



SELECT HARVESTS

## Select Harvests Limited

### 1H15 Half Year Results Announcement

26 February 2015

Select Harvests today announces results for the 6 months ended 31 December 2014 (1H15) with a Net Profit After Tax (NPAT) of A\$18.8 million.

#### Overview of Results

- **Reported 1H15 NPAT of A\$18.8 million compares favorably to the Reported 1H14 (NPAT) of A\$18.4 million**
- **Underlying 1H15 NPAT A\$21.5 million is up 17% on the 1H14 Underlying NPAT of A\$18.4 million, after excluding 1H15 pre-tax acquisition transaction costs of \$3.8 million**
- **Underlying 1H15 Earnings Before Interest and Tax (EBIT) is up 23% to A\$33.3 million (1H14 Underlying EBIT of A\$27.0 million)**
- **Operating Cash Flow of A\$18.4million (1H14 A\$23.5 million)**

The Directors announce an interim dividend (unfranked) of 15 cents per share (1H14 interim dividend 11cps), payable on 16 April 2015 and with a Record Date of 5 March 2015.

The 2015 harvest commenced in across the portfolio on 19 February. With additional harvest equipment and changes to our processes, in particular the introduction of night harvesting, we will be able to complete harvest quicker and react to weather events more efficiently. We have commissioned our dryer at Carina West. The current weather outlook is favourable.

Spot almond prices have continued to remain strong on the back of the long standing supply constraints being experienced in California and the diverse growth in global almond demand. The almond price estimation within the valuation is A\$10.20/kg, which recognises the extent of forward sales contracted (40% sold), with currency hedging in place. In recent weeks our transactions have been closer to A\$11.00/kg.

Food Division revenue grew 9% and while driven primarily by the lower margin Trading business, we have also seen pleasing growth in our Consumer Brands business. It should be noted we have increased the investment in marketing to support our branded business by \$400,000 year on year. Industrial sales posted another strong result, with ongoing innovation being delivered to both international customers in the confectionary, baking and snacking industry segments.

Select Harvests' Managing Director Paul Thompson said: *"Our current projection is a crop 30% larger than last year, with almond price up 20%. We look forward to a trouble free harvest and taking advantage of the strong market conditions".*

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## **Almond Division**

After adjusting for one-off pre-tax acquisition costs of A\$3.8 million, Select Harvests 1H15 Almond Division EBIT is A\$32.3 million, up 29% on 1H14 Almond Division EBIT of A\$25.0 million.

### 2014 Crop update

80% of 2014 crop has been sold and delivered. As previously advised, we experienced difficult harvest conditions, particularly in NSW. Whilst we have maintained our price per kg, the completion of processing resulted in increased processing, fumigation and drying costs. The crop has been downgraded. The overall impact of the downgrade to the 1H15 Result is A\$3.0 million before tax.

### 2015 Crop Update – Harvest Underway

Select Harvests' 2015 crop forecast is 13,400 tonnes. The forecast is consistent with previous advice. The recently acquired orchards are expected to yield slightly below the industry average for the next couple of years as the trees respond to Select Harvests horticultural programs, as previously advised at the time of acquisition. The acquisitions are living up to our expectations and are showing positive signs as a result of our changes.

### Orchard Acquisitions

On 22 August 2014, the Company acquired a number of properties containing almond orchards and/or land that could be planted with almonds. The largest of these was Amaroo at Paringa in South Australia comprising 2,011 acres of almond orchards, 731 acres of citrus orchards, 6.2 GL of High Security water entitlements and 1,500 acres of land suitable for planting to almonds for A\$52.4 million.

In Victoria, the company acquired Mullroo at Lake Cullulleraine, with 434 acres of almond orchard and 1,365 acres of land suitable for planting to almonds for A\$8.5 million.

In New South Wales, the company acquired Mendook (Euston, NSW) with 1,600 acres of land suitable for planting to almonds for A\$2.0 million.

In addition to building scale and achieving the stated ambition to build a critical mass of almonds, these acquisitions increase the geographic diversity of the company's almond orchards and result in a portfolio that is more evenly balanced across the key Australian almond growing regions than it was previously.

### Greenfield Developments

We have commenced the land preparation and irrigation installation at the recently acquired Allinga Orchard in SA. During this winter we will plant 375 hectares (925 acres) of almonds. Select Harvests is continuing to investigate the appropriate way to fund large scale Greenfield developments.

## **Food Division**

The Food Division EBIT was A\$4.1 million, up 2% on the prior result. Revenues of A\$70.6 million are up by 9.4% from A\$64.5 million last year.

### 2015 Trading

Our Private Label business has continued to decline. Notwithstanding the tough retail environment, the company has continued to roll out its strategic plan, including relaunches, product reformulations, price increases and repackaging. The results of these initiatives in the Consumer Brands portfolio are starting to register with consumers – Lucky's market share has risen to 41.7% during 1H15 - a 7 year high and 14% of branded sales are now coming from new products

This is particularly heartening when you consider that Select has been leading price increases in the market and is currently in the process of putting another round of retail price increases. It is critical in this market of rapidly increasing costs that they are passed on in order to prevent the food business becoming wedged in a margin trap.

### **Debt and cash flow development**

Operating cash flow of A\$18.4 million was reported in the first half of the financial year with proceeds of the 2014 crop in the period.

Our operating cash flow has been impacted by the funding of the horticultural program of our increased acreage year on year.

During 1H15 the company invested \$66.8 million in significant orchard and land acquisitions that delivered additional scale, geographic diversity and future growth opportunities. These acquisitions were funded primarily from a Placement and Share Purchase Plan which ensured that these transactions did not materially change the gearing of the business. By the completion of the half, Net Debt was A\$98.7 million while gearing (Net Debt to Equity) was 37.6%.

Select Harvests retains comfortable headroom within the limits of its various debt facilities provided by NAB and Rabobank.

### **Outlook**

US dollar almond prices are anticipated to remain at relatively high levels for some time, driven by significant production constraints in California.

Global consumers are continuing to demand almonds. This demand led growth, combined with the sustained weakening of the AUD against the USD over the last 6 months has ensured that Select Harvests is well placed.

The outlook for the remainder of the 2015 financial year is positive. The Australian growing season to date has been normal and the harvest has commenced. Select Harvests' prime focus is now on safely, quickly and efficiently harvesting and processing the value sitting on our trees and delivering those nuts to customers around the world.

While the macro fundamentals are favorable for Select Harvests the focus within the business is on performance and the implementation of its 7 key strategy platforms, including:

- Integrating the recently acquired almond orchards and over the next 2 years bringing their performance into line with SHV's other orchards.
- Continuing to evaluate of additional investments in mature and Greenfield almond orchard developments.
- Continued improvement in the performance of the Select Harvests portfolio of almond orchards (inc. replant program)
- Increasing the velocity and impact of change in the Food Division through new product innovation and supply chain integration and efficiencies
- Maintaining a tight control over capital expenditure particularly the recently announced Biomass Electricity Cogeneration Plant.

Commenting on the result, Select Harvests' Managing Director Paul Thompson said: *"We have had a very productive first half with significant acquisitive growth, a capital raising, transformative capital developments such as the almond dryer and the Biomass Electricity Cogen Plant, not to mention the significant work behind the scenes in both Divisions that has delivered the improved operational result."*

*Our strategy has been and remains to grow in the almond sector which has outstanding fundamental attributes, but we want to be defined by our contributions and performances.*

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

Paul Thompson, Managing Director	03 9474 3544
Paul Chambers, Chief Financial Officer	03 9474 3544
Andrew Angus, Investor Relations	0402 823 757

**BACKGROUND:**

Select Harvests Ltd (ASX:SHV) is an ASX listed, fully integrated almond business consisting of orchards (company owned, leased, joint venture and managed), primary processing (hulling & shelling), secondary processing (blanching, roasting, slicing, dicing, meal), trading (industrial products) and consumer products (Private Label & Brands - Lucky, Sunsol, Soland, Nuvit, Renshaw & Allinga Farms). Select Harvests also import a full range of nuts (in addition to almonds) for inclusion in their Consumer Products range of nut products. Australia is a significant global almond producer and Select Harvests are one of Australia's largest almond companies, supplying almonds domestically and internationally, to supermarkets, health food shops, industrial segments and the almond trade. The company is headquartered at Thomastown on the outskirts of Melbourne, Australia while its orchards are located in North West Victoria, Southern New South Wales and South Australia. Its primary processing facility (Carina West) is located at Wemen in North West Victoria and the secondary processing facility is located at Thomastown.

## Half Year Results – Key Financial Data

\$000's	1H FY2014	1H FY2015	%
<b>Revenues</b>	<b>100,664</b>	<b>100,582</b>	<b>+2.0%</b>
<b>EBITDA</b>	<b>28,794</b>	<b>35,519</b>	<b>+23%</b>
Depreciation	1,831	2,248	
<b>EBIT</b>			
Almond Division	25,005	32,329	+29%
Food Division	4,028	4,091	+2%
Corporate	(2,070)	(3,175)	
<b>Total EBIT</b>	<b>26,963</b>	<b>33,245</b>	<b>+23%</b>
Interest Expense	(2,142)	(2,600)	
<b>Profit Before Tax</b>	<b>24,821</b>	<b>30,645</b>	<b>+23%</b>
Tax expense	(6,437)	(9,193)	
<b>NPAT (before Acquisition Costs)</b>	<b>18,384</b>	<b>21,452</b>	<b>+17%</b>
Acquisition Costs (Post Tax)	-	(2,637)	
<b>NPAT Reported</b>	<b>18,384</b>	<b>18,815</b>	<b>+2%</b>
<b>EPS (excluding Acquisition Costs)</b>	<b>32.0 cents</b>	<b>34.6 cents</b>	<b>+8%</b>
<b>Net Debt</b>	<b>79,688</b>	<b>98,652</b>	
<b>Gearing</b>	<b>45.3%</b>	<b>37.6%</b>	

**SELECT HARVESTS LIMITED  
ABN 87 000 721 380  
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2014**

**SELECT HARVESTS LIMITED AND CONTROLLED ENTITIES**  
**ABN 87 000 721 380**  
**FINANCIAL REPORT FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2014**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2014 and any public announcements made by Select Harvests Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*

## **DIRECTORS' REPORT**

The directors present their report together with the financial report of Select Harvests Limited and controlled entities (referred to hereafter as the "consolidated entity" and "group") for the half-year ended 31 December 2014 and independent review report thereon.

### **Directors**

The names of the directors in office at any time during or since the end of the half-year are:

M Iwaniw (Chairman)  
P Thompson (Managing Director)  
R M Herron  
M Carroll  
F S Grimwade  
P Riordan

The directors have been in office since the start of the financial period to the date of this report.

### **Review of Operations**

The consolidated profit of the group for the half year amounted to \$18,815,491 (half-year 31 December 2013 \$18,384,093).

### **Interim Dividend**

On 26 February 2015, the directors declared an unfranked interim dividend of 15 cents per ordinary share to be paid on 16 April 2015 to shareholders registered at 5.00pm on 5 March 2015.

### **Subsequent Events**

No significant events have occurred subsequent to reporting date.

### **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 3.



**SELECT HARVESTS LIMITED AND CONTROLLED ENTITIES**  
**ABN 87 000 721 380**

**Rounding of amounts to nearest thousand dollars**

The amounts contained in the report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:

A handwritten signature in blue ink, appearing to read 'Michael Iwaniw', with a stylized flourish at the end.

Michael Iwaniw  
Chairman

Dated this 26<sup>th</sup> day of February 2015



## Auditor's Independence Declaration

As lead auditor for the review of Select Harvests Limited for the half-year ended 31 December 2014, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to be 'JO' followed by a stylized flourish.

John O'Donoghue  
Partner

Melbourne  
26 February 2015

**CONSOLIDATED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	<b>Half-year</b>	
		<b>2014</b>	2013
		<b>\$ '000</b>	\$ '000
<b>Sales revenue</b>		100,582	100,664
Cost of sales		(79,711)	(72,343)
Other revenues from ordinary activities		93	124
Change in fair value of biological assets		20,303	8,019
Distribution expenses		(2,537)	(3,144)
Marketing expenses		(530)	(149)
Occupancy expenses		(647)	(645)
Administrative expenses		(2,721)	(2,879)
Finance costs		(2,627)	(2,188)
Other expenses from ordinary activities		(1,560)	(1,710)
Acquisition costs		(3,766)	(1,010)
Profit before income tax and discount on acquisition		26,879	24,739
Discount on acquisition of assets		-	82
<b>Profit before income tax</b>		<b>26,879</b>	<b>24,821</b>
Income tax expense	5	(8,064)	(6,437)
<b>Profit for the half-year</b>		<b>18,815</b>	<b>18,384</b>

**Earnings per share for profit attributable to the ordinary equity holders of the company:**

Basic earnings (cents) per share	30.4	32.0
Diluted earnings (cents) per share	29.6	31.0

The above Consolidated Income Statement should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	<b>Half-year</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Profit for the half-year</b>	<u>18,815</u>	<u>18,384</u>
<b>Other Comprehensive Income</b>		
Changes in fair value of cash flow hedges, net of tax	<u>(1,556)</u>	<u>1,479</u>
<b>Other Comprehensive Income for the half-year</b>	<u>(1,556)</u>	<u>1,479</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF SELECT HARVESTS LIMITED</b>	<u><b>17,259</b></u>	<u><b>19,863</b></u>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	31 December 2014 \$ '000	30 June 2014 \$ '000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,302	6,312
Trade and other receivables		28,658	39,135
Inventories		110,271	83,018
Derivative financial instruments		84	542
Other assets		-	2,632
Assets held for sale		5,000	5,000
<b>TOTAL CURRENT ASSETS</b>		<b>147,315</b>	<b>136,639</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		118,849	85,625
Biological assets		112,023	81,229
Intangible assets		48,124	37,163
Other assets		466	583
<b>TOTAL NON-CURRENT ASSETS</b>		<b>279,462</b>	<b>204,600</b>
<b>TOTAL ASSETS</b>		<b>426,777</b>	<b>341,239</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		19,435	22,693
Interest bearing liabilities	9	31,027	8,299
Derivative financial instruments		2,298	532
Provisions		2,202	2,464
<b>TOTAL CURRENT LIABILITIES</b>		<b>54,962</b>	<b>33,988</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	9	70,927	92,777
Deferred tax liabilities		36,410	29,709
Provisions		2,396	1,995
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>109,733</b>	<b>124,481</b>
<b>TOTAL LIABILITIES</b>		<b>164,695</b>	<b>158,469</b>
<b>NET ASSETS</b>		<b>262,082</b>	<b>182,770</b>
<b>EQUITY</b>			
Contributed equity	8	166,650	99,750
Reserves		11,006	12,190
Retained profits		84,426	70,830
<b>TOTAL EQUITY</b>		<b>262,082</b>	<b>182,770</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	<b>Half-year</b>	
	<b>2014</b>	2013
	<b>\$ '000</b>	\$ '000
<b>Balance at 1 July</b>	<u>182,770</u>	<u>159,505</u>
Profit for the half-year	18,815	18,384
Other Comprehensive Income	(1,556)	1,479
<b>Total comprehensive income for the half-year</b>	<u>17,259</u>	<u>19,863</u>
Transactions with equity holders in their capacity as equity holders:		
- Dividends paid (note 7)	(5,219)	(5,172)
- Contributions of equity (note 8)	66,900	1,464
- Employee performance rights reserve	372	435
	<u>62,053</u>	<u>(3,273)</u>
<b>Total equity at the end of the half-year</b>	<u>262,082</u>	<u>176,095</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$ '000	\$ '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of goods & services tax)	115,879	122,154
Payments to suppliers and employees (inclusive of goods & services tax)	(95,236)	(96,147)
Interest received	76	124
Interest paid	(2,331)	(2,596)
Income tax refunds received	-	-
<b>Net cash inflow from operating activities</b>	<u>18,388</u>	<u>23,535</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of water rights	(10,961)	(882)
Payment for tree development costs	(2,687)	(1,040)
Payment for property, plant and equipment	(11,246)	(2,201)
Proceeds from sale of property, plant and equipment	-	393
Payment for orchard acquisitions	6 (58,366)	(16,601)
<b>Net cash outflow from investing activities</b>	<u>(83,260)</u>	<u>(20,331)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net proceeds from equity raising	63,950	-
Proceeds from borrowings	46,000	57,000
Repayment of borrowings	(45,850)	(61,473)
Dividends paid to the company's shareholders	(2,964)	(3,708)
<b>Net cash inflow/(outflow) from financing activities</b>	<u>61,136</u>	<u>(8,181)</u>
<b>Net decrease in cash and cash equivalents</b>	(3,736)	(4,977)
Cash and cash equivalents at the beginning of the half-year	4,011	7,066
<b>Cash and cash equivalents at the end of the half-year</b>	<u>275</u>	<u>2,089</u>
 <b>Reconciliation of cash and cash equivalents</b>		
Cash and cash equivalents as per consolidated balance sheet	3,302	3,291
Bank overdraft included in interest bearing liabilities	(3,027)	(1,202)
<b>Cash and cash equivalents as per consolidated statement of cash flows</b>	<u>275</u>	<u>2,089</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of preparation of half-year report**

This general purpose interim financial report for the half-year ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Select Harvests Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### **Adoption of new and revised standards and interpretations**

##### ***AASB 9 Financial Instruments***

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the AASB in December 2014, the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities. There will also be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation. The group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules.

##### ***AASB 15 Revenue from contracts with customers***

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group has not yet decided whether to adopt AASB 15 early. The group will make more detailed assessments of the impact over the next six months.



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

### ***AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer plants***

The AASB has made amendments which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are therefore seen similar to an item of machinery. Going forward, they will be accounted for under AAS 116 Property, Plant and Equipment which means that they will be carried at cost and depreciated over their expected useful life. Agricultural produce growing on bearer plants will remain within the scope of AASB 141 and continue to be measured at fair value less costs to sell. Select Harvests Limited's almond trees qualify as bearer plants under the new definition in AASB 141. Select Harvests Limited will therefore need to change its accounting policy for these assets. As at 31 December 2014 Select Harvests Limited's biological assets, including bearer plants, had a total fair value of \$112.0 million. Select Harvest Limited is yet to determine when and how to adopt the new rules. In particular the group has not yet assessed whether it has sufficient historic data to allow a full retrospective adoption with restatement of all bearer assets to cost, or whether it will apply the exemption and use the fair value at the beginning of the earliest comparative period as deemed cost upon adoption. Any difference between the old and the new carrying amounts will be recognised in opening retained earnings.

## **2. COMPARATIVE INFORMATION**

The Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows provide comparative information for the half-year ended 31 December 2013. The Balance Sheet provides comparative information as at 30 June 2014.

Where necessary, the comparatives have been reclassified and repositioned to be consistent with the current year disclosures.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **31 DECEMBER 2014**

#### **3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to those critical accounting estimates and assumptions disclosed in the Group's previous annual financial report, the estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **Inventory - Current Year Almond Crop**

The current year almond crop is classified as a biological asset and valued in accordance with AASB 141 "Agriculture". In applying this standard, the consolidated entity has made various assumptions at the interim balance date as the current year almond crop is only partially through the growing season. The main assumptions are the future almond selling price of \$10.20 per kg and almond yield based on a crop estimate for Company Orchards of 13,423 metric tonnes (includes impact of acquisitions in the period) and costs are broadly consistent with prior periods. The actual outcome of these assumptions will not be known until the almond crop is brought through to harvest, processed and sold.

##### **Biological assets - almond & citrus trees**

Almond and citrus trees are classified as biological assets and are valued in accordance with AASB 141 "Agriculture". As at 31 December 2014, the value of biological assets carried in the financial statements of the Company is \$112.0 million, which includes \$3.2 million of citrus trees (30 June 2014:\$81.2 million). Specifically for the almond trees, the valuation is very sensitive to the assumptions of the long term price and yields, therefore any change to these assumptions may have a material impact on these valuations. These assumptions remain consistent with those disclosed in the 2014 Annual Financial Report, including a long term average almond price of \$6.50 per kilogram.

#### **4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

On 26 February 2015, the Directors declared an unfranked interim dividend of 15 cents per ordinary share to be paid on 16 April 2015 to shareholders registered at 5.00pm on 5 March 2015.

No significant events have occurred subsequent to reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2014

#### 5. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	Half-year	
	2014	2013
	\$ '000	\$ '000
Profit from continuing operations before income tax expense	26,879	24,821
Tax at the Australian tax rate of 30% (2013 – 30%)	(8,064)	(7,446)
Over provision of previous year	-	1,009
Income tax expense	<b>(8,064)</b>	<b>(6,437)</b>

#### 6. BUSINESS COMBINATIONS

##### (a) Summary of Acquisitions

On 22 August 2014, Select Harvests acquired 4,248 acres of land, which includes 2,011 acres of almond orchards and 731 acres of citrus orchards, near Renmark in South Australia (referred to as Amaroo) for \$57.7 million cash consideration, which included \$3.4 million for the orchard assets and \$1.9 million for title to the 2015 crop.

On 22 August 2014, Select Harvests acquired 2,953 acres of land, which includes 434 acres of almond orchards in Victoria (referred to as Mullroo) for \$8.4 million cash consideration.

The provisional fair values of assets and liabilities acquired, which are subject to the completion of the acquisition valuation exercise are as follows:

	Amaroo \$'000	Mullroo \$'000
Plantation land and irrigation systems	18,000	5,451
Buildings	1,000	40
Plant and equipment	3,375	-
Biological assets – trees	22,314	2,909
Permanent water rights	11,186	-
Inventory	1,953	-
Employee entitlements	(146)	-
<b>Net Identifiable Assets</b>	<b>57,682</b>	<b>8,400</b>
Net cash outflow on acquisition	57,682	8,400
<b>Total purchase consideration</b>	<b>57,682</b>	<b>8,400</b>

Included in other expenses in the income statement are transaction costs totaling \$3.8 million relating to statutory, legal and advisors fees associated with the acquisitions.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

### (b) Revenue and profit contribution

The acquired businesses contributed earnings before interest and tax of \$3,992,000 to the group for the period from acquisition date to 31 December 2014.

If the acquisition had occurred on 1 July 2014, consolidated profit after tax for the half year ended 31 December 2014 would have remained unchanged from the reported results.

## 7. DIVIDENDS

	Half-year	
	2014	2013
	\$ '000	\$ '000
<b>(a) Dividends paid during the half-year</b>		
Total dividends paid during the half-year	5,219	5,172
<b>(b) Dividends not recognised at the end of the half-year:</b>		
In addition to the above dividends, since the end of the half-year the directors have declared the payment of an unfranked interim dividend of 15 cents per fully paid ordinary share (2013 – 11.0 cents fully franked per fully paid ordinary share). The aggregate amount of the declared dividends expected to be paid on 16 April 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is:	10,641	6,360

## 8. EQUITY SECURITIES ISSUED

	Half-year		Half-year	
	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Dividend reinvestment scheme issues	399,613	352,869	2,245	1,464
Long term incentive plan – tranche vested	152,943	-	-	-
Ordinary shares issued under equity raising (net of transaction costs and deferred tax)	12,388,891	-	64,655	-
Contributions of equity			66,900	1,464

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2014

### 9. INTEREST BEARING LIABILITIES

The interest bearing liabilities relate to commercial bills drawn against the banking facility.

The following debt facilities are held with the National Australia Bank (NAB) and Rabobank in equal proportions, except as noted.

Debt facilities	Expiry Date	Facility Limit
1. Term debt	7/10/2018	\$50,000,000
2. Working capital	7/4/2015 NAB / 7/10/2016 Rabobank	\$60,000,000
3. Acquisition	8/10/2015 Rabobank / 31/10/2016 NAB	\$75,000,000
4. USD Overdraft*	7/4/2015	\$5,000,000
		\$190,000,000

\* Held with NAB only

At 31 December 2014 these facilities were drawn down to \$98 million.

### 10. CONTINGENT LIABILITY

The company is involved in legal proceedings in the Supreme Court of Victoria instituted by Almas Almonds, a company associated with two former Select Harvests Limited directors, relating to the provision of orchard management services commencing in 2006. The hearing of the proceeding is presently scheduled for September 2015. Almas Almonds has now also made claims in the proceeding against the designers and installers of the irrigation systems at the two orchards. Almas Almonds is claiming damages totalling \$9,010,879 plus interest and costs, of which approximately \$8,262,764 relates to claimed loss of future income for the period 2014 to 2031. Select Harvests denies any liability in relation to the claim and is vigorously defending it, and as a result no provision has been recognised in relation to the claim.

**SELECT HARVESTS LIMITED AND CONTROLLED ENTITIES**  
**ABN 87 000 721 380**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2014**

**11. SEGMENT INFORMATION**

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

	<b>Food Products (\$'000)</b>		<b>Almond Division (\$'000)</b>		<b>Eliminations and Corporate (\$'000)</b>		<b>Consolidated Entity (\$'000)</b>	
	<b>31-Dec 2014</b>	<b>31-Dec 2013</b>	<b>31-Dec 2014*</b>	<b>31-Dec 2013</b>	<b>31-Dec 2014</b>	<b>31-Dec 2013</b>	<b>31-Dec 2014</b>	<b>31-Dec 2013</b>
<b>Revenue</b>								
Total revenue from external customers	70,623	64,534	29,959	36,130	-	-	100,582	100,664
Intersegment revenue	-	-	11,560	7,291	(11,560)	(7,291)	-	-
<b>Total segment revenue</b>	<b>70,623</b>	<b>64,534</b>	<b>41,519</b>	<b>43,421</b>	<b>(11,560)</b>	<b>(7,291)</b>	<b>100,582</b>	<b>100,664</b>
Other revenue	-	-	65	77	28	47	93	124
<b>Total revenue</b>	<b>70,623</b>	<b>64,534</b>	<b>41,584</b>	<b>43,498</b>	<b>(11,532)</b>	<b>(7,244)</b>	<b>100,675</b>	<b>100,788</b>
<b>EBIT</b>	<b>4,091</b>	<b>4,028</b>	<b>28,563</b>	<b>25,005</b>	<b>(3,175)</b>	<b>(2,070)</b>	<b>29,479</b>	<b>26,963</b>
Interest received	-	-	-	-	27	46	27	46
Finance costs expensed	-	-	(50)	-	(2,577)	(2,188)	(2,627)	(2,188)
<b>Profit before income tax</b>	<b>4,091</b>	<b>4,028</b>	<b>28,513</b>	<b>25,005</b>	<b>(5,725)</b>	<b>(4,212)</b>	<b>26,879</b>	<b>24,821</b>
<b>Segment assets</b> (excluding intercompany debts)	<b>70,773</b>	<b>68,504</b>	<b>356,004</b>	<b>243,758</b>	-	513	<b>426,777</b>	<b>312,775</b>
<b>Segment liabilities</b> (excluding intercompany debts)	<b>8,124</b>	<b>11,778</b>	<b>68,089</b>	<b>42,666</b>	<b>88,482</b>	<b>82,236</b>	<b>164,695</b>	<b>136,680</b>
<b>Acquisition of non-current segment assets</b>	<b>539</b>	<b>133</b>	<b>82,594</b>	<b>19,693</b>	<b>127</b>	<b>16</b>	<b>83,260</b>	<b>19,842</b>
<b>Depreciation and amortisation of segment assets</b>	<b>228</b>	<b>250</b>	<b>2,005</b>	<b>1,566</b>	<b>15</b>	<b>15</b>	<b>2,248</b>	<b>1,831</b>

\*Almond Division includes acquisition costs of \$3.8 million.

## DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 4 to 15 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 31 December 2014 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Select Harvests Limited will be able to pay its debts as and when they become due and payable.

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



Michael Iwaniw  
Chairman  
Dated this 26<sup>th</sup> day of February 2015



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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Select Harvests Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Select Harvests Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Select Harvests Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Select Harvests Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to be 'JO'.

John O'Donoghue  
Partner

Melbourne  
26 February 2015

**SELECT HARVESTS LIMITED  
ABN 87 000 721 380  
AND CONTROLLED ENTITIES**

**HALF-YEAR INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014  
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

**This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.**

# Appendix 4D

## Half Year Report for the six months to 31 December 2014

Name of entity

Select Harvests Limited

ABN 87 000 721 380

### 1. Reporting period

Report for the half year ended 31 December 2014

Previous corresponding period is the financial year ended 30 June 2014  
and half year ended 31 December 2013

### 2. Results for announcement to the market

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

(All amounts in this Report are expressed in \$ 000 unless otherwise stated)

Revenues from continuing ordinary activities ( <i>item 2.1</i> )	Down	(0.1%)	to	100,675
Profit from continuing ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Up	2.3%	to	18,815
Profit after tax excluding acquisition costs*	Up	12.4%	to	21,452
*Acquisition costs relate to the one off duties, legals & registration fees paid in relation to the almond orchards purchased.				

Dividends ( <i>item 2.4</i> )	Amount per security	Franked amount per security
Interim dividend	15.0 ¢	Nil ¢
Previous corresponding period		
Interim dividend	11.0 ¢	11.0 ¢
Record date for determining entitlements to the interim and special dividend ( <i>item 2.5</i> )	5 March 2015	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (*item 2.6*):

Please refer to the attached announcement.

**3. Net tangible assets per security (item 3)**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.02	\$2.40

**4. Details of entities over which control has been gained or lost during the period: (item 4)**

**Control gained over entities**

Name of entities (item 4.1)	-	
Date(s) of gain of control (item 4.2)	-	
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 4.3)	\$ -	
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 4.3)	\$ -	

**5. Dividends (item 5)**

	Date of payment	Total amount of dividend (\$'000)
Interim dividend – year ended 30 June 2015	16 April 2015	10,641
Interim dividend – year ended 30 June 2014	24 April 2014	6,360

**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 (interim)	15.0 ¢	Nil ¢	Nil ¢
Previous year (interim)	11.0 ¢	11.0 ¢	Nil ¢

## Total dividend on all securities

	Current period \$'000	Previous corresponding Period - \$'000
Ordinary securities ( <i>each class separately</i> )	10,641	6,360
Preference securities ( <i>each class separately</i> )	-	-
Other equity instruments ( <i>each class separately</i> )	-	-
<b>Total</b>	<b>10,641</b>	<b>6,360</b>

## 6. Details of dividend or distribution reinvestment plans in operation are described below (*item 6*):

The interim 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

5 March 2015

## 7. Details of associates and joint venture entities (*item 7*)

Name of associate or joint venture entity

%Securities held

N/A	

## Aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

Adjustments

Share of net profit (loss) of associates and joint venture entities

2014 \$	2013 \$
-	-
-	-
-	-
-	-
-	-

**8. The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached), which has been prepared in accordance with Australian accounting standards.**

**9. Independent review of the financial report (*item 9*)**

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

**10. Matters relating to a qualified independent review statement**

A description of the dispute or qualification in respect of the independent review of the half-year financial report is provided below (*item 17*)

N/A
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