SELECT HARVESTS

Annual Report 2012

Contents

Company profile

Select Harvests is a leading Australian almond producer. The Company owns and manages a portfolio of 17,151 acres (6,940 hectares) of almond orchards in New South Wales, Victoria and Western Australia.

Select Harvests is Australia's leading manufacturer, processor and marketer of nut products to the Australian retail and industrial markets. Our value-added brands, including Lucky and Soland in retail and Renshaw and Allinga Farms in wholesale and industrial markets, are market-leading.

As one of Australia's largest almond exporters, Select Harvests has strong relationships in rapidly growing emerging markets including India and China, plus established routes to market in Asia, Europe and the Middle East.

Shareholder Information

Annual General Meeting

The Annual General Meeting will be held on 20th November 2012, at the Sofitel Melbourne, Collins Street, Melbourne, Victoria at 2pm. A separate notice of meeting has been posted to all shareholders.

2013 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
November	Annual General Meeting

Performance summary

Financial year 2012 was a challenging year for the industry and this was reflected in the performance of the business. The reported full year result was impacted by non-cash write downs totalling $24.9 million related to the value of the Western Australian greenfield almond development and a legacy processing facility.

On an underlying basis the financial performance was an improvement on the prior year, despite below average yields which were experienced across the industry, and wet harvesting conditions impacting the quality of the almond crop.

Encouragingly the Food Division delivered a 27% improvement in underlying Earnings Before Interest and Tax (EBIT), reflecting the benefits of increased operational discipline and a strong performance from our value-added brands such as Lucky.

A number of initiatives are in place to improve performance across the business with a focus on capital efficiency, driving operational improvements and efficiency programs to reduce costs and improve quality, plus leveraging Select Harvests' scale, expertise and unique integrated business model.

	Reported Results		Underlying Results*	
EBIT ($'000's)	FY11	FY12	FY11	FY12
Managed Orchards	11,644	9,332	11,644	14,240
Company Orchards	9,819	(12,883)	2,334	3,076
Almond Division	**21,463**	**(3,551)**	**13,978**	**17,316**
Food Division	**3,709**	**6,027**	**4,739**	**6,027**
Corporate Costs	(3,310)	(4,971)	(3,310)	(3,721)
Operating EBIT	**21,862**	**(2,495)**	**15,407**	**19,622**
Interest Expense	(3,389)	(6,248)	(3,389)	(6,248)
Net Profit Before Tax	**18,473**	**(8,743)**	**12,018**	**13,374**
Tax (Expense)/Income	(799)	4,274	(3,113)	(3,860)
Net Profit After Tax	**17,674**	**(4,469)**	**8,905**	**9,514**
Earnings Per Share	33.7	(7.9)	17.0	16.8
Operating Cash Flow	547	22,031	–	–
Dividend per Share (cents)	13.0	8.0	–	–

** FY11 excludes $7.5 million discount on acquisition of almond orchards and $1 million of costs associated with product recall. FY12 excludes $20 million write down to the value of the Western Australian greenfield development, $4.9 million write down of a legacy processing facility, $4 million gain on sale of permanent water rights and $1.2 million restructuring and research and development tax consulting costs.*

Select Harvests:
Unique business model

Select Harvests is Australia's largest vertically integrated nut and health food company with a business model which is unique in the Australian almond industry. The company has three core capabilities – farming, processing and sales & marketing which enable it to capture value at each stage of the value chain.

Select Harvests is a major owner and manager of Australian almond orchards. We have a diversified portfolio of orchards including orchards which are at or near maturity in Victoria and New South Wales, and greenfield orchards in Western Australia established to meet future global demand for almonds.

Select Harvests is Australia's largest vertically integrated nuts and health food company with core capabilities across farming, processing and sales & marketing.

The state-of-the art processing facility at Carina West in Victoria has the capacity to process 30,000 metric tonnes of almonds annually. The plant is capable of meeting the ever increasing demand for both in-shell and kernel. Select Harvests' Food Division provides a route to market domestically and around the world, supplying both branded and private label products to the key retailers and industrial users.

Wheatbelt Region, WA:

Company Orchards: (acs/ha)
3,949/1,590
greenfield development, first crop 2013

Sunraysia Region, VIC:

Company Orchards: (acs/ha)
4,253/1721
mature and approaching maturity

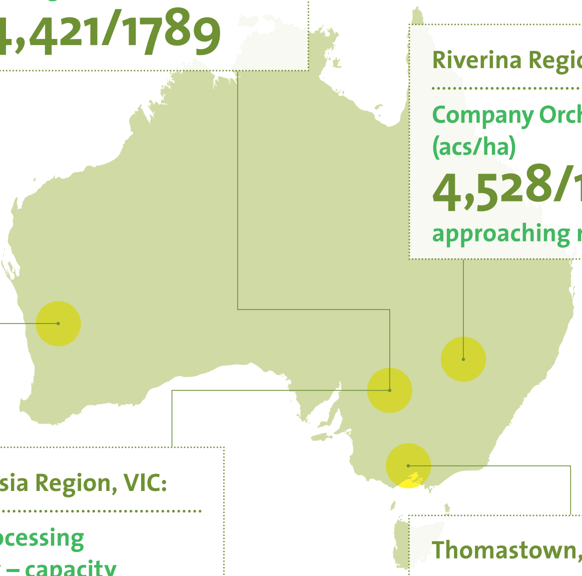
Managed Orchards: (acs/ha)
4,421/1789

Total planted orchards: (acs/ha)
17,151/6940

Company Orchards: (acs/ha)
12,730/5151

Managed Orchards: (acs/ha)
4,421/1789

Almond processing capacity:
30,000mt



Riverina Region, NSW:

Company Orchards: (acs/ha)
4,528/1832
approaching maturity

Sunraysia Region, VIC:

KW Processing Facility – capacity
30,000mt

Thomastown, VIC:

Value added production facility

Letter from the Chairman

MICHAEL IWANIW,
CHAIRMAN

Dear shareholder

I am pleased to present your board's first annual report with me as Chairman of Select Harvests. My overwhelming impression since being appointed Chairman in November is that this is a business with great potential and valuable assets in a compelling industry. Over the last 12 months there have been significant changes within the business to help realise this potential. We have brought in new leadership focussed on driving a performance culture. Good progress has been made in initiatives to strengthen the balance sheet, reduce working capital and costs, and implement operational improvements. Benchmarking of our orchard operations is well progressed to ensure top quartile horticultural and management practices.

In July we appointed Paul Thompson as Select Harvests' new Managing Director. In the short time that Paul has been on board, he has identified a range of initiatives to improve performance and put the company on track to being a leading, internationally competitive, horticulture and food business.

Financial results

Operationally 2012 was a challenging year for Select Harvests, and the financial performance of the business reflected those challenges. On a reported basis the Company produced a Net Loss After Tax for the year of $4.5 million. This was after net adjustments of $22.1 million including non-cash write downs totalling $24.9 million.

On an underlying basis the performance was better. Underlying NPAT was $9.5 million compared to $8.9 million in the prior year. While this was an improvement, the performance of our Almond Division was disappointing, with below average yields experienced across the industry and wet harvesting conditions impacting almond quality.

Encouragingly, the Food Division reported a significantly improved performance. Underlying EBIT increased 27% to $6 million compared to $4.7 million in financial year 2011; largely a reflection of improved operational discipline.

Orchards

On 1 July 2012 the management of 29,500 acres of orchards in Robinvale reverted to Olam, in a process that was well executed by the team. This change will have an impact on part of the 2013 financial year earnings as the remainder of the 2012 crop is processed.

Select Harvests now manages a portfolio of 17,151 acres (6,940 hectares) orchards over three states. 12,730 acres (5,151 hectares) of these are owned by Select Harvests and 4,421 acres (1,789 hectares) of these orchards are managed for other owners. The portfolio has an attractive maturity profile and is well placed to meet growing demand.

Asset write-downs

Following a review of the Company's assets, the Board took the decision to write-down the value of the Western Australian greenfield development by $20 million. This included feasibility costs and land and infrastructure impairment provisions associated with the development.

The 3,949 acres of orchards planted have 22GL of water rights, which have no value apportioned to them. While many of the base assumptions for the development remain valid, the project has experienced higher infrastructure and planting costs than originally expected. The WA development was predicated on 10,000 acres being developed with the support of other investors. A full review of the WA development is being undertaken.

The Company also incurred a $4.9 million write down on the former Kyndalyn Park processing facility which is now redundant. The state-of-the-art Carina West processing facility with 30,000 metric tonnes of processing capacity, is well placed to meet future needs.

Funding and capital management

In-line with the Board's focus on funding and capital management, we have undertaken a number of initiatives to strengthen the Company's Balance Sheet. These include scheduled debt reductions and the continuation of a long-term debt funding agreement with NAB comprising $60 million term debt and a $35 million working capital facility.

We are also well progressed with a program to realign our asset base and strengthen the Balance Sheet through the sale of non-core assets. To this end we announced the sale of 11GL of water entitlements for $18 million in June, 2012. We continue to examine a range of alternatives to optimise our assets.

Global supply and demand

The fundamentals in the almond industry continue to be attractive. Globally, almond demand has grown at a compound annual growth rate of 8% over the last decade and growth looks set to continue. Rapid urbanisation and growing affluence in China and India is driving strong demand from those markets. In developed markets the nutritional benefits of almonds and nut categories are becoming better understood and demand for almonds, and other nuts, continues to grow. The strength of global demand was well illustrated by another record year of almond shipments from the United States, which produces over 80% of global almond supply. Shipments increased by 14% with strong demand from Asia and Europe underpinning an increase in the almond price.

The strong growth in demand is coupled with supply constraints due to a lack of recent plantings globally. The long lead time to get almond trees to mature production, favourable supply and demand dynamics and the long term growth in almond consumption, bodes well for Select Harvests' maturing orchards and integrated business model.

Board & Management

In June Curt Leonard retired from the board of Select Harvests after eight years as a director of the Company and three years as Chairman. I extend my personal gratitude to Curt. Not only did he steer the Company through a period of significant and challenging change, he has been extremely supportive of me in my new role. The board wishes Curt well in his retirement.

This year saw the departure of John Bird as our Chief Executive after 14 years in the role. I would like to thank him for his contribution to Select Harvests.

Dividend

At the full year results the board declared a final fully franked dividend of 3 cents per share, resulting in a total dividend for the year of 8 cents per share. This was payable on 22 October to shareholders based on their holding at 11 September 2012.

Conclusion

The outlook for Select Harvests is positive. Global fundamentals are strong and volumes are expected to increase as orchards mature. We have made progress in initiatives to strengthen the Balance Sheet and will be focussing on the following areas:

- Utilising our assets to their best advantage to make Select Harvests an internationally competitive food and horticulture business
- Ensuring we have the right people, management structures and processes in place
- Becoming more collaborative and working in mutually beneficial partnerships that add value to Select Harvests' assets and enable us to free up capital
- Improving our orchard management practices and yields to ensure we optimise their profitability
- Targeting additional volumes for the Robinvale processing facility
- Reducing corporate and operating costs
- Further improving the financial performance and increasing the market share of our Food Division
- Improving communication with stakeholders
- Investigating and progressing business growth opportunities

On behalf of the board I would like to take this opportunity to thank the management team and staff for their professionalism, hard work and commitment, and to thank you, our shareholders, for your ongoing support. We look forward to updating you on the Company's continued progress in the future.

Michael Iwaniw,
Chairman

Managing Director's Review

PAUL THOMPSON,
MANAGING DIRECTOR

I joined Select Harvest in July this year and I believe it's a business with strong potential, operating in an industry which has compelling fundamentals.

Global demand for almonds has grown at an average compound annual rate of 8% for the last decade. A lack of plantings globally in recent years, and the long lead times to bringing orchards to production, means that demand is expected to exceed supply in the near term. Furthermore the world's largest almond producer, the USA, with over 80% the global market, is constrained by a lack of appropriate land and water availability.

In developed markets consumers are becoming more aware of the health and nutritional benefits of almonds. There is growing evidence that consumers are choosing nuts as a healthy option over traditional snacks. In fact almond consumption has grown from 0.492 kg per person in 2007 to 0.735kg in 2011. With nutritionists recommending a daily nut intake of 30g, the size of one of our Lucky six-packs, we see plenty of opportunity for that trend to continue. Equally exciting is the demand for almonds from emerging markets such as India and China. Shipments from the USA to Asia now exceed those to Western Europe. Put simply demand continues to grow as almonds are replacing traditional snacks, like biscuits, across the globe.

Australian almond growers have not benefited as much as they should have done from these strong fundamentals in recent years. Three consecutive years of unseasonably wet growing and harvesting conditions have resulted in below average crop volumes. Crop quality has also been impacted by the wet weather. This combined with an Australian dollar at historic highs against the US dollar, has in turn impacted the price Australian growers have achieved. The Australian industry's profitability has been significantly impacted.

Select Harvests is Australia's largest vertically integrated nut and health food company with expertise and core capabilities across the almond value chain from farming and processing to sales and marketing. The business has a geographically diversified portfolio of Company Orchards with a significant proportion of those orchards at or near maturity, and it has market leading brands.

The challenge for me and the leadership team, is to manage and grow the business as effectively and efficiently as possible to ensure that it is well positioned to benefit from the ongoing demand for almonds and other health food products.

We are in the process of building:

- A cash generating business that will be positioned to invest in the growth of our industry
- A company of passionate people
- A strong and trusted company
- A business that can manage the dynamic agricultural cycle and can mitigate the inherent risks
- A company that responds to challenges and learns from experience

Financial Performance

The 2012 financial year was challenging for the industry and for Select Harvests. Despite this the underlying performance of the business improved on the prior year with strong contributions from the Food Division and from the New South Wales Belvedere orchards purchased in June 2011.

Almond Division

EBIT from our Almond Division was $17.3 million after adjusting for the asset write downs and the gain on sale of water rights, up from $14 million in the prior year. Despite a promising early crop set, the Almond Division was impacted by below average yields which have been experienced across the Australian almond industry. These poor yields were the result of a third year of unseasonably wet weather during the harvest impacting on product quality, processing and price.

On an underlying basis, Managed Orchards EBIT was $14.2 million, up from $11.6 million a year ago. This primarily reflects higher year-on-year processing volumes, due to increasing maturity of the managed orchards. EBIT in the previous year was impacted by lower volumes and higher costs due to wet harvesting conditions.

Underlying Company Orchards EBIT was $3.1 million, up from $2.3 million in financial year 2011. The Company Orchards crop increased by 43 percent to 5,830 metric tonnes. This included a strong performance from the recently acquired Belvedere orchards which contributed 1,000 metric tonnes. Despite wet weather during the harvest impacting the quality of the crop, and the continued strength of the Australian dollar, the almond price achieved was 4.8 % higher than last year. Importantly the working capital

requirements for the Company Orchards have plateaued reflecting the maturity profile of the orchards.

We now have 3,949 acres of orchards in Western Australia. As the Chairman states in his letter we are conducting a review of the Western Australian development and investor partners may be required to realise the potential of the project.

Food Division

The Food Division provides us with a route to domestic and international markets. The division delivered a solid performance this year with an underlying EBIT of $6 million, representing improved operational discipline in the business and the continued strong performance of our market leading, value-added brands including Lucky and industrial supplies brands Alinga Farms and Renshaw. Marketing revenues benefited from increased volumes from our Managed Orchards.

In March the Company appointed Kidder Williams to oversee the sale of the non-core health and snack food brands; SunSol, Soland and Nu-Vit. A number of expressions of interest have been received, however the Company will only proceed with a sale if sufficient value can be realised for shareholders. These brands are market leaders in the health food category and there remains significant potential to unlock value by introducing further operating efficiencies.

Outlook and opportunities

I am optimistic about the outlook for Select Harvests. There are significant opportunities to unlock value by driving operational improvements and efficiencies, reduce costs and leverage the business's scale, expertise and unique integrated business model. We have quality assets and an extremely passionate and experienced workforce who understand the industry, our opportunities, and who are determined to succeed.

Our focus for the near term will be driving the One Select program – a number of initiatives to improve performance across the business, optimise our assets and to drive a unified performance culture.

The business stands to benefit from the improved maturity profile of our orchards and improvements in yields and crop quality. Full horticultural programs are underway across our established orchards. We have engaged independent experts to conduct a benchmarking of our orchard operations against international best practice to ensure top quartile horticultural and management practices. We are refining a number of our processes, including tracking of crop data through the growing cycle, to empower individuals at the coalface to better inform our management decisions.

Our Carina West Processing Facility at Euston in Victoria is a truly world-class asset. With capacity of 30,000 metric tonnes it is well placed to service Select Harvests needs and an anticipated shortfall in processing capacity across the industry. Post Olam we are endeavouring to secure additional processing volumes from independent growers by focussing on quality and service.

Our Food Division has great potential to improve its profitability. It is clear, post an extensive range review, that opportunities exist in the following areas: range rationalisation, product redesign, go to market resources and ongoing brand development. In the past two years we have seen a significant turnaround in this business, it will continue over the next couple of years.

The fundamentals underpinning the global almond industry remain compelling. Demand for almonds continues to grow domestically and internationally and demand is on track to exceed supply.

I, along with the other Board members and employees of Select Harvests, are committed to ensuring the business captures the benefit from attractive long-term fundamentals by improving our executional capability.

Paul Thompson.

Paul Thompson,
Managing Director

The almond opportunity: Strong global fundamentals

The global almond market continues to demonstrate strong and attractive fundamentals.

World demand for almonds has grown at a compound annual growth rate of 8% annually over the past decade and demand is on track to significantly exceed available supply in the future (see fig. 1).

Growing awareness of the health benefits and an increasingly affluent middle class in emerging markets such as India and China has resulted in strong growth in consumption. 45% of consumers worldwide reported eating almonds several times a month or more in 2011, an increase of 36% from 2009.[1]

Almonds are the number one nut used in new products worldwide, and the preferred nut choice among consumers as a food ingredient.[1]

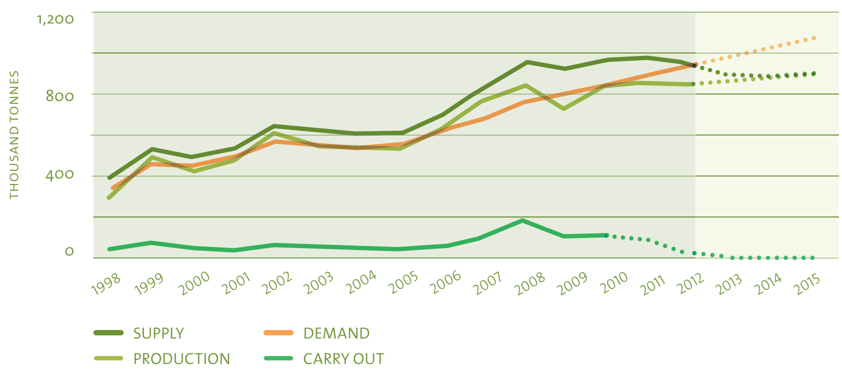
Statistics from the United States, which grows over 80% of global almond supply, provide a good indication of global trends and demand.

Despite record US almond crops in four of the last five years, the carryout rate has fallen and the almond price over the last year has increased. US shipments this year grew 14%.

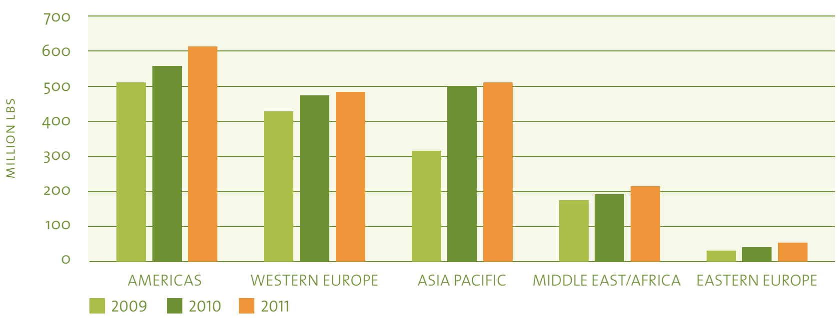
As in recent years, US exports to emerging markets including the Asia-Pacific and Middle Eastern regions grew in 2012, with exports to Asia surpassing those to Western Europe for the first time (see fig. 2).

China, India and the United Arab Emirates made up three of the top five US export destinations, demonstrating the exceptional long term opportunities presented in these markets.

WORLD ALMOND SUPPLY VS DEMAND – *FIG. 1*



CALIFORNIA ALMONDS – SHIPMENTS BY DESTINATION – *FIG. 2*



The Middle East is a fast growing export market. The region has an ancient tradition of almond consumption, with almonds playing a key role in breaking of the Ramadan feast.[2]

Almond consumption per capita in China has more than tripled since 2007.[2]

Australian almonds well placed to meet demand

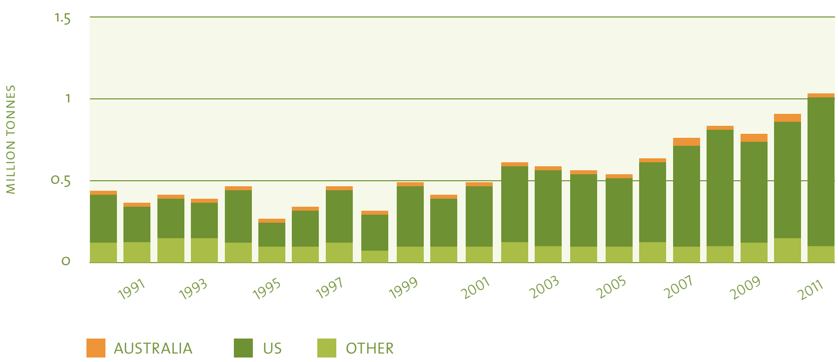
The Australian almond industry holds a significant and growing position in global almond production.

Just 34% of Australian almond plantings are currently at full maturity. Future production increases in Australia put us on track to overtake Spain as the world's second largest almond producer. At full maturity Australia will account for around 8% of world production leaving the industry well placed to benefit from increases in global consumption and demand.

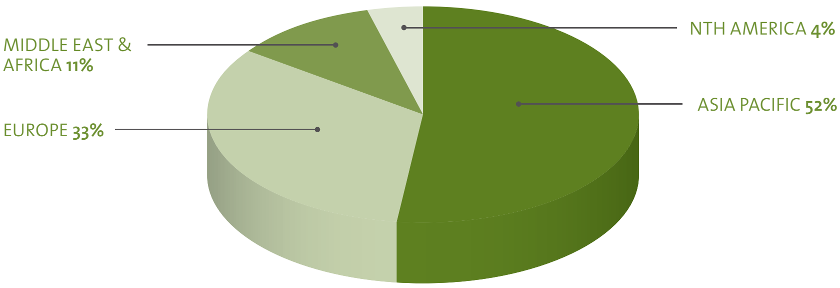
Australia already exports almonds to more than 40 countries. Our largest export market, representing more than $40 million in 2011/12, is India, where almond consumption has experienced phenomenal growth in recent years.

Consumption trends in Australia are similarly positive, with domestic per capita consumption increasing from 492g per person in the 2007/08 marketing year to 735g per person in 2011/12.

AUSTRALIA'S CONTRIBUTION TO GLOBAL ALMOND PRODUCTION[1]



AUSTRALIAN ALMOND EXPORTS BY REGION (2011/12 MARKETING YEAR)[1]



India is one of Australia's biggest almond export markets. Almonds are an important part of India's cultural heritage, especially during festive periods and weddings.[1]

Australians are eating nearly double the amount of almonds they were five years ago. The average Australian eats 735g a year.[1]

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1. 2010 Innova Market Insights, Global New Product Report

2. Australian Almond Board

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1. Australian Almond Board

The almond life cycle

Almond trees do not produce fruit until they are around three or four years old and reach maturity at seven years old. Almond trees have a life span of about 25 to 35 years. Select Harvests orchards in Victoria and New South Wales are at, or nearing, full maturity.

Source: Australian Almond Board

Almonds require cold winters and hot summers. Almond trees typically lie dormant over the winter period with blossom occurring from late July to early September.

Non-pareil almond trees, which make up 50% of plantings in Australia, require pollination from other almond varieties known as pollinators. Bees are transported to orchards specifically to carry pollen between the pollinators and other trees to achieve fertilisation which leads to bloom.

From Autumn to February the blossom matures to develop into nuts, it is important during this period that the trees get sufficient water and nutrients to optimise the growing nuts. A sign of the winter harvest, which generally occurs from February until March, is when the hull splits and the almond shell, which contains the kernel, becomes exposed. Some of the product is de-hulled for in-shell sales to Asia. Select Harvests has a market share in excess of 50% of the in-shell export market.

During processing, the almond hull is removed and the fruit is used to make a wide variety of products including kernels (natural, roasted, flavoured), blanched, slivered or sliced almonds. Cooking products including almond meal, flour and pastes are also produced, meaning there is very little wastage during processing. The by-product from manufacturing, almond hulls and skins, have potential to be used for compost or as animal feed.

In shell

Kernal

Whole blanched

Natural Sliced

Blanched sliced

Slivered

Chopped

Meal

Source: Australian Almond Board

A leading almond supplier

Select Harvests processes, markets and supplies almonds in Australia and around the world.

Our marketing program has the overarching objective of encouraging almond consumption growth and ensuring we are best placed to benefit from favourable industry dynamics. We work closely with the Australian Almond Board and other industry bodies on a domestic and international basis to achieve this objective.

In Australia our direct access to the whole food industry encompasses the retail, food service and food manufacturing sectors.

This year our promotional program, undertaken in partnership with the Australian Almond Board, focussed on educating and informing stakeholders, including consumers, manufacturers, retailers and health professionals, about the nutritional profile and versatility of almond consumption.

An example of this was the "New Year, New Heart" promotion in January and February, and the "Hearts for Life" campaign in April and May, both of which highlighted the benefits of almonds in assisting heart health. The promotion was bolstered by a giveaway of over 80,000 heart shaped almond snack tins which have been an effective tool in increasing customer numbers and almond consumption. The tins hold 30 grams of almonds, the recommended daily serving for optimum heart health.

Following a detailed review of the Food Division during the year, we have renewed our focus on our core retail and ingredient almond products which will be reflected in our promotional program in fiscal 2013. Key to this approach is driving the success of our market leading brands in both core and growth categories including snacks and baking and ingredients.

Our suite of brands in the Food Division continues to perform well. Lucky is a market leading brand in the dried fruit and nuts category, and SunSol, Nu-Vit and Soland are strong brands in the health foods category. Our other brands including Renshaw and Allinga Farms are leaders in the food service and wholesale nuts categories.

Every year we process in excess of 14,000 metric tonnes across a varied group of commodities. Over 30% of this volume sits with almonds, where we take natural product to pack, or convert almonds into diced, flaked, slivered or meal product. In addition to almonds we can process over 2,500 metric tonnes of cashews and approximately 1,000 metric tonnes of peanuts.

The 'Lucky' brand

Our Lucky nut brand continues to grow, consolidating its leading position in the dried fruit and nuts category. Our marketing team focusses on driving the brand to new heights, increasing its contemporary feel and its relevance for consumers.

Market growth continues to be driven by an increasing awareness of the health properties of nuts and the popularity of home cooking and baking as a result of popular cooking shows.

To this end, we continue to see positive consumer responses to new products such as the Lucky Traditional Fruit & Nut Cake Mix, a blend of premium quality nuts and fruit in one pack, making it quick and easy for the home cook to make a perfect fruit cake.

In snacks, our Lucky 6 packs – nut snacks in portion controlled packs of 30g – continue to drive growth. The snacking range also includes resealable Lucky tubs and the range of Lucky Smart Snax – developed in consultation with nutritionists – which have been extremely popular with consumers.

Lucky was promoted at the 2011 MasterChef Live show, which was held in Sydney in October. Enthusiastic consumers visited the show to meet their favourite celebrity chefs, partake in cooking demonstrations and sample quality products, including Lucky cooking and snacking products.

Over summer, Lucky Smart Snax were promoted on beaches around Australia as part of the Australian Surf Rowers' League national competition carnival.

Our healthy snacking credentials led us to be invited to advertise in the Australian Olympic Committee licensed "Official Australian Team Guide to the 2012 Olympic Games", which was distributed to all members of the 2012 Australian Olympic team, various sporting organisations and sold to the general public.

Lucky has been driving growth in the Dried Fruit and Nut category for over 50 years.

Almond exports

With over 70% of sales in international markets, Select Harvests works closely with the Australian Almond Board to promote the industry, build on established relationships and improve market access particularly in regions with favourable demand trends. These efforts are supported by the counter seasonal timing and traditional premium quality of the Australian Almond Crop.

This year, Select Harvests held exhibits in conjunction with the Australian Almond Board at major international food expos, helping to develop our presence in important trading regions. There is a growing appreciation and recognition of the quality of Australian almonds at these events which helps to drive growth in exports.

Anuga, Germany

The Australian almond industry has been exhibiting at Anuga since 2005 and the event has proved an important platform for developing customer relationships within the key European market, and in particular Germany which is Australia's second biggest almond export market. Anuga is a biennial fair which was attended by almost 7,000 companies from 100 countries and attracted over 155,000 trade visitors from 180 countries in 2011.

Gulfoods, Dubai

As the largest annual food fair in the Middle East, Gulfoods is an important opportunity to build on our established relationships with major customers in these markets. At this year's Gulfoods, the Australian almond industry held an Industry Forum at the conference centre which was attended by over 50 almond customers. The event attracted over 70,000 visitors largely from emerging markets such as the Middle East, North Africa and India.

International Nut Congress, Singapore

The major annual Congress of the International Nut and Dried Fruit Council was held in Singapore in May 2012 and attracted the major nut traders from around the world. The timing of this Congress provided the Australian almond industry with the opportunity to give a 2012 crop update to major trading customers.

We will look to build on the success of our international marketing program in 2012-13 with exhibits at major world food trade exhibitions currently scheduled in Paris, Dubai and Hong Kong. We will also be exhibiting in Russia for the first time; almond consumption in Eastern Europe has grown significantly in the past three years.

Select Harvests in the community: Environment

Our Environment

Select Harvests recognises that sustainable business performance is intrinsically linked with how the business interacts with its communities and the environment.

We take our commitment to being environmentally responsible very seriously and work hard across all areas of our business to operate efficiently and minimise waste, thereby reducing the impact our business has on the environment.

The focus during 2012 was on efficiency and minimising waste in all forms.

During the year we undertook to improve our standard and new product development processes to optimise our packaging utilisation and recycling programs. As a long term signatory to the Australian Packaging Covenant, this year we submitted a detailed Action Plan (2012–2015).

We have undertaken to:

- Review on-site recycling and identify opportunities for improvement
- Review all existing and future packaging against sustainable packaging guidelines with a view to meeting minimum standards as set out by the covenant
- Implement a plan of recycling non-product related waste
- Review our current water usage on site and identify possible opportunities for reduction or recycling

The business will submit an annual progress report in March 2013, and we look forward to sharing our achievements with you in next year's Annual Report.

Water efficiency also remains a top priority. We recognise that we are a large consumer of water and water is a scarce and valuable resource. We have sophisticated systems and technology in place to ensure that water is conserved. We continually monitor soil moisture and our water use and work to develop strategies to better meter the volumes of water we draw and use on our farms.

Our water-wise approach, and the availability of economically viable temporary water solutions, meant that we were able to sell 11GL of high security Victorian and New South Wales water rights assets for $18 million in June of this year.

Regent Parrot Project research with Charles Sturt University

Select Harvests remains a major funding partner of a Charles Sturt University research project in conjunction with the Victorian Department of Sustainability and Environment, NSW Office of Environment and Heritage and the Mallee Catchment Management Authority.

The PhD students who have been conducting research since 2011 on the project titled "Managing agricultural landscapes to maximise production and conservation outcomes; the case of the Regent Parrot", are analysing the data collected and are in the process of completing their thesis. The thesis focusses on assessing the positive and negative interaction of native birds, and in particular the endangered Regent Parrot, with crops with a view to providing guidelines to maximise biodiversity and production gains.

The project is scheduled to complete at the end of this year.

Minimising wastage

Virtually none of the almond goes to waste during processing. Almonds not sold as whole kernels are blanched, slivered or sliced, or used to produce cooking products including almond meal, flour and pastes. We are currently investigating further sustainable uses for almond hulls so that this by-product is not wasted.

Select Harvests in the community: People

Occupational Health and Safety (OHS)

Select Harvests is committed to facilitating an organisational culture that actively seeks to improve work practices and to foster attitudes which sustain healthy and safe work environments. We are committed to safety in all areas of our business and it remains a key performance measure.

We have a health and safety programme that provides the structural framework within which OHS is managed and outlines the responsibilities of management, supervisors, employees, contactors, visitors and their representatives.

During the year various initiatives were implemented. The Almond Division designed and developed an automated process for mixing fertiliser which has been very successful in the reduction of manual handling. At the Thomastown site, supporting frames for bulk bags were specifically designed to hold product over hoppers for a safer system of work.

We also improved our safety hazard identification process throughout the company and have a structured safety audit inspection programme in place to identify hazards and implement controls. The Thomastown site reported a 20% reduction of accidents compared with the previous year. The Almond Division has reported the lowest lost time injuries for the year since the 2007/2008 fiscal year.

Training programmes are considered a priority to maintain safe systems of work and reinforce safe practices. Key areas of training during the year included first aid, OHS 5-Day for Health and Safety Representatives, emergency procedures, forklift training, safe handling and storage of chemicals, manual handling and hearing protection. Specific training has also been conducted for some sites, such as bee safety awareness, firearms training and vermin control.

Looking ahead, we will be conducting a full review of employee and contractor inductions with the intent to simplify this process across the company, improving internal and external traffic management for all sites and focussing on efficiencies including reducing manual handling activities.

Training

150 orchard staff undertook their Certificate III in Production Horticulture this year. The qualification provides a vocational outcome in production horticulture and equips participants to develop skills in areas such as emergency disease or plant pest response, drainage systems performance and irrigation maintenance. Students also develop practical skills including problem solving, interdependence and initiative.

Health and Wellbeing

This year, we also took a special interest in the broader health and wellbeing of our staff.

With a significant number of female employees at our Thomastown processing facility, we felt it important to provide access to women's health services on site. The Multicultural Centre for Women's Health visited Select Harvests' Thomastown offices on seven different occasions during April and May of 2012 and delivered high quality multilingual health information and education on various topics. The program was very successful and we hope to run it again next year.

We also invited Robinvale District Health Services to conduct health screenings for staff at the Carina West Processing Facility.

Our Board of Directors

MICHAEL IWANIW—*CHAIRMAN*

Michael Iwaniw was appointed as Chairman of Select Harvests in November 2011 following a career spanning 40 years in Australian agribusiness. He became Managing Director of the Australian Barley Board (ABB) in 1989, retiring from the role some 20 years later. As Managing Director he led the transition from a statutory authority to a publicly listed company, growing the business into an ASX 100 company with a market capitalisation of A$1.6 billion. Michael has acted as a Non Executive Director of a number of Companies. He is currently a Non Executive Director of Australian Grain Growers Cooperative.

PAUL THOMPSON—
MANAGING DIRECTOR

Paul Thompson joined Select Harvests as Managing Director in July 2012. He is an experienced executive with over 30 years in management. Before joining Select Harvests Paul was President of SCA Hygiene Australasia responsible for a $600 million turnover business across all of its divisions (FMCG, Pharmacy, Industrial/ Foodservice & Healthcare) and overseeing leading brands including Sorbent and Handee. Paul is a member of the Australian Institute of Company Directors and has formerly held positions as a Director of the Australian Food & Grocery Council and on other industry bodies.

FRED GRIMWADE—
NON-EXECUTIVE DIRECTOR

Fred Grimwade 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 of Troy Resources Ltd, XRF Scientific Limited and Fusion Retail Brands Pty Ltd. 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.

ROSS HERRON—
NON-EXECUTIVE DIRECTOR

Ross Herron 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 Melbourne office Managing Partner and served on several international committees within Coopers & Lybrand. He is Chairman of GUD Holdings Ltd, and Royal Automobile Club of Victoria (RACV) Ltd and a non-executive director of 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 Carroll 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.

PAUL RIORDAN—
NON-EXECUTIVE DIRECTOR

Paul Riordan was appointed to the Board in October 2012. He has worked in various rural enterprises during his career, in Australia and the United States, including small seed production, large-scale sheep and grain organisations, and beef cattle. Paul is a co-founder and executive director (operations) of Boundary Bend Olives, Australia's largest vertically integrated olive company. Paul has a Diploma of Farm Management from Marcus Oldham Agricultural College, Geelong and has extensive operational and business experience in vertically integrated agribusinesses, including in horticultural operations and risk management.

Statistical summary

SELECT HARVESTS CONSOLIDATED RESULTS FOR YEARS ENDED 30 JUNE		*2012	2011	2010	2009	2008	2007	2006
Total sales		246,766	248,316	238,376	248,581	224,655	229,498	217,866
Earnings before interest and tax		(2,495)	22,612	26,032	26,827	27,120	40,549	38,369
Operating profit before tax		(8,743)	18,473	23,603	23,047	25,384	40,014	37,903
Net profit after tax		(4,469)	17,674	17,253	16,712	18,130	28,098	26,492
Earnings per share (Basic)	(cents)	(7.9)	33.7	43.3	42.6	46.7	71.0	67.1
Return on shareholders' equity	(%)	(2.8)	10.5	15.2	16.6	19.3	29.4	26.1
Dividend per ordinary share	(cents)	8	13	21	12	45	57	53
Special dividend per ordinary share	(cents)	0	–	–	–	–	–	10
Dividend franking	(%)	100	100	100	100	100	100	100
Dividend payout ratio	(%)	(101.3)	38.6	48.5	28.2	96.7	80.0	80.0
Financial ratios								
Net tangible assets per share	($)	2.19	2.17	1.87	1.56	1.41	1.57	1.83
Net interest cover	(times)	(0.4)	6.7	10.7	7.1	15.6	75.8	82.3
Net debt/equity ratio	(%)	41.7	43.3	39.6	51.9	49.7	1.7	1.3
Current asset ratio	(times)	1.42	1.96	1.44	0.79	0.87	1.32	1.82
Balance sheet data as at 30 June								
Current assets		76,936	91,228	83,993	81,075	77,014	70,983	72,455
Non-current assets		202,371	214,352	145,612	133,884	118,934	89,170	79,421
Total assets		279,307	305,580	229,605	214,959	195,948	160,153	151,876
Current liabilities		54,369	46,454	58,469	102,348	88,162	53,680	39,905
Non-current liabilities		64,608	90,311	57,515	11,735	13,715	10,969	10,490
Total liabilities		118,977	136,765	115,984	114,083	101,877	64,649	50,395
Net assets		160,330	168,815	113,621	100,876	94,071	95,504	101,481
Shareholders' equity								
Share capital		95,957	95,066	47,470	46,433	44,375	41,953	52,665
Reserves		10,472	11,201	11,327	12,949	11,235	11,273	12,691
Retained profits		53,901	62,548	54,824	41,494	38,461	42,278	36,125
Total shareholders' equity		160,330	168,815	113,621	100,876	94,071	95,504	101,481
Other data as at 30 June								
Fully paid shares	(000)	56,813	56,227	39,779	39,519	39,009	38,739	39,708
Number of shareholders		3,359	3,227	3,039	3,296	3,319	2,953	3,369
Select Harvests' share price								
- close	($)	1.30	1.84	3.46	2.16	6.00	11.60	13.02
Market capitalisation		73,857	103,458	137,635	85,361	234,054	449,372	516,998

$ '000 (except where indicated)

**Includes $24.9 million of pre-tax net asset write downs*

Contents

Directors' Report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "consolidated entity") for the year ended 30 June 2012.

Directors

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

Names, qualifications, experience and special responsibilities

M Iwaniw (Chariman)

Appointed to the board on 27 June 2011 and appointed Chairman 3 November 2011. He began his career as a chemist with the Australian Barley Board (ABB), became managing director in 1989 and retired 20 years later. During these years he accumulated extensive experience in all facets of the company's operations, including leading the transition from a statutory authority and growing the business from a small base to an ASX 100 listed company. Helped orchestrate the merger of ABB Grain, AusBulk Ltd and United Grower Holdings Limited to form one of Australia's largest agri-businesses. He has a Bachelor of Science, a graduate diploma in business administration and is a member of the Australian Institute of Company Directors. He 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: 100,000 fully paid shares.

P Thompson (Managing Director)

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

Interest in Shares and Options: 0 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 Chairman of Royal Automobile Club Of Victoria (RACV) Ltd, Chairman of GUD Holdings Ltd, 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: 41,965 fully paid shares.

M Carroll, BAgSc, MBA & FAICD (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 Queensland Sugar Limited, Sunny Queen Farms, Meat and Livestock Australia, Rural Finance Corporation, Rural Funds Management and Warnambool Cheese and Butter. He has 18 years experience in banking and finance, having established and led 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, LLB (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 Ltd, XRF Scientific Limited and Fusion Retail Brands Pty Ltd. 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: 100,000 fully paid shares.

J C Leonard, B.Mktng & Bus. Admin, MBA (Former 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 was Chairman of the Board, a member of the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

Curt Leonard retired 1 June 2012.

J Bird (Former 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.

John Bird retired 1 March 2012.

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

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

Interest in shares and options: 22,000 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 571 full time employees as at 30 June 2012 (2011: 633 employees).

Directors' Report

Review and results of operations

Loss attributable to the members of Select Harvests Limited for the year ended 30 June 2012 was $4.5 million compared to a profit of $17.7 million in 2011.

The Company has recognised impairment losses of $24.9 million in relation to property, plant and equipment during the period. $20.0 million of the impairment losses relate to the Company's orchards in Western Australia with the remaining $4.9 million relating to almond processing plant and equipment assets.

For additional information refer to the announcement lodged with the ASX.

Significant changes in the state of affairs

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

Significant events after the balance date

On 31 August 2012, the Directors declared a final dividend of 3 cents per share payable on 22 October 2012 to shareholders on the register on 11 September 2012.

On 22 August 2012 the annual review of the company's debt facility agreement with the National Australia Bank (NAB) was completed with the total debt facility limit being amended from $115,000,000 to $95,000,000.

Likely developments and expected results

In 2013, the Company will consolidate its investments in almond orchards, continue to pursue new growth opportunities, and review operations to enhance profitability.

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.

Remuneration Report

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 or performance rights on securities. This reflects the responsibilities and the Group's demands of directors. Non-executive directors' fees are periodically reviewed by the Board to ensure that they are continually appropriate and in line with market expectations.

Directors' fees

The current directors' fees were last reviewed with effect from 1 July 2011 and are as follows:

	From 1 July 2011
Base Fees (excluding superannuation)	
Chairman	$145,000
Other non-executive directors	$72,267
Additional Fees (excluding superannuation)	
Chair of the Audit and Risk Committee	$10,000
Chair of the Remuneration Committee	$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 performance rights in the Select Harvests Limited executive Long Term Incentive Plan.

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

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.

Long-term incentives

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

MEASURE	PROPORTION OF RIGHTS TO VEST
EPS	
Below 5% growth	Nil
5% growth	25%
5.1% – 6.9% growth	Pro rata vesting
7% or higher growth	50%
TSR	
Below the 60th percentile*	Nil
60th percentile*	25%
61st – 74th percentile*	Pro rata vesting
At or above 75th percentile*	50%

* Of the peer group of ASX listed companies

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 117%.

Earnings Per Share

	2008	2009	2010	2011	2012
Cents	46.7	42.6	43.3	33.7	(7.9)
Growth	(34%)	(9%)	2%	(22%)	(123%)

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 senior executives:

NAME	POSITION	EMPLOYER
P Ross	General Manager Almond Processing	Select Harvests Limited
T Millen	General Manager Horticultural & Farm Operations	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	General Manager Food Division	Select Harvests Food Products Pty Ltd

The nature and amount of each major element of the remuneration of each director of the Company and each of the key management personnel of the company and the consolidated entity for the financial year is detailed below. It should be noted that performance rights granted referred to in the remuneration details set out in this report comprise a proportion of rights which have not yet vested and are reflective of rights that may vest in future years.

2012	ANNUAL REMUNERATION				LONG TERM			
	Base Fee $	Short Term Incentives $	Non Cash Benefits $	Super-annuation Contri-butions $	Long Service Leave Accrued $	Performance Rights Granted $	Termination Benefits $	Total $
Non Executive Directors								
F Grimwade	66,300	-	-	5,967	-	-	-	**72,267**
J C Leonard	83,017	-	-	7,472	-	-	-	**90,489**
M Carroll	73,639	-	-	6,628	-	-	-	**80,267**
R M Herron	75,474	-	-	6,793	-	-	-	**82,267**
M Iwaniw*	223,307	-	-	-	-	-	-	**223,307**
Executive Director								
J Bird	467,204	-	20,949	41,619	-	-	686,745	**1,216,517**
Other key management personnel								
P Chambers	252,574	-	46,171	23,001	-	-	-	**321,746**
M Graham	229,222	-	38,462	20,716	-	-	-	**288,400**
L Van Driel	231,900	-	18,211	20,081	6,377	-	-	**276,569**
T Millen	223,980	-	16,497	18,382	7,352	-	-	**266,211**
P Ross	255,046	-	-	22,954	-	-	-	**278,000**

* Includes fees of $108,412 received for fulfilling the Executive Chairman role for the period 5 March 2012 to 9 July 2012.

Notes

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

Performance rights granted as part of 2012 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.

Remuneration Report

2011	ANNUAL REMUNERATION				LONG TERM		
	Base Fee $	Short Term Incentives+ $	Non Cash Benefits $	Super-annuation Contri-butions $	Long Service Leave Accrued $	Options Granted++ $	Total $
Non Executive Directors							
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 Director							
J Bird	642,874	105,000	27,932	36,995	10,885	(106,827)	**716,858**
Other key management personnel							
M Graham	224,047	28,000	23,465	23,443	4,333	-	**303,288**
K Martin****	336,922	26,265	-	17,026	-	(25,500)	**354,713**
L Van Driel	206,499	37,950	31,219	21,510	3,964	(23,000)	**278,142**
T Millen	196,791	25,300	11,899	19,448	3,604	(23,500)	**233,541**
P Chambers	226,449	43,500	43,171	24,135	4,494	(27,000)	**314,749**
P Ross	248,073	27,040	-	22,327	4,135	(25,000)	**276,575**

* Retired 27 October 2010
** Commenced 27 July 2010
*** Commenced 27 June 2011
**** Departed 25 February 2011 (Base fee includes Termination Payments of $174,007)
+ Amounts have been restated to reflect the actual bonus for 2011
++ **Options granted** includes a negative adjustment for options previously recognised as remuneration that will not vest

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 2011 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.

The actual relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

2012	Fixed Remuneration		At risk – STI		At risk – LTI	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
Non Executive Directors						
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	100.0	100.0	-	-	-	-
Executive Director						
J Bird	100.0	78.4	-	21.6	-	-
Other key management personnel						
P Chambers	100.0	87.7	-	12.3	-	-
M Graham	100.0	88.6	-	11.4	-	-
L Van Driel	100.0	88.1	-	11.9	-	-
T Millen	100.0	86.7	-	13.3	-	-
P Ross	100.0	100.0	-	-	-	-

Service Agreements

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

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

The major provisions of the agreements are set out below.

NAME	TERM OF AGREEMENT	BASE SALARY INCL SUPERANNUATION
P Thompson	On-going – 6 Months Notice	450,000
P Chambers*	On-going – 3 Months Notice	305,080
M Graham*	On-going – 3 Months Notice	288,400
T Millen*	On-going – 3 Months Notice	263,803
L Van Driel*	On-going	264,098
P Ross*	On-going – 3 Months Notice	278,000

* Base salaries quoted are for the year ended 30 June 2012. They are reviewed annually by the Remuneration Committee, however the review for the 30 June 2013 year is yet to be completed.

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

Remuneration Report

Share-based compensation

Long Term Incentive Plan

The current LTI Plan provides for the offer of a parcel of performance rights with a three year expiry period to participating employees on an annual basis. The rights vest annually in three tranches on achievement of the performance hurdles as described previously.

Individual parcels of rights offered to participating employees are based on a percentage of fixed remuneration. Performance rights granted as remuneration are subject to continuing service with the consolidated entity. Performance rights granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. Options previously granted as remuneration under the former executive share option scheme in relation to 409,742 shares, valued at $117,459 have lapsed during the year.

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 rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

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

During or since the end of the financial year, the Company granted 655,740 performance rights to unissued ordinary shares to the key management personnel of the company as part of their remuneration.

2012	Number of rights granted during the year	$ Value of rights at grant date	Number of rights/options vested during the year	Number of options lapsed during the year	$ Value at lapse date
Executive					
J Bird	-	-	-	539,784	-
Other key management personnel					
P Chambers	173,880	198,708	-	136,426	-
M Graham	167,940	191,919	-	41,320	-
L Van Driel	-	-	-	116,214	-
T Millen	151,740	173,406	-	117,685	-
P Ross	162,180	185,337	-	126,757	-

No options or performance rights were exercised in the financial year ended 30 June 2012 (and in 2011).

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/rights may vest
J Bird	-	100%	2009	-	100	2012
			2010	-	100	2013
P Chambers	-	100%	2009	-	100	2012
			2010	-	100	2013
			2012	-	-	2014
			2012	-	-	2015
			2012	-	-	2016
M Graham	-	100%	2010	-	100	2013
			2012	-	-	2014
			2012	-	-	2015
			2012	-	-	2016
L Van Driel	-	100%	2009	-	100	2012
			2010	-	100	2013
T Millen	-	100%	2009	-	100	2012
			2010	-	100	2013
			2012	-	-	2014
			2012	-	-	2015
			2012	-	-	2016
P Ross	-	100%	2009	-	100	2012
			2010	-	100	2013
			2012	-	-	2014
			2012	-	-	2015
			2012	-	-	2016

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

Use of Remuneration Consultants

During the year the remuneration committee employed the services of Oppeus International Pty Ltd (Oppeus) to provide recommendations in relation to the senior executive long term incentive plan design, incorporating the company's key management personnel. Under the terms of the engagement, Oppeus provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $9,500 for these services.

Oppeus has confirmed the recommendations have been made free from undue influence by members of the company's key management personnel.

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

- Oppeus was engaged by the Board and reported directly to the chair of the Remuneration Committee; and
- The report containing the remuneration recommendations was provided by Oppeus directly to the chair of the Remuneration Committee.

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

Directors' Report

Dividends

	Cents	2012 $000'S
Interim for the year • on ordinary shares	5.0	2,820
Final for 2012 shown as recommended in the 2012 report • on ordinary shares	3.0	1,704

Indemnification and insurance of directors and officers

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

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

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 Iwaniw	14	14	4	4	2	2	1	1
R M Herron	14	14	4	4	2	2	1	1
M Carroll	14	14	4	4	2	2	1	1
F Grimwade	14	14	4	4	2	2	1	1
J C Leonard	13	12	4	4	2	2	1	1
J Bird	7	7	-	-	-	-	-	-

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)	M Iwaniw (Chairman)
F Grimwade	F Grimwade	P Thompson
M Carroll	R M Herron	R M Herron
M Iwaniw	M Iwaniw	M Carroll
J C Leonard	J C Leonard	F Grimwade
		J C Leonard
		J Bird

M Iwaniw joined the Board 27 July 2011
P Thompson joined the Board 9 July 2012
J Bird resigned from the Board 1 March 2012
J C Leonard resigned from the Board 1 June 2012

Director’s interests in contracts

Directors’ interests 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 16.

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 and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC 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.

Directors' 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.

M Iwaniw
Chairman

Melbourne, 31 August 2012

Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the year ended 30 June 2012, 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
Partner
PricewaterhouseCoopers

Melbourne
31 August 2012

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

Corporate Governance Statement

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 of 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 1 June 2012), 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.**

Corporate Governance Statement

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 2012 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

Selects 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 includes differences in gender, race, ethnicity, age, disability and cultural background. Select Harvests recognises that embracing such diversity in its workforce contributes to the achievement of the Group's objectives and enhances its reputation as an employer.

Corporate Governance Statement

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 value of diversity.

To support this goal, the Board has developed a Diversity Policy which is available on the Group's website.

While Select Harvest has a rich diversity of ethnicities and cultural backgrounds amongst its employees, we recognise the need to improve diversity at senior executive and board level and to make stronger progress on our commitment to building a gender diverse workforce. At 30 June 2012 there were 131 female employees within the Group (24% of total employees). There were no female senior executives or Board members.

In order to enhance the commitment to gender and broader diversity principles, we are working to achieve objectives which include:

OBJECTIVE:	MEASURABLE ACTION:
Review and communicate the company's core values	New Company Values Statement to be developed and rolled out
Increased focus on gender participation and distribution across the Group	Survey management and employee attitudes to diversity Review, refresh and re communicate the Diversity Policy
Review the means by which the Group recruits, develops and retains females across the Group	Review Recruitment Policy & Procedures
Continue to build on our current workplace flexibility options	Review and enhance position flexibility and Employment Terms and Conditions
Regular reporting to the Board on gender diversity	Enhance Board Reports to provide greater insight on diversity

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.

Annual Financial Report

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 31 August 2012. 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 2012	Notes	CONSOLIDATED 2012 $'000	2011 $'000
Revenue			
Sales of goods and services	4	246,766	248,316
Gain on sale of permanent water rights	4	4,041	-
Other revenue	4	515	1,642
Total revenue		**251,322**	**249,958**
Other income (expenses)			
Biological asset fair value adjustment	15	2,508	2,397
Total other income (expenses) excluding discount on acquisition		**2,508**	**2,397**
Expenses			
Cost of sales	5	(215,212)	(222,939)
Distribution expenses		(6,936)	(7,249)
Marketing expenses		(614)	(1,114)
Occupancy expenses		(1,308)	(1,276)
Administrative expenses		(4,383)	(3,544)
Finance costs	5	(6,489)	(3,774)
Other expenses		(2,723)	(2,247)
Impairment of property, plant and equipment	5	(24,908)	-
Discount on acquisition	7	-	8,261
PROFIT/(LOSS) BEFORE INCOME TAX		**(8,743)**	**18,473**
Income tax benefit/(expense)	6	4,274	(799)
PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED	25(c)	**(4,469)**	**17,674**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)	29	(7.9)	33.7
Diluted earnings per share (cents per share)	29	(7.9)	33.7

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

Statement of Comprehensive Income

For the year ended 30 June 2012	CONSOLIDATED 2012 $'000	2011 $'000
Profit/(Loss) for the year	**(4,469)**	**17,674**
Other comprehensive income	(401)	179
Changes in fair value of cash flow hedges, net of tax		
Other comprehensive income/(expense) for the year	**(401)**	**179**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED	(4,870)	17,853

Balance Sheet

As at 30 June 2012	Notes	CONSOLIDATED	
		2012 $'000	2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	9	1,061	7,398
Trade and other receivables	10	37,398	39,565
Inventories	11	36,644	37,618
Derivative financial instruments	12	375	348
Current tax receivables		1,458	6,299
TOTAL CURRENT ASSETS		**76,936**	**91,228**
NON CURRENT ASSETS			
Other assets	13	1,047	1,283
Property, plant and equipment	14	90,970	116,523
Biological assets – almond trees	15	74,171	49,585
Intangible assets	16	36,183	46,961
TOTAL NON CURRENT ASSETS		**202,371**	**214,352**
TOTAL ASSETS		**279,307**	**305,580**
CURRENT LIABILITIES			
Trade and other payables	17	25,365	26,721
Interest bearing liabilities	18	25,495	16,458
Derivative financial instruments	12	818	79
Provisions	19	2,691	3,196
TOTAL CURRENT LIABILITIES		**54,369**	**46,454**
NON CURRENT LIABILITIES			
Trade and other payables	20	-	137
Interest bearing liabilities	21	42,500	64,000
Deferred tax liabilities	22	21,171	25,123
Provisions	23	937	1,051
TOTAL NON CURRENT LIABILITIES		**64,608**	**90,311**
TOTAL LIABILITIES		**118,977**	**136,765**
NET ASSETS		**160,330**	**168,815**
EQUITY			
Contributed equity	24	95,957	95,066
Reserves	25	10,472	11,201
Retained profits	25	53,901	62,548
TOTAL EQUITY		**160,330**	**168,815**

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 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**
Profit for the year		-	-	(4,469)	(4,469)
Other comprehensive income/(expense)		-	(401)	-	(401)
Total comprehensive income for the year		**-**	**(401)**	**(4,469)**	**(4,870)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	24	891	-	-	**891**
Dividends paid or provided	8	-	-	(4,506)	**(4,506)**
Employee share options		-	-	-	**120**
Transfer to retained earnings		-	(328)	328	**-**
Balance at 30 June 2012		**95,957**	**10,472**	**53,901**	**160,450**

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 2012	Notes	CONSOLIDATED 2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		260,748	318,352
Payments to suppliers and employees (inclusive of goods and services tax)		(239,533)	(314,120)
		21,215	**4,232**
Interest received		241	385
Interest paid		(4,415)	(5,911)
Income tax received/(paid)		4,990	1,841
Net Cash Inflow From Operating Activities	26	**22,031**	**547**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of water rights		15,689	-
Proceeds from sale of property, plant and equipment		357	-
Payment for property, plant and equipment		(9,641)	(21,087)
Acquisition of almond orchards	7	-	(24,991)
Tree development costs		(18,694)	(19,415)
Net Cash Outflow From Investing Activities		**(12,289)**	**(65,493)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from equity raising	24	-	45,057
Commercial bill draw downs		-	79,000
Repayments of borrowings		(12,000)	(55,000)
Dividends payment on ordinary shares, net of DRP		(3,616)	(8,202)
Net Cash Inflow (Outflow) from financing activities		**(15,616)**	**60,855**
Net increase/(decrease) in cash and cash equivalents		**(5,874)**	**(4,091)**
Cash and cash equivalents at the beginning of the financial year		5,940	10,031
Cash and cash equivalents at the end of the financial year	9(a)	**66**	**5,940**

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the 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. Select Harvests Limited is a for profit entity for the purpose of preparing the financial statements.

Restatement of prior period

As disclosed in the interim financial report for the half-year reporting period ended 31 December 2011, the 2011 financial statements have been restated to reflect the following:

(i) Accounting for the acquisition of the Belvedere orchard in the Company Orchards Division was provisional at 30 June 2011. Since the 30 June 2011 financial report, further information was obtained about the valuation of the 2011 almond crop proceeds at the acquisition date. As a result, in the balance sheet the provisional acquired receivables balance was restated upwards by $2,500,000 with corresponding increases in the deferred tax liability of $750,000 and retained earnings of $1,750,000. In the income statement discount on acquisition has been restated upwards by $1,750,000.

(ii) The company identified that total almond processing cost accruals in the Managed Orchard Division were understated by $2,500,000 as at 30 June 2011. The company has therefore restated the prior period balance sheet to reflect this adjustment, with a corresponding increase in the tax receivable of $750,000 and a decrease in retained earnings of $1,750,000. In the income statement cost of sales has been restated upwards by $2,500,000 and income tax expense has been restated downwards by $750,000.

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.

Notes to the Financial Statements

(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 almond industry 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;
- Temporary water costs are based on long term average market prices where assets have no permanent water rights attached;
- Cash flows are discounted at a post tax rate of 13%, 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

Notes to the Financial Statements

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 2012 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 Long Term Incentive Plan (LTIP). Information relating to this scheme is set out in Note 35.

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

(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 2012 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

Notes to the Financial Statements

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.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013).

In August 2011 the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. The group does not expect the standard to have an impact on its composition.

AASB 11 introduces a principle based approach to accounting for joint arrangements. As the group does not have any joint arrangements no impact is expected from this standard.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of the standard by the group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 will not impact the group as the group does not have any joint venture arrangements or associated entities.

The group does not expect to adopt the new standards before their operative date, therefore they will be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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.

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 2012 USD $000's	30 June 2011 USD $000's
Trade receivables net of payables	7,131	6,034
Cash at bank/(overdraft)	(1,019)	(1,344)
Foreign exchange contracts		
- buy foreign currency (cash flow hedges)	4,813	3,000
- sell foreign currency (cash flow hedges)	9,547	2,186

Group sensitivity analysis

Based on financial instruments held at the 30 June 2012, 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 $200,000 lower/$221,000 higher (2011: $147,000 lower/$162,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been $354,000 lower/$391,000 higher (2011: $121,000 lower/$134,000 higher), arising mainly from foreign forward exchange contracts designated as cash flow hedges.

(ii) Cash flow interest rate risk

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

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

	30 June 2012 Weighted Average Interest Rate %	Balance $'000	30 June 2011 Weighted Average Interest Rate %	Balance $'000
Debt facilities	7.14%	67,000	8.48%	79,000
Overdraft (USD)	1.18%	995	3.80%	1,458

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 swap $30,000,000 of debt at a rate of 5.12% to reduce the risk that higher interest rates pose to the company's cash flows. The weighted average interest rate of 7.14% in the table above is inclusive of the interest rate swap.

Group sensitivity

At 30 June 2012, 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 $116,000 lower/higher (2011: $136,000 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	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 %	2011 %
(i) Financial assets														
Cash	1,061	7,398	-	-	-	-	-	-	-	-	1,061	7,398	-	-
Trade and other receivables	-	-	-	-	-	-	-	-	37,001	36,996	37,001	36,996	-	-
Interest Rate Cap	-	-	-	-	-	-	-	-	-	320	-	320	-	-
Forward exchange contracts	-	-	-	-	-	-	-	-	375	28	375	28	-	-
Total financial assets	1,061	7,398	-	-	-	-	-	-	37,376	37,344	38,437	44,742	-	-
(ii) Financial liabilities														
Bank overdraft – USD @ AUD	995	1,458	-	-	-	-	-	-	-	-	995	1,458	1.2	3.8
Commercial Bills	67,000	79,000	-	-	-	-	-	-	-	-	67,000	79,000	7.1	8.5
Trade creditors	-	-	-	-	-	-	-	-	13,075	12,443	13,075	12,443	-	-
Other creditors	-	-	-	-	-	-	-	-	12,170	10,874	12,290	10,874	-	-
Interest Rate Swap	-	-	-	-	-	-	-	-	664	-	664	-	-	-
Forward exchange contracts	-	-	-	-	-	-	-	-	154	79	154	79	-	-
Total financial liabilities	67,995	80,458	-	-	-	-	-	-	26,063	23,396	94,178	103,854	-	-

(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

As outlined in note 28, on 22 August 2012 a review of the company's debt facility agreement with the NAB was completed with various facility limits being revised as a result. The following contains the NAB facility limits both at 30 June 2012 and following the review:

Debt Facilities	Review Date	30 June 2012 Facility Limit	Post Balance Date Adjusted Facility Limit
1. Core debt	21/06/2016	$50,000,000	$60,000,000
2. Working capital	Annual Review	$32,000,000	$32,000,000
3. Acquisition	Annual Review	$30,000,000	-
4. USD Overdraft	Annual Review	$3,000,000	$3,000,000
		$115,000,000	**$95,000,000**

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:

	2012 $'000	2011 $'000
Floating rate		
- Working capital/Acquisition facility	$A 45,000	$A 34,542
- Bank overdraft facility USD	$US 1,981	$US 2,119

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 2012 and 30 June 2011, the group's assets and liabilities measured and recognised at fair value comprised the interest rate swap derivative, interest rate cap derivative and foreign exchange 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 2012						
Non derivatives						
Variable Rate	Debt facilities	20,750	3,750	42,500	67,000	67,000
	Bank Overdraft	995	-	-	995	995
Derivatives	Interest Rate Swap	285	285	94	664	664
	USD buy – outflow	4,490	323	-	4,813	154
	USD sell – (inflow)	(9,547)	-	-	(9,547)	(375)
	USD net	(5,057)	323	-	(4,734)	(221)

		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 2011						
Non derivatives						
Variable Rate	Debt facilities	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

Notes to the Financial Statements

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 2012, the value of almond trees carried in the financial statements of the consolidated entity is $74.2 million (2011:$49.6 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 2012 will be prepared and submitted during the financial year ended 30 June 2013. Due to uncertainties associated with changes to the R&D tax concession rules, no accrual has been made for possible R&D credits in 2012.

WA Project expenditure

Costs in relation to the Western Australia Greenfield orchard development have been capitalised. Impairment losses of $20 million have been recognised in relation to this project as a result of the reassessment of its recoverable amount, with the remaining amount capitalised on the balance sheet of $41m, consisting of land and irrigation infrastructure, plant and equipment and almond trees. A discounted cash flow analysis is prepared to determine the value in use of the project, which reflects its recoverable amount. A number of estimates are made in determining the value in use in accordance with AASB 136 "Impairment of Assets". These include:

- Estimated remaining capital expenditure to bring the project to maturity
- Estimated future crop yields and selling prices
- Estimated future growing, processing and selling costs

A pre-tax discount rate of 17% is applied to the calculation.

The project is currently subject to a Strategic Review. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the carrying amount.

Almond processing plant and equipment

The Company has reviewed the carrying value of all assets at the almond processing plant. This review identified some assets which no longer have a future use, resulting in an impairment loss of $4.9 million being recognised, The remaining amount capitalised on the balance sheet for the hulling and cracking plant and equipment is $38.8m. A discounted cash flow analysis is prepared to determine the value in use of the remaining plant and this supports the carrying value of these assets. A number of estimates are made in determining the value in use in accordance with AASB 136 "Impairment of Assets". These include:

- Estimated future processing volumes
- Estimated future capital expenditure and operating costs

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumptions could require a material adjustment to the carrying amount.

A pre-tax discount rate of 13% was applied to the calculation.

	Notes	Consolidated 2012 $'000	2011 $'000
4. REVENUE			
Revenue from continuing operations			
- Management services		95,445	104,801
- Sale of goods		151,321	143,515
		246,766	**248,316**
Other revenue			
- Gain on sale of permanent water rights		**4,041**	**-**
- Bank interest		**241**	**385**
- Other revenue		**274**	**1,257**
Total other revenue		**4,556**	**1,642**
Total revenue		**251,322**	**249,958**
5. EXPENSES			
Profit before tax includes the following specific expenses:			
Cost of goods & services sold		215,212	222,939
Depreciation of non current assets			
Buildings		51	46
Plantation land and irrigation systems		338	406
Plant and equipment		5,724	4,760
Total depreciation of non current assets		**6,113**	**5,212**
Finance costs			
other persons		6,489	3,774
Total finance costs		**6,489**	**3,774**
Impairment losses: trade receivables		34	3
Foreign exchange loss/(gain)		(111)	47
Operating lease rental minimum lease payments		13,013	11,990
Net loss/(gain) on disposal of property, plant and equipment		254	(16)
Net loss (gain) on disposal of property, plant and equipment			
Impairment of property, plant and equipment (a)			
Land and irrigation systems		20,000	-
Plant and equipment		4,908	-
		24,908	**-**

(a) Impairment of property, plant and equipment

Impairment of land and irrigation systems relates to impairment losses recognised in relation to the Company's orchards in Western Australia.

Impairment of plant and equipment relates to impairment losses recognised in relation to almond processing plant and equipment.

WA impairment

The WA impairment arose as a result of a re-evaluation of the project, due to the fact that less acres were planted than planned, infrastructure and planting costs were higher than initially expected and future costs are now considered likely to be higher than originally planned. The recoverable amount for the WA project is determined on a value in use basis, using a 17% pre-tax discount rate.

Almond processing plant impairment

This impairment arose as a result of a re-assessment of future operations and the likelihood of utilising equipment which had been maintained as an overrun facility.

	Notes	Consolidated	
		2012 $'000	2011 $'000
6. INCOME TAX			
(a) Income tax expense/(benefit)			
Current Tax		(3,006)	(3,375)
Deferred tax		387	4,835
(Over) provided in prior years		(1,655)	(661)
		(4,274)	**799**
Income tax expense is attributable to:			
Profit from continuing operations		(4,274)	799
Aggregate income tax expense		**(4,274)**	**799**
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	22	(7,977)	439
(Decrease) increase in deferred tax liabilities	22	6,709	4,396
		(1,268)	4,835
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit (loss) from continuing operations before income tax expense		(8,743)	18,473
Tax at the Australian tax rate of 30% (2011 – 30%)		(2,623)	5,542
Tax effect of amounts that are not deductible (taxable) in calculating taxable income			
Other non assessable items		4	(2,507)
Current year R&D estimate		-	(1,575)
(Over) provided in prior years		(1,655)	(661)
Income tax expense		**(4,274)**	**799**

7. BUSINESS COMBINATIONS

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.

Accounting for the acquisitions was provisional at 30 June 2011. Since the 30 June 2011 financial report further information was obtained about the valuation of the 2011 almond crop proceeds at the acquisition date. No changes have been made to the provisional balances of the other assets and liabilities acquired.

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

	Provisional Fair Value $'000	**Final Fair Value $'000**
Property, Plant and Equipment	14,052	14,052
Biological Assets – Almond Trees	12,248	12,248
Inventory	197	2,697
Water Rights	7,825	7,825
Annual leave liability	(30)	(30)
Deferred tax liability	(2,790)	(3,540)
Net Identifiable Assets	**31,502**	**33,252**
Discount arising on acquisition	6,511	8,261
Net Cash outflow on acquisition	**24,991**	**24,991**

The change in fair value of inventory, deferred tax liability and discount on acquisition relates to the Belvedere orchard acquisition (on 22 June 2011) and this amount has been reflected in the restated 30 June 2011 financial statement comparatives as outlined in note 1 (a).

	Notes	Consolidated 2012 $'000	2011 $'000
8. DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES			
(a) Dividends paid during the year			
(i) Interim – paid 16 April 2012 (2011: 22 April 2011)			
Fully franked dividend (5c per share)			
(2011: 10c per share)		2,820	5,566
		2,820	5,566
(ii) Final – paid 13 October 2011 (2011: 4 October 2010)			
Fully franked dividend (3c per share)			
(2011: 11c per share)		1,686	4,384
		4,506	**9,950**
(b) Dividends proposed and not recognised as a liability.			
A final dividend of 3c per share has been declared by the directors ($1,704,381)			
(c) Franking credit balance			
Franking credits available for the subsequent financial year arising from:			
Franking credits available for subsequent reporting periods		13,865	18,717
		13,865	**18,717**

The above amounts represent the balance of the franking account (presented as the gross dividend value) as at the end of the reporting period, adjusted for franking debits that will arise from the receipt of the amount of the tax receivable.

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 $1,704,381 (2011 $1,686,809).

9. CASH AND CASH EQUIVALENTS

	Notes	2012 $'000	2011 $'000
Cash at bank and in hand		1,061	7,398
		1,061	**7,398**
(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		1,061	7,398
Bank overdrafts	18	(995)	(1,458)
		66	**5,940**

10. TRADE AND OTHER RECEIVABLES (CURRENT)

	Notes	2012 $'000	2011 $'000
Trade receivables		37,001	36,996
Provision for impairment of trade receivables		(24)	(3)
		36,977	36,993
Prepayments		421	2,572
		37,398	**39,565**

As at 30 June 2012 current trade receivables of the Group with a value of $24,446 (2011: $3,305) were impaired. The amount of the provision was $24,446 (2011:$3,305).

The ageing of these receivables is as follows:

	Consolidated	
	2012 $'000	**2011 $'000**
Over 6 months	24	3
	24	**3**
Movements in the provision for impairment of receivables are as follows:		
At 1 July	3	170
Provision for impairment recognised during the year	34	3
Receivables written off during the year	(13)	(170)
At 30 June	**24**	**3**

(b) Trade receivables past due but not impaired

As at 30 June 2012, trade receivables of $3,970,002 (2011: $4,457,660) 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	
	2012 $'000	**2011 $'000**
Up to 3 months	3,600	4,099
3 to 6 months	370	227
> 6 months	-	132
	3,970	**4,458**

(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 2012 $'000	2011 $'000
11. INVENTORIES (CURRENT)			
Raw materials			
Raw materials at cost		6,296	6,587
		6,296	6,587
Finished goods			
Finished goods at cost		7,450	5,610
		7,450	5,610
Other inventory			
Other inventory at cost		5,707	9,817
		5,707	9,817
Almond stocks			
Almond stock at net realisable value	1(e)	17,191	15,604
		36,644	**37,618**
12. DERIVATIVE FINANCIAL INSTRUMENTS (CURRENT)			
Current Assets			
Forward exchange contracts – cash flow hedges		375	28
Interest rate cap – cash flow hedges		-	320
Total current derivative financial instrument assets		**375**	**348**
Current Liabilities			
Interest rate swap – cash flow hedges		664	-
Forward exchange contracts – cash flow hedges		154	79
Total current derivative financial instrument liabilities		**818**	**79**

(i) Cash flow hedges

On 5 August 2011, the consolidated entity entered into an agreement to fix the interest rate applicable to $30m of debt at 5.12% until 25 August 2013. The market value of the cap is recognised as a current liability in the balance sheet. Movements in the fair value of the cap are treated similarly 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 of 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	
	2012 $'000	**2011 $'000**	**2012 $**	**2011 $**
Less than 6 months	4,490	3,000	0.99	1.04
6 months to 1 year	323	-	0.97	-
	4,813	**3,000**		

Sell United States Dollars Settlement	Buy Australian Dollars		Average Exchange Rate	
	2012 $'000	**2011 $'000**	**2012 $**	**2011 $**
Less than 6 months	9,547	2,186	0.97	1.05
	9,547	**2,186**		

(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 $4,733,901 (2011: $813,858).

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 to the Financial Statements

	Notes	Consolidated 2012 $'000	2011 $'000
13. OTHER ASSETS (NON-CURRENT)			
Prepayments		1,047	1,283
		1,047	**1,283**
14. PROPERTY, PLANT AND EQUIPMENT			
Buildings			
At cost		11,910	11,909
Accumulated depreciation		(851)	(799)
	14(a)	**11,059**	**11,110**
Plantation land and irrigation systems (i)			
At cost		75,230	58,068
Accumulated depreciation and impairment		(23,714)	(3,490)
	14(a)	51,516	54,578
Total land and buildings		**62,575**	**65,688**
Plant and equipment (i)			
At cost		70,257	71,297
Accumulated depreciation and impairment		(42,902)	(35,601)
	14(a)	27,355	35,696
Capital works in progress			
At cost	14(a)	1,040	15,139
Total plant and equipment		**28,395**	**50,835**
Total property, plant and equipment			
Cost		158,437	156,413
Accumulated depreciation		(67,467)	(39,890)
Total written down amount		**90,970**	**116,523**

(i) Items have been reclassified between the plantation land and irrigation systems and plant and equipment asset categories in the 30 June 2011 comparatives.

(a) Reconciliations

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

	Notes	Consolidated 2012 $'000	2011 $'000
Buildings			
Carrying amount at beginning		11,110	9,856
Acquired through business combinations		-	1,300
Depreciation expense		(51)	(46)
		11,059	**11,110**
Plantation land and irrigation systems			
Carrying amount at beginning		54,578	35,974
Acquired through business combinations		-	10,756
Impairment of land and irrigation systems		(20,000)	-
Disposals		(3,211)	-
Depreciation expense		(338)	(406)
Transfers between classes		20,487	8,254
		51,516	**54,578**
Plant and equipment			
Carrying amount at beginning		35,696	29,775
Acquired through business combinations		-	1,996
Additions		349	-
Impairment of plant and equipment		(4,908)	-
Disposals		(1,399)	(16)
Transfers between classes		3,341	8,701
Depreciation expense		(5,724)	(4,760)
		27,355	**35,696**
Capital works in progress			
Carrying amount at beginning		15,139	11,955
Additions		9,729	20,139
Transfers between classes		(23,828)	(16,955)
		1,040	15,139
Total written down value		**90,970**	**116,523**

15. BIOLOGICAL ASSETS – ALMOND TREES (NON-CURRENT)

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 2012 the consolidated entity owned a total of 8,232 acres of almond orchards (2011: 6,254 acres) and leased a total of 4,521 acres of almond orchards (2011: 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 trees are deemed to be an asset of the company.

During the year ended 30 June 2012, 5,830 metric tonnes of almonds were harvested from these orchards (2011: 4,173 metric tonnes). These almonds had a fair value less estimated point of sale costs of $24.3 million (2011: $19.8 million).

	Consolidated	
	2012 $'000	2011 $'000
Carrying amount at 1 July	49,585	17,363
Transferred to inventory	(1,066)	(1,838)
Change in fair value	2,508	2,397
Acquired through business combinations	-	12,248
Additions	23,144	19,415
Carrying amount at 30 June	**74,171**	**49,585**

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, which are in line with almond industry sourced data;
- Selling prices are based on long term average trend prices being $6 per kg;
- Growing, processing and selling costs are based on expected future costs;
- Temporary water costs are based on long term average market prices where assets have no permanent water rights attached;
- Cash flows are discounted at a rate of 13% (2011: 14%) which takes into account the cost of capital plus an appropriate 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 and leased orchards. The Group sells almonds harvested from owned and leased 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 because export sales are denominated in US dollars. 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.

	Goodwill $'000	Brand Names* $'000	Permanent Water Rights $'000	Total $'000
	Consolidated			

16. INTANGIBLES (NON-CURRENT)

	Goodwill $'000	Brand Names* $'000	Permanent Water Rights $'000	Total $'000
Year ended 30 June 2011				
Opening net book amount	25,995	2,905	10,236	39,136
Acquired through business combinations	-	-	7,825	7,825
Closing net book amount	**25,995**	**2,905**	**18,061**	**46,961**
Year ended 30 June 2012				
Opening net book amount	25,995	2,905	18,061	46,961
Disposal of permanent water rights	-	-	(10,778)	(10,778)
Closing net book amount	**25,995**	**2,905**	**7,283**	**36,183**

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

(a) Impairment tests for goodwill and brand names

Goodwill is allocated to the 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 pre-tax weighted average cost of capital of 13% (2011:13%) 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 2012. If a pre-tax discount rate of 14% was used instead of 13% the recoverable amount of the goodwill in the Food Products Division would still exceed the carrying amount of goodwill at 30 June 2012.

(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 2012 $'000	2011 $'000

17. TRADE AND OTHER PAYABLES (CURRENT)

	Notes	2012 $'000	2011 $'000
Trade creditors		13,075	12,443
Other creditors and accruals		12,290	14,278
		25,365	**26,721**

18. INTEREST BEARING LIABILITIES (CURRENT)

	Notes	2012 $'000	2011 $'000
Secured			
Bank overdraft		995	1,458
Working capital facility		24,500	15,000
Total secured current borrowings		**25,495**	**16,458**

(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.

	Consolidated 2012 $'000	2011 $'000
19. PROVISIONS (CURRENT)		
Employee benefits	2,691	3,196
	2,691	**3,196**
20. TRADE AND OTHER PAYABLES (NON-CURRENT)		
Interest rate cap payable	-	137
	-	**137**
21. INTEREST BEARING LIABILITIES (NON-CURRENT)		
Term debt facility	42,500	50,000
Acquisition facility	-	14,000
	42,500	**64,000**

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:

	Consolidated 2012 $'000	2011 $'000
Current		
Floating charge		
Cash and cash equivalents	1,061	7,398
Receivables	37,398	39,565
Inventories	36,644	37,618
Current tax receivables	1,458	6,299
Derivative financial instruments	375	348
Total current assets pledged as security	76,936	91,228
Non-current		
Floating charge		
Prepayments	1,047	1,283
Property, plant and equipment	90,970	116,523
Biological assets – almond trees	74,171	49,585
Permanent water rights	7,283	18,061
Total non-current assets pledged as security	173,471	185,452
Total assets pledged as security	**250,407**	**276,680**

Financing arrangements

The consolidated entity and the Company have bank overdraft facilities available to the extent of USD 3,000,000 (2011: USD 3,000,000).

The consolidated entity and the company have a debt facility available to the extent of $115,000,000 as at 30 June 2012 (2011: $115,000,000). As outlined in note 28, on 22 August 2012 a review of the company's debt facility agreement with the NAB was completed with the total debt facility being reduced to $95,000,000 as a result. As at 30 June 2012 the consolidated entity and company have utilised $67,000,000 (2011: $79,000,000) of the total facility. 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 at balance date are 5.76% on the debt facility, and 0.92% 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 2012.

	Consolidated	
	2012 $'000	2011 $'000
22. DEFERRED TAX LIABILITIES (NON CURRENT)		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Inventory	1,679	1,542
Assets at cost	28,268	28,748
Accruals and provisions	10	(1,515)
Intangibles	871	871
	30,828	29,646
Amounts recognised directly in OCI		
Cash flow hedges	153	(18)
Amounts recognised directly in equity		
Equity raising costs	(632)	(791)
Total deferred tax liabilities	30,349	28,837
Carry forward tax losses	(9,178)	(3,714)
Net deferred tax liabilities	**21,171**	**25,123**
Movements:		
Opening balance 1 July	25,123	16,302
Prior period over provision	1,655	4,183
Charged/(credited) to income statement	(387)	5,585
Business combination	-	3,540
Charged/(credited) to equity	244	(773)
Carry forward tax losses	(5,464)	(3,714)
Closing balance at 30 June	**21 ,171**	**25,123**

23. PROVISIONS (NON CURRENT)

Employee entitlements	**937**	**1,051**
(a) Aggregate employee entitlements liability Including current liabilities in Note 19)	3,628	4,218
(b) Number of full time employees at year end	571	633

	Consolidated 2012 $'000	2011 $'000
24. CONTRIBUTED EQUITY		
(a) Issued and paid up capital		
Ordinary shares fully paid	95,957	95,066
	95,957	**95,066**

(b) Movements in shares on issue

	2012		2011	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year	56,226,960	95,066	39,761,768	47,470
Issued during the year				
• Dividend reinvestment plan	585,739	891	559,917	1,748
• Rights issue	-	-	15,905,275	45,848
End of Financial year	**56,812,699**	**95,957**	**56,226,960**	**95,066**

(c) Performance Rights

Long Term Incentive Plan

The company offered 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 long term scheme involves the issue of performance rights to the employee, under the Long Term Incentive Plan. During or since the end of the financial year, no performance rights (2011: no options) have vested under this plan (refer Note 35 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at $1.30 on 30 June 2012 ($1.84 on 30 June 2011).

(d) Ordinary shares

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

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

(e) Capital risk management

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

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

		Consolidated	
		2012 $'000	2011 $'000

25. RESERVES AND RETAINED PROFITS

Capital reserve	25(a)	3,270	3,270
Cash flow hedge reserve	25(a)	(444)	(43)
Asset revaluation reserve	25(a)	7,645	7,645
Options reserve	25(a)	-	329
		10,471	**11,201**
Retained profits	25(c)	**53,901**	**62,548**

(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	(43)	(222)
Fair value movement in interest rate swap	(664)	-
Fair value movement in interest rate cap	7	315
Fair value movement in foreign currency dealings arising during the year	256	(136)
Balance at end of year	**(444)**	**(43)**
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	328	633
Option expense	-	(305)
Transfer to retained earnings	(328)	-
Balance at end of year	**-**	**328**

(b) Nature and purpose of reserves

(i) Capital reserve

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

(ii) Asset revaluation reserve

The asset revaluation reserve was 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.

	Consolidated 2012 $'000	2011 $'000
(c) Retained profits		
Balance at the beginning of year (i)	62,548	54,824
Profit/(loss) attributable to members of Select Harvests Limited	(4,469)	17,674
Total available for appropriation	58,079	72,498
Dividends paid	(4,506)	(9,950)
Transfer from reserves	328	-
Balance at end of year	**53,901**	**62,548**

(i) Refer to Note 1 (a)

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

Net profit/(loss)	(4,469)	17,674
Non-cash items		
Depreciation and amortisation	6,113	5,212
Biological asset fair value adjustment	(2,508)	(2,397)
Impairment of property, plant and equipment	24,908	-
Discount on acquisition	-	(6,511)
Net gain on sale of assets	(3,787)	-
Changes in assets and liabilities		
(Increase)/decrease in trade receivables	3,118	(1,663)
(Increase) in inventory	(2,819)	(3,269)
(Increase)/decrease in other assets	2,575	(920)
Increase/(decrease) in trade and other payables	(1,352)	(13,283)
(Increase)/decrease in income tax receivable	4,841	(2,928)
Increase/(decrease) in deferred tax liability	(3,970)	11,785
(Increase) in deferred tax assets	-	(3,714)
Increase in employee entitlements	(619)	561
Net cash flow from operating activities	**22,031**	**547**

Non cash financing activities

During the current year the company issued $890,813 of new equity as part of the Dividend Reinvestment Plan.

	Consolidated 2012 $'000	2011 $'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	9,412	15,203
Later than one year but not later than five years	33,173	33,413
Later than five years	98,484	99,537
	141,069	**148,153**
(i) Operating leases (non cancellable):		
Minimum lease payments		
• Not later than one year	3,411	9,408
• Later than one year and not later than five years	7,473	8,402
• Later than five years	7,569	8,952
• Aggregate lease expenditure contracted for at reporting date	18,453	26,762
Operating lease payments are for rental of premises, farming and factory equipment.		
(ii) Almond orchard leases:		
Minimum lease payments		
• Not later than one year	6,001	5,795
• Later than one year and not later than five years	25,700	25,012
• Later than five years	90,915	90,584
Aggregate lease expenditure contracted for at reporting date	122,616	121,391

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 31 August 2012, the Directors declared a final dividend of 3 cents per share in relation to the financial year ended 30 June 2012 to be paid on 22 October 2012.

On 22 August 2012 a review of the company's debt facility agreement with the NAB was completed with the total debt facility being reduced from $115,000,000 to $95,000,000 as a result.

There has been no other matter or circumstance, which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

a) the operations, in financial years subsequent to 30 June 2012, of the consolidated entity, or

b) the results of those operations, or

c) the state of affairs, in financial years subsequent to 30 June 2012, 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	
	2012 $'000	2011 $'000
Profit/(loss) attributable to equity holders of the company used in calculating basic earnings per share	(4,469)	17,674
Diluted earnings per share:		
Profit/(loss) attributable to equity holders of the company used in calculating diluted earnings per share	(4,469)	17,674

	Number of shares	
	2012	2011
Weighted average number of ordinary shares used in calculating basic earnings per share	56,429,488	52,462,405
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	56,429,488	52,462,405

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
M Iwaniw
J C Leonard*

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

(iii) Non-executive directors
F Grimwade
R M Herron
M Carroll

* Retired 1 June 2012
** Retired 1 March 2012. Paul Thompson was appointed Managing Director 9 July 2012

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

	Notes	Consolidated	
		2012 $'000	2011 $'000
(c) Key management personnel compensation			
Short term employment benefits		2,495,566	2,677,279
Termination benefits		686,745	-
Long service leave		13,729	31,415
Share based payments		-	(230,827)
		3,196,041	**2,477,867**

(d) Equity instrument disclosures relating to key management personnel

Number of options/performance rights held by directors and key management personnel

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

2012	Held at 1 July 2011	Granted as Compensation	Lapsed	Held at 30 June 2012	Unvested at 30 June 2012
Directors					
J Bird*	539,784	-	(539,784)	-	-
Key Management Personnel					
P Chambers	136,426	173,880	(136,426)	173,880	173,880
M Graham	41,320	167,940	(41,320)	167,940	167,940
L Van Driel	116,214	-	(116,214)	-	-
T Millen	117,685	151,740	(117,685)	151,740	151,740
P Ross	126,757	162,180	(126,757)	162,180	162,180

* Retired 1 March 2012

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	96,635	41,320	(20,270)	117,685	117,685
L Van Driel	95,164	41,320	(20,270)	116,214	116,214
P Chambers	114,271	48,506	(26,351)	136,426	136,426
M Graham	-	41,320	-	41,320	41,320
P Ross	81,408	45,349	-	126,757	126,757

No performance rights 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:

2012	Held at 1 July 2011	Received on exercise	Other – DRP, sales & purchases	Total
Directors – Non executive				
J C Leonard*	947,099	-	-	947,099
R M Herron	40,672	-	1,293	41,965
M Carroll	-	-	-	-
F Grimwade	30,000	-	70,000	100,000
M Iwaniw	3,000	-	97,000	100,000
Directors – Executive				
J Bird**	645,005	-	-	645,005
Key Management Personnel				
M Graham	-	-	-	-
T Millen	45,444	-	-	45,444
L Van Driel	-	-	-	-
P Chambers	8,000	-	14,000	22,000
P Ross	-	-	-	-

* Retired 1 June 2012. Total number of shares shown is as at retirement.
** Retired 1 March 2012. Total number of shares shown is as at retirement.

2011	Held at 1 July 2010	Received on exercise	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				
M Graham	-	-	-	-
T Millen	45,444	-	-	45,444
L Van Driel	-	-	-	-
P Chambers	-	-	8,000	8,000
P Ross	-	-	-	-

* Retired 27 October 2010
** Commenced 27 July 2010
*** Commenced 27 June 2011

(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 2012 are detailed in Note 32.

31. REMUNERATION OF AUDITORS

	2012 $	2011 $
Audit and other assurance services		
Audit and review of financial statements	236,750	192,450
Other assurance services	60,000	25,000
Total remuneration for audit and other assurance services	**296,750**	**217,450**
Taxation services		
Tax compliance services	41,500	98,530
Tax consulting	548,247	9,000
Total remuneration for taxation services	**589,747**	**107,530**
Total remuneration of PricewaterhouseCoopers	**886,497**	**324,980**

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 with Almas Almonds Pty Ltd, a company which manages the Almas Almonds Partnership in which Mr J C Leonard has 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 $6,739,958 (2011: $6,409,370) up until 1 June 2012 when the entity ceased to be a related party, 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.

During the financial year the company entered into foreign exchange contracts on behalf of Almas Pty Limited, 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:
  - » Company Orchards - the growing, processing and sale of almonds to the food industry from company owned almond orchards; and
  - » Managed Orchards - the sale of a range of management services to external owners of almond orchards, including orchard development, tree supply, farm management, land rental and irrigation infrastructure, and the sale of almonds on behalf of external investors.

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

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)	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue												
Total revenue from external customers	137,094	134,978	95,445	104,800	14,227	8,538	109,672	113,338	-	-	246,766	248,316
Intersegment revenue	-	-	-	-	9,888	6,594	9,888	6,594	(9,888)	(6,594)	-	-
Total segment revenue	**137,094**	**134,978**	**95,445**	**104,800**	**24,115**	**15,132**	**119,560**	**119,932**	**(9,888)**	**(6,594)**	**246,766**	**248,316**
Sales of services to customers											0	0
outside the economic entiry												
Other revenue	-	-	-	792	4,314	465	4,314	1,257	242	385	4,556	1,642
Total revenue	**137,094**	**134,978**	**95,445**	**105,592**	**28,429**	**15,597**	**123,874**	**121,189**	**(9,646)**	**(6,209)**	**251,322**	**249,958**
EBIT	6,027	3,709	9,332	11,644	(12,883)	9,819	(3,551)	21,463	(4,971)	(3,310)	(2,495)	21,862
							0	0			0	0
Operating profit before tax							0	0			0	0
Interest received	-	-	-	-	-	-	-	-	241	385	241	385
Finance costs expensed	-	-	-	-	-	-	-	-	(6,489)	(3,774)	(6,489)	(3,774)
Profit before income tax	**6,027**	**3,709**	**9,332**	**11,644**	**(12,883)**	**9,819**	**(3,551)**	**21,463**	**(11,219)**	**(6,699)**	**(8,743)**	**18,473**
Segment assets (excluding inter-company debts)	67,852	69,486					211,830	225,027	(374)	11,067	279,308	305,580
Segment liabilities (excluding inter-company debts)	11,799	10,436					42,908	43,255	64,270	83,074	118,977	136,765
Acquisition of non-current segment assets	277	418					27,923	33,725	135	48	28,335	34,191
Depreciation and amortisation of segment assets	679	724					5,334	4,340	100	148	6,113	5,212

Assets and liabilities in the almond division are managed and reported at the total almond division level.
2012 Managed orchards EBIT includes a $4.9m impairment loss in relation to almond processing assets.
2012 Company orchards EBIT includes a $20.0m impairment loss in relation to the Company's Western Australian orchards.
2011 Company orchards EBIT includes a $8.3m discount arising from the acquisitions of established orchards, and $776k in transaction costs.
Sales to major customers include Olam 33%, Coles 17% and Woolworths 12% of total sales.

34. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Parent Entity:			
Select Harvests Limited (i)	Australia	100	100
Subsidiaries of Select Harvests Limited:			
Kyndalyn Park Pty Ltd (i)	Australia	100	100
Select Harvests Food Products Pty Ltd (i)	Australia	100	100
Meriram Pty Ltd (i)	Australia	100	100
Kibley Pty Ltd (i)	Australia	100	100

(i) Members of extended closed group

35. EMPLOYEE BENEFITS

Long Term Incentive Plan

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

MEASURE	PROPORTION OF RIGHTS TO VEST
EPS	
Below 5% growth	Nil
5% growth	25%
5.1% – 6.9% growth	Pro rata vesting
7% or higher growth	50%
TSR	
Below the 60th percentile*	Nil
60th percentile*	25%
61st – 74th percentile*	Pro rata vesting
At or above 75th percentile*	50%

* Of the peer group of ASX listed companies

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

35. EMPLOYEE BENEFITS (CONT.)

Summary of options/performance rights over unissued ordinary shares

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

2012

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	$	$
20/09/2008	31/10/2011	$5.15	324,879	-	(324,879)	-	-	-	-	-	-	-
28/09/2009	29/10/2012	$2.83	392,672	-	(392,672)	-	-	-	-	-	-	-
27/09/2010	28/10/2013	$3.27	409,741	-	(409,741)	-	-	-	-	-	-	-
29/06/2012	29/06/2015	-	-	655,740	-	-	655,740	-	-	-	-	-

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					

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 (continued)

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

	Consolidated 2012 $	2011 $
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 2012 $	2011 $
Performance rights/options granted under employee option plan	-	(305,000)
	-	**(305,000)**

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	2012 $'000	2011 $'000
Current Assets	1,726	19,266
Total Assets	329,885	308,226
Current Liabilities	19,768	17,987
Total Liabilities	226,249	206,887
Shareholders' Equity		
Issued Capital	95,957	95,066
Reserves		
Capital Reserve	3,270	3,270
Cash flow hedge reserve	(444)	(43)
Options Reserve	121	329
Retained profits	4,732	2,717
	103,636	**101,339**
Profit or Loss for the year	**2,015**	**1,842**
Total comprehensive income	**1,614**	**2,021**

Notes to the Financial Statements

(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.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and Notes set out on pages 39 to 84 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 2012 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.

M Iwaniw
Chairman

Melbourne, 31 August 2012

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 2012, 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 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 Note1, 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 2012 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 the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
31 August 2012

ASX additional information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 July 2012.

(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	1,026
1,001 to 5,000	1,239
5,001 to 10,000	482
10,001 to 100,000	569
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
72,888	457

(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	Thorney Investments	6,200,190	10.9
2	Fidelity Mgt & Research	5,529,973	9.7
3	Credit Suisse Asset Mgt	2,384,000	4.2
4	Deutsche Bank Private Wealth Mgt	2,261,754	4.0
5	Deutsche Asset Mgt Americas	2,149,246	3.8
6	Mr Maxwell Fremder	1,936,671	3.4
7	Dimensional Fund Advisors	1,591,703	2.8
8	Myer Family Company	1,578,215	2.8
9	Wilson Asset Mgt	1,558,209	2.7
10	Mr Curt Leonard	947,099	1.7
11	Hadley Family	881,844	1.6
12	Hayberry Investments	727,421	1.3
13	Mr Rodney M Fitzroy	579,244	1.0
14	Mr Petrus Middendorp	541,878	1.0
15	Realindex Investments	500,318	0.9
16	Mr & Mrs Franklyn R Brazil	500,000	0.9
17	Mr William M Matthes	500,000	0.9
18	Mr & Mrs Gabriel M Ripka	286,000	0.5
19	Mr John O Lawless	285,000	0.5
20	Mr Anton K Middendorp	280,945	0.5

(c) Substantial shareholders

The names of substantial shareholders are:

	Number of Shares
Thorney Investments	6,200,190
Fidelity Mgt & Research	5,529,973

(d) Voting rights

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

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

Corporate Information

Select Harvests Limited

ABN 87 000 721 380

Directors

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

Company Secretary

P Chambers

Registered Office

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
GPO Box 242
MELBOURNE VIC 3001
Telephone (03) 9415 4000
Facsimile (03) 9473 2555
www.investorcentre.com

Internet Address

www.selectharvests.com.au

SELECT HARVESTS

Select Harvests Limited

ABN 87 000 721 380

PO Box 5
THOMASTOWN VIC 3074

360 Settlement Road
THOMASTOWN VIC 3074

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

www.selectharvests.com.au