Shares | 2010 $'000 |
|---|---|---|---|---|
| **Beginning of the financial year** | 39,761,768 | 47,470 | 39,518,915 | 46,433 |
| Issued during the year | | | | |
| • Dividend reinvestment scheme | 559,917 | 1,748 | 242,853 | 1,037 |
| • Rights issue* | 15,905,275 | 45,848 | - | - |
| **End of Financial year** | **56,226,960** | **95,066** | **39,761,768** | **47,470** |

| | Number of Shares | $'000 |
|---|---|---|
| * Gross proceeds from ordinary shares issued under equity raising | **15,905,275** | 47,715 |
| Less: Associated transaction costs | | (2,658) |
| Net proceeds from ordinary shares issued under equity raising | | 45,057 |
| Plus: deferred tax on associated transaction costs | | 791 |
| Contribution of equity net of transaction costs & tax | | 45,848 |

**(c) Share options**

***Executive share option 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. 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, no options (2010: no options) have vested under this scheme (refer Note 35 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at $1.84 on 30 June 2011 ($3.46 on 30 June 2010).

**(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 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **25. RESERVES AND RETAINED PROFITS** | | | |
| Capital reserve | 25(a) | 3,270 | 3,270 |
| Cash flow hedge reserve | 25(a) | (43) | (222) |
| Asset revaluation reserve | 25(a) | 7,645 | 7,645 |
| Options reserve | 25(a) | 329 | 634 |
| | | **11,201** | **11,327** |
| Retained profits | 25(c) | **62,548** | **54,824** |
| **(a) Movements** | | | |
| ***Capital reserve*** | | | |
| Balance at beginning of year | | 3,270 | 3,270 |
| Balance at end of year | | **3,270** | **3,270** |
| ***Cash flow hedge reserve*** | | | |
| Balance at beginning of year | | (222) | 1,520 |
| Fair value movement in Interest rate cap intrinsic | | 315 | 320 |
| Fair value movement in foreign currency dealings arising during the year | | (136) | (2,062) |
| Balance at end of year | | **(43)** | **(222)** |
| ***Asset revaluation reserve*** | | | |
| Balance at beginning of year | | 7,645 | 7,645 |
| Balance at end of year | | **7,645** | **7,645** |
| ***Options reserve*** | | | |
| Balance at beginning of year | | 634 | 514 |
| Option expense | | (305) | 120 |
| Balance at end of year | | **329** | **634** |

**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. This revaluation reserve is no longer in use given assets are now recorded at cost. This is in line with accounting policies within note 1.

***(iii) Options reserve***

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

***(iv) Cash flow hedge reserve***

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

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **(c) Retained profits** | | | |
| Balance at the beginning of year | | 54,824 | 41,493 |
| Profit attributable to members of Select Harvests Limited | | 17,674 | 17,253 |
| Total available for appropriation | | 72,498 | 58,746 |
| Dividends paid | | (9,950) | (3,922) |
| Balance at end of year | | **62,548** | **54,824** |

## 26.RECONCILIATON OF THE NET PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|---|---|
| Net profit | 17,674 | 17,253 |
| **Non-cash items** | | |
| Depreciation and amortisation | 5,212 | 4,952 |
| Biological asset fair value adjustment | (2,397) | - |
| Discount on acquisition | (6,511) | - |
| | | |
| **Changes in assets and liabilities** | | |
| (Increase) / decrease in trade receivables | (1,663) | 8,249 |
| (Increase) in inventory | (3,269) | (5,472) |
| (Increase) in other assets | (920) | (2,157) |
| (Decrease) / increase in trade and other payables | (13,283) | 3,188 |
| (Decrease) in income tax payable | (2,928) | (6,187) |
| Increase in deferred tax liability | 11,785 | 7,598 |
| (Increase) in deferred tax assets | (3,714) | (2,143) |
| Increase in employee entitlements | 561 | 214 |
| Net cash flow from operating activities | **547** | **25,495** |

**Non cash financing activities**

During the current year the company issued $1,748,305 of new equity as part of the Dividend Reinvestment Plan.

| | Notes | Consolidated | |
|---|---|---|---|
| | | 2011 $'000 | 2010 $'000 |
| **27. 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 | | 15,203 | 15,690 |
| Later than one year but not later than five years | | 33,413 | 40,730 |
| Later than five years | | 99,537 | 105,786 |
| | | 148,153 | 162,206 |
| ***(i) Operating leases (non cancellable):*** | | | |
| Minimum lease payments | | | |
| • Not later than one year | | 9,408 | 10,006 |
| • Later than one year and not later than five years | | 8,402 | 16,387 |
| • Later than five years | | 8,952 | 8,692 |
| • Aggregate lease expenditure contracted for at reporting date | | 26,762 | 35,085 |
| Operating lease payments are for rental of premises, farming and factory equipment. | | | |
| ***(ii) Almond orchard leases:*** | | | |
| Minimum lease payments | | | |
| • Not later than one year | | 5,795 | 5,684 |
| • Later than one year and not later than five years | | 25,012 | 24,343 |
| • Later than five years | | 90,584 | 97,094 |
| Aggregate lease expenditure contracted for at reporting date | | 121,391 | 127,121 |

The almond orchard leases comprises the lease of a 512 acre almond orchard and a 1,002 acre lease 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. The company also has first right of refusal to purchase the properties in the event that the lessor wished to sell. Other leases within the consolidated entity have renewal and first right of refusal clauses. There is also a 20 year lease of 3,100 acres at Hillston with Rural Funds Management.

## 28. EVENTS OCCURING AFTER BALANCE DATE

On 29 August 2011, the Directors declared a final dividend of 3 cents per share in relation to the financial year ended 30 June 2011 to be paid on 13 October 2011.

There has been no other matter or circumstance, which has arisen since 30 June 2011 that has significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2011, of the consolidated entity, or

b) the results of those operations, or

c) the state of affairs, in financial years subsequent to 30 June 2011, of the consolidated entity.

## 29. EARNINGS PER SHARE

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

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Profit attributable to equity holders of the company used in calculating basic earnings per share | 17,674 | 17,253 |
| **Diluted earnings per share:** | | |
| Profit attributable to equity holders of the company used in calculating diluted earnings per share | 17,674 | 17,253 |

| | Number of shares | |
|---|---|---|
| | 2011 | 2010 |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 52,462,405 | 39,761,768 |
| **Effect of dilutive securities:** | | |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 52,462,405 | 39,761,768 |

## 30. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

**a) Directors**

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

*(i) Chairman – non-executive*
J C Leonard

*(ii) Executive director*
J Bird, Managing Director

*(iii) Non-executive directors*
M A Fremder*
F Grimwade
R M Herron
M Carroll
M Iwaniw

**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 |
|---|---|---|
| K Martin** | Operations Manager, Food Products Division | Select Harvests Limited |
| T Millen | Group Horticultural & Farm Operations Manager | Select Harvests Limited |
| L Van Driel | Group Trading Manager | Select Harvests Food Products Pty Ltd |
| P Chambers | Chief Financial Officer & Company Secretary | Select Harvests Limited |
| P Ross | Operations Manager, Almond Division | Select Harvests Limited |
| M Graham | Manager Sales & Marketing | Select Harvests Food Product Pty Ltd |

* Retired 27 October 2010
** Departed 25 February 2011

| | Notes | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **(c) Key management personnel compensation** | | | |
| Short term employment benefits | | 3,134,743 | 2,824,882 |
| Long service leave | | 31,415 | 41,378 |
| Share based payments | | (230,827) | 115,158 |
| | | 2,935,331 | 2,981,418 |

**(d) Equity instrument disclosures relating to key management personnel**

**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:

| 2011 | Held at 1 July 2010 | Granted as Compensation | Lapsed | Held at 30 June 2011 | Unvested at 30 June 2011 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| J Bird | 450,982 | 191,927 | (103,125) | 539,784 | 539,784 |
| **Key Management Personnel** | | | | | |
| K Martin (Group Operations Manager) | 108,881 | 45,811 | (154,692) | - | - |
| T Millen (Group Horticultural & Farm Operations Manager) | 96,635 | 41,320 | (20,270) | 117,685 | 117,685 |
| L Van Driel (Group Trading Manager) | 95,164 | 41,320 | (20,270) | 116,214 | 116,214 |
| P Chambers ( Chief Financial Officer & Company Secretary) | 114,271 | 48,506 | (26,351) | 136,426 | 136,426 |
| P Ross (Operations Manager Almond Division) | 81,408 | 45,349 | - | 126,757 | 126,757 |
| M Graham (Marketing Manager) | - | 41,320 | - | 41,320 | 41,320 |

| 2010 | Held at 1 July 2009 | Granted as Compensation | Lapsed | Held at 30 June 2010 | Unvested at 30 June 2010 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| J Bird | 297,003 | 190,744 | (36,765) | 450,982 | 450,982 |
| **Key Management Personnel** | | | | | |
| K Martin (Group Operations Manager) | 63,345 | 45,536 | - | 108,881 | 108,881 |
| T Millen (Group Horticultural & Farm Operations Manager) | 63,363 | 41,071 | (7,798) | 96,635 | 96,635 |
| L Van Driel (Group Trading Manager) | 61,656 | 41,071 | (7,563) | 95,164 | 95,164 |
| P Chambers (Chief Financial Officer & Company Secretary) | 66,057 | 48,214 | - | 114,271 | 114,271 |
| P Ross (Operations Manager Almond Division) | 36,765 | 44,643 | - | 81,408 | 81,408 |

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:

| 2011 | Held at 1 July 2010 | Received on exercise of options | Other – DRP, sales & purchases | Total |
|---|---|---|---|---|
| **Directors – Non executive** | | | | |
| M A Fremder | 5,835,234 | - | - | 5,835,234 |
| J C Leonard | 663,668 | - | 283,431 | 947,099 |
| R M Herron | 18,772 | - | 21,900 | 40,672 |
| M Carroll | - | - | - | - |
| F Grimwade | - | - | 30,000 | 30,000 |
| M Iwaniw | - | - | 3,000 | 3,000 |
| **Directors – Executive** | | | | |
| J Bird | 619,522 | - | 25,483 | 645,005 |
| **Key Management Personnel** | | | | |
| T Millen (Group Horticultural & Farm Operations Manager) | 45,444 | - | - | 45,444 |
| L Van Driel (Group Trading Manager) | - | - | - | - |
| P Chambers (Chief Financial Officer & Company Secretary) | - | - | 8,000 | 8,000 |
| P Ross (Operations Manager, Almond Division) | - | - | - | - |

| 2010 | Held at 1 July 2009 | Received on exercise of options | Other – DRP, sales & purchases | Total |
|---|---|---|---|---|
| **Directors – Non executive** | | | | |
| M A Fremder | 5,777,234 | - | 58,000 | 5,835,234 |
| J C Leonard | 615,628 | - | 48,040 | 663,668 |
| R M Herron | 18,772 | - | - | 18,772 |
| M Carroll | - | - | - | - |
| **Directors – Executive** | | | | |
| J Bird | 619,522 | - | - | 619,522 |
| **Key Management Personnel** | | | | |
| K Martin (Group Operations Manager) | - | - | - | - |
| T Millen (Group Horticultural & Farm Operations Manager) | 45,444 | - | - | 45,444 |
| L Van Driel (Group Trading Manager) | - | - | - | - |
| P Chambers (Chief Financial Officer & Company Secretary) | - | - | - | - |
| P Ross (Operations Manager, Almond Division) | - | - | - | - |

**(e) 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 2011 are detailed in Note 32.

## 31. REMUNERATION OF AUDITORS

| | 2011 $ | 2010 $ |
|---|---|---|
| ***Audit and other assurance services*** | | |
| Audit and review of financial statements | 192,450 | 192,450 |
| Other assurance services | 25,000 | 45,000 |
| **Total remuneration for audit and other assurance services** | **217,450** | **237,450** |
| ***Taxation services*** | | |
| Tax compliance services | 98,530 | 64,355 |
| Tax consulting | 9,000 | 23,145 |
| **Total remuneration for taxation services** | **107,530** | **87,500** |
| **Total remuneration of PricewaterhouseCoopers** | **324,980** | **324,950** |

## 32. 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 34.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in Note 30.

### (d) 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 holds an amount of $1,282,498 (2010: $1,555,112) 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.

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 1,782 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 $6,409,370 (2010: $4,851,165) 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.

At 30 June 2011, the total amount receivable from director related entities in respect to the above transaction is $2,389,987.

During the financial year the company entered into foreign exchange contracts on behalf of Almas Pty Limited and Maxdy Pty Ltd, under conditions which pass costs and benefits to the related parties under normal commercial terms.

## 33. SEGMENT INFORMATION

**Segment products and locations**

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

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 is split into two segments:
  - » comprises the growing, processing and sale of almonds to the food industry from company owned almond orchards; and
  - » 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.

## 33. SEGMENT INFORMATION (CONT.)

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

| | Food Products ($'000) | | Managed Orchards Almond Division ($'000) | | Company Orchards Almond Division ($'000) | | Total Almond Division ($'000) | | Eliminations and Corporate ($'000) | | Consolidated Entity ($'000) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| **Revenue** | | | | | | | | | | | | |
| Total revenue from external customers | $134,978 | $131,885 | $104,800 | $99,388 | $8,538 | $7,103 | $113,338 | $106,491 | $0 | $0 | $248,316 | $238,376 |
| Intersegment revenue | $0 | $0 | $0 | $0 | $6,594 | $4,156 | $6,594 | $4,156 | -$6,954 | -$4,156 | $0 | $0 |
| **Total segment revenue** | **$134,978** | **$131,885** | **$104,800** | **$99,388** | **$15,132** | **$11,259** | **$119,932** | **$110,647** | **-$6,954** | **-$4,156** | **$248,316** | **$238,376** |
| Other revenue | $0 | $0 | $792 | $218 | $465 | $0 | $1,257 | $218 | $385 | $517 | $1,642 | $735 |
| **Total revenue** | **$134,978** | **$131,885** | **$105,592** | **$99,606** | **$15,597** | **$11,259** | **$121,189** | **$110,865** | **-$6,595** | **-$3,639** | **$249,958** | **$239,111** |
| EBIT | $3,709 | $5,104 | $14,144 | $17,725 | $8,069 | $6,783 | $22,213 | $24,508 | -$3,310 | -$3,580 | $22,612 | $26,032 |
| Interest received | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $385 | $517 | $385 | $517 |
| Finance costs expensed | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | -$3,774 | -$2,946 | -$3,774 | -$2,946 |
| **Profit before income tax** | **$3,709** | **$5,104** | **$14,144** | **$17,725** | **$8,069** | **$6,783** | **$22,213** | **$24,508** | **-$6,699** | **-$6,009** | **$19,223** | **$23,603** |
| **Segment assets** (excluding inter-company debts) | $69,486 | $59,913 | | | | | $221,777 | $147,445 | $11,067 | $22,247 | $302,330 | $229,605 |
| **Segment liabilities** (excluding inter-company debts) | $10,436 | $11,444 | | | | | $40,005 | $55,286 | $83,074 | $49,254 | $133,515 | $115,984 |
| **Acquisition of non-current segment assets** | $418 | $307 | | | | | $33,725 | $14,895 | $48 | $43 | $34,191 | $15,245 |
| **Depreciation and amortisation of segment assets** | $724 | $1,193 | | | | | $4,340 | $3,592 | $148 | $167 | $5,212 | $4,952 |

Assets and liabilities in the almond division are managed and reported at the total almond division level.

Company orchards EBIT includes a $6.5m discount arising from the acquisitions of established orchards, and $776k in transaction costs.

Sales to major customers include Olam 36%, Coles 17% and Woolworths 14% of total sales.

## 34. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%) | |
|---|---|---|---|
| | | 2011 | 2010 |
| **Parent Entity:** | | | |
| Select Harvests Limited | Australia | 100 | 100 |
| **Subsidiaries of Select Harvests Limited:** | | | |
| Kyndalyn Park Pty Ltd | Australia | 100 | 100 |
| Select Harvests Food Products Pty Ltd | Australia | 100 | 100 |
| Meriram Pty Ltd | Australia | 100 | 100 |
| Kibley Pty Ltd | Australia | 100 | 100 |

## 35. EMPLOYEE BENEFITS

**Executive share option scheme**

The consolidated entity has in place an executive share option scheme. The scheme provides for the Board to grant 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 vesting 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.

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

The assessed 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 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.

## 35. EMPLOYEE BENEFITS (CONT.)

**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:

**2011**

| Grant date | Expiry date | Exercise Price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Balance at end of the year | | Proceeds received | Shares issued | Fair value per share | Fair value aggregate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number | Number | Number | Number | On Issue | Vested | $ | Number | $ | $ |
| 27/08/2007 | 31/10/2010 | $9.74 | 210,379 | - | (210,379) | - | - | - | - | - | - | - |
| 20/09/2008 | 31/10/2011 | $5.15 | 362,379 | - | (37,500) | - | 324,879 | - | - | - | - | - |
| 28/09/2009 | 29/10/2012 | $2.83 | 438,208 | - | (45,536) | - | 392,672 | - | - | - | - | - |
| 27/09/2010 | 28/10/2013 | $3.27 | - | 455,552 | (45,811) | - | 409,741 | - | - | - | - | - |
| Weighted Average Exercise Price | | - | $5.10 | $3.27 | $7.43 | - | $3.66 | | | | | |

**2010**

| Grant date | Expiry date | Exercise Price | Balance at start of the year | Granted during the year | Forfeited during the year | Exercised during the year | Balance at end of the year | | Proceeds received | Shares issued | Fair value per share | Fair value aggregate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Number | Number | Number | Number | On Issue | Vested | $ | Number | $ | $ |
| 22/09/2006 | 31/10/2009 | $13.13 | 57,798 | - | (57,798) | - | - | - | - | - | - | - |
| 27/08/2007 | 31/10/2010 | $9.74 | 210,379 | - | - | - | 210,379 | - | - | - | - | - |
| 20/09/2008 | 31/10/2011 | $5.15 | 362,379 | - | - | - | 362,379 | - | - | - | - | - |
| 28/09/2009 | 29/10/2012 | $2.83 | - | 438,208 | - | - | 438,208 | - | - | - | - | - |
| Weighted Average Exercise Price | | - | $7.41 | $2.83 | $13.13 | - | $5.10 | | | | | |

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.

## 35. EMPLOYEE BENEFITS (cont.)

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

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Issued and Paid up Capital | - | - |

**(b) 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 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Options granted under employee option plan | (305,000) | 120,000 |
| | **(305,000)** | **120,000** |

## 36. CONTINGENT LIABILITIES

Cross guarantees given by the entities comprising the consolidated entity are detailed in Note 37.

## 37. PARENT ENTITY FINANCIAL INFORMATION

**(a) Summary financial information**

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

| Balance Sheet | 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Current Assets** | 19,266 | 13,641 |
| **Total Assets** | 308,226 | 206,891 |
| **Current Liabilities** | 17,987 | 16,532 |
| **Total Liabilities** | 206,887 | 155,042 |
| **Shareholders' Equity** | | |
| Issued Capital | 95,066 | 47,470 |
| Reserves | | |
| Capital Reserve | 3,270 | 3,270 |
| Cash flow hedge reserve | (43) | (222) |
| Options Reserve | 329 | 633 |
| Retained profits | 2,717 | 696 |
| | **101,339** | **51,847** |
| Profit or Loss for the year | **1,842** | **4,121** |
| Total comprehensive income | **2,021** | **2,378** |

**b) Tax consolidation legislation**

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

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

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

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

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

In the directors' opinion:

(a) the financial statements and Notes set out on pages 20 to 82 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

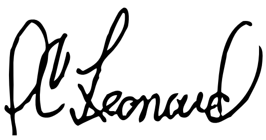
(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting

Standards as issued by the International Accounting Standards Board.

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

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



**J C Leonard**
**Chairman**
Melbourne, 29 August 2011

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

### Report on the financial report

We have audited the accompanying financial report of Select Harvests Limited (the company), which comprises the balance sheet as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Select Harvests Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

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

*Auditor's responsibility*

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

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

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

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

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

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

*Independence*

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

*Auditor's opinion*

In our opinion:

(a) the financial report of Select Harvests Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 23 to 28 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Select Harvests Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
29 August 2011

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 2011.

**(a) Distribution of equity securities**

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

| Number of Ordinary Shares | Number of Shareholders |
|---|---|
| 1 to 1,000 | 1,064 |
| 1,001 to 5,000 | 1,230 |
| 5,001 to 10,000 | 423 |
| 10,001 to 100,000 | 467 |
| 100,001 and over | 43 |

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

| Number of Ordinary Shares | Number of Shareholders |
|---|---|
| - | - |

**(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 | HSBC Custody Nominees (Australia) Limited | 10,744,224 | 19.11 |
| 2 | Maxdy Nominees Pty Ltd | 5,406,671 | 9.62 |
| 3 | JP Morgan Nominees Australia Limited (Cash A/c) | 3,563,581 | 6.34 |
| 4 | National Nominees Limited | 2,020,118 | 3.59 |
| 5 | MF Custodians Ltd | 1,610,557 | 2.86 |
| 6 | Citicorp Nominees Pty Ltd | 1,306,963 | 2.32 |
| 7 | UBS Nominees Pty Ltd | 1,132,022 | 2.01 |
| 8 | JP Morgan Nominees Australia Limited | 1,073,904 | 1.91 |
| 9 | MF Custodians (account 10051001) | 947,099 | 1.68 |
| 10 | Le Grand Pty Ltd | 881,844 | 1.57 |
| 11 | Mirrabooka Investments Limited | 785,098 | 1.40 |
| 12 | Spectrok Pty Ltd | 754,773 | 1.34 |
| 13 | Mid Manhattan Pty Ltd | 579,244 | 1.03 |
| 14 | Mr John Bird | 555,815 | 0.99 |
| 15 | Mr Petrus Cornelius Nicolaas Middencorp | 536,128 | 0.95 |
| 16 | National Australia Trustees Limited | 405,189 | 0.72 |
| 17 | Mr Max Fremder | 330,563 | 0.59 |
| 18 | RBC Dexia Investor Services Nominees Pty Limited | 299,990 | 0.53 |
| 19 | Rezann Pty Ltd | 256,000 | 0.46 |
| 20 | Milton Corporation Limited | 250,373 | 0.45 |

### (c) Substantial shareholders

The names of substantial shareholders are:

| | Number of Shares |
|---|---|
| HSBC Custody Nominees (Australia) Limited | 10,744,224 |
| Maxdy Nominees Pty Ltd | 5,406,671 |
| ANZ Nominees Limited | 3,563,581 |

### (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.

# NOTES

# CORPORATE *INFORMATION*

## Select Harvests Limited

ABN 87 000 721 380

## Directors

J C Leonard (Chairman)
J Bird (Managing Director)
M Carroll (Non-Executive Director)
M Iwaniw (Non-Executive Director)
R M Herron (Non-Executive Director)
F Grimwade (Non-Executive Director)

## Company Secretary

P Chambers

## 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

Minter Ellison Lawyers

## Bankers

National Australia Bank Limited

## Auditor

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 Address

www.selectharvests.com.au

SELECT HARVESTS

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