SELECT HARVESTS

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ANNUAL REPORT

2018 TRANSITION PERIOD

1 JULY 2018 - 30 SEPTEMBER 2018

Corporate Information

ABN 87 000 721 380

Directors
M Iwaniw (Chairman)
P Thompson (Managing Director)
M Carroll (Non-Executive Director)
F S Grimwade (Non-Executive Director)
N Anderson (Non-Executive Director)
F Bennett (Non-Executive Director)

Company Secretary
B Crump

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Solicitors
Minter Ellison Lawyers

Bankers
National Australia Bank Limited
Rabobank Australia

Auditor
PricewaterhouseCoopers

Share Register
Computershare Investor Services Pty Limited
Yarra Falls
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Contents

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the “Company”, “the Group” or “the consolidated entity”) for the three months ended 30 September 2018.

The Board of Directors resolved to change the Company’s financial year end from 30 June to 30 September effective from 1 July 2018. This change has been made to more appropriately align with the cropping cycle of the Company’s business. Given the Company’s primary source of earnings, and its major focus, from an operational perspective, is the growth and production of almonds at its almond orchards, this change will ensure an improved and more timely level of disclosed information at required reporting dates relating to:

- crop yield estimates (half year)
- quality and selling price estimates (half and full year)
- committed volumes of sales (full year)

This change means that the current reporting period is a three-month transitional financial period beginning on 1 July 2018 and ending on 30 September 2018. Future financial periods will then revert to a twelve-month financial year, commencing on 1 October and ending 30 September. The comparative period in this financial report is the last set of externally audited financial accounts being the twelve months ended 30 June 2018.

Directors

The qualifications, experience and special responsibilities of each person who has been a director of Select Harvests Limited at any time during or since the end of the three month period ended 30 September 2018 is provided below, together with details of the company secretary. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

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

Interest in shares: 205,503 fully paid shares.

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

Interest in Shares: 483,607 fully paid shares.

M Carroll, B AgSc, MBA and FAICD (Non-Executive Director)
Joined the board on 31 March, 2009. He brings to the Board diverse experience from executive and non-executive roles in food and agribusiness. Current non-executive board roles include Elders Limited (ASX: ELD, director since September 2018), Rural Funds Management (ASX: RFF; director since April 2010), Rural Funds Poultry, Paraway Pastoral Company, Australian Rural Leadership Foundation and Viridis Ag Pty Ltd. Previous board roles include Queensland Sugar Limited, Tassal (ASX: TGR, 2014-2018) and Warrnambool Cheese & Butter. During his executive career Mike established and led the NAB’s agribusiness division with earlier senior executive roles including marketing, investment banking and corporate advisory services. He is Chair of the Remuneration and Nomination Committee.

Interest in Shares: 20,997 fully paid shares.

F S Grimwade, B Com, LLB (Hons), MBA, FAICD, SF Fin and FCIS (Non-Executive Director)
Appointed to the board on 27 July, 2010. Fred is a Principal and Director of Fawkner Capital, a specialist corporate advisory and investment firm. He is Chairman of CPT Global Ltd (ASX: CGO; director since October 2002) and XRF Scientific Ltd (ASX: XRF; director since May 2012) as well as being a director of Australian United Investment Company Ltd (ASX: AUI; director since March 2014) and AgCap Pty Ltd. He was formerly Chairman of Troy Resources Ltd (2013-2017), a non-executive director of AWB Ltd., and has held general management positions with Colonial Agricultural Company, Colonial Mutual Group, Colonial First State Investments Group, Western Mining Corporation and Goldman, Sachs and Co. He is a current member of the Audit and Risk Committee.

Interest in shares: 106,375 fully paid shares.

N Anderson, B Bus, MBA, GAICD (Non-Executive Director)
Appointed to the board on 21 January 2016. Nicki is an accomplished leader with deep experience in strategy, marketing and innovation within branded food and consumer goods businesses, including agri businesses 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 currently a Non-Executive director of the Australia Made Campaign Limited, Funtastic Ltd. (ASX: FUN; director since October 2018), Skills Impact (representing the National Farmers Federation) and Mrs Mac's Pty Ltd. She is the Chair of the Monash University Advisory Board (Marketing). She is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.

Interest in shares: 7,071 fully paid shares.

F Bennett, BA (Hons), FCA, FAICD and FIML (Non-Executive Director)
Appointed to the board on 6 July 2017. Fiona has an extensive background in corporate governance, audit and risk. She is currently on the Board of Hills Limited (ASX: HIL; director since May 2010) and is the Chairman of the Victorian Legal Services Board. Fiona has previously served on the boards of Beach Energy Limited (2012-2017), Boom Logistics Limited (2010-2015), Alfred Health and the Institute of Chartered Accountants in Australia. She was formerly a senior executive in several leading listed companies and major government sector and consulting organisations. She is Chair of the Audit and Risk Committee.

Interest in shares: 7,500 fully paid shares.

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

Interest in shares: Nil.

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

Interest in shares: Nil.

Corporate Information

Nature of operations and principal activities

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

- The growing, processing and sale of almonds to the food industry from company owned and leased 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; and
- Processing, packaging, marketing and distribution of edible nuts, dried fruits, seeds, and a range of natural health foods.

Employees

The Company employed 551 full time equivalent employees as at 30 September 2018 (30 June 2018: 558 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 three-month period ended 30 September 2018

Financial reports in prior periods include, under AASB 141 Agriculture accounting, the fair value estimate for the almond crop related to that period. An important factor in recognising the upcoming crop's fair value is to be able to reasonably estimate the related revenue and costs. At the point of preparing the accounts for the period, the revenue and costs relating to the 2019 crop cannot be reasonably estimated due to the number of key assumptions that can still vary. These assumptions include crop yield, crop quality, climatic conditions, sales price, foreign exchange, input costs and processing costs.

As a result of the uncertainties above, no 2019 crop fair value (profit) has been recognised for the period. The presented financial results for this current period include earnings from the Food segment, non-2019 crop related earnings from the Almond segment and corporate costs.

Given the major portion of the company's earnings arise from the related period's crop, the non-recognition of this component of the company's earnings has resulted in a small loss for the period. The company's new financial year commences on 1 October 2018. Therefore, on the release of the half-year results ending 31 March 2019 50% of the 2019 crop profit will be recognised.

The focus by the Board, Executive Management and employees continues to be to consolidate the company's asset base to deliver improved returns though increasing yields, improved cost of production and optimising the capital project investments made in the past two years. Debt levels continue to be effectively managed through improved operating cashflows and a reduction in major capital expenditure. Green field expansion, mature orchard acquisitions and non-almond related opportunities continue to be assessed for future growth.

Financial Performance Review

Profitability

Reported Net Loss After Tax (NLAT) is $1.54 million. Earnings Before Interest and Taxes (EBIT) is a loss of $1.05 million.

As detailed above given the shortened transitional reporting period and no recognition of the 2019 crop fair value a small loss has been recorded. Normal recognition of crop earnings and profitability levels will recommence in the new financial year starting 1 October 2018.

Results Summary and Reconciliation

	Reported Result (AIFRS)	
	3 months to 30 September 2018	**12 months to 30 June 2018**
EBIT	**$ 000's**	**$ 000's**
Almond Division	(1,013)	35,447
Food Division	1,216	4,952
Corporate Costs	(1,255)	(5,530)
Operating EBIT	**(1,052)**	**34,869**
Interest Expense	(1,037)	(5,405)
Net (Loss)/ Profit Before Tax	**(2,089)**	**29,464**
Tax benefit/ (expense)	553	(9,093)
Net (Loss)/ Profit After Tax	**(1,536)**	**20,371**
(Loss)/ Earnings Per Share	(1.6)	23.2

Almond Division Profitability

Sales from prior year crops generated $43.6 million. This can be either raw material processed and packed or value add material processed through the Parboil facility. It should be noted while revenue is recorded during the period the related profit has been previously recognised in prior periods through AASB 141 (accounting for Agriculture).

A three month EBIT loss of $1.01 million is a result of no recognition of 2019 crop fair value. The loss is a result of external earnings from processing and hull sales offset by higher costs of operating Parboil and Almond Division corporate costs (including allocated costs).

Food Division Profitability

Revenues of $35.0 million were generated for the three months from continued domestic contracts and growing export related sales. An EBIT of $1.2 million for the three months was achieved through higher industrial related sales, particularly to China. This was partially offset by lower margins achieved in the packaged food division as a result of increased raw material input costs, the export product mix, delay in an international order (recognised in October) and investment in the new China licence and distribution agreement with Pepsico.

Interest Expense

Interest expense of $1.0 million reflects the lower overall debt levels as a result of improved operating cashflows and reduced major capital expenditure.

Balance Sheet

Net assets at 30 September 2018 are $370.6 million, compared to $378.6 million at 30 June 2018. An increase in plant and equipment (timing as a result of pre-harvest orders) and water purchases has been offset by lower debtors, lower inventory levels and higher creditors outstanding (including accruing for FY2018 final dividend).

Net working capital has decreased by 22.9%. This decrease is due to improved debtor management and continued almond sales reducing inventory levels and the accrual of FY2018 final dividend payable in October 2018.

$000's	30 September 2018	30 June 2018
Trade and other receivables	47,023	51,378
Inventories	99,410	109,321
Trade and other payables	(40,319)	(22,972)
Net working capital	**106,114**	**137,727**

Cash flow and Net Bank Debt

Net bank debt at 30 September 2018 was $58.9 million (30 June 2018 $70.8 million) including finance lease commitments of $35.1 million (30 June 2018 $36.5 million), with a gearing ratio (net bank debt/equity) of 15.9% (30 June 2018: 18.7%). The improved net debt position is a result of improved operating cashflows and lower levels of capital expenditure on major projects.

Operating cash inflow for the three month period is $24.9 million. This is a result of the timing of the sales cycle (i.e. high 2018 crop sales while cash operating costs are lower). The net cash position for the company improved by $9.4 million reflecting the higher operating cash position partially offset by operational capital expenditure, tree development and permanent water purchases.

Dividends

Being a three months transition financial period, no dividend has been declared. This compares to a total dividend of 12 cents per share declared for the 12 months ended 30 June 2018.

Corporate Social Responsibility

Occupational Health and Safety (OH&S)

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

The four key strategic priorities are:

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

The key activities to implement our strategies include:

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

	2016/17 Financial	2017/18 Financial	3 Months ended 30 Sept. 2018 Financial*	Variance 2017/18 v 30 Sept. 2018
LTIFR (Lost Time Injury Frequency Rate)	15.1	17.4	20	+14.9%
MTIFR (Medically Treated Injury Frequency Rate)	19	17	18	+5.9%
LTISR (Lost Time Injury Severity Rate)	13	7	8	+14.3%
TRIFR (Total Injury Frequency Rate)	70	82	87	+6.1%

* The rates shown have been extrapolated for the year

Health and wellbeing remains a priority to the business.

We have had no incidences of bullying in the workplace. Staff are being trained through the first half of the 2018/19 financial year.

Community

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

Fair Employment Practices

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

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

Sustainability

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

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

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

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

Environmental Regulation and Performance

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

We take our environmental responsibilities seriously and have policies and procedures in place to ensure we adhere to our environmental plans that preserve the habitat of native species. Almond developments have had a positive environmental impact. The change in land use and the increase in food source have seen a rejuvenation of remnant native vegetation and an increase in wildlife population.

We are pleased to report that we have had no environmental breaches during the three month period. There have been no breaches of the Company's licence conditions.

Water

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

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

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

Energy and Recycling

Our largest energy saving initiative remains Project H_2E, the biomass electricity co-generation plant which is currently in its commissioning phase. Consuming almond by-product (including hull, shell and orchard waste), Project H_2E will generate enough electricity to power the Carina West Processing Facility as well as nearby pumps for the Carina West Orchard. Project H_2E is forecast to deliver a carbon footprint reduction of 27% or the equivalent of removing 8,210 cars off the road. It is currently producing energy and is in the final stage of commissioning. We are currently investigating the use of solar and other sustainable energy sources to operate our facilities, orchards and associated housing.

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

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

Pollination Management

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

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

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

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

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

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

Risk Management

Select Harvests has a risk management process in place to identify, analyse, assess, manage and monitor risks throughout all parts of the business.

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

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

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

Outlook

The horticultural program for the 2019 crop is progressing well. The trees have received sufficient chill hours through the dormancy period and a successful pollination program has been completed. We have passed the major risk timeframe for frost damage. While there were some significant frost events during the period the company's investment in frost fans earlier this year has predominantly mitigated any significant damage.

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

At this point in the 2019 crop's horticultural cycle

- Orchards negatively impacted by frost last season are expected to rebound strongly given their lower 2018 yields.
- Greenfield investments are currently yielding higher than industry average expectations.

If these positive growing conditions continue for the remainder of the season, harvest will commence in mid-February. Subject to agricultural risks, the company is expecting to deliver yields above the industry average for the 2019 crop.

Water pricing remains a concern as dry conditions prevail and long-term forecasts suggest this may continue. Fortunately our policy of owning a third of our water requirements, long and medium term leasing a third of our requirements and acquiring a third on the spot market means we are not fully exposed to the recent increases in water prices. However, we are expecting an uplift in water related operating costs for the 2019 year. This will be partially offset by savings achieved in other operating expenditure categories. The expected yield increase will also favourably impact the company's cost per kg due to volume efficiencies.

USD almond pricing is currently steady based on an objective estimated US crop of 2.45 billion pounds (expectations are that the final crop volume will be 2.35 billion pounds). The impact of US tariffs is still uncertain as is the movement of the AUD.

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

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

China is an increasing opportunity for both of the company's segments. Our license and distribution agreement with Pepsico has successfully commenced and further growth options are being considered by both parties. This covers both increasing the product range and expanding geographies in the region.

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

The industrial segment of the Food Division performed strongly over the past three months. The current free trade agreement between China and Australia increased the level of enquiry for Australian sourced product. The majority of industrial related volume was provided to the China marketplace. This has allowed us to develop key contacts in an attractive market providing access to a supplier who delivers quality product.

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

Significant changes in the state of affairs

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

Significant events after the balance date

There have been no significant events after the balance date.

Non IFRS Financial Information

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

Non IFRS financial information includes underlying EBIT, underlying result, underlying NPAT, underlying earnings per share, net interest expense, net bank debt, net debt, net working capital and adjustments to reconcile from reported results to underlying results.

Dividends	**Cents**	**30 September 2018 $'000**
Final fully franked dividend declared for 30 September 2018		
▪ on ordinary shares	Nil	Nil

Indemnification and insurance of directors and officers

During the period 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 period, 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 three month reporting period were:

Audit and Risk	**Remuneration and Nomination**
F Bennett (Chair)	M Carroll (Chair)
F Grimwade	M Iwaniw
N Anderson	N Anderson

Directors' meetings

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

	Directors' Meetings		**Meetings of Committees**			
			Audit and Risk		**Remuneration and Nomination**	
	Number Eligible to Attend	**Number Attended**	**Number Eligible to Attend**	**Number Attended**	**Number Eligible to Attend**	**Number Attended**
M Iwaniw	3	3	-	-	2	2
P Thompson	3	3	1	1	2	2
M Carroll	3	3	-	-	2	2
F Grimwade	3	3	1	1	-	-
N Anderson	3	3	1	1	2	2
F Bennett	3	3	1	1	-	-

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 24(e) to the financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

Non-audit services

Non-audit services provided by the external auditor are approved by resolution of the Audit and Risk Committee and approval is provided in writing to the board of directors. The directors are satisfied that no non-audit services were provided during the period, as detailed in Note 23.

Rounding

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

Proceedings on behalf of the Company

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

Corporate Governance

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

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

M Iwaniw
Chairman

Melbourne, 29 November 2018

Remuneration Report

Introduction from the Chair of the Remuneration and Nominations Committee

Dear Shareholder,

On behalf of my Board colleagues I'm pleased to present our 30 September 2018 remuneration report. The objective of Select Harvests remuneration strategy is to attract, retain and motivate the people we require to sustainably manage and grow the business. Executive remuneration packages include a balance of fixed remuneration, short term cash incentives and long term equity incentives. The framework endeavours to align executive reward with market conditions and shareholders' interests.

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

The current short term incentive program is based on a 15 month performance (July 2018 to September 2019 – reflecting the change to a new financial reporting period) and assessed against key financial and operational performance indicators (KPIs). The performance targets are based on the submitted business plan and set at a level that results in a 50% payout on achievement of a stretching but realistically achievable level of performance. Maximum payout only occurs where there is a clearly outstanding level of performance across all KPIs. In addition to KPIs for their business unit and areas of direct responsibility all KMP share a company NPAT KPI to encourage a strong executive team dynamic and cross business unit collaboration.

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

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

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

No short-term incentive or quantitative information is shown for the three month financial year transition period ended 30 September 2018. While an expense has been accrued at a group level, at this stage (in the 15 month cycle to the end of September 2019), it is too early to determine individual performance against targets set for a September 2019 year end.

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

Mike Carroll

Chair – Remuneration & Nomination Committee
The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

1. KEY QUESTIONS

What are our remuneration objective and guiding principles?

Objective: To deliver sustainable returns as a leader in "better for you" plant based foods					
Principles	Align management and shareholder interests	Reflect our values of: • Trust & Respect, • Integrity & Diversity, • Sustainability, • Performance & Innovation	Deliver competitive advantage in attracting, motivating and retaining talent	Encourage a diverse workforce	Simple, easily understood, rewarding performance and creating a culture that delivers shareholder value

How is our remuneration structured?

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

Objective	Attract and retain the best talent	Reward current year performance	Reward long term sustainable performance
Remuneration Component	Total Fixed Remuneration (TFR)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Purpose	TFR is set in relation to the external market and takes into account: • Size and complexity of the role • Individual responsibilities	STI ensures appropriate differentiation of pay for performance and is based on business and individual performance outcomes	LTI ensures alignment to long-term overall company performance and is consistent with: • Profitable growth • Long-term shareholder return
Delivery	Base salary, superannuation and salary sacrifice components based on total remuneration	15 month cash payment	Performance rights (vesting after three years and three months, subject to performance)
FY19 Approach	Target TFR positioning is Median of Comparator Group Comparators: Listed Food and Agribusiness Companies	STI Performance Measures[1.] • NPAT (30%) • Capital management (15%) • Divisional performance (10%) • Project delivery (25%) • Board discretion (20%) With a safety gate	LTI Performance Measures • Relative TSR (50%) • EPS growth (50%) With a positive TSR gate • Holding Lock The participant's holding is equal to their fixed annual remuneration • Clawback conditions For fraud or dishonest conduct Breach of his/her obligations to the Group or any Group Company

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

When remuneration is earned and received?

Given the current reporting period is for three months the only component received during this period was the fixed remuneration.

STI liabilities have been accrued at a group level however no individual allocations have been determined at this time.

What is the remuneration mix for Key Management Personnel?

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

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

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

LTI grants are at face value, where face value represents the share pricing at the time of allocating grants and relates to rights due for vesting at 30 June 2019 (currently under review for a potential shift to September). Executive KMP have minimum shareholding requirements.

How much did you pay your executive for the three months ended 30 September 2018?

The table below presents the remuneration paid to, or vested for, Executive KMP for the three months ended 30 September 2018.

$	Total Fixed Remuneration	STI Achieved[1]	Vested Performance Rights[2]	Total
Paul Thompson - CEO	156,324	-	-	156,324
Brad Crump – CFO	100,850	-	-	100,850
Mark Eva – GM Consumer	88,321	-	-	88,321
Peter Ross – GM Almond Operations	83,395	-	-	83,395
Ben Brown – GM Horticulture	83,519	-	-	83,519
Laurence Van Driel – GM Trading	92,939	-	-	92,939
Kathie Tomeo – GM Human Resources	68,742	-	-	68,742

1. While potential STI payments are accrued at a group level based on budgeted performance for the 15 months ending 30 September 2019 there remains a high degree of uncertainty as to the final Group result and the allocation to an individual basis at this point would not be an accurate assessment.
2. No rights were vested during the three month period ended 30 September 2018.

What equity was granted for the three months ended 30 September 2018?

No equity was granted to KMPs for the three months ended 30 September 2018. However, the performance testing period for the third tranche of performance rights approved at the 2014 AGM commenced on the 1st of July 2017. These performance rights are subject to performance conditions starting 1 July 2017 and finishing 30 June 2020. The table below presents the value of this grant at face value at the time of grant and at the start of the performance period.

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

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

2. EXECUTIVE KMP REMUNERATION

2.1 Overview of the three months ended 30 September 2018 remuneration framework

Fixed Remuneration	
Base salary	Consists of cash salary, superannuation and salary sacrifice arrangements based on total cost to the company. Reviewed annually with reference to the market median for comparable companies, the individual's performance and potential and the company's future plans. There is no guaranteed base pay increase in any executives' contracts.

Short Term Incentive (STI)	% of Fixed Remuneration	
Opportunity	CEO Threshold – 0% Target – 0% Maximum - 0% All measurements are based on targets set for the 15 months ending 30 September 2019	Other KMP Threshold – 0% Target – 0% Maximum – 0%

Purpose	To provide incentive to exceed the annual business objectives.		
Term	15 months		
Instrument	Cash		
Performance measures	KPI Score Card	CEO	Other KMP
	• Company NPAT	30%	20-30%
	• Business Unit EBIT	0%	0-10%
	• Capital management	15%	0-10%
	• Operational performance	10%	20%
	• Project delivery	25%	10-25%
	• Board discretion	20%	20%
	With a safety tollgate		
Why these were chosen	To provide a balance between outperforming the annual operating plan, individual business unit plans, focus on the efficient use of capital and strengthening the balance sheet, on time and budget delivery of strategic projects and sustained orchard productivity. The board retains some discretion to adjust the outcomes based whether they were influenced by uncontrollable "headwinds" or "tailwinds" and the degree to which behaviours reflect our values. The health and well-being of our people remains paramount and no incentives is paid if the foundations for a safe work environment were not maintained.		

Long Term Incentive (LTI)	% of Fixed Remuneration	
Opportunity	CEO Face Value – up to 82%	Other KMP Face Value – up to 35%

Purpose	Reward achievement of long term business objectives and sustainable value creation for shareholders.	
Term	3 years, vesting at the end of the period.	
Instrument	Performance rights	
Performance conditions*	1. Continuing service	
	2. Positive absolute shareholder return	
	3. 50% Compound Annual Growth in underlying earnings per share** over three years. The performance targets and vesting proportions are as follows:	
	• Below 5% CAGR	Nil
	• 5% CAGR	25%
	• 5.1% - 19.9% CAGR	Pro rata vesting
	• 20% or higher CAGR	50%
	4. 50% Total Shareholder Return relative to a peer group of ASX listed companies over three years. The performance targets and vesting proportions are as follows:	
	• Below the 50th percentile	Nil
	• 50th percentile	25%
	• 51st – 74th percentile	Pro rata vesting
	• At or above 75th percentile	50%
Why these were chosen	Underlying EPS represents a strong measure of overall business performance. TSR provides a shareholder perspective of the Company's relative performance against comparable companies.	

*The Remuneration and Nomination Committee is responsible for assessing whether the targets are met and in doing so obtains the advice of an independent expert.

** EPS adjustments are made consistent with the guidance issued by the Australian Institute of Company Directors and Financial Services Institute of Australasia in March 2009 and ASIC Regulator Guide RG230 'Disclosing Non-IFRS financial information'.

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

2.2 How STI outcomes are linked to performance

Given this is a transition period, no STI calculation have been completed.

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

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

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

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

2.3 What we paid executive KMP in FY18 – Further detail

The following pages compare the maximum potential and actual remuneration for the three month period ended 30 September 2018 and for the 12 month period ended 30 June 2018 for current KMP. Amounts include:

- Total fixed remuneration
- STI achieved as a result of business and individual performance (versus the maximum potential cash STI)
- Share performance rights that vested during the year at face value[1](versus the maximum initial award face value) for the performance testing period concluding in that year.

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

Key Management Personnel (KMP)			Total Fixed Remuneration $'000	Short Term Incentive $'000	Performance Rights $'000	Total $'000
P Thompson	Actual Remuneration	Sep18	156	-	-	156
Managing Director & CEO	Maximum Potential	Sep18	156	-	-	156
	Actual Remuneration	FY18	611	114	-	725
	Maximum Potential	FY18	611	305	487	1,403
M Eva	Actual Remuneration	Sep18	88	-	-	88
General Manager Consumer	Maximum Potential	Sep18	88	-	-	88
	Actual Remuneration	FY18	345	66	-	411
	Maximum Potential	FY18	345	173	97	615
P Ross	Actual Remuneration	Sep18	83	-	-	83
General Manager Almond Operations	Maximum Potential	Sep18	83	-	-	83
	Actual Remuneration	FY18	325	60	-	385
	Maximum Potential	FY18	325	165	97	587
L Van Driel	Actual Remuneration	Sep18	93	-	-	93
Group Trading Manager	Maximum Potential	Sep18	93	-	-	93
	Actual Remuneration	FY18	336	77	-	413
	Maximum Potential	FY18	336	169	97	602
K Tomeo	Actual Remuneration	Sep18	69	-	-	69
General Manager People	Maximum Potential	Sep18	69	-	-	69
	Actual Remuneration	FY18	261	23	-	284
	Maximum Potential	FY18	261	78	65	404
B Crump*	Actual Remuneration	Sep18	101	-	-	101
Chief Financial Officer	Maximum Potential	Sep18	101	-	-	101
	Actual Remuneration	FY18	247	43	-	290
	Maximum Potential	FY18	385	193	117	695
B Brown**	Actual Remuneration	Sep18	84	-	-	84
General Manager Horticulture	Maximum Potential	Sep18	84	-	-	84
	Actual Remuneration	FY18	76	76	-	152
	Maximum Potential	FY18	300	150	49	499
V Huxley+	Actual Remuneration	Sep18	40	-	-	40
General Manager Finance and Company Secretary	Maximum Potential	Sep18	40	-	-	40
	Actual Remuneration	FY18	270	26	-	296
	Maximum Potential	FY18	270	76	65	411

* Appointed 20 November 2017; ** Appointed 1 April 2018; + Resigned 24 August 2018

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

2.4 FY19 Outlook

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

- Our proposed LTIP grants for YE2019 will be for a single year allocation. Our prior practice of obtaining approval for 3 tranches for the current and following 2 years, resulted in the point of testing for the final tranche being six years after the grant date. An annual allocation will allow closer alignment to current strategic plans.
- The 2019 STIP KPIs are evolving to see a greater focus on financial metrics. This includes introducing a capital efficiency measure.
- The change in our reporting period will have ramifications for our incentive arrangements, and any modifications will aim to achieve a fair balance between shareholders' and the executives' interests.

- We are evaluating the move to a single incentive-based remuneration plan as a number of companies are doing. This remains "work in progress" and something we will consider more closely once our new reporting period is bedded down.

2.5 Terms of KMP Service Agreements

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

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

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

3. NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

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

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

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

The current aggregate fee limit of $830,000 was approved by shareholders at the 26 November 2015 Annual General Meeting. For the three months reporting period the total amount paid to non-executive directors was $155,116.

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

Base Fees paid during the period (including superannuation)	
Chairman	$54,252
Other four non-executive directors	$100,865
Additional Fees (including superannuation)	
Chair of the Audit and Risk Committee	$3,152
Chair of the Remuneration and Nomination Committee	$3,152

4. GOVERNANCE

4.1 Role of the Remuneration and Nomination Committee

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

4.2 Use of Remuneration Advisors

No remuneration advisors were used during the three month period ended 30 September 2018.

4.3 Share Trading Policy

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

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

5. KMP STATUTORY DISCLOSURES

5.1 Details of the three months ended 30 September 2018 and FY2018 Remuneration

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

		ANNUAL REMUNERATION				LONG TERM			
		Base Fee **$**	**Short Term Incentives** **$**	**Non Cash Benefits** **$**	**Super-annuation Contri-butions** **$**	**Long Service Leave Accrued and paid** **$**	**Performance Rights Granted** **$**	**Other** **$**	**Total** **$**
Non Executive Directors									
M Iwaniw	**Sep18**	**54,252**	**-**	**-**	**-**	**-**	**-**	**-**	**54,252**
	2018	211,713	-	-	-	-	-	-	211,713
M Carroll	**Sep18**	**24,468**	**-**	**-**	**2,324**	**-**	**-**	**-**	**26,792**
	2018	97,435	-	-	9,256	-	-	-	106,691
F Grimwade	**Sep18**	**21,589**	**-**	**-**	**2,051**	**-**	**-**	**-**	**23,640**
	2018	85,972	-	-	8,167	-	-	-	94,139
N Anderson	**Sep18**	**21,589**	**-**	**-**	**2,051**	**-**	**-**	**-**	**23,640**
	2018	85,972	-	-	8,167	-	-	-	94,139
F Bennett#	**Sep18**	**24,468**	**-**	**-**	**2,324**	**-**	**-**	**-**	**26,792**
	2018	91,521	-	-	9,361	-	-	-	100,882
P Riordan#+	**Sep18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	85,972	-	-	8,167	-	-	-	94,139
R M Herron#^	**Sep18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	40,624	-	-	3,859	-	-	-	44,483
Executive Director									
P Thompson	**Sep18**	**139,242**	**-**	**11,949**	**5,133**	**4,732**	**29,406**	**-**	**190,462**
	2018	543,291	113,926	47,796	19,905	69,359	173,584	-	967,861
Other key management personnel									
M Eva	**Sep18**	**74,646**	**-**	**8,623**	**5,052**	**(36,328)**	**(42,724)**	**-**	**9,269**
	2018	278,884	66,585	34,663	20,138	36,328	22,523	-	459,121
P Ross	**Sep18**	**77,025**	**-**	**1,238**	**5,133**	**2,752**	**4,655**	**-**	**90,803**
	2018	299,153	60,466	5,908	20,010	6,585	22,523	-	414,645
L Van Driel	**Sep18**	**78,658**	**(6,808)**	**-**	**14,281**	**5,303**	**4,655**	**-**	**96,089**
	2018	305,908	76,977	-	30,559	7,980	22,523	-	443,947
K Tomeo	**Sep18**	**60,868**	**(2,092)**	**-**	**7,874**	**-**	**2,110**	**-**	**68,760**
	2018	237,534	23,439	-	23,238	-	9,825	-	294,036
B Crump*	**Sep18**	**93,591**	**-**	**-**	**7,260**	**-**	**6,569**	**-**	**107,420**
	2018	225,788	43,120	-	21,450	-	13,140	-	303,498
B Brown**	**Sep18**	**70,206**	**(6,643)**	**-**	**13,313**	**-**	**2,327**	**-**	**79,203**
	2018	69,090	76,575	-	6,507	-	13,089	-	165,261
V Huxley^	**Sep18**	**27,181**	**(2,373)**	**7,272**	**5,066**	**-**	**-**	**5,785(a)**	**42,931**
	2018	232,734	25,836	13,988	23,457	(23,942)	(13,468)	-	258,605
P Chambers+	**Sep18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	140,991	-	10,256	13,831	(1,607)	(20,202)	28,637(b)	171,906
B Van Twest++	**Sep18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	26,281	-	1,308	1,635	-	(20,202)	-	9,022

Appointed 6 July 2017; #+ Resigned 30 June 2018; #^ Passed away 13 November 2017
* Appointed 20 November 2017; ** Appointed 1 April 2018; ^ Appointed 9 September 2016; Resigned 24 August 2018;
+ Resigned 8 November 2017 and his STI reversed; ++ Resigned 31 July 2017 and his STI reversed;
(a) Relates to payment of annual leave accrued
(b) Relates to services provided subsequent to retirement.

Notes
It should be noted that performance rights granted, referred to in the remuneration details set out in this report, comprise a proportion of rights which have not yet vested and are reflective of rights that may or may not vest in future years.
The elements of remuneration have been determined based on the cost to the consolidated entity.

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

5.2 Details of LTI Performance Rights Granted, Vested and Exercised

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

	Number				
	Opening balance 1 July 2018	**Granted during the period**	**Vested during the period**	**Forfeited during the period**	**Closing balance 30 September 2018**
Executive Director					
P Thompson	150,000	-	-	-	150,000
Other key management personnel					
M Eva	30,000	-	-	-	30,000
P Ross	30,000	-	-	-	30,000
L Van Driel	30,000	-	-	-	30,000
K Tomeo	10,000	-	-	-	10,000
B Crump	18,000	-	-	-	18,000
B Brown	15,000	-	-	-	15,000
V Huxley*	20,000	-	-	(20,000)	-

* Resigned 24 August 2018

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

5.3 Active Plan Performance Rights Granted

Performance rights granted to executives under the LTI Plans that are relevant to three month period ended 30 September 2018 and beyond.

Grant Date	Vesting Conditions	Performance Period	Participating Executives	Performance Achieved	Vested %
2017	• EPS Compound Annual Growth • Relative TSR performance to peer group • Continuous service • Holding Lock	30 June 2018 30 June 2019 30 June 2020	P Thompson+ M Eva* P Ross* L Van Driel* K Tomeo* B Brown^	30 June 2018 rights achieved 0% of EPS condition rights and 0% of TSR condition rights 2019-2020 period to be determined.	N/A
20 Nov 2017	• EPS Compound Annual Growth • Relative TSR performance to peer group • Continuous service • Holding Lock	30 June 2020	B Crump	2020 period to be determined.	N/A

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

The LTI Plan provides for the offer of a parcel of performance rights with a three year performance period to participating employees. The rights vest at the end of the period on achievement of the performance hurdles. Performance rights are granted under the plan for no consideration.

The plan rules contain a restriction on removing the ‘at risk’ aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the ‘at risk’ aspect of an instrument before it vests.

5.4 Grants of Performance Rights

The table details the grants of performance rights to the Managing Director and Executive team.

	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	2017	75,000	$4.35	0%	0	75,000	30-Jun-18	$0
	2017	75,000	$4.20	0%	0	0	30-Jun-19	$315,000
	2017	75,000	$4.07	0%	0	0	30-Jun-20	$305,250
M Eva	2017	15,000	$2.85	0%	0	15,000	30-Jun-18	$0
	2017	15,000	$3.45	0%	0	0	30-Jun-19	$51,750
	2017	15,000	$3.38	0%	0	0	30-Jun-20	$50,700
P Ross	2017	15,000	$2.85	0%	0	15,000	30-Jun-18	$0
	2017	15,000	$3.45	0%	0	0	30-Jun-19	$51,750
	2017	15,000	$3.38	0%	0	0	30-Jun-20	$50,700
L Van Driel	2017	15,000	$2.85	0%	0	15,000	30-Jun-18	$0
	2017	15,000	$3.45	0%	0	0	30-Jun-19	$51,750
	2017	15,000	$3.38	0%	0	0	30-Jun-20	$50,700
K Tomeo	2017	10,000	$3.38	0%	0	0	30-Jun-20	$33,800
B Crump	2018	18,000	$3.65	0%	0	0	30-Jun-20	$65,700
B Brown	2017	7,500	$2.85	0%	0	7,500	30-Jun-18	$0
	2017	7,500	$3.45	0%	0	0	30-Jun-19	$25,875
	2017	7,500	$3.38	0%	0	0	30-Jun-20	$25,350
V Huxley	2017	10,000	$2.85	0%	0	10,000	30-Jun-18	$0
	2017	10,000	$3.45	0%	0	10,000	30-Jun-19	$0
	2017	10,000	$3.38	0%	0	10,000	30-Jun-20	$0

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

5.5 Number of shares held by directors and other key management personnel

The movement during the period 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 2018	Received on exercise of performance rights	Other – DRP, sales and purchases	Held at 30 September 2018
Non-executive directors				
M Iwaniw	205,503	-	-	205,503
M Carroll	20,997	-	-	20,997
F Grimwade	106,375	-	-	106,375
N Anderson	7,071	-	-	7,071
F Bennett	7,500	-	-	7,500
Executive director				
P Thompson	483,607	-	-	483,607
Other key management personnel				
P Ross	130,392	-	-	130,392
M Eva	58,977	-	-	58,977
L Van Driel	23,858	-	(23,858)	-
K Tomeo	-	-	-	-
B Crump	-	-	-	-
B Brown	-	-	-	-

Auditor's Independence Declaration

As lead auditor for the audit of Select Harvests Limited for the period 1 July 2018 to 30 September 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Cronin
Partner
PricewaterhouseCoopers

Melbourne
29 November 2018

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SELECT HARVESTS Limited ABN 87 000 721 380

Annual financial report

Contents

This financial report covers the Group consisting of Select Harvests Limited and its subsidiaries. The financial report is presented in Australian currency.

Select Harvests Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Select Harvests Limited
360 Settlement Road
Thomastown Vic 3074

A description of the nature of the Company's operations and its principal activities is included in the review of operations and activities and in the directors' report, both of which are not part of this financial report.

The financial report was authorised for issue by the directors on 29 November 2018. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All financial reports and other information are available on our website: www.selectharvests.com.au.

Statement of Comprehensive Income

For the three month period ended 30 September 2018

	Note	CONSOLIDATED 3 months to 30 September 2018 $'000	12 months to 30 June 2018 $'000
Revenue			
Sales of goods and services	5	67,500	206,549
Other revenue	5	81	3,689
Total revenue		**67,581**	**210,238**
Other income			
Inventory fair value adjustment	6	(12,675)	13,391
(Loss)/ Gain on sale of assets		(3)	48
Total other income		**(12,678)**	**13,439**
Expenses			
Cost of sales	6	(51,050)	(172,623)
Distribution expenses		(950)	(3,543)
Marketing expenses		(566)	(1,190)
Occupancy expenses		(478)	(1,344)
Administrative expenses	6	(1,990)	(7,108)
Finance costs		(1,044)	(5,441)
Other expenses	6	(914)	(2,964)
(LOSS)/ PROFIT BEFORE INCOME TAX		**(2,089)**	**29,464**
Income tax benefit/ (expense)	7	553	(9,093)
(LOSS)/ PROFIT ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		**(1,536)**	**20,371**
Other comprehensive income/ (expense)			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges, net of tax		**192**	**(2,229)**
Other comprehensive income/ (expense) for the period/ year		**192**	**(2,229)**
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED		**(1,344)**	**18,142**
(Loss)/ Earnings per share for (loss)/ profit attributable to the ordinary equity holders of the company:			
Basic (loss)/ earnings per share (cents per share)	22	(1.6)	23.2
Diluted (loss)/ earnings per share (cents per share)	22	(1.6)	23.1

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

Balance Sheet

As at 30 September 2018

	Note	CONSOLIDATED 30 September 2018 $'000	CONSOLIDATED 30 June 2018 $'000
CURRENT ASSETS			
Cash and cash equivalents		6,860	394
Trade and other receivables	9	47,023	51,378
Inventories	10	99,410	109,321
Current tax assets		6,404	984
Derivative financial instruments	11	24	41
TOTAL CURRENT ASSETS		**159,721**	**162,118**
NON-CURRENT ASSETS			
Property, plant and equipment	12	298,221	293,831
Intangible assets	13	64,679	60,604
TOTAL NON-CURRENT ASSETS		**362,900**	**354,435**
TOTAL ASSETS		**522,621**	**516,553**
CURRENT LIABILITIES			
Trade and other payables	14	40,319	22,972
Interest bearing liabilities	15	4,822	8,156
Derivative financial instruments	11	929	1,732
Deferred gain on sale	16	175	175
Employee entitlements	17	3,167	3,069
TOTAL CURRENT LIABILITIES		**49,412**	**36,104**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	60,958	62,991
Deferred tax liabilities	7(c)	37,197	34,285
Deferred gain on sale	16	2,802	2,846
Employee entitlements	17	1,613	1,687
TOTAL NON-CURRENT LIABILITIES		**102,570**	**101,809**
TOTAL LIABILITIES		**151,982**	**137,913**
NET ASSETS		**370,639**	**378,640**
EQUITY			
Contributed equity	18	268,567	268,567
Reserves		9,802	9,601
Retained profits		92,270	100,472
TOTAL EQUITY		**370,639**	**378,640**

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

Statement of Changes in Equity

For the three month period ended 30 September 2018

	Note	CONSOLIDATED Contributed Equity $'000	Reserves[1] $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2017		**181,164**	**11,602**	**84,853**	**277,619**
Profit for the year		-	-	20,371	20,371
Other comprehensive income		-	(2,229)	-	(2,229)
Total comprehensive income for the year		**-**	**(2,229)**	**20,371**	**18,142**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	18	949	-	-	**949**
Issue of ordinary shares	18	86,454	-	-	**86,454**
Dividends paid or provided	8	-	-	(4,752)	**(4,752)**
Employee performance rights	25	-	228	-	**228**
Balance at 30 June 2018		**268,567**	**9,601**	**100,472**	**378,640**
(Loss)/ Profit for the period		-	-	(1,536)	(1,536)
Other comprehensive expense	11	-	192	-	192
Total comprehensive expense for the period		**-**	**192**	**(1,536)**	**(1,344)**
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs and deferred tax	18	-	-	-	**-**
Dividends paid or provided	8	-	-	(6,666)	(6,666)
Employee performance rights	25	-	9	-	**9**
Balance at 30 September 2018		**268,567**	**9,802**	**92,270**	**370,639**

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 three month period ended 30 September 2018

	Note	CONSOLIDATED 30 September 2018 $'000	 30 June 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		77,289	207,119
Payments to suppliers and employees		(49,206)	(175,264)
		28,003	**31,855**
Interest received		7	36
Interest paid		(1,035)	(5,128)
Income tax paid		(2,195)	(8,476)
Net cash inflow from operating activities	19	**24,860**	**18,287**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Government grants		55	4,021
Proceeds from sale of property, plant and equipment		-	118
Payment for water rights		(4,074)	-
Payment for property, plant and equipment		(5,503)	(17,058)
Tree development costs		(3,504)	(12,957)
Net cash outflow from investing activities		**(13,027)**	**(25,876)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		-	86,454
Proceeds from borrowings		39,100	170,780
Repayments of borrowings		(40,200)	(241,780)
Repayments of finance leases		(1,356)	(4,898)
Dividends on ordinary shares, net of Dividend Reinvestment Plan		-	(3,803)
Net cash inflow from financing activities		**(2,456)**	**6,753**
Net (decrease)/ increase in cash and cash equivalents		**9,377**	**(836)**
Cash and cash equivalents at the beginning of the period/ year		(2,767)	(1,931)
Cash and cash equivalents at the end of the period/ year		**6,610**	**(2,767)**
Reconciliation to cash at the end of the period/ year:			
Cash and cash equivalents		6,860	394
Bank overdrafts		(250)	(3,161)
		6,610	**(2,767)**

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.

(b) Changes in accounting policies

In the current period, AASB 9 Financial instruments and AASB 15 Revenue from Contracts with Customers were adopted. As a result of the changes in the entity's accounting policies, the adoption of the new standards did not have an impact on prior year financial statements and hence they were not restated.

The following tables show the adjustments on opening balances recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Balance sheet extract	1 Jul 2018 As originally presented $'000	AASB 9 $'000	1 Jul 2018 Restated $'000
Cash flow hedge reserve	1,350	(253)	1,097
Retained earnings	100,472	253	100,725
Total equity	**101,822**	**-**	**101,822**

(i) AASB 9 Financial Instruments

AASB 9 replaces the provisions of AASB139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 11. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated with the exception of certain aspects of hedge accounting.

The total impact on the group's retained earnings as at 1 July 2018 and 1 July 2017 is as follows:

	Notes	30 June 2018 $'000	30 June 2017 $'000
Closing retained earnings 30 June		100,472	84,853
Hedge accounting		253	-
Restated retained earnings 30 June		100,725	84,853
Opening retained earnings 1 July		**100,725**	**84,853**

Impact from the adoption of AASB 9 on prior periods
The foreign currency forwards and interest rate swaps in place as at 30 June 2018 qualified as cash flow hedges under AASB 9. The group's risk management strategies and hedge documentation are aligned with the requirements of AASB 9 and these relationships are therefore treated as continuing hedges.

Prior to 1 July 2018, the Company classified foreign currency options as cash flow hedges where the intrinsic value component was recognised through the hedging reserve and the time value component flowed through the Statement of Comprehensive Income. Following the adoption of AASB 9, the group now designates the intrinsic value and time value component of foreign currency options is deferred in the costs of the hedging reserve and recognised against the related hedge transaction when it occurs.

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets
The Company was required to revise its impairment methodology under AASB 9 for its trade receivables. There was no material impact noted from the change in impairment methodology.

Trade receivables
The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all its trade receivables. This change did not impact the loss allowance on 1 July 2018. Note 9(a) provides for details about the calculation of the allowance.

(ii) AASB 15 Revenue from Contracts with Customers
The group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies where revenue is recognised when control of a good or service is transferred to the customer. Prior to adoption of AASB15, revenue was 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. Upon completion of our assessment, no material adjustments were required to be made in the financial statements.

New and amended standards
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 September 2018 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 16 Leases
AASB 16 Leases will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the balance sheet. There are however, recognition exemptions for short term leases and leases of low-value items. 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 which represents the present value of future lease payments.

As a lessee with substantial costs incurred from operating leases of its farms, the implementation of this standard is expected to have a material impact on the Company’s financial statements at transition and in future years to the extent that leases currently classified as operating leases will need to be recognized on balance sheet. In addition, the current operating lease expense recognized in the income statement will be replaced with a depreciation and interest expense. The changes are expected to be adopted from 1 October 2019.

The Company has identified all its material leases and is currently in the process of completing an assessment of the full impact of the change, however a reliable estimate of the quantitative impact cannot yet be provided due to unresolved matters, including:

- Determination of the lease term for leases with option periods
- Conclusion on appropriate discount rates

The Company will provide an estimate of the financial impact of the new standard once these matters are resolved and the financial impact can be accurately assessed.

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.

Notes to the Financial Statements

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 period 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.

Notes to the Financial Statements

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 may not by definition, 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

Due to a number of variables at this stage in the cropping cycle no assumption has been made on the value of the 2019 crop. At this point all costs, as they are being incurred, are being capitalised to the balance sheet. At a future point in time the value of the crop will be determined and the capitalised costs taken into account. The net value of the crop (fair value) will then be recognised (proportionately) through the income statement.

Carrying value of Project H2E

Included within note 12, Property, Plant and Equipment is a $21.8m asset in the Capital Work in Progress category relating to Project H2E (hull to energy), 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 Processing Facility.

The project is currently nearing completion and is in its commissioning phase with some engineering rectification works still required. There is significant judgement in estimating the recoverable amount of this asset due to the judgemental nature of the key assumptions used. In addition to the forecast costs to complete the project, key assumptions used in estimating the asset's recoverable amount include market prices for electricity, large scale generator (LGC) certificates, potash and almond hull. At 30 September 2018, the recoverable amount of this asset exceeds its carrying value, but there is limited headroom and the model is highly sensitive to changes in the above assumptions.

Fair Value of Acquired Assets

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

Carrying value of intangible assets

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

Key assumptions and sensitivities are disclosed in Note 13.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Management and the Board review the foreign exchange position of the Group and, where appropriate, enter into a variety of derivative financial instruments, transacted with the Group's bankers to manage its foreign exchange risk, including forward foreign currency contracts and options

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

Group	30 September 2018 USD $'000	30 September 2018 EUR $'000	30 June 2018 USD $'000	30 June 2018 EUR $'000
Trade receivables net of payables	10,018	-	19,377	-
Overdraft	(181)	-	(2,340)	-
Foreign Exchange Contracts (FEC)				
- buy foreign currency (cash flow hedges)	2,062	347	1,761	375
- sell foreign currency (cash flow hedges)	22,400	-	24,533	-
Sell foreign currency option contracts*	5,000	-	20,000	-

* Foreign currency option contracts have a number of possible outcomes depending on the spot rate at maturity. These contracts are shown at face value. Depending on spot rate at maturity, the value of the contract can be USD$ Nil or USD$10,000,000.

Group sensitivity analysis

Based on financial instruments held at 30 September 2018, had the Australian dollar strengthened/ weakened by 5% against the US dollar and the EUR, with all other variables held constant, the Group's results for the period would have been $1,151,000 lower/$1,272,00 higher (30 June 2018: $1,906,000 lower/ $2,106,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been $1,604,000 lower/ $1,773,000 higher (30 June 2018: $2,673,000 lower/ $2,954,000 higher), arising mainly from forward foreign currency contracts designated as cash flow hedges.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

(ii) Cash flow interest rate risk

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

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

	30 September 2018 Average Interest Rate %	Balance $'000	30 June 2018 Average Interest Rate %	Balance $'000
Debt facilities (AUD)	3.75%	30,400	4.04%	31,500
Overdraft (USD)	1.93%	181	1.22%	2,340

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

The Group analyses interest rate exposure on an ongoing basis in conjunction with the debt facility, cash flow and capital management. As part of the Risk Management policy of Select Harvests Limited, the company had entered into an agreement to swap $13.5m (30 June 2018: $13.5m) of debt for 1 year at 1.77% to reduce the risk that higher interest rate pose to the company's cash flows.

Group sensitivity

At 30 September 2018, if interest rates had changed by +/- 25 basis points from the weighted average interest rate with all other variables held constant, result for the period would have been $54,000 lower/higher (30 June 2018: $59,000 lower/higher).

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

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

Financial Instruments	Floating interest Rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 $'000	30 Jun 2018 $'000	30 Sep 2018 %	30 Jun 2018 %
(i) Financial assets														
Cash	-	-	-	-	-	-	-	-	6,860	394	6,860	394	-	-
Trade and other receivables	-	-	-	-	-	-	-	-	37,061	45,403	37,061	45,403	-	-
Forward foreign currency contracts	-	-	-	-	-	-	-	-	13	21	13	21	-	-
Interest Rate Swap	-	-	11	20	-	-	-	-	-	-	11	20	-	-
Total financial assets	-	-	11	20	-	-	-	-	43,932	45,818	43,945	45,838		
(ii) Financial liabilities														
Bank overdraft – USD @ AUD	250	3,161	-	-	-	-	-	-	-	-	250	3,161	1.93	1.22
Commercial Bills	30,400	31,500	-	-	-	-	-	-	-	-	30,400	31,500	3.75	4.04
Trade creditors	-	-	-	-	-	-	-	-	24,088	12,206	24,088	12,206	-	-
Other creditors	-	-	-	-	-	-	-	-	16,231	10,766	16,231	10,766	-	-
Forward foreign currency contracts	-	-	-	-	-	-	-	-	929	1,732	929	1,732	-	-
Total financial liabilities	30,650	34,661	-	-	-	-	-	-	41,248	24,704	71,898	59,365		

Financial Assets

Collectability of trade receivables is reviewed on an ongoing basis. Trade receivables are carried at full amounts due less expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

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

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

(b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures 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) and to historical information. Majority of the Group's sales are derived from large, established customers with no history of default.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 month and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

(c) Liquidity risk

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

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

Debt facilities	Expiry Date	Facility Limit	Amount drawn 30 September 2018
1. Term*	22/12/2020	$80,000,000	$30,400,000
2. Seasonal#	30/06/2019	$20,000,000	-
		$100,000,000	AUD $30,400,000
3. Overdraft+	31/12/2018	USD $5,000,000	USD $180,536

* Held with NAB ($50 million) and RABO ($30 million);
# Held with RABO only. The facility is reviewed annually and available for the period 1 March to 30 June each year.
+ Held with NAB only and reviewed annually.

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

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:

	30 September 2018 $'000	30 June 2018 $'000
Floating rate		
- Term /Seasonal#	AUD $69,600	AUD $68,500
- Bank overdraft facility USD	USD $4,819	USD $2,660

Subject to seasonal restrictions as mentioned above

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

Maturities of financial liabilities

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

		Less than 6 months $'000	6 – 12 months $'000	More than 12 months $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Group at 30 September 2018						
Non-derivatives						
Variable Rate	Debt facilities	-	-	31,850	31,850	30,400
	Trade and other payables	40,319	-	-	40,319	40,319
	Bank Overdraft	251	-	-	251	250
Derivatives	Interest Rate Swap	-	13,500	-	13,500	11
	FEC EUR buy – outflow	347	-	-	347	6
	FEC USD buy – outflow	2,062	-	-	2,062	7
	FEC USD sell – (inflow)	(11,400)	(11,000)	-	(22,400)	(635)
	USD Sell option	-	(5,000)	-	(5,000)	(294)
	FEC USD net	(9,338)	(16,000)	-	(25,338)	(922)

Notes to the Financial Statements

3. FINANCIAL RISK MANAGEMENT (continued)

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

(d) Fair Value Measurement

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

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

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

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

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

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

Notes to the Financial Statements

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:

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

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:

	30 Sep 2018	30 Jun 2018	30 Sep 2018	30 Jun 2018	30 Sep 2018	30 Jun 2018	30 Sep 2018	30 Jun 2018
	Almond Division ($'000)		Food Division ($'000)		Eliminations and Corporate ($'000)		Consolidated Entity ($'000)	
Revenue								
Total revenue from external customers	32,544	78,486	34,956	128,063	-	-	67,500	206,549
Intersegment revenue	10,994	36,739	-	-	(10,994)	(36,739)	-	-
Total segment revenue	**43,538**	**115,225**	**34,956**	**128,063**	**(10,994)**	**(36,739)**	**67,500**	**206,549**
Other revenue	74	3,653	-	-	7	36	81	3,689
Total revenue	**43,612**	**118,878**	**34,956**	**128,063**	**(10,987)**	**(36,703)**	**67,581**	**210,238**
EBIT	(1,013)	35,447	1,216	4,952	(1,255)	(5,530)	(1,052)	34,869
Interest received	-	-	-	-	7	36	7	36
Finance costs expensed	(569)	(2,499)	-	-	(475)	(2,942)	(1,044)	(5,441)
Profit before income tax	**(1,582)**	**32,948**	**1,216**	**4,952**	**(1,723)**	**(8,436)**	**(2,089)**	**29,464**
Segment assets (excluding intercompany debts)	436,356	443,587	72,560	73,065	13,705	(99)	522,621	516,553
Segment liabilities (excluding intercompany debts)	(98,689)	(92,269)	(12,983)	(8,248)	(40,310)	(37,396)	(151,982)	(137,913)
Acquisition of non-current segment assets	12,706	27,969	152	295	173	200	13,030	28,464
Depreciation and amortisation of segment assets	2,989	16,202	74	409	153	193	3,216	16,804

Sales to major customers include Coles 19% and Woolworths 16% 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.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		3 months to 30 September 2018 $'000	12 months to 30 Jun 2018 $'000
5. REVENUE			
Revenue from continuing operations			
- Sale of goods		66,690	202,370
- Management services		810	4,179
- Government grant and other revenue		81	3,689
Total revenue		**67,581**	**210,238**

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 when performance obligations are satisfied and control of the goods or services have passed or provided to the buyer. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control for the goods has been transferred 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 September 2018 the group held almond inventory on behalf of external growers which was not recorded as inventory of the Company. All revenue is stated net of the amount of Goods and Services Tax (GST).

Notes to the Financial Statements

5. REVENUE (continued)

Government grants

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

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

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

	Note	CONSOLIDATED	
		3 months to 30 September 2018 $'000	12 months to 30 Jun 2018 $'000
6. OTHER INCOME AND EXPENSES			
Profit before tax includes the following specific expenses:			
Inventory fair value adjustment	(a)	12,675	(13,391)
Depreciation of non-current assets:			
Buildings		105	391
Plantation land and irrigation systems		514	1,964
Plant and equipment		2,433	8,562
Bearer plants	(b)	164	5,887
Total depreciation of non-current assets		3,216	16,804
Employee benefits		7,748	29,435
Operating lease rental minimum lease payments		636	2,986
Net loss/ (gain) on disposal of property, plant and equipment		3	(48)

(a) Fair value adjustment relates to the unwinding of crop profits recognised in prior periods. The profit is reversed through inventory fair value adjustment whilst the benefit flows through cost of sales.

(b) Depreciation on the almond trees amounting to $1.31 million (30 June 2018: $Nil) was capitalised into the inventory cost base. Refer to note 10(b) for further information.

Notes to the Financial Statements

	Note	CONSOLIDATED 3 months to 30 September 2018 $'000	12 months to 30 Jun 2018 $'000
7. INCOME TAX			
(a) Income tax expense			
Current tax		3,224	(3,376)
Deferred tax		(2,671)	(5,601)
Over provided in prior years		-	(116)
		553	**(9,093)**
Income tax expense is attributable to:			
Loss/ (Profit) from continuing operations		553	(9,093)
Aggregate income tax benefit/ (expense)		**553**	**(9,093)**
Deferred income tax benefit included in income tax benefit comprises:			
(Decrease)/ Increase in deferred tax assets	7(c)	(54)	455
(Increase)/ (Decrease) in deferred tax liabilities	7(c)	(2,617)	(6,056)
		(2,671)	**(5,601)**
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
(Loss)/ Profit from continuing operations before income tax expense		(2,089)	29,464
Tax at the Australian tax rate of 30% (2018 – 30%)		627	(8,839)
Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income			
Other assessable items		(74)	(138)
(Under)/ Over provided in prior years		-	(116)
Income tax benefit/ (expense)		**553**	**(9,093)**
(c) Deferred tax liabilities (Non-current)			
The balance comprises temporary differences attributable to:			
Amounts recognised in profit and loss			
Receivables		138	574
Inventory		13,374	10,149
Property, plant and equipment (includes bearer plants)		34,461	34,760
Intangibles		871	871
Accruals and provisions		(3,024)	(3,163)
Lease liabilities		(8,203)	(8,251)
		37,617	**34,940**
Amounts recognised directly in other comprehensive income			
Cash flow hedges		**(272)**	**(507)**

Notes to the Financial Statements

	Note	CONSOLIDATED	
		3 months to 30 September 2018 $'000	12 months to 30 Jun 2018 $'000
7. INCOME TAX (continued)			
Amounts recognised directly in equity			
Equity raising costs		**(148)**	**(148)**
Net deferred tax liabilities		**37,197**	**34,285**
Movements:			
Opening balance 1 July		34,285	30,591
Prior period (over)/ under provision		-	(1,677)
Charged/ (Credited) to income statement		2,671	5,601
Debited/ (Credited) to equity		241	(230)
Closing balance at 30 September/ June		**37,197**	**34,285**

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 (e.g. 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.

	Note	CONSOLIDATED	
		30 September 2018	30 June 2018
		$'000	$'000

8. DIVIDENDS PAID OR PROPOSED FOR ON ORDINARY SHARES

(a) Dividends paid during the period/ year

		30 September 2018 $'000	30 June 2018 $'000
(i) Interim – *paid Nil* (30 June 2018: Fully franked dividend 5c per share was paid on 5 April 2018)		-	4,752
(ii) Final – *paid Nil* *(30 June 2018: Nil)*		-	-
		-	**4,752**

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

Given this is a three month transition period, no dividend is proposed.

(30 June 2018: Declared dividend of 7c per share which was paid on 5 October 2018).

(c) Franking credit balance	**30 September 2018 $'000**	**30 June 2018 $'000**
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	**35,896**	**33,701**

The above amounts represent the balance of the franking account (presented as the gross dividend value) as at the end of the period, adjusted for:

(i) Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date

(ii) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

Notes to the Financial Statements

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000

9. TRADE AND OTHER RECEIVABLES

	Note	30 September 2018 $'000	30 June 2018 $'000
Trade receivables		34,350	44,716
Loss allowance		(158)	(19)
		34,192	44,697
Other receivables		2,869	706
Prepayments		9,962	5,975
		47,023	**51,378**

Trade Receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognised initially at the amount of consideration that is unconditional and subsequently measured at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are explained below.

(a) Impairment of trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 30 September 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ageing analysis as at 30 September 2018 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 September 2018	Current $'000	Up to 3 months past due $'000	More than 3 months past due $'000	Total $'000
Gross carrying amount	31,267	2,100	983	34,350

1 July 2018	Current $'000	Up to 3 months past due $'000	More than 3 months past due $'000	Total $'000
Gross carrying amount	41,430	2,430	856	44,716

Note: Expected credit loss on aged receivables is immaterial and not disclosed above.

Notes to the Financial Statements

9.TRADE AND OTHER RECEIVABLES (continued)

The closing loss allowances for trade receivables as at 30 September 2018 reconcile to the opening loss allowances as follows:

		CONSOLIDATED	
		30 September 2018 $'000	30 June 2018 $'000
30 June calculated under AASB 139		19	3
Amounts restated through opening retained earnings		-	-
Opening loss allowances under AASB 9		19	3
Increase in loan loss allowance recognised in profit or loss during the period/ year		140	16
Unused amount reversed		**(1)**	**-**
At 30 September / 30 June		**158**	**19**

(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 as well as the effective interest rate and credit risk of both current and non-current receivables.

(c) Fair value

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

	Note	CONSOLIDATED	
		30 September 2018 $'000	30 June 2018 $'000

10. INVENTORIES

Raw materials		6,843	6,273
Finished goods		16,799	14,799
Other inventories		11,415	10,928
Almond stock	(a)	64,353	77,321
		99,410	**109,321**

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;
- 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; and
- 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 inventory fair value adjustment in the Statement of Comprehensive Income relates to the reversal of the fair valuation of the 2018 year almond crop. For the three months ended 30 September 2018, no fair value for 2019 almond crop was adjusted in the Statement of Comprehensive Income. This change in recognition is to more appropriately align with the cropping cycle and will improve the level of accuracy in the crop yield estimates, quality and selling price estimates as well as committed volumes.

(b) Almond tree depreciation

During the period, the Company has amended the way it computes the fair value of almond stock. Prior to 1 July 2018, the company had recognised almond tree depreciation as a direct expense to the Statement of Comprehensive Income and it was not included as part of its fair value calculations. With the change in the Company's financial year end, the Company has determined it is appropriate to capitalise the almond tree depreciation into the cost base of the inventory, in line with the capitalisation policies for other costs relevant to the production of inventory. The almond tree depreciation cost is subsequently recognised in the Statement of Comprehensive Income when the inventory is sold. Had the change in computation been implemented in the previous year, there would have been an improvement in the prior year profit before tax of $0.9 million to the prior period. This amount has not been restated in the financials as it is not considered material to the prior period.

In the three month period ended 30 September 2018, $1.31 million (12 month ended 30 June 2018: $Nil) of almond tree depreciation was capitalised into the inventory cost base.

	Note	CONSOLIDATED	
		30 September 2018 $'000	**30 June 2018 $'000**
11. DERIVATIVE FINANCIAL INSTRUMENTS			
Current Assets			
Forward exchange and option contracts – cash flow hedges		13	21
Interest rate swap – fair value hedge		11	20
Total current derivative financial instrument assets		**24**	**41**
Current Liabilities			
Forward exchange and option contracts – cash flow hedges		929	1,732
Total current derivative financial instrument liabilities		**929**	**1,732**

(a) 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 at the end of each reporting period. 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).

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(i) Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

For hedges of foreign currency purchases and sales, the Company enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Company therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Company uses the hypothetical derivative method to assess effectiveness. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated or if there are changes in the credit risk.

In hedges of foreign currency purchases and sales, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

(ii) 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.

(iii) 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 the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

When option contracts are used to hedge forecast transactions, the Company designates both the intrinsic value and time value of the options as the hedging instrument. Gains and losses relating to the effective portion of the change in value of the options are recognised in the cash flow hedge reserve within equity. Prior to 1 July 2018, the time value of options was recognised in the Statement of Comprehensive Income.

When forward contracts are used to hedge forecast transactions, the Company designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. The gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the Statement of Comprehensive Income 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 deferred 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 Statement of Comprehensive Income.

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

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

Less than 6 months	**Sell Australian Dollars**		**Average Exchange Rate**	
	30 September 2018 $'000	**30 June 2018 $'000**	**30 September 2018 $**	**30 June 2018 $**
FEC Buy USD Settlement	USD2,062	USD1,761	0.72	0.74
FEC Buy Euro Settlement	EUR347	EUR375	0.63	0.63
Less than 6 months	**Buy Australian Dollars**		**Average Exchange Rate**	
	30 September 2018 $'000	**30 June 2018 $'000**	**30 September 2018 $**	**30 June 2018 $**
FEC Sell USD Settlement	USD11,400	USD24,533	0.73	0.76
Options Sell USD Settlement	-	USD15,000	-	0.75
More than 6 months	**Buy Australian Dollars**		**Average Exchange Rate**	
	30 September 2018 $'000	**30 June 2018 $'000**	**30 September 2018 $**	**30 June 2018 $**
FEC Sell USD Settlement	USD11,000	-	0.74	-
Option Sell USD Settlement	USD5,000	USD5,000	0.73	0.74

(iv) Credit risk exposures

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

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

The net amount of the foreign currency the Company will be required to pay or purchase when settling the brought forward foreign currency contracts should the counterparty not pay the currency it is committed to deliver to the Company at balance date was USD $25,338,167 and EUR $346,994 (30 June 2018: USD $42,771,322; EUR $375,244).

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.

(v) Hedging reserves

The Company's hedging reserves as presented in Statement of Changes in Equity relate to the following hedging instruments:

		CONSOLIDATED	
	Intrinsic value of options	**Spot component of currency forwards**	**Total hedge reserves**
	$'000	**$'000**	**$'000**
Opening balance 1 July 2017	**-**	**1,110**	**1,110**
Add: Change in fair value of hedging instrument recognised in OCI	(239)	(1,111)	(1,350)
Less: Reclassified to cost of inventory- recognised in OCI	-	(1,110)	(1,110)
Less: Deferred tax	72	159	231
Closing balance 30 June 2018	**(167)**	**(952)**	**(1,119)**
Add: Change in fair value of hedging instrument recognised in OCI	(294)	(491)	(785)
Less: Reclassified from OCI to profit or loss	239	979	1,218
Less: Deferred tax	16	(257)	(241)
Closing balance 30 September 2018	**(206)**	**(721)**	**(927)**

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(vi) Market risk

The effects of the foreign currency related hedging instruments on the Company's financial position and performance are as follows:

	CONSOLIDATED			
	30 September 2018 $'000		30 June 2018 $'000	
	Buy USD	Buy EUR	Buy USD	Buy EUR
Foreign currency forwards				
Carrying amount asset/ (liability)	7	6	22	(1)
Notional amount	2,062	347	1,761	375
Maturity date	October 2018 - November 2018	October 2018 - January 2019	July 2018 – August 2018	July 2018 – August 2018
Hedge ratio*	1:1	1:1	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 July	7	6	22	(20)
Change in value of hedged item used to determine hedge effectiveness	(7)	(6)	(22)	(20)
Weighted average hedged rate for the period/ year (including forward points)	0.7241	0.6251	0.7436	0.6320

	CONSOLIDATED	
	30 September 2018 $'000 Sell USD	30 June 2018 $'000 Sell USD
Foreign currency forwards		
Carrying amount (liability)	(635)	(1,132)
Notional amount	22,400	24,533
Maturity date	October 2018 - August 2019	July 2018 – November 2018
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 July	(504)	(1,132)
Change in value of hedged item used to determine hedge effectiveness	504	1,132
Weighted average hedged rate for the period/ year (including forward points)	USD$0.7384: AUD$1	USD$0.7650: AUD$1
Foreign currency options		
Carrying amount (liability)	(294)	(600)
Notional amount	5,000	20,000
Maturity date	June 2019	July 2018 – June 2019
Hedge ratio	1:1	1:1
Change in intrinsic value of outstanding hedging instruments since 1 July	(142)	(600)
Change in value of hedged item used to determine hedge effectiveness	142	600
Weighted average strike rate for the period/ year	USD$0.7315: AUD$1	USD$0.7409: AUD$1

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 period.

	Buildings $'000	Plantation land and irrigation systems $'000	Plant and equipment $'000	Bearer Plants $'000	Capital work in progress $'000	Total $'000
At 30 June 2017						
Cost	17,567	109,820	88,486	136,680	40,940	393,493
Accumulated depreciation	(2,658)	(32,748)	(53,939)	(21,671)	-	(111,016)
Net book amount	**14,909**	**77,072**	**34,547**	**115,009**	**40,940**	**282,477**
Year ended 30 June 2018						
Opening net book amount	14,909	77,072	34,547	115,009	40,940	282,477
Additions	-	-	-	8,364	20,100	28,464
Disposals	-	-	(236)	-	(70)	(306)
Depreciation expense	(391)	(1,964)	(8,562)	(5,887)	-	(16,804)
Transfers between classes	3,899	1,803	17,702	-	(23,404)	-
Closing net book amount	**18,417**	**76,911**	**43,451**	**117,486**	**37,566**	**293,831**
At 30 June 2018						
Cost	21,466	111,623	105,802	145,044	37,566	421,501
Accumulated depreciation	(3,049)	(34,712)	(62,351)	(27,558)	-	(127,670)
Net book amount	**18,417**	**76,911**	**43,451**	**117,486**	**37,566**	**293,831**
Period ended 30 September 2018						
Opening net book amount	18,417	76,911	43,451	117,486	37,566	293,831
Additions	-	-	-	2,007	6,949	8,956
Disposals	-	-	(7)	-	-	(7)
Depreciation expense	(105)	(514)	(2,468)	(1,472)	-	(4,559)
Transfers between classes	-	348	3,893	-	(4,241)	-
Closing net book amount	**18,313**	**76,744**	**44,868**	**118,021**	**40,275**	**298,221**
At 30 September 2018						
Cost	21,466	111,971	109,537	146,709	40,275	430,299
Accumulated depreciation	(3,153)	(35,227)	(64,669)	(29,030)	-	(132,078)
Net book amount	**18,313**	**76,744**	**44,868**	**117,679**	**40,275**	**298,221**

Cost and valuation

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

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

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land water rights are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Bearer plants are assumed ready for use when a commercial crop is produced from the seventh year post planting. The depreciation on the almond trees amounting to $1.3 million (30 June 2018: $Nil) was capitalised into the inventory cost base. Refer to note 10(b) for further information. 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	
		30 September 2018 $'000	30 June 2018 $'000
Leasehold plant and equipment and bearer plants			
At cost		46,246	48,215
Accumulated depreciation and impairment		(11,262)	(11,507)
		34,984	**36,708**

Leases

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

Finance leases

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

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

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

Notes to the Financial Statements

	CONSOLIDATED			
	Goodwill $'000	Brand Names* $'000	Permanent Water Rights $'000	Total $'000
13. INTANGIBLES				
Year ended 30 June 2018				
Opening net book amount	25,995	2,905	31,704	60,604
Closing net book amount	**25,995**	**2,905**	**31,704**	**60,604**
Period ended 30 September 2018				
Opening net book amount	25,995	2,905	31,704	60,604
Acquisition of permanent water rights	-	-	4,074	4,074
Closing net book amount	**25,995**	**2,905**	**35,779**	**64,679**

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

Goodwill

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

Brand names

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

Permanent water rights

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

The Company had completed an assessment of these rights, currently at a historical cost value of $35.8 million (30 June 2018: $31.7 million), based on current market rates and has determined a comparable value of $56.3 million (30 June 2018: $51.6 million).

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).

Notes to the Financial Statements

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.

As impairment test is conducted annually and after assessing indicators for any impairment, management is satisfied that impairment testing was not required at 30 September 2018. The latest impairment test was performed for 30 June 2018 with the assumptions made including new product development, enhanced marketing and market penetration and the exiting of lower margin business will improve EBIT over the forecast period. Cash flow projections beyond the five year period are not extrapolated, but a terminal value with a nil growth rate is included in the calculations. A real pre-tax weighted average cost of capital of 11.1% was used to discount the cash flow projections. No material changes in key assumptions arose during the period.

(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 September 2018 and 30 June 2018. Based on impairment testing performed at 30 June 2018, a decrease of 10% in the projected annual cash flows, or an increase of 1% in the pre-tax discount rate of 11.1% does not result in an impairment of the goodwill and brand names. These changes would be considered reasonably possible changes to the key assumptions.

(c) Permanent water rights

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

	Note	CONSOLIDATED	
		30 September 2018 $'000	30 June 2018 $'000
14. TRADE AND OTHER PAYABLES			
Trade creditors		24,088	12,206
Other creditors and accruals*		16,231	10,766
		40,319	**22,972**

* This includes dividend payable to shareholders of $6.66million.

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

Notes to the Financial Statements

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000
15. INTEREST BEARING LIABILITIES			
Current- Secured			
Bank overdraft		250	3,161
Debt facilities		-	-
Finance lease	20(b)	4,572	4,995
		4,822	**8,156**
Non-current- Secured			
Debt facilities		30,400	31,500
Finance lease	20(b)	30,558	31,491
		60,958	**62,991**

Borrowings

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

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

Borrowing costs

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

(a) Security

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank facilities are set out in 15(c).

Finance lease is secured with plant and equipment and bearer plants with various leasing companies and First State Super respectively.

(b) Interest rate risk exposures

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

(c) Assets pledged as security

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

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

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

Notes to the Financial Statements

15. INTEREST BEARING LIABILITIES (continued)

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

	Note	CONSOLIDATED 30 September 2018 $'000	CONSOLIDATED 30 June 2018 $'000
Current			
Floating charge			
Cash and cash equivalents		6,860	394
Receivables		47,023	51,378
Inventories		99,410	109,321
Derivative financial instruments		24	41
Total current assets pledged as security		153,317	161,134
Non-current			
Floating charge			
Property, plant and equipment		263,237	257,123
Permanent water rights		35,779	31,704
Total non-current assets pledged as security		299,016	288,827
Total assets pledged as security		**452,333**	**449,961**

Financing arrangements

The Company has a debt facility available to the extent of $100,000,000 as at 30 September 2018 (30 June 2018: $100,000,000). The Company has bank overdraft facilities available to the extent of US$5,000,000 (30 June 2018: US$5,000,000). The current interest rates at balance date are 3.29% (30 June 2018: 3.46%) on the debt facility, and 1.925% (30 June 2018: 1.925%) on the United States dollar bank overdraft facility.

	Note	CONSOLIDATED 30 September 2018 $'000	CONSOLIDATED 30 June 2018 $'000
16. DEFERRED GAIN ON SALE			
Current			
Sale and leaseback		**175**	**175**
Non-Current			
Sale and leaseback		**2,802**	**2,846**

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 1 January 2016. The lease is for a 20 year term.

Notes to the Financial Statements

	Note	CONSOLIDATED	
		30 September 2018 $'000	30 June 2018 $'000
17. PROVISIONS			
Current			
Employee benefits		**3,167**	**3,069**
Non-Current			
Employee benefits		**1,613**	**1,687**

Provisions

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

Employee benefits

(i) Short-term obligations:

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

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

(ii) Other long-term benefit obligations

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

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

Notes to the Financial Statements

	Note	CONSOLIDATED 30 September 2018 $'000	CONSOLIDATED 30 June 2018 $'000
18. CONTRIBUTED EQUITY			
(a) Issued and paid up capital			
Ordinary shares fully paid		**268,567**	**268,567**

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

	30 September 2018 Number of Shares	30 September 2018 $'000	30 June 2018 Number of Shares	30 June 2018 $'000
Beginning of the period/ year	**95,226,349**	**268,567**	**73,606,835**	**181,164**
Issued during the period/ year:				
▪ Dividend reinvestment plan	-	-	180,700	949
▪ Long term incentive plan – tranche vested	-	-	-	-
▪ Ordinary shares issued under equity raising (net of transaction costs and deferred tax)	-	-	21,438,814	86,454
End of the period/ year	**95,226,349**	**268,567**	**95,226,349**	**268,567**

(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. The market value of ordinary Select Harvests Limited shares closed at $5.32 on 30 September 2018 ($6.90 on 30 June 2018).

(d) Ordinary shares

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

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

(e) Capital risk management

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

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

Notes to the Financial Statements

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000

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

Net (loss)/ profit after tax		(1,536)	20,371
Non-cash items			
Depreciation and amortisation		3,216	16,797
Inventory fair value adjustment		12,675	(13,391)
Net loss/ (gain) on sale of assets		3	(48)
Options expense		9	228
Deferred gain on sale		(44)	(175)
Rental adjustment		-	(1,707)
Changes in assets and liabilities			
(Increase)/ Decrease in receivables		4,355	(4,572)
(Increase)/ Decrease in inventory		(1,973)	(8,456)
Increase/ (Decrease) in trade payables		10,642	8,728
(Decrease)/ Increase in income tax payable		(5,419)	(3,306)
(Decrease)/ Increase in deferred tax liability		2,912	3,693
Increase in employee entitlements		20	125
Net cash flow from operating activities		**24,860**	**18,287**

Non cash financing activities

During the current three month period ended 30 September 2018, the company issued Nil (30 June 2018: 180,700) of new equity as part of the Dividend Reinvestment Plan.

(a) Net debt reconciliation

Net debt movement during the period/ year as follows:

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000
Cash and cash equivalents		6,610	(2,767)
Borrowings- repayable after one year		(30,400)	(31,500)
Finance lease liabilities- repayable within one year		(4,572)	(4,995)
Finance lease liabilities- repayable after one year		(30,558)	(31,491)
Net debt		**(58,920)**	**(70,753)**

Notes to the Financial Statements

19. RECONCILIATON OF THE NET PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES (continued)

		Liabilities from financing activities				
	Cash/ bank overdraft $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 July 2018	(2,767)	(4,995)	(31,491)	-	(31,500)	(70,753)
Cash flows	8,160	1,356	-	-	1,100	10,616
Acquisitions finance leases	-	-		-	-	-
Foreign exchange adjustments	1,217	-	-	-	-	1,217
Other non-cash movements	-	(933)	933	-	-	-
Net debt as at 30 September 2018	**6,610**	**(4,572)**	**(30,558)**	**-**	**(30,400)**	**(58,920)**

		Liabilities from financing activities				
	Cash/ bank overdraft $'000	Finance leases due within 1 year $'000	Finance leases due after 1 year $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 1 July 2017	(1,931)	(4,894)	(36,492)	(102,500)	-	(145,817)
Cash flows	(1,087)	4,899	-	102,500	(31,500)	74,812
Acquisitions finance leases	-	-		-	-	-
Foreign exchange adjustments	251	-	-	-	-	251
Other non-cash movements	-	(5,001)	5,001	-	-	-
Net debt as at 30 June 2018	**(2,767)**	**(4,995)**	**(31,491)**	**-**	**(31,500)**	**(70,753)**

Notes to the Financial Statements

20. EXPENDITURE COMMITMENTS

(a) Operating lease commitments

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

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000
Minimum lease payments			
▪ Within one year		24,613	24,114
▪ Later than one year and not later than five years		93,546	92,353
▪ Later than five years		195,908	196,100
Aggregate lease expenditure contracted for at reporting date		**314,067**	**312,567**

Operating leases

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

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

Minimum lease payments		
▪ Within one year	3,325	3,297
▪ Later than one year and not later than five years	5,204	5,872
▪ Later than five years	-	-
Aggregate lease expenditure contracted for at reporting date	**8,529**	**9,169**

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

(ii) Almond orchard leases:

Minimum lease payments		
▪ Within one year	21,288	20,817
▪ Later than one year and not later than five years	88,342	86,481
▪ Later than five years	195,908	196,100
Aggregate lease expenditure contracted for at reporting date	**305,538**	**303,398**

The almond orchard leases comprises:

(i) A 20 year lease of a 512 acre (207 hectares) almond orchard and a 1,002 acre (405 hectares) lease from Arrow Funds Management in which the Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell. Other leases within the consolidated entity have renewal and first right of refusal clauses.

(ii) A 20 year lease of 3,017 acres (1,221 hectares) at Hillston with Rural Funds Management.

(iii) A 20 year lease of 5,877 acres (2,382 hectares) of almond and 722 acres (292 hectares) citrus orchards and approximately 599 acres (242 hectares) for future development of almonds with First State Super. The Company has the right to harvest the almonds from the trees owned by the lessor for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wished to sell.

Notes to the Financial Statements

20. EXPENDITURE COMMITMENTS (continued)

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000
(b) Finance lease commitments			
Commitments payable in relation to leases contracted for at the reporting date and recognised as liabilities:			
Within one year		6,637	7,141
Later than one year but not later than five years		14,255	15,034
Later than 5 years		30,800	31,441
Minimum lease payments		**51,692**	**53,616**
Future finance charges		(16,561)	(17,130)
Total lease liabilities		**35,131**	**36,486**
The present value of finance lease liabilities is as follows:			
Within one year		4,572	4,995
Later than one year but not later than five years		7,891	8,523
Later than 5 years		22,668	22,968
Minimum lease payments		**35,131**	**36,486**

Finance lease payments are for rental of farming equipment and bearer plants with a net carrying amount at 30 September 2018 of $10,492,547 (30 June 2018: $12,216,283) and $24,491,675 (30 June 2018: $24,491,675) respectively.

(c) Capital commitments

	Note	CONSOLIDATED 30 September 2018 $'000	30 June 2018 $'000
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:			
Property, plant and equipment		**4,201**	**11,557**

21. EVENTS OCCURING AFTER BALANCE DATE

There have been no significant events that have occurred after balance date.

Notes to the Financial Statements

22. EARNINGS PER SHARE

	3 months to 30 September 2018 Cents	12 months to 30 June 2018 Cents
Basic (loss)/ earnings per share attributable to equity holders of the company	(1.6)	23.2
Diluted (loss)/ earnings per share attributable to equity holders of the company	(1.6)	23.1

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

	CONSOLIDATED	
	3 months to 30 September 2018 $'000	12 months to 30 June 2018 $'000
Basic earnings per share:		
(Loss)/ Profit attributable to equity holders of the company used in calculating basic earnings per share	(1,536)	20,371
Diluted earnings per share:		
(Loss)/ Profit attributable to equity holders of the company used in calculating diluted earnings per share	(1,536)	20,371

	Number of shares	
	30 September 2018	30 June 2018
Weighted average number of ordinary shares used in calculating basic earnings per share	95,226,349	87,863,273
Effect of dilutive securities:		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	95,542,321	88,352,139

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 period/ year.

Diluted earnings per share

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

	Note	CONSOLIDATED	
		3 months to 30 September 2018 $	12 months to 30 June 2018 $

23. REMUNERATION OF AUDITORS

Audit and other assurance services			
Audit and review of financial statements		145,000	285,000
Other services		-	-
Total remuneration of PricewaterhouseCoopers		**145,000**	**285,000**

Notes to the Financial Statements

24. RELATED PARTY DISCLOSURES

(a) Parent entity

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

(b) Subsidiaries

	Country of Incorporation	Percentage Owned (%)	
		30 September 2018	30 June 2018
Parent Entity:			
Select Harvests Limited (i)	Australia	100	100
Subsidiaries of Select Harvests Limited:			
Kyndalyn Park Pty Ltd (i)	Australia	100	100
Select Harvests Food Products Pty Ltd (i)	Australia	100	100
Meriram Pty Ltd (i)	Australia	100	100
Kibley Pty Ltd (i)	Australia	100	100
Select Harvests Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Orchards Nominee Pty Ltd (i)	Australia	100	100
Select Harvests Water Rights Unit Trust (i)	Australia	100	100
Select Harvests Water Rights Trust (i)	Australia	100	100
Select Harvests Land Unit Trust (i)	Australia	100	100
Select Harvests South Australian Orchards Trust (i)	Australia	100	100
Select Harvests Victorian Orchards Trust (i)	Australia	100	100
Select Harvests NSW Orchards Trust (i)	Australia	100	100
Jubilee Almonds Irrigation Trust Inc	Australia	100	100

(i) Members of extended closed group

(c) Key management personnel compensation

	Note	CONSOLIDATED	
		3 months to 30 September 2018 $	12 months to 30 June 2018 $
Short term employment benefits		777,279	3,659,706
Post-employment benefits		71,862	227,707
Long service leave		(23,541)	94,703
Share based payments		6,998	223,333
		832,598	**4,205,449**

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

(d) Director related entity transactions

There were no director related entity transactions during the period.

(e) Directors' interests in contracts

Michael Carroll is a director of Rural Funds Management, the responsible entity for Rural Funds Group, which leases orchards to Select Harvests. Additionally, he is a director of Elders Limited which supplies crop inputs, other farm related products and water brokering services to Select Harvests. These transactions are on normal commercial terms and procedures are in place to manage any potential conflicts of interest.

Notes to the Financial Statements

25. SHARE BASED PAYMENTS

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

Current Issues	
Measure	**Rights to Vest**
Underlying EPS	
Below 5% CAGR	Nil
5% CAGR	25%
5.1% - 19.9% CAGR	Pro rata vesting
20% or higher CAGR	50%
TSR	
Below the 50th percentile*	Nil
50th percentile*	25%
51st – 74th percentile*	Pro rata vesting
At or above 75th percentile*	50%

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

Notes to the Financial Statements

25. SHARE BASED PAYMENTS (continued)

Summary of performance rights over unissued ordinary shares

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

30 September 2018

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
			Number	Number	Number	Number	On Issue	Vested	$	Number	$	$
20/10/2014	30/06/2020	-	150,000	-	-	-	150,000	-	-	-	4.21	631,500
29/09/2016	30/06/2020	-	120,000	-	(20,000)	-	100,000	-	-	-	3.23	323,000
02/12/2016	30/06/2020	-	30,000	-	-	-	30,000	-	-	-	3.23	96,900
20/11/2017	30/06/2020	-	18,000	-	-	-	18,000	-	-	-	3.65	65,700

30 June 2018

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
			Number	Number	Number	Number	On Issue	Vested	$	Number	$	$
20/10/2014	30/06/2020	-	225,000	-	75,000	-	150,000	-	-	-	4.21	631,500
29/09/2016	30/06/2020	-	265,000	-	145,000	-	120,000	-	-	-	3.23	387,600
02/12/2016	30/06/2020	-	67,500	-	37,500	-	30,000	-	-	-	3.23	96,900
20/11/2017	30/06/2020	-	-	18,000	-	-	18,000	-	-	-	3.65	65,700

Notes to the Financial Statements

25. SHARE BASED PAYMENTS (continued)

Fair value of performance rights granted

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

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

	20 November 2017 Performance Rights Issue	2 December 2016 Performance Rights Issue	29 September 2016 Performance Rights Issue	20 October 2014 Performance Rights Issue
Share price at grant date	$4.64	$6.23	$5.62	$5.95
Expected volatility*	45%	45%	45%	45%
Expected dividends	2.13%	7.87%	7.87%	3.31%
Risk free interest rate	1.85%	1.58%	1.58%	2.84%

* 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	
	3 months to 30 September 2018 $	12 months to 30 June 2018 $
Performance rights granted under employee long term incentive plan	**9,326**	**228,150**

Share-based payments

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

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

Notes to the Financial Statements

26. CONTINGENT LIABILITIES

(i) Guarantees

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

27. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

Balance Sheet	30 September 2018 $'000	30 June 2018 $'000
Current Assets	14,483	2,062
Total Assets	553,395	572,414
Current Liabilities	9,322	7,259
Total Liabilities	281,300	292,683
Shareholders' Equity		
Issued capital	268,567	268,567
Reserves		
Cash flow hedge reserve	(927)	(1,119)
Options reserve	3,087	3,078
Retained profits	1,368	9,205
Total Shareholders' Equity	**272,095**	**279,731**
(Loss)/ Profit for the period/ year	**(1,171)**	**13,564**
Total comprehensive (expense)/ income	**(1,363)**	**15,793**

(b) Tax consolidation legislation

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

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

Notes to the Financial Statements

27. PARENT ENTITY FINANCIAL INFORMATION (continued)

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

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

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

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

(c) Guarantees entered into by parent entity
Each entity within the consolidated group has entered into a cross deed of financial guarantee in respect of bank overdrafts and loans of the group.

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

Directors' Declaration

In the directors' opinion:

(a) the financial statements and Notes set out on pages 27 to 72 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 September 2018 and of its performance for the period 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, 29 November 2018

Independent auditor's report

To the members 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 September 2018 and of its financial performance for the period 1 July 2018 to 30 September 2018

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the balance sheet as at 30 September 2018
- the statement of comprehensive income for the period 1 July 2018 to 30 September 2018
- the statement of changes in equity for the period 1 July 2018 to 30 September 2018
- the statement of cash flows for the period 1 July 2018 to 30 September 2018
- 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.

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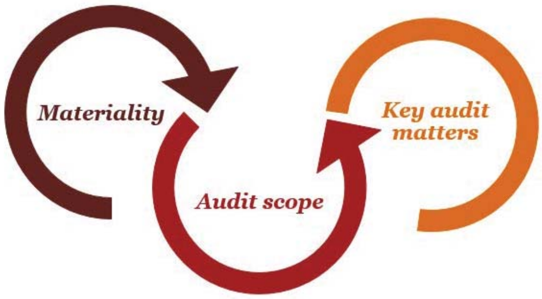
Our audit approach

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

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



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $0.67 million, which represents approximately 1% of the Group's revenue for the period ended 30 September 2018. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group revenue because, in our view, it is the benchmark against which the performance of the Group can be measured during the current reporting period. This benchmark differs to profit before tax (PBT) which was used in the preceding financial year as there was no fair value	• As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Group financial report. • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • 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.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Inventory valuation – almond crop – Accounting for bearer plants – Carrying value of intangible assets – Borrowings – Capital projects • These are further described in the *Key audit matters* section of our report.

uplift recognised for the 2019 crop in the statement of comprehensive income during the current reporting period, therefore, PBT is not the relevant benchmark for determining materiality.

- We selected a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Inventory valuation – almond crop *Refer to Critical accounting estimates and judgements in note 2 to the financial report* The current period 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. As outlined in Note 2 – Critical Accounting Estimates and Judgements, due to the early stage of the 2019 crop growing cycle, management does not have the information available to reliably estimate its fair value at 30 September 2018. AASB 141 Agriculture allows the use of cost as an approximation of fair value when little biological transformation has taken place since initial cost incurrence. We believe this was a key audit matter because of the significance of this judgement upon the Group's assets, liabilities and net profit.	We performed a number of audit procedures in relation to the Group's valuation of the almond crop, including the following: • Evaluated the Group's conclusion not to recognise the fair value of its 2019 crop against the applicable accounting framework. • Tested the costs capitalised into the almond crop during the period 1 July 2018 to 30 September 2018. We also evaluated the adequacy of the disclosures made in note 2 and 10.

Key audit matter	***How our audit addressed the key audit matter***
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' 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 September 2018, a carrying value of $117.7m of Property Plant and Equipment related to trees against which depreciation of $1.5m was charged during the period. 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.	We performed a number of audit procedures in relation to the Group's accounting for bearer plants, including the following: • Tested the amount and nature of a sample of growing costs capitalised during the period to supporting purchase documentation for trees with a maturity of up to 7 years old. • Evaluated the Group's useful life assessment, maturity of trees and yield profile assumptions applied in the units of production method for depreciation against historical experience. We also evaluated the adequacy of the disclosures made in note 12.
Carrying value of intangible assets *Refer to Critical accounting estimates and judgements in note 2 and note 13 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). In accordance with AASB 136 Impairment of Assets goodwill and intangible	We performed a number of audit procedures in relation to the Group's assessment of the carrying value of intangible assets, including the following: • Evaluated the Group's assessment of whether indicators of impairment exist with reference to current period results, external industry information and market data. This included a comparison of the actual results for the period ended 30 September 2018 with the budget. • Compared the carrying amount of the permanent water rights to the tradeable market value. We evaluated the adequacy of the disclosures made in note 2 and 13.

Key audit matter	*How our audit addressed the key audit matter*
assets with an indefinite useful life are tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that impairment might be probable. The latest test was performed at 30 June 2018. The Group concluded that no indicators of impairment existed as at 30 September 2018. The Almond Division has permanent water rights assets held at cost of $35.8m. The recoverable amount of permanent water rights related to the Almond Division is based on the current tradable 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.	
Borrowings *Refer to note 15 in the financial report* There are external borrowings on the balance sheet at 30 September 2018 of $30.4m. Given the financial significance of the borrowings balance, requirements to operate within specified covenants, the cyclical and somewhat unpredictable financing demands of the business and the importance of capital for continued growth in support of the Group's strategy, the accounting for the Group's borrowings was considered a key audit matter.	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. 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 Critical accounting estimates and judgements in note 2 and 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 $40.3m as at 30 September 2018. The most significant capital project within this balance is Project H2E (Hull to Energy) of $21.8m – this is a Biomass Cogeneration Power Plant Project that will use almond hull and shell	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. • In respect of Project H2E, we considered changes in key assumptions such as electricity, potash and hull price assumptions, and agreed these assumptions to external market

Key audit matter	How our audit addressed the key audit matter
as a fuel source for generating electricity and steam directly to the Group's Carina West manufacturing site. 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 life of the asset. The Group analysed additional capital costs and changes in key assumptions compared to FY2018 and concluded that there was no impairment of the projects included in the capital work in progress balance. 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 Project H2E from initial estimates and forecast expenditure for Project H2E that have exceeded initial estimates.	information, where available. • Considered the impact of additional costs for Project H2E, future and already capitalised, and confirmed that they do not result in an impairment as at 30 September 2018 based on management's discounted cash flow model. We also evaluated the adequacy of the disclosures made in note 2 and 12.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 1 July 2018 to 30 September 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report and ASX Additional Information. We expect the remaining other information to be made available to us after the date of this auditor's report.

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 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, 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.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 24 of the directors' report for the period 1 July 2018 to 30 September 2018.

In our opinion, the remuneration report of Select Harvests Limited for the period 1 July 2018 to 30 September 2018 complies with section 300A of the *Corporations Act 2001.*

pwc

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Cronin
Partner

Melbourne
29 November 2018

ASX additional information

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

(a) Distribution of equity securities

The following information is current as at 31 October 2018.

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
1 to 1,000	5,207
1,001 to 5,000	4,793
5,001 to 10,000	1,163
10,001 to 100,000	711
100,001 and over	37

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
13,444	498

(b) Twenty largest shareholders

The following information is current as at 31 October 2018.

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

		NUMBER OF SHARES	PERCENTAGE OF SHARES
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,649,249	21.63%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,974,335	10.45%
3	CITICORP NOMINEES PTY LIMITED	9,641,990	10.10%
4	NATIONAL NOMINEES LIMITED	3,824,238	4.01%
5	UBS NOMINEES PTY LTD	2,985,580	3.13%
6	INVIA CUSTODIAN PTY LIMITED <A/M Unit A/C>	2,538,558	2.66%
7	BNP PARIBAS NOMS PTY LTD <DRP>	647,182	0.68%
8	SMARTEQUITY EIS PTY LTD	630,819	0.66%
9	MIRRABOOKA INVESTMENTS LIMITED	550,000	0.58%
10	INVIA CUSTODIAN PTY LIMITED <ANTHONY SUPERFUND A/C>	444,047	0.47%
11	INVIA CUSTODIAN PTY LIMITED <ELAINE SUPERFUND A/C>	444,047	0.47%
12	INVIA CUSTODIAN PTY LIMITED <FAMILY SUPERFUND A/C>	444,047	0.47%
13	INVIA CUSTODIAN PTY LIMITED <RITA SUPERFUND A/C>	444,047	0.47%
14	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	443,118	0.46%
15	UBS NOMINEES PTY LTD	432,752	0.45%
16	MR JOHN PATERSON	322,073	0.34%
17	MS LIAN HUA KOH	305,000	0.32%
18	BRAZIL FARMING PTY LTD	300,000	0.31%
19	REZANN PTY LTD <RIPKA FAMILY A/C>	293,000	0.31%
20	BOND STREET CUSTODIANS LIMITED <SHBC1 - V13134 A/C>	227,010	0.24%
	Total securities of Top 20 holdings	**55,541,092**	**58.18%**
	Remaining holders balance	39,929,068	41.82%
	Total	**95,470,160**	**100%**

ASX additional information

(c) Substantial shareholders

The substantial shareholders as disclosed by notices received by the Company as at 31 October 2018 are:

	NUMBER OF SHARES
Perpetual Limited	6,868,690
FMR LLC	6,275,452
Thorney Investment Group	5,630,000
Dimensional Fund Advisors LP	4,802,975

(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.

NOTES

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SELECT HARVESTS

Lucky | Sunsol | NuVitality | soland naturally good | Allinga Farms | Renshaw

Market leader in the cooking nut category

Cooking Nut product range
almonds, walnuts, cashews, brazilnuts, pine nuts, pistachios, macadamias, sunflower seeds and pepitas

Snacking product range
portion control packs, Lucky Smart Snax

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

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

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Company Websites

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www.nuvitality.com.au
www.soland.com.au
www.allingafarms.com.au

Company Instagram Sites

www.instagram.com/select_harvests/
www.instagram.com/lucky.nuts/
www.instagram.com/sunsol_muesli/
www.instagram.com/nuvitalityau/

www.selectharvests.com.au