

# Appendix 4E Preliminary final report

Name of entity

Select Harvests Limited

ABN or equivalent company reference: 87 000 721 380

## 1. Reporting period

Report for the financial year ended 30 September 2021

Previous corresponding year 30 September 2020

## 2. Results for announcement to the market

(All amounts in this report are expressed in AS\$'000 unless otherwise stated)

Revenues from continuing ordinary activities ( <i>item 2.1</i> )	Up	22.2%	to	\$228,595
Profit from continuing ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	13.4%	to	\$25,289
Net profit for the period attributable to members ( <i>item 2.3</i> )	Down	39.5%	to	\$15,116
Dividends ( <i>item 2.4</i> )		Amount per security		Franked amount per security
Final dividend		8¢		8¢
Previous corresponding period		4¢		4¢
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )				10 December 2021

## 3. Statement of Financial Performance (*item 3*)

Refer to the attached Annual Report.

## 4. Statement of Financial Position (*item 4*)

Refer to the attached Annual Report.

**SELECT HARVESTS LIMITED**  
**ABN: 87 000 721 380**

**5. Statement of Cash Flows (item 5)**

Refer to the attached Annual Report.

**6. Statement of Retained Earnings (item 6)**

Refer to the attached Annual Report.

**7. Dividends (item 7)**

	Date of payment	Total amount of dividend
Interim Dividend - year ended 30 September 2021	N/A	Nil

**Amount per security**

	Amount per security	Franked amount per security at 30 % tax	Amount per security of foreign sourced dividend
<b>Total dividend:</b> Current year	8 ¢	8 ¢	0 ¢
Previous year	13 ¢	13 ¢	0 ¢

**Total dividend on all securities**

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (each class separately)	9,618	13,450
Preference securities (each class separately)	-	-
Other equity instruments (each class separately)	-	-
<b>Total</b>	9,618	13,450

**8. Details of dividend or distribution reinvestment plans in operation are described below (item 8):**

The final dividend may be reinvested in ordinary shares under the company's Dividend Reinvestment Plan at a 2.5% discount to the DRP price.

The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan

13 December 2021

**SELECT HARVESTS LIMITED**  
**ABN: 87 000 721 380**

**9. Net tangible assets per security (item 9)**

	Current period*	Previous corresponding period
Net tangible asset backing per ordinary security	\$ 3.68	\$ 3.46

\* Includes Right-of-Use Assets and lease liabilities in accordance with AASB 16 Leases

**10. Details of entities over which control has been gained or lost during the period: (item 10)**

**Control gained over entities**

Name of entity (item 10.1)	Not applicable	
Date(s) of gain of control (item 10.2)	Not applicable	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 10.3)	Not applicable	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Not applicable	

**Loss of control of entities**

Name of entities (item 10.1)	Not applicable	
Date(s) of loss of control (item 10.2)	Not applicable	
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.3).	Not applicable	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.3)	Not applicable	

**11. Details of associates and joint venture entities**

Name of associates or joint venture entities (item 11.1)	Not applicable	
Details of reporting entity's percentage holdings in each of these entities (item 11.2)	Not applicable	
Contribution to consolidated profit (loss) from ordinary activities after tax by those entities (item 11.3).	Not applicable	
Profit (loss) from ordinary activities after tax of those entities for the whole of the previous corresponding period (item 11.3)	Not applicable	

**SELECT HARVESTS LIMITED**  
**ABN: 87 000 721 380**

**12. Significant information relating to the entity's financial performance and financial position. (item 12)**

Not applicable.

**13. Set of Accounting Standards used to compile the report. (item 13)**

The financial information provided in this report (Appendix 4E) is based on Australian Accounting Standards.

The financial accounts (attached) were prepared in accordance with Australian Accounting Standards.

**14. Commentary on the results for the period. (item 14)**

Not applicable

**15. Statement on whether the report is based on audited financial accounts (item 15)**

This report (Appendix 4E) is based on financial accounts that have been audited.

**16. Financial accounts have been audited (item 16 and 17)**

The financial accounts have been audited and contain an independent audit report that is unqualified.

Sign here:



Date: 26 November 2021

Print name: Bradley Crump  
Company Secretary



# SELECT HARVESTS

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ANNUAL REPORT **2021**

YEAR ENDED 30 SEPTEMBER 2021

## DELIVERING ON GROWTH



TRACEABLE  
TO ORCHARD

WHETHER SOLD IN INDIA, CHINA OR ELSEWHERE IN THE WORLD, OUR ALMONDS CAN BE TRACED TO THE ORCHARD WHERE THEY WERE GROWN.



**One of the world's largest almond growers, with a geographically diverse 9,262 hectare almond orchard portfolio.**

Strategic Priorities:

- **Optimise the Almond Base**  
Increase productivity and achieve sustainably high yields from our growing almond orchard base
- **Grow our Brands**  
Grow our industrial brands, aligned to the increasing consumption of plant based foods
- **Expand Strategically**  
Pursue value accretive acquisitions that align with our core competencies in the plant based agrifoods sector.

**GEOGRAPHIC DIVERSITY OF SELECT HARVESTS ORCHARDS**



-  PROCESSING CENTRES
-  SELECT HARVESTS ORCHARDS
-  PIANGIL ALMOND ORCHARD

**9,262**<sup>HA</sup>  
(22,886 ACRES)

**TOTAL**  
PLANTED AREA

**2,670**<sup>HA</sup>  
(6,597 ACRES)

**SOUTHERN REGION**  
PLANTED AREA

**4,644**<sup>HA</sup>  
(11,475 ACRES)

**CENTRAL REGION**  
PLANTED AREA

**1,948**<sup>HA</sup>  
(4,814 ACRES)

**NORTHERN REGION**  
PLANTED AREA

## Company Profile

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

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

### STRATEGIC INVESTMENT IN OUR ORCHARDS



### Our Operations

Our geographically diverse almond orchards are located in Victoria, South Australia and New South Wales, with a portfolio that includes more than 9,262 hectares (22,886 acres) of company owned and leased almond orchards and land suitable for planting. These orchards, plus other independent orchards, supply our state-of-the-art processing facility at Carina West near Robinvale, Victoria.

Our Carina West processing facility has the capacity to process above 30,000MT of almonds in the peak season and is capable of meeting the ever increasing demand for in-shell, kernel and value-added products.

### Export

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

### Industrial Value-Adding Almond Business

Demand for Select Harvests value-added industrial almond products continues to grow under our *Renshaw* and *Allinga Farms* brands.

Our industrial almond business supplies a full range of premium value-added almond products (blanched, roast, sliced, diced, meal and paste) in multiple customer categories (beverage, bakery, confectionery, cereal, snacking, health, dairy (ice cream), re-packers and wholesalers) to over 600 customers globally.

### Our Vision

To be a leader in the supply of better for you plant-based foods.

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## Using technology to improve traceability

Being one of Australia's largest almond exporters, it is important to be able to trace our almonds sold around the world to the orchard where they were grown.



# Performance Summary

## Results - Key Financial Data

\$'000 (EXCEPT WHERE INDICATED)	REPORTED RESULT (AIFRS)		VARIANCE	VARIANCE (%)
	FY2021	FY2020		
<b>Revenue from Continuing Operations</b>	<b>228,595</b>	<b>187,108</b>	<b>41,487</b>	<b>22.2%</b>
Almond Crop Volume (MT)	28,250	23,250	5,000	21.5%
Almond Price (A\$/kg)	6.80	7.50	(0.70)	(9.3%)
<b>EBITDA from Continuing Operations<sup>1</sup></b>	<b>53,717</b>	<b>63,003</b>	<b>(9,286)</b>	<b>(14.7%)</b>
Depreciation & Amortisation	(21,111)	(18,436)	(2,675)	(14.5%)
<b>EBIT<sup>1</sup></b>				
From Continuing Operations	32,606	44,567	(11,961)	(26.8%)
From Discontinued Operations	(5,452)	(5,841)	389	6.7%
<b>Underlying EBIT<sup>1</sup></b>	<b>27,154</b>	<b>38,726</b>	<b>(11,572)</b>	<b>(29.9%)</b>
One off items from discontinued operations	(8,989)	0	(8,989)	(>100%)
<b>Reported EBIT<sup>1</sup></b>	<b>18,165</b>	<b>38,726</b>	<b>(20,561)</b>	<b>(53.1%)</b>
Interest Expense	(2,273)	(2,064)	(209)	(10.1%)
<b>Profit Before Tax</b>	<b>15,892</b>	<b>36,662</b>	<b>(20,770)</b>	<b>(56.7%)</b>
Tax Expense	(776)	(11,661)	10,885	93.3%
<b>Net Profit After Tax (NPAT)</b>	<b>15,116</b>	<b>25,001</b>	<b>(9,885)</b>	<b>(39.5%)</b>
<b>Earnings Per Share (EPS) (cents)</b>	<b>12.7</b>	<b>26.0</b>	<b>(13.3)</b>	<b>(51.2%)</b>
<b>Dividend Per Share (DPS) - Interim (cents)</b>	<b>0</b>	<b>9</b>		
<b>Dividend Per Share (DPS) - Final (cents)</b>	<b>8</b>	<b>4</b>		
<b>DPS - Total (cents)</b>	<b>8</b>	<b>13</b>		
<b>Net Debt (inc. lease liabilities)</b>	<b>351,223</b>	<b>322,311</b>		
<b>Gearing (inc. lease liabilities)</b>	<b>66.7%</b>	<b>79.6%</b>		
<b>Share Price (A\$/Share as at 30 September)</b>	<b>8.29</b>	<b>5.57</b>		
<b>Market Capitalisation (A\$M)</b>	<b>996.7</b>	<b>538.3</b>		

**Note:** It should be reiterated that, as is always the case at the time the Company develops the crop value estimate, there is the potential for changes to occur both in yield outcomes (as the crop harvest and processing progress) and the pricing environment (driven by almond market or currency) shift.

### Definitions:

<sup>1</sup> **EBITDA & EBIT are Non-IFRS measures** used by the company are relevant because they are consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

**After the shake:** Hull split occurs early January to late February and harvested typically between February and April.



# Chair & Managing Director's Report



## **Achievements, challenges and optimism – all these words have their place in considering Select Harvests' performance in FY2021 and the situation for the company at time of writing (November 2021).**

Achievements came in the form of two significant strategic activities successfully executed; the acquisition of the Piangil orchard and divestment of the *Lucky* and *Sunsol* Brands.

On 1 October 2020, Select Harvests announced it had entered into an Implementation Deed and Sale Agreements to acquire the 1,566Ha Piangil Almond Orchard, along with a \$120 million capital raising to assist in funding the acquisition. Completed in December 2020, the acquisition increased our planted area by 20%. We have since invested in irrigation infrastructure to support the immature portion of the orchard and successfully integrated the additional area into our business, with the first year's crop meeting our business case volumes.

On 30 August 2021, following an extensive review, the sale of the *Lucky* and *Sunsol* brands – the consumer branded and non-almond segments of our business – was announced to *Prolife Foods*. The Thomastown facility will close during FY2022 and the capital released will be reinvested in our almond value-adding capability and capacity at Carina West.

Optimism is present because thanks to the dedication, ongoing adaptability and sheer effort by our employees, the company weathered a second year of COVID-19 operating restrictions very well. Our 2021 crop, including production from the Piangil orchard, met our forecast of 28,250 tonnes.

The quality of the crop was good. A combination of the good quality and our investment in the upgrading of our inshell sorting technology resulted in 28% of the crop being marketed as inshell into the China and India markets. Add to this the reality that almonds are a health food and the global interest in consuming healthy, plant-based foods continues to grow – our optimism is justified.

Challenges, some of them industry-specific and others global, clearly affected the business as our FY2021 results indicate and some challenges are still present.

The almond market has faced significant downturns after California last year produced a record 3.2 billion pound crop that was aggressively sold to export, driving export almond prices to extremely low levels, which in turn resulted in record monthly US shipments. The silver lining was that demand for almonds grew by an unprecedented 22% as buyers took advantage of the low prices. While prices recovered somewhat for a period, shipping backlogs have turned prices lower again.

Global container shipping difficulties wrought by the effects of COVID-19 have and continue to affect almost every industry. Delays in movement of full containers, empty containers and freight rate increases have been well documented in daily media.

We expect the external environment to remain volatile and unpredictable. Our response to the challenges is to focus on our sound business base, flexible thinking, good execution, dedicated staff and understanding the things we can control. We understand almond yield drivers (improved horticultural practices, efficient use of water/fertiliser). We prioritise quality (improvement through processing and product selection). We control costs. We seek to grow our business base to increase revenue, price realisation and profit (purchases such as Piangil). We pursue sustainability and effective waste management (electricity cogeneration and composting).

As always, Select Harvests is focused on the key internal value drivers of our business and remains committed to our long-term growth strategy of our almond assets.

### **FINANCIAL PERFORMANCE**

Select Harvests delivered a FY2021 Underlying Earnings Before Interest and Tax (EBIT) result of \$27.2 million. Another record almond crop volume of 28,250Mt (2020 crop 23,250Mt) represented the fourth consecutive year of increased volumes produced. The result was offset by a reduction in almond prices and increased growing and depreciation costs.

The 2021 crop yields were again higher than industry average. Following two very high yielding years the mature orchards' yields were slightly down on 2020 crop rates. The three year average yield rates remain very encouraging. The immature orchards again delivered yields above business case levels as their rate of increase slows as they near full maturity. The improved level of quality and higher volume of inshell produced minimised the impact of the lower FY2021 almond price.

Crop production costs increased 2.9% as a higher percentage of costs are recognised based on the maturity profile of the immature orchards. The benefit of current lower temporary water entitlement prices will flow into FY2022's results as a large volume of FY2020 carryover water was used to grow the FY2021 crop.

The continuing industrial almond value-adding results were very encouraging. Despite almond prices decreasing the additional volumes transacted through this area led to higher a higher EBIT contribution in FY2021.

The discontinuing consumer branded results were lower with continued margin pressure applied by the major retailer's private label alternatives. This was partially offset by cost saving process improvements at the Thomastown processing facility.

Due to the sale and shut down of the consumer branded food business the Company has recognised \$9.0 million in non-recurring costs to cover planned redundancies, asset impairments and other restructuring costs.

The Company's balance sheet remains in a very strong position. Net bank debt remains below \$100 million and bank debt gearing levels are below 20% leaving us well placed to pursue further growth opportunities as they arise.

Increased shipping of product in FY2021 delivered a sizeable increase in operating cashflow to \$38.2 million (FY2020 \$13.2 million). This assisted in achieving the Piangil driven increase in investing cashflows.

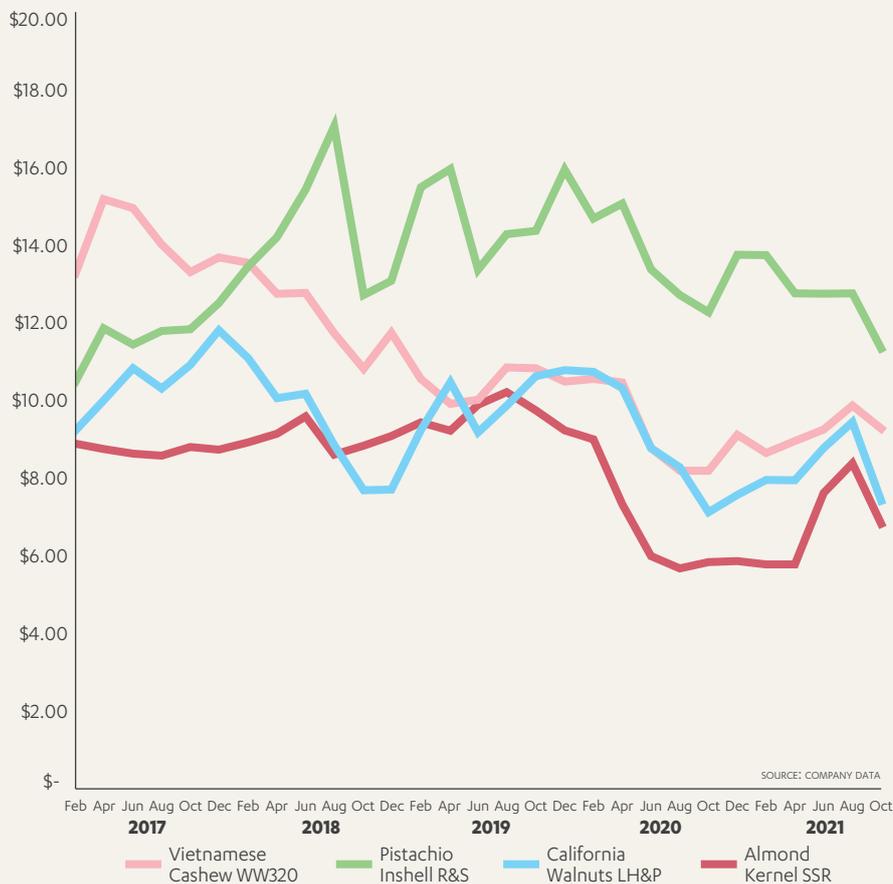
As a result of the Company's solid financial position, and the expectation of future levels of profitability, the Directors are pleased to declare an \$0.08 fully franked dividend for the FY2021 year.

### **SAFETY, SUSTAINABILITY & WELLBEING**

Select Harvests' Zero Harm Safety & Wellbeing strategy holds the aim of improving our safety performance by 15% per annum until we operate in a zero-harm environment. It holds many elements to achieve this, one example being a focus on reporting hazards, so they don't become incidents. This proactive approach is important, and is supported by Hazard Identifications increasing by 152%.

In the COVID-19 environment it might seem that all wellbeing issues would relate to implementing appropriate protocols and procedures to protect our employees in the face of this risk, however our focus on wellbeing is wider. Two new enhanced employee benefit policies are now available to our people: company-funded Paid Parental Leave and company-funded Community Service Leave.

**Commodity Price Trend 2017-2021 - AUD\$/KG CFR**



Sustainability continues to grow in importance and the Company formed a dedicated sustainability committee in FY2021 to solely focus on the opportunities to improve performance in this area. Sustainability may be defined in a range of ways, but in essence for Select Harvests it means doing the right thing today and into the future. This short statement actually expands into a wide field of systems and actions, as described in our 2021 Sustainability Report.

**ALMOND MARKET OUTLOOK**

It is too early to determine the final 2021 almond crop size in California (which accounts for approximately 80% of global almond production), although it is anticipated to be around 2.8-2.9 billion pounds. Their ongoing drought and water storage situation continue to present the Californian almond industry with difficulties, however we do not underestimate the productive capacity of this region.

The challenges facing the global logistics network are considerable and while many people in industries and governments are seeking to solve them, the situation makes it very difficult to predict future almond prices with any degree of certainty.

In this environment Select Harvests is focused on its plans on optimising the performance of its orchards and processing facility in order to meet the growing long-term demand for almonds.

Our orchards are currently performing well, with our 2021/22 crop set to begin harvesting in March 2022.

**THANK YOU**

The ongoing impacts of COVID-19, volatile global markets and supply chain constraints markets have led to another challenging year, yet as explained, it has also been a year of significant achievement.

Select Harvests' dedicated employees, our sound and consistent strategy and our strong financial position are enabling the company to successfully navigate through the challenges and continue seeking new opportunities.

The underlying fundamentals of the almond industry remain strong. We are very well placed to benefit from the market settling and demand and supply patterns returning to normal.

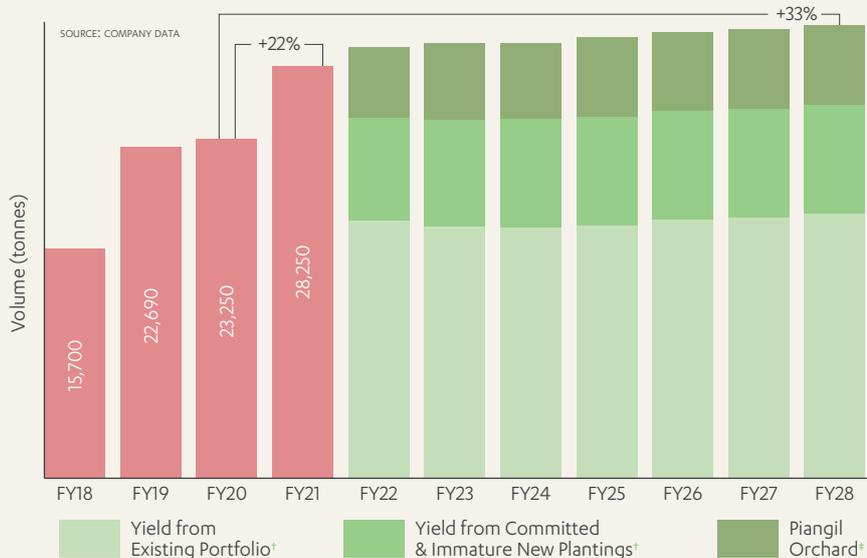
Our targeted investment in growing the company's almond base and expanding our value-adding capacity and capability will ensure, as one of the world's largest vertically integrated almond producers, ongoing growth and improved returns.

We would like to thank our shareholders, suppliers and employees for all their support and commitment during FY2021 and look forward to the growth and opportunities that lie ahead in FY2022 and beyond.

  
Michael Iwaniv, Chair

  
Paul Thompson, Managing Director

**SHV Theoretical Harvest Volume (MT)\***



\* The almond crop is biennial in nature with expected +/- 10% per annum variation in tonnage.  
 † Assumes a 3.3MT per ha (1.35MT per acre) mature yields and immature yields based on the average of the 2019, 2020 and 2021 crops.  
 ‡ Assumes a 3.5MT per ha (1.40MT per acre) mature yields for Piangil Orchard.

# Business Highlights



Earnings Before Interest Tax Depreciation and Amortisation (EBITDA):

**\$40.4 million**

Continuing operations: \$53.7 million



Net Profit After Tax (NPAT):

**\$15.1 million**

Continuing operations: \$25.3 million



Net Bank Debt to Equity:

**18.6%**



Almond Crop:

**28,250MT**

Continue to maintain better than industry standard yields



Average SHV Almond price:

**\$6.80/kg**



Total Almond Production Costs:

**\$5.63/kg**

Growing costs remain well controlled



Lost Time Injury Frequency Rate (LTIFR):

**Down 25%**



Operating Cash Flow:

**\$38.2 million**

Increase of \$25.0 million, with FY2020 impacted by COVID-19 shipping delays



Piangil Almond Orchard:

**4,592MT**

Yield and quality in line with expectations

**BELOW:** Dan Wilson has been appointed as General Manager, Almond Operations.



# In control of our destiny



**BELOW:** Inspection of one of our young orchards.



# 2021/22 Triple Bottom Line Focus Areas

## Planet



**Water Efficiency**  
100% of our orchards use drip irrigation tree and soil monitoring systems



**Sustainability**  
Develop sustainability targets to build on 2020 Sustainability report



**Co-Waste Projects**  
Continue developing three promising co-waste projects

## People



**Securing Labour**  
Commenced securing harvest labour for 2022



**HRIS System**  
HRIS System to be implemented over the next 12 months



**Investment in Skills**  
Graduate program and ongoing career development in place

## Profit



**Food Division Restructure**  
Transition Thomastown almond production to Carina West



**Carina West Investment**  
Increase the volume and range of value-added almond products



**Water Costs**  
Lower water costs to flow into FY2022, with estimated savings of \$6M to \$8M due to favourable carryover rates

**BELOW:** 100% of our orchards use drip irrigation tree and soil monitoring systems.



# Triple Bottom Line in Action: Co-Waste Projects



## Almond Hull to Energy

Select Harvests co-generation power station is the integral link for our three sustainable co-waste projects, bringing together several sustainability initiatives through waste recycling, compost generation as well as carbon neutral power.

Almost 30% of Select Harvests' almond by-product is consumed by the H2E Power Station to produce low carbon emissions energy that is used to power our Carina West processing facility and neighbouring orchards.



## Almond Hull to Fertiliser

Select Harvests developed a novel process for digesting almond hull and olive pit waste with urea to produce liquid and solid fertilisers.

Received a 1:1 grant to scale this process up. A pilot plant has been commissioned for Q1 2022, with agronomy trials planned for Q2 2022.

A provisional patent application has been issued with full patent pending.



## Fly Ash to Liquid Fertiliser

Burning almond hull generates an ash. In 2020/21 Select Harvests developed a novel process to convert waste ash into high-grade potassium rich liquid fertiliser.

On farm trials conducted in 2020/21 demonstrated that this product could be delivered as a potassium supply while also providing benefits in drip irrigation cleaning.

A pilot plant has been identified using a Lamella clarifier to scale up the process. Lamella is a thin layer, membrane or tissue designed to remove particulates from liquids.



## Waste Ash to Compost

In 2021/22 the waste ash by-product generated by Select Harvests' co-generation power station will be used to produce over 45,000MT of high-quality compost that will be returned to Select Harvests almond orchards.

Led to a significant reduction in the requirements for external chemical fertigation, improved soil health, generated cost saving and returned carbon to soils.

Currently seeking EPA approval for a commercial license to supply 3rd party horticulture producers.



### All natural, recycled and low cost:

Our closed loop compost program uses the waste hull ash from the CoGen power plant, which is high in potassium, and everything that comes out of the orchards, being almond hull, shell and tree trimmings.

## Executive Team



**PAUL THOMPSON**  
**Managing Director and CEO**

Appointed as the Managing Director and Chief Executive Officer 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*



**BRADLEY CRUMP**  
**CFO and Company Secretary**

Brad joined Select Harvests as Chief Financial Officer in 2017 and was appointed Company Secretary on 7 August 2018. He is a Certified Practising Accountant and has over 15 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.



**PETER ROSS**  
**General Manager Performance, Improvement and Sustainability**

Peter joined Select Harvests in 1999. He has held the positions of Plant Manager, Project Manager and General Manager for the Processing area of the Almond Division, General Manager Horticulture, General Manager Almond Operations and was appointed General Manager Performance, Improvement and Sustainability in August 2021. Prior to joining Select Harvests, Peter ran his own maintenance and fabrication business servicing agriculture, mining and heavy industry.



**BEN BROWN**  
**General Manager Horticulture**

Ben joined Select Harvests in 2014. Ben held the position of Project and Technical Manager of the Horticultural Division, before being appointed General Manager Horticulture in April 2018. Ben is an Applied Science graduate with Honours in Soil Science and has 20 years experience across perennial irrigated horticulture with expertise in: orchard development; production horticulture; development of detailed RD&E strategies; and extension and technology transfer of best practice. Prior to joining Select Harvests, Ben was the Industry Development Manager at the *Almond Board of Australia* and an irrigation and soil agronomist.



**SUZANNE DOUGLAS**  
**General Manager Consumer**

Suzanne joined Select Harvests in 2019. Suzanne is a highly experienced, successful and senior manager who has extensive experience in both the Australian and international Fast-Moving Consumer Goods Industry. Before joining Select Harvests, Suzanne has led *HJ Heinz Australia*, and held senior management roles at *Devondale Murray Goulburn* and *McPherson's Consumer Products*.



**NICOLE FEDER**  
**General Manager, People Safety & Culture**

Nicole joined Select Harvests in January 2021. Nicole is a highly experienced HR Leader and Organisational Psychologist with a track record of helping businesses achieve success and sustainable growth by developing capable, diverse and engaged workforces. Nicole has worked across a range of diverse business sectors including: *PwC*, *Carlton & United Breweries*, *Amcor*, *Toll Group* and *Mayne Nickless*. Most recently, Nicole held the role of GM Human Resources for *Database Consultants Australia*. She is a Member of the *Australian Human Resources Institute* and a Member of the *Australian Psychological Society*.



**DAN WILSON**  
**General Manager, Almond Operations**

Dan joined Select Harvests in 2017. He has held the positions of H2E Cogen Manager, Operations Manager - Mechanical Engineering, and was appointed General Manager of Almond Operations in July 2021. Before joining Select Harvests, Dan was the Plant Manager for the BOC bulk gas division in the Northern Territory and brings with him extensive knowledge in production, processing and operations.

## Board of Directors



**MICHAEL IWANIW**  
**Chair**

Appointed to the board on 27 June 2011 and appointed Chair on 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. Michael was instrumental in the successful 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 Chair of *Australian Grain Technologies* and has extensive non-executive director experience with several listed and private companies. He is Chair of the Nominations Committee and is a member of the Remuneration and Sustainability Committee.



**PAUL THOMPSON**  
**Managing Director and Chief Executive Officer**

Appointed as the Managing Director and Chief Executive Officer (MD) 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*.



**FRED GRIMWADE**  
**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 Chair 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). He was formerly Chair 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 member of the Audit and Risk Committee.



**NICKI ANDERSON**  
**Non-Executive Director**

Appointed to the board on 21 January 2016. Nicki Anderson is an accomplished leader and non-executive director with broad experience in strategy, sales, marketing, and innovation within food, beverage and consumer goods businesses both in Australia and Internationally (including *Coca Cola Amatil*, *Cadbury Schweppes*, *McCain*, *Nestlé* and *Kraft*). Nicki has strong links to Australia's e-commerce, manufacturing and agricultural sectors. She is currently Acting Chair of *Mrs Mac's Pty Ltd*; Deputy Chair of the *Australian Made Campaign Limited* and a non-executive director for *Toys "R" Us ANZ* (ASX:TOY; director since October 2018), *Graincorp Limited* (ASX: GNC; director since October 2021) and *Prostate Cancer Foundation of Australia*. She is Chair of the Remuneration & Nominations Committee for both *Mrs Mac's Limited* and *Toys "R" Us ANZ*. Nicki is a Member and Former Chair of the *Monash University Advisory Board* for the marketing faculty. She is Chair of the Remuneration and Sustainability Committee and a member of the Nominations Committee.



**FIONA BENNETT**  
**Non-Executive Director**

Appointed to the board on 6 July 2017. Ms Fiona Bennett is a Chartered Accountant and an experienced non-executive director with an extensive background in business management, corporate governance, audit and risk. She is currently on the board of *BWX Limited* (ASX: BWX; director since December 2018) and is also Chair of the *Victorian Legal Services Board*. Ms Bennett has previously served on the board of *Hills Limited* (2010 – 2021) and *Beach Energy Limited* (2012-2017). She has previously held senior executive roles at *BHP Limited* and *Coles Limited* and has been Chief Financial Officer at several organisations in the health sector. She is Chair of the Audit and Risk Committee and a member of the Nominations Committee.



**GUY KINGWILL**  
**Non-Executive Director**

Appointed to the board on 25 November 2019. Guy joins the Board with an extensive background in horticulture, international soft commodity marketing and water investment and trading. He is currently on the Boards of *Tasmanian Irrigation* and *ACMII Australia 1 Group* and serves as the Chair of the Audit Committee at *Tasmanian Irrigation*. Guy has previously served as Managing Director of *Tandou Limited*, and as a non-executive director of *Lower Murray Urban and Rural Water Corporation*. He is a member of the Audit and Risk Committee and the Remuneration and Sustainability Committee.

# Historical Summary

## Select Harvests consolidated results for years ended 30 September/June

\$'000 (EXCEPT WHERE INDICATED)	2009	2010	2011	2012	2013	2014*	2015	2016	2017	2018	2018†	2019	2020	2021
YEAR/PERIOD ENDED	30 JUNE	30 SEPT†	30 SEPT	30 SEPT	30 SEPT									
Total sales	248,581	238,376	248,316	246,766	190,918	188,088	223,474	285,917	242,142	210,238	67,581	298,474	248,262	288,217
Earnings before interest and tax	26,827	26,032	22,612	(2,495)	5,241	31,288	85,845	49,785	16,979	34,869	(1,052)	80,065	38,726	18,165
Operating profit before tax	23,047	23,603	18,473	(8,743)	198	26,833	80,514	44,290	11,978	29,464	(2,089)	76,108	36,662	15,892
Net profit after tax	16,712	17,253	17,674	(4,469)	2,872	21,643	56,766	33,796	9,249	20,371	(1,536)	53,022	25,001	15,116
Earnings per share (Basic) (cents)	42.6	43.3	33.7	(7.9)	5.0	37.5	82.9	46.7	12.6	23.2	(1.6)	55.5	26.0	12.7
Return on shareholders' equity (%)	16.6	15.2	10.5	(2.8)	1.8	12.3	19.8	11.6	3.3	42.9		12.7	6.2	2.9
Dividend per ordinary share (cents)	12	21	13	8	12	20	50	46	10	12	0	32	13	8
Dividend franking (%)	100	100	100	100	100	55	-	54	100	100	N/A	100	100	100
Dividend payout ratio (%)	28.2	48.5	38.6	(101.3)	239.8	53.5	62.8	99.1	79.4	51.7	N/A	50.0	50.0	62.9

### Financial ratios

Net tangible assets per share (\$)	1.56	1.87	2.17	2.19	2.14	2.38	3.35	3.22	2.95	3.34	0.00	3.60	3.46	3.68
Net interest cover (times)	7.10	10.70	6.70	(0.4)	1.0	6.9	15.9	9.0	3.4	6.4	N/A	20.0	18.7	8.0
Net debt/equity ratio (%)	51.9	39.6	43.3	41.7	49.6	54.0	38.2	23.1	52.5	18.7	15.9	6.6	79.6	66.7
Current asset ratio (times)	0.79	1.44	1.96	1.42	1.61	4.02	3.36	1.90	1.05	4.49	3.23	2.74	2.39	2.22

### Balance sheet data as at 30 September/June

Current assets	81,075	83,993	91,228	76,936	123,303	136,639	207,782	155,521	136,610	162,118	159,721	173,667	217,397	257,838
Non-current assets	133,884	145,612	214,352	202,371	180,542	194,080	280,130	294,251	343,081	354,435	362,900	379,190	607,497	745,967
<b>Total assets</b>	<b>214,959</b>	<b>229,605</b>	<b>305,580</b>	<b>279,307</b>	<b>303,845</b>	<b>330,719</b>	<b>487,912</b>	<b>449,772</b>	<b>479,691</b>	<b>516,553</b>	<b>522,621</b>	<b>552,858</b>	<b>824,894</b>	<b>1,003,805</b>
Current liabilities	102,348	58,469	46,454	54,369	76,800	33,988	61,893	81,783	130,371	36,104	49,412	63,457	91,062	116,050
Non-current liabilities	11,735	57,515	90,311	64,608	67,540	121,325	138,632	77,088	71,701	101,809	102,570	73,398	328,822	360,799
<b>Total liabilities</b>	<b>114,083</b>	<b>115,984</b>	<b>136,765</b>	<b>118,977</b>	<b>144,340</b>	<b>155,313</b>	<b>200,525</b>	<b>158,871</b>	<b>202,072</b>	<b>137,913</b>	<b>151,982</b>	<b>136,854</b>	<b>419,884</b>	<b>476,849</b>
Net assets	100,876	113,621	168,815	160,330	159,505	175,406	287,387	290,901	277,619	378,640	370,639	416,003	405,010	526,956

### Shareholders' equity

Share capital	46,433	47,470	95,066	95,957	97,007	99,750	170,198	178,553	181,164	268,567	268,567	271,750	279,096	397,343
Reserves	12,949	11,327	11,201	10,472	9,144	12,190	12,818	11,168	11,602	9,601	9,802	10,417	14,280	7,657
Retained profits	41,494	54,824	62,548	53,901	53,354	63,466	104,371	101,180	84,853	100,472	92,270	133,836	111,634	121,956
<b>Total shareholders' equity</b>	<b>100,876</b>	<b>113,621</b>	<b>168,815</b>	<b>160,330</b>	<b>159,505</b>	<b>175,406</b>	<b>287,387</b>	<b>290,901</b>	<b>277,619</b>	<b>378,640</b>	<b>370,639</b>	<b>416,003</b>	<b>405,010</b>	<b>526,956</b>

### Other data as at 30 September/June

Fully paid shares ('000)	39,519	39,779	56,227	56,813	57,463	57,999	71,436	72,919	73,607	95,226	95,226	95,737	96,637	120,224
Number of shareholders	3,296	3,039	3,227	3,359	3,065	3,779	4,328	8,908	11,461	11,943	11,884	10,331	11,258	10,236

### Select Harvests' share price

- close (\$)	2.16	3.46	1.84	1.30	3.27	5.14	11.00	6.74	4.90	6.90	5.32	7.69	5.57	8.29
Market capitalisation	85,361	137,635	103,458	73,857	187,904	298,115	785,796	491,474	360,674	657,059	506,602	736,218	538,268	996,660

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

† 3 month transition period ‡ As a result of implementation of AASB16 Leases on 1 October 2019, the Company recognised Right-of-use assets and lease liabilities in its books

# Financial Report

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**RIGHT:**

The Murray River  
at Robinvale.

# Directors' Report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "Company", "the Group" or "the consolidated entity") for the year ended 30 September 2021.

## DIRECTORS

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

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

Appointed to the board on 27 June 2011 and appointed Chair 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. Instrumental in the successful 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 Chair of *Australian Grain Technologies* and has extensive non-executive director experience with several listed and private companies. He is Chair of the Nominations Committee and is a member of the Remuneration and Sustainability Committee.

Interest in shares: 220,588 fully paid shares.

**P Thompson**, B Bus and MAICD (Managing Director and Chief Executive Officer)

Appointed as the Managing Director and Chief Executive Officer (MD) 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: 624,379 fully paid shares.

**FS Grimwade**, B Com, LLB (Hons), MBA, FAICD, SF Fin, 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 Chair 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 Chair 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 member of the Audit and Risk Committee.

Interest in shares: 92,699 fully paid shares.

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

Appointed to the board on 6 July 2017. Ms Fiona Bennett is a Chartered Accountant and an experienced non-executive director with an extensive background in business management, corporate governance, audit and risk. She is currently on the boards of *BWX Limited* (ASX: BWX; director since December 2018) and is also Chair of the *Victorian Legal Services Board*. Ms Bennett has previously served on the boards of *Hills Limited* (2010-2021) and *Beach Energy Limited* (2012-2017). She has previously held senior executive roles at *BHP Limited* and *Coles Limited* and has been Chief Financial Officer at several organisations in the health sector. She is Chair of the Audit and Risk Committee and a member of the Nominations Committee.

Interest in shares: 19,245 fully paid shares.

**N Anderson**, B Bus, EMBA, GAICD (Non-Executive Director)

Appointed to the board on 21 January 2016. Nicki Anderson has held key leadership positions at numerous Australian consumer goods businesses within the food and beverage sector. She is an accomplished leader and non-executive director with broad experience in strategy, sales, marketing and innovation within food, beverage and consumer goods businesses both in Australia and Internationally (including *Coca Cola Amatil*, *Cadbury Schweppes*, *McCain*, *Nestle* and *Kraft*). Nicki is a true global citizen having lived in Denmark, Canada and the United States, where she was Vice President Innovation for *Cadbury Schweppes Americas Beverages* based in New York. Nicki has strong links to Australia's e-commerce, manufacturing and agricultural sectors. She is currently Acting Chair of *Mrs Mac's Pty Ltd*; Deputy Chair of the *Australian Made Campaign Limited*; non-executive director for ASX listed *Toys "R" Us ANZ* (ASX: TOY; director since October 2018) and *Graincorp* (ASX: GNC, director since October 2021), *Craig Mostyn Group* and *Prostate Cancer Foundation of Australia*. She is Chair of the Remuneration & Nominations Committee for *Mrs Mac's Pty Ltd*, *Craig Mostyn Group* and *Toys "R" Us ANZ*. Nicki is a member and former Chair of the *Monash University* Advisory Board for the marketing faculty. She is Chair of the Remuneration and Sustainability Committee and a member of the Nominations Committee.

Interest in shares: 11,585 fully paid shares.

**G Kingwill**, B Com, CA, FAICD (Non-Executive Director)

Appointed to the board on 25 November 2019. Guy joins the Board with an extensive background in horticulture, international soft commodity marketing and water investment and trading. He is currently on the Boards of *Tasmanian Irrigation* and *ACMII Australia 1 Group* and serves as the Chair of the Audit Committee at *Tasmanian Irrigation*. Guy has previously served as Managing Director of *Tandou Limited*, and as a non-executive director of *Lower Murray Water Urban and Rural Water Corporation*. He is a member of the Audit and Risk Committee and the Remuneration and Sustainability Committee.

Interest in shares: 16,212 fully paid shares.

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

### **M Carroll**, B Ag Sc, MBA, FAICD (Non-Executive Director)

Joined the board on 31 March 2009 and retired on 26 February 2021. He brought to the Board diverse experience from executive and non-executive roles in food and agribusiness. Current non-executive board roles include *Rural Funds Management* (RE for ASX: RFF; director since April 2010), *Paraway Pastoral Company*, *Australian Rural Leadership Foundation* and *Viridis Ag Pty Ltd*. Previous board roles include *Queensland Sugar Limited*, *Elders Limited* (ASX: ELD, 2018-2020), *Tassal* (ASX: TGR, 2014-2018), *Warrnambool Cheese & Butter*, *Rural Finance Corporation*, *Sunny Queen Farms* and *Meat and Livestock Australia*. During his executive career Mike established and led the NAB's agribusiness division with earlier senior executive roles including marketing and investment and advisory services. Prior to Mr Carroll's retirement, he was Chair of the Remuneration and Nominations Committee.

### **B Crump**, B Bus, CPA, AMP INSEAD (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 15 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: 2,785 fully paid shares.

## CORPORATE INFORMATION

### **Nature of operations and principal activities**

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

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

### **EMPLOYEES**

The Company employed 611 full time equivalent employees as at 30 September 2021 (30 September 2020: 533 full time equivalent employees).

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

### **OPERATING AND FINANCIAL REVIEW**

#### **Highlights and Key developments during the year**

The acquisition of the Piangil orchard and another year of consistent yields delivered a record crop 21.5% higher than FY2020. FY2021 was another good year for growing conditions, enhanced by ongoing protection from frost fan investments and a well executed, comprehensive and targeted horticultural program, leading to a consistent high volume production level. The 2021 crop mature orchards' yields were down slightly on 2020 however remain above their five year average yield profile. The immature orchards' yields continue to perform above their business case assumptions.

The 2021 crop had been fully processed by the end of the FY2021 year. Despite the wet conditions this was completed earlier than FY2020 due to the use of conditioners on farm and the less than 2% downtime of the Carina West processing facility.

81% of the FY2021 crop is either shipped or committed for sale with the majority of the remaining tonnage targeted to be shipped to key markets based on demand levels over the next two quarters.

Investment in quality related technology led to the company producing increased levels of higher priced inshell product. Costs of production per kg increased by 2.9% as immature orchards cost recognition increased in line with their age profile. Consistent yields delivered by a targeted horticultural management approach and supported by investment in technology to improve quality levels, remains the key strategic focus in order to maximise returns from the company's almond base.

An increase in rainfall across the Murray Darling Basin catchment areas has led to a significant drop in costs in the temporary water market. The financial benefit of this will flow into Select Harvests' FY2022 results as the cost of previously acquired carryover water was recognised in the FY2021 results.

This solid production result was more than offset by a \$0.70/kg reduction in the almond price. Lower almond pricing was due to a record 2020 crop being produced in the U.S. leading to an increase in global supply. Record shipment levels of the 2020 crop out of the U.S. have meant a major portion of the 2020 crop has been sold and dispatched. This factor, increased demand for value added product and the ongoing drought issues in California, led to prices firming during the FY2021 year but still 9.3% lower than last year. Global almond prices currently remain flat as congestion in key ports (impacting the physical movement of stock) along with stocks still held by export markets from purchases of the 2020 U.S. crop have meant levels of demand have slowed. Additionally, a number of sellers are not entering into the market with the expectation that prices will rise.

Food related activities (continuing and discontinuing) delivered an improved result compared to FY2020. This result was driven by continuing growth in demand for value added almond related products. Additionally, implemented process improvements resulted in material costs savings across the company's Thomastown operations. The result was partially offset by lower margins recorded in branded food sales as competitive pressures with retailer private label products continue.

The consumer branded food business (made up of the *Lucky* and *SunSol* brands) was sold during the FY2021 year. The Thomastown almond based industrial food business will transfer to Select Harvests' processing facility near Robinvale and the remaining private label packing and industrial non-almond business will be sold or wound down in the first half of FY2022.

Operational cashflows improved in FY2021 as shipment movements increased as key export locations and industrial food customers opened up from COVID-19 imposed lockdowns. While volume movements have increased, shipment bookings have had to be stretched further in advance as available container space is increasingly limited. However, the company has successfully continued to deliver on its sales program throughout the year. Logistics costs in general have increased significantly adding further pressure to the global almond price.

The acquisition of the Piangil Orchard was partially debt funded, however strong operational cashflows and control of capital expenditure has led to net bank debt as at 30 September 2021 being \$98.1M (FY2020 \$57.5m) and a healthy bank debt to equity ratio of 18.6%.

The options for greenfield expansion, mature orchard acquisition, non-almond related opportunities and further expansion into value adding to almonds continue to be assessed for future growth.

# Directors' Report

Continued

## FINANCIAL PERFORMANCE REVIEW

### Profitability

Reported Net Profit After Tax (NPAT) is \$15.1 million. Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is \$40.4 million and Reported Earnings Before Interest and Taxes (EBIT) is \$18.2 million.

### Results Summary and Reconciliation

(\$'000)	REPORTED RESULT (AIFRS)	
	FY2021	FY2020
EBIT from continuing operations	32,606	44,567
EBIT from discontinued operations	(5,452)	(5,841)
<b>Underlying EBIT</b>	<b>27,154</b>	<b>38,726</b>
One off items from discontinued operations	(8,989)	-
<b>Reported EBIT</b>	<b>18,165</b>	<b>38,726</b>
Interest Expense	(2,273)	(2,064)
<b>Net Profit Before Tax</b>	<b>15,892</b>	<b>36,662</b>
Tax (Expense)	(776)	(11,661)
<b>Net Profit After Tax</b>	<b>15,116</b>	<b>25,001</b>
Earnings Per Share (Cents)	12.7	26.0

### Company Profitability

Company revenue from continuing operations of \$228.6 million was generated for FY2021. This was 22.2% higher than last year due to the opening of export markets following COVID-19 related global lockdowns in key export locations. The increase in revenue recognised was despite the fall in the FY2021 almond price as volumes shipped increased compared to the COVID-19 impacted FY2020.

The FY2021 continuing operations EBIT of \$32.6 million was \$12.0 million lower than FY2020. This excludes the operating results of the sold consumer branded business and related activities that was finalised prior to the end of the financial year and related reported significant items. The lower result was due to a \$0.70 per kg reduction in the almond price to \$6.80 per kg (FY2020 almond price was \$7.50 per kg). Additionally, production costs per kg increased by 2.9% due to higher costs in line with immature tree profiles and increased depreciation costs related to the Piangil orchard. This result was partially offset by FY2021 almond volumes produced increasing by 21.5% to 28,250 MT (FY2020 volume was 23,250 MT) and an increase in volumes of Industrial value-added almonds sold to the food industry sector internationally and domestically.

The FY2021 underlying EBIT of \$27.2 million was \$11.5 million lower than FY2020. Underlying EBIT includes the operating results of the sold consumer branded business and related activities that will finalise prior to the end of FY2022 but excludes related reported significant items. In addition to the factors related to the lower continuing operations EBIT, the discontinued operations delivered an improved result due to implemented efficiencies and cost savings at the Thomastown processing facility. This was partially offset by lower margins achieved on branded products due to retail private label competitive pressures.

FY2021 operating EBIT of \$18.2 million was \$20.6 million lower than FY2020.

In addition to the factors detailed above, \$9.0 million of non-recurring costs have been recognised relating to the sale and closure of the discontinued operations including redundancy provisions, other associated business restructure costs and asset impairments (refer Note 5.5). These costs recognised are non-recurring and relate specifically to discontinued operations.

### Interest Expense

Interest expense of \$2.2 million reflects the lower interest rates applicable to current finance facilities and the ongoing close management of operating cashflows and resultant debt levels.

### Statement of Financial Position

Net assets as at 30 September 2021 are \$527.0 million, compared to \$405.0 million as at 30 September 2020. The acquisition of the Piangil orchard in December 2020 was the major driver for the increase in net assets during the FY2021 year. This has resulted in the increase in property plant and equipment and intangibles (water) balances. This has also led to higher working capital levels as almond inventory has also increased. Partially offsetting this increase is the higher level of borrowings as a result of the debt portion of funding the Piangil acquisition and the provision raised for the costs associated with the sale and closure of the branded consumer food business.

Net working capital has increased by 9.4%. This increase is due to additional stocks (inventory & biological assets) from higher almond production levels (Piangil acquisition) in addition to an adjusted export sales program that will extend through to the receipt of the 2022 crop.

\$'000	FY2021	FY2020
Trade & other receivables	84,842	69,154
Inventories	114,316	100,549
Biological assets	51,321	42,432
Trade & other payables	(64,967)	(42,517)
<b>Net working capital</b>	<b>185,512</b>	<b>169,618</b>

### Cash flow and Net Bank Debt

Total net debt as at 30 September 2021 was \$98.1 million (30 September 2020: \$57.5 million), with a gearing ratio (total net debt excluding lease liabilities/equity) of 18.6% (30 September 2020: 14.2%). The increase in borrowings is a result of the debt funding portion of the Piangil orchard acquisition.

Operating cash inflows generated for FY2021 amounted to \$38.2 million (2020: \$13.2 million). This improved result was due to increased levels of shipments to export markets compared to the delayed shipping program in FY2020 as a result of COVID-19 impacting ports and supply chains in general. Additionally, taxes paid reduced due to the lower profits generated in FY2020 (compared with FY2019).

Investing cash outflows of \$169.7 million were \$134.4 million higher than FY2020 due to the acquisition of the Piangil orchard and related water assets. Other capital items and development costs were in line with FY2020. Dividend payments for the year were lower due to the final dividend payment relating to the FY2020 result (paid in FY2021) and no interim FY2021 dividend paid. Net cash outflow for FY2021 was \$155.8 million which was funded through an increase in bank debt and the issue of new shares (completed as part of the acquisition of the Piangil orchard).

### Dividends

A final dividend of 8 cents per share has been declared, resulting in a total dividend of 8 cents per share for the financial year. This compares to a total dividend of 13 cents per share declared for the previous financial year.

## CORPORATE SOCIAL RESPONSIBILITY

### Health, Safety and Wellbeing

Focus continues towards achieving Zero Harm, with annual targets to improve year on year performance by driving a 15% reduction in the number of incidents and injuries and reducing the level of injury severity. To prevent harm, a 15% target to increase hazards identified and resolved has been put in place.

The key focus for the year has predominantly been to ensure the safety and wellbeing of our employees, during the COVID-19 pandemic, whilst not diverting our attention from key risk areas in the business.

The key strategic priorities for the year were:

1. COVID-19 Management & Response Plan
2. Process improvement and System Implementation
3. Building on the Safety Culture and Safety Leadership
4. Commence Policy Reviews to enhance our employee wellbeing and safety culture.

The key activities that were implemented included:

- Activating and continually updating the COVID-19 Management & Response Plan
- A major focus for the year was to identify hazards to eradicate unsafe environments to avoid accidents.
- Continued education to increase utilisation of our technology to support compliance management and real time incident and hazard reporting. There was a big push on increasing our Safety reporting culture resulting in significantly increased Hazard reporting and a growing number of Minor incident reports (see table below).
- Actioning process improvements in incident investigation reporting and risk assessment.
- Reinforcing the strong safety culture, through the revised Company Values and Behaviours, company-wide training on updated WH&S policies and expected behaviours delivered to all managers and supervisors across the business, visible safety leadership, including safety walks and frequent toolbox training sessions and discussions
- Review and implementation of new Policies to support the wellbeing of our employees and communities, with a focus on the Parental Leave Policy and Community Service Policy.

Overall, total number of recorded incidents in FY2021 increased markedly from 68 to 164 incidents primarily due to a significant increase in minor incident reporting (Near Miss, No Treatment and Damage to Property) via the ManGo Incident Management system.

The total number of Hazards reported in FY2021 increased by 152% from 627 hazards in FY2020 to 1,582 reported in FY2021.

The number of Medical Treatment Injuries reduced by 31% during FY2021 (from 13 to 9), with the Medical Treatment Injury Frequency Rate decreased by 29% from 14 Medical Treatment Injuries per million hours worked in FY2020 to finish at 10 per million hours worked in FY2021.

The number of Lost Time Injuries sustained in FY2021 reduced by 57% from 14 LTIs in FY2020 to 6 recorded in FY2021. The Lost Time Injury Frequency Rate reduced by 25% in FY2021 from 16 Lost Time Injuries per million hours worked in FY2020 to 12 Lost Time Injuries per million hours worked in FY2021.

Due to injuries sustained in FY2020, the number of Days Lost in FY2021 increased slightly by 2% from 374 days lost in FY2020 to 381 total days lost in FY2021.

### 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 the Company has significant processing facilities at Thomastown in the Northern Metropolitan area of Melbourne and Robinvale, in North West Victoria. The Company is actively involved in all our local communities. Many employees contribute to local community organisations on a regular basis.

Select Harvests supports the local communities with both financial and non-financial support and through product donations.

This year the company donated \$40,000 to 33 charitable organisations across VIC, NSW & SA. In addition, Select Harvests set up COVID-19 vaccination hubs at our Carina West Processing Facility to support vaccination for employees, families and other nearby community members to receive their vaccinations.

### 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 reviews to ensure compliance, with a focus on the payment of wages and eligibility to work in Australia.

This year we introduced a new Company funded Parental Leave Policy to support the health and wellbeing of our employees going through their parental journeys. In addition, we introduced a new company-sponsored Community Service Policy to encourage our employees to undertake 2 days of community service activity to benefit our overall employee wellbeing and to action our community corporate responsibility.

Select Harvests has an Ethical Sourcing Policy in place, with the objectives of upholding human rights, protecting the environment and operating in a sustainable manner, whilst being a respected leader in the industry and communicating the same expectations of our suppliers and their supply chains. The Company is committed to managing the economic, environmental and social challenges across our supply chain and this will be achieved by committing to:

- Employing innovative approaches to conserve resources and reduce impacts to help preserve, improve and protect the environment
- Promoting responsible agricultural and food manufacturing practices
- Safeguarding the quality and integrity of the food we produce, market and manufacture
- Respecting people and human rights by treating our employees, suppliers, and contractors with dignity and respect and providing safe, secure and healthy work environments, and expecting the same from our supply.

The Ethical Sourcing Policy is available on the Select Harvests website:

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

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

		FY2020	FY2021	VARIANCE FY2020 VS FY2021
Total Recordable Incidents	Number Reported	68	164	+141.2%
	Frequency Rate	53	58	+9.4%
Hazards	Number Reported	627	1,582	+152.3%
	Frequency Rate	13	9	-30.8%
Medical Treatment Injuries	Number Reported	13	9	-30.8%
	Frequency Rate	14	10	-28.6%
Lost Time Injuries Severity	Days Lost	374	381	+1.9%
	Severity Rate	9	11	+22.2%
Lost Time Injuries	Number Reported	14	6	-57.1%
	Frequency Rate	16	12	-25%

# Directors' Report

Continued

## Sustainability

### Approach to Sustainability

We are cognisant of the impact we have on our environment, employees, and local communities. Customers, consumers, and investors are increasingly seeking assurance of high food safety standards, workplace ethics and care for the environment. Without consideration of natural resources, reduction of greenhouse gases and protection of ecosystems the long-term viability of any horticultural business is in jeopardy.

Our approach to sustainability is a core value underpinning our business strategy and centres across three platforms: Planet, People and Profit. When making decisions at Select Harvests, we seek to ensure a balance between creating value for our shareholders and broader stakeholder groups such as customers, employees, suppliers, and the government. We are committed to tracking our performance, delivering on environmental, social, and economic best practices, and providing continual improvement by setting objectives, measuring progress, and communicating our results.

### Sustainability Actions

In February 2021, we published the company's 2019/2020 Sustainability Report

Priority topics were identified by being assessed against the relevant *United Nations Sustainability Development Goals (SDGs)* for our business. The agreed priorities were:

- Water Management & Stewardship
- Food Safety, Product Labelling & Quality
- Financial Performance & Business Strategy
- Climate Change
- Environmental Impact
- Occupational Health and Safety
- Labour Practices
- Human Rights, Anti-Corruption, Ethics & Integrity.

We look to continually build on our disclosure against the SDGs and develop initiatives, metrics and targets that support the Triple Bottom Line Focus of Planet, People and Profit.

Select Harvests commits to the alignment of its reporting standards to the *Task Force on Climate-Related Financial Disclosures (TCFD)*. TCFD has developed a framework to help public companies & other organisations disclose climate-related risks and opportunities.

Select Harvests has continued to focus on our planet priorities to Reduce, Recycle, Reuse and Recover as we aim to close the resource loop. This includes:

- The composting program of recycling 34,000 tonnes of biogen ash, hulls, and other organic materials.
- Select Harvests has obtained a grant from Recycling Victoria. The grant is to co-fund the construction of a Pilot Plant to trial the recovery of solid almond waste into liquid and granulated fertiliser alternatives for reuse in the company's orchards, with potential to supply these alternates to other horticulture and agricultural sectors.
- The Hull to Energy biomass facility used recovered hull and organic processing waste to generate 19,810 MWh of electrical energy this year which equates to a reduction of 22,385 tons in GHG emissions.

Water stewardship is always front of mind, the company's focus is to target optimum output:

- 100% of orchard use drip irrigation;
- Where appropriate water is recycled & reused;
- 100% of the company's orchards use soil moisture monitoring technology; and
- We are rolling out tree water uptake technology to all orchards to ensure accurate, timely irrigation delivery and practices.

In 2022 we will be undertaking an extensive project to understand our current carbon footprint & opportunities to reduce our impact.

The 2019/20 Sustainability Report is available on the company website :

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

### Governance structure

The Board of Select Harvests is responsible for the overall corporate governance of the Company, this also includes sustainability.

The *Remuneration and Sustainability Committee* continues to guide and monitor the progress on Select Harvests' sustainability journey. The *Board Sustainability Committee* gives input into the strategy and assures accountability for targets and timelines set.

An *Executive Sustainability Committee* has been formed, in addition to an internal re-structure leading to the creation of a new executive role of *General Manager - Performance, Improvement and Sustainability*.

A *Group Quality and Sustainability Manager* has also been appointed to ensure sufficient resourcing to support the ever-growing demand for sustainability programs. This role also chairs the Executive Sustainability Committee.

The Executive Sustainability Committee's overall role is to formally engage Select Harvests in strategic sustainability decision making, encourage long term sustainability planning and facilitate sustainability initiatives to ensure Select Harvests core value of sustainability is achieved. Committee members consist of senior representatives from Horticulture, Operations, Engineering, Trading, Strategy Development, Finance and Human Resources.

Our updated Environment and Sustainability Policy and its related procedures and systems govern our sustainability procedures & practices.

## Climate Change

Select Harvests is focused on the impacts of climate change. The Company's Sustainability Committee is developing strategies to ensure the impact to the climate of current and future operations is minimised wherever possible. Reporting on this critical area is being developed and further extensive information, including clear metrics and targets, will be publicised in future Company released announcements.

## 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 biannual 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).

In addition to the above the risk and impacts of climate change on the business is considered regularly throughout the year. Areas that are reviewed, monitored and mitigation strategies put in place are water management and ownership, global orchard plantings and removals (impact on almond pricing), energy consumption and production (through use of Biomass technology), regeneration of orchards through compost production and internal liquid fertiliser opportunities to minimise reliance on external fertiliser production and supply.

The Audit and Risk Committee Charter is available on the Select Harvests website:

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

## Outlook

The global macro outlook for almonds continues to remain positive moving forward, driven by increasing wealth and a higher number of consumers adopting and consuming healthier diets, including the increased consumption of plant-based products, particularly almonds. FY2021 continued to be impacted by COVID-19 related global supply chain issues. There continues to be delays in available shipping space and disruptions to port facilities. However, almond shipments have been positive both out of the USA and Australia. Select Harvests remains well placed to successfully deliver on both the export of raw almond product and the processed value-added options both domestically and internationally.

The horticultural program for the 2022 crop is well underway. Conditions to date have been favourable with the trees receiving sufficient chill hours through the dormancy period and the pollination process has completed without issue. There have been a limited number of frost events and the previous investment in frost fans implemented in key areas has mitigated any negative impact. There have been some isolated storm events impacting orchard areas. The damage to date has been minimal.

Based on industry standard yields and the age profile of the orchards, and assuming normal growing conditions for the season, the Select Harvests 2022 theoretical crop would be approximately 30,000MT.

Continuing increased levels of rainfall have led to temporary water prices remaining at lower than average levels. Select Harvests will fully benefit in FY2022 from the lower priced temporary water market with all previously carried forward water utilised in the 2021 crop. Our policy of owning water entitlements, long and medium term leasing entitlements and acquiring annual allocations on the spot market means we are not fully exposed to annual fluctuations in water prices.

The USD almond price increased from its 10 year lows early in FY2021. The increase was driven by the likely outcome of the 2021 US crop being 15% lower than the 3.2 Billion pound 2020 crop and the anticipated drought impact on quality and sizing levels. Additionally, continued record breaking shipment levels out of the USA gave the market confidence that carryover levels would be manageable leading into the 2021 crop. While prices have stabilised, it is expected that further increases will occur once markets continue to become less restricted and the food services sector gets back to full operating capacity. The continuing drought conditions in California are expected to add further supply pressure to the global market.

The Company continues to pursue opportunities to further maximise returns from its core almond asset base. This occurs through increased production (yields), improved quality and greater efficiency. This is achieved through the following:

- Increasing the use of technology to provide a more targeted horticultural management approach delivering improvements to yield, quality and lower water usage
- Further investment in advanced equipment in our Robinvale processing facility to deliver additional scale, quality and productivity improvements
- Additional capabilities and operating efficiency from our Parboil value adding facility through targeted investment and new product manufacturing processes
- Consistent maximum power generation from our H2E bio-mass facility using hull and horticultural waste and producing high quality pot ash to be composted and applied to current orchard assets

In addition to the above, domestic greenfield developments and mature orchard acquisitions continue to be assessed. On 18 December 2020 Select Harvests successfully completed the acquisition of the Piangil Almond Orchard. This acquisition has been seamlessly added to the portfolio of highly productive almond orchards. The Piangil 2021 crop yield and quality were in line with expectations and the 2022 crop is on track to meet business case levels.

Following a detailed strategic review Select Harvests commenced a process to sell the Consumer Foods section of the Food Division. This process resulted in the decision to close the Thomastown processing facility and exit the branded and non-almond related areas of the business. As part of this process Select Harvests completed the sale of the *Lucky* and *Sunsol* brands to *Prolife Foods* on 30 September 2021. The Thomastown based almond related industrial business is in the process of being transferred to the Robinvale based processing facility and the private label packing and non-almond processing areas will either be sold or wound down. Select Harvests is planning to finalise all production out of Thomastown by 31 March 2022.

An extensive capital program is underway in Select Harvests' Robinvale processing facility to:

- Increase production and efficiency levels of currently produced almond based products
- Allow for the production of additional almond based products previously catered for out of the Thomastown facility
- Develop new products in the growing almond based value add sector

Additionally, the company continues to carefully assess (through internally set hurdle rates and strategic benefits) its growth opportunities. These comprise:

- Continued expansion in almond orchards, both greenfield and mature
- Diversification into other nuts
- Growth opportunities in value adding processes to almonds. This covers both expanding and becoming increasingly efficient in current capabilities and looking for new opportunities in the health benefits of almond related products.
- Development of opportunities in the use of almond hull and husk, particularly in compost and fertiliser.

The macro outlook for the almond industry and 'better for you' plant-based foods remain very strong both domestically and internationally. Select Harvests has high quality assets, a sustained increasingly efficient and consistent production profile supported by world class technology. We remain well placed to deliver on the opportunities that will arise from continued demand growth globally for plant based foods both as a raw and value added processed product.

# Directors' Report

Continued

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 November 2021, the Directors of the Company declared a final fully franked dividend of 8 cents per share payable on 4 February 2022 to shareholders on the register on 10 December 2021.

## 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.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

## DIVIDENDS

	CENTS	2021 (\$'000)
Final fully franked dividend declared for 30 September 2021*	8	9,618

\* On ordinary shares

## COMMITTEE MEMBERSHIP

During or since the end of the financial year, the Company had an Audit and Risk Committee, a Remuneration and Sustainability Committee, and a Nominations Committee comprising members of the Board of Directors. Members acting on the Committees of the Board during or since the end of the financial year were:

### AUDIT AND RISK

F Bennett (Chair)  
F Grimwade  
G Kingwill

### REMUNERATION AND SUSTAINABILITY

N Anderson (Chair)  
M Iwaniw  
G Kingwill  
M Carroll (Chair) - retired 26 February 2021

### NOMINATIONS

M Iwaniw (Chair)  
F Bennett  
N Anderson

## DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		MEETINGS OF COMMITTEES					
	Number Eligible to Attend	Number Attended	Audit and Risk		Remuneration & Sustainability		Nominations	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
M Iwaniw	12	12	-	-	4	4	4	4
P Thompson	12	12	4	4	4	4	4	4
F Bennett	12	12	4	4	-	-	-	-
F Grimwade	12	12	4	4	-	-	-	-
N Anderson	12	12	-	-	4	4	4	4
G Kingwill	12	12	4	4	3	3	-	-
M Carroll*	6	6	-	-	1	1	1	1

\* Retired 26 February 2021

**DIRECTORS' INTERESTS IN CONTRACTS**

Directors' interests in contracts are disclosed in Note 5.3 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 36.

**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 amounts paid or payable to *PricewaterhouseCoopers (PwC)* for non-audit services provided during the year was \$250,000. The Board has formed the view that the provision of those non-audit services by PwC is compatible with, and did not compromise, the general standards of independence for auditors imposed by the *Corporations Act 2001 (Cth)*. Amounts paid to PwC are included in Note 6.4 to the financial report.

**ROUNDING**

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

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

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



M Iwaniw

Chair

Melbourne, 26 November 2021

# Remuneration Report

## Introduction from the Chair of the Remuneration and Sustainability Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present the 2021 Remuneration Report and my first as Chair of the Remuneration and Sustainability Committee. The financial year 2021 (FY2021) has seen challenging market conditions associated with the ongoing impact of the COVID-19 pandemic. Our customers, employees and the broader community have all been affected on various levels. Our focus has been on ensuring the health and well-being of our staff and their families, and supporting our customers and the broader community.

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 midpoint for similar roles in comparable companies.

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, demonstration of a strong safety culture and our values. The board assessed the safety environment to be sound.

The short term incentive program is based on annual performance and assessed against key financial & operational performance indicators (KPIs). The performance targets are based on the annual 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 Key Management Personnel (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 performance and taking into account operating conditions. KMP STI vesting levels ranged from 29% to 36% of the maximum opportunity. The higher vesting levels were primarily driven by strong orchard yields, innovation, improved culture and strong cost control in the orchards, processing, manufacturing and head office.

The long term incentive plan is based on 3 year compound annual growth in earnings per share and relative total shareholder return against ASX listed industry peers and absolute Earnings Per Share (EPS) growth. The EPS 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. TSR over the three year performance period was 64.3% which came out at the 93rd percentile of the peer group and resulted in 100% vesting. EPS growth target was not met. No adjustments were made to the reported statutory EPS in determining this outcome. Overall LTI vesting was at 50%.

The remuneration outcomes resulting from the FY2021 performance are set out in this Remuneration Report.



Nicki Anderson

Chair – Remuneration & Sustainability 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 objectives and guiding principles?

OBJECTIVE	PRINCIPLES				
To deliver sustainable returns as a leader in "better for you" plant based foods.	Align management and shareholder interests.	Reflect our values of: <ul style="list-style-type: none"> <li>Trust &amp; Respect</li> <li>Integrity &amp; Diversity</li> <li>Sustainability</li> <li>Performance &amp; Innovation</li> </ul>	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	REMUNERATION COMPONENT	PURPOSE	DELIVERY	FY21 APPROACH
Attract and retain the best talent	Total Fixed Remuneration (TFR)	TFR is set in relation to the external market and takes into account: <ul style="list-style-type: none"> <li>Size &amp; complexity of the role</li> <li>Individual responsibilities</li> </ul>	Base salary, superannuation and salary sacrifice components based on total cost to the company	Target TFR positioning is Median of Comparator Group Comparators: ASX Listed Food and Agribusiness Companies
Reward current year performance	Short Term Incentive (STI)	STI ensures appropriate differentiation of pay for performance and is based on business and individual performance outcomes	Annual cash payment	STI Performance Measures <sup>1</sup> <ul style="list-style-type: none"> <li>NPAT (50%)</li> <li>Culture/ Executive Development (15%)</li> <li>Capital management (5%)</li> <li>Personal &amp; Operational performance (10%)</li> <li>Board discretion (20%)</li> </ul> With a tollgate for safety & values
Reward long term sustainable performance	Long Term Incentive (LTI)	LTI ensures alignment to long-term overall company performance and is consistent with: <ul style="list-style-type: none"> <li>Profitable growth</li> <li>Long-term shareholder return</li> </ul>	Performance rights (vesting after three years, subject to performance)	LTI Performance Measures <ul style="list-style-type: none"> <li>Relative TSR (50%)</li> <li>EPS growth (50%)</li> </ul> With a positive TSR gate <ul style="list-style-type: none"> <li>Holding Lock The participant's holding is equal to their fixed annual remuneration</li> <li>Clawback conditions For fraud or dishonest conduct breach of obligations to the Company</li> </ul>

<sup>1</sup> This summarises the MD's Performance Measures. Other KMP's measures are tailored to their responsibilities

### Who and how much did you pay your Key Management Personnel for the financial year (non IFRS)?

In financial year 2021, Key Management Personnel (KMP) comprised the Non-Executive Director, Managing Director (MD) and Executives (Other KMP). KMP is defined as those persons having authority and responsibility for planning, directing and controlling the activities of an entity directly or indirectly, including any Director (whether executive or otherwise) of that entity.

The table below presents the remuneration paid to, or vested for, MD and Other KMP for the financial year.

\$	TERM AS KMP	TOTAL FIXED REMUNERATION	STI ACHIEVED <sup>1</sup>	VESTED PERFORMANCE RIGHTS <sup>2</sup>	TOTAL
Paul Thompson <i>Managing Director &amp; CEO</i>	Full Year	659,251	93,335	343,272	1,095,858
Brad Crump <i>CFO &amp; Company Secretary</i>	Full Year	410,827	64,242	91,588	566,657
Ben Brown <i>GM Horticulture</i>	Full Year	341,881	43,567	68,691	454,139
Peter Ross <i>GM Performance Improvement &amp; Sustainability</i>	Full Year	348,130	43,383	68,691	460,204
Suzanne Douglas <i>GM Consumer</i>	Full Year	337,835	45,676	-	383,511
Dan Wilson <i>GM Almond Operations</i>	From 1 July 2021	58,750	9,358	-	68,108
Nicole Feder <i>GM People, Safety &amp; Culture</i>	From 1 July 2021	68,156	10,526	-	78,682
Laurence Van Driel <i>GM Trading &amp; Industrial Sales</i>	Resigned 30 July 2021	306,603	-	-	306,603
Urania Di Cecco <i>GM People, Safety &amp; Sustainability</i>	Vale 9 March 2021	123,626	-	-	123,626

<sup>1</sup> Cash STI will be paid after the FY2021 financial statements have been finalised.

<sup>2</sup> The vested performance rights value in this table has been determined using the closing share price on the last trading day of FY2021. Vesting occurs after the finalisation of the FY2021 financial statements and hurdle testing is completed by an independent expert. Sale of shares emanating from vested performance rights under the current plan are subject to a holding lock which requires Executive KMPs to accumulate and hold a value equivalent to their annual TFR.

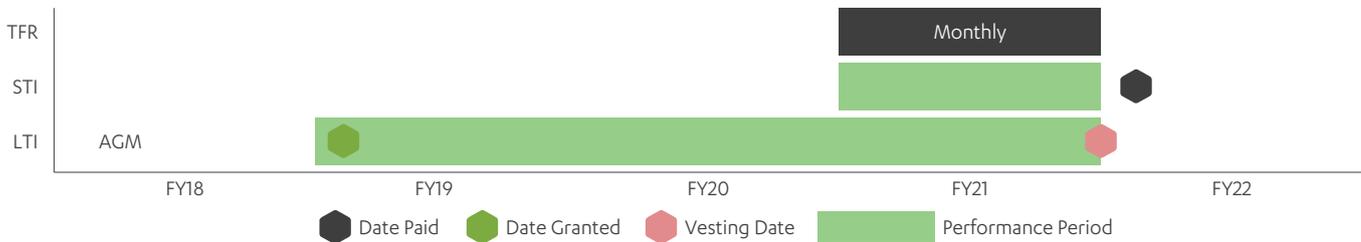
# Remuneration Report

Continued

## 1. KEY QUESTIONS (CONTINUED)

### When remuneration is earned and received?

The remuneration components are structured to reward executives progressively across different timeframes. The diagram below shows the period over which FY2021 remuneration was received and when the awards were granted and vested.



### What is the remuneration mix for Key Management Personnel?

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

- Non-Executive Director: 100% of remuneration is fixed remuneration.
- MD: 50% of remuneration is performance-based pay and 25% of remuneration is delivered as performance rights to shares.
- Other KMP: 50% of their remuneration is performance-based pay and 25% of their remuneration is delivered as performance rights to shares.



STI payments are based on 50% of the fixed remuneration, with maximum payment on achievement of a stretching but achievable target, with regard to past and otherwise expected achievements.

LTI grants are at face value, where face value represents the share pricing at 30 September 2021. Other KMP have minimum shareholding requirements.

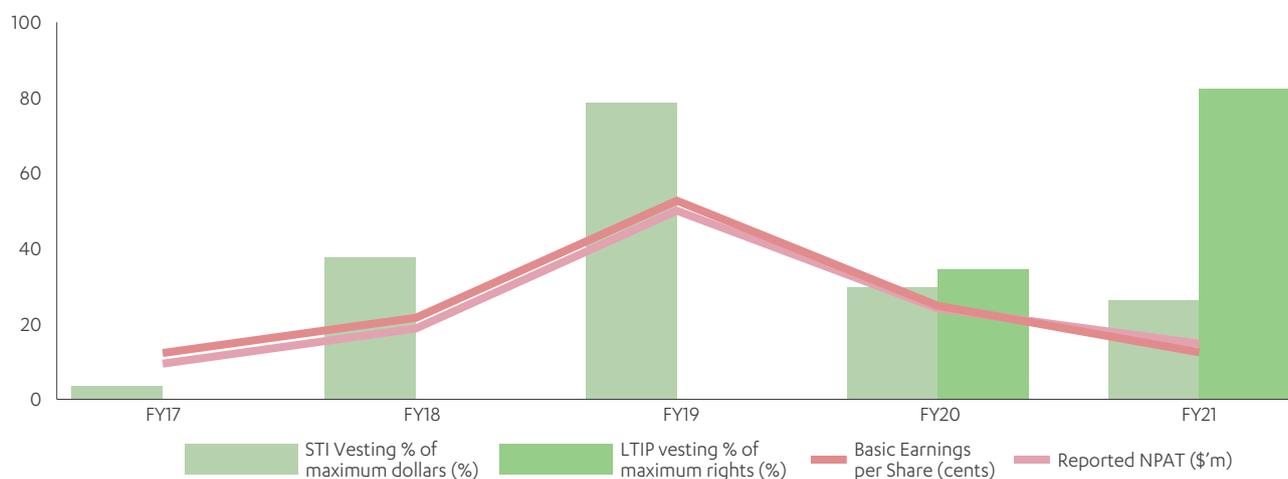
### What equity was granted for year ended 30 September 2021?

Equity was granted to the MD and other KMP in FY2021, as detailed in the table below. The methodology used for the allocation was determined using the face value of full vesting based on the Volume Weighted Average Price (VWAP) over the 10 days preceding the date of the 26 February 2021 Annual General Meeting.

	NUMBER OF PERFORMANCE RIGHTS GRANTED	FACE VALUE
<b>MD</b>		
Paul Thompson <i>Managing Director &amp; CEO</i>	77,903	\$423,013
<b>Other KMP</b>		
Brad Crump <i>CFO &amp; Company Secretary</i>	18,622	\$101,117
Peter Ross <i>GM Performance Improvement &amp; Sustainability</i>	15,742	\$85,479
Ben Brown <i>GM Horticulture</i>	15,361	\$83,410
Suzanne Douglas <i>GM Consumer</i>	15,337	\$83,280
Nicole Feder <i>GM People, Safety &amp; Culture</i>	-	-
Dan Wilson <i>GM Almond Operations</i>	8,066	\$43,798

### Is there alignment between management and shareholder interests?

The following chart shows the alignment between shareholder interests as measured by reported profit and earnings per share and management's interests as measured by the proportion of STI that pays out and the number of performance rights vesting. The Board believes these outcomes show "at risk" remuneration has varied appropriately.



**Note:** This report excludes the FY18 transition period (3 months period ending 30 September 2018) as no STI or LTIP were vested.

# Remuneration Report

Continued

## 2. MD AND OTHER KMP REMUNERATION

### 2.1 How STI outcomes are linked to performance

At the commencement of each annual operating cycle the Board sets KPIs for the MD and the MD 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 these rate against the scales set out in the following table. This determines the STI reward.

PERFORMANCE LEVEL	PERFORMANCE DESCRIPTION	SUBJECTIVE TARGETS (BASED ON A 1 TO 5 SCALE)	STI REWARD (% MAXIMUM)	STI REWARD (% TFR)
<b>Unsatisfactory</b>	Unacceptable level of performance	Score 1 or < 2	No payment	No payment
<b>Threshold</b>	The minimum acceptable level of performance that needs to be achieved before any reward would be available.	Score 2	1%	0.5%
		Score > 2 & < 3	Pro-rata from 1% to 49.9%	Pro-rata from 12.5% to 24%
<b>Target</b>	Represents the planned level of performance. Financial and other quantitative KPIs are set at the budgeted level assuming plans are challenging but achievable	Score of 3	50%	25%
		Score > 3 & < 5	Pro-rata from 50.1% to 99.9%	Pro-rata from 26% to 49%
<b>Outstanding</b>	A clearly outstanding level of performance and evident to all as an exceptional level of achievement	Score of 5	100% (double on target reward)	50%

For FY2021 the KMP score cards range from 24% to 32% as a percentage of the potential maximum score and resulted in STI rewards as a percentage of TFR of 12%. This level of performance is reflective of the delivery of a solid result through a challenging year.

### 2.2 Overview of FY2021 remuneration framework

FIXED REMUNERATION			
<b>Base salary</b>	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 executive contract.		
<b>Short Term Incentive (STI)</b>	<b>% of Fixed Remuneration</b>		
<b>Opportunity</b>		<b>MD</b>	<b>Other KMP</b>
		Unsatisfactory – 0%	Unsatisfactory – 0%
		Threshold – up to 12.5%	Threshold – up to 7.5-12.5%
		Target – up to 25%	Target – up to 15-25%
		Maximum - up to 50%	Maximum – up to 50%
<b>Purpose</b>	To provide incentive to exceed the annual business objectives.		
<b>Term</b>	1 year		
<b>Instrument</b>	Cash		
<b>Performance measures</b>	<b>KPI Score Card</b>	<b>MD</b>	<b>Other KMP</b>
	Company NPAT	50%	40%
	Culture/Executive Development	15%	15%
	Capital management	5%	5%
	Personal & Operational performance / Project delivery	10%	20%
	Board discretion	20%	20%
	With a safety and values tollgate		
<b>Why these were chosen</b>	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 on whether they were influenced by uncontrollable "headwinds" or "tailwinds" and the degree to which behaviours reflect our values. The health and wellbeing of our people remains paramount and no incentive is paid if the foundations for a safe work environment were not maintained.		
<b>Long Term Incentive (LTI)</b>	<b>% of Fixed Remuneration</b>		
<b>Opportunity</b>		<b>MD</b>	<b>Other KMP</b>
		Face Value – up to 50%	Face Value – up to 25%
<b>Purpose</b>	Reward achievement of long term business objectives and sustainable value creation for shareholders.		
<b>Term</b>	3 years, vesting at the end of the period.		
<b>Instrument</b>	Performance rights		

FIXED REMUNERATION																	
<b>Performance conditions*</b>	<ol style="list-style-type: none"> <li>1. Continuing service</li> <li>2. Positive absolute shareholder return</li> <li>3. 50% Compound Annual Growth in underlying earnings per share<sup>†</sup> over three years. The performance targets and vesting proportions are as follows: <table border="1"> <tbody> <tr> <td>• Below 5% CAGR</td> <td>Nil</td> </tr> <tr> <td>• 5% CAGR</td> <td>25%</td> </tr> <tr> <td>• 5.1% - 19.9% CAGR</td> <td>Pro rata vesting</td> </tr> <tr> <td>• 20% or higher CAGR</td> <td>50%</td> </tr> </tbody> </table> </li> <li>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: <table border="1"> <tbody> <tr> <td>• Below the 50<sup>th</sup> percentile</td> <td>Nil</td> </tr> <tr> <td>• 50<sup>th</sup> percentile</td> <td>25%</td> </tr> <tr> <td>• 51<sup>st</sup> – 74<sup>th</sup> percentile</td> <td>Pro rata vesting</td> </tr> <tr> <td>• At or above 75<sup>th</sup> percentile</td> <td>50%</td> </tr> </tbody> </table> </li> </ol>	• Below 5% CAGR	Nil	• 5% CAGR	25%	• 5.1% - 19.9% CAGR	Pro rata vesting	• 20% or higher CAGR	50%	• Below the 50 <sup>th</sup> percentile	Nil	• 50 <sup>th</sup> percentile	25%	• 51 <sup>st</sup> – 74 <sup>th</sup> percentile	Pro rata vesting	• At or above 75 <sup>th</sup> percentile	50%
• Below 5% CAGR	Nil																
• 5% CAGR	25%																
• 5.1% - 19.9% CAGR	Pro rata vesting																
• 20% or higher CAGR	50%																
• Below the 50 <sup>th</sup> percentile	Nil																
• 50 <sup>th</sup> percentile	25%																
• 51 <sup>st</sup> – 74 <sup>th</sup> percentile	Pro rata vesting																
• At or above 75 <sup>th</sup> percentile	50%																
<b>Why these were chosen</b>	Underlying EPS represents a strong measure of overall business performance. TSR provides a shareholder perspective of the Company's relative performance against comparable companies.																

\* The Remuneration and Sustainability 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	
<b>Hedging policy</b>	Individuals cannot hedge Select Harvests equity that is unvested or subject to restrictions.
<b>Clawback</b>	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.
<b>Minimum shareholding requirements</b>	Vested performance rights are to be held until the accumulated value is equal to 100% base salary.

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

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

# Remuneration Report

Continued

## 2. EXECUTIVE KMP REMUNERATION (CONTINUED)

### 2.3 What we paid to the MD and other KMP in FY2021 – Further detail

The following pages compare the maximum potential and actual remuneration for the financial year ended 30 September 2021 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 (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 (which are presented in accordance with the accounting standards) as the performance rights value is based on the closing share price on the day the tranche of performance rights were approved.

The directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on historic cost and does not reflect the value of the equity instruments when they are actually received by the KMPs;
- The statutory remuneration shows benefits before they are actually received by the KMPs.

\$'000			TOTAL FIXED REMUNERATION	SHORT TERM INCENTIVE	PERFORMANCE RIGHTS	TOTAL
Paul Thompson <i>Managing Director &amp; CEO</i>	Actual Remuneration	2021	659	93	421	1,173
	Maximum Potential	2021	659	330	487	1,476
Brad Crump <i>CFO &amp; Company Secretary</i>	Actual Remuneration	2021	411	64	101	576
	Maximum Potential	2021	411	206	117	734
Peter Ross <i>GM Performance Improvement &amp; Sustainability</i>	Actual Remuneration	2021	348	43	84	475
	Maximum Potential	2021	348	174	97	619
Ben Brown <i>GM Horticulture</i>	Actual Remuneration	2021	342	44	84	470
	Maximum Potential	2021	342	171	97	610
Suzanne Douglas <i>GM Consumer</i>	Actual Remuneration	2021	338	46	-	384
	Maximum Potential	2021	338	169	-	507
Nicole Feder* <i>GM People, Safety &amp; Culture</i>	Actual Remuneration	2021	68	11	-	79
	Maximum Potential	2021	68	34	-	102
Dan Wilson* <i>GM Almond Operations</i>	Actual Remuneration	2021	59	9	-	68
	Maximum Potential	2021	59	31	-	90

\* Commenced as KMP on 1 July 2021

### 2.4 FY2022 Outlook

The Committee and Board continue to review our remuneration strategy:

- The 2022 STIP KPI's focus on priorities and outcomes budgeted for as part of annual business plans, maintaining the focus on safety, financial metrics, cost of production and culture.
- Our LTIP performance rights are allocated annually, ensuring closer alignment to current strategic plans and financial targets.
- The focus of LTIP moves to delivery of strategic sustainable growth in shareholder value over the medium and longer terms. Performance metrics: Absolute TSR (40% weighting), ROCE (40% weighting) and strategy delivery (20% weighting).

## 2.5 Long Term Performance Perspective

The following table provides the performance outcomes over a five year period which align to the STI and LTI outcomes for Executive KMP.

	2021 YEAR ENDED 30 SEPT	2020 YEAR ENDED 30 SEPT	2019 YEAR ENDED 30 SEPT	2018* 3 MONTH PERIOD ENDED 30 SEPT	2018 YEAR ENDED 30 JUNE	2017 YEAR ENDED 30 JUNE
Net profit / (loss) after tax (\$'000)	15,116	25,001	53,022	(1,536)	20,371	9,249
Basic EPS (cents)	12.7	26.0	55.5	(1.6)	23.2	12.6
Basic EPS Growth	(51%)	(53%)	3,552%	(107%)	84%	(73%)
Dividend per share (cents)	8.0	13.0	32.0	Nil	12.0	10.0
Opening share price 1 Oct / 1 July (\$)	5.57	7.69	5.32	6.90	4.90	6.74
Change in share price (\$)	2.72	(2.12)	2.37	(1.58)	2.00	(1.84)
Closing share price 30 September / 30 June (\$)	8.29	5.57	7.69	5.32	6.90	4.90
TSR % p.a. <sup>†</sup>	50%	(26%)	51%	(23%)	(26%)	(35%)

\* No assessment made against this period but shown for the purpose of completeness

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

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

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

EPS GROWTH	2021 YEAR ENDED 30 SEPT	2020 YEAR ENDED 30 SEPT	2019 YEAR ENDED 30 SEPT	2018 3 MONTH PERIOD ENDED 30 SEPT	2018 YEAR ENDED 30 JUNE
Basic EPS (cents)	12.7	26.0	55.5	(1.6)	23.2
Underlying EPS (cents) <sup>‡</sup>	18.0	26.0	55.5	(1.6)	23.2
3 Year EPS CAGR	(7.5%)	24.9%	11.9%	N/A	(36%)
3 Year EPS CAGR target 5% - 20%					
Percentage vested	0%	100%	73%	N/A	0%

‡ Underlying EPS is adjusted for the loss on sale of the Consumer Brands and restructuring costs for the Thomastown site. Please refer to note 5.5 for more information.

RELATIVE TSR PERFORMANCE <sup>‡</sup>	2021 YEAR ENDED 30 SEPT	2020 YEAR ENDED 30 SEPT	2019 YEAR ENDED 30 SEPT	2018 3 MONTH PERIOD ENDED 30 SEPT	2018 YEAR ENDED 30 JUNE
SHV 3 Year TSR %	64.3%	24.5%	22.8%	N/A	(22.5%)
SHV 3 Year TSR Ranking	93 <sup>rd</sup> percentile	62 <sup>nd</sup> percentile	29 <sup>th</sup> percentile	N/A	0 <sup>th</sup> percentile
Peer group 3 Year Median TSR	(5.8%)	20%	50%	N/A	27%
SHV Rank against peer group	2 <sup>nd</sup> out of 16	6 <sup>th</sup> out of 14	11 <sup>th</sup> out of 15	N/A	15 <sup>th</sup> out of 15
Percentage vested	100%	73%	0%	N/A	0%

‡ TSR ranking relative to ASX Consumer Staples also included in the All Ordinaries index.

## 2.6 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 month notice period for the MD and 3 month notice period for Other KMP.

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

# Remuneration Report

Continued

## 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 company's training budget. There is no equity ownership requirement for Non-Executive Directors. Directors are encouraged to acquire and hold shares equivalent in value to their annual fees.

The current aggregate fee limit of \$950,000 was approved by shareholders at the 21 February 2020 Annual General Meeting. For the FY2021 reporting year, the total amount paid to Non-Executive Directors was \$724,187.

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:

### **Current Base Fees (including superannuation)**

Chair	\$250,791
Other Non-Executive Directors	\$108,749

### **Additional Fees (including superannuation)**

Chair of the Audit and Risk Committee	\$14,501
Chair of the Remuneration and Sustainability Committee	\$14,501

## 4. GOVERNANCE

### 4.1 Role of the Remuneration and Sustainability Committee

The Remuneration and Sustainability Committee operates under its own Charter and reports to the Board. The Charter, which the Board reviews annually, was last approved in April 2021. A copy of the Charter is available on the Company's website:

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

### 4.2 Use of Remuneration Advisors

During the year, the Remuneration Committee engaged Godfrey Remuneration to:

- Prepare reports on market benchmarking of executive remuneration;
- Review of short-term variable remuneration plan; and
- Review of long-term variable remuneration plan

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

- Remuneration consultants are to be engaged by, and report directly to, the Chair of the Remuneration and Sustainability Committee. Agreements for the provision of remuneration consulting services are to be executed by the Chair of the Remuneration and Sustainability Committee under delegated authority on behalf of the Board.
- Reports containing remuneration recommendations are to be provided directly to the Chair of the Remuneration and Sustainability Committee; and
- Remuneration consultants are permitted to speak to management throughout the engagement (if required) to understand company processes, practices and other business issues and obtain management perspectives.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel. The total consulting fees paid were \$88,000 (ex GST).

### 4.3 Share Trading Policy

The Share Trading Policy was last reviewed by the Board in December 2020. A copy is available on the Company's website:

[www.selectharvests.com.au](http://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 FY2021 and FY2020 Remuneration

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

\$	Financial Year	ANNUAL REMUNERATION				LONG TERM		Total
		Base Fee	Short Term Incentives	Non Cash Benefits	Superannuation Contributions	Long Service Leave Accrued & Paid	Performance Rights Granted <sup>1</sup>	
<b>Non Executive Directors</b>								
M Iwaniw	2021	223,821	-	-	-	-	-	223,821
	2020	223,788	-	-	-	-	-	223,788
F Grimwade	2021	97,578	-	-	9,329	-	-	106,907
	2020	96,924	-	-	9,208	-	-	106,132
N Anderson	2021	105,205	-	-	10,061	-	-	115,266
	2020	96,924	-	-	9,208	-	-	106,132
F Bennett	2021	121,168	-	-	-	-	-	121,168
	2020	112,458	-	-	7,827	-	-	120,285
G Kingwill	2021	97,578	-	-	9,329	-	-	106,907
	2020	82,634	-	-	7,850	-	-	90,484
M Caroll <sup>*</sup>	2021	45,770	-	-	4,348	-	-	50,118
	2020	109,849	-	-	10,436	-	-	120,285
<b>Executive Director</b>								
P Thompson	2021	631,699	93,335	5,216	22,336	14,312	(4,253)	762,645
	2020	574,553	87,807	45,517	21,003	11,993	231,037	971,910
<b>Other key management personnel</b>								
B Crump	2021	388,491	64,242	-	22,336	-	(3,289)	471,780
	2020	383,614	59,660	-	21,003	-	64,481	528,758
P Ross	2021	321,901	43,383	3,862	22,367	7,351	(926)	397,938
	2020	321,063	56,417	3,888	21,003	5,986	43,824	452,181
B Brown	2021	316,595	43,567	2,919	22,367	10,262	(1,253)	394,457
	2020	312,782	65,560	4,997	21,003	53,751	43,824	501,917
S Douglas	2021	315,499	45,676	-	22,336	-	17,478	400,989
	2020	304,378	56,632	-	21,003	-	4,298	386,311
N Feder <sup>†</sup>	2021	60,696	10,526	1,498	5,962	-	-	78,682
	2020	-	-	-	-	-	-	-
D Wilson <sup>‡</sup>	2021	53,409	9,358	-	5,341	-	2,263	70,371
	2020	-	-	-	-	-	-	-
L Van Driel <sup>§</sup>	2021	278,185	-	10,000	18,418	-	(58,999)	247,604
	2020	334,521	47,532	-	21,003	6,465	43,824	453,345
U Di Cecco <sup>1</sup>	2021	112,730	-	-	10,896	-	(3,545)	120,081
	2020	260,362	42,189	-	21,003	-	3,545	327,099

\* Retired 26 February 2021

† Commenced as KMP 1 July 2021

‡ Resigned 30 July 2021

§ Vale 9 March 2021

<sup>1</sup> The amortisation approach for the performance rights has been amended to include the service period when the award was earned. This typically results in amortisation over an additional month to the vesting date. In prior years, the amortisation approach only considered the respective performance period. The 2020 values have been restated to align with the current year presentation. As the 2020 restatement was not considered material to the users of financial statements, no restatement was made in the financial statements.

**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.

# Remuneration Report

Continued

## 5. KMP STATUTORY DISCLOSURES (CONTINUED)

### 5.2 Details of LTI Performance Rights Granted, Vested and Exercised

Performance rights granted to the Managing Director and Other KMP during the year.

	NUMBER				
	Opening balance 1 Oct 2020	Granted during the year	Vested during the year	Forfeited during the year	Closing balance 30 Sept 2021
<b>Executive Director</b>					
P Thompson	204,660	77,903	64,875	10,125	207,563
<b>Other key management personnel</b>					
B Crump	51,338	18,622	15,570	2,430	51,960
P Ross	40,940	15,742	12,975	2,025	41,682
B Brown	40,940	15,361	12,975	2,025	41,301
S Douglas	9,369	15,337	-	-	24,706
D Wilson*	4,500	8,066	-	-	12,566
L Van Driel†	40,940	-	12,975	27,965	-
U Di Cecco‡	7,729	-	-	7,729	-

\* Commenced as KMP 1 July 2021

† Resigned 30 July 2021

‡ Vale 9 March 2021

All vested rights are exercisable after the performance period, 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 FY2020 and beyond.

GRANT DATE	VESTING CONDITIONS	PERFORMANCE PERIOD	PARTICIPATING EXECUTIVES	PERFORMANCE ACHIEVED	VESTED %	EXPIRY DATE
29 April 2019	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> <li>• Holding Lock</li> </ul>	30 September 2021	P Thompson B Crump P Ross B Brown	30 September 2021 rights achieved 0% of EPS condition rights and 100% of TSR condition rights	50% of 30 September 2021 rights	28 October 2021
27 March 2020	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> <li>• Holding Lock</li> </ul>	30 September 2022	P Thompson B Crump P Ross B Brown S Douglas D Wilson	2022 period to be determined	N/A	31 October 2022
28 July 2021	<ul style="list-style-type: none"> <li>• EPS Compound Annual Growth</li> <li>• Relative TSR performance to peer group</li> <li>• Continuous service</li> <li>• Holding Lock</li> </ul>	30 September 2023	P Thompson B Crump P Ross B Brown S Douglas D Wilson	2021 period to be determined	N/A	31 October 2023

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.

NAME	YEAR GRANTED	NUMBER GRANTED	VALUE PER RIGHT*	RIGHTS TO DEFERRED SHARES			FINANCIAL YEARS IN WHICH RIGHTS MAY VEST	MAX. VALUE YET TO VEST†
				VESTED %	VESTED NUMBER	FORFEITED NUMBER		
P Thompson	2017	75,000	\$4.07	87%	64,875	10,125	30-Sep-21	-
	2019	82,815	\$5.18	-	-	-	30-Sep-22	\$428,982
	2020	46,845	\$4.22	-	-	-	30-Sep-23	\$197,686
	2021	77,903	\$6.29	-	-	-	30-Sep-24	\$490,010
B Crump	2018	18,000	\$3.65	87%	15,570	2,430	30-Sep-21	-
	2019	22,095	\$5.18	-	-	-	30-Sep-22	\$114,452
	2020	11,243	\$4.22	-	-	-	30-Sep-23	\$47,445
	2021	18,622	\$6.29	-	-	-	30-Sep-24	\$117,132
P Ross	2017	15,000	\$3.38	87%	12,975	2,025	30-Sep-21	-
	2019	16,571	\$5.18	-	-	-	30-Sep-22	\$85,838
	2020	9,369	\$4.22	-	-	-	30-Sep-23	\$39,537
	2021	15,742	\$6.29	-	-	-	30-Sep-24	\$99,017
B Brown	2017	15,000	\$3.38	87%	12,975	2,025	30-Sep-21	-
	2019	16,571	\$5.18	-	-	-	30-Sep-22	\$85,838
	2020	9,369	\$4.22	-	-	-	30-Sep-23	\$39,537
	2021	15,361	\$6.29	-	-	-	30-Sep-24	\$96,621
S Douglas	2020	9,369	\$4.22	-	-	-	30-Sep-23	\$39,537
	2021	15,337	\$6.29	-	-	-	30-Sep-24	\$96,470
D Wilson	2020	4,500	\$4.22	-	-	-	30-Sep-23	\$18,990
	2021	8,066	\$6.29	-	-	-	30-Sep-24	\$50,735
L Van Driel	2017	15,000	\$3.38	87%	12,975	2,025	30-Sep-21	-
	2019	16,571	\$5.18	-	-	16,571	30-Sep-22	-
	2020	9,369	\$4.22	-	-	9,369	30-Sep-23	-
U Di Cecco	2020	7,729	\$4.22	-	-	7,729	30-Sep-23	-

\* The value per right for each grant has been amended to include both the TSR and EPS vesting conditions. In prior years, this disclosure only considered the respective value of the TSR and EPS vesting conditions to the extent the hurdle was expected to be achieved:

YEAR GRANTED	PERFORMANCE HURDLES	FAIR VALUE
2020	TSR	\$2.83
	EPS	\$5.60
2021	TSR	\$5.30
	EPS	\$7.28

† The values disclosed for 2020 have been revised to reflect changes made to the way the weighted average fair value has been calculated.

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

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

	HELD AT 1 OCTOBER 2020	RECEIVED ON EXERCISE OF PERFORMANCE RIGHTS	OTHER – DRP, SALES AND PURCHASES	HELD AT 30 SEPTEMBER 2021
<b>Non-executive directors</b>				
M Iwaniw	205,856	-	14,732	220,588
F Grimwade	80,000	-	12,699	92,699
N Anderson	7,467	-	4,118	11,585
F Bennett	7,919	-	11,326	19,245
G Kingwill	5,361	-	10,851	16,212
<b>Executive director</b>				
P Thompson	511,425	64,875	48,079	624,379
<b>Other key management personnel</b>				
B Crump	-	15,570	(12,785)	2,785
P Ross	135,867	12,975	11,370	160,212
B Brown	3,445	12,975	3,776	20,196
S Douglas	-	-	4,000	4,000
N Feder	-	-	-	-
D Wilson	-	-	-	-
L Van Driel	5,475	12,975	(18,450)	-
U Di Cecco	-	-	-	-

# Auditor's Independence Declaration



## *Auditor's Independence Declaration*

As lead auditor for the audit of Select Harvests Limited for the year ended 30 September 2021, 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.



Alison Tait  
Partner  
PricewaterhouseCoopers

Melbourne  
26 November 2021

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Liability limited by a scheme approved under Professional Standards Legislation.

# Annual Financial Report



**ABOVE:** Daniel Wilson has overseen the successful installation of the upgraded H2E filter system.

# Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021	NOTE	CONSOLIDATED (\$'000)	
		2021	2020
<b>Continuing Operations Revenue</b>			
Total revenue	2.2	228,595	187,108
<b>Other income</b>			
Fair value adjustment of biological assets	3.3	(4,203)	13,988
Gain on sale of assets	2.3	1,945	289
Total other income		(2,258)	14,277
<b>Expenses</b>			
Cost of sales	2.3	(179,220)	(142,304)
Distribution expenses		(812)	(906)
Marketing expenses		(9)	(3)
Occupancy expenses		(239)	(317)
Administrative expenses	2.3	(12,387)	(14,748)
Finance costs		(2,181)	(1,932)
Others	2.3	(1,064)	1,464
<b>PROFIT / (LOSS) BEFORE INCOME TAX</b>		<b>30,425</b>	<b>42,639</b>
Income tax (expense)	2.4	(5,136)	(13,454)
<b>PROFIT / (LOSS) FROM CONTINUING OPERATIONS</b>		<b>25,289</b>	<b>29,185</b>
Profit / (loss) from discontinued operations	5.5	(10,173)	(4,184)
<b>PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>15,116</b>	<b>25,001</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		(6,543)	4,383
<b>Other comprehensive income for the year</b>		<b>(6,543)</b>	<b>4,383</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>		<b>8,573</b>	<b>29,384</b>
Total Comprehensive Income Attributable to Members of Select Harvests Limited arises from:			
Continuing Operations		18,746	33,568
Discontinuing Operations		(10,173)	(4,184)
		<b>8,573</b>	<b>29,384</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents per share)	2.5	21.3	30.4
Diluted earnings per share (cents per share)	2.5	21.2	30.3
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents per share)	2.5	12.7	26.0
Diluted earnings per share (cents per share)	2.5	12.7	25.9

The above Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

# Statement of Financial Position

AS AT 30 SEPTEMBER 2021	NOTE	CONSOLIDATED (\$'000)	
		2021	2020
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4.2	1,995	1,451
Trade and other receivables	3.1	84,842	69,154
Inventories	3.2	114,316	100,549
Biological assets	3.3	51,321	42,432
Current tax receivable		5,286	-
Derivative financial instruments	3.4	78	3,811
<b>TOTAL CURRENT ASSETS</b>		<b>257,838</b>	<b>217,397</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables		1,825	1,891
Property, plant and equipment	3.5	437,607	298,715
Right-of-use assets	3.6	222,550	236,444
Intangible assets	3.7	83,985	70,447
<b>TOTAL NON-CURRENT ASSETS</b>		<b>745,967</b>	<b>607,497</b>
<b>TOTAL ASSETS</b>		<b>1,003,805</b>	<b>824,894</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	3.8	64,967	42,517
Borrowings	4.3	5,063	6,235
Lease liabilities	3.9	31,661	31,264
Derivative financial instruments	3.4	3,626	-
Current tax liabilities		-	5,398
Deferred gain on sale	3.10	175	175
Provisions	3.12	10,558	5,473
<b>TOTAL CURRENT LIABILITIES</b>		<b>116,050</b>	<b>91,062</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables	3.8	2,761	3,525
Borrowings	4.3	95,000	52,750
Lease liabilities	3.9	221,494	233,513
Deferred tax liabilities	3.11	38,851	36,312
Deferred gain on sale	3.10	2,277	2,452
Provisions	3.12	416	270
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>360,799</b>	<b>328,822</b>
<b>TOTAL LIABILITIES</b>		<b>476,849</b>	<b>419,884</b>
<b>NET ASSETS</b>		<b>526,956</b>	<b>405,010</b>
<b>EQUITY</b>			
Contributed equity	4.1	397,343	279,096
Reserves		7,657	14,280
Retained profits		121,956	111,634
<b>TOTAL EQUITY</b>		<b>526,956</b>	<b>405,010</b>

The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

# Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021	NOTE	CONTRIBUTED EQUITY	CONSOLIDATED (\$'000)		TOTAL
			RESERVES	RETAINED EARNINGS	
<b>Balance at 1 October 2019</b>		<b>271,750</b>	<b>10,417</b>	<b>114,445</b>	<b>396,612</b>
<b>Profit for the year</b>		-	-	<b>25,001</b>	<b>25,001</b>
Other comprehensive income	3.4	-	3,326	-	3,326
<b>Total comprehensive income for the year</b>		-	<b>3,326</b>	<b>25,001</b>	<b>28,327</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs and deferred tax	4.1	6,289	-	-	6,289
Deferred tax credit on transaction costs	4.1	1,057	-	-	1,057
Dividends paid or provided	2.6	-	-	(27,812)	(27,812)
Employee performance rights	6.3	-	537	-	537
<b>Balance at 30 September 2020</b>		<b>279,096</b>	<b>14,280</b>	<b>111,634</b>	<b>405,010</b>
<b>Profit for the year</b>		-	-	<b>15,116</b>	<b>15,116</b>
Other comprehensive loss	3.4	-	(6,543)	-	(6,543)
<b>Total comprehensive income for the year</b>		-	<b>(6,543)</b>	<b>15,116</b>	<b>8,573</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity - net of transaction costs and deferred tax	4.1	1,962	-	-	1,962
Placement and Share Purchase Plan - net of transaction cost	4.1	115,382	-	-	115,382
Deferred tax credit on transaction costs	4.1	903	-	-	903
Dividends paid or provided	2.6	-	-	(4,794)	(4,794)
Employee performance rights	6.3	-	(80)	-	(80)
<b>Balance at 30 September 2021</b>		<b>397,343</b>	<b>7,657</b>	<b>121,956</b>	<b>526,956</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

# Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021	NOTE	CONSOLIDATED (\$'000)	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		275,193	236,617
Payments to suppliers and employees		(214,672)	(189,755)
		<b>60,521</b>	<b>46,862</b>
Interest received		24	5
Interest and finance costs paid		(15,155)	(15,440)
Income tax received / (paid)		(7,201)	(18,274)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>4.2</b>	<b>38,189</b>	<b>13,153</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Government grants		50	-
Proceeds from sale of property, plant and equipment		4,310	1,058
Proceeds from sale of brand names		1,500	-
Proceeds from sale of water rights		1,929	-
Payment for water rights		(19,192)	-
Payment for property, plant and equipment		(21,392)	(26,103)
Payment for bearer plants and plantation land		(124,943)	-
Payment for tree development costs		(11,986)	(10,216)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(169,724)</b>	<b>(35,261)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares net of transaction costs		115,382	-
Proceeds from borrowings		275,090	246,519
Repayments of borrowings		(232,840)	(193,769)
Principal elements of lease payments		(21,549)	(21,848)
Dividends on ordinary shares, net of Dividend Reinvestment Plan		(2,832)	(21,523)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>133,251</b>	<b>9,379</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,716</b>	<b>(12,729)</b>
Cash and cash equivalents at the beginning of the year		(4,784)	7,945
<b>Cash and cash equivalents at the end of the year</b>		<b>(3,068)</b>	<b>(4,784)</b>
<b>Reconciliation to cash at the end of the year:</b>			
Cash and cash equivalents	4.2	1,995	1,451
Bank overdrafts	4.2	(5,063)	(6,235)
		<b>(3,068)</b>	<b>(4,784)</b>

The above Statement of Cash Flow includes both continuing and discontinued operations and should be read in conjunction with the accompanying notes. Amounts related to discontinued operations are disclosed in Note 5.5.

# Notes to the Financial Statements

## 1. BASIS OF PREPARATION

### 1.1 Basis of Preparation

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. Where appropriate, comparatives have been reclassified to enhance comparability with current year disclosures.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. Select Harvests Limited is a for profit entity which is incorporated and domiciled in Australia. Its registered office and principal place of business is:

Select Harvests Limited  
360 Settlement Road  
Thomastown Vic 3074

This financial report covers the Group consisting of Select Harvests Limited and its subsidiaries. The financial report is presented in Australian currency. A description of the nature of the Company's operations and its principal activities is included in the review of operations in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 26 November 2021. 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](http://www.selectharvests.com.au).

### **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 and biological assets.

### **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 1.2.

### **New or amended Accounting Standards and Interpretations adopted during the financial year**

During the year, the Group adopted IFRS Interpretations Committee (IFRIC) Agenda item 5 - Cloud computing arrangement costs. The impact was determined as not material to the Group. Refer to note 3.7 for further information.

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting year. These do not have a material effect on the Group's financial statements.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 September 2021 reporting period and have not been early adopted by the Company. The group's assessment of these new standards and interpretations concluded that they will not have a material impact on the financial statements of the Group in future periods. The new standards and interpretations are as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards definition of a business- AASB 3 Business Combinations (effective 1 January 2020)
- AASB 2018-7 Amendments to Australian Accounting Standards definition of material- AASB 101 and AASB 108 (effective 1 January 2020)
- AASB 2019-1 Revised conceptual framework for financial reporting (effective date 1 January 2020)
- AASB 2019-3 Interest rate benchmark reform on hedge accounting- AASB 7, AASB 9 and AASB 139 (effective 1 January 2020)

### **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.

## **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.

## **Comparatives**

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

## **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.

## **Parent entity financial information**

The financial information for the parent entity, Select Harvests Limited, disclosed in Note 5.2 has been prepared on the same basis as the consolidated financial statements, except as set out below.

### **(i) Investments in subsidiaries**

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

## **1.2. 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**

The 2021 almond crop is classified as inventory once the crop is harvested in accordance with AASB 102 Inventories. The Company’s estimated average almond selling price at the point of harvest was \$6.80 per kilogram. It was determined with reference to the Company’s committed sales contracts, market values for the uncommitted inventory, quality and foreign exchange rates at the point of harvest.

At balance date, the company had completed hulling and shelling of all its almonds with a yield of 28,250MT and 81% of this crop had been sold or committed to be sold.

#### **Fair Value of Acquired Assets**

In determining the allocation of fair value across the assets acquired, in particular the bearer plants, the Company has made various assumptions. These include cash flow projections based on future almond price, yield and associated costs.

#### **Discontinued Operations**

The Company disposed of the Consumer Brands section of the business on 30 September 2021. The associated revenue and expenses have been disclosed as discontinued operations, in note 5.5. As part of the discontinuation, the Thomastown factory is to be closed, and a provision for the restructuring costs of the business has been taken. In deriving the costs of the restructure, the Company has made various assumptions including closure dates, recoverable amount and various costs estimates.

An impairment loss has been recognised for the write-down of assets to fair value less costs to sell.

#### **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 3.7. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

Key assumptions and sensitivities are disclosed in Note 3.7.

# Notes to the Financial Statements

Continued

## 2. RESULTS FOR THE YEAR

### 2.1 Segment Information

#### 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.

#### Segment products and locations

Following the sale of the Consumer Foods Branded business, the reporting and operational information internally presented to the Chief Executive Officer has been adjusted. The Chief Executive Officer and Executive Management now assess the performance of the Group on an integrated and consolidated basis. Therefore, no specific segments will be reported on in the FY2021 results and going forward.

The Group grows, processes and value-adds to almonds from company owned and leased almond orchards. Raw and processed product is exported or sold domestically to consumers and Business to Business for industrial related almond products. The Group operates predominantly within the geographical area of Australia. The total of the reportable segments' results, profit, assets and liabilities is the same as that of the Consolidated Group as a whole and as disclosed in the Statement of Comprehensive Income and the Statement of Financial Position.

### 2.2 Revenue From Continuing Operations

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Revenue from continuing operations</b>			
Sale of goods	(a)	218,079	176,764
Management services		10,183	9,953
Government grant and other revenue	(b)	333	391
<b>Total revenue</b>		<b>228,595</b>	<b>187,108</b>

(a) Revenue from the Sale of goods includes sales of value-added almond products of \$89.0m (2020: \$84.3m) and non value-added products of \$129.0m (2020: \$92.4m).

(b) A government grant of \$50,000 was received during the year for export marketing purposes. The Company did not apply for or receive any JobKeeper payments.

#### 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 been provided to the buyer. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods and services

The sale of goods and services represents a single performance obligation and accordingly, revenue is recognised in respect of the sale of these goods at the point in time when control over the corresponding goods and services is transferred to the customer (i.e. at a point in time for sale of goods when the goods are shipped to the customer or when the services have been provided).

#### Management services

Management services revenue relates to services provided for the management and development of farms as well as acting as sales agent for external growers by selling almonds on their behalf. Sales for external growers are not included in the Group's revenue. However, the Group receives a marketing fee for providing this service. Revenue from providing services is recognised in the accounting period in which the services are rendered, on the basis of quantity of almonds sold by Select Harvest on behalf of the external grower.

The above services are recognised as revenue when services are provided. All revenue is stated net of the amount of Goods and Services Tax (GST).

As at 30 September 2021 the group held almond inventory on behalf of external growers which was not recorded as inventory to the Group.

#### 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.

### 2.3 Other Income and Expenses

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Profit before tax from continuing operations includes the following specific expenses:</b>			
Inventory write off	(a)	-	16,275
Depreciation of non-current assets:			
• Buildings		565	537
• Plantation land and irrigation systems		4,035	2,185
• Plant and equipment		11,323	9,948
Bearer plants	(b)	-	-
<b>Total depreciation of non-current assets</b>		<b>15,923</b>	<b>12,670</b>
Depreciation charge of right-of-use assets:			
• Property		189	197
• Plant and equipment		3,055	3,641
• Orchard		1,125	1,106
	<b>(c)</b>	<b>4,369</b>	<b>4,944</b>
Interest on leases	(d)	928	1,101
Amortisation of software		820	820
Employee benefits		41,204	41,535
Short term and low-value lease rental payments	(e)	557	527
Net (gain)/ loss on disposal of property, plant and equipment		(986)	(289)
Net (gain)/ loss on disposal of permanent water		(959)	-

(a) Included in Cost of Sales were write down of inventories to net realisable value for the 2020 almond crop (due to the market almond price reducing from \$8.20/kg to \$7.50/kg) amounting to \$16.28 million. As the market almond price has not reduced during the period, there was no write down in relation to the 2021 almond crop.

(b) Depreciation on almond trees relating to Property, Plant and Equipment amounting to \$11.05 million (2020: \$5.98 million) was capitalised as part of growing crop which will then unwind as part of cost of sales when the almonds are sold.

(c) Right-of-Use asset depreciation amounting to \$12.33 million (2020: \$11.89 million) and \$6.18 million (2020: \$5.64 million) was capitalised as part of growing crop and leasehold improvement respectively.

(d) Lease interest amounting to \$7.14 million (2020: \$7.63 million) and \$4.69 million (2020: \$4.50 million) was capitalised as part of growing crop and leasehold improvement respectively.

(e) The expense represents lease rentals that are short-term leases (terms of 12 months or less) and leases of low-value assets charged directly to the Statement of Comprehensive Income.

# Notes to the Financial Statements

Continued

## 2. RESULTS FOR THE YEAR (CONTINUED)

### 2.4 Income Tax Expense

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>(a) Income tax expense</b>			
Current tax		(522)	(7,222)
Deferred tax		(4,258)	(4,162)
Over / (under) provided in prior years		4,004	(277)
<b>Total current tax expense</b>		<b>(776)</b>	<b>(11,661)</b>
<b>Deferred income tax benefit included in income tax expense comprises:</b>			
Increase / (Decrease) in deferred tax assets	3.11	(1,758)	1,219
(Increase) / Decrease in deferred tax liabilities	3.11	(2,500)	(5,381)
		<b>(4,258)</b>	<b>(4,162)</b>
<b>Income tax expense is attributable to:</b>			
(Profit) from continuing operations		(5,136)	(13,454)
Loss from discontinued operations	5.5	4,360	1,793
<b>Aggregate income tax (expense)</b>		<b>(776)</b>	<b>(11,661)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Profit from continuing operations before income tax expense		30,425	42,639
Tax at the Australian tax rate of 30% (2020 – 30%)		(9,128)	(12,792)
<b>Tax effect of amounts that are not deductible/ (taxable) in calculating taxable income</b>			
Other non-assessable income		(12)	-
Other non-deductible items		-	(386)
(Under) / Over provided in prior years		4,004	(276)
<b>Income tax (expense)</b>		<b>(5,136)</b>	<b>(13,454)</b>

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

#### (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.

#### (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.

## 2.5 Earnings Per Share

CENTS	NOTE	2021	2020
<b>(a) Basic earnings per share</b>			
From continuing operations attributable to the ordinary equity holders of the company		21.3	30.4
From discontinued operations		(8.6)	(4.4)
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>		<b>12.7</b>	<b>26.0</b>
<b>(b) Diluted earnings per share</b>			
From continuing operations attributable to the ordinary equity holders of the company		21.2	30.3
From discontinued operations		(8.5)	(4.4)
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>		<b>12.7</b>	<b>25.9</b>
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>			
Profit/ (Loss) attributable to the ordinary equity holders of the company used in calculating basic earnings per share			
From continuing operations		25,289	29,185
From discontinued operations		(10,173)	(4,184)
		<b>15,116</b>	<b>25,001</b>

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

NUMBER OF SHARES	NOTE	2021	2020
<b>(d) Weighted average number of shares</b>			
Weighted average number of ordinary shares used in calculating basic earnings per share		118,919,084	96,137,435
<b>Effect of dilutive securities:</b>			
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share		119,261,156	96,517,979

### 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 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.

## 2.6 Dividends

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>(a) Dividends paid during the year</b>			
<b>(i) FY2021 Interim Dividend</b>			
Nil (30 September 2020: 9c paid on 3 August 2020)		-	8,656
<b>(ii) FY2020 Final Dividend – paid 5 February 2021</b>			
Fully franked dividend 4c per share (30 September 2020: 20c paid on 6 January 2020)		4,794	19,156
		<b>4,794</b>	<b>27,812</b>
<b>(b) Dividends proposed and not recognised as a liability.</b>			
A final fully franked dividend of 8 cents per share (2020: 4 cents per share) has been declared by the directors \$9,617,950 (2020: \$4,793,810).			
<b>(c) Franking credit balance</b>			
<b>Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)</b>		<b>29,048</b>	<b>23,901</b>

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:

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

# Notes to the Financial Statements

Continued

## 3. ASSETS AND LIABILITIES

### 3.1 Trade And Other Receivables

CONSOLIDATED (\$'000)	NOTE	2021	2020
Trade receivables		60,082	39,941
Loss allowance		-	-
		<b>60,082</b>	<b>39,941</b>
Other receivables		3,279	5,666
Prepayments		21,481	23,547
		<b>84,842</b>	<b>69,154</b>

#### 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 *Financial Instruments* 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 2021 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 for FY2021 was determined as follows:

GROSS CARRYING AMOUNT (\$'000)	NOTE	30 SEPT 2021	30 SEPT 2020
Current		59,404	37,908
Up to 3 months past due		678	2,033
More than 3 months past due		-	-
		<b>60,082</b>	<b>39,941</b>

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

The reconciliation of the closing balance of the loss allowances as at 30 September 2021 are as follows:

CONSOLIDATED (\$'000)	NOTE	2021	2020
Opening loss allowances		-	15
Increase in loan loss allowance recognised in profit or loss during the year		-	-
Unused amount reversed		-	-
Receivables written off during the year		-	(15)
<b>At 30 September</b>		<b>-</b>	<b>-</b>

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

All receivables are non-interest bearing.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers from across the range of business segments in which the Company operates. Refer to Note 4.4 for more information on the risk management policy of the Company as well as the effective interest rate and credit risk of current receivables.

#### (c) Fair value

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

### 3.2 Inventories

CONSOLIDATED (\$'000)	NOTE	2021	2020
Raw materials		34,826	75,001
Finished goods and work in progress		72,986	20,175
Other inventories		6,504	5,373
		<b>114,316</b>	<b>100,549</b>

Inventories are valued at the lower of cost and net realisable value. There were no write-downs made for the 2021 almond crop (2020- \$16.3 million was recognised as an expense during the year and included in 'Cost of Sales' in the Statement of Comprehensive Income).

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;
- Biological assets reclassified as inventory (included within raw materials in the table above): the initial cost assigned to agricultural produce is the fair value less costs to sell at the point of harvesting in accordance with AASB 141 Agriculture;
- Finished goods and work in progress: cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity; and
- Other inventories comprise consumable stocks of chemicals, fertilisers and packaging materials recorded at cost on a first in first out basis.

### 3.3 Biological Assets

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Growing almond crop</b>		<b>51,321</b>	<b>42,432</b>
<b>Reconciliation of changes in carrying amount of biological assets</b>			
Opening balance		42,432	34,144
Increases due to purchases / growing costs		171,298	134,327
Decreases due to harvest	(i)	(195,433)	(190,650)
Gain arising from changes in fair value	(ii)	33,024	64,611
<b>Closing balance</b>		<b>51,321</b>	<b>42,432</b>

(i) Includes biological assets reclassified as inventory at the point of harvest

(ii) Includes physical changes as a result of biological transformation such as growth. Net increments in the fair value of the growing assets are recognised as income in the statement of Comprehensive Income.

Fair value adjustment of biological assets recognised in the Statement of Comprehensive Income relates to:

- the recognition of 2021 crop fair value margin throughout growth, accrued evenly between harvests and taking into account major cash outflows
- the unwinding of 2020 crop fair value margin previously recognised, at the point of sale

The movement is disclosed as follows:

CONSOLIDATED (\$'000)	NOTE	2021	2020
Fair value margin recognised on 2021 almond crop (FY2020: 2020 almond crop)		33,024	64,611
Unwinding of fair value margin recognised on 2021 and 2020 crop upon sales (FY2020: 2020 and 2019 crop)		(37,227)	(50,623)
		<b>(4,203)</b>	<b>13,988</b>

### Recognition and Measurement

Almond trees are bearer plants and are therefore presented and accounted for as property, plant and equipment (see note 3.5). However, almonds growing on the trees are accounted for as biological assets until the point of harvest. Almonds are transferred to inventory at fair value less costs to sell when harvested (see note 3.2). Biological assets relate to the almond crop and are measured at fair value less costs to sell in accordance with AASB141 Agriculture. Where fair value cannot be reliably measured or little or no biological transformation has taken place, biological assets are measured at cost.

At 30 September 2021, the biological asset balance relates to the 2022 almond crop, which is recorded at cost and has little or no biological transformation. The 2021 almond crop has been transferred to inventory when fully harvested.

The change in estimated fair value of the biological assets are recognised in the Statement of Comprehensive Income. Fair value measurements have been categorised as Level 3 fair values based on the inputs to the valuation techniques used, which are not based on observable market data. It is measured taking into account the following:

- estimated selling price at harvest and estimated cash inflows based on forecasted sales;
- estimated yields; and
- estimated remaining growing, harvests, processing and selling costs.

# Notes to the Financial Statements

Continued

## 3. ASSETS AND LIABILITIES (CONTINUED)

### 3.4 Derivative Financial Instruments

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current Assets</b>			
Forward exchange and option contracts – cash flow hedges		78	3,811
<b>Current Liabilities</b>			
Forward exchange and option contracts – cash flow hedges		3,626	-

#### (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).

##### (i) Hedge effectiveness

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 Other Expenses in the Statement of Comprehensive Income.

When option contracts are used to hedge forecast transactions, the Company designates intrinsic value 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.

When forward contracts are used to hedge forecast transactions, the Company designates the full change in fair value of the forward contract 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 Cost of Sales 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 Other Expenses in the Statement of Comprehensive Income.

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 (\$'000)		AVERAGE EXCHANGE RATE (\$)	
	2021	2020	2021	2020
FEC Buy USD Settlement	USD1,783	USD1,954	0.74	0.73
LESS THAN 6 MONTHS	BUY AUSTRALIAN DOLLARS (\$'000)		AVERAGE EXCHANGE RATE (\$)	
	2021	2020	2021	2020
FEC Sell USD Settlement	USD34,179	USD20,195	0.75	0.65
Option Sell USD Settlement	-	USD7,500	-	0.68
MORE THAN 6 MONTHS	BUY AUSTRALIAN DOLLARS (\$'000)		AVERAGE EXCHANGE RATE (\$)	
	2021	2020	2021	2020
FEC Sell USD Settlement	USD37,674	USD21,000	0.74	0.69
Option Sell USD Settlement	USD15,000	USD7,000	0.75	0.65

**(iv) Credit risk exposures**

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations at maturity. The credit risk exposure to forward exchange contracts is the net fair 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 \$85,070,534 (2020: USD \$53,740,749).

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 (\$'000)	INTRINSIC VALUE OF OPTIONS	SPOT COMPONENT OF CURRENCY FORWARDS	TOTAL HEDGE RESERVES
<b>Closing balance 30 September 2019</b>	<b>(186)</b>	<b>(718)</b>	<b>(904)</b>
Add: Change in fair value of hedging instrument recognised in OCI	(137)	3,948	3,811
Less: Reclassified from OCI to profit or loss	178	762	940
Less: Deferred tax	(13)	(1,413)	(1,426)
<b>Closing balance 30 September 2020</b>	<b>(158)</b>	<b>2,579</b>	<b>2,421</b>
Add: Change in fair value of hedging instrument recognised in OCI	(896)	(2,652)	(3,548)
Less: Reclassified from OCI to profit or loss	137	(3,948)	(3,811)
Less: Deferred tax	228	588	816
<b>Closing balance 30 September 2021</b>	<b>(689)</b>	<b>(3,433)</b>	<b>(4,122)</b>

**(vi) Market risk**

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

CONSOLIDATED (\$'000)	2021 BUY USD	2020 BUY USD
<b>Foreign currency forwards</b>		
Carrying amount asset / (liability)	78	42
Notional amount	1,783	1,954
Maturity date	Oct 2021	Oct-Nov 2020
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 October	78	42
Change in value of hedged item used to determine hedge effectiveness	(78)	(42)
Weighted average hedged rate for the year (including forward points)	0.7437	0.7269

CONSOLIDATED (\$'000)	2021 SELL USD	2020 SELL USD
<b>Foreign currency forwards</b>		
Carrying amount asset / (liability)	(2,731)	3,905
Notional amount	71,854	41,195
Maturity date	Oct 2021 - Sep 2022	Oct 2020 - Sep 2021
Hedge ratio	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 October	(2,730)	3,905
Change in value of hedged item used to determine hedge effectiveness	2,730	(3,905)
Weighted average hedged rate for the year (including forward points)	USD\$0.7418: AUD\$1	USD\$0.6678: AUD\$1

**Foreign currency options**

Carrying amount asset / (liability)	(896)	(136)
Notional amount	15,000	14,500
Maturity date	Apr-July 2022	Nov 2020 - Aug 2021
Hedge ratio	1:1	1:1
Change in intrinsic value of outstanding hedging instruments since 1 October	(896)	(136)
Change in value of hedged item used to determine hedge effectiveness	896	136
Weighted average strike rate for the year	USD\$0.7520: AUD\$1	USD\$0.6627: AUD\$1

# Notes to the Financial Statements

Continued

## 3. ASSETS AND LIABILITIES (CONTINUED)

### 3.5 Property, Plant and Equipment

#### (a) Reconciliations

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

(\$'000)	NOTES	BUILDINGS	LEASEHOLD IMPROVEMENT	PLANTATION LAND AND IRRIGATION SYSTEMS	PLANT AND EQUIPMENT	BEARER PLANTS	CAPITAL WORK IN PROGRESS	TOTAL
<b>At 30 September 2019</b>								
Cost		21,589	-	113,495	142,968	156,213	25,016	459,281
Accumulated depreciation		(3,564)	-	(37,334)	(75,543)	(34,917)	-	(151,358)
<b>Net book amount</b>		<b>18,025</b>	<b>-</b>	<b>76,161</b>	<b>67,425</b>	<b>121,296</b>	<b>25,016</b>	<b>307,923</b>

#### Year ended

##### 30 September 2020

Opening net book amount		18,025	-	76,161	67,425	121,296	25,016	307,923
Finance lease assets reclassified to right-of-use assets	(b), 3.6	-	-	-	(13,309)	(22,776)	-	(36,085)
Restated opening net book amount		18,025	-	76,161	54,116	98,520	25,016	271,838
Additions		-	-	-	7,049	10,216	29,391	46,656
Disposals		-	-	-	(782)	-	-	(782)
Depreciation expense		(537)	-	(2,186)	(10,294)	(5,980)	-	(18,997)
Transfers		303	29,098	2,075	20,968	1,392	(53,836)	-
<b>Closing net book amount</b>		<b>17,791</b>	<b>29,098</b>	<b>76,050</b>	<b>71,057</b>	<b>104,148</b>	<b>571</b>	<b>298,715</b>

##### At 30 September 2020

Cost		21,892	29,098	115,570	146,244	139,146	571	452,521
Accumulated depreciation		(4,101)	-	(39,520)	(75,187)	(34,998)	-	(153,806)
<b>Net book amount</b>		<b>17,791</b>	<b>29,098</b>	<b>76,050</b>	<b>71,057</b>	<b>104,148</b>	<b>571</b>	<b>298,715</b>

#### Year ended

##### 30 September 2021

Opening net book amount		17,791	29,098	76,050	71,057	104,148	571	298,715
Additions		-	10,873	-	1,833	11,986	19,578	44,270
Acquired through business combinations		869	-	33,089	152	90,833	-	124,943
Disposals		(2)	-	-	-	-	(422)	(424)
Depreciation expense		(565)	-	(4,035)	(11,742)	(11,048)	-	(27,390)
Impairment loss	(i)	-	-	-	(2,507)	-	-	(2,507)
Transfers		19	-	5,133	9,255	-	(14,407)	-
<b>Closing net book amount</b>		<b>18,112</b>	<b>39,971</b>	<b>110,237</b>	<b>68,048</b>	<b>195,919</b>	<b>5,320</b>	<b>437,607</b>

##### At 30 September 2021

Cost		22,777	39,971	153,791	152,026	241,964	5,320	615,849
Accumulated depreciation		(4,665)	-	(43,554)	(83,978)	(46,045)	-	(178,242)
<b>Net book amount</b>		<b>18,112</b>	<b>39,971</b>	<b>110,237</b>	<b>68,048</b>	<b>195,919</b>	<b>5,320</b>	<b>437,607</b>

#### (i) Impairment loss

With the sale of the Consumer Brands division and the impending closure of the Thomastown processing facility expected in June 2022, an impairment loss was taken amounting to \$2.5m of the total \$3.2m Net Book Value of assets held at Thomastown. The amount is disclosed as part of the discontinued operations results. Please refer to note 5.5(b).

### Cost and valuation

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

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

An independent valuation was performed by CBRE in September 2019 for specific assets of our Almond Division (seven owned orchards and the Carina West Processing Facility). The orchards were valued using a direct comparison summation and a discounted cashflow to determine their market value. This was performed on the basis of 'highest and best use' being the most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and results in the highest value of the property being valued. The valuation approach used for the processing facility was capitalisation of EBITDA and a productive unit basis to determine its market value. The book value of the assets at 30 September 2019 was \$169.8 million against the September 2019 market valuation of \$249.7 million. As the inputs to determine the fair value are unobservable, the valuation is considered Level 3 in the fair value hierarchy.

### Depreciation

The depreciable amount of all fixed assets including buildings, but excluding freehold land 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 \$11.05 million (2020: \$5.98 million) was capitalised into the inventory cost base. Leasehold improvements commence depreciation when a commercial crop is produced from the seventh year post planting and 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
Plant and equipment:	5 to 20 years
Bearer plants:	10 to 30 years
Irrigation systems:	10 to 40 years
Leasehold improvements	13 to 14 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) Reclassification of Leased assets - 2019

As at 30 September 2019, plant and equipment and bearer plants included the following amounts where the group was a lessee under finance leases.

CONSOLIDATED (\$'000)	NOTE	2019 RESTATED
<b>Leasehold plant and equipment and bearer plants</b>		
At cost		47,643
Accumulated depreciation and impairment		(13,652)
		<b>33,991</b>
Adjustment to 2019 finance lease recorded at 30 September 2019		2,094
<b>Net book amount transferred to right-of-use assets on 1 October</b>		<b>36,085</b>

# Notes to the Financial Statements

Continued

## 3. ASSETS AND LIABILITIES (CONTINUED)

### 3.6 Right-Of-Use Assets

(\$'000)	NOTE	PROPERTY	PLANT AND EQUIPMENT	ORCHARD <sup>(a)</sup>	TOTAL
<b>At 1 October 2019</b>					
Transition from operating lease		2,071	1,299	206,711	210,081
Finance leases reclassified to right-of-use assets <sup>*</sup>		-	13,309	22,776	36,085
<b>At 1 October 2019<sup>*</sup></b>		<b>2,071</b>	<b>14,608</b>	<b>229,487</b>	<b>246,166</b>
Additions		87	1,920	11,475	13,482
Depreciation charge for the year	(b)	(803)	(3,995)	(18,406)	(23,204)
<b>At 30 September 2020</b>		<b>1,355</b>	<b>12,533</b>	<b>222,556</b>	<b>236,444</b>
Additions		50	962	8,911	9,923
Disposal		-	(187)	-	(187)
Depreciation charge for the year	(b)	(806)	(3,640)	(19,184)	(23,630)
<b>At 30 September 2021</b>		<b>599</b>	<b>9,668</b>	<b>212,283</b>	<b>222,550</b>

\* Pre 1 October 2019, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. These have now been transferred to Right-of-use assets and lease liabilities respectively.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, by any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is expensed over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the income statement as incurred.

#### (a) Orchard

The orchards comprise leases with *Arrow Funds Management*, *Rural Funds Management* and *Aware Super*. A total of 11,729 acres of land are leased over a 20 year term (with extension options) in which the Company has the right to harvest almonds and citrus from the trees for the term of the agreement. The Company also has first right of refusal to purchase the properties in the event that the lessor wishes to sell.

#### (b) Orchard depreciation

Depreciation relating to the orchards have either been capitalised as part of growing crop and leasehold improvements or expensed directly to the Statement of Comprehensive Income.

### 3.7 Intangibles

CONSOLIDATED (\$'000)	GOODWILL	BRAND NAMES	PERMANENT WATER RIGHTS	SOFTWARE	TOTAL
<b>At 30 September 2019</b>					
Cost	25,995	2,905	37,859	5,586	72,345
Accumulated amortisation	-	-	-	(1,078)	(1,078)
<b>Net book amount</b>	<b>25,995</b>	<b>2,905</b>	<b>37,859</b>	<b>4,508</b>	<b>71,267</b>
<b>Year ended 30 September 2020</b>					
Opening net book amount	25,995	2,905	37,859	4,508	71,267
Amortisation of software	-	-	-	(820)	(820)
<b>Closing net book amount</b>	<b>25,995</b>	<b>2,905</b>	<b>37,859</b>	<b>3,688</b>	<b>70,447</b>
<b>At 30 September 2020</b>					
Cost	25,995	2,905	37,859	5,586	72,345
Accumulated amortisation	-	-	-	(1,898)	(1,898)
<b>Net book amount</b>	<b>25,995</b>	<b>2,905</b>	<b>37,859</b>	<b>3,688</b>	<b>70,447</b>
<b>Year ended 30 September 2021</b>					
Opening net book amount	25,995	2,905	37,859	3,688	70,447
Acquisition	-	-	5,755	-	5,755
Acquired through business combination	-	-	13,437	-	13,437
Disposal	-	(2,905)	(1,929)	-	(4,834)
Amortisation of software	-	-	-	(820)	(820)
<b>Closing net book amount</b>	<b>25,995</b>	<b>-</b>	<b>55,122</b>	<b>2,868</b>	<b>83,985</b>
<b>At 30 September 2021</b>					
Cost	25,995	-	55,122	5,586	86,703
Accumulated amortisation	-	-	-	(2,718)	(2,718)
<b>Net book amount</b>	<b>25,995</b>	<b>-</b>	<b>55,122</b>	<b>2,868</b>	<b>83,985</b>

#### 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 name assets principally relate to the *Lucky* brand, which has been assessed as having an indefinite useful life. On 30 September 2021, the Group announced the completion of the sale of the *Lucky* and *Sunsol* brands. Please refer to note 5.5 for more information.

Brand names are measured at cost. Directors are of the view that brand names have an indefinite life. Brand names are therefore not amortised. 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 amortised. 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 value of permanent water rights relates to the Group's 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.

The Company's portfolio of water rights is currently recorded at a historical cost value of \$55.1 million (2020: \$37.9 million). A market value assessment was performed at the end of the financial year. This was completed by accessing the State Water Registers and determining the median price for the applicable class of water rights. This value is then applied on a like for like basis to the company's water portfolio. As water prices fluctuate due to seasonal factors current market rates has been valued internally at \$106.9 million (2020: \$97.7 million). As the inputs to determine the fair value are observable, the valuation is considered Level 2 in the fair value hierarchy.

# Notes to the Financial Statements

Continued

## 3. ASSETS AND LIABILITIES (CONTINUED)

### 3.7 Intangibles (CONTINUED)

#### Software

Costs associated with maintaining software programmes are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software to use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development of the software
- the expenditure attributable to the software during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software include employee costs, consultant costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Software costs are amortised on a straight line basis over the period of their expected benefit, being 7 years.

During the year, the Group adopted IFRS Interpretations Committee (IFRC) Agenda item 5- Cloud computing arrangement costs. This relates to configuration and customisation costs incurred in implementing Software as a Service arrangements. The Group assesses whether the arrangement contains a lease and if not, whether the arrangement provides the Group with a resource it can control. The Group's assessment indicates that these costs can be controlled as the implementation costs are customised and kept separate from other clients. Therefore, it was deemed appropriate that the costs are capitalised in accordance with relevant accounting standards.

#### Impairment of assets

Goodwill, brand names and permanent water rights 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).

Following the sale of the Consumer Foods Branded business, the company have determined it appropriate to operate as a single segment.

The Group operates one cash generating unit, that is expected to benefit from the synergies of the combination. The goodwill is allocated to the CGU at the level that is monitored for internal management purposes.

#### (a) Impairment tests for goodwill

In accordance with AASB 136 Impairment, the Company undertook an impairment assessment at 30 September 2021. The recoverable amount of the CGU was determined based on a value-in-use calculation which uses cash flow projections based on financial budgets and forecasts approved by management and the Board covering a five-year period. The cash flow projections take into account past performance and its expectations for the future.

Based on a set of key assumptions it was determined that the company's implied value in use was above the carrying value of its assets therefore no impairment adjustments were necessary.

Key assumptions used in the value-in-use calculations for impairment included a real pre-tax weighted average cost of capital (of 10.7%), long term growth rate (of 2%), harvest volumes, almond price, growing crop costs and water prices. Additionally, assumptions around capital expenditure and working capital changes were incorporated. The real pre-tax weighted average cost of capital takes into account industry related gearing levels, risk premiums and benchmarking peer group rates used. This rate differs to what the company uses internally to assess strategic opportunities and asset performance.

Based on these assumptions, the recoverable amount of the CGU exceeded the carrying amount of the CGU.

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

The recoverable amount of the goodwill exceeds its carrying amount based on impairment testing performed at 30 September 2021. The Directors and management have considered and assessed reasonably possible changes in key assumptions. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

- Average almond price growth between FY23 - FY26 reduced from 1.2% to 0.69%
- Post-tax discount rate increase from 7.5% to 7.845%

### 3.8 Trade and Other Payables

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current</b>			
Trade creditors		28,754	22,997
Other creditors and accruals		36,213	19,520
		<b>64,967</b>	<b>42,517</b>
<b>Non-Current</b>			
<b>Other creditors and accruals</b>		<b>2,761</b>	<b>3,525</b>

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

### 3.9 Lease Liabilities

CONSOLIDATED (\$'000)	NOTE	2021	2020
Current		31,661	31,264
Non-current		221,494	233,513
		<b>253,155</b>	<b>264,777</b>

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments after the reporting date.

CONSOLIDATED (\$'000)	NOTE	2021	2020
Within one year		33,765	34,698
Later than one year but not later than 5 years		121,987	123,217
Later than 5 years		175,381	173,209
		<b>331,133</b>	<b>331,124</b>

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Leases are secured with the orchards, property and plant and equipment

### 3.10 Deferred Gain On Sale

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current</b>			
Sale and leaseback		175	175
<b>Non-Current</b>			
Sale and leaseback		2,277	2,452

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

Continued

## 3. ASSETS AND LIABILITIES (CONTINUED)

### 3.11 Deferred Tax

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Deferred tax liabilities (Non-current)</b>			
The balance comprises temporary differences attributable to:			
<b>Amounts recognised in profit and loss</b>			
Receivables		(668)	11
Inventory		4,714	5,974
Biological assets		14,855	9,194
Property, plant and equipment (includes bearer plants)		35,848	33,626
Right-of-use assets		64,511	67,883
Intangibles		-	749
Accruals and provisions		(3,462)	(3,704)
Lease liabilities		(75,947)	(78,141)
		<b>39,851</b>	<b>35,592</b>
<b>Amounts recognised in profit and loss</b>			
Cash flow hedges		327	1,143
<b>Amounts recognised directly in equity</b>			
Equity raising costs		(1,327)	(423)
<b>Net deferred tax liabilities</b>		<b>38,851</b>	<b>36,312</b>
<b>Movements</b>			
Opening balance 1 Oct		36,312	39,629
Prior period under provision		-	30
Charged/ (Credited) to income statement		4,258	4,162
Charged/ (Credited) to other comprehensive income		(816)	1,425
Debited/ (Credited) to equity		(903)	(8,934)
<b>Closing balance at 30 September</b>		<b>38,851</b>	<b>36,312</b>

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.

### 3.12 Provisions

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current</b>			
Employee benefits		5,513	5,218
Others	(a)	5,045	255
		<b>10,558</b>	<b>5,473</b>
<b>Non-Current</b>			
Employee benefits		<b>416</b>	<b>270</b>

(a) A provision was taken for the restructuring costs of the business at Thomastown. The amount includes employee retention incentives, redundancy costs and other associated costs. Refer to note 5.5 for more information.

#### 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

This covers the leave obligations for long service leave and annual leave which are classified as either short-term benefits or other long-term benefits explained below. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees who are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

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

#### (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

# Notes to the Financial Statements

Continued

## 4. CAPITAL, FINANCING AND RISK MANAGEMENT

### 4.1 Equity

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>(a) Contributed Equity</b>			
Ordinary shares issued and fully paid	(b)	397,343	279,096

#### 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

	2021		2020	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
<b>Beginning of the year</b>	<b>96,637,013</b>	<b>279,096</b>	<b>95,736,628</b>	<b>271,750</b>
Issued during the year				
• Dividend reinvestment plan	379,116	1,962	856,584	6,289
• Long term incentive plan – tranche vested	125,858	-	43,801	-
• Placement and Share Purchase Plan – net of transaction cost and deferred tax*	23,082,383	115,382	-	-
• Deferred tax credit on transaction costs	-	903	-	1,057
<b>End of the year</b>	<b>120,224,370</b>	<b>397,343</b>	<b>96,637,013</b>	<b>279,096</b>

\* Capital raising completed in October 2020 as part of the Piangil acquisition. Please refer to note 5.4 for details on Piangil acquisition

#### Performance Rights

##### Long Term Incentive Plan

The Company offers 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 \$8.29 on 30 September 2021 (\$5.57 on 30 September 2020).

##### 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.

##### 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.

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>(c) Reserves</b>			
Asset revaluation reserves	(i)	7,644	7,644
Options reserve	(ii)	4,135	4,215
Cash flow reserve	(iii)	(4,122)	2,421
		<b>7,657</b>	<b>14,280</b>

##### (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.

## 4.2 Cash and Cash Equivalents

Reconciliation of the net profit after income tax to the net cash flows from operating activities

CONSOLIDATED (\$'000)	NOTE	2021	2020
Net profit after tax		15,116	25,001
<b>Adjustments</b>			
Depreciation and amortisation		28,209	19,816
Depreciation Right-Of-Use asset (net of capitalised amount)		17,451	17,548
Capitalised lease interest payments		(4,693)	(4,502)
Impairment loss		2,507	-
Net (gain) / loss on sale of assets		(539)	(291)
Options expense		(80)	537
Deferred gain on sale		(175)	(175)
<b>Changes in assets and liabilities</b>			
(Increase) / Decrease in trade and other receivables		(15,621)	(20,822)
(Increase) / Decrease in inventory		(13,767)	(15,092)
(Increase) / Decrease in biological assets		(8,888)	(8,289)
Increase / (Decrease) in trade payables		21,581	13,696
Increase / (Decrease) in income tax receivable/payable		(10,684)	(11,591)
Increase / (Decrease) in deferred tax liability		2,539	(3,317)
Increase in provisions		5,233	634
<b>Net cash flow from operating activities</b>		<b>38,189</b>	<b>13,153</b>

### Non-cash financing activities

During the current financial year ended 30 September 2021, the company issued 379,116 of new equity (September 2020: 856,584) as part of the Dividend Reinvestment Plan.

#### (a) Net debt reconciliation

Net debt movement during the year as follows:

CONSOLIDATED (\$'000)	NOTE	2021	2020
Cash and cash equivalents		1,995	1,451
Bank overdrafts		(5,063)	(6,235)
Borrowings- repayable after one year		(95,000)	(52,750)
Lease liabilities- repayable within one year		(31,661)	(31,264)
Lease liabilities- repayable after one year		(221,494)	(233,513)
<b>Net debt</b>		<b>(351,223)</b>	<b>(322,311)</b>

#### Cash and cash equivalents

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

(\$'000)	CASH/ BANK OVERDRAFT	LIABILITIES FROM FINANCING ACTIVITIES				TOTAL
		LEASES DUE WITHIN 1 YEAR	LEASES DUE AFTER 1 YEAR	BORROWINGS DUE WITHIN 1 YEAR	BORROWINGS DUE AFTER 1 YEAR	
<b>Net debt as at 30 September 2019</b>	<b>7,945</b>	<b>(4,468)</b>	<b>(30,903)</b>	<b>-</b>	<b>-</b>	<b>(27,426)</b>
Adjustment on adoption of AASB16	-	(26,992)	(210,780)	-	-	(237,772)
Cash flows - Principal	(15,820)	35,215	-	-	(52,750)	(33,355)
Cash flows - Interest	-	(13,367)	-	-	-	(13,367)
Additions to leases	-	(13,482)	-	-	-	(13,482)
Foreign exchange adjustments	3,091	-	-	-	-	3,091
Other non-cash movements	-	(8,170)	8,170	-	-	-
<b>Net debt as at 30 September 2020</b>	<b>(4,784)</b>	<b>(31,264)</b>	<b>(233,513)</b>	<b>-</b>	<b>(52,750)</b>	<b>(322,311)</b>
Cash flows - Principal	(7,863)	34,407	-	-	(42,250)	(15,706)
Cash flows - Interest	-	(12,858)	-	-	-	(12,858)
Additions to leases	-	(9,927)	-	-	-	(9,927)
Foreign exchange adjustments	9,579	-	-	-	-	9,579
Other non-cash movements	-	(12,019)	12,019	-	-	-
<b>Net debt as at 30 September 2021</b>	<b>(3,068)</b>	<b>(31,661)</b>	<b>(221,494)</b>	<b>-</b>	<b>(95,000)</b>	<b>(351,223)</b>

# Notes to the Financial Statements

Continued

## 4. CAPITAL, FINANCING AND RISK MANAGEMENT (CONTINUED)

### 4.3 Borrowings

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current - Secured</b>			
Bank overdraft		5,063	6,235
<b>Non-current - Secured</b>			
Debt facilities		95,000	52,750

### 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) Interest rate risk exposures

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

#### (b) Assets pledged as security

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

- 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.
- A deed of cross guarantee exists between the entities of the wholly owned group.

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

CONSOLIDATED (\$'000)	NOTE	2021	2020
<b>Current</b>			
<i>Floating charge</i>			
Cash and cash equivalents		1,995	1,451
Receivables		84,842	69,154
Inventories		114,316	100,549
Biological assets		51,321	42,432
Current tax receivables		5,286	-
Derivative financial instruments		78	3,811
<b>Total current assets pledged as security</b>		<b>257,838</b>	<b>217,397</b>
<b>Non-current</b>			
<i>Floating charge</i>			
Other receivables		1,825	1,891
Property, plant and equipment		437,607	298,715
Permanent water rights		55,122	37,859
<b>Total non-current assets pledged as security</b>		<b>494,554</b>	<b>338,465</b>
<b>Total assets pledged as security</b>		<b>752,392</b>	<b>555,862</b>

### Financing arrangements

On 16 December 2020, the Company had signed new debt facility agreements with NAB and Rabobank which provide a total facility to the extent of \$210 million (30 September 2020: \$100 million) for a period of 3 years. The additional facilities have been/ will be used to partly fund the Piangil acquisition, capital equipment purchases and working capital for the Piangil farm. There was no change to other bank facilities in place.

As a result of the likely lower FY2021 almond price, the Company sought and received waivers from NAB and Rabobank not to test two of its three covenants (Debt Leverage Ratio and Interest Coverage Ratio) for the period ending 31 March 2021. These two covenants have now been replaced with a Liquidity Ratio and Fixed Charge Cover Ratio which better reflect movements related to a commodity based agricultural business. The new covenants for the 30 September 2021 period have been met.

There was no change made to the Company's bank overdraft facilities which amounted to US\$5 million (2020: US\$5 million). The current interest rates at balance date are 1.62% (2020: 1.44%) on the debt facility, and 1.675% (2020: 1.675%) on the United States dollar bank overdraft facility.

#### 4.4 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 Euros.

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. These include formulating various strategies, forward foreign currency contracts, and options.

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

GROUP	2021 (USD \$'000)	2021 (EUR €'000)	2020 (USD \$'000)	2020 (EUR €'000)
Trade receivables net of payables	30,520	-	13,347	(10)
Overdraft	(3,648)	-	(4,432)	-
Foreign Exchange Contracts (FEC)				
• buy foreign currency (cash flow hedges)	1,783	-	1,954	-
• sell foreign currency (cash flow hedges)	71,854	-	41,195	-
Sell foreign currency option contracts*	15,000	-	14,500	-

\* 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\$15 million (2020: USD\$14.5 million) or USD\$30 million (2020: USD\$29 million).

###### Group sensitivity analysis

Based on financial instruments held at 30 September 2021, 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 \$3,935,000 lower/\$4,349,000 higher (2020: \$2,520,000 lower/\$2,785,000 higher), mainly as a result of the US dollar denominated financial instruments as detailed in the above table. Equity would have been \$5,178,000 lower/\$5,723,000 higher (2020: \$2,938,000 lower/\$3,247,000 higher), arising mainly from forward foreign currency contracts designated as cash flow hedges.

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

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

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

	2021		2020	
	INTEREST RATE (%)	BALANCE (\$'000)	INTEREST RATE (%)	BALANCE (\$'000)
Debt facilities (AUD)	0.90%	95,000	0.94%	52,750
Overdraft (USD)	1.68%	3,648	1.68%	4,432

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. With the current low interest rate environment and the future expectation that interest rates will remain at low levels, management has not entered into any interest rate swap agreement during the year.

###### Group sensitivity

At 30 September 2021, if interest rates had changed by +/- 25 basis points from the weighted average interest rate with all other variables held constant, the result for the period would have been \$173,000 lower/higher (2020: \$100,000 lower/higher).

# Notes to the Financial Statements

Continued

## 4. CAPITAL, FINANCING AND RISK MANAGEMENT (CONTINUED)

### 4.4 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		Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2021	2020	2021	2020	2021	2020	2021 (%)	2020 (%)
\$( '000)								
<b>(i) Financial assets</b>								
Cash	-	-	1,995	1,451	1,995	1,451	-	-
Trade and other receivables	-	-	84,842	69,154	84,842	69,154	-	-
Forward foreign currency contracts	-	-	78	3,811	78	3,811	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>86,915</b>	<b>74,416</b>	<b>86,915</b>	<b>74,416</b>		
<b>(ii) Financial liabilities</b>								
Bank overdraft – USD @ AUD	5,063	6,235	-	-	5,063	6,235	1.68	1.80
Commercial Bills	95,000	52,750	-	-	95,000	52,750	1.01	1.25
Lease liabilities	253,155	264,777	-	-	253,155	264,777	4.99	4.99
Trade creditors	-	-	28,754	23,290	28,754	23,290	-	-
Other creditors	-	-	36,213	19,227	36,213	19,227	-	-
Forward foreign currency contracts	-	-	3,626	-	3,626	-	-	-
<b>Total financial liabilities</b>	<b>353,218</b>	<b>323,762</b>	<b>68,593</b>	<b>42,517</b>	<b>421,811</b>	<b>366,279</b>		

#### 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.

#### 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.

#### (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 nor impaired can be assessed by reference to external credit ratings (if available) and to historical information. The majority of the Group's sales are derived from large, established customers with no history of default.

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.

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	HELD WITH	EXPIRY DATE	FACILITY LIMIT	AMOUNT DRAWN 30 SEPT 2021
1. Working Capital	NAB	18/12/2023	\$105,000,000	\$95,000,000
	RABO	18/12/2023	\$42,500,000	Nil
2. Acquisition	RABO	18/12/2023	\$42,500,000	Nil
2. Seasonal*	RABO	30/06/2023	\$20,000,000	Nil
			<b>\$210,000,000</b>	<b>AUD \$95,000,000</b>
3. Overdraft†	NAB	28/02/2022	USD \$5,000,000	USD \$3,648,375

\* The facility is reviewed annually and available for the period 1 March to 30 June each year

† Held with NAB only and reviewed annually.

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:

FLOATING RATE (\$'000)	2021	2020
Term / Seasonal*	AUD \$115,000	AUD \$47,250
Bank Overdraft Facility USD	USD \$1,352	USD \$568

\* 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 of the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

(\$'000)	LESS THAN 6 MONTHS	6-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT (ASSETS) / LIABILITIES
<b>Group at 30 September 2021</b>						
<b>Non-derivatives</b>						
<i>Variable Rate</i>						
Debt facilities	-	-	96,330	-	96,330	95,000
Trade and other payables	64,967	-	-	-	64,967	64,967
Lease liabilities	16,818	16,947	121,987	175,381	331,133	253,155
Bank Overdraft	5,098	-	-	-	5,098	5,063
<b>Derivatives</b>						
FEC USD buy – outflow	1,783	-	-	-	1,783	78
FEC USD sell – (inflow)	(34,179)	(37,674)	-	-	(71,853)	(2,731)
USD Sell option	-	(15,000)	-	-	(15,000)	(896)
<b>Net USD</b>	<b>(32,396)</b>	<b>(52,674)</b>	<b>-</b>	<b>-</b>	<b>(85,070)</b>	<b>(3,549)</b>
<b>Group at 30 September 2020</b>						
<b>Non-derivatives</b>						
<i>Variable Rate</i>						
Debt facilities	-	-	53,609	-	53,609	52,750
Trade and other payables	42,517	-	-	-	42,517	42,517
Lease liabilities	17,633	17,065	123,217	173,209	331,124	264,777
Bank Overdraft	6,278	-	-	-	6,278	6,235
<b>Derivatives</b>						
FEC EUR buy - outflow	1,954	-	-	-	1,954	(42)
FEC USD buy – outflow	(20,195)	(21,000)	-	-	(41,195)	(3,905)
FEC USD sell – (inflow)	(7,500)	(7,000)	-	-	(14,500)	136
USD Sell option	-	(7,000)	-	-	(7,000)	179
<b>Net USD</b>	<b>(25,741)</b>	<b>(28,000)</b>	<b>-</b>	<b>-</b>	<b>(53,741)</b>	<b>(3,811)</b>

# Notes to the Financial Statements

Continued

## 4. CAPITAL, FINANCING AND RISK MANAGEMENT (CONTINUED)

### 4.4 Financial Risk Management (CONTINUED)

#### (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, such as foreign currency forwards and foreign currency options, are valued using specific valuation techniques as follows:

- for foreign currency forwards- the present value of future cash flows based on the forward exchange rates at the balance sheet date
- for foreign currency options- option pricing models

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:

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

At 30 September 2021 the group's assets and liabilities measured and recognised at fair value comprised the forward foreign currency contracts and foreign currency options. These are level 2 measurements under the hierarchy.

## 5. GROUP STRUCTURE

### 5.1. Controlled Entities

The financial statements of the Group include the consolidation of Select Harvests Limited and its controlled entities. Controlled entities are the following entities controlled by the parent entity (Select Harvests Limited).

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2021	2020
<b>Parent Entity:</b>			
Select Harvests Limited <sup>(i)</sup>	Australia	100	100
<b>Controlled Entities of Select Harvests Limited:</b>			
Kyndalyn Park Pty Ltd <sup>(i)</sup>	Australia	100	100
Select Harvests Food Products Pty Ltd <sup>(i)</sup>	Australia	100	100
Meriram Pty Ltd <sup>(i)</sup>	Australia	100	100
Kibley Pty Ltd <sup>(i)</sup>	Australia	100	100
Select Harvests Nominee Pty Ltd <sup>(i)</sup>	Australia	100	100
Select Harvests Orchards Nominee Pty Ltd <sup>(i)</sup>	Australia	100	100
Select Harvests Water Rights Unit Trust <sup>(i)</sup>	Australia	100	100
Select Harvests Water Rights Trust <sup>(i)</sup>	Australia	100	100
Select Harvests Land Unit Trust <sup>(i)</sup>	Australia	100	100
Select Harvests South Australian Orchards Trust <sup>(i)</sup>	Australia	100	100
Select Harvests Victorian Orchards Trust <sup>(i)</sup>	Australia	100	100
Select Harvests NSW Orchards Trust <sup>(i)</sup>	Australia	100	100
Jubilee Almonds Irrigation Trust Inc	Australia	100	100

<sup>(i)</sup> Members of extended closed group

## 5.2. Parent Entity Financial Information

### (a) Summary financial information

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

(\$'000)	2021	2020
Current Assets	9,471	7,318
<b>Total Assets</b>	<b>532,295</b>	<b>360,704</b>
Current Liabilities	7,313	14,429
<b>Total Liabilities</b>	<b>105,400</b>	<b>72,212</b>
<b>Shareholders' Equity</b>		
Issued capital	397,344	278,039
Reserves		
• Cash flow hedge reserve	(4,122)	3,479
• Options reserve	4,135	4,215
Retained profits	29,538	2,759
<b>Total Shareholders' Equity</b>	<b>426,895</b>	<b>288,492</b>
<b>Profit / (loss) for the year</b>	<b>31,676</b>	<b>32,707</b>
<b>Total comprehensive income / (expense)</b>	<b>24,316</b>	<b>37,090</b>

### (b) Tax consolidation legislation

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

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

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

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

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

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

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

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

## 5.3. Related Party Disclosures

### (a) Key management personnel compensation

CONSOLIDATED (\$)	NOTE	2021	2020
Short term employment benefits		3,503,907	3,684,049
Post-employment benefits		185,426	191,550
Long service leave		31,925	78,195
Share based payments		(52,524)	490,541
		<b>3,668,734</b>	<b>4,444,335</b>

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

### (b) Director related entity transactions

There were no director related entity transactions during the year.

### (c) Directors' interests in contracts

Michael Carroll, who retired during the period, is a director of Rural Funds Management, the responsible entity for Rural Funds Group, which leases orchards to Select Harvests. These transactions are on normal commercial terms and Mr. Carroll was not involved in meetings where these items were discussed.

# Notes to the Financial Statements

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## 5. GROUP STRUCTURE (CONTINUED)

### 5.4. Asset Acquisition

#### Summary of Acquisition

On 18 December 2020, Select Harvests completed the acquisition of Piangil Almond Orchard (which was previously announced on 1 October 2020) for \$129 million. The acquisition amount comprised of 3,870 acres of almond orchards, 1,584 acres of unplanted land, 2,499ML of permanent water and farm equipment.

The fair values of assets recognised as a result of the acquisition are as follows

(\$'000)	
Plantation land and irrigation systems	30,641
Buildings	806
Bearer Plants	84,267
Plant and equipment	152
Permanent water rights	13,134
<b>Net identifiable assets</b>	<b>129,000</b>
Net cash outflow on acquisition	129,000
<b>Total purchase consideration</b>	<b>129,000</b>

The above amount excludes stamp duty and transaction costs which amounted to \$9.31 million and were capitalised proportionately to the above asset base. A further operating cost of \$11.78 million was paid to the vendor for the 2021 Piangil crop growing costs incurred from 1 July 2020 to 18 December 2020. Piangil's 2021 crop of 4,592 MT forms part of Select Harvests' almond yield.

### 5.5. Discontinued Operations

#### (a) Description

On 23 February 2021, the Group announced its intention to exit the Consumer Brands and non-almond Industrial related business and initiated an active program to locate a buyer for the *Lucky*, *Sunsol* and *Nuvitality* brands in addition to the relevant Industrial contracts. On 30 August 2021, the Group announced the sale of the *Lucky* and *Sunsol* brands to *Prolife Foods Pty Ltd* with the sale completed on 30 September 2021.

#### (b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the discontinued operations for the financial year ended 30 September 2021.

(\$'000)	NOTE	2021	2020
Revenue		59,622	61,154
Expenses		(65,074)	(66,995)
<b>Underlying EBIT</b>		<b>(5,452)</b>	<b>(5,841)</b>
Interest expense		(92)	(136)
Loss on sale of brands	5.5 (c)	(2,184)	-
Restructuring expense	(i)	(6,805)	-
<b>(Loss) before income tax</b>		<b>(14,533)</b>	<b>(5,977)</b>
Income tax benefit		4,360	1,793
<b>(Loss) after income tax of discontinued operations</b>		<b>(10,173)</b>	<b>(4,184)</b>
Net cash (outflow) from ordinary activities		(9,748)	(4,344)
Net cash (outflow) from investing activities		(607)	(1,714)
<b>Net decrease in cash generated by the business</b>		<b>(10,355)</b>	<b>(6,058)</b>

(i) Following the sale of the Consumer Food Brands division and the impending closure of the Thomastown factory, a provision has been taken for the restructuring costs of the business amounting to \$4.3m and recognising an impairment for the assets held at Thomastown facility amounting to \$2.5m (refer to note 3.5). The provision for restructuring costs includes employee retention incentives, redundancy costs and other restructuring costs.

CENTS	NOTE	2021	2020
Basic (loss) per share from discontinued operations		(8.6)	(4.3)
Diluted (loss) per share from discontinued operations		(8.5)	(4.3)

#### (c) Details of the Sale of Assets

(\$'000)	NOTE	2021
Total disposal consideration		2,500
Carrying amount of net assets sold:		
Brand Names		2,905
Finished Inventory		1,000
		3,905
Sale of business costs		(779)
<b>Loss on asset sale</b>		<b>(2,184)</b>

## 6. OTHER INFORMATION

### 6.1. Contingent Liabilities

#### (i) Guarantees

Cross guarantees are given by the entities comprising the Group. Group entities are set out in Note 5.1.

#### (ii) Bank Guarantees

As at 30 September 2021, the company had provided \$6.16 million (2020: \$6.16 million) of bank guarantees as security for the almond orchard leases.

### 6.2. Expenditure Commitments

Upon adoption of AASB 16 on 1st October 2019, the operating and finance lease commitments have been disclosed as lease liabilities except for leases on water rights which are classified as intangibles and therefore excluded from AASB16 scope.

#### (a) Operating lease commitments

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

CONSOLIDATED (\$'000)	NOTE	2021	2020
Minimum lease payments			
• Within one year		9,744	11,022
• Later than one year and not later than five years		9,277	10,831
• Later than five years		-	-
<b>Aggregate lease expenditure contracted for at reporting date</b>		<b>19,021</b>	<b>21,853</b>

#### Operating leases

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

#### (b) Capital Commitments

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

CONSOLIDATED (\$'000)	NOTE	2021	2020
Property, plant and equipment		17,524	4,366

### 6.3. 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. Rights vest each year, with half of the rights vesting upon achievement of underlying earnings per share (EPS) and the other half vesting upon achievement of total shareholder return (TSR) targets. The underlying EPS growth targets are based on the Cumulative Annual Growth Rate (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:

MEASURE	RIGHTS TO VEST
<b>Current Issues</b>	
<b>Underlying EPS</b>	
Below 5% CAGR	Nil
5% CAGR	25%
5.1% - 19.9% CAGR	Pro rata vesting
20% or higher CAGR	50%
<b>TSR</b>	
Below the 50 <sup>th</sup> percentile*	Nil
50 <sup>th</sup> percentile*	25%
51 <sup>st</sup> – 74 <sup>th</sup> percentile*	Pro rata vesting
At or above 75 <sup>th</sup> percentile*	50%

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

# Notes to the Financial Statements

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## 6. OTHER INFORMATION (CONTINUED)

### 6.3. 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 year are set out below:

#### 30 September 2021

GRANT DATE	VESTING DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR (NUMBER)	GRANTED DURING THE YEAR (NUMBER)	FORFEITED DURING THE YEAR (NUMBER)	VESTED DURING THE YEAR (NUMBER)	BALANCE AT END OF THE YEAR		PROCEEDS RECEIVED (\$)	SHARES ISSUED (NUMBER)	FAIR VALUE PER SHARE (\$)	FAIR VALUE AGGREGATE (\$)
							ON ISSUE	VESTED				
20/10/2014	31/10/2020	-	75,000	-	(10,125)	(64,875)	-	-	-	-	4.21	-
29/09/2016	31/10/2020	-	30,000	-	(4,050)	(25,950)	-	-	-	-	3.23	-
02/12/2016	31/10/2020	-	22,500	-	(3,037)	(19,463)	-	-	-	-	3.23	-
20/11/2017	31/10/2020	-	18,000	-	(2,430)	(15,570)	-	-	-	-	3.65	-
29/04/2019	31/10/2021	-	169,557	-	(16,571)	-	152,986	-	-	-	5.18	792,467
27/03/2020	31/10/2022	-	122,578	-	(17,098)	-	105,480	-	-	-	4.22	445,126
28/07/2021	31/10/2023	-	-	175,542	-	-	175,542	-	-	-	6.29	1,104,159

#### 30 September 2020

GRANT DATE	VESTING DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR (NUMBER)	GRANTED DURING THE YEAR (NUMBER)	FORFEITED DURING THE YEAR (NUMBER)	VESTED DURING THE YEAR (NUMBER)	BALANCE AT END OF THE YEAR		PROCEEDS RECEIVED (\$)	SHARES ISSUED (NUMBER)	FAIR VALUE PER SHARE (\$)	FAIR VALUE AGGREGATE (\$)
							ON ISSUE	VESTED				
20/10/2014	31/10/2020	-	150,000	-	(47,625)	(27,375)	75,000	-	-	-	4.21	315,750
29/09/2016	31/10/2020	-	100,000	-	(59,050)	(10,950)	30,000	-	-	-	3.23	96,900
29/09/2016	31/10/2020	-	30,000	7,500	(9,524)	(5,476)	22,500	-	-	-	3.23	72,675
20/11/2017	31/10/2020	-	18,000	-	-	-	18,000	-	-	-	3.65	65,700
29/04/2019	31/10/2021	-	169,557	-	-	-	169,557	-	-	-	5.18	878,305
27/03/2020	31/10/2022	-	-	122,578	-	-	122,578	-	-	-	4.22	517,279

#### 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. This assessment was made by an external expert.

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

PERFORMANCE RIGHTS ISSUED	28 JULY 2021	28 MARCH 2020	29 APRIL 2019	20 NOVEMBER 2017	2 DECEMBER 2016	29 SEPTEMBER 2016	20 OCTOBER 2014
Share price at grant date	\$7.66	\$7.05	\$6.49	\$4.64	\$6.23	\$5.62	\$5.95
Expected volatility*	40%	40%	40%	45%	45%	45%	45%
Expected dividends	0.52%	4.95%	1.83%	2.13%	7.87%	7.87%	3.31%
Risk free interest rate	0.02%	0.35%	1.33%	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 (\$)	NOTE	2021	2020
Performance rights granted under employee long term incentive plan		(79,938)	536,897

#### 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.

#### 6.4 Auditors' Remuneration

CONSOLIDATED (\$)	NOTE	2021	2020
<b>Audit and other assurance services</b>			
Audit and review of financial statements		372,500	337,600
Other services	(a)	250,000	-
<b>Total remuneration of PricewaterhouseCoopers</b>		<b>622,500</b>	<b>337,600</b>

(a) Other services relate to corporate transactions undertaken during the year.

#### 6.5. Events Occurring After Balance Date

On 26 November 2021, the Directors declared a final fully franked dividend of 8 cents per share in relation to the financial year ended 30 September 2021 to be paid on 4 February 2022.

# Directors' Declaration

In the directors' opinion:

- (a) the financial statements and Notes set out on pages 37 to 70 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 2021 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 5.1 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 5.2.

Note 1.1 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  
Chair

Melbourne, 26 November 2021

# Independent Auditor's Report



## *Independent auditor's report*

To the members of Select Harvests Limited

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

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#### *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 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

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

The Group financial report comprises:

- the statement of financial position as at 30 September 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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#### *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 & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999

Liability limited by a scheme approved under Professional Standards Legislation.



*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.



<i>Materiality</i>	<i>Audit scope</i>
<ul style="list-style-type: none"> <li>• For the purpose of our audit we used overall Group materiality of \$2.39 million, which represents approximately 5% of the Group’s three year weighted average profit before tax from continuing operations.</li> <li>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>• We chose Group profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We chose a three year average to address volatility in the profit before tax from continuing operations calculation caused by fluctuations in the almond price between years.</li> <li>• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> </ul>

# Independent Auditor's Report

Continued



## 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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p><b>Inventory valuation – current year almond crop</b> (Refer to note 3.2 and 3.3)</p> <p>The Group held inventory of \$114.3 million at 30 September 2021. The inventory balance includes almonds that have been fully harvested at the year end. Australian Accounting Standards require agricultural produce (such as almonds) from an entity's biological assets to be included in inventory and measured at fair value less costs to sell, at the point of harvest.</p> <p>The inputs used by the Group in the valuation of inventory include the harvest volumes, growing costs and the key assumptions for the fair value of almonds.</p> <p>We consider the valuation of the current year almond crop to be a key audit matter because of the financial significance of the inventory balance relating to the current year almond crop for the year ended 30 September 2021 and the judgement involved in the key assumptions.</p>	<p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> <li>• Developed an understanding of the Group's processes and controls over determining the harvest volumes of almonds produced and testing the operating effectiveness of a sample of related controls.</li> <li>• Attended the Group's stocktakes in September 2021, where we observed the Group's count procedures and tested the existence of a sample of almond crop inventory on hand.</li> <li>• Obtained external confirmations for a sample of third party inventory storage locations and agreed quantities per the confirmations to the Group's inventory listing.</li> <li>• Reconciled opening to closing inventory and tested a sample of almonds inflows from harvest, almonds processed, and sales outflows during the year.</li> <li>• Evaluated the net realisable value of almond crop inventory by comparing the value held at 30 September 2021, to actual selling prices achieved since harvest for a sample of items, agreed a sample of committed sales to contracts and considered external spot price information.</li> <li>• Agreed a sample of costs of harvesting and processing the almond crop during the year to supporting documentation and agreed the allocation of these costs to inventory at 30 September 2021.</li> <li>• Tested the mathematical accuracy of the Group's almond crop valuation.</li> <li>• Evaluated the reasonableness of the disclosures made in notes 3.2 and 3.3 in light of the requirements of Australian Accounting Standards.</li> </ul>


**Key audit matter**
**How our audit addressed the key audit matter**
**Carrying value of intangible assets**  
*(Refer to note 3.7)*

The Group has goodwill of \$26.0 million and permanent water rights of \$55.1 million and is required to assess intangible assets for impairment at least annually, under Australian Accounting Standards.

For the year ended 30 September 2021, the Group identified one Cash Generating Unit (CGU), for growing, processing and selling almonds.

The Group performed an impairment assessment for the CGU, by preparing a financial model to determine if the carrying value of the assets is supported by forecast future cash flows, discounts to present value (the “model”).

We consider the carrying value of intangible assets to be a key audit matter because of the financial significance of the carrying value of the CGU (including intangible assets, plant and equipment and right of use assets) and the significant judgements and assumptions applied by the Group in estimating future cash flows.

**Acquisition accounting - Piangil almond orchard acquisition**  
*(Refer to note 5.4)*

In December 2020, the Group acquired the assets of the Piangil Almond Orchard, which included land and irrigation systems, bearer plants, permanent water rights, buildings and other plant and equipment, for cash consideration of \$129 million, plus stamp duty and transaction costs of \$9.3 million.

We performed the following procedures, amongst others:

- Assessed whether the Group’s determination of Cash Generating Units (CGUs) was consistent with our knowledge of the Group’s operations and its internal group reporting.
- Tested the mathematical accuracy of the calculations in the model.
- Compared the forecast future cash flows used in the model with the forecasts formally approved by the Board.
- Assessed whether the forecast growth rate assumptions used in the model were appropriate with reference to our understanding of the key drivers, such as forecast harvest volumes, water prices and almond pricing.
- Evaluated the Group’s ability to forecast future cash flows by comparing historical budgets with reported actual results for the past 3 years.
- With the assistance of PwC valuation experts, assessed whether the discount rate applied in the model is reasonable by comparing it to market data and comparable companies.
- Evaluated the reasonableness of the disclosures made in note 3.7, including key assumptions and sensitivities to changes in such assumptions, in light of the requirements of the Australian Accounting Standards.

We performed the following procedures, amongst others:

- Agreed the purchase price to the sale and purchase agreement and agreed the cash paid to relevant banking and accounting records.
- Read the key terms of the Sale and Purchase agreement, and determined the reasonableness of the identified assets and liabilities associated with the acquisition.
- Agreed the recognised fair value of the land and irrigation systems, bearer plants, permanent water rights, buildings and other plant and equipment to

# Independent Auditor's Report

Continued



## Key audit matter

Under Australian Accounting Standards, the Group is required to identify all assets and liabilities acquired and estimate the fair value of each item. Transaction costs were capitalised by the Group proportionately to the asset base acquired.

We consider the accounting for the acquisition of the Piangil Almond Orchard to be a key audit matter because of the magnitude of the asset acquisition transaction, and the significant judgement required by the Group in identifying the assets and liabilities acquired and determining their fair value.

## Accounting for the Food Division restructure (Refer to note 5.5)

On 30 September 2021, the Group sold the Consumer Brands portion of the Food Division. The sale included the Lucky and Sunsol brand names and associated finished goods inventory. The financial performance of the Consumer Brands portion of the Food Division has been disclosed as a discontinued operation in the Statement of Comprehensive Income.

We consider the accounting for the sale of the Consumer Brands portion of the Food Division to be a key audit matter because of the non-routine nature of the transaction, and the significant judgements required by the Group in estimating recoverable amounts of the assets, and the costs associated.

## How our audit addressed the key audit matter

third party valuation reports, and assessed the appropriateness of the valuation methodology used in the reports with reference to external market information from comparable asset sales and Australian Accounting Standards.

- Assessed on a per acre basis, the appropriateness of the acquisition value allocated to bearer plants in comparison to comparable properties held by the Group.
- Tested, on a sample basis, transaction costs incurred to supporting documentation and determined the appropriateness of the allocation of these costs across the asset base acquired.
- Tested the mathematical accuracy of the allocation of transaction costs across the fair values of assets acquired.
- Evaluated the reasonableness of the disclosures in notes 5.4 in light of the requirements of Australian Accounting Standards.

We performed the following procedures, amongst others:

- Read the key terms of the Sale Agreements.
- Agreed the proceeds on sale to the relevant bank statement.
- Recalculated the gain on sale by comparing the carrying value of the assets for the business to the consideration received less the cost to sell.
- Evaluated by reference to Australian Accounting Standards, the reasonableness of the disclosure in note 5.5 including the discontinued portion of revenue, and expenses, and associated restructuring expenses.



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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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.

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### *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.

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

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

# Independent Auditor's Report

Continued



## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 24 to 35 of the directors' report for the year ended 30 September 2021.

In our opinion, the remuneration report of Select Harvests Limited for the year ended 30 September 2021 complies with section 300A of the *Corporations Act 2001*.

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### *Responsibilities*

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



PricewaterhouseCoopers



Alison Tait  
Partner

Melbourne  
26 November 2021

## 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 29 October 2021. 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	4,746
1,001 to 5,000	3,790
5,001 to 10,000	888
10,001 to 100,000	655
100,001 and over	42

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS
7,408	550

### (b) Twenty largest shareholders

The following information is current as at 29 October 2021. The names of the twenty largest registered holders of quoted shares are:

	NUMBER OF SHARES	PERCENTAGE OF SHARES
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,932,690	17.41%
2. CITICORP NOMINEES PTY LIMITED	19,610,998	16.31%
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	18,017,278	14.99%
4. NATIONAL NOMINEES LIMITED	7,126,223	5.93%
5. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT- COMMONWLTH SUPER CORP A/C>	5,275,534	4.39%
6. UBS NOMINEES PTY LTD	4,964,404	4.13%
7. BNP PARIBAS NOMS PTY LTD <DRP>	2,245,809	1.87%
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,875,681	1.56%
9. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	877,942	0.73%
10. BNP PARIBAS NOMS PTY LTD <AGENCY LENDING DRP A/C>	715,002	0.59%
11. SMARTEQUITY EIS PTY LTD	620,342	0.52%
12. MR JOHN PATERSON	480,000	0.40%
13. BNP PARIBAS NOMS PTY LTD SIX SIS LTD <DRP A/C>	467,451	0.39%
14. RATHVALE PTY LIMITED	407,115	0.34%
15. MIRRABOOKA INVESTMENTS LIMITED	375,000	0.31%
16. BNP PARIBAS NOMINEESS PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	280,352	0.23%
17. NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	269,222	0.22%
18. REZANN PTY LTD <RIPKA FAMILY A/C>	269,000	0.22%
19. CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	219,120	0.18%
20. INVIA CUSTODIAN PTY LIMITED <IWANIW SUPER FUND A/C>	215,000	0.18%
<b>Total securities of Top 20 holdings</b>	<b>85,244,163</b>	<b>70.90%</b>
Remaining holders balance	34,980,207	29.10%
<b>Total</b>	<b>120,224,370</b>	<b>100%</b>

### (c) Substantial shareholders

The substantial shareholders as disclosed by notices received by the Company as at 29 October 2021 are:

	NUMBER OF SHARES	% HOLDING
Perpetual Limited	12,420,240	10.33%
Yarra Capital Management Limited	9,481,714	7.89%
Paradice Investment Management Pty Ltd	9,041,243	9.40%

### (d) Voting rights

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

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



# Corporate Information

ABN 87 000 721 380

## DIRECTORS

M Iwaniw (Chair)  
P Thompson (Managing Director)  
F S Grimwade (Non-Executive Director)  
N Anderson (Non-Executive Director)  
F Bennett (Non-Executive Director)  
G Kingwill (Non-Executive Director)  
M Carroll (Non-Executive Director) - retired 26 February 2021

## COMPANY SECRETARY

B Crump

## REGISTERED OFFICE - SELECT HARVESTS LIMITED

360 Settlement Road  
Thomastown VIC 3074

Postal address

PO Box 5

Thomastown VIC 3074

Telephone (03) 9474 3544

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

## SOLICITORS

Minter Ellison Lawyers

## BANKERS

National Australia Bank Limited

Rabobank Australia

## AUDITOR

PricewaterhouseCoopers

## SHARE REGISTER

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Abbotsford VIC 3067

Telephone (03) 9415 4000

## WEBSITE

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



# SELECT HARVESTS

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## ANNUAL REPORT 2021

YEAR ENDED 30 SEPTEMBER 2021

**Product range**

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

Bulk and convenient packs

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



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

**Select Harvests Limited**

ABN 87 000 721 380

PO Box 5

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Thomastown VIC 3074

T (03) 9474 3544

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

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ASX ticker code: SHV

 [Select Harvests LinkedIn company/select-harvests-pty-ltd](https://www.linkedin.com/company/select-harvests-pty-ltd)

