



**POSITIONED  
FOR  
GROWTH**



**ANNUAL REPORT 2017**



**SELECT HARVESTS**



**A\$300**<sub>M+</sub>

MARKET  
CAP



**A\$240**<sub>M+</sub>

ANNUAL  
SALES



**7,135**<sub>HA</sub>

TOTAL  
PLANTED  
AREA\*  
(17,630 acres)



**300**

EMPLOYEES  
COUNTRYWIDE



**2** VALUE-ADDING

MANUFACTURING  
PLANTS IN AUSTRALIA



**Largest**

INTEGRATED ALMOND  
BUSINESS IN AUSTRALASIA

\* area as at 30 June 2017

## Company Profile

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

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

### Our Operations

Our geographically diverse almond orchards are at or near maturity. Located in Victoria, South Australia and New South Wales our portfolio includes more than 7,689 Ha (19,000 acres) of company owned and leased almond orchards and land suitable for planting. These orchards, plus other independent orchards, supply our state-of-the-art processing facility at Carina West near Robinvale, Victoria and our value-added processing facility at Thomastown in the Northern Suburbs of Melbourne. Our Carina West processing facility has the capacity to process 25,000 MT of almonds in the peak season and is capable of meeting the ever increasing demand for in-shell, kernel and value-added product. Our processing plant in Thomastown processes over 10,000 MT of product per annum.

### Export

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

### Our Brands

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

### Our Vision

For Select Harvests to be recognised as one of Australia's most respected agrifood businesses.



**2,329**<sub>HA</sub>

PLANTED  
AREA IN  
SOUTHERN REGION  
(5,756 acres)



**2,857**<sub>HA</sub>

PLANTED  
AREA IN  
CENTRAL REGION  
(7,060 acres)

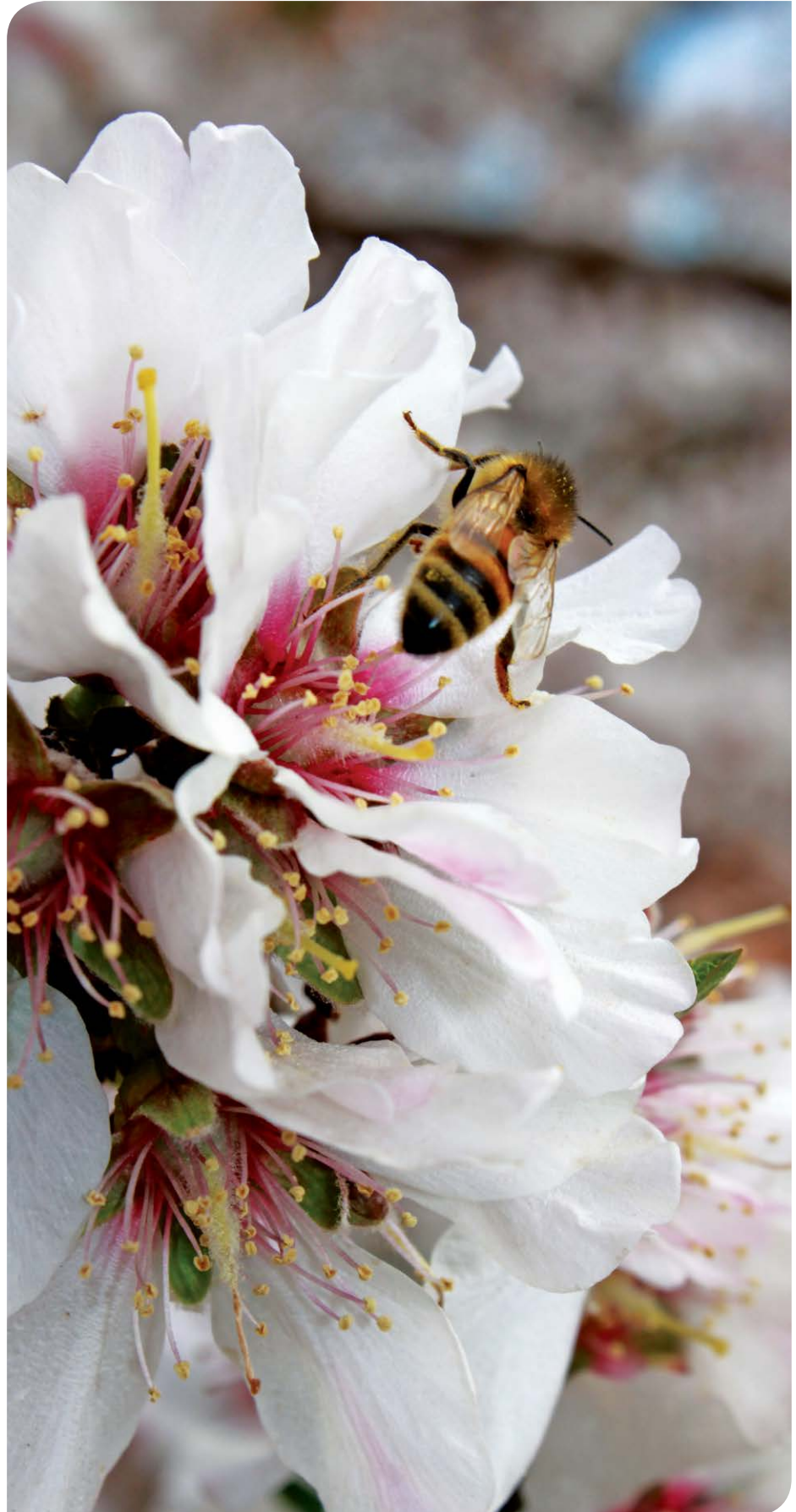


**1,948**<sub>HA</sub>

PLANTED  
AREA IN  
NORTHERN REGION  
(4,814 acres)

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# Performance Summary

## Results – Key Financial Data

\$'000 (except where indicated)	Reported Result (AIFRS)		Variance (%)	Underlying Result <sup>(1)</sup>		Variance (%)
	FY16	FY17		FY16	FY17	
<b>REVENUE</b>	286,168	242,142	(15.4%)	286,168	242,142	(15.4%)
Crop Volume (MT)	14,200	14,100				
Almond Price (A\$/kg)	8.08	7.43				
<b>EBIT</b>						
Almond Division	44,575	13,686	(69.3%)	36,093 <sup>(1)</sup>	13,686	(62.1%)
Food Division	10,342	7,950	(23.1%)	10,342	7,950	(23.1%)
Corporate Costs	(5,132)	(4,657)	(9.3%)	(5,132)	(4,657)	(9.3%)
<b>Operating EBIT</b>	<b>49,785</b>	<b>16,979</b>	<b>(65.9%)</b>	<b>41,303</b>	<b>16,979</b>	<b>(58.9%)</b>
Interest Expense	(5,495)	(5,001)	(9.0%)	(5,495)	(5,001)	(9.0%)
<b>Net Profit Before Tax</b>	<b>44,290</b>	<b>11,978</b>	<b>(73.0%)</b>	<b>35,808</b>	<b>11,978</b>	<b>(66.5%)</b>
Tax Expense	(10,494)	(2,729)	(74.0%)	(7,949)	(2,729)	(65.7%)
<b>Net Profit After Tax</b>	<b>33,796</b>	<b>9,249</b>	<b>(72.6%)</b>	<b>27,857</b>	<b>9,249</b>	<b>(66.8%)</b>
Earnings Per Share (cents per share)	46.7	12.6	(73.0%)	38.5	12.6	(67.3%)
Interim Dividend (cents per share)	21 (0% franked)	10 (100% franked)				
Final Dividend (cents per share)	25 (100% franked)	nil				
Net Debt <sup>(2)</sup>	67,265	145,817	116.8%	67,265	145,817	116.8%
Gearing (Net Debt/Equity) %	23.1%	52.5%	127.3%	23.1%	52.5%	127.3%
Share Price (A\$/Share as at 30 June)	6.74	4.90				
Market Capitalisation (A\$M)	491	361				



(1) The adjustment to the reported Almond division EBIT in FY16 relates to gains on asset sales of A\$8.5m. Refer below for definitions of Underlying EBIT and Underlying NPAT.

(2) Net debt includes Finance Lease commitments of A\$41.4m in FY17 (compares to A\$41.8m in FY16).

### Definitions:

- **Underlying Earnings Before Interest and Tax** ("EBIT") is a non-International Financial Reporting Standards ("IFRS") measure calculated by adjusting Profit Before Income Tax for interest expense and any non-recurring items.
- **Underlying Net Profit After Tax** ("NPAT") is a non-IFRS measure calculated by adjusting Profit Attributable to Members of Select Harvests Ltd for any non-recurring items.
- **Underlying Earnings Per Share** ("EPS") is a non-IFRS measure calculated by adjusting EPS for any non-recurring items.

Non-IFRS measures used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

# Chairman & Managing Director's Report



**Welcome to Select Harvests' 2016/17 Annual Report. It has been a challenging year for the company with a variety of controllable and uncontrollable events (including project delays and currency) impacting this year's result. Whilst the results are disappointing, pleasingly the underlying fundamentals of the industry remain positive with both almond and plant protein consumption continuing to increase.**

As a business we have made considerable progress on our key strategic initiatives – increasing our almond growing capacity through our Greenfield Almond Planting Program and the acquisition of mature Almond Orchards, adding value by investing in our brands and investing in plant and equipment capable of increasing the value of the base commodity raw almonds (Project Parboil) and finally by reducing cost through investing in sustainable solutions like the H<sub>2</sub>E Biomass facility. Positioning the company to be globally competitive through all cycles.

## Financial Performance

Select Harvests produced a Reported NPAT of A\$9.2 million and EPS of 12.6 cents per share in FY17.

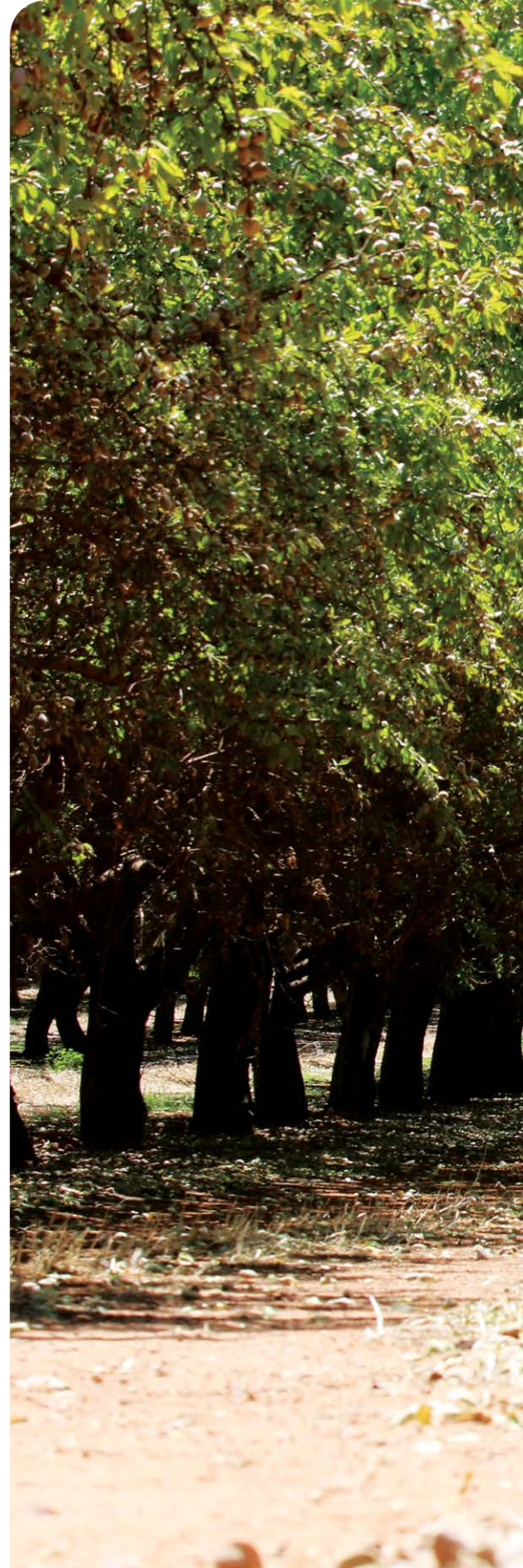
The company generated a healthy pre-tax operating cash flow of A\$33.8 million. After paying A\$29.0 million tax in FY17, relating to the record FY16 NPAT, FY17 operating cash flow was reduced to A\$4.7 million.

The company paid an interim, fully franked dividend of 10 cps on 5 April 2017 and declared nil final dividend.

At 30 June 2017, Net Debt (including lease liabilities) was A\$145.8 million and Net Debt to Equity was 53%.

## Key Facts

- Improved our safety record – reduced Lost Time Injuries by 18% year on year
- Pre-tax operating cash flow A\$33.8 million. Tax A\$29.0 million. Operating cash flow A\$4.7 million
- Net Profit After Tax (NPAT) of A\$9.2 million
- Earnings per Share (EPS) – 12.6 cents per share (cps)
- Total dividend payment – 10.0 cps fully franked
- Net Debt A\$145.8 million. Net Debt to Equity 53%
- Average SHV almond price A\$7.43/kg
- Almond crop – 14,100 MT
- Progressed Strategic Projects – H<sub>2</sub>E and Parboil. Parboil commissioned 1QFY18 A\$14.3 million
- Acquired Jubilee Orchards 465 planted Ha (1,147 planted acres) and 1,335 ML high security water for A\$26.4 million
- Planted 844 Ha (2,084 acres) of almonds in July 2016
- Prepared to plant 352 Ha (870 acres) of almonds in July 2017 – 7,490 planted Ha (18,500 planted acres) as at October 2017





**7,490 HA  
PLANTED AS AT  
OCTOBER 2017**

## KEY PROJECT UPDATES

### Jubilee Almond Orchard Acquisition

During the year, Select Harvests acquired the proven high yielding Jubilee Orchard near Waikerie, SA for A\$26.4 million, comprising 465 planted Ha (1,147 planted acres) of almonds and 1,335 ML of high security water entitlements. The Jubilee Orchard is an outstanding, high performing asset that compliments the geographically diversified Select Harvests almond portfolio. Jubilee will make an important long term contribution to Select Harvests profitability and asset base, beginning with the 2018 crop.

### Greenfield Almond Plantings

In July 2016, Select Harvests planted out 844 Ha (2,084 acres) of Greenfield almond orchards that it will lease from First State Super (FSS). In July 2017, we planted out another 352 Ha (870 acres) funded by FSS – we now have 7,490 Ha (18,500 acres) of planted almond orchards. This provides Select Harvests with long term control of a large scale, globally competitive almond orchard. The first crop from the 2016 plantings will be harvested in three years and fully mature in seven years.

The 2017 crop was 14,100 MT. Based on current greenfield plantings, our crop will be 21,000 MT by 2022, just under 50% greater than today.

### Project Parboil (Value-Added Almond Facility)

The state of the art Value-Added Almond Processing Facility at Carina West (Project Parboil) has experienced significant delays and commenced commissioning in Q1 FY2018 at an increased cost of A\$14.3 million. This facility is now in production and progressing through the individual customer certifications. This facility provides increased efficiency, greater processing capacity and importantly allergen-free almond products (including pastes – the essential ingredient in the commercial production of almond milk). Parboil will assist in maximizing the average price of the almonds and in part insulate us from the effects of the commodity cycle.

### Project H<sub>2</sub>E (2.4MW Biomass Electricity Cogeneration Facility)

Project H<sub>2</sub>E will provide the Carina West Processing Facility and neighbouring farms with secure, low-cost electricity supply generated from operational by-product plus significantly reducing our carbon footprint. We have experienced significant time delays and cost increases. The revised timeline for commissioning of Project H<sub>2</sub>E is Q3 FY2018 and estimated cost is now A\$19.7 million. Despite these unfortunate events the investment returns remain positive, in an environment of escalating energy costs.

# Chairman & Managing Director's Report continued

## Balance Sheet

Current debt levels are at the top of the targeted range. The balance sheet includes the impact of A\$56.8 million of net investing cash outflows resulting from the acquisition of the Jubilee Orchard, expenditure on major projects and orchard development costs. We continue to focus on reducing operational expenditure, working capital and capital expenditure, and are investigating a number of debt reduction initiatives to strengthen our balance sheet. We recognise the need for a strong Balance Sheet to allow us to invest and grow in all cycles.

## Almond Division

The Almond Division delivered an EBIT of A\$13.7 million in FY2017 – down on the FY2016 Reported profit of A\$44.6 million and FY2016 Underlying profit of A\$36.1 million. The year on year profit decline was largely the result of a fall in the global almond price and the appreciation of the AUD, plus higher orchard lease costs as a result of re-valuation.

Almond volume was 14,100 MT (FY16 14,200 MT) while price was A\$7.43/kg (FY16 A\$8.08/kg). The crop volume was lower than forecast, impacted by the significantly wetter spring and milder summer – a trend that was seen across the Australian Almond Industry.

Post-harvest review has concluded that the FY17 yield shortfall was attributable to these abnormal conditions. It should be noted that the development of Select Harvests young orchard toward maturity, combined with the high-performance input program, will deliver greater than 50% volume growth over the next 8 years.

## Food Division

The Food Division produced an FY2017 EBIT of A\$8.0 million, down on FY2016 EBIT of A\$10.3 million. The drop was driven by commodity price decreases passed onto our customers and reduced volumes in the Consumer Business mainly relating to retailer brand contracts, while the consumer sales channel has achieved growth in export. The Lucky brand maintained a strong share in the Cooking and Baking category as market leader with 38.4% market share (source: IRI Aztec 18 June 2017). Sunsol Cereal products sales grew by over 35%. Export sales continue to grow in both the Industrial and Consumer Packaged Food Divisions.



## Safety & Wellbeing

Select Harvests number one objective is to ensure the safety of our people, by preventing injuries before they occur.

Agriculture is one of Australia's most dangerous industries. The Select Harvests Zero Harm Safety and Wellbeing strategy is to improve our safety performance by 25% per annum until we operate in a zero harm environment. It is a companywide strategy that involves all stakeholders.

Pleasingly this year we exceeded our Medically Treated Injury Frequency Rates (MTIFR) objective with MTIFR reducing by greater than 25%.

## Sustainability

During the year Select Harvests launched our inaugural Sustainability Report. We had no environmental breaches and implemented a number of sustainability initiatives, including our first off-grid solar powered farm hub, investing in low-friction irrigation and energy efficient pumping technology plus the installation of a worm farm converting operational waste into liquid fertiliser.

Recognising our role in regional Australia the company and its employees participate in several community events, including the Mallee Almond Blossom Festival and ongoing sponsorship of local community groups, school and clubs.

## Management Restructure

As a result of an organisational review and recent resignations, a number of changes have been made to the Executive Management team.

- Paul Chambers, CFO and Company Secretary has resigned effective 8 November 2017.
  - The search for a new CFO has commenced and is well-advanced.
- Bruce van Twest, GM Operations has resigned, effective 31 July 2017.

- Peter Ross (previously GM Horticulture) been promoted to GM Almond Operations responsible for the Carina West facility (inc. capital projects and Carina West facility).
- Ben Brown (previously Horticulture Manager) has been promoted to Acting GM Horticulture.
- Mark Eva (GM Consumer) has retained his current responsibilities and will have additional responsibilities for the Thomastown production facility.

## Board Membership

During the year, Ross Herron was appointed to fill a casual vacancy on the Board – he will retire from the Board at the 2017 AGM. Ross has been a significant contributor over his nearly 12 years as a Director of Select Harvests. As Head of the Audit and Risk Committee, Ross has provided invaluable leadership in the areas of governance, finance and strategic planning. On behalf of the board and shareholders, I would like to acknowledge and thank him wholeheartedly for his efforts, his counsel and his valued direction of the business.

On 6 July 2017, Fiona Bennett joined the Select Harvests Board. Fiona is a Chartered Accountant and senior executive with over 30 years' experience in business and financial management, corporate governance, risk management and audit. Fiona is an experienced company director and currently serves as Chairman of the Audit and Risk Committee at Hills Limited, as Chairman of Audit at Beach Energy Limited and as Chair of the Victorian Legal Services Board. We welcome Fiona to the Select Harvests Board.

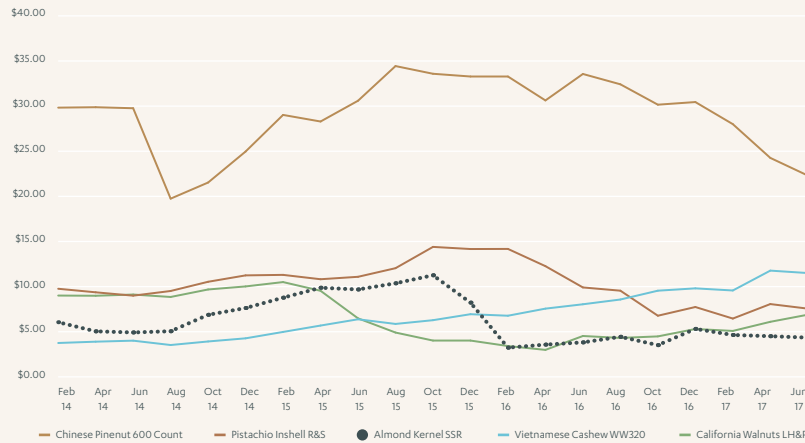
## Market Outlook

The world demand for almonds and plant protein has continued to increase with further supporting research being published, outlining the health benefits of the increased consumption of plant protein products such as almonds. The impact on consumption of this research and lower prices has been immediate, absorbing the increased production from California and Australia. While the 2017 US almond crop is expected to be a record 2.25 billion pounds (up 110 million pounds or 5% on the prior year), shipments of the 2016 crop were 2.10 billion pounds (up 290 million pounds or 16% on prior year). This momentum is reinforced with the Almond Board of California's August 2017 Position Report showing that forward commitments for August 2017 are up 40% on August 2016. The high level of commitments, strong shipments and with almonds currently positioned as the cheapest tree nut, has stimulated demand, which should lead to a further strengthening of prices.



**Price – Almonds have been the cheapest tree nut for the last 18 months**

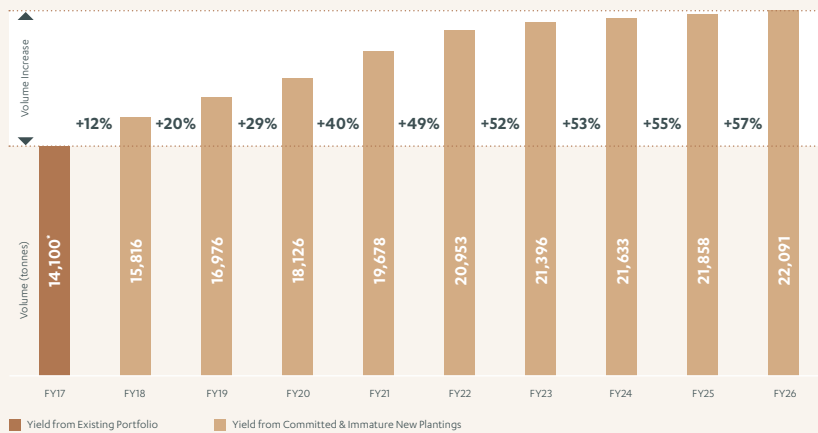
Commodity Price Trend 2014-2017 – A\$/KG CFR



Source: Company Data

**SHV Theoretical Harvest Volumes 2017-2026**

(Basis: Current Planted Area and Planned Planted Area at 1.2 Tonnes per Acre @ Industry Average Maturity Yield)



Source: Company Data

**Strategy**

Our almond orchards, valued-added processing capability, brands and people remain the backbone of delivering this strategy.

We have continued to execute our strategy to capitalise on the increasing consumption of plant based foods. Recent research and consumer behaviour have continued to support the acceleration of this trend with increased consumption of tree nuts and plant based foods globally.

Our strategy is based around 8 core strategic objectives – to grow the almond portfolio, improve yield & crop value, be best in class supply chain, invest in the industrial & trading division, strengthen packaged food business, fix our systems and processes, seek non organic growth and finally engage with our people and stakeholders.

With capital invested, assets in place and the growth platform established the key priority of management is to control our cost and become as efficient as possible and maximise profitability.

**Thankyou**

This year has had its challenges, but the core fundamentals of our business and our industry remain strong. The capital intensive asset development phase of our orchard growth objective is nearing completion. The outlook for Select Harvests is extremely positive with our orchards, integrated processing facilities and brands positioned to take advantage of the healthy eating megatrend of increasing consumption of plant based high protein foods and drinks.

To all of our stakeholders in this business, shareholders, suppliers and our loyal, diligent, passionate and hardworking employees – we would like to thank you for your support. We are building a strong, safe and resilient almond based food business with great people, great assets and cost-efficient operations and we are glad to have you with us.

**Michael Iwaniew** Chairman

**Paul Thompson** Managing Director



# Strategy

## HORIZON 1 PERFECT THE CURRENT MODEL



Optimise & grow almond agri assets



Improve supply chain efficiency



Maximise commodity value through innovation



Build our systems & grow our people

## HORIZON 2 TRANSITION INTO INTEGRATED MODEL



Grow the value of Brands



Grow in SHFP Asian market via partnerships



Pursue value accretive acquisitions in the agrifood sector

## HORIZON 3 EXPAND MODEL GLOBALLY



Explore opportunities in the global industry



### VISION

Select Harvests to be recognised as one of Australia’s most respected agrifood businesses

### MISSION

To deliver sustainable stakeholder returns by being a leader in the supply of better for you plant based foods

### ASPIRATIONS

- Zero harm to people & environment
- EPS Growth minimum 5% CAGR
- Gender, age and ethnicity balance

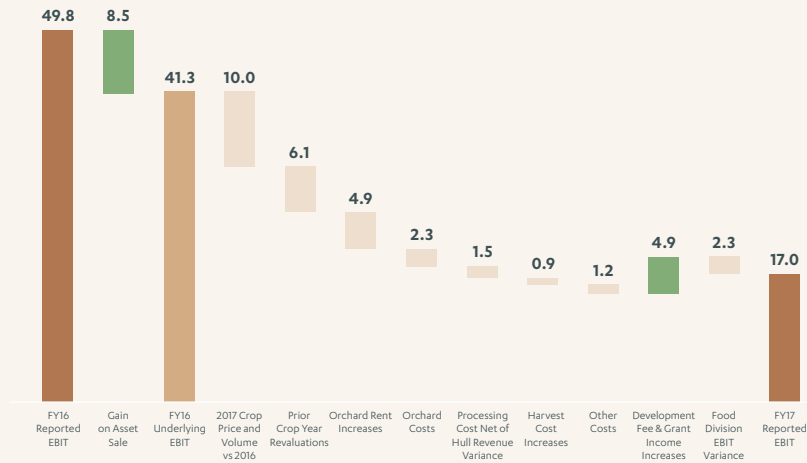
### ENABLERS

- Employer of choice
- Culture of innovation
- Market aware
- Proactive communicator



# Almond Division

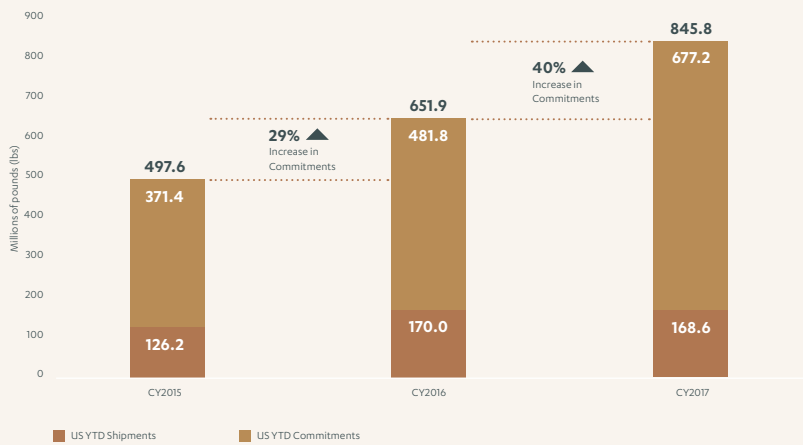
## Movement in SHV EBIT (A\$M)



Source: Company Data

## US YTD Industry Shipments and Commitments

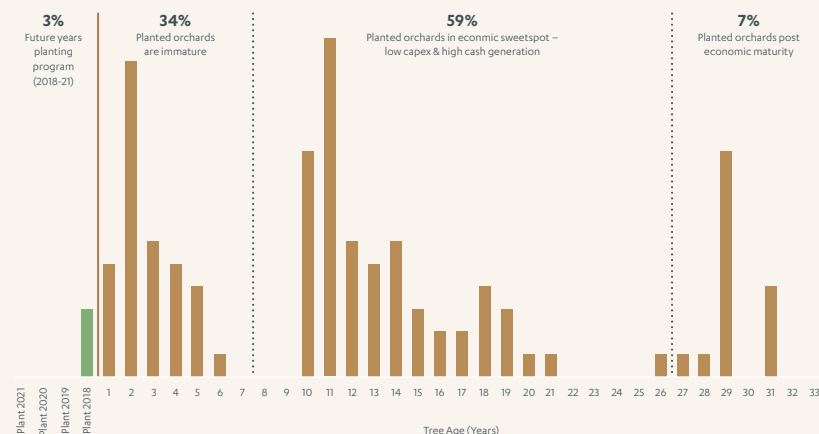
Lower prices have acted to stimulate future commitments



Source: Blue Diamond Almonds Market Update – August 2017 Shipment Report

## Age profile of SHV almond orchard portfolio

75% of current planted acres are cash generative



Source: Company Data

**The Almond Division produced a disappointing result with FY17 Reported EBIT of A\$13.7 million, compared to FY16 Reported EBIT of A\$44.6 million and FY16 Underlying EBIT of A\$36.1 million. Almond price and currency had a major impact, although there were a range of contributing factors that impacted the result.**

- The company has sold or committed for sale 72% of the 2017 crop at an average price of A\$7.91/kg (AUD/USD exchange rate of 0.75). The FY17 almond price estimate of A\$7.43/kg (FY2016 A\$8.08/kg) will depend on the selling price of the remaining crop (which includes lower grade product) and the exchange rate achieved.
- The 2017 crop volume was 14,100 MT, compared to 2016 crop of 14,200 MT. Like most of the Australian Almond industry, we experienced a much wetter spring and cooler summer, which had a negative impact on the crop.
- The combination of lower crop price and volume than FY2016 (impact –A\$10.0 million).
- Sales of the 2015 and 2016 crops realised at lower prices than previous estimates (impact –A\$6.1 million).
- Orchard lease costs increased due to the market revaluation of the almond orchards leased from Rural Funds Management (impact –A\$4.9 million).
- Orchard costs/hectare remained flat, but orchard costs increased due to additional area of immature trees coming into production (impact –A\$2.3 million). As these trees incrementally mature each year, the yields will increase and they will make a positive contribution.



# Food Division

- The wet and mild growing conditions in 2017 resulted in increased harvest costs due to a higher level of tree reshaking (impact –A\$0.9 million) to remove any remaining nuts from trees, ensuring optimal orchard hygiene and mitigating against insects and diseases.
- Increased development fee income and government grants (impact +A\$4.9 million).
- Almond processing and almond hull sales, the net cost was higher than anticipated, partly due to energy cost increases and lower returns from hull due to the good winter rains, depressed state of the dairy industry affecting both price and demand (impact –A\$1.5 million).

During the year, we acquired Jubilee Orchards near Waikerie, South Australia, comprising 465 planted Ha (1,147 planted acres) – 320 Ha (792 acres) bearing, 145 Ha (355 acres) non-bearing and 1,335 ML of high security water entitlements for A\$26.4 million.

In July 2016 we planted out 844 Ha (2,084 acres) of new almond orchards on properties funded via the lease agreement with First State Super (“FSS”).



**844 HA OF  
NEW ALMOND  
ORCHARDS  
PLANTED**

The global almond market is continuing to absorb the increased global supply of almonds – in fact over the last 12 months the US crop increased by 5% (or 110 million pounds) while US shipments increased by 16% (290 million pounds).

Select Harvests has continued to invest in orchard expansion (greenfield plantings and orchard acquisitions) through the low point of the almond pricing cycle and as at October 2017 we now have 7,490 Ha (18,500 acres) of planted almond orchards.

Consistent with our strategic plan, we have built a global scale, critical mass of almonds and a world-class, allergen free, integrated almond processing and value-adding facility, making Select Harvests not only one of the largest producers of almonds in the world, but one of the best.



**The Food Division delivered an FY2017 EBIT of A\$8.0 million, down on FY2016 EBIT of A\$10.3 million.**

Commodity price and currency had a major impact on Industrial & Private Label sales contracts as commodity price decreases were passed onto customers in the Industrial and Trading business.

The Consumer Business experienced reduced volumes, mainly relating to retailer brand contracts.

The Consumer sales channel has achieved growth in export and maintained a strong share in branded product, despite a tough pricing environment in this segment.

Lucky remains the Cooking and Baking nut market leader with 38.4% market share (Source: IRI Aztec 18 June 2017), down from prior year due to Private Label competition.

New products now make up 16.5% of sales driven by Sunsol, Lucky “Entertainers” and “Topperz”, and NuVitality.

During the year we commenced China Consumer packaged products sales. This is a small beginning, but we are positioning to supply the projected increase in Chinese consumption of Australian almonds.

There is growing awareness of the new allergen-free Almond Value-Adding Facility (Project Parboil) being in production and we are getting strong interest in both the local and export market for its products. It brings significant quality assurance improvements, productivity enhancements, cost savings and increased capacity. It neatly complements the global scale almond orchards with in-house access to a world class, value-added, fully integrated almond processing capability that will enhance our ability to supply high quality almond products to our customers around the world.



**16.5% OF CONSUMER  
SALES NOW MADE  
UP OF NEW PRODUCTS**



# A sustainable, growing business

## People & Diversity

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

We are proud of our ongoing achievements in employing a diverse range of over 300 full time and part time permanent employees, in addition to our seasonal workforce employed in both regional and urban Australia.

Our Inclusion and Diversity objectives are to recruit, develop and retain talent whilst building and maintaining a flexible workplace.

The Company's Diversity Policy is available on the website (Governance Section). Reporting on the Diversity policy can be found in the 2017 Corporate Governance Statement in the same section.

The company has strong experience in the employment of people from ethnically diverse backgrounds – 42% of our people are from a culturally diverse background and a second female with ethnic diversity was appointed to the Executive Team during the year.

We celebrate cultural diversity through events such as our annual Multi-Cultural Day. This event supports our people by bringing a dish of traditional food and dressing in traditional cultural outfits. Its popularity attracts great engagement and participation company-wide, reinforcing our importance of inclusion and diversity in the workplace.

During the year there has been a 6% increase in female representation at Board & Senior Executive level.

On 6 July 2017, we welcomed Fiona Bennett to our Board of Directors – Fiona is an experienced company director with a background in financial management, corporate governance, risk and audit – her appointment takes female representation on the Board to 25%.

In accordance with the Workplace Gender Equality Act, Select Harvests submits an annual report to the Workplace Gender Equality Agency (WGEA). This year's results have been benchmarked to the 2015/16 WGEA's Agriculture Comparison Group comprising 26 organisations. The findings concluded that our female representation is 2.8% better than industry average with females accounting for 30% of SHV's employees and males representing 70%.

A copy of the Company's Workplace Gender Equality Report 2016-17 is available on the website (see Governance section – <http://selectharvests.com.au/governance>).

## Communities

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

We have contributed over A\$40,000 across 40 organisations to local community groups, clubs, sports teams and schools to improve and upgrade infrastructure and facilities and to promote various activities and events, including:

- Ongoing Strategic Partnership with Robinvale College – through provision of an annual breakfast sponsorship program.
- Annual Mallee Almond Festival sponsorship.
- Foodbank Victoria.
- Partnership with the Clontarf Foundation (a charitable, not-for-profit organisation which exists to improve the education, discipline, life skills, self-esteem and employment prospects of young Aboriginal men).

## OH&S

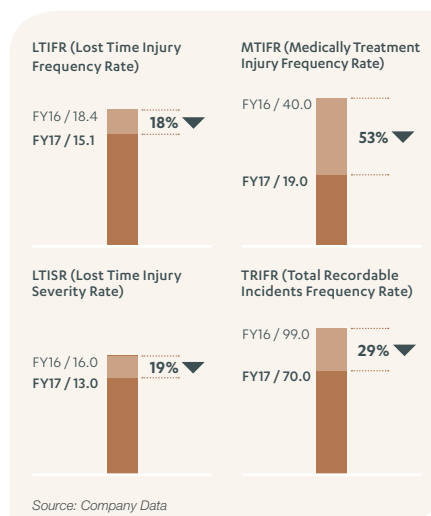
Our first and foremost objective is the safety and wellbeing of our people and through the Zero Harm OH&S Safety & Wellbeing Strategy. Our focus is to prevent injuries before they occur.

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

The four strategic priority areas include:

1. Safety leadership – culture and education
2. Performance management
3. Process improvement
4. Wellbeing and education

The Zero Harm Safety Strategy targets 25% reductions in LTIFR (Lost Time Injury Frequency Rate) and MTIFR (Medically Treated Injury Frequency Rate). The chart below illustrates our performance and progress on the measures.



Select Harvests is making tangible progress towards achieving its safety goals.

## Sustainability & Environment

Select Harvests seeks to operate its business in a sustainable manner, based around 3 platforms – Environmental, Social/Wellbeing and Financial.

In recognition of the importance of sustainability in our business, we produced our first Sustainability Report in 2016/17 which is now available in the Sustainability section of our website (<http://selectharvests.com.au/sustainability>).

While energy, water and bees are key areas of focus, we seek out sustainable solutions to challenges across our business.

We aim to recycle and maximise the benefits of waste/by-product wherever we can. We have recently installed a worm farm to convert almond waste into worm castings. The combination of worm castings and waste water produces a natural fertiliser that can be used to support the growth of the almond orchards. Sustainability is simply good business sense.

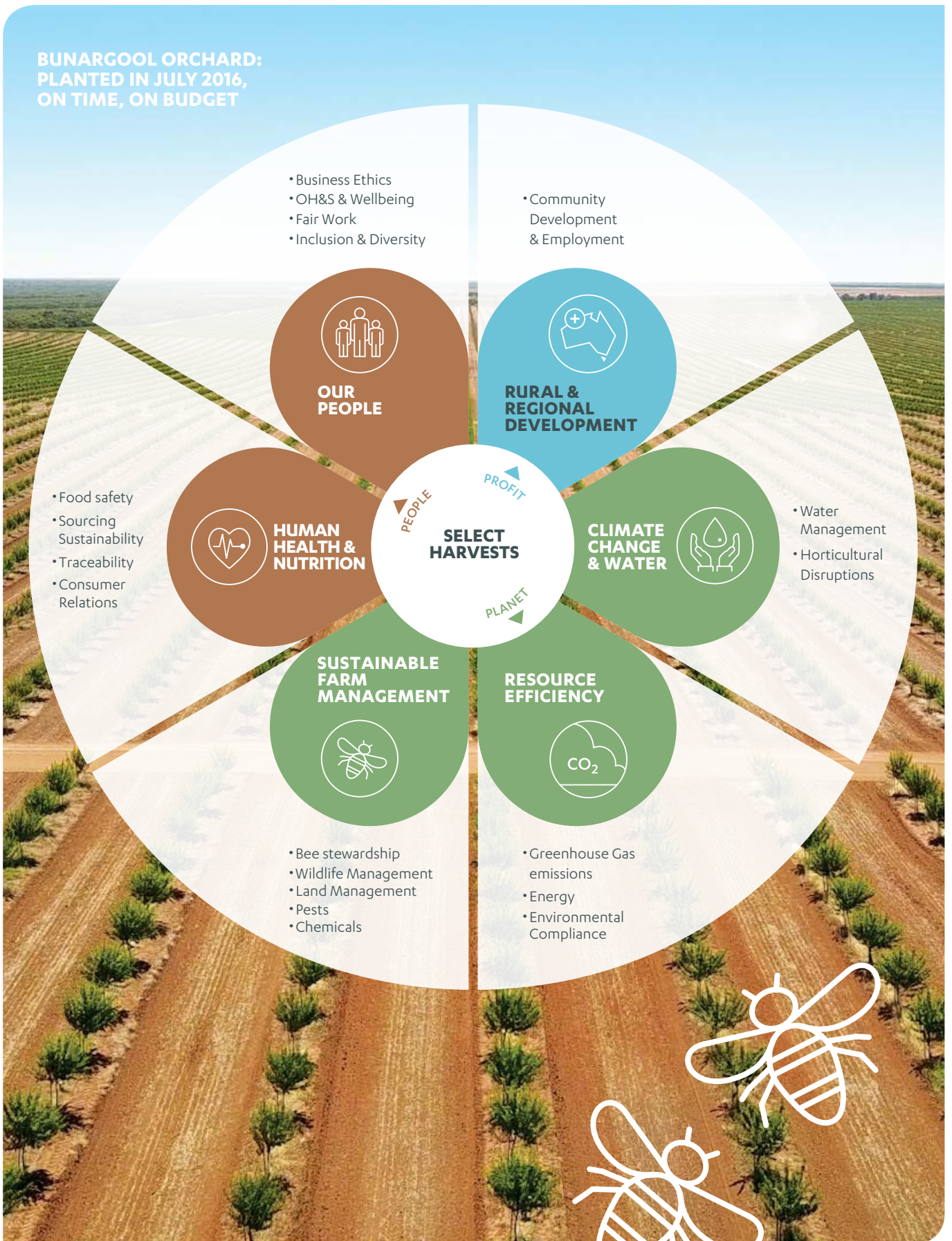
As our farms and processing facilities are significant users of energy, developing ways to reduce our power costs are both economically imperative and environmentally sensible. Project H<sub>2</sub>E will turn almond by-product (hull, shell and orchard prunings) into cost-efficient energy that we can use to reduce our reliance on increasingly expensive power supplied from the grid. Project H<sub>2</sub>E will generate enough electricity to power the Carina West Processing Facility as well as nearby pumps for the Carina Orchard. Project H<sub>2</sub>E will reduce our carbon footprint (by 27%), taking the equivalent of 8,210 cars per annum off the road.

Select Harvests is a significant, long term user of water. We recognise water as a critically important input into our business that is a scarce and finite resource, although one that is also subject to variability across seasons and cycles. Our water strategy is dedicated to securing our significant water needs at the most efficient price over the long term. Adoption of industry best practice irrigation systems and management techniques is an important part of the application of this strategy. Delivering the right amount of water demanded by the trees in the orchard, at the right time, not only saves money, it also prevents drainage of excess water into the water table. Through strategy, infrastructure and management, we seek to conserve, recycle and save water wherever possible.

Select Harvests is dependant on bees to pollinate its orchards. We are active in the bee and pollination industries and show our support through a range of measures including industry advocacy (sponsorship/support of associations, committees & conferences), on-farm bee husbandry (alternative forage crops, water availability at hive sites, avoidance of weedicide sprays in presence of bees, spray diaries, hive inspections, disease monitoring) and industry R&D projects.

Sustainability generates value for our shareholders.

**BUNARGOOL ORCHARD:  
PLANTED IN JULY 2016,  
ON TIME, ON BUDGET**



# Executive Team



**1 PAUL CHAMBERS <sup>(1)</sup> / Chief Financial Officer and Company Secretary**

Paul joined Select Harvests as Chief Financial Officer and Company Secretary in September 2007. He is a Chartered Accountant and has over 25 years experience in senior financial management roles in Australian and European organisations, including corporate positions with the Fosters Group, and Henkel Australia and New Zealand. He is a member of the Australian Institute of Company Directors. *Paul resigned from Select Harvests effective 8 November 2017.*

**2 VANESSA HUXLEY <sup>(2)</sup> / General Manager Finance and Assistant Company Secretary**

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

**3 PETER ROSS <sup>(3)</sup> / General Manager Horticulture**

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

**4 LAURENCE VAN DRIEL <sup>(4)</sup> / General Manager Trading and Industrial**

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

**5 BRUCE VAN TWEST <sup>(5)</sup> / General Manager Operations**

Bruce joined Select Harvests in 2012. With a deep working knowledge of complex 'end to end' supply chains, Bruce has been a highly successful contributor within the executive management teams of large-scale corporates across food production, apparel, industry consumables and suppliers to automotive industries. Prior to joining Select Harvests he was Operations Director at Kraft Foods, CEO of Bizwear & Alert Safety and Director Supply, ANZ at SCA Hygiene Australasia. *Bruce resigned from Select Harvests effective 31 July 2017.*

**6 MARK EVA <sup>(6)</sup> / General Manager Consumer**

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

**7 KATHIE TOMELO <sup>(7)</sup> / General Manager Human Resources**

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



# Board of Directors



## **MICHAEL IWANIW <sup>(1)</sup> / Chairman**

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

He has a Bachelor of Science, a Graduate Diploma in Business Administration and is a member of the Australian Institute of Company Directors. Michael is the immediate past Chairman of Australian Grain Technologies and a former director of Australian Renewable Fuels Ltd and Australian Grain Growers Co-Operative. He is a member of the Remuneration and Nomination Committee.

## **PAUL THOMPSON <sup>(2)</sup> / Managing Director and CEO**

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

## **ROSS HERRON <sup>(3)</sup> / Non-Executive Director**

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

## **MICHAEL CARROLL <sup>(4)</sup> / Non-Executive Director**

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

## **FRED GRIMWADE <sup>(5)</sup> / Non-Executive Director**

Appointed to the board on 27 July 2010. Fred is a Principal and Director of Fawkner Capital, a specialist corporate advisory firm. He is Chairman of CPT Global Ltd and a director of Australian United Investment Company Ltd, XRF Scientific Ltd and AgCap Pty Ltd. He was formerly a director of AWB Ltd, Chairman of Troy Resources Ltd and has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs and Co. He is a current member of the Audit and Risk Committee.

## **PAUL RIORDAN <sup>(6)</sup> / Non-Executive Director**

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

## **NICKI ANDERSON <sup>(7)</sup> / Non-Executive Director**

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

## **FIONA BENNETT <sup>(8)</sup> / Non-Executive Director**

Appointed to the board on 6 July 2017. Fiona joins the Board with an extensive background in corporate governance, audit and risk, and is currently on the Boards of Hills Limited and Beach Energy Limited. She serves as Chairman of the Audit and Risk Committee at Hills Limited and Chairman of Audit at Beach Energy Limited. Fiona has previously served on the Boards of Boom Logistics Limited, Alfred Health and the Institute of Chartered Accountants in Australia, following a senior executive career in leading listed companies, and major private, Government sector and consulting organisations.

# Historical Summary

## Select harvests consolidated results for years ended 30 June

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Total sales	224,655	248,581	238,376	248,316	246,766	190,918	188,088	223,474	285,917	242,142	
Earnings before interest and tax	27,120	26,827	26,032	22,612	(2,495)	5,241	31,288	85,845	49,785	16,979	
Operating profit/(loss) before tax	25,384	23,047	23,603	18,473	(8,743)	198	26,833	80,514	44,290	11,978	
Net profit after tax	18,130	16,712	17,253	17,674	(4,469)	2,872	21,643	56,766	33,796	9,249	
Earnings per share (Basic)	(cents)	46.7	42.6	43.3	33.7	(7.9)	5.0	37.5	82.9	46.7	12.6
Return on shareholders' equity	(%)	19.3	16.6	15.2	10.5	(2.8)	1.8	12.3	19.8	11.6	3.3
Dividend per ordinary share	(cents)	45	12	21	13	8	12	20	50	46	10
Dividend franking	(%)	100	100	100	100	100	100	55	–	54	100
Dividend payout ratio	(%)	96.7	28.2	48.5	38.6	(101.3)	239.8	53.5	60.3	99.1	79.4

## Financial ratios

Net tangible assets per share	(\$)	1.41	1.56	1.87	2.17	2.19	2.14	2.38	3.35	3.22	2.95
Net interest cover	(times)	15.60	7.10	10.70	6.70	(0.4)	1.0	6.9	15.9	9.0	3.4
Net debt/equity ratio	(%)	49.7	51.9	39.6	43.3	41.7	49.6	54.0	38.2	23.1	52.9
Current asset ratio	(times)	0.87	0.79	1.44	1.96	1.42	1.61	4.02	3.36	1.90	1.05

## Balance sheet data as at 30 June

Current assets	77,014	81,075	83,993	91,228	76,936	123,303	136,639	207,782	155,521	136,610
Non-current assets	118,934	133,884	145,612	214,352	202,371	180,542	194,080	280,130	294,251	343,081
Total assets	195,948	214,959	229,605	305,580	279,307	303,845	330,719	487,912	449,772	479,691
Current liabilities	88,162	102,348	58,469	46,454	54,369	76,800	33,988	61,893	81,783	130,371
Non-current liabilities	13,715	11,735	57,515	90,311	64,608	67,540	121,325	138,632	77,088	71,701
Total liabilities	101,877	114,083	115,984	136,765	118,977	144,340	155,313	200,525	158,871	202,072
Net assets	94,071	100,876	113,621	168,815	160,330	159,505	175,406	287,387	290,901	277,619

## Shareholders' equity

Share capital	44,375	46,433	47,470	95,066	95,957	97,007	99,750	170,198	178,553	181,164
Reserves	11,235	12,949	11,327	11,201	10,472	9,144	12,190	12,818	11,168	11,602
Retained profits	38,461	41,494	54,824	62,548	53,901	53,354	63,466	104,371	101,180	84,853
Total shareholders' equity	94,071	100,576	113,621	168,815	160,330	159,505	175,406	287,387	290,901	277,619

## Other data as at 30 June

Fully paid shares	('000)	39,009	39,519	39,779	56,227	56,813	57,463	57,999	71,436	72,919	73,607
Number of shareholders		3,319	3,296	3,039	3,227	3,359	3,065	3,779	4,328	8,928	10,476
Select Harvests' share price – close	(\$)	6.00	2.16	3.46	1.84	1.30	3.27	5.14	11.00	6.74	4.90
Market capitalisation		234,054	85,361	137,635	103,458	73,857	187,904	298,115	785,796	491,474	360,674

\$'000 (except where indicated)

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

# Financial Report

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# Directors' Report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "Company") for the year ended 30 June 2017.

## DIRECTORS

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

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

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

Interest in shares: 201,932 fully paid shares.

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

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

Interest in shares: 479,975 fully paid shares.

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

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

Interest in shares: 17,228 fully paid shares.

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

Appointed to the board on 27 July, 2010. Fred is a Principal and Director of Fawkner Capital, a specialist corporate advisory and investment firm. He is Chairman of CPT Global Ltd and a director of Australian United Investment Company Ltd, XRF Scientific Ltd and AgCap Pty Ltd. He was formerly a director of AWB Ltd., Chairman of Troy Resources Ltd and has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs and Co. He is a current member of the Audit and Risk Committee.

Interest in shares: 102,804 fully paid shares.

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

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

Interest in shares: 56,952 fully paid shares.

**NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES****P Riordan** (Non-Executive Director)

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

Interest in shares: 10,000 fully paid shares.

**N Anderson** (Non-Executive Director)

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

Interest in shares: 3,500 fully paid shares.

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

Appointed to the board on 6 July 2017. Fiona joins the Board with an extensive background in corporate governance, audit and risk, and is currently on the Boards of Hills Limited and Beach Energy Limited. She serves as Chairman of the Audit and Risk Committee at Hills Limited and Chairman of Audit at Beach Energy Limited. Fiona has previously served on the Boards of Boom Logistics Limited, Alfred Health and the Institute of Chartered Accountants in Australia, following a senior executive career in leading listed companies, and major private, Government sector and consulting organisations.

Interest in shares: Nil.

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

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

Interest in shares: 90,249 fully paid shares.

**V Huxley, BCom, CA, (General Manager Finance and Assistant Company Secretary)**

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

Interest in shares: Nil.

# Directors' Report

Continued

## CORPORATE INFORMATION

### Nature of operations and principal activities

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

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

## EMPLOYEES

The Company employed 588 full time equivalent employees as at 30 June 2017 (2016: 630 full time equivalent employees).

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

## OPERATING AND FINANCIAL REVIEW

### Highlights and Key developments during the year

The financial year ended 30 June 2017 has been challenging for Select Harvests, although the business fundamentals are positive and the Company continues to expect strong growth in the long term.

The focus this year by the Board, Executive Management and employees, has been on continuing to grow the almond orchard foot print, progressing significant capital projects, while continuing to strengthen the Food

Division. The Company acquired 1,147 acres (464Ha) of orchards in South Australia for consideration of \$24.9 million during the year. 2,084 acres (844 Ha) of new almond orchards have been planted out on Select Harvests owned and leased orchards in Victoria and South Australia. Over \$12.8 million has been invested in the construction of the new cogeneration plant and value added processing facility at Carina West, both of which will be commissioned in FY18.

## FINANCIAL PERFORMANCE REVIEW

### Profitability

Reported Net Profit After Tax (NPAT) is \$9.2 million, which compares to a reported Net Profit After Tax of \$33.8 million in 2016. Earnings Before Interest and Taxes (EBIT) is \$17.0 million, which compares to EBIT of \$49.8 million in FY16.

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

### Results Summary and Reconciliation

\$'000	REPORTED RESULT (AIFRS)		UNDERLYING RESULT	
	FY17	FY16	FY17	FY16
<b>EBIT (\$'000)</b>				
Almond Division	13,686	44,575	13,686	36,093 <sup>(1)</sup>
Food Division	7,950	10,342	7,950	10,342
Corporate Costs	(4,657)	(5,132)	(4,657)	(5,132)
<b>Operating EBIT</b>	<b>16,979</b>	<b>49,785</b>	<b>16,979</b>	<b>41,303</b>
Interest Expense	(5,001)	(5,495)	(5,001)	(5,495)
<b>Net Profit Before Tax</b>	<b>11,978</b>	<b>44,290</b>	<b>11,978</b>	<b>35,808</b>
Tax Expense	(2,729)	(10,494)	(2,729)	(7,949) <sup>(1)</sup>
<b>Net Profit After Tax</b>	<b>9,249</b>	<b>33,796</b>	<b>9,249</b>	<b>27,859</b>
Earnings Per Share	12.6	46.7	12.6	38.5

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

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

### Almond Division Profitability

Revenues of \$120.7 million, compared to \$161.2 million in 2016. The decrease in revenues was driven by the realised sales of the 2016 and 2017 crop in the financial year, with comparable volumes at almond prices lower than the average achieved in the previous financial year.

Underlying EBIT is \$13.7 million which compares to underlying EBIT of \$36.1 million last year. This result is driven by the valuation of the 2017 crop, based on a yield of 14,100 MT and an almond price projection of \$7.43/kg compared to higher prices of the 2016 crop estimated at 30 June 2016, plus the impact of realised sales of the 2016 crop during FY17 at lower prices than previously estimated. Higher orchard lease costs and harvest costs have also contributed to the lower EBIT.

### Food Division Profitability

Revenues of \$146.9 million compare to \$161.8 million in 2016, a decrease of 9.3%. EBIT of \$8.0 million, compares to \$10.3 million in 2016. The decrease in revenues and EBIT is driven by the lower almond price in FY17 impacting sales to industrial food manufacturers as commodity price decreases were passed on, offset to an extent by strong returns from branded product sales. The consumer sales channel has achieved growth in export and maintained share in branded product, despite a tough pricing environment in this segment.

### Interest Expense

Interest expense has decreased to \$5.0 million in FY17 compared to \$5.5 million in FY16, with lower debt levels maintained in the first half of the year.

### Balance Sheet

Net assets at 30 June 2017 are \$277.6 million, compared to \$290.9 million last year.

The balance sheet includes the impact of \$58.8 million of investing cash outflows resulting from the acquisition of the Jubilee Orchard, expenditure on major projects and orchard development costs.

Net working capital has decreased by 7.4%. As summarised below, the main decrease relates to the value of inventory, which comprises the fair value of the unsold 2017 almond crop, which is lower than the value of the 2016 crop for the corresponding period last year, due to the impact of the lower almond price valuation.

\$'000	2017	2016
Trade and other receivables	46,806	48,477
Inventories	87,474	104,316
Trade and other payables	(14,294)	(23,180)
<b>Net working capital</b>	<b>119,986</b>	<b>129,613</b>

### Cash flow and Net Bank Debt

Net bank debt at 30 June 2017 was \$145.8 million (including finance lease commitments of \$41.4 million), with a gearing ratio (net bank debt/equity) of 52.5%.

Operating cash inflow in the financial year is \$4.7 million, compared to \$92.9 million last year. The decrease in operating cash inflow is mainly driven by the cash flows derived from the proceeds on selling through the 2016 crop, and sales to date of the 2017 crop compared to the higher sales value in 2016.

Investing cash outflows of \$56.8 million are primarily a result of the acquisition of the Jubilee Orchard, investment in the cogeneration plant and new almond value added production facility and new orchard developments.

### Dividends

A nil final dividend has been declared, resulting in a total dividend of 10 cents per share for the financial year. This compares to a total dividend of 46 cents per share in FY16.

## CORPORATE SOCIAL RESPONSIBILITY

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

#### OHS and Wellbeing

The development of our Zero Harm OH&S & Wellbeing strategy aims to prevent incidents before they occur and to improve individual wellbeing. Our industry is high risk given our agricultural manufacturing and key business activities focused on manual handling and usage of tools, equipment and heavy machinery.

Our targets include a 25% year on year reduction in both LTIFR (Lost Time Injury Frequency Rate) and MTIFR (Medically Treated Injury Frequency Rate).

The four key strategic priority areas include the following:

1. Safety Leadership: Culture and Education
2. Performance management
3. Process improvement
4. Wellbeing and education

# Directors' Report

Continued

Whilst zero harm is our ultimate goal, we have made progress against targets illustrated below.

These results are inclusive of our permanent and casual employees, seasonal workers and contractors.

	2014/15 FINANCIAL	2015/16 FINANCIAL	2016/17 FINANCIAL	VARIANCE 2015/16 vs 2016/17
LTIFR (Lost Time Injury Frequency Rate)	26	18.4	15.1	-18%
MTIFR (Medically Treated Injury Frequency Rate)	15	40	19	-53%
LTISR (Lost Time Injury Severity Rate)	37	16	13	-19%
TRIFR (Total Injury Frequency Rate)	115	99	70	-29%

## LTIFR (Lost Time Injury Frequency Rate):

We have achieved a 42% reduction over 3 years in LTIFR which measures the number of lost time injuries per million hours worked. Pleasingly we have seen a reduction in both severity and lost time by 51% compared to FY 2016. This can be attributed to our process improvements in:

- Leadership safety education
- Health and wellbeing
- Acceleration of return to work and proactive injury management approaches and
- Hazard and near miss reporting campaign

## MTIFR (Medically Treated Injury Frequency Rate):

We have exceeded our target with a 53% reduction in MTIFR which measures the number of medically treated injuries per million hours worked. In addition, the severity of injuries is lessening which can be attributed to accurate diagnosis of injury classifications, identifying root cause and corrective actions taken to prevent reoccurrence.

## LTISR (Lost Time Injury Severity Rate):

Pleasingly, we achieved a 19% reduction in LTISR which measures the lost time injury severity rate, indicating the severity of our injuries is lessening. This is a result of our hazard reporting campaign and injury management culture in supporting employees to return to work through ongoing communication, offering modified work duties and partnerships with insurers and rehabilitation providers.

## TRIFR (Total Recordable Injury Frequency Rate):

We have exceeded our target, with a 39% reduction in TRIFR over 3 years which measures the number of LTI, MTI and First Aid injuries per million hours worked. Whilst the on-going reduction is positive, we will continue to improve on our safety strategy activities in pursuit of achieving a zero-harm working environment.

Overall, we are performing well against our targets and our strategy. This progress has been achieved through the following:

- Independent Safety audits have been completed across our business
- A company wide safety survey was completed, with action items identified to address key priority areas
- High priority safety audit recommendations are being addressed
- A company-wide safety manual review is being developed
- Education focused on manual handling and wellbeing, with annual refresher training to be provided
- Review and update of our Equal Employment Opportunity, Anti-Discrimination, Harassment and Bullying Policy and training
- Individual health assessments conducted
- Installation of ergonomic equipment to increase productivity and minimise manual handling
- Quarterly injury management reviews to develop training and plans in conjunction with our health and wellbeing partnerships

## Community

In addition to our direct employment opportunities, we continue to play an important role in our ongoing efforts to improve our rural and regional communities through Select Harvests' annual community grants donation program. Our partnerships with community organisations support the engagement and creation of a sustainable future workforce.

This year we have donated in excess of \$40,000 to over 40 organisations including schools, clubs, sports teams and local community groups to improve and upgrade their infrastructure and facilities and to promote various activities and events.

Some examples of the support we have provided include the following:

- Our ongoing strategic partnership with Robinvale College through the provision of an annual breakfast sponsorship program
- Our annual Mallee Almond Festival sponsorship
- Foodbank Victoria
- Partnership with the Clontarf Foundation (a charitable, not-for-profit organisation which exists to improve the education, disciplines, life skills, self-esteem and employment prospects of young Aboriginal men)

## Fair Employment Practices

We are committed to ensuring that all workers who work directly or indirectly by Select Harvests are treated in a fair and reasonable manner. We are an Equal Employment Opportunity employer as demonstrated through our Inclusion and Diversity strategy and workplace practices.

All third-party labour providers engaged are subject to meeting our Contractor



Engagement and Recruitment Policies that warrant compliance with Australian labour laws and legislative obligations. To ensure fair labour operations, regular audits on payment of wages and eligibility to work in Australia compliance checks are conducted on a regular basis. We have had nil breaches.

### Sustainability and Environment

Select Harvests aims to operate a sustainable business on the basis of 3 platforms: environmental, social/wellbeing and financial benefits. These will generate value for our shareholders, customers, consumers and the communities in which we operate.

We are cognisant of the potential impact of climate change on the suite of risks being managed in our business. For more information on our economic, environmental and social risks, we are pleased to present these in our first Sustainability report which can be accessed via our website.

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

We remain committed to preserving native vegetation and wildlife through our wildlife management plan and fulfil our requirements around licencing as required. We are pleased to report that we have had nil environmental breaches in the last year.

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

We have installed a worm farm to convert almond waste from the Carina West Processing Facility into worm castings. In combination with waste water, it produces a clear, natural liquid fertiliser to be disposed sub soil back into the almond orchard.

### Water

Water is a scarce and finite resource which remains a high priority for Select Harvests. We are continuing to employ a number of efforts to manage our utilisation. This includes installing best practice irrigation systems to deliver water efficiently with reduced system drainage and impact to water tables, our orchard management team reviewing and agreeing the irrigation and fertigation application on a weekly basis, the efficient application of fertiliser, product stocktakes and internal audits by our Technical department.

Given almonds are a long term investment, to enable a secure supply, we have developed a diverse water strategy. This analyses risks

associated to water supply which highlights the importance of managing a balanced profile. This mitigates risk exposure including drought periods and high market prices. This strategy is reviewed annually which accounts how various factors may affect the future years' strategy based on projected climate outlook and market trends.

### Energy Savings

Our largest energy saving initiative remains Project H2E, the biomass electricity co-generation plant which will now become operational in FY18. Consuming almond by-product (including hull, shell and orchard waste), Project H2E will generate enough electricity to power the Carina West Processing Facility as well as nearby pumps for the Carina Orchard.

When Project H2E is operational it will deliver a carbon footprint reduction of 27% – the equivalent to removing 8,210 cars off the road.

### Pollination Management

Our almond orchards are 100% pollination dependent. Therefore, the key challenges and risks in bee stewardship centre on crop safety and optimum bee health. Other critical components to ensuring maximum yield include successful cross-pollination, avoiding bloom pathogens (disease causing fungi) and maintaining strong relationships with our hive brokers. This generates productive relationships with apiarists to supply a pollination service.

We play an active role within the bee and pollination industries including the sponsorship and support for apiary associations, participation and presentation at conferences, industry R&D projects, committees and meetings.

Our ongoing advocacy and bee stewardship practices continue with the supply of alternative forage sources for bees, provision of water at hive sites to aid bee hydration, avoidance of weedicide spraying when hives are present, audited spray diaries and ongoing hive inspections to monitor for disease, hive strength and orchard retention.

### Risk Management

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

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

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

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

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

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

### Outlook

The horticultural program for the 2018 crop is well underway and the trees have received sufficient chill hours through the dormancy period. We are in the early stage of pollination so it is yet to be assessed. Based on industry average yields and the age profile of the orchards, and assuming normal growing conditions for the season, the Select Harvests 2018 theoretical crop would be approximately 15,000MT – 16,000MT. USD almond pricing is currently steady based on an estimated US crop of 2.25 billion pounds.

The business will be focused on productivity improvements from our existing asset base and new investments. Improved yield, quality, sales mix and cost out continues to be an absolute priority. The Parboil processing facility will be commissioned in the first quarter of FY2018 and focus in this area will then shift to maximising the opportunities it offers. Commissioning of the cogeneration plant remains a key priority for the business, along with the management of our new almond orchard plant outs.

The Food Business will continue the strategy to enter new markets and channels, including the launch of new products and innovations. The expansion of export sales in particular through continuing to develop distribution and marketing models in China, is a strategic priority.

The medium and long term fundamentals of our industry and business are strong. There is increasing demand from consumers and industry for plant protein product, in both developed and developing economies. The Select Harvests' strategy continues to be to minimise risk, invest in productive, long term growth assets and major cost out initiatives and value adding brands.

# Directors' Report

Continued

## 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 25 August 2017, the directors declared a nil final dividend.

The Company has agreed revised covenants and terms of debt facilities with the lenders. Further information is contained in note 1(a) and note 15 to the accounts.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

## NON IFRS FINANCIAL INFORMATION

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

Non IFRS financial information includes underlying EBIT, underlying result, underlying NPAT, underlying earnings per share, net

interest expense, net bank debt, net debt, net working capital and adjustments to reconcile from reported results to underlying results.

## REMUNERATION REPORT

The directors present the 2017 Remuneration Report which sets out remuneration information for the Company's non-executive directors, executive director and other key management personnel.

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

### 1. Overview of Remuneration Arrangements

#### Remuneration strategy

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

Remuneration packages include a mix of fixed remuneration, performance based

remuneration and equity based remuneration. Executive directors and other key management personnel may receive short and long term incentives.

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

#### Non-executive directors' remuneration

Non-executive directors receive fees (including statutory superannuation) but do not receive any performance related remuneration nor are they issued options or performance rights on securities. This reflects the responsibilities and the Group's demands of directors. Non-executive directors' fees are periodically reviewed by the Board to ensure that they are continually appropriate and in line with market expectations. The current aggregate fee limit of \$830,000 was approved by shareholders at the 26 November 2015 Annual General Meeting. For the reporting period the total amount paid to non-executive directors was \$693,414.

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

BASE FEES (INCLUDING SUPERANNUATION)	
Chairman	\$207,562
Other non-executive directors	\$92,250
ADDITIONAL FEES (INCLUDING SUPERANNUATION)	
Chair of the Audit and Risk Committee	\$12,300
Chair of the Remuneration Committee	\$12,300

#### Executive remuneration

Executive remuneration has three components:

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

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

**Table 1: Overview of Executive Remuneration Arrangements**

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

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

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

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

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

# Directors' Report

Continued

## REMUNERATION REPORT (CONTINUED)

### 2. Company Performance

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

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

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

	2017	2016	2015	2014*	2014	2013
Net profit after tax (\$'000)	9,249	33,796	56,766	21,643	29,007	2,872
Basic EPS (cents)	12.6	46.7	82.9	37.5	50.2	5.0
Basic EPS Growth	(73%)	(44%)	121%	650%	904%	163%
Dividend per share (cents)	10.0	46.0	50.0	20.0	20.0	12.0
Opening share price 1 July (\$)	6.74	11.00	5.14	3.27	3.27	1.30
Change in share price (\$)	(1.84)	(4.26)	5.86	1.87	1.87	1.97
Closing share price 30 June (\$)	4.90	6.74	11.0	5.14	5.14	3.27
TSR % p.a.†	(26%)	(35%)	124%	63%	63%	161%

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

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

### Short Term Incentive (STI)

Details of the range of potential STI cash payments, actual payments made and the amounts forfeited by the CEO and executive team in relation to the 2017 financial year are shown in Table 3 below. The actual outcomes are based on performance against the conditions outlined in Table 1.

**Table 3: STI**

	STI RANGE (OF TFR*)	STI (OVER)/ UNDER FROM PREVIOUS YEAR (\$)	CURRENT STI ACCRUAL (\$)	NET STI (\$)	% ACHIEVED	% FORFEITED	
<b>Executive director</b>							
P Thompson	0%–40%	2017	1,416	–	1,416	1%	99%
		2016	(1,416)	134,787	133,371	57%	43%
<b>Other key management personnel</b>							
P Chambers	0%–40%	2017	4,948	2,849	7,797	5%	95%
		2016	(4,948)	83,387	78,439	56%	44%
M Eva	0%–40%	2017	6,304	17,664	23,968	18%	82%
		2016	(6,304)	81,290	74,986	60%	40%
P Ross	0%–40%	2017	(7,911)	11,548	3,637	3%	97%
		2016	400	70,417	70,817	57%	43%
L Van Driel	0%–40%	2017	(11,976)	15,763	3,787	3%	97%
		2016	13,898	76,894	90,792	71%	29%
K Tomeo*	0%–30%	2017	–	7,076	7,076	9%	91%
		2016	–	–	–	–	–
V Huxley**	0%–25%	2017	–	6,162	6,162	10%	90%
		2016	–	–	–	–	–
B Van Twest†	0%–40%	2017	(6,738)	–	(6,738)	(5%)	105%
		2016	3,317	76,980	80,297	59%	41%
C Barbuto**	0%–20%	2017	–	–	–	–	–
		2016	(3,893)	–	(3,893)	(17%)	117%

# Total Fixed Remuneration

\* Appointed 9 May 2016

\*\* Appointed 9 September 2016

† Resigned 31 July 2017 and his STI reversed

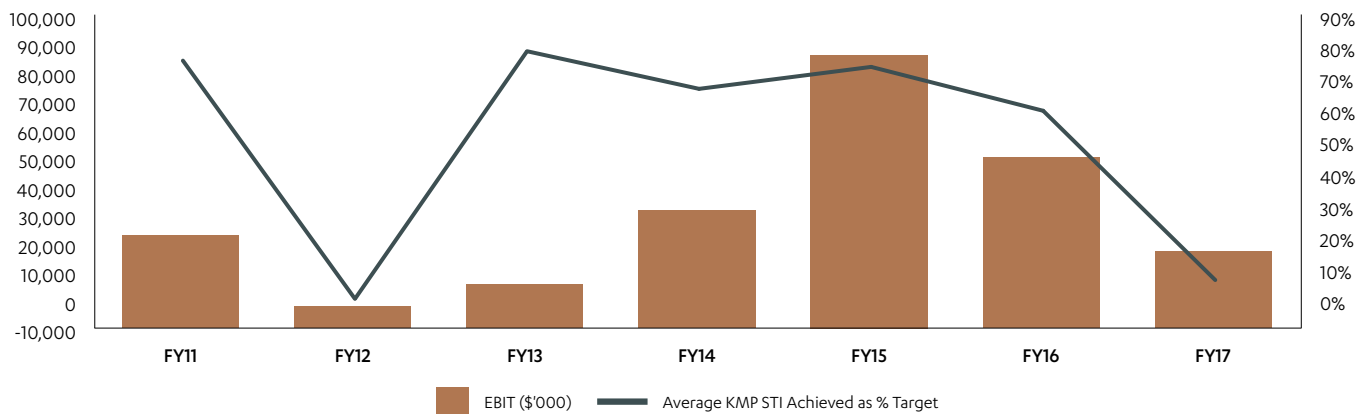
\*\* Resigned 26 January 2016

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

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

A summary of the EBIT and average short term incentives paid to the Executive for the last 7 years is outlined below.

#### EBIT and Average STI Achieved as % of Target



#### Long Term Incentive (LTI)

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

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

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

EPS GROWTH	2017	2016	2015
Basic EPS (cents)	12.6	46.7	82.9
Underlying EPS* (cents)	12.6	38.5	86.8
3 Year EPS CAGR	(37%)	(1%)	73%
3 Year EPS CAGR target 5% – 7%			
Percentage vested	0%	0%	100%

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

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

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

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

# Directors' Report

Continued

## REMUNERATION REPORT (CONTINUED)

### 3. Details of Remuneration

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

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

Table 5: 2017 and 2016 Remuneration

		ANNUAL REMUNERATION				LONG TERM REMUNERATION			Total \$
		Base Fee \$	Short Term Incentives \$	Non Cash Benefits \$	Super- annuation Contributions \$	Long Service Leave Accrued \$	Performance Rights Granted \$	Termination Benefits \$	
<b>Non Executive Directors</b>									
M Iwaniw	2017	207,562	–	–	–	–	–	–	207,562
	2016	183,650	–	–	–	–	–	–	183,650
M Carroll	2017	95,480	–	–	9,071	–	–	–	104,551
	2016	89,849	–	–	8,531	–	–	–	98,380
F Grimwade	2017	84,247	–	–	8,004	–	–	–	92,251
	2016	78,725	–	–	7,475	–	–	–	86,200
R M Herron	2017	95,480	–	–	9,071	–	–	–	104,551
	2016	89,849	–	–	8,531	–	–	–	98,380
P Riordan	2017	84,247	–	–	8,004	–	–	–	92,251
	2016	78,725	–	–	7,475	–	–	–	86,200
N Anderson <sup>#</sup>	2017	84,247	–	–	8,004	–	–	–	92,251
	2016	36,018	–	–	3,439	–	–	–	39,457
<b>Executive Director</b>									
P Thompson	2017	539,777	1,416	38,689	19,565	–	117,165	–	716,612
	2016	510,612	133,371	53,575	19,221	–	153,164	–	869,943
<b>Other key management personnel</b>									
P Chambers	2017	321,079	7,797	15,436	19,565	8,067	17,203	–	389,147
	2016	312,398	78,439	15,739	19,264	7,942	113,649	–	547,431
M Eva	2017	271,179	23,968	37,668	19,565	–	7,397	–	359,777
	2016	266,698	74,986	28,567	19,264	–	34,739	–	424,254
P Ross	2017	290,482	3,637	10,692	19,565	6,806	17,203	–	348,385
	2016	289,672	70,817	3,986	19,264	34,654	113,822	–	532,215
L Van Driel	2017	299,910	3,787	–	28,491	8,153	17,203	–	357,544
	2016	292,595	90,792	–	27,797	8,230	117,769	–	537,183
K Tomeo <sup>*</sup>	2017	232,877	7,076	–	22,123	–	7,059	–	269,135
	2016	34,633	–	–	3,290	–	–	–	37,923
V Huxley <sup>**</sup>	2017	176,999	6,162	11,657	20,795	23,942	13,468	–	253,023
	2016	–	–	–	–	–	–	–	–
B Van Twest <sup>+</sup>	2017	315,376	(6,738)	15,696	19,565	–	7,397	–	351,296
	2016	307,088	80,297	15,739	19,264	–	35,269	–	457,657
C Barbuto <sup>++</sup>	2017	–	–	–	–	–	–	–	–
	2016	95,511	(3,893)	–	10,357	–	–	–	101,975

# Appointed 21 January 2016

\* Appointed 9 May 2016

\*\* Appointed 9 September 2016

+ Resigned 31 July 2017 and his STI reversed

++ Resigned 26 January 2016

## Notes

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

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

## Fixed and Variable Remuneration

Table 6 details the proportion of fixed and variable remuneration earned by directors and key management personnel during the 2017 and 2016 financial years.

**Table 6: Fixed and Variable Remuneration**

	FIXED REMUNERATION		AT RISK – STI		AT RISK – LTI <sup>^</sup>	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
<b>Non Executive Directors</b>						
M Iwaniw	100.0	100.0	–	–	–	–
M Carroll	100.0	100.0	–	–	–	–
F Grimwade	100.0	100.0	–	–	–	–
R M Herron	100.0	100.0	–	–	–	–
P Riordan	100.0	100.0	–	–	–	–
N Anderson <sup>#</sup>	100.0	100.0	–	–	–	–
<b>Executive Director</b>						
P Thompson	83.5	67.1	0.2	15.3	16.3	17.6
<b>Other key management personnel</b>						
P Chambers	93.6	64.9	2.0	14.3	4.4	20.8
M Eva	91.2	74.1	6.7	17.7	2.1	8.2
P Ross	94.1	65.3	1.0	13.3	4.9	21.4
L Van Driel	94.1	61.2	1.1	16.9	4.8	21.9
K Tomeo <sup>*</sup>	94.8	100.0	2.6	–	2.6	–
V Huxley <sup>**</sup>	92.3	–	2.4	–	5.3	–
B Van Twest <sup>+</sup>	99.8	74.7	(1.9)	17.5	2.1	7.7
C Barbuto <sup>**</sup>	–	103.8	–	(3.8)	–	–

# Appointed 21 January 2016

\* Appointed 9 May 2016

\*\* Appointed 9 September 2016

+ Resigned 31 July 2017

++ Resigned 26 January 2016

^ Based on the value of performance rights as at grant date as valued using the option pricing model

# Directors' Report

Continued

## REMUNERATION REPORT (CONTINUED)

### Performance Rights

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

Table 7: Performance Rights affecting Remuneration

GRANT DATE	VESTING CONDITIONS	PERFORMANCE PERIOD	PARTICIPATING EXECUTIVES	PERFORMANCE ACHIEVED	VESTED %
29 Jun 2012	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2014	P Chambers	30 June 2014 rights achieved 100% of EPS condition rights and 88% of TSR condition rights	94% of 30 June 2014 rights
		30 June 2015	P Ross	30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights	100% of 30 June 2015 rights
		30 June 2016		30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights	47% of 30 June 2016 rights
30 Apr 2013	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2014	L Van Driel	30 June 2014 rights achieved 100% of EPS condition rights and 88% of TSR condition rights	94% of 30 June 2014 rights
		30 June 2015		30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights	100% of 30 June 2015 rights
		30 June 2016		30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights	47% of 30 June 2016 rights
	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2015	P Thompson	30 June 2015 rights achieved 100% of EPS condition rights and 100% of TSR condition rights	100% of 30 June 2015 rights
		30 June 2016	M Eva	30 June 2016 rights achieved 0% of EPS condition rights and 94% of TSR condition rights	47% of 30 June 2016 rights
		30 June 2017	B Van Twest	30 June 2017 rights achieved 0% of EPS condition rights and 0% of TSR condition rights	0% of 30 June 2017 rights
11 Feb 2016	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2017	P Chambers	30 June 2017 rights achieved 0% of EPS condition rights and 0% of TSR condition rights	0% of 30 June 2017 rights
			P Ross		
			L Van Driel		
2017	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> </ul>	30 June 2018 30 June 2019 30 June 2020	P Thompson+	2018-2020 period to be determined.	N/A
			P Chambers*		
			M Eva*		
			P Ross*		
			L Van Driel*		
			B Van Twest*		
K Tomeo*					
V Huxley*					

+ Granted 20 October 2014

\* Granted 29 September 2016



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

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

**Table 8: Grants of Performance Rights**

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

RIGHTS TO DEFERRED SHARES								
Name	Year Granted	Number Granted	Value per right*	Vested %	Vested Number	Forfeited Number	Financial years in which rights may vest	Max. Value yet to vest*
P Thompson	2013	300,000	\$2.26	100%	300,000	0	30-Jun-15	\$0
	2013	300,000	\$2.26	47%	141,450	158,550	30-Jun-16	\$0
	2013	300,000	\$2.26	0%	0	300,000	30-Jun-17	\$0
	2017	75,000	\$4.35	0%	0	0	30-Jun-18	\$326,250
	2017	75,000	\$4.20	0%	0	0	30-Jun-19	\$315,000
	2017	75,000	\$4.07	0%	0	0	30-Jun-20	\$305,250
P Chambers	2012	57,960	\$1.08	94%	54,511	3,449	30-Jun-14	\$0
	2012	57,960	\$1.15	100%	57,960	0	30-Jun-15	\$0
	2012	57,960	\$1.20	47%	27,328	30,632	30-Jun-16	\$0
	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	0	30-Jun-18	\$42,750
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
M Eva	2013	52,687	\$2.26	100%	52,687	0	30-Jun-15	\$0
	2013	60,000	\$2.26	47%	28,290	31,710	30-Jun-16	\$0
	2013	60,000	\$2.26	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	0	30-Jun-18	\$42,750
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
P Ross	2012	54,060	\$1.08	94%	50,843	3,217	30-Jun-14	\$0
	2012	54,060	\$1.15	100%	54,060	0	30-Jun-15	\$0
	2012	54,060	\$1.20	47%	25,489	28,571	30-Jun-16	\$0
	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	0	30-Jun-18	\$42,750
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700
L Van Driel	2013	50,600	\$2.25	94%	47,589	3,011	30-Jun-14	\$0
	2013	50,600	\$2.26	100%	50,600	0	30-Jun-15	\$0
	2013	50,600	\$2.26	47%	23,858	26,742	30-Jun-16	\$0
	2016	60,000	\$4.44	0%	0	60,000	30-Jun-17	\$0
	2017	15,000	\$2.85	0%	0	0	30-Jun-18	\$42,750
	2017	15,000	\$3.45	0%	0	0	30-Jun-19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30-Jun-20	\$50,700

# Directors' Report

Continued

## REMUNERATION REPORT (CONTINUED)

Table 8: Grants of Performance Rights (continued)

Name	Year Granted	Number Granted	Value per right*	Vested %	Vested Number	Forfeited Number	RIGHTS TO DEFERRED SHARES	
							Financial years in which rights may vest	Max. Value yet to vest*
B Van Twest	2013	60,000	\$2.26	100%	60,000	0	30–Jun–15	\$0
	2013	60,000	\$2.26	47%	28,290	31,710	30–Jun–16	\$0
	2013	60,000	\$2.26	0%	0	60,000	30–Jun–17	\$0
	2017	15,000	\$2.85	0%	0	0	30–Jun–18	\$42,750
	2017	15,000	\$3.45	0%	0	0	30–Jun–19	\$51,750
	2017	15,000	\$3.38	0%	0	0	30–Jun–20	\$50,700
K Tomeo	2017	10,000	\$3.38	0%	0	0	30–Jun–20	\$33,800
V Huxley	2017	10,000	\$2.85	0%	0	0	30–Jun–18	\$28,500
	2017	10,000	\$3.45	0%	0	0	30–Jun–19	\$34,500
	2017	10,000	\$3.38	0%	0	0	30–Jun–20	\$33,800

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

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

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

2017	NUMBER				
	Opening Balance	Granted during the year	Vested during the year	Forfeited during the year	Closing Balance
<b>Executive Director</b>					
P Thompson	300,000	225,000	–	300,000	225,000
<b>Other key management personnel</b>					
P Chambers	60,000	45,000	–	60,000	45,000
M Eva	60,000	45,000	–	60,000	45,000
P Ross	60,000	45,000	–	60,000	45,000
L Van Driel	60,000	45,000	–	60,000	45,000
B Van Twest	60,000	45,000	–	60,000	45,000
K Tomeo	–	10,000	–	–	10,000
V Huxley	–	30,000	–	–	30,000

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

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

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

	HELD AT 1 JULY 2016	RECEIVED ON EXERCISE OF PERFORMANCE RIGHTS	OTHER – DRP, SALES AND PURCHASES	HELD AT 30 JUNE 2017
<b>Non-executive directors</b>				
M Iwaniw	199,097	–	2,835	201,932
R M Herron	53,920	–	3,032	56,952
M Carroll	10,941	–	6,287	17,228
F Grimwade	102,804	–	–	102,804
P Riordan	10,000	–	–	10,000
N Anderson	3,500	–	–	3,500
<b>Executive director</b>				
P Thompson	338,379	141,450	146	479,975
<b>Other key management personnel</b>				
P Chambers	113,171	27,328	(50,250)	90,249
P Ross	104,903	25,489	–	130,392
M Eva	52,687	28,290	–	80,977
L Van Driel	–	23,858	–	23,858
K Tomeo*	–	–	–	–
V Huxley**	–	–	–	–
B Van Twest*	22,500	28,290	(22,500)	28,290

\* Appointed 9 May 2016

\*\* Appointed 9 September 2016

+ Resigned 31 July 2017

# Directors' Report

Continued

## REMUNERATION REPORT (CONTINUED)

### 4. Service Agreements

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

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

The major provisions of the agreements are set out below.

NAME	TITLE	TERM	NOTICE PERIOD	BASE SALARY INCL. SUPERANNUATION
P Thompson	Managing Director & CEO	On-going	6 months	598,082
P Chambers	Chief Financial Officer	On-going	3 months	356,131
M Eva	General Manager Sales and Marketing Consumer	On-going	3 months	333,289
P Ross	General Manager Horticulture	On-going	3 months	320,790
L Van Driel	Group Trading Manager	On-going	3 months	328,401
K Tomeo*	General Manager Safety, People and Sustainability	On-going	3 months	255,000
V Huxley**	General Manager Finance and Assistant Company Secretary	On-going	3 months	248,977
B Van Twest <sup>+</sup>	General Manager Operations	On-going	3 months	350,688

\* Appointed 9 May 2016

\*\* Appointed 9 September 2016

+ Resigned 31 July 2017

Base salaries quoted are for the year ended 30 June 2017. They are reviewed annually by the Remuneration Committee, however at the time of preparing the remuneration report the review for the 30 June 2018 year is yet to be completed.

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

### 5. Use of Remuneration Consultants

For the year ended 30 June 2017, the Remuneration and Nomination Committee engaged Ernst & Young (EY) to complete the following:

- Attend Remuneration and Nomination Committee meetings
- Prepare a Board paper outlining the overview of an Employee Share Trust (EST) to assist with the operation of the new Long Term Incentive Plan (LTIP)
- Prepare LTIP documentation for a grant of performance rights, including an employee tax summary outlining the key Australian tax implications of participating in the plan
- Provide an employee tax presentation outlining the Australian tax implications for participants of the new LTIP
- Prepare a new set of Performance Rights Plan Rules

The total consulting fees paid were \$48,492.

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

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

## DIVIDENDS

	CENTS	2017 \$'000
<i>Interim franked dividend for 2017</i>		
• on ordinary shares	10.0	7,349
<i>Nil final dividend declared for 2017</i>		

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

## COMMITTEE MEMBERSHIP

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

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

AUDIT AND RISK	REMUNERATION AND NOMINATION
R M Herron (Chairman)	M Carroll (Chairman)
F Grimwade	M Iwaniw
P Riordan	N Anderson (replacing F Grimwade)
	F Grimwade (resigned from committee)

## DIRECTORS' MEETINGS

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

	MEETINGS OF COMMITTEES					
	DIRECTORS' MEETINGS		AUDIT AND RISK		REMUNERATION AND NOMINATION	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
M Iwaniw	12	12	1	1	5	5
P Thompson	12	12	4	4	5	5
R M Herron	12	12	4	4	–	–
M Carroll	12	12	1	1	5	5
F Grimwade	12	12	4	4	1	1
P Riordan	12	12	4	4	–	–
N Anderson	12	12	–	–	5	5

# Directors' Report

Continued

## **DIRECTOR'S INTERESTS IN CONTRACTS**

Directors' interests in contracts are disclosed in Note 24(d) 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 37.

## **NON-AUDIT SERVICES**

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

## **ROUNDING**

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

## **PROCEEDINGS ON BEHALF OF THE COMPANY**

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

## **CORPORATE GOVERNANCE**

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

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



**M Iwaniw**  
Chairman

Melbourne, 25 August 2017

# Auditor's Independence Declaration



## Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the year ended 30 June 2017, 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.

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', is written over a light blue horizontal line.

Andrew Cronin  
Partner  
PricewaterhouseCoopers

Melbourne  
25 August 2017

**PricewaterhouseCoopers, ABN 52 780 433 757**  
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Liability limited by a scheme approved under Professional Standards Legislation.

# Statement of Comprehensive Income

For the year ended 30 June 2017	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Revenue</b>			
Sales of goods and services	5	239,981	285,917
Other revenue	5	2,161	251
<b>Total revenue</b>		<b>242,142</b>	<b>286,168</b>
<b>Other income</b>			
Inventory fair value adjustment		(14,250)	(43,033)
Gain on sale of assets		12	8,644
<b>Total other income</b>		<b>(14,238)</b>	<b>(34,389)</b>
<b>Expenses</b>			
Cost of sales	6	(194,240)	(186,286)
Distribution expenses		(3,972)	(4,463)
Marketing expenses		(1,445)	(1,304)
Occupancy expenses		(1,232)	(1,314)
Administrative expenses	6	(7,014)	(6,642)
Finance costs		(5,032)	(5,538)
Other expenses	6	(2,991)	(1,942)
<b>PROFIT BEFORE INCOME TAX</b>		<b>11,978</b>	<b>44,290</b>
Income tax expense	7	(2,729)	(10,494)
<b>PROFIT ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>9,249</b>	<b>33,796</b>
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		205	1,053
<b>Other comprehensive income/(expense) for the year</b>		<b>205</b>	<b>1,053</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>9,454</b>	<b>34,849</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents per share)	22	12.6	46.7
Diluted earnings per share (cents per share)	22	12.4	46.0

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



# Balance Sheet

As at 30 June 2017	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,060	1,435
Trade and other receivables	9	46,806	48,477
Inventories	10	87,474	104,316
Derivative financial instruments	11	1,270	1,293
<b>TOTAL CURRENT ASSETS</b>		<b>136,610</b>	<b>155,521</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	282,477	238,187
Intangible assets	13	60,604	56,064
<b>TOTAL NON-CURRENT ASSETS</b>		<b>343,081</b>	<b>294,251</b>
<b>TOTAL ASSETS</b>		<b>479,691</b>	<b>449,772</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	14,294	23,180
Interest bearing liabilities	15	110,385	30,619
Derivative financial instruments	11	160	–
Current tax liabilities		2,322	25,142
Deferred gain on sale	16	175	175
Employee entitlements	17	3,035	2,667
<b>TOTAL CURRENT LIABILITIES</b>		<b>130,371</b>	<b>81,783</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	15	36,492	38,082
Deferred tax liabilities	7(c)	30,591	34,452
Deferred gain on sale	16	3,021	3,197
Employee entitlements	17	1,597	1,357
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>71,701</b>	<b>77,088</b>
<b>TOTAL LIABILITIES</b>		<b>202,072</b>	<b>158,871</b>
<b>NET ASSETS</b>		<b>277,619</b>	<b>290,901</b>
<b>EQUITY</b>			
Contributed equity	18	181,164	178,553
Reserves		11,602	11,168
Retained profits		84,853	101,180
<b>TOTAL EQUITY</b>		<b>277,619</b>	<b>290,901</b>

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

# Statement of Changes in Equity

CONSOLIDATED	Note	Contributed Equity \$'000	Reserves <sup>1</sup> \$'000	Retained Earnings \$'000	Total \$'000
Balance restated at 30 June 2015		170,198	12,818	104,371	287,387
Profit for the year		–	–	33,796	33,796
Other comprehensive loss		–	1,053	–	1,053
<b>Total comprehensive income for the year</b>		–	1,053	33,796	34,849
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs and deferred tax	18	8,355	–	–	8,355
Issue of ordinary shares		–	(3,271)	3,271	–
Dividends paid or provided	8	–	–	(40,258)	(40,258)
Employee performance rights	25	–	568	–	568
<b>Balance at 30 June 2016</b>		178,553	11,168	101,180	290,901
Profit for the year		–	–	9,249	9,249
Other comprehensive income		–	205	–	205
<b>Total comprehensive profit for the year</b>		–	205	9,249	9,454
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs and deferred tax	18	2,611	–	–	2,611
Dividends paid or provided	8	–	–	(25,576)	(25,576)
Employee performance rights	25	–	229	–	229
<b>Balance at 30 June 2017</b>		181,164	11,602	84,853	277,619

1. Nature and purpose of reserves

(i) **Asset revaluation reserve**

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

(ii) **Options reserve**

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

(iii) **Cash flow hedge reserve**

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

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

# Statement of Cash Flows

For the year ended 30 June 2017	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		249,969	304,306
Payments to suppliers and employees		(211,212)	(205,688)
		<b>38,757</b>	<b>98,618</b>
Interest received		31	294
Interest paid		(5,028)	(5,156)
Income tax paid		(29,022)	(890)
<b>Net cash inflow from operating activities</b>	19	<b>4,738</b>	<b>92,866</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Government grants		2,805	4,118
Proceeds from sale of property, plant and equipment		12	9,800
Proceeds from sale and leaseback transaction		–	34,922
Payment for water rights		(4,540)	(9,591)
Payment for property, plant and equipment		(23,581)	(32,717)
Acquisition of almond orchards		(21,838)	(5,285)
Tree development costs		(9,646)	(4,408)
<b>Net cash outflow from investing activities</b>		<b>(56,788)</b>	<b>(3,161)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale and leaseback transaction		–	28,362
Proceeds from borrowings		209,250	197,000
Repayments of borrowings		(128,750)	(279,608)
Repayments of finance leases		(3,962)	(1,911)
Dividends on ordinary shares, net of Dividend Reinvestment Plan		(22,964)	(31,903)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>53,574</b>	<b>(88,060)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,524</b>	<b>1,645</b>
Cash and cash equivalents at the beginning of the financial year		(3,455)	(5,100)
<b>Cash and cash equivalents at the end of the financial year</b>		<b>(1,931)</b>	<b>(3,455)</b>
<b>Reconciliation to cash at the end of the year:</b>			
Cash and cash equivalents		1,060	1,435
Bank overdrafts		(2,991)	(4,890)
		<b>(1,931)</b>	<b>(3,455)</b>

#### Cash and cash equivalents

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

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

# Notes to the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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

### Compliance with IFRS

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

### Historical cost convention

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

### Critical accounting estimates

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

### Banking covenants

Prior to 30 June 2017 the Company received a conditional amendment to certain of its banking facility covenants from its lenders for the 30 June 2017 measurement period. As the amendment was conditional on the agreement of revised covenants and terms

the total debt facility drawn has been disclosed as a current liability. These revisions have now been agreed and are in place with lenders. The changes include a revision to existing financial covenants relating to debt serviceability, gearing and assessment periods.

The Board and Management will continue to closely monitor the results and forecast against the covenants and believe that the company should be in a position to take any appropriate and necessary action with a view to ensuring that no covenants are breached. The immediate priority for the business will be to reduce operational expenditure, working capital and capital expenditure and to proactively investigate a number of debt reduction initiatives.

### New and amended standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

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

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

The standard was released on 23 February 2016 and will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The current standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item)

and a financial liability to pay rentals for almost all lease contracts. The Company is yet to assess its full impact and has not yet decided when to adopt AASB 16.

#### (iv) AASB 2016-1: Amendments to Australian Accounting Standards – AASB 112 Income taxes

The amendments to AASB 112 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They do not change the underlying principles for the recognition of deferred tax assets.

The amendments are effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted. The changes must be adopted retrospectively.

#### (v) AASB 2017-2: Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2014-2016 Cycle

This standard is applicable from annual reporting periods beginning on or after 1st January 2017. The annual improvements project makes minor but necessary annual amendments to various accounting standards. This amendment clarifies that the disclosure requirements of AASB 12 apply to interests in entities that are classified as held for sale, except for the requirement to disclose summarised financial information.

#### (vi) AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The amendment requires disclosure of changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

The amendment is effective for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

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.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(CONTINUED)

### (b) Principles of consolidation

#### (i) Subsidiaries

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

### (c) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

### (d) Comparatives

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

### (e) Rounding

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

### (f) Parent entity financial information

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

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

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

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### Critical accounting estimates and assumptions

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

### Inventory – Current Year Almond Crop

The current year almond crop is classified as a biological asset and valued in accordance with AASB 141 Agriculture. In applying this standard, the consolidated entity has made various assumptions at the balance date as the selling price of the crop can only be estimated and the actual crop yield will not be known until it is completely processed and sold. The assumptions are the estimated average almond selling price at the point of harvest of \$7.43 per kg and almond yield based on a crop estimate for the Company orchards of 14,100mt.

### Fair Value of Acquired Assets

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

### Carrying value of intangible assets

The Group tests annually whether intangible assets, have suffered any impairment, in accordance with the accounting policy stated in Note 13. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Key assumptions and sensitivities are disclosed in Note 13.

## 3. FINANCIAL RISK MANAGEMENT

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

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

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market risk

#### (i) Foreign exchange risk

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

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

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

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

GROUP	30 JUNE 2017 USD \$'000	30 JUNE 2017 EUR \$'000	30 JUNE 2016 USD \$'000	30 JUNE 2016 EUR \$'000
Trade receivables net of payables	16,710	–	21,995	–
Overdraft	(2,296)	–	(3,627)	–
Foreign exchange contracts				
– buy foreign currency (cash flow hedges)	3,399	440	991	1,625
– sell foreign currency (cash flow hedges)	25,500	–	19,033	–

#### Group sensitivity analysis

Based on financial instruments held at 30 June 2017, had the Australian dollar strengthened/weakened by 5% against the US dollar and the EUR, with all other variables held constant, the Group's post tax profit for the year would have been \$938,000 lower/\$1,037,000 higher (2016: \$825,000 lower/\$912,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been \$1,564,000 lower/\$1,728,000 higher (2016: \$1,555,000 lower/\$1,719,000 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 2017 AVERAGE INTEREST RATE %	BALANCE \$'000	30 JUNE 2016 AVERAGE INTEREST RATE %	BALANCE \$'000
Debt facilities (AUD)	3.05%	102,500	6.37%	22,000
Overdraft (USD)	1.64%	2,296	1.29%	4,890

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

The Group analyses interest rate exposure on an ongoing basis in conjunction with the debt facility, cash flow and capital management. As part of the Risk Management policy of Select Harvests Limited, the company has entered into an agreement to swap \$27.5m (2016: Nil) of debt for 1 year and \$13.5m (2016: Nil) for 2 years at a rate of 1.69% and 1.77% respectively to reduce the risk that higher interest rate pose to the company's cash flows.

#### Group sensitivity

At 30 June 2017, if interest rates had changed by +/- 25 basis points from the weighted average interest rate with all other variables held constant, post tax profit for the year would have been \$183,000 lower/higher (2016: \$45,000 lower/higher).

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate risk

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

FINANCIAL INSTRUMENTS	FIXED INTEREST RATE MATURING IN:										TOTAL CARRYING AMOUNT AS PER THE BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	FLOATING INTEREST RATE		1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON INTEREST BEARING		2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
<b>(i) Financial assets</b>														
Cash	1,060	1,435	–	–	–	–	–	–	–	–	1,060	1,435	–	–
Trade and other receivables	–	–	–	–	–	–	–	–	41,131	44,888	41,131	44,888	–	–
Forward exchange contracts	–	–	–	–	–	–	–	–	1,270	1,293	1,270	1,293	–	–
Interest Rate Swap	–	–	4	–	17	–	–	–	–	–	21	–	–	–
<b>Total financial assets</b>	<b>1,060</b>	<b>1,435</b>	<b>4</b>	<b>–</b>	<b>17</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>42,401</b>	<b>46,181</b>	<b>43,482</b>	<b>47,616</b>		
<b>(ii) Financial liabilities</b>														
Bank overdraft – USD @ AUD	2,991	4,890	–	–	–	–	–	–	–	–	2,991	4,890	1.64	1.29
Commercial Bills	102,500	22,000	–	–	–	–	–	–	–	–	102,500	22,000	3.05	6.37
Trade creditors	–	–	–	–	–	–	–	–	8,160	8,007	8,160	8,007	–	–
Other creditors	–	–	–	–	–	–	–	–	6,134	15,173	6,134	15,173	–	–
Forward exchange contracts	–	–	–	–	–	–	–	–	160	–	160	–	–	–
<b>Total financial liabilities</b>	<b>105,491</b>	<b>26,890</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,454</b>	<b>23,180</b>	<b>119,945</b>	<b>50,070</b>		

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

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

#### (b) Credit risk

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

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

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

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

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk

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

#### Financing arrangements

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

DEBT FACILITIES	EXPIRY DATE	FACILITY LIMIT	AMOUNT DRAWN 30 JUNE 2017
1. Revolving	01/03/2019	\$65,000,000	\$43,500,000
2. Working capital	01/03/2018	\$29,000,000	\$29,000,000
3. Seasonal**	01/09/2019	\$19,000,000	–
4. Cash advance facility#	01/03/2019	\$30,000,000	\$30,000,000
		<b>AUD \$143,000,000</b>	<b>AUD \$102,500,000</b>
5. Overdraft*	28/02/2018	USD \$5,000,000	USD \$2,296,000

\* Held with NAB only; + Available for the period 1 March to 30 June each year.

# Held with CBA and RABO in equal proportions

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

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

	2017 \$'000	2016 \$'000
Floating rate		
• Revolving/Working capital/Seasonal/Cash advance facility	AUD \$40,500	AUD \$93,000
• Bank overdraft facility USD	USD \$2,704	USD \$1,373

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



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Maturities of financial liabilities

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

		LESS THAN 6 MONTHS \$'000	6 – 12 MONTHS \$'000	MORE THAN 12 MONTHS \$'000	TOTAL CONTRACTUAL CASH FLOWS \$'000	CARRYING AMOUNT (ASSETS)/ LIABILITIES \$'000
<b>Group at 30 June 2017</b>						
Non-derivatives						
Variable Rate	Debt facilities*	103,647	–	–	103,647	102,500
	Trade and other payables	14,294	–	–	14,294	14,294
	Bank Overdraft	–	3,029	–	3,029	2,991
Derivatives	Interest Rate Swap	–	27,000	13,500	40,500	21
	EUR buy – outflow	440	–	–	440	17
	USD buy – outflow	3,399	–	–	3,399	144
	USD sell – (inflow)	(25,500)	–	–	(25,500)	(1,270)
	<b>USD net</b>	<b>(22,101)</b>	<b>–</b>	<b>–</b>	<b>(22,101)</b>	<b>(1,126)</b>
<b>Group at 30 June 2016</b>						
Non-derivatives						
Variable Rate	Debt facilities	22,624	–	–	22,624	22,000
	Trade and other payables	23,180	–	–	23,180	23,180
	Trade finance	–	–	4,890	4,890	4,890
	Bank Overdraft	–	–	–	–	–
Derivatives	Interest Rate Swap	–	–	–	–	–
	EUR buy – outflow	1,625	–	–	1,625	24
	USD buy – outflow	991	–	–	991	(2)
	USD sell – (inflow)	(19,033)	–	–	(19,033)	1,271
	<b>USD net</b>	<b>(18,042)</b>	<b>–</b>	<b>–</b>	<b>(18,042)</b>	<b>1,269</b>

\* Refer to note 1(a) and note 15 for further information on the classification of the debt facilities at 30 June 2017.

#### (d) Fair Value Measurement

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

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

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

# Notes to the Financial Statements

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

At 30 June 2017 the group's assets and liabilities measured and recognised at fair value comprised the foreign exchange forward contracts and interest rate swap derivative. Both are level 2 measurements under the hierarchy.

## 4. SEGMENT INFORMATION

### Segment products and locations

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

The Company has the following business segments:

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

The Company operates predominantly within the geographical area of Australia.

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

	2017	2016	2017	2016	2017	2016	2017	2016
	Food Division (\$'000)		Almond Division (\$'000)		Eliminations and Corporate (\$'000)		Consolidated Entity (\$'000)	
<b>Revenue</b>								
Total revenue from external customers	146,852	161,825	93,129	124,092	–	–	239,981	285,917
Intersegment revenue	–	–	25,418	36,887	(25,418)	(36,887)	–	–
<b>Total segment revenue</b>	<b>146,852</b>	<b>161,825</b>	<b>118,547</b>	<b>160,979</b>	<b>(25,418)</b>	<b>(36,887)</b>	<b>239,981</b>	<b>285,917</b>
Other revenue	–	–	2,130	208	31	43	2,161	251
<b>Total revenue</b>	<b>146,852</b>	<b>161,825</b>	<b>120,677</b>	<b>161,187</b>	<b>(25,387)</b>	<b>(36,844)</b>	<b>242,142</b>	<b>286,168</b>
EBIT	7,950	10,342	13,686	44,575	(4,657)	(5,132)	16,979	49,785
Interest received	–	–	–	–	31	43	31	43
Finance costs expensed	–	–	(2,731)	(2,127)	(2,301)	(3,411)	(5,032)	(5,538)
<b>Profit before income tax</b>	<b>7,950</b>	<b>10,342</b>	<b>10,955</b>	<b>42,448</b>	<b>(6,927)</b>	<b>(8,500)</b>	<b>11,978</b>	<b>44,290</b>
<b>Segment assets (excluding intercompany debts)</b>	<b>70,708</b>	<b>75,039</b>	<b>408,398</b>	<b>375,295</b>	<b>585</b>	<b>(562)</b>	<b>479,691</b>	<b>449,772</b>
<b>Segment liabilities (excluding intercompany debts)</b>	<b>(8,247)</b>	<b>(10,446)</b>	<b>(89,079)</b>	<b>(96,588)</b>	<b>(104,746)</b>	<b>(51,837)</b>	<b>(202,072)</b>	<b>(158,871)</b>
<b>Acquisition of non-current segment assets</b>	<b>240</b>	<b>240</b>	<b>61,609</b>	<b>60,476</b>	<b>1,852</b>	<b>1,852</b>	<b>63,701</b>	<b>62,568</b>
<b>Depreciation and amortisation of segment assets</b>	<b>461</b>	<b>454</b>	<b>14,341</b>	<b>12,091</b>	<b>64</b>	<b>54</b>	<b>14,866</b>	<b>12,599</b>

Sales to major customers include Coles 29% and Woolworths 18% of total sales of the Food Division

### Segment Reporting

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

## 5. REVENUE

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Revenue from continuing operations			
– Sale of goods		232,120	281,517
– Management services		7,861	4,400
– Government grant and other revenue		2,161	251
<b>Total revenue</b>		<b>242,142</b>	<b>286,168</b>

### Revenue Recognition

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

#### Sale of Goods

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

#### Management services

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

#### Interest

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

#### Almond Pool Revenue

Under contractual arrangements, the group acts as an agent for external growers by selling almonds on their behalf and does not make a margin on those sales. These amounts are not included in the group's revenue. However, the Company receives a marketing fee for providing this service.

As at 30 June 2017 the group held almond inventory on behalf of external growers which was not recorded as inventory of the Company. All revenue is stated net of the amount of Goods and Services Tax (GST).

#### Government grants

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

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

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

# Notes to the Financial Statements

## 6. EXPENSES

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Profit before tax includes the following specific expenses:			
Depreciation of non-current assets:			
Buildings		220	205
Plantation land and irrigation systems		1,644	1,364
Plant and equipment		7,115	5,241
Bearer plants		5,887	5,789
<b>Total depreciation of non-current assets</b>		<b>14,866</b>	<b>12,599</b>
Employee benefits		26,220	23,854
Operating lease rental minimum lease payments		3,225	5,169
Net (gain)/loss on disposal of property, plant and equipment		(12)	(8,644)
Acquisition transaction costs		–	381

## 7. INCOME TAX

### (a) Income tax expense

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Current tax		(6,473)	(25,142)
Deferred tax		2,816	11,609
Over provided in prior years		928	3,039
		<b>(2,729)</b>	<b>(10,494)</b>
Income tax expense is attributable to:			
Profit from continuing operations		(2,729)	(10,494)
<b>Aggregate income tax expense</b>		<b>(2,729)</b>	<b>(10,494)</b>
Deferred income tax benefit included in income tax benefit comprises:			
Increase/(Decrease) in deferred tax assets	7(c)	(481)	7,163
(Increase)/Decrease in deferred tax liabilities	7(c)	3,297	4,446
		<b>2,816</b>	<b>11,609</b>

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

Profit from continuing operations before income tax expense		11,978	44,290
Tax at the Australian tax rate of 30% (2016 – 30%)		(3,593)	(13,287)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income			
Other assessable items		(64)	(246)
Over provided in prior years		928	3,039
<b>Income tax expense</b>		<b>(2,729)</b>	<b>(10,494)</b>

**7. INCOME TAX (CONTINUED)**
**(c) Deferred tax liabilities (Non-current)**

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>The balance comprises temporary differences attributable to:</b>			
<b>Amounts recognised in profit and loss</b>			
Accruals and provisions		(2,019)	(2,305)
Inventory		5,590	10,437
Property, plant and equipment (includes bearer plants)		35,139	34,824
Intangibles		871	750
Lease liabilities		(8,423)	(8,561)
		<b>31,158</b>	<b>35,145</b>
<b>Amounts recognised directly in other comprehensive income</b>			
Cash flow hedges		(276)	(276)
<b>Amounts recognised directly in equity</b>			
Equity raising costs		(291)	(417)
<b>Net deferred tax liabilities</b>		<b>30,591</b>	<b>34,452</b>
<b>Movements:</b>			
Opening balance 1 July		34,452	44,064
Prior period (over)/under provision		(1,045)	1,470
(Credited)/Charged to income statement		(2,816)	(11,609)
Debited/(Credited) to equity		–	527
<b>Closing balance at 30 June</b>		<b>30,591</b>	<b>34,452</b>

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

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

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

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

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

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

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

# Notes to the Financial Statements

## 7. INCOME TAX (CONTINUED)

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

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

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

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

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

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

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

### (a) Dividends paid during the year

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>(i) Interim – paid 5 April 2017 (2016: 15 April 2016)</b>			
Fully franked dividend (10c per share)			
(2016: Unfranked dividend 21c per share)		7,349	15,255
<b>(ii) Final – paid 30 September 2016 (2016: 13 October 2015)</b>			
Fully franked dividend (25c per share)			
(2016: Unfranked dividend 35c per share)		18,227	25,003
		<b>25,576</b>	<b>40,258</b>

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

Nil final dividend declared. The Group's ability to pay future dividends will be dependent on the progress of initiatives set out in note 1(a).

### (c) Franking credit balance

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)	<b>28,074</b>	<b>1,699</b>
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The above amounts represent the balance of the franking account (presented as the gross dividend value) as at the end of the financial year, adjusted for:

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

## 9. TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Trade receivables		41,134	44,956
Provision for impairment of trade receivables		(3)	(68)
		<b>41,131</b>	<b>44,888</b>
Prepayments		5,675	3,589
		<b>46,806</b>	<b>48,477</b>

## 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

### Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

As at 30 June 2017, trade receivables of \$13,952,505 (2016: \$3,692,661) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Up to 3 months		14,100	3,557
3 to 6 months		138	145
> 6 months		(285)	(9)
		<b>13,953</b>	<b>3,693</b>

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

All receivables are non-interest bearing.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of business segments in which the Company operates. Refer to Note 3 for more information on the risk management policy of the Company.

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in Note 3.

#### (c) Fair value

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

## 10. INVENTORIES

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Raw materials		4,740	7,311
Finished goods		27,550	20,495
Other inventory		7,368	8,804
Almond stock	(a)	47,816	67,706
		<b>87,474</b>	<b>104,316</b>

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.

# Notes to the Financial Statements

## 10. INVENTORIES (CONTINUED)

### (a) Agriculture produce

#### Growing almond crop

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

## 11. DERIVATIVE FINANCIAL INSTRUMENTS

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Current Assets</b>			
Forward exchange contracts – cash flow hedges		1,270	1,293
Total current derivative financial instrument assets		1,270	1,293
<b>Current Liabilities</b>			
Forward exchange contracts – cash flow hedges		160	–
Total current derivative financial instrument liabilities		160	–

### (i) Derivatives

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

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

#### (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.



## 11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (i) Cash flow hedges

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

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

	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2017 \$'000	2016 \$'000	2017 \$	2016 \$
<b>Less than 6 months</b>				
Buy United States Dollars Settlement	USD3,399	USD991	0.74	0.74
Buy Euro Settlement	EUR440	EUR1,625	0.65	0.67
	BUY AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2017 \$'000	2016 \$'000	2017 \$	2016 \$
<b>Less than 6 months</b>				
Sell United States Dollars Settlement	USD25,500	USD19,033	0.74	0.71

### (ii) Credit risk exposures

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

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

The net amount of the foreign currency the Company will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Company at balance date was USD \$22,101,085 and EUR \$439,568 (2016: USD \$18,042,745; EUR \$1,625,403).

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

# Notes to the Financial Statements

## 12. PROPERTY, PLANT AND EQUIPMENT

### (a) Reconciliations

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

	BUILDINGS \$'000	PLANTATION LAND AND IRRIGATION SYSTEMS \$'000	PLANT AND EQUIPMENT \$'000	BEARER PLANTS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>At 30 June 2015</b>						
Cost	13,688	116,476	61,610	107,553	15,991	315,318
Accumulated depreciation	(2,233)	(29,740)	(41,908)	(9,995)	–	(83,876)
<b>Net book amount</b>	<b>11,455</b>	<b>86,736</b>	<b>19,702</b>	<b>97,558</b>	<b>15,991</b>	<b>231,442</b>
<b>Year ended 30 June 2016</b>						
Opening net book amount	11,455	86,736	19,702	97,558	15,991	231,442
Additions	–	–	9,053	7,191	31,294	47,538
Acquired through business combinations	200	1,792	–	2,340	–	4,332
Disposals	–	(23,832)	(151)	–	(8,543)	(32,526)
Depreciation expense	(205)	(1,364)	(5,241)	(5,789)	–	(12,599)
Transfers between classes	–	4,865	6,596	–	(11,461)	–
<b>Closing net book amount</b>	<b>11,450</b>	<b>68,197</b>	<b>29,959</b>	<b>101,300</b>	<b>27,281</b>	<b>238,187</b>
<b>At 30 June 2016</b>						
Cost	13,888	99,301	76,959	117,084	27,281	334,513
Accumulated depreciation	(2,438)	(31,104)	(47,000)	(15,784)	–	(96,326)
<b>Net book amount</b>	<b>11,450</b>	<b>68,197</b>	<b>29,959</b>	<b>101,300</b>	<b>27,281</b>	<b>238,187</b>
<b>Year ended 30 June 2017</b>						
Opening net book amount	11,450	68,197	29,959	101,300	27,281	238,187
Additions	1,500	7,827	5,090	17,700	27,044	59,161
Disposals	–	–	(5)	–	–	(5)
Depreciation expense	(220)	(1,644)	(7,115)	(5,887)	–	(14,866)
Transfers between classes	2,179	2,692	6,618	1,896	(13,385)	–
<b>Closing net book amount</b>	<b>14,909</b>	<b>77,072</b>	<b>34,547</b>	<b>115,009</b>	<b>40,940</b>	<b>282,477</b>
<b>At 30 June 2017</b>						
Cost	17,567	109,820	88,486	136,680	40,940	393,493
Accumulated depreciation	(2,658)	(32,748)	(53,939)	(21,671)	–	(111,016)
<b>Net book amount</b>	<b>14,909</b>	<b>77,072</b>	<b>34,547</b>	<b>115,009</b>	<b>40,940</b>	<b>282,477</b>

### 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.

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Depreciation

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

The useful lives for each class of assets are:

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

### Capital works in progress

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

### (b) Leased assets

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Leasehold plant and equipment and bearer plants</b>			
At cost		48,474	44,938
Accumulated depreciation and impairment		(7,143)	(3,231)
		<b>41,331</b>	<b>41,707</b>

### Leases

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

#### Finance leases

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

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

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

# Notes to the Financial Statements

## 13. INTANGIBLES

	CONSOLIDATED			
	Goodwill \$'000	Brand Names* \$'000	Permanent Water Rights \$'000	Total \$'000
<b>Year ended 30 June 2016</b>				
Opening net book amount	25,995	2,905	19,439	48,339
Acquisition of permanent water rights	–	–	9,745	9,745
Disposal of permanent water rights	–	–	(2,973)	(2,973)
Acquired through business combinations	–	–	953	953
<b>Closing net book amount</b>	<b>25,995</b>	<b>2,905</b>	<b>27,164</b>	<b>56,064</b>
<b>Year ended 30 June 2017</b>				
Opening net book amount	25,995	2,905	27,164	56,064
Acquisition of permanent water rights	–	–	4,540	4,540
Disposal of permanent water rights	–	–	–	–
Acquired through business combinations	–	–	–	–
<b>Closing net book amount</b>	<b>25,995</b>	<b>2,905</b>	<b>31,704</b>	<b>60,604</b>

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

### Brand names

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

### Permanent water rights

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

### 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).

### 13. INTANGIBLES (CONTINUED)

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

Goodwill is allocated to the Company's cash-generating units (CGU) identified according to operating segment. The total value of goodwill and brand names relates to the Food Products CGU. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. These calculations use cash flow forecasts based on financial projections by management covering a five year period based on growth rates taking into account past performance and its expectations for the future. Assumptions made include that new product development, enhanced marketing and market penetration and the exiting of lower margin business will improve EBIT over the forecast period. Cash flow projections beyond the five year period are not extrapolated, but a terminal value is included in the calculations. A real pre-tax weighted average cost of capital of 12.6% (2016:12.7%) has been used to discount the cash flow projections.

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

The recoverable amount of the goodwill and brand names in the Food Division exceeds the carrying amount of goodwill at 30 June 2017. A decrease of 10% in the projected annual cash flows, or an increase of 1% in the pre-tax discount rate of 12.6% does not result in an impairment of the goodwill and brand names at 30 June 2017. These changes would be considered reasonably possible changes to the key assumptions.

#### (c) Permanent water rights

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

### 14. TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Trade creditors		8,160	8,007
Other creditors and accruals		6,134	15,173
		<b>14,294</b>	<b>23,180</b>

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.

### 15. INTEREST BEARING LIABILITIES

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Current – Secured</b>			
Bank overdraft		2,991	4,890
Debt facilities		102,500	22,000
Finance lease	20(b)	4,894	3,729
		<b>110,385</b>	<b>30,619</b>
<b>Non-current – Secured</b>			
Finance lease	20(b)	36,492	38,082
		<b>36,492</b>	<b>38,082</b>

# Notes to the Financial Statements

## 15. INTEREST BEARING LIABILITIES (CONTINUED)

### Borrowings

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

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

### Borrowing costs

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

#### (a) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank facilities are set out in 15(c). Finance lease is secured with plant and equipment and bearer plants with various leasing companies and First State Super respectively.

#### (b) Interest rate risk exposures

Details of the Company's exposure to interest rate changes on borrowings are set out in Note 3.

#### (c) Assets pledged as security

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

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

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Current</b>			
<i>Floating charge</i>			
Cash and cash equivalents		1,060	1,435
Receivables		46,806	48,477
Inventories		87,474	104,316
Derivative financial instruments		1,270	1,293
<b>Total current assets pledged as security</b>		<b>136,610</b>	<b>155,521</b>
<b>Non-current</b>			
<i>Floating charge</i>			
Property, plant and equipment		241,146	196,480
Permanent water rights		31,704	27,164
<b>Total non-current assets pledged as security</b>		<b>272,850</b>	<b>223,644</b>
<b>Total assets pledged as security</b>		<b>409,460</b>	<b>379,165</b>

## 15. INTEREST BEARING LIABILITIES (CONTINUED)

### Financing arrangements

The Company has a debt facility available to the extent of \$143,000,000 as at 30 June 2017 (2016: \$115,000,000). The Company has bank overdraft facilities available to the extent of US\$5,000,000 (2016: US\$5,000,000). The current interest rates at balance date are 2.93% (2016: 2.83%) on the debt facility, and 1.925% (2016: 1.62%) on the United States dollar bank overdraft facility.

As indicated in note 1(a), at 30 June 2017 the Company received a conditional amendment to certain of its banking facility covenants from its lenders for the 30 June 2017 measurement period. As this amendment was conditional on the agreement of revised covenants and terms the total debt facility drawn of \$102.5million has been disclosed as a current liability. Subsequent to year end, revisions have been agreed and are in place with lenders. All other covenants and financial undertakings associated with the banking facilities have been met during the period and as at 30 June 2017.

## 16. DEFERRED GAIN ON SALE

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Current</b>			
Sale and leaseback		175	175
<b>Non-Current</b>			
Sale and leaseback		3,021	3,197

The deferred gain on sale relates to the sale and leaseback of bearer plants for three orchards that were sold to First State Super on 22 September 2015 and 01 January 2016. The lease is for a 20 year term.

## 17. PROVISIONS

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Current</b>			
Employee benefits		3,035	2,667
<b>Non-Current</b>			
Employee benefits		1,597	1,357

### Provisions

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

### Employee benefits

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

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

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

# Notes to the Financial Statements

## 17. PROVISIONS (CONTINUED)

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

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

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

## 18. CONTRIBUTED EQUITY

### (a) Issued and paid up capital

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Ordinary shares fully paid		181,164	178,553
		<b>181,164</b>	<b>178,553</b>

#### Contributed equity

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

### (b) Movements in shares on issue

	2017		2016	
	Number of Shares	\$'000	Number of Shares	\$'000
Beginning of the financial year	72,918,757	178,553	71,435,801	170,198
Issued during the year:				
• Dividend reinvestment plan	413,373	2,611	907,649	8,355
• Long term incentive plan – tranche vested	274,705	–	575,307	–
• Ordinary shares issued under equity raising (net of transaction costs and deferred tax)	–	–	–	–
<b>End of financial year</b>	<b>73,606,835</b>	<b>181,164</b>	<b>72,918,757</b>	<b>178,553</b>

### (c) Performance Rights

#### Long Term Incentive Plan

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

The long term scheme involves the issue of performance rights to the employee, under the Long Term Incentive Plan. During the financial year, performance rights granted during the 2013 and 2016 year were forfeited under this plan (refer Note 25 and Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at \$4.90 on 30 June 2017 (\$6.74 on 30 June 2016).



## 18. CONTRIBUTED EQUITY (CONTINUED)

### (d) Ordinary shares

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

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

### (e) Capital risk management

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

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

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Net profit after tax		9,249	33,796
<b>Non-cash items</b>			
Depreciation and amortisation		14,866	12,599
Inventory fair value adjustment		14,250	43,033
Net (gain)/loss on sale of assets		(12)	(8,644)
Options expense		229	568
Income tax expense		2,729	10,494
<b>Changes in assets and liabilities</b>			
Decrease/(Increase) in receivables		3,756	13,428
Decrease/(Increase) in inventory		2,592	(6,175)
Decrease/(Increase) in other assets		(2,160)	(1,599)
Decrease in trade payables		(10,458)	(8,747)
Increase/(Decrease) in income tax payable		(22,819)	19,668
(Decrease)/increase in deferred tax liability		(3,861)	(9,613)
Increase in employee entitlements		606	477
(Decrease) in other payables		(4,229)	(6,419)
<b>Net cash flow from operating activities</b>		<b>4,738</b>	<b>92,866</b>

### Non cash financing activities

During the current year the company issued 413,373 (2016: 907,649) of new equity as part of the Dividend Reinvestment Plan.

# Notes to the Financial Statements

## 20. EXPENDITURE COMMITMENTS

### (a) Operating lease commitments

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Within one year		22,312	20,351
Later than one year but not later than five years		83,454	77,871
Later than five years		200,700	191,957
		<b>306,466</b>	<b>290,179</b>

### Operating leases

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

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Minimum lease payments			
• Within one year		2,930	3,431
• Later than one year and not later than five years		2,777	7,120
• Later than five years		–	–
<b>Aggregate lease expenditure contracted for at reporting date</b>		<b>5,707</b>	<b>10,551</b>

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

#### (ii) Almond orchard leases:

Minimum lease payments			
• Within one year		19,382	16,920
• Later than one year and not later than five years		80,677	70,751
• Later than five years		200,700	191,957
<b>Aggregate lease expenditure contracted for at reporting date</b>		<b>300,759</b>	<b>279,628</b>

The almond orchard leases comprises:

- (i) 20 years lease of a 512 acre almond orchard and a 1,002 acre lease from Arrow Funds Management in which the Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell. Other leases within the consolidated entity have renewal and first right of refusal clauses.
- (ii) A 20 years lease term of 3,017 acres at Hillston with Rural Funds Management.
- (iii) 2,458 acres of almond orchards and approximately 3,992 acres for future development of almonds with First State Super for a lease term of 20 years. The Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell.

## 20. EXPENDITURE COMMITMENTS (CONTINUED)

### (b) Finance lease commitments

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Within one year		7,404	6,392
Later than one year but not later than five years		19,623	20,792
Later than 5 years		34,008	36,575
<b>Minimum lease payments</b>		<b>61,035</b>	<b>63,759</b>
Future finance charges		(19,650)	(21,948)
<b>Total lease liabilities</b>		<b>41,385</b>	<b>41,811</b>
The present value of finance lease liabilities is as follows:			
Within one year		4,893	3,729
Later than one year but not later than five years		12,392	12,963
Later than 5 years		24,099	25,119
<b>Minimum lease payments</b>		<b>41,385</b>	<b>41,811</b>

Finance lease payments are for rental of farming equipment and bearer plants with a net carrying amount of \$15,367,974 (2016: \$14,273,752) and \$25,962,568 (2016: \$27,433,668) respectively.

### (c) Capital commitments

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

	Note	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Property, plant and equipment		7,947	13,456

## 21. EVENTS OCCURRING AFTER BALANCE DATE

On 25 August 2017, the directors declared a nil final dividend.

# Notes to the Financial Statements

## 22. EARNINGS PER SHARE

	2017 CENTS	2016 CENTS
Basic earnings per share attributable to equity holders of the company	12.6	46.7
Diluted earnings per share attributable to equity holders of the company	12.4	46.0

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<b>Basic earnings per share:</b>		
Profit attributable to equity holders of the company used in calculating basic earnings per share	9,249	33,796
<b>Diluted earnings per share:</b>		
Profit attributable to equity holders of the company used in calculating diluted earnings per share	9,249	33,796
	NUMBER OF SHARES	
	2017	2016
Weighted average number of ordinary shares used in calculating basic earnings per share	73,366,492	72,426,703
<b>Effect of dilutive securities:</b>		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	74,372,588	73,498,364

### Basic Earnings per share

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

### Diluted earnings per share

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

## 23. REMUNERATION OF AUDITORS

		CONSOLIDATED	
	Note	2017 \$	2016 \$
<b>Audit and other assurance services</b>			
Audit and review of financial statements		255,000	264,200
Other assurance services		–	–
<b>Total remuneration for audit and other assurance services</b>		<b>255,000</b>	<b>264,200</b>
<b>Total remuneration of PricewaterhouseCoopers</b>		<b>255,000</b>	<b>264,200</b>

## 24. RELATED PARTY DISCLOSURES

### (a) Parent entity

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

### (b) Subsidiaries

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2017	2016
<b>Parent Entity:</b>			
Select Harvests Limited (i)	Australia	100	100
<b>Subsidiaries of Select Harvests Limited:</b>			
Kyndalyn Park Pty Ltd (i)	Australia	100	100
Select Harvests Food Products Pty Ltd (i)	Australia	100	100
Meriram Pty Ltd (i)	Australia	100	100
Kibley Pty Ltd (i)	Australia	100	100
Select Harvests Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Orchards Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Water Rights Unit Trust (i)	Australia	100	100
Select Harvests Water Rights Trust (i)	Australia	100	100
Select Harvests Land Unit Trust (i)	Australia	100	100
Select Harvests South Australian Orchards Trust (i)	Australia	100	100
Select Harvests Victorian Orchards Trust (i)	Australia	100	100
Select Harvests NSW Orchards Trust (i)	Australia	100	100

(i) Members of extended closed group

### (c) Key management personnel compensation

	Note	CONSOLIDATED	
		2017 \$	2016 \$
Short term employment benefits		3,275,885	3,308,438
Post-employment benefits		211,388	173,172
Long service leave		46,968	50,826
Share based payments		204,095	568,412
		<b>3,738,336</b>	<b>4,100,848</b>

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

### (d) Director related entity transactions

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

There were no other director related entity transactions during the year.

# Notes to the Financial Statements

## 25. SHARE BASED PAYMENTS

### Long Term Incentive Plan

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

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

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

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

### Summary of performance rights over unissued ordinary shares

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

GRANT DATE	VESTING DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	FORFEITED DURING THE YEAR	VESTED DURING THE YEAR	BALANCE AT END OF THE YEAR	PROCEEDS RECEIVED	SHARES ISSUED	FAIR VALUE PER SHARE	FAIR VALUE AGGREGATE	
<b>2017</b>			Number	Number	Number	Number	On Issue	Vested	\$	Number	\$	\$
30/04/2013	30/06/2017	–	420,000	–	420,000	–	–	–	–	–	2.26	–
11/02/2016	30/06/2017	–	180,000	–	180,000	–	–	–	–	–	4.44	–
20/10/2014	30/06/2020	–	–	225,000	–	–	225,000	–	–	–	4.21	946,500
29/09/2016	30/06/2020	–	–	265,000	–	–	265,000	–	–	–	3.23	856,600
02/12/2016	30/06/2020	–	–	67,500	–	–	67,500	–	–	–	3.23	217,800

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

## 25. SHARE BASED PAYMENTS (CONTINUED)

### Fair value of performance rights granted

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

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

	2 DECEMBER 2016 PERFORMANCE RIGHTS ISSUE	29 SEPTEMBER 2016 PERFORMANCE RIGHTS ISSUE	20 OCTOBER 2014 PERFORMANCE RIGHTS ISSUE	11 FEBRUARY 2016 PERFORMANCE RIGHTS ISSUE	30 APRIL 2013 PERFORMANCE RIGHTS ISSUE
Share price at grant date	\$6.23	\$5.62	\$5.95	\$4.44	\$2.90
Expected volatility*	45%	45%	45%	30%	30%
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk free interest rate	1.58%	1.58%	2.84%	5%	5%

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

### Expenses arising from share-based payment transactions

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

	CONSOLIDATED	
	2017 \$	2016 \$
Performance rights granted under employee long term incentive plan	228,910	568,412
	<b>228,910</b>	<b>568,412</b>

#### Share-based payments

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

The fair value of performance rights granted under the Select Harvests Limited LTIP is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights. The fair value at grant date is independently determined using a 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.

## 26. CONTINGENT LIABILITIES

### (i) Guarantees

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

# Notes to the Financial Statements

## 27. PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

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

BALANCE SHEET	2017 \$' 000	2016 \$' 000
<b>Current Assets</b>	4,187	6,231
<b>Total Assets</b>	573,528	524,109
<b>Current Liabilities</b>	111,538	56,915
<b>Total Liabilities</b>	379,185	316,654
<b>Shareholders' Equity</b>		
Issued capital	181,164	178,553
Reserves		
Cash flow hedge reserve	1,109	904
Options reserve	2,850	2,621
Retained profits	9,220	25,377
<b>Total Shareholders' Equity</b>	<b>194,343</b>	<b>207,455</b>
Profit for the year	13,073	21,815
<b>Total comprehensive income</b>	<b>12,868</b>	<b>20,762</b>

### (b) Tax consolidation legislation

Select Harvests Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003. The head entity, Select Harvests Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, Select Harvests Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

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

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

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

Each entity within the consolidated group has entered into a cross deed of financial guarantee in respect of bank overdrafts and loans of the group. Loans are made by Select Harvests Limited to controlled entities under normal terms and conditions.



# Directors' Declaration

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 26 to 65 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 2017 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 24 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 27.

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

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

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



**M Iwaniw**  
Chairman

Melbourne, 25 August 2017

# Independent Auditor's Report



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

### *Report on the audit of the financial report*

#### *Our opinion*

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **What we have audited**

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

#### *Basis for opinion*

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

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

#### **Independence**

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

#### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

Select Harvests Limited is an Australian company listed on the ASX. Select Harvests Limited is one of Australia's largest almond growers and a manufacturer, processor and marketer of nut products, health snacks and muesli.

<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> <li>• For the purpose of our audit, we used overall group materiality of \$1.5m which represents approximately 5% of the Group's three year average profit before tax, and further reduced for relevant factors impacting the profit before tax for the year ended 30 June 2017.</li> <li>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>• We chose group profit before tax because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. A three year average was used to address volatility in the profit before tax calculation caused by the almond price and yield fluctuations between years.</li> <li>• We selected 5% based on our professional judgement, noting that it is also within the range of commonly acceptable profit related thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>• As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Group financial report.</li> <li>• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. One of the key areas in this respect is the Group's inventory valuation.</li> <li>• Our audit mainly consisted of procedures performed by the audit engagement team at the Thomastown head office in Melbourne, with site visits to the Carina West processing facility and surrounding orchards.</li> </ul>	<ul style="list-style-type: none"> <li>• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:                         <ul style="list-style-type: none"> <li>– Inventory valuation – almond crop</li> <li>– Accounting for bearer plants</li> <li>– Carrying value of intangible assets</li> <li>– Borrowings</li> <li>– Capital projects</li> </ul> </li> <li>• They are further described in the <i>Key audit matters</i> section of our report.</li> </ul>

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do

# Independent Auditor's Report



not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

## Key audit matter

## How our audit addressed the key audit matter

### **Inventory valuation – almond crop**

*Refer to Critical accounting estimates and judgements in note 2 to the financial report*

The current year almond crop is classified by the Group as a biological asset. Australian Accounting Standards require agriculture produce (such as almonds) from an entity's biological assets to be measured at fair value less costs to sell, at the point of harvest.

To measure these biological assets, the Group has made various assumptions at the balance date as the actual crop yield will not be known until it is completely processed and the selling price of the crop can only be estimated.

As outlined in Note 2 - Critical Accounting Estimates and Judgements, the key assumptions are the estimated average almond selling price at the point of harvest of \$7.43 per kg, crop estimate for the Group's orchards of 14,100mt based on estimated harvest yield, quality and grade of the almonds, and the estimated remaining cost of processing.

We believe this was a key audit matter because of its financial significance to the Group's assets, liabilities and net profit at 30 June 2017 and the judgemental nature of the key assumptions.

We performed a number of audit procedures in relation to the Group's valuation of the almond crop, including the following:

- Tested the almond crop on hand based on a physical observation and sample testing performed during the Group's inventory stocktake at 30 June 2017.
- Assessed the yield, quality and grade estimates of unprocessed almonds based on (i) the experience of the 2017 crop actually processed at 30 June 2017, and (ii) historical experience from prior years.
- Evaluated the Group's ability to make estimates on the fair value of almond crops by comparing prior estimates to actual results with the benefit of hindsight, including assessing the fair value recognised at 31 December 2016 compared to actual selling prices of the almond crop achieved in the period to 30 June 2017. This included comparing a sample of committed sales to contracts and considering external spot price information.
- Considered sources of estimation uncertainty and external factors, such as global almond prices, global supply pressures and foreign exchange rate assumptions with reference to external industry information and market data.
- Tested the costs of harvesting and processing the almond crop during the period, and the allocation to inventory at 30 June 2017.
- Tested the mathematical accuracy of the Group's almond crop calculations.

We also evaluated the adequacy of the disclosures made in the financial statements at note 2 and note 10.

### **Accounting for bearer plants**

*Refer to note 12 to the financial report*

The Group accounts for its Almond trees as Property, Plant and Equipment, to be recorded at cost less accumulated depreciation.

Under applicable accounting standards, the Group capitalises growing and leasing costs proportionate to maturity up to 7 years, when trees are deemed to reach a mature commercial state. It is from this point that depreciation would commence on a units of production

We performed a number of audit procedures in relation to the Group's accounting for bearer plants, including the following:

- Tested amount and nature of a sample of growing costs capitalised during the year to supporting purchase documentation for trees with a maturity of up to 7 years old.
- Tested a sample of the acquisition of trees during the year to supporting purchase documentation.



#### Key audit matter

method, reflecting the commencement of the revenue stream from the trees. Depreciation is charged over 10 to 30 years depending on the maturity of the bearer plant.

At 30 June 2017, carrying value of \$115m of Property Plant and Equipment related to trees against which depreciation of \$5.9m was charged during the year.

This was a key audit matter due to the significance of the net book value to the Group's balance sheet, estimates and judgements regarding capitalisation and depreciation, and complexities in accounting for leasing arrangements.

#### **Carrying value of intangible assets** *Refer to Critical accounting estimates and judgements in note 2 to the financial report*

As required by Australian Accounting Standards, the Group tests annually whether goodwill and other intangible assets that have an indefinite useful life have suffered any impairment. Impairment is recognised where the estimated recoverable amount for each division is less than the carrying amount of the division's intangible assets.

The Food Division has goodwill and brand names of \$29m. The recoverable amount of the Food Division is estimated by the Group using a value-in-use discounted cash flow model (the model). The model's cash flows are based on the Board approved Food Division budget. Assumptions applicable to the model are described in Note 13.

The Almond Division has permanent water rights assets held at cost of \$32m. The recoverable amount of permanent water rights related to the Almond Division is based on the current tradeable market value of the rights.

This was a key audit matter due to the significant carrying value of the Group's intangible non-current assets which are subject to the significant judgements and assumptions outlined above in determining whether any impairment of value has occurred.

#### How our audit addressed the key audit matter

- Evaluated the Group's useful life assessment, maturity of trees and yield profile assumptions applied in the units of production method for depreciation against the 2017 crop processed to 30 June 2017 and historical experience.

We also evaluated the adequacy of the disclosures made in the financial statements at note 12.

We performed a number of audit procedures in relation to the Group's assessment of the carrying value of intangibles assets, including the following:

- Evaluated the Group's cash flow forecasts for the Food Division in the model and the process by which they were developed with reference to current year results, external industry information and market data.
- Checked that the forecast earnings were consistent with the Board approved FY18 budget, and that the key assumptions such as forecast growth and discount rates were subject to oversight from the directors.
- Compared the previous year's forecasts for FY2017 with the actual results for FY2017 to assess the accuracy and reliability of forecasting.
- Assessed the Group's discount rate assumption, including having regard to the inputs utilised in the Group's weighted average cost of capital such as peer company betas, risk free rate and gearing ratios, assisted by PwC valuation experts.
- Considered the sensitivity of the calculations by varying key assumptions such as forecast growth and discount rates.

We compared the carrying amount of the permanent water rights to tradeable market value.

We evaluated the adequacy of the disclosures made in the financial statements at note 2 and note 13.

# Independent Auditor's Report



## Key audit matter

## How our audit addressed the key audit matter

### Borrowings

*Refer to note 1a and note 15 to the financial report*

There are external borrowings on the balance sheet at 30 June 2017 of \$102.5m.

The Group received a conditional amendment to certain of its banking facility covenants from its lenders for the 30 June 2017 measurement period. As this amendment was conditional on the agreement of revised covenants and terms, the total debt facility drawn has been disclosed as a current liability at 30 June 2017.

Given the financial significance of the borrowings balance, the receipt of conditional amendments in relation to the banking facility covenants requiring subsequent agreement of revised covenants and terms, the cyclical financing demands of the business and the importance of capital for continued growth in support of the Group's strategy, the accounting for the Group's borrowings was considered a key audit matter.

We obtained confirmations directly from the Group's banks to confirm the borrowings' balance, tenure and conditions.

We read the most up-to-date agreements between the Group and its lenders to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown.

This included reviewing the conditional amendment received by the Group prior to 30 June 2017 regarding the banking facility covenants, and the revised agreements entered into with lenders subsequent to year end.

We evaluated whether the debt was classified in accordance with Australian Accounting Standards and we also evaluated the adequacy of the disclosures made in note 1(a) and note 15.

### Capital projects

*Refer to reconciliation of the carrying amounts of property, plant and equipment in note 12 to the financial report*

The Group has a capital works in progress balance of \$41m as at 30 June 2017. The most significant capital projects within this balance which are currently being implemented are:

- Project H2E (Hull to Energy) – this is a Biomass Cogeneration Power Plant Project that will use almond hull and shell as a fuel source for generating electricity and steam directly to the Group's Carina West manufacturing site.
- Project Parboil (Almond Value-Add Production Facility) - a state-of-the-art, fully integrated almond processing facility at Carina West, enabling the processing of blanched, roasted and sliced almonds.

In accordance with the Group's accounting policies, the Group capitalises costs up to the commissioning date of each project and then the costs will be depreciated over the useful lives of the asset.

In order to assess the carrying value of each capital project at 30 June 2017, the Group has prepared discounted cash flow models that compare the forecast capital expenditures with the projected cash flow benefits from each project (the capex models).

We performed a number of audit procedures in relation to the Group's capital projects, including the following:

- Compared, on a sample basis, costs incurred to supporting documentation and checked amounts were appropriately capitalised.
- Checked that the most recent project forecasts were consistent with Board approved forecasts.
- Considered sources of estimation uncertainty in the project forecasts, such as electricity, hull and labour price assumptions, and agreed these assumptions to external market information, where available.
- Considered the impact of project overruns and delays on project carrying values and checked that the calculation of each project's net present value remained positive.

We also evaluated the adequacy of the disclosures made in the financial statements at note 12.



#### *Key audit matter*

#### *How our audit addressed the key audit matter*

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

#### *Other information*

The directors are responsible for the other information. The other information included in the Group's Annual Financial Report for the year ended 30 June 2017 comprises the Director's Report and ASX Additional Information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We expect other information to be made available to us after the date of this auditor's report, including Company Profile, Geographic Diversity, Performance Summary, Strategy Explanation & Progress, Almond Division, Food Products Division, People and Diversity, Communities, OH&S, Sustainability and Environment, Executive Team, Board of Directors, Historical Summary, Financial Summary and Corporate Information.

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

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

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

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

#### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

# Independent Auditor's Report



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## *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ari.pdf](http://www.auasb.gov.au/auditors_responsibilities/ari.pdf). This description forms part of our auditor's report.

## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 24 to 34 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Select Harvests Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written over a light blue horizontal line.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Andrew Cronin', written over a light blue horizontal line.

Andrew Cronin  
Partner

Melbourne  
25 August 2017



# ASX Additional Information

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

## (A) DISTRIBUTION OF EQUITY SECURITIES

The following information is current as at 31 July 2017.

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
1 to 1,000	5,360
1,001 to 5,000	4,504
5,001 to 10,000	926
10,001 to 100,000	631
100,001 and over	40

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
30,900	614

## (b) Twenty largest shareholders

The following information is current as at 31 July 2017.

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

	NUMBER OF SHARES	PERCENTAGE OF SHARES
1 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,884,649	24.30%
2 CITICORP NOMINEES PTY LIMITED	3,567,452	4.85%
3 J P MORGAN NOMINEES AUSTRALIA LIMITED	3,110,735	4.23%
4 NATIONAL NOMINEES LIMITED	2,305,161	3.13%
5 INVIA CUSTODIAN PTY LIMITED <A/M Unit A/C>	1,000,000	1.36%
6 BNP PARIBAS NOMS PTY LTD <DRP>	860,544	1.17%
7 RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	828,307	1.13%
8 TRINITY MANAGEMENT PTY LTD	741,476	1.01%
9 WARD MCKENZIE PTY LTD	600,000	0.82%
10 SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	417,505	0.57%
11 SANDHURST TRUSTEES LTD <BERKHOLTS INVESTMENTS A/C>	410,210	0.56%
12 BOND STREET CUSTODIANS LIMITED	400,000	0.54%
13 CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	387,188	0.53%
14 MR PETER ROBIN JOY	380,000	0.52%
15 BRAZIL FARMING PTY LTD	350,000	0.48%
16 REZANN PTY LTD	342,000	0.46%
17 WARBONT NOMINEES PTY LTD	294,161	0.40%
18 ROBERT FERGUSON + JENNIFER FERGUSON + RACHEL FERGUSON	280,000	0.38%
19 MR HERMAN ROCKEFELLER	269,486	0.37%
20 BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	254,774	0.35%

# ASX Additional Information

## (C) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders are:

	NUMBER OF SHARES
FMR LLC	7,241,754
Thorney Investment Group	3,808,000

## (D) VOTING RIGHTS

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

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

# Corporate Information

ABN 87 000 721 380

## DIRECTORS

M Iwaniw (Chairman)  
P Thompson (Managing Director)  
M Carroll (Non-Executive Director)  
F S Grimwade (Non-Executive Director)  
R M Herron (Non-Executive Director)  
P Riordan (Non-Executive Director)  
N Anderson (Non-Executive Director)  
F Bennett (Non-Executive Director) – Appointed 6 July 2017

## COMPANY SECRETARY

P Chambers; V Huxley (Assistant)

## REGISTERED OFFICE – SELECT HARVESTS LIMITED

360 Settlement Road  
Thomastown Victoria 3074

Postal address  
PO Box 5  
Thomastown Victoria 3074  
Telephone (03) 9474 3544

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

## SOLICITORS

Minter Ellison Lawyers

## BANKERS

National Australia Bank Limited  
Rabobank Australia  
Commonwealth Bank Limited

## AUDITOR

PricewaterhouseCoopers

## SHARE REGISTER

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

## WEBSITE

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



## SELECT HARVESTS



### Market leader in the cooking nut category

#### Cooking Nut product range

almonds, walnuts, cashews, brazilnuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas (market share 38.4% – Source: IRI Aztec, 18 June 2017)

#### Snacking product range

portion control packs, Lucky Smart Snax and Lucky Snack Tubs

#### Distribution

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

### Product range

muesli, dried fruit, nuts and snacks

#### Distribution

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

### Product range

muesli, dried fruit, wholefoods, nuts and snacks

#### Distribution

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

### Product range

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

Bulk and convenient packs

#### Distribution

health and food stores and pharmacies nationally

### Product range

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

Bulk and convenient packs

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

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

### Select Harvests Limited

ABN 87 000 721 380

PO Box 5

Thomastown VIC 3074

360 Settlement Road

Thomastown VIC 3074

T (03) 9474 3544

F (03) 9474 3588

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

ASX ticker code: SHV

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

### Company Websites

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

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

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

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

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

### Company Instagram Sites

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

[www.instagram.com/lucky.nuts/](https://www.instagram.com/lucky.nuts/)

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

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