



SELECT HARVESTS



growth

collaboration



integration

delivery



annual report

04

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**Through a focused diversification and growth strategy, Select Harvests has delivered an increase in profit after tax of 263% over the last five years.**

## Shareholder Information

### Annual General Meeting

The Annual General Meeting will be held on Monday 25 October at the ASX Theatre 530 Collins Street Melbourne Victoria, commencing at 2:00pm. A separate notice of meeting has been posted to all shareholders.

### 2004/05 Calendar

Feb	Announcement of interim results
Apr	Payment of interim dividend
Aug	Announcement of preliminary full year results
Sept	Annual report to shareholders
Oct	Payment of final dividend
Oct	Annual General Meeting



## our mission

To continue to develop and expand our business model to generate sustainable earnings growth into the future thereby delivering increased value to shareholders.

## our strategy

Through an ongoing process of diversification and expansion of our income stream by leveraging our core strengths of almond growing and knowledge of edible nuts and their markets, we will continue to develop a fully integrated food company with sustained earnings growth and less volatility from agricultural risk.

## our activities

The company has successfully transformed itself from origins as a commodity-based almond grower into a significant integrated agri-food business with a diversified income stream.

Our activities now involve managing orchards for investors, marketing almonds in the domestic and export markets, and processing and marketing an extensive range of nut and fruit based products to retailers, distributors and food manufacturers.

# our business



**Select Harvests Limited, Australia's largest almond grower, manages in excess of 65% of Australia's almond orchards, and is firmly placed in the top 5 almond growers globally.**

## The Business at a Glance

Select Harvests Limited, Australia's largest almond grower, manages in excess of 65% of Australia's almond orchards, and is firmly placed in the top 5 almond growers globally. It is also Australia's leading manufacturer, processor and marketer of a range of nuts, fruit based, and associated products to the Australian retail and industrial markets, and exports almonds to several countries in Asia, Europe and the Middle East.

*Select Harvests owns/leases and/or manages on behalf of external investors a total of 13,975 acres of almond orchards in the Robinvale area of north-west Victoria.*

Through a focused diversification and growth strategy, Select Harvests has delivered an increase in profit after tax of 263% over the last five years.

Select Harvests' business streams are as follows:

## Almond Orchards and Management Services

- Owns/leases and manages 2,380 acres of almond orchards in the Robinvale area of north-west Victoria.

- Manages on a fee for service basis, 11,595 acres of almond orchards on behalf of a number of external investors. These services include orchard establishment, farm management, harvesting, processing, and marketing.
- Currently handles approximately 3,500 metric tonnes of almonds from owned and managed orchards representing approximately 35% of Australia's crop. Future tonnage will exceed 17,000 metric tonnes as new orchards come into full production.
- Exports approximately 35% of its almond production to a range of countries including India, Japan, China, Thailand, Germany, Spain, United Kingdom, United Arab Emirates and Italy.

## Food Products

- Produces an extensive range of packaged nuts and associated products (snacks, cooking ingredients, mueslis, natural health foods, dried fruits, etc).
- Australia's leading supplier of processed and packaged nuts to Australian supermarkets. The Company markets product through the Lucky, Sunsol, Nu-Vit, Meriram and Soland brands.
- Manufactures a range of nut-based ingredients for food manufacturers and distributors.

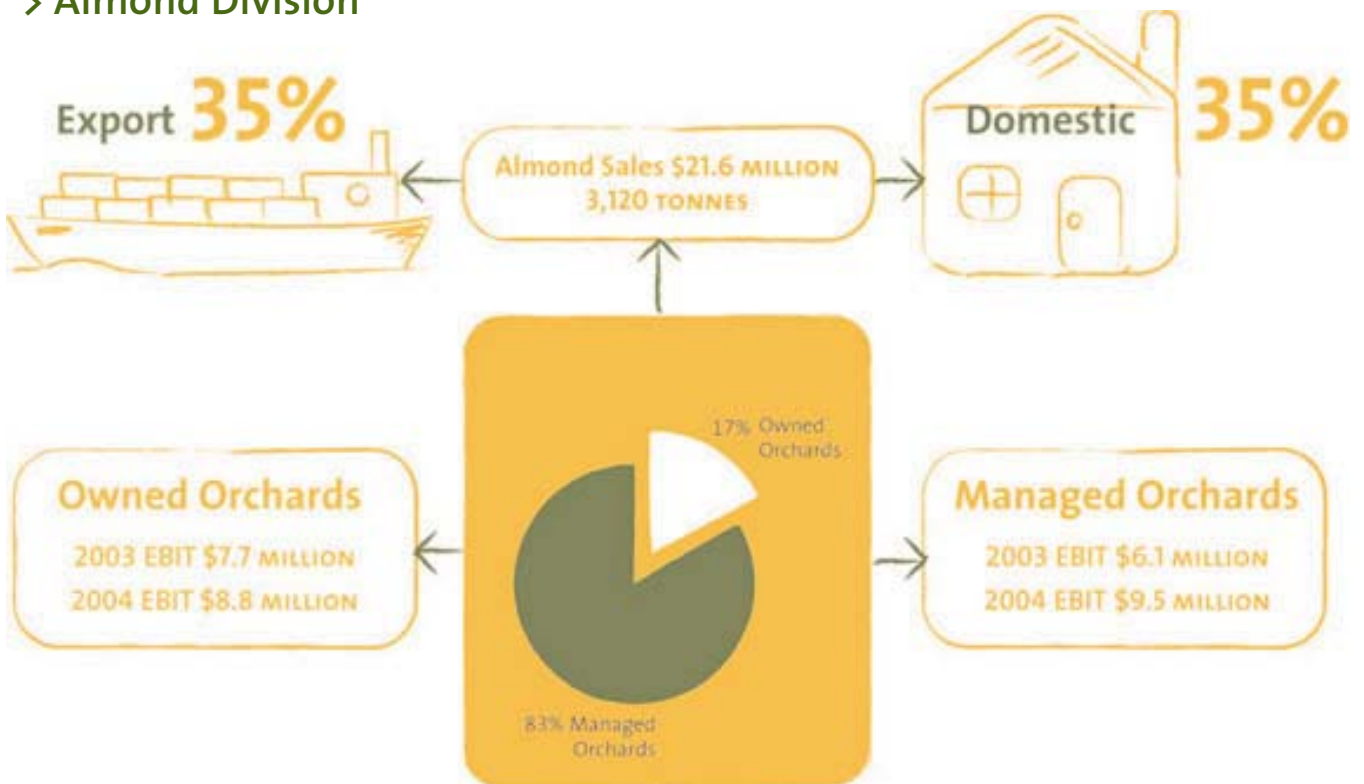
## Pesticide Products

- Manufactures under contract, leading brands of grain based pelletised snail, slug, and rodent pesticides for the Australasian retail and industrial market from a specialised processing facility at Yenda, near Griffith NSW.



# growth, collaboration, integration, delivery

## > Almond Division



## > Food Products Division



# our year in brief



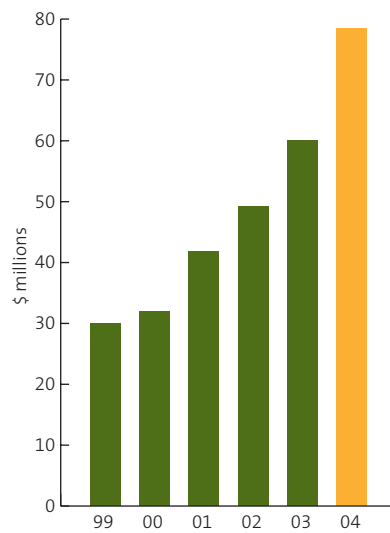
The year in review has produced another excellent result for the company and shareholders, and reinforces the company's strategic direction.

*Select Harvests produces an extensive range of packaged nuts and associated products including snacks, cooking ingredients, mueslis, natural health foods and dried fruits.*

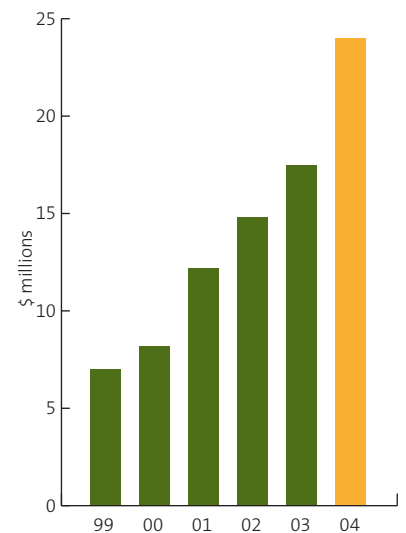
The record result stems from the company's continuing strategy of growth through diversification from what was essentially a commodity based, single revenue stream company into an integrated food company.



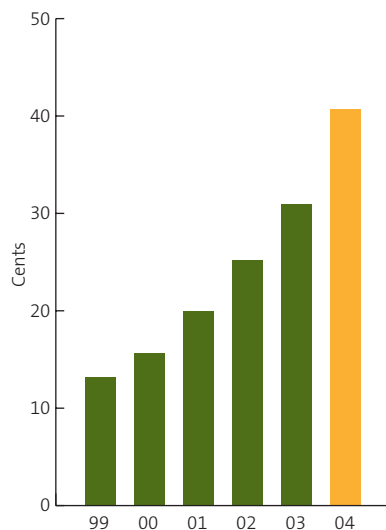
Total Shareholders' Equity



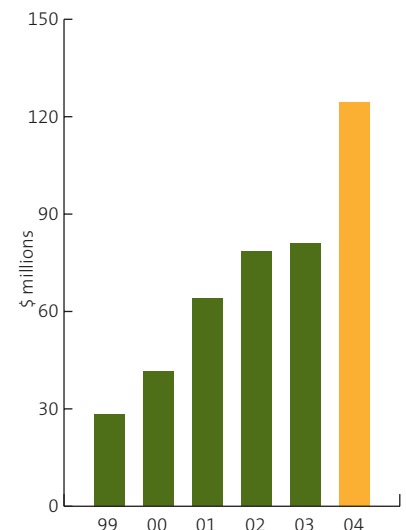
Earnings Before Interest and Tax (EBIT)



Earnings Per Share



Total Sales



# Summary of our achievements against the objectives established for the 2003/04 financial year.

## Our strategic objectives

## Our achievements during 2003/04

### Almond Orchards

Maintain our position as a low cost almond producer.

- Costs per kilogram produced decreased by 1% on the previous year.
- These efficiency gains consolidate the cost savings achieved in previous years and make us one of the most efficient producers in the world.
- Developed 500 acres of new orchards on a lease basis to maintain current production levels through a future replanting program.
- Contributed \$8.8 million (34%) to group EBIT.

### Management Services

Development of externally owned orchards operated by Select on a fee basis to deliver long term stable income streams, economies of scale, and guaranteed supply to meet increasing market demands.

- Planted 3,525 acres of new orchards in 2004, totalling 11,595 acres of externally owned orchards and representing 83% of total acreage under management.
- Investor owned crop increased from 900 tonnes in 2003 to 1,650 tonnes in 2004.
- Anticipate further significant plantings of investor owned orchards for 2005.
- Contributed \$9.5 million (37%) to group EBIT.

### Food Products

Diversification into value added processing and marketing of nuts and dried fruits, thereby positioning Select as a significant food processor and marketer.

- Increased sales revenue by 73% over prior year to \$88 million.
- Acquired the Meriram Group, contributing to revenue and EBIT in 2004/05, together with improved and new distribution, new product categories and internal synergies.
- Contributed \$6.8 million (26%) to group EBIT.

### Earnings

Earnings growth, improved quality of earnings and diversification of earnings streams, with less dependency on almond pricing.

- Total sales revenue increased by 57% to \$127 million.
- EBIT contribution from business segments other than owned almond orchards totalled 66% of group EBIT.
- Total EBIT increased by 37% to \$23.8 million.
- Net Profit after tax increased by 39% to \$15.2 million.

### Shareholders' Equity

Enhance shareholder value.

- Total dividends increased by 40% to 26.0 cents per share, fully franked.
- Earnings per share increased by 28% to 40.0 cents.
- Total shareholders equity increased by 32% to \$79 million.
- Return on shareholders equity increased to 19.2% p.a.
- Share price increased by 39% to \$6.67.



# our report



## From the Chairman and Managing Director

### The Result

We are pleased to report to shareholders that the business model implemented by the company over recent years continues to deliver profit growth, increased dividends and share price appreciation.

The company posted a record result for the year, reporting a net profit after tax of \$15.2 million. This represents an increase in earnings on the previous year of 39%, the fifth consecutive year of growth in excess of 25%.

As a consequence of our earnings growth, strong cash flow, and our confidence in the future, Directors declared a final dividend of 16 cents per share, bringing the total dividend for the year to 26 cents (fully franked) an increase of 40% on the previous year.

The last year saw a further re-rating of our share price, which increased by 39% from \$4.80 to \$6.67 over the financial year, and has since increased further.

*We have improved our branded product position, increased our product range and extended our distribution outside the major retailers.*

### Business Model

Over recent years Select Harvests has established and now operates an integrated agri-food business with a diversified, sustainable and recurring income stream, and reduced volatility from agricultural risk.

Our activities include managing almond orchards for investors, marketing almonds in the domestic and international markets and processing and marketing an extensive range of nut and fruit based products to retailers, distributors and food manufacturers.

This model continues to serve us well and during the last year we have further expanded our business within our core strategies:

- We have recently completed the establishment of a further 4,025 acres of almond orchards increasing our total area under management by 40% to 13,975 acres. As a result we estimate

we are managing over 65% of the total Australian almond acreage and are firmly placed in the top 5 growers in the world.

- The acquisition of the Meriram Group was completed at the commencement of the financial year. As a consequence, our Food Products Division increased sales from \$51 million to \$88 million, and at the same time we have improved our branded product position, increased our product range and extended our distribution outside the major retailers.

We are planning further expansion of our core activities in the current year.

### Markets

The key drivers, which underpin the strength of our business, are the strong fundamentals of the international almond market and the increasing consumption of our products in both the domestic and international markets.

The USA, which grows over 80% of the world's almonds, recently reported its fifth consecutive year of record shipments. The increased demand, together with a plateauing of production, has seen international prices hit a seven-year high in recent times. It is noteworthy that the current price highs follow the three largest crops in USA history in contrast to previous price peaks, which were a result of a short crop in a particular year. Indications for the 2004 crop year are for continuing tight supply at current consumption levels.

Higher grower returns will see increased planting activity in California in 2004, however the lead time of 7 to 8 years for new trees to reach full yield will limit production increases over the next few years, making the increased production from our orchards over the same period





## *This year we continued to deliver profit growth, increased dividends and share price appreciation.*

timely. Australian almond producers continue to have significant advantage over our USA counterparts in both yield and quality, thereby allowing us to compete effectively in the global market.

These strong fundamentals underpin the ongoing attractiveness of almond orchards as an investment in Australia, and the returns from owning almond orchards for both Select Harvests and our orchard investors.

Our products continue to show strong consumption growth both domestically and internationally. The good news about the health benefits of regular consumption of nuts and associated

products continues, together with a move in consumer preference to natural whole foods or unprocessed foods. In addition, almond consumption is increasing in developing countries and in particular the large economies of China, India and Eastern Europe.

This growth will provide a market for our increasing almond production in the coming years and continues to drive the sales of our Food Products Division. We have recently launched a number of branded consumer products aimed at the emerging healthy snacking sector, and initial results are encouraging.

### Future Outlook

#### Almond Orchards

We have recently completed the almond blossom season in good pollination conditions, the nut set was strong and to date all indications are for a good crop in 2005. Costs per kilogram fell by 1% in the last year, consolidating the cost savings and efficiency gains of recent years. Last year produced a record profit for our owned orchards on the back of an improved almond price. A continuation of higher international prices indicates we should be able to maintain this profit level.

We have recently planted a 500-acre orchard, which we will operate on a lease basis. This project was undertaken to maintain the current production levels from our owned orchards through a future re-planting program. We anticipate this will commence in 5 to 6 years as the new orchard comes into production and it will be undertaken progressively over a number of years minimising the impact on production and cash flow.

#### Management Services

The groups we deal with reported strong sales of their respective projects in 2004, indicating strong and continuing demand for almond projects, and we are planning major new developments in 2005.

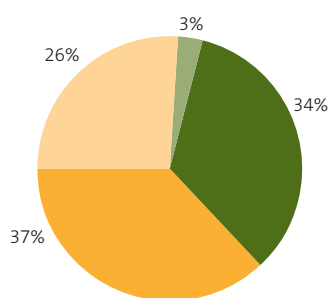
We planted an additional 3,025 acres for Timbercorp Limited in 2004 taking their total area to 9,111 acres. We are currently in the planning phase with Timbercorp for a further 3,000 acres of new developments in 2005.

As foreshadowed in last years report, we completed a 500-acre almond management project in September 2004 for the SAI Teys McMahon Group, a fund manager that specialises in horticultural projects. We have agreed to develop a further 500-acre project in 2005 and it is the SAI Group's plan to undertake similar sized projects over the next three years.

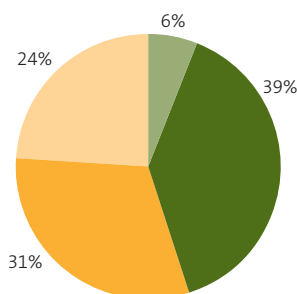
The 2005 projects, when completed, will take the total almond area under our management to 17,475 acres, firmly establishing us as a major world grower, and once the total area is in full production, the resultant crop will place us as one of the leading suppliers of almonds internationally.

To accommodate this increased production, we will be undertaking a two-phase upgrade of our existing shelling and sorting facility over the next two years, and have also commenced plans for a staged rollout of a brand new state of the art processing facility to commence operations in 2008.

**Total EBIT 2004**



**Total EBIT 2003**



- Almond Orchards
- Management Services
- Food Products
- Pesticide Products



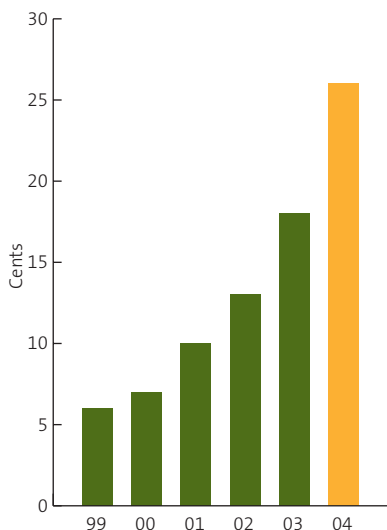
# our report

## Food Products

We have recently announced acquisition of the Chiquita Nibbles business, which is a category specialist selling a range of nuts, fruits and snack products to the fresh produce sections of supermarkets. Strategically, this consolidates our position as the major supplier of our product range to the Australian market

and provides an increased share of the important and growing produce category. In addition, the integration into our existing business provides the Nibbles business with improved raw material sourcing skills and in-house processing capabilities, at the same time delivering increased scale and efficiencies to the total business.

## Dividend Per Ordinary Share

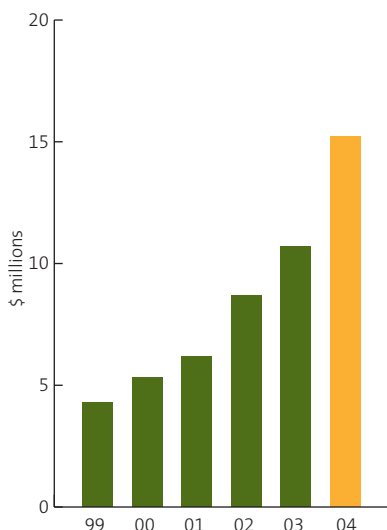


This acquisition will be the fifth for our Food Products Division, complimenting the four previous acquisitions made over the last five years.

We now have a business servicing all sectors of the Australian nut industry including major and independent supermarkets, health food stores, other retailers and distributors, food service, and food manufacturers.

Our focus over the next year will be to further integrate and consolidate our operations into a structure that best services our various customers and markets at the lowest cost, while growing our business and market share particularly in the branded product area.

## Net Profit After Tax



## Pesticide Products

The Pesticides business had a challenging year with external factors of increased wheat prices and unfavourable climatic conditions impacting on profitability. While not core to the business and geographically isolated from our main operations, this division continues to make a good contribution to profit on a small investment with minimal management impact due to the efforts of a strong and dedicated team on site.

The current year has commenced well and to date is showing an improvement against the previous year.

## Our People

Our company continues to experience significant change and new challenges as we rapidly expand. Our ability to manage these changes and at the same time deliver improved results is due to the skill, efforts and dedication of our staff at all locations and the support of our suppliers and customers.

We thank the management and staff for their ongoing efforts and contribution to our success.

We wish to acknowledge two long serving Directors who left the Board during the year, Mr. Brian Burns and Mr. David Williams. Brian and David were an integral part of the Board that formulated and guided the current strategic direction of the company in recent years. We thank them for their contribution, counsel and good humour, and wish them well in the future.

We also take the opportunity to welcome two new Directors to the Board, Mr. Dan O'Brien and Mr. Curt Leonard, who bring significant skills and experience which will serve the company well in the future.

We remain committed to the continued development of the company and increasing shareholder value in the medium and long-term. Our business model has served us well and will continue to provide growth opportunities in the years ahead.

The 2005 financial year has commenced well and we continue to approach the future with confidence.

On behalf of the Board

  
Max Fremder  
Chairman

  
John Bird  
Managing Director



# our operations



## Select Harvests is Australia's leading supplier of packaged nuts, dried fruits, and natural wholefoods to Australian supermarkets.

### Food Products

Select Harvests Marketing is Australia's leading supplier of packaged nuts, dried fruits, and natural wholefoods to Australian supermarkets, and a key supplier of nut-based ingredients to food manufacturers and distributors.

Our product categories include cooking ingredients, salted and flavoured snacks, mueslis, health foods, and dried fruits, which are marketed under a number of proprietary brand names including Lucky, Sunsol, Nu-Vit, Meriram and Soland. Distribution channels include the major Australian supermarkets, health food stores, the route trade, export markets and major Australian food manufacturers.

The successful execution over the last five years of a focussed strategic plan that has included a targeted acquisitions program has built significant processing, marketing and distribution capabilities and has made this division a leader in its field.

The business now has sales revenues of \$88.4 million per annum and an EBIT contribution of \$6.8 million (net of goodwill amortisation of \$1.4 million) representing 26% of group earnings. Sales revenue in the 2004 financial year increased by 73% over the prior year and EBIT increased by 48%.

A major contributor to the increased EBIT for the 2004 financial year was Meriram. The acquisition of the Meriram group

of companies was completed on 9 July 2003. Meriram manufactures a range of health foods, cooking ingredients, and breakfast cereals under the brand names Meriram, Sunsol, Nu-Vit and Soland.

The acquisition of Meriram has extended further our food processing and marketing capacity and has delivered revenue growth, increased product ranging and branding, improved distribution to independent retailers, and entry into the fast growing health food sector. It has also provided a number of synergies, particularly in the sales and merchandising area, and

opportunities exist to continue this program in other operational areas. During the year in review, Meriram continued to build its export business with the achievement of its first supermarket product ranging in Asia.

On 9 September 2004, we announced the acquisition of the Nibbles business from Chiquita Brands South Pacific Limited. Nibbles is a major supplier of nuts, dried fruits and snack products to the fresh produce sections of Australian supermarkets. The fresh produce section has emerged in recent years as a significant seller of nut products and is now the largest individual nut category in the supermarket and a major seller of almonds.

Nibbles is a fresh produce category specialist and we will compliment these skills by providing raw material sourcing expertise, and by bringing in-house processing activities which are currently outsourced.

*Our focussed strategic plan that has included a targeted acquisitions program has built significant processing, marketing and distribution capabilities and has made this division a leader in its field.*



# our operations

## New Technologies and Processes in Action: The New Laser Sorter



*The new laser sorter uses a full spectrum of lasers to detect different types of foreign materials that may be present with raw material inputs to the production process.*

The company is committed to the ongoing implementation and improvement of the most stringent food safety and hygiene practices across the business and has in place HACCP accreditation.

Significant investments have been made over the past few years to ensure that the company maintains its position of leadership in this area. Already in place are optical and infra-red sorters used in the almond sorting and packing operation.

The consolidation of the group's food processing and manufacturing facilities into one site in Thomastown, Victoria during 2002 saw the implementation of a state of the art facility and as part of our continuous improvement focus, additional significant investment commitments have been made in quality systems during the financial year, the most notable of these being the procurement of fully automated laser sorting equipment.

Often, foreign materials similar in color but different in structure compared to the good product can be difficult for the human eye to detect. The laser sorter, sourced from Belgium, uses a full spectrum of lasers to detect different types of foreign materials that may be present with raw material inputs to the production process. Whilst raw materials are passed through the machine, signals from reflected and diffused lasers are compared and assessed against predetermined settings, and any material that does not comply is rejected by timed, high speed air guns for further investigation and sorting. The laser sorter was implemented during August 2004.

To ensure that the company remains at the forefront of developments in the area of food safety and hygiene, new technologies and processes available globally will continue to be monitored and evaluated.

*New technologies and processes available globally will continue to be monitored and evaluated, to ensure that the company remains at the forefront of developments.*

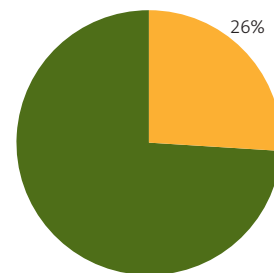
The acquisition of the Nibbles business is a further extension of our food processing and marketing strategy and it will deliver sales growth, increased market share, additional almond sales, and economies of scale. It compliments our existing position as the leading supplier of packaged nuts to the grocery section of supermarkets, and significantly increases our share of the important and growing fresh produce area.

The outlook for the Food Products division is positive. There is a growing trend amongst consumers towards healthier diets and an increasing awareness of the health benefits associated with the regular consumption of nuts. This is evidenced by the 'cooking nuts' category of Australian supermarkets, in which we are the market leader with our Lucky and Sunsol brands, which has experienced an increase in sales of 11.6%, with almonds as a category growing at 17.8% over the prior year. Almonds now make up 44.5% of all cooking nut sales. In addition, the health category in major supermarkets continues to develop and grow in value and presence.

During the year the division enjoyed significant success in the development and launch of innovative new products that have capitalised on the key trends in the market. This has enabled us to increase our market share in Australian supermarkets of the branded cooking and cereal/muesli categories. Using the product development skills inherent in our business, we will continue to capitalise on key retail and consumer trends and to further increase market share and distribution within Australia. In addition, export market opportunities will continue to be pursued and developed.

The industrial sales area is an important part of our Food Products division and we continue to work closely with Australasian food manufacturers, food service distributors, packers and other distributors. We also continue to benefit from the scale provided by this business segment for our overall almond sales and food processing activities.

**Food Products**  
Proportion of group EBIT



**Sales** \$88.4 million  
**EBIT** \$6.8 million

*We are the market leader with our Lucky and Sunsol brands in the 'cooking nuts' category of Australian supermarkets.*



# our operations



*The industrial sales area is an important part of our Food Products division and we continue to work closely with Australasian food manufacturers, food service distributors, packers and other distributors.*

## Meriram – a leading national brand

From humble beginnings in Brisbane as a home based business of the Ciobo family, Meriram has emerged as a leading national food business with extensive distribution of branded products throughout Australia and into a growing export market.

Meriram has focused it's business strategy on the development and promotion of an extensive range of health and natural wholefoods through major supermarkets, specialty retailers, distributors, and food manufacturers. Combined with focused marketing and brand

segmentation strategies, the company's products are market leaders in the breakfast muesli category and the fast growing health food market.

Innovative product development and packaging design continue to grow market share across all categories. At the core of Meriram's successful marketing strategy are the concepts of product innovation and brand positioning. Support for business and sales growth is driven through the utilisation of an in house sales, marketing and merchandising field force.

## Our brands



## *Meriram has emerged as a leading national food business with extensive distribution of branded products throughout Australia and into a growing export market.*

### **Management Services**

Leveraging our existing infrastructure and horticultural, processing, and marketing expertise, a key component of our strategy has been the provision of management services to generate a recurring, fee based income stream from tree planting, orchard development, farm management, harvesting, processing, marketing, irrigation infrastructure and horticultural consultancy.

Income generated from these services continues to reduce our exposure to commodity price and agricultural risk. In addition, it enables us to better utilise processing capacity and provides a platform to continue to grow income and profitability.

The year in review saw a continuation of the significant growth achieved in prior years. Management Services contributed \$9.5 million to group EBIT, a 55% increase from the 2003 financial year, and now represents 37% of total group EBIT (31% in 2003).

During the 2004 financial year, we established an additional 3,525 acres of new investor owned orchards, taking the total acres for this division to 11,595. Management Services now represents 83% of the total acreage that Select Harvests manages, and with further substantial plantings anticipated in the 2005 financial year, we anticipate continued growth in EBIT contribution from this division.

The income generated from our management services is a combination of one-off establishment fees and recurring management fees which will continue to increase over time as the orchards recently established progressively come into production.

During the 2004 financial year, the level of investor owned almond crop increased to 1,650 metric tonnes from 900 metric tonnes last year. Based on total acreage, we anticipate processing and marketing in excess of 17,000 metric tonnes of almonds when the orchards reach full production, compared with our current throughput of approximately 3,500 metric tonnes.

In order to accommodate the significant increase in the future level of production that will arise from our managed and owned orchards, we have put in place a plan that will execute the following initiatives over the next four year period:

- We will upgrade our existing shelling and sorting facility over the next two years to increase capacity to a maximum of 10,000 tonnes; and
- We will commence plans for a staged rollout of a brand new state of the art processing facility in close proximity to our existing plant to add a further 15,000 tonnes of processing capacity to commence operations in 2008.

We continue to focus heavily on the development of investor owned almond orchards, which we establish and manage, and the harvesting, processing, and marketing of future crops on a long-term contractual basis. Almond orchards are now established as an attractive agricultural investment, and we have projects and relationships in place with a number of groups including private investment companies, superannuation funds, and managed investment schemes.

### **Social & Community Involvement**

Select Harvests directly or indirectly employs the services of a large number of people and businesses in and around the Robinvale area of North Western Victoria. We are the largest employer of full time and casual staff in the district.

Due to the size and scale of our operations in this area, we are actively involved in supporting and developing the local and surrounding communities. In addition, we value the contribution of the various community and sporting organisations within the district.

As a key stakeholder in the area, it is important to ensure that vital community development and welfare and social activities are maintained and developed into the future for the benefit of residents and their families. Our involvement in this process extends to supporting a number of different community programs and sporting groups.

During the course of 2003, through the involvement of our employees in various community groups, a need was identified to provide counselling and guidance support to young people attending local secondary schools. The Robinvale Chaplaincy Committee was established and Select Harvests has agreed to provide financial support to enable this important program to continue in the community. Today, a full time chaplain is employed to work with local students and to assist them in developing and improving themselves.

# our operations

## Nursery Operations

Our internal nursery operation is responsible for growing the majority of the trees required to meet the orchard development projects undertaken by the company.

During the 2004 financial year, the following milestones were achieved:

- We grew our 1 millionth tree since the establishment of our nursery operation.
- We supplied over 350,000 trees across new almond orchard developments.
- We established a nursery joint venture, further underpinning the supply of almond trees for future developments.
- We are forecasting to supply over 240,000 trees for next year's developments.

The yearly cycle undertaken by the nursery operation consists of the following key steps:

## Seeds

The process begins with the sourcing of seeds, which are germinated to produce peach rootstock.

## Seedlings Plant out

The germinated seeds are planted into seedling trays and grown in our tunnel house system after which they are transferred to hardening houses where the seedlings are introduced to the outside environment without full exposure to the elements before being planted into the Nursery.

## Planted into Field Nursery

When the young rootstock seedlings have hardened, they are transferred to the field nursery where they are planted out into rows in late spring to early summer.

## Nursery Management

The young rootstock seedlings are closely monitored to ensure that they grow rapidly, to achieve the appropriate size for budding.

## Budding

In summer, we undertake the budding of rootstocks with almond varieties that are required for the developments.

After budding, the bud pushes out and begins to grow. At this stage the bud wood variety takes precedent over the rootstock and becomes an almond tree. It is the bud wood that will produce the designated variety of almond kernel.

## Planting

Following the growing season, the young almond trees are induced into dormancy and hardened off ready for wrenching from the ground, after which they are graded and planted out into the new developments.

*The germinated seeds are planted into seedling trays and grown in our tunnel house system.*





## *We continue to focus on improving the efficiency of our farm management and processing operations, and will continue to develop our processes in line with world's best practice.*

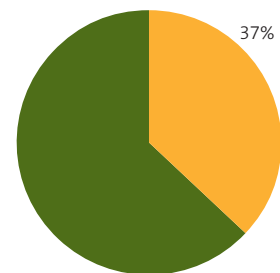
Building on our proven capabilities to successfully manage large-scale projects, we are pursuing further almond orchard development opportunities, which we expect to commence in the 2005 financial year, adding further to the area under management and to our fee base. We are currently in the planning phase with Timbercorp, with whom we have a strategic alliance, for a further 3,000 acres of new developments in 2005. In addition, we will develop 500 acres of almond orchards on behalf of SAITeysMcMahon in the 2005 financial year.

Australia's favourable growing conditions continue to provide competitive advantages in terms of yields, cost, and quality against the world's largest producer, the USA. Australia produces

approximately 2% of the world's production of almonds and there is an opportunity to significantly increase Australian almond production without materially increasing world supply. Due also to the ageing nature of the Californian production base, and the lack of new tree plantings, there will be a flattening of production over the next few years, thereby positioning Australia positively into the future.

External investors meet the capital costs of the planting of their orchards, expenses including rent and irrigation, and assume all agricultural, currency and commodity price risks for the almond crop when the orchards are productive. The management services business is both sound and attractive and we are committed to the further development and growth of this division.

### Management Services Proportion of group EBIT



**Sales**  
\$25.9 million

**EBIT**  
\$9.5 million

## Environmental Sustainability

Select Harvests is committed to employing best practices in respect to the ongoing maintenance and enhancement of the environment and the natural habitats in the Robinvale district.

We work in close partnership with various environmental and government authorities in the development of long-term environmental management strategies and practices to enhance the environment. Some of our practices and initiatives include:

- The use of state of the art water monitoring equipment ensuring maximum efficiency of the use and conservation of water.
- The establishment of fenced native vegetation buffer zones, protecting and enhancing existing native vegetation.
- The establishment of native vegetation corridors on known flight paths for

native birds in the area, creating protected flight corridors for the birds.

- The revegetation of significant areas, that have been cleared through previous farming practices,
- The eradication of pest weeds from native vegetation plots.
- Fulfilling the role of Managing Secretary of the Narcooyia Creek, a 15 km waterway off the Murray River that supplies several major horticultural developments in the Tol Tol area (Robinvale).
- Working in partnership with various environmental and Government authorities in the development of a long term environmental management plan for the Narcooyia Creek. The plan focuses on long-term environmental enhancement and development of the creek and its surrounding habitats.



*State of the art water monitoring equipment ensures maximum efficiency of the use and conservation of water.*



# our operations

## Almond Orchards

Our Almond Orchards division manages and derives income from crops harvested from our Company owned almond orchards. This involves the maintenance of our orchards, harvesting and processing the crop, and marketing the processed product to both the domestic and export markets.

This division's EBIT contribution was \$8.8 million for the 2004 financial year, an increase of 14% over the previous year. Almond Orchards now represents only 34% of total group EBIT compared with 88% only six years ago. This is further testament to the success of the Company's deliberate diversification strategy.

This year's result was achieved from an increase in crop levels compared to the 2003 financial year together with an increased average almond price despite large crops in the USA. This has been aided by increases in world consumption continuing to take global consumption to new record levels. Australian consumption also continues to grow strongly.

These factors provide a positive outlook for longer-term almond prices, and therefore for the performance of our Almond Orchards business.

During the 2004 financial year, we also achieved further reductions in our total cost per kilogram, further cementing Select Harvests as one of the largest and most efficient almond growers and producers in the world. We continue to focus on improving the efficiency of our farm management and processing operations, and will continue to develop our processes in line with world's best practice. In addition, we developed 500 acres of new orchards, which we will operate on a leased basis to facilitate the re-planting of existing orchards over the next 10-year period.

## Pesticide Products

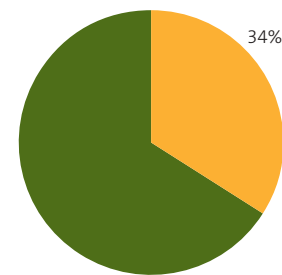
Our Pesticide Products division provides contract manufacturing and packaging services to a number of third party marketers and distributors of branded pelletised snail, slug, and rodent baits to the retail and industrial marketplace in Australasia.

Sales for the 2004 financial year declined by 10% compared with the previous year, and EBIT reduced by 15% to \$752,000 from \$886,000 in 2003. Pesticide Products accounts for 3% of total group EBIT, and produces good cash flows and revenue streams from a low asset base.

The performance of this division was impacted by the drought conditions of the last few years which effected the activity of snails and slugs in both commercial and residential situations, thereby reducing demand for our pelletised products. In addition, the drought resulted in substantial increases in Australian wheat prices as the yields achieved by wheat growers have reduced significantly. Wheat is the primary raw material input for our pelletised products, and is therefore the principal portion of our product cost. The high level of wheat prices continued to adversely effect on our gross margin performance during the 2004 financial year, and therefore on the division's EBIT result.

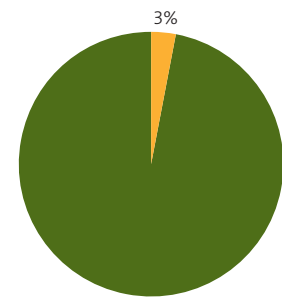
The 2005 financial year has commenced well with present climatic conditions more favourable to the sales of snail and slug baits. Improved climatic conditions, together with projected reductions in Australian wheat prices, are expected to result in an improved level of performance in the 2005 financial year. In addition, we are targeting a number of operational improvements and cost saving initiatives to improve overall returns from this division.

## Almond Orchards Proportion of group EBIT



**Sales** \$13.5 million  
**EBIT** \$8.8 million

## Pesticide Products Proportion of group EBIT



**Sales** \$3.8 million  
**EBIT** \$0.8 million



*Building on our proven capabilities to successfully manage large-scale projects, we are pursuing further almond orchard development opportunities.*

### **Business Information System Implementation**

The rapid and significant growth and diversification achieved by the company over the last few years has increased the complexity and scale of the business operations across the group. Business processes have developed in line with the acquisitions made, and a number of basic software platforms have been utilised.

In line with the company's strategy to grow organically and to continue to identify and execute synergistic acquisition opportunities, management and the Board recognised the need to invest in the implementation of a state of the art business information system to provide a platform for the ongoing development and improvement of business processes, controls, reporting, and analysis.

After a thorough process of evaluation, the ASW system was selected from a number of contenders and implementation was rolled out to all divisions except Meriram by 1 May 2004 without disruption to the business.

It is our intention to roll out the system to the remaining parts of our business and to continue to implement additional modules to enhance the existing base.

The implementation of the business information system will assist us in streamlining our operations and in managing future organic and acquisitive growth.



*Materials are checked and recorded ready for further processing.*

# our board



## Board of Directors



**Max Fremder**  
*Chairman, 74*

Joined the Board in March 1996. Formerly a Director of IAMA Limited, and founder of Nufarm, one of Australia's largest chemical manufacturers for the rural industry. Member of the Remuneration Committee, and the Nomination Committee established on 31 July 2003.



**John Bird**  
*Managing Director, 47*

Joined the Board in September 2001. Has had many years' experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods and has been the Managing Director of Select Harvests Limited since January 1998. Member of the Nomination Committee established on 31 July 2003.



**Charles (Sandy) Clark** B.COMM Dip.Ag.Econ  
*Non-Executive Director, 60*

Joined the Board in January 1998. Is currently Chairman, Aviva Australia Holdings Limited; Chairman, The Myer Family Office Limited; Director, Southern Cross Broadcasting Australia Ltd; Director, The Myer Foundation; Trustee, The William Buckland Foundation; and a Director of a number of private companies. Chairman of the Audit and Risk Committee, member of the Nomination Committee established on 31 July 2003, and appointed Chairman of the Remuneration Committee on 23 February 2004.



**G F Dan O'Brien** B.Sc, BVMS, MBA  
*Non-Executive Director, 49*

Joined the Board on 29 March 2004. Currently principal of Dromoland Capital, a private equity group, and a Director of SPC Ardmona Limited, Coates Hire Limited, and Hexima Limited. He has significant commercial experience having held CEO positions for BIL Australia Limited, Mattel Asia Pacific, and The King Island Company. Mr O'Brien holds an MBA, having graduated with distinction from Harvard Business School and is a qualified Veterinary Surgeon. Appointed to the Audit and Risk Committee, Remuneration Committee, and Nomination Committee on 24 May 2004.



**J C Leonard** B.Mktng & Bus. Admin, MBA  
*Non-Executive Director, 59*

Joined the Board on 21 July 2004. Has held senior management positions with the Mars group of companies in Australia including General Manager of Mars Confectionery, Managing Director of Uncle Bens, and Managing Director of Mars Australia and New Zealand. In addition, he has served as President, Asia Pacific of all Mars businesses and a Director of the Managing Board of Mars Incorporated global business. Appointed to the Audit and Risk Committee, and Nomination Committee on 26 July 2004.



# our management



## Corporate

### Managing Director

John Bird

### Chief Financial Officer and Company Secretary

Marcello Mattia B.Bus(Acc), ACA, MAICD

### OH&S and Quality Manager

Annabel Galea M.App.Sc(Tox), B.Ag.Sc

### Business Development Manager

Cas Lukauskas Fellow Dip Comm, FCPA,  
FCIS, FAICD

## Almond Operations

### General Manager

Wayne Turner

### Horticultural Operations Manager

Tim Millen Dip.Hort Distinct

### Commercial Manager

Garry Watkins B.Comm

## Food Products

### General Manager – Meriram

Max Ciobo

### Executive Manager – Meriram

Natalie Hennessy

### Sales & Marketing Manager – Select Harvests Marketing

Richard Ball

### Operations Manager

Peter Petropoulos

### Sales Manager – Trading

Laurence Van Driel

### Commercial Manager

Colin Dawson Dip.Bus

## Pesticide Products

### General Manager

Vince Cavanagh

*We thank the management and  
staff for their ongoing efforts  
and contribution to our success.*

*Growth, collaboration, integration and delivery.*



# statistical summary

## Select Harvests' Consolidated Results for Years Ended 30 June

(\$'000 except where indicated)

	2004	2003	2002	2001	2000	1999
Total sales	127,381	80,994	78,327	64,996	43,002	29,412
Earnings before interest and tax	24,005	17,421	14,749	12,196	8,389	7,096
Operating profit before tax	22,587	16,111	12,803	10,260	7,586	6,505
Net profit after tax	15,225	10,962	8,554	6,564	5,239	4,198
Earnings per share (basic) (cents)	40.0	31.3	25.4	20.0	16.0	13.4
Return on shareholders' equity (% p.a.)	19.2	18.3	17.3	15.5	15.9	14.0
Dividend per ordinary share (cents)	26.0	18.5	13.5	10.0	8.0	6.0
Dividend franking (% p.a.)	100	100	100	100	100	100
Dividend payout ratio (%)	65.7	62.8	54.5	50.0	50.0	47.3
<b>Financial ratios</b>						
Net tangible assets per share (\$)	1.35	1.08	0.77	0.56	0.43	0.81
Net interest cover (times)	19.1	13.3	7.6	6.3	10.4	12.0
Debt/equity ratio (%)	10.2	15.4	38.9	70.2	54.9	30.0
Current asset ratio (times)	1.70	1.61	1.30	1.31	0.87	1.88
<b>Balance sheet data as at 30 June</b>						
Current assets	32,486	25,077	22,599	23,584	17,981	11,299
Non-current assets	74,469	60,672	63,090	66,405	53,556	34,072
Total assets	106,955	85,749	85,689	89,989	71,537	45,371
Current liabilities	19,077	15,581	17,381	18,048	20,705	6,013
Non-current liabilities	8,610	10,162	18,971	29,568	17,967	9,397
Total liabilities	27,867	25,743	36,352	47,616	38,672	15,410
Net assets	79,268	60,006	49,337	42,373	32,865	29,961
<b>Shareholders' equity</b>						
Share capital	43,940	36,206	34,199	31,124	31,108	30,810
Reserves	14,191	9,458	9,458	9,458	4,386	4,386
Retained profits (accumulated losses)	21,137	14,342	5,680	1,791	(2,629)	(5,235)
Total shareholders' equity	79,268	60,006	49,337	42,373	32,865	29,961
<b>Other data as at 30 June</b>						
Fully paid shares ('000)	38,525	35,455	34,585	32,841	32,824	32,487
Number of Shareholders	2,413	2,054	1,610	1,286	1,167	1,137
<b>Select Harvests' share price</b>						
Year's high (\$)	7.00	4.95	3.25	1.70	1.20	1.26
Year's low (\$)	4.44	2.60	1.49	1.18	0.90	0.90
Close (\$)	6.67	4.80	3.10	1.68	1.19	0.98
Market capitalisation	256,965	170,184	107,214	55,173	39,061	31,837



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# directors' report

The directors present their report together with the financial report of Select Harvests Limited and controlled entities for the year ended 30 June 2004 and the auditors report thereon.

## Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

### Names, Qualifications, Experience and Special Responsibilities

#### **M A Fremder** (*Chairman, 74*)

Joined the Board in March 1996. Formerly a Director of IAMA Limited, and founder of Nufarm, one of Australia's largest chemical manufacturers for the rural industry. Member of the Remuneration Committee, and the Nomination Committee established on 31 July 2003.

Interest in Shares and Options: 5,548,911 fully paid shares.

#### **J Bird** (*Managing Director, 47*)

Joined the Board in September 2001. Has had many years' experience in the food industry and international trade. Formerly Managing Director of Jorgenson Waring Foods and has been the Managing Director of Select Harvests Limited since January 1998. Member of the Nomination Committee established on 31 July 2003.

Interest in Shares and Options: 432,307 fully paid shares, 103,600 options expiring 28 October 2005 exercisable at \$3.31, and 29,200 options expiring 1 November 2006 exercisable at \$5.60 each.

#### **B P Burns, AM, FCPA, FCIS, FAICD** (*Non-Executive Director, 65*)

Joined the Board in July 1999. Has had many years' experience in the food and beverage industry. He is currently a Director of National Foods Limited and Codan Limited, and various other private companies. Member of the Audit and Risk Committee, the Nomination Committee established on 31 July 2003, and appointed to the Remuneration Committee on 23 February 2004.

Interest in Shares and Options: 110,401 fully paid shares.

Retired from the Board on 30 June 2004.

#### **C G (Sandy) Clark, B.Comm, Dip.Ag.Econ** (*Non-Executive Director, 60*)

Joined the Board in January 1998. Is currently Chairman, Aviva Australia Holdings Limited; Chairman, The Myer Family Office Limited; Director, Southern Cross Broadcasting Australia Ltd; Director, The Myer Foundation; Trustee, The William Buckland Foundation; and a Director of a number of private companies. Chairman of the Audit and Risk Committee, member of the Nomination Committee established on 31 July 2003, and appointed Chairman of the Remuneration Committee on 23 February 2004.

Interest in Shares and Options: 22,079 fully paid shares.

#### **D J Williams, B.Ec(Hons), M.Ec, FAICD** (*Non-Executive Director, 50*)

Joined the Board in July 1997. Has had extensive experience in advising agri-food companies. He is the Managing Director of Mariner Corporate Finance Limited and Chairman of Austin Group Limited. Chairman of the Remuneration subcommittee, and member of the Audit and Risk Committee and the Nomination Committee established on 31 July 2003.

Resigned from the Board on 16 February 2004.

Interest in Shares and Options: Nil





**G F Dan O'Brien, B Sc, B VMS, MBA** (Non-Executive Director, 49)

Joined the Board on 29 March 2004. Currently principal of Dromoland Capital, a private equity group, and a Director of SPC Ardmona Limited, Coates Hire Limited, and Hexima Limited. He has significant commercial experience having held CEO positions for BIL Australia Limited, Mattel Asia Pacific, and The King Island Company. Mr O'Brien holds an MBA, having graduated with distinction from Harvard Business School and is a qualified Veterinary Surgeon. Appointed to the Audit and Risk Committee, Remuneration Committee, and Nomination Committee on 24 May 2004.

Interest in Shares and Options: 50,000 fully paid shares.

**J C Leonard, B.Mktng & Bus. Admin, MBA** (Non-Executive Director, 59)

Joined the Board on 21 July 2004. Has held senior management positions with the Mars group of companies in Australia including General Manager of Mars Confectionery, Managing Director of Uncle Bens, and Managing Director of Mars Australia and New Zealand. In addition, he has served as President, Asia Pacific of all Mars businesses and a Director of the Managing Board of Mars Incorporated global business. Appointed to the Audit and Risk Committee, and Nomination Committee on 26 July 2004.

Interest in Shares and Options: 241,587 fully paid shares.

## Corporate Information

### Nature of Operations and Principal Activities

The principal activities during the year of entities within the consolidated entity were:

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

There have been no significant changes in the nature of those activities during the year.

### Employees

The consolidated entity employed 252 full time employees as at 30 June 2004 (2003: 170 employees).

## Review and Results of Operations

Refer to Chairman's report and Managing Director's report in the front section of the Annual Report.

## Significant Changes in the State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

## Significant Events After the Balance Date

On 9 September 2004, Select Harvests Marketing Pty Ltd, a wholly owned subsidiary of Select Harvests Limited entered into an agreement to acquire the Chiquita Nibbles business ('Nibbles') from Chiquita Brands South Pacific Limited for consideration of \$1.03 million plus stock on hand at completion. It is anticipated that completion will take place within one month of signing. The total amount payable for the business is estimated to be \$4.5 million.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

# directors' report

## Likely Developments and Expected Results

Refer to Chairman's report and Managing Director's report in the front section of the Annual Report.

## Environmental Regulation and Performance

The economic entity's operations are subject to environmental regulations under laws of the Commonwealth or of a State or Territory. Details of the economic entity's performance in relation to such environmental regulations follows:

The economic entity holds licences issued by the Environmental Protection Authority which specify limits for discharges to the environment which are the result of the economic entity's operations. These licences regulate the management of discharge to the air and stormwater run-off associated with the operations.

There have been no significant known breaches of the economic entity's licence conditions.

## Directors' and Senior Executives' Remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five named executive officers of the company and the consolidated entity, receiving the highest remuneration, for the financial year are as follows:

### Remuneration of Directors of Select Harvests Limited

	BASE FEE \$	ANNUAL REMUNERATION			LONG TERM REMUNERATION		TOTAL \$
		SHORT TERM INCENTIVES \$	NON CASH BENEFITS \$	SUPERANNUATION CONTRIBUTIONS \$	OPTIONS GRANTED NUMBER	VALUE \$	
<b>Non Executive</b>							
M A Fremder	70,370	-	-	6,333	-	-	76,703
B P Burns ( <i>retired 30/6/04</i> )	35,185	-	-	3,167	-	-	38,352
C G Clark	35,185	-	-	3,167	-	-	38,352
D J Williams ( <i>resigned 16/02/04</i> )	23,457	-	-	2,111	-	-	25,568
G F Dan O'Brien ( <i>appointed 29/3/04</i> )	9,179	-	-	826	-	-	10,005
<b>Executive</b>							
J Bird	286,470	119,093	39,576	25,633	176,000	70,593	541,365

### Remuneration of the Five Most Highly Paid Executive officers of the Company and the Consolidated Entity

	BASE FEE \$	ANNUAL REMUNERATION			LONG TERM REMUNERATION		TOTAL \$
		SHORT TERM INCENTIVES \$	NON CASH BENEFITS \$	SUPERANNUATION CONTRIBUTIONS \$	OPTIONS GRANTED NUMBER	VALUE \$	
M Ciobo	210,000	-	15,989	18,900	-	-	244,889
M Mattia	139,635	4,366	40,900	12,462	-	-	197,363
W Turner	111,046	10,237	19,000	10,196	-	-	150,479
C Lukauskas	93,615	10,000	26,000	9,236	12,400	6,026	144,877
L Van Driel	107,939	18,594	-	9,625	15,900	7,074	143,232



## Notes

- The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.
- The elements of remuneration have been determined on the basis of the cost to the company and the consolidated entity.
- Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.
- Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.
- The category 'other' includes the value of any non-cash benefits provided and includes FBT where applicable.

## Share Options

### Executive Share Option Scheme

The current executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price at the time the offer was made.

The options are valued using the Black-Scholes valuation method and individual parcels are based on a percentage of fixed remuneration. The options are granted annually in three tranches on achievement of performance hurdles.

The following table is a summary of the Executive Share Option Schemes currently in place.

	PARTICIPATING EMPLOYEES	OPTION VALUATION	EXERCISE PRICE	NUMBER OF OPTIONS OFFERED	EXPIRY DATE	GRANTED AUGUST 02	GRANTED SEPTEMBER 03	GRANTED AUGUST 04	BALANCE
2001 Offer	8	\$0.41	\$1.66	361,500	20 October 2004	120,500	87,500	79,100	-
2002 Offer	7	\$0.486	\$3.31	277,500	28 October 2005	-	92,500	85,200	85,200
2003 Offer	10	\$1.00	\$5.60	204,000	1 November 2006	-	-	64,400	128,800
Total				843,000		120,500	180,000	228,700	214,000

### Options Issued

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following executive director and the following five most highly remunerated officers of the Company as part of their remuneration.

	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE	EXPIRY DATE
<b>Director</b>			
J Bird	68,800	\$1.55	20 October 2003
J Bird	110,800	\$1.66	20 October 2004
J Bird	103,600	\$3.31	28 October 2005
J Bird	29,200	\$5.60	1 November 2006
<b>Officers</b>			
M Mattia	8,800	\$5.60	1 November 2006
W Turner	7,000	\$5.60	1 November 2006
C A Lukauskas	24,800	\$3.31	28 October 2005
C A Lukauskas	6,400	\$5.60	1 November 2006
L W Van Driel	17,200	\$1.66	20 October 2004
L W Van Driel	14,600	\$3.31	28 October 2005
L W Van Driel	3,900	\$5.60	1 November 2006



# directors' report

## Unissued Ordinary Shares Under Option

At the date of this report unissued ordinary shares of the company under option are:

OFFER	NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
2001	3,600	\$1.66	20 October 2004
2002	147,500	\$3.31	28 October 2005
2003	64,400	\$5.60	1 November 2006

All options expire on the earlier of their expiry date or termination of the employee's employment.

Current option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

## Shares Issued on Exercise of Options

During or since the end of the financial year, the company issued ordinary shares as a result of the exercise of options as follows:

NUMBER OF SHARES	AMOUNT PAID ON EACH SHARE
259,100	\$1.55
242,100	\$1.66
2,533,500	\$2.30
30,200	\$3.31

There were no amounts unpaid on the shares issued.

## Dividends

	CENTS	\$
Final dividends proposed and not recognised as a liability:		
• on ordinary shares	16.0	6,164,088
Fully Franked Dividends paid in the year:		
<i>Interim for the year</i>		
• on ordinary shares	10.0	3,840,440
		<u>10,004,528</u>
<i>Final for 2003 shown as recommended in the 2003 report</i>		
• on ordinary shares	12.0	4,590,401

## Indemnification and Insurance of Directors and Officers

During the year the Company has paid a premium in respect to 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.

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

Further disclosure required under section 300 (9) of the Corporations Act 2001 is prohibited under the terms of the contract.



## Directors' Meetings

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

	DIRECTORS' MEETINGS	MEETINGS OF COMMITTEES		
		AUDIT AND RISK	REMUNERATION	NOMINATION
Number of meetings held:	12	4	1	1
Number of meetings attended:				
M A Fremder	12		1	1
J Bird	12			1
B P Burns ( <i>retired 30 June 2004</i> )	12	4		
C G Clark	12	4		1
D J Williams ( <i>resigned 16 February 2004</i> )	6	3	1	
GF Dan O'Brien ( <i>appointed 29 March 2004</i> )	4			1

## Committee Membership

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

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

<b>Audit and Risk</b>	<b>Remuneration</b>	<b>Nomination (established 31 July 2003)</b>
C G Clark (Chairman)	D J Williams (Chairman)	M A Fremder (Chairman)
B P Burns ( <i>retired 30 June 2004</i> )	( <i>resigned 16 February 2004</i> ) M A Fremder	J Bird B P Burns ( <i>retired 30 June 2004</i> )
D J Williams ( <i>appointed 31 July 2003, resigned 16 February 2004</i> )	C G Clark (Chairman) ( <i>appointed 23 February 2004</i> )	C G Clark D J Williams ( <i>resigned 16 February 2004</i> )
G F Dan O'Brien ( <i>appointed 24 May 2004</i> )	B P Burns ( <i>appointed 23 February 2004, retired 30 June 2004</i> )	G F Dan O'Brien ( <i>appointed 24 May 2004</i> )
J C Leonard ( <i>appointed 26 July 2004</i> )	G F Dan O'Brien ( <i>appointed 24 May 2004</i> )	J C Leonard ( <i>appointed 26 July 2004</i> )



# directors' 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 Class Order 98/100. The Company is an entity to which the Class Order applies.

## Proceedings on Behalf of the Company

There are no 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's corporate governance statement is contained in detail in the corporate governance section of this annual report.

Signed in accordance with a resolution of the directors.



M A Fremder  
Chairman  
Melbourne, 17 September 2004

# governance

## Corporate Governance Statement

This statement outlines the key corporate governance practices of the economic entity which considers the ASX Corporate Governance Council recommendations.

## Board of Directors and its Committees

### Role of the Board

The Board of Directors of Select Harvests Limited is responsible for the overall corporate governance of the economic entity. The Board guides and monitors the business and affairs of Select Harvests Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. Details of the Board's charter is located on the company's website.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to carry out its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The Board has delegated responsibility for the operation and administration of the company to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to carry out its responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

### Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee, and an Audit and Risk Committee. The Board also performs, as part of its function, the role of Nomination Committee. These committees have written charters, which are reviewed on a regular basis and are located on the company's website. The Board has also established a framework for the management of the economic entity.

The full Board holds twelve scheduled meetings each year, plus any additional meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for meetings is prepared and includes the Managing Director's report, financial reports, business segment reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are involved in Board discussions where appropriate, and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

### Director Education

The economic entity has a process to educate new directors about the nature of the business, current issues, the corporate strategy, and the expectations of the economic entity concerning performance of directors. Directors also have the opportunity to visit the facilities of the economic entity and to meet with management to gain a better understanding of business operations. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge.

### Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the economic entity's expense.

# governance

## Composition of the Board

The names of the directors of the company in office at the date of this report are set out in the Directors' report.

The composition of the Board is determined in accordance with the following ASX principles:

- The Board should comprise at least four directors;
- The Board should maintain a majority of independent non-executive directors;
- The Chairperson must be a non-executive director; and
- The Board should comprise directors with an appropriate range of qualifications, skills and experience.

The Board assesses the independence of each director in light of interests known to the Board, as well as those disclosed by each director. In accordance with the ASX Corporate Governance Council's recommendations, the Board wishes to outline the following:

- The Chairman of the Company, Mr M A Fremder, is a substantial shareholder, having a 14.4% shareholding at 30 June 2004; and
- The Chairman of the Company, Mr M A Fremder, owns (directly or indirectly) almond orchards totalling 300 acres in respect to which the economic entity provides Orchard Management Services under contract at market rates.

## Nomination Committee

The Board of directors, as one of its important functions, performs the role of Nomination Committee. The Board's role as Nomination Committee is to ensure that the composition of the Board of directors is appropriate for the purpose of fulfilling its responsibilities to shareholders.

The duties and responsibilities of the Board in its role as Nomination Committee are as follows:

- To access and develop the necessary and desirable competencies of Board members;
- To develop and review Board succession plans;
- To evaluate the performance of the Board;
- To recommend to the Board, the appointment and removal of directors; and
- Where a vacancy exists, to determine the selection criteria based on the skills deemed necessary and to identify potential candidates with advice from external consultants.

The Chairman of the Board evaluates the performance of each Board member annually in the last quarter of each financial year. The Chairman of the Audit Committee reviews the performance of the Chairman of the Board in the same period. The performance of each Board member is reviewed against the Board charter and any specific objectives agreed and set by the Board for the economic entity.

The Nomination Committee meets annually unless otherwise required. The Committee met once during the financial year and the Committee members' attendance record is disclosed in the table of Directors' meetings. The members of the Nomination Committee are disclosed in the Directors' Report.

Further details of the Nomination Committee's charter are available on the company's website.





## Remuneration

### Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and the directors themselves. It evaluates the performance of the Managing Director and is also responsible for share option schemes, incentive performance packages, superannuation entitlements and fringe benefits policies. Remuneration levels are reviewed annually and the Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace.

The members of the Remuneration Committee are disclosed in the Directors Report.

The Managing Director is invited to Remuneration Committee meetings as required to discuss senior executives' performance and remuneration packages.

The Remuneration Committee meets once a year or as required. The Committee met once during the financial year and the Committee members' attendance record is disclosed in the table of Directors' meetings.

Further details of the Remuneration Committee's charter is available on the company's website.

### Remuneration Policies

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. Remuneration packages include a mix of fixed remuneration, performance based remuneration, and equity based remuneration.

Executive directors and senior executives may receive short term incentives based on achievement of specific business plans and performance indicators, which include financial and operational targets relevant to performance at the economic entity level, divisional level, or functional level, as applicable, for the financial year. In addition, the economic entity offers executive directors and senior executives participation in the long-term incentive scheme involving the issue of options to the employee under the executive share option scheme. The executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price set at the time the offer was made. The options are granted annually in three tranches on achievement of the performance hurdles.

Non-executive directors do not receive any performance related remuneration.

## Audit and Risk Committee

The Audit and Risk Committee has a documented charter, approved by the Board. All members of the Committee are non-executive directors with a majority being independent, and the Chairman of the Audit and Risk Committee is not the Chairman of the Board of directors.

The members of the Audit and Risk Committee during the financial year are disclosed in the Directors Report.

The external auditors, the Managing Director and Chief Financial Officer are invited to Audit and Risk Committee meetings at the discretion of the Committee, and the external auditor also meets with the Audit Committee during the year without management being present. The Committee met four times during the year and the Committee members' attendance record is disclosed in the table of Directors' meetings.

The Managing Director and the Chief Financial Officer have provided a statement in writing to the Board that the economic entity's financial reports for the year ended 30 June 2004 present a true and fair view, in all material respects, of the economic entity's financial condition and operational results and are in accordance with the relevant accounting standards. This statement is required annually.

Further details of the Audit and Risk Committee's charter are available on the company's website.

# governance

The duties and responsibilities of the Audit and Risk Committee include:

- Recommending to the Board the appointment of the external auditors;
- Recommending to the Board the fee payable to the external auditors;
- Reviewing the audit plan and performance of the external auditors;
- Determining that no management restrictions are being placed upon the external auditors;
- Evaluating the adequacy and effectiveness of the reporting and accounting controls of the company through active communication with operating management and the external auditors;
- Reviewing all financial reports to be made to shareholders and/or the public prior to their release;
- Evaluating systems of internal control;
- Monitoring the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest;
- Requiring reports from management and the external auditors on any significant regulatory, accounting or reporting development to assess potential financial reporting interest;
- Reviewing and approving all significant company accounting policy changes;
- Reviewing the company's taxation position;
- Reviewing the annual financial statements with the Chief Financial Officer and the external auditors, and recommending acceptance to the Board;
- Evaluating the adequacy and effectiveness of the company's risk management policies and procedures including insurance; and
- Directing any special projects or investigations deemed necessary by the Board or by the Committee.

The Audit and Risk Committee is committed to ensuring that it carries out its functions in an effective manner. Accordingly, it has undertaken a review of its charter during the financial year and will review its charter at least once in each financial year.

## Risk Management

The Board oversees the establishment, implementation, and review of a system of risk management within the economic entity. The economic entity's areas of focus in respect of risk management practices include, but are not limited to, environment, occupational health and safety, property, financial reporting and internal control.

The Board is responsible for the overall risk management and internal control framework, but recognises that no cost-effective risk management and internal control system will preclude all errors and irregularities. The Board has the following procedures in place to monitor performance and to identify areas of concern:

- Strategic Planning - The Board reviews and approves the strategic plan that encompasses the economic entity's strategy, designed to meet the stakeholders' needs and manage business risk. The strategic plan is dynamic and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the economic entity;
- Financial reporting - Monthly actual results are reported against budgets approved by the directors and revised forecasts prepared during the year;
- Functional Reporting – Key areas subject to regular or periodical reporting to the Board include, but are not limited to, operational, treasury (including foreign exchange), environmental, occupational health & safety, insurance, and legal matters;
- Continuous disclosure - A process is in place to identify matters that may have a material effect on the price of the Company's securities and to notify them to the ASX; and
- Investment appraisal - Guidelines for capital expenditure include annual budgets, appraisal and review procedures, due diligence requirements where businesses are being acquired or divested.



The Managing Director and Chief Financial Officer have provided a statement in writing to the Board that the declaration made in respect of the economic entity's financial reports is founded on a system of risk management and internal compliance and control which reflects the policies adopted to date by the Board, and that the economic entity's risk management and internal control and compliance system is operating effectively in all material respects based on the criteria for effective internal control established by the Board.

## Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity. The economic entity's code of conduct includes the following:

### Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Should a situation arise where the Board believes that a material conflict exists, the director concerned shall not receive the relevant Board papers and will not be present at the meeting when the item is considered. Details of director related entity transactions with the Company and economic entity are set out in the notes to the financial statements.

### Dealings in Company Shares

Directors and senior management are prohibited from dealing in Company shares except within a four week trading window that commences 48 hours after the release of the economic entity's results at year-end and half year on the basis that they are not in possession of any price sensitive information. Directors must advise the ASX of any transactions conducted by them in shares in the Company.

## Communication with Shareholders

The Board of directors aims to ensure that shareholders are informed of all major developments affecting the economic entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the economic entity during the year, changes in the state of affairs and details of future developments.
- The half-yearly report contains summarised financial information and a review of the operations of the economic entity during the period. The half-year audited financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it.
- The economic entity has nominated the Company Secretary to ensure compliance with the economic entity's continuous disclosure requirements, and overseeing and co-ordinating disclosure of information to the ASX.
- Information is posted on the economic entity's website immediately after ASX confirms an announcement has been made to ensure that the information is made available to the widest audience. The economic entity's website is [www.selectharvests.com.au](http://www.selectharvests.com.au)
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the economic entity's strategy and goals. It is the policy of the economic entity and the policy of the auditor for the lead engagement partner to be present at the Annual General Meeting to answer any questions about the conduct of the audit and the preparation and content of the auditor's report.
- Occasional letters from the Chairman and Managing Director may be utilised to provide shareholders with key matters of interest.

# performance

## Statement of Financial Performance

Year Ended 30 June 2004

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sales revenue	2	127,380	80,994	-	-
Cost of sales	3(a)	(91,242)	(55,040)	-	-
<b>Gross Profit</b>		<b>36,138</b>	<b>25,954</b>	<b>-</b>	<b>-</b>
Other revenues from ordinary activities	2	446	1,098	16,304	9,665
Other revenues from SGARA stock adjustment	2	561	490	-	-
Distribution expenses		(2,467)	(1,557)	-	-
Marketing expenses		(522)	(117)	-	-
Occupancy expenses		(1,314)	(927)	-	(36)
Administrative expenses		(2,500)	(1,850)	(1,333)	(1,053)
Borrowing costs expensed	3	(1,369)	(1,415)	(1,182)	(1,696)
Other expenses from ordinary activities		(6,044)	(5,177)	(661)	(769)
Other expenses from SGARA tree adjustment		(342)	(389)	-	-
<b>Profit from ordinary activities before income tax expense</b>		<b>22,587</b>	<b>16,110</b>	<b>13,128</b>	<b>6,111</b>
<b>Income tax expense relating to ordinary activities</b>	4	<b>(7,362)</b>	<b>(5,148)</b>	<b>(618)</b>	<b>(397)</b>
<b>Profit from ordinary activities after income tax expense</b>		<b>15,225</b>	<b>10,962</b>	<b>12,510</b>	<b>5,714</b>
<b>Net profit</b>		<b>15,225</b>	<b>10,962</b>	<b>12,510</b>	<b>5,714</b>
<b>Net profit attributable to members of Select Harvests Limited</b>	21(b)	<b>15,225</b>	<b>10,962</b>	<b>12,510</b>	<b>5,714</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Select Harvests Limited</b>		<b>15,225</b>	<b>10,962</b>	<b>12,510</b>	<b>5,714</b>
Basic earnings per share (cents per share)	25	40.0	31.3		
Diluted earnings per share (cents per share)	25	39.7	30.9		

The Statement of Financial Performance is to be read in conjunction with the Notes to the Financial Statements.



# position

## Statement of Financial Position

At 30 June 2004

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current assets</b>					
Cash assets		489	565	-	561
Receivables	6	15,597	12,968	19	144
Inventories	7	15,444	10,711	-	-
Other	8	956	815	784	717
<b>Total current assets</b>		<b>32,486</b>	<b>25,059</b>	<b>803</b>	<b>1,422</b>
<b>Non-current assets</b>					
Receivables	9	-	-	41,673	28,533
Other financial assets	10	19	18	12,195	12,195
Property, plant and equipment	11	41,897	33,480	747	336
Deferred tax assets	4	322	158	124	67
Self-generating and regenerating assets	12	4,986	5,329	-	-
Intangible assets	13	27,245	21,705	-	-
<b>Total non-current assets</b>		<b>74,469</b>	<b>60,690</b>	<b>54,739</b>	<b>41,131</b>
<b>Total assets</b>		<b>106,955</b>	<b>85,749</b>	<b>55,542</b>	<b>42,553</b>
<b>Current liabilities</b>					
Payables	14	14,344	12,150	587	513
Interest-bearing liabilities	15	957	360	205	61
Current tax liabilities	4	2,229	2,092	378	208
Provisions	16	1,547	979	150	133
<b>Total current liabilities</b>		<b>19,077</b>	<b>15,581</b>	<b>1,320</b>	<b>915</b>
<b>Non-current liabilities</b>					
Payables	17	-	-	9,150	7,039
Interest-bearing liabilities	18	7,123	8,914	6,700	8,077
Deferred tax liabilities	4	1,263	1,155	-	-
Provisions	19	224	93	36	-
<b>Total non-current liabilities</b>		<b>8,610</b>	<b>10,162</b>	<b>15,886</b>	<b>15,116</b>
<b>Total liabilities</b>		<b>27,687</b>	<b>25,743</b>	<b>17,206</b>	<b>16,031</b>
<b>Net assets</b>		<b>79,268</b>	<b>60,006</b>	<b>38,336</b>	<b>26,522</b>
<b>Equity</b>					
Contributed equity	20	43,940	36,206	43,940	36,206
Reserves	21	14,191	9,458	3,270	3,270
Retained profits (accumulated losses)	21	21,137	14,342	(8,874)	(12,954)
<b>Total equity</b>		<b>79,268</b>	<b>60,006</b>	<b>38,336</b>	<b>26,522</b>

The Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements.

# cash flows

## Statement of Cash Flows

Year ended 30 June 2004

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		125,967	99,487	-	-
Payments to suppliers and employees		(102,405)	(76,928)	(1,687)	(2,391)
Interest received		120	104	101	104
Borrowing costs		(1,369)	(1,415)	(1,177)	(1,287)
Income tax paid		(7,281)	(5,827)	(499)	(341)
<b>Net cash flows (used in) operating activities</b>	22(a)	15,032	15,421	(3,262)	(3,915)
<b>Cash flows from investing activities</b>					
Proceeds from sale of property, plant and equipment		359	993	-	7
Purchase of property, plant and equipment		(4,434)	(2,906)	(545)	(24)
Purchase of Other non-current assets	22(d)	(9,145)	-	-	-
<b>Net cash flows (used in) investing activities</b>		(13,220)	(1,913)	(545)	(17)
<b>Cash flows from financing activities</b>					
Proceeds from issues of ordinary shares		6,318	2,007	6,318	2,007
Proceeds from borrowings – other		-	-	-	16,629
Repayments of borrowings – other		(1,286)	(9,307)	3,848	(8,525)
Payment of dividends on ordinary shares		(7,012)	(5,070)	(7,012)	(5,070)
<b>Net cash flows from/(used in) financing activities</b>		(1,980)	(12,370)	3,154	5,041
<b>Net increase/(decrease) in cash held</b>		(168)	1,138	(653)	1,109
Add opening cash brought forward		530	(608)	526	(583)
<b>Closing cash carried forward</b>	22(b)	362	530	(127)	526

*The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements*



# notes to the financial statements as at 30 June 2004

## 1. Summary of significant accounting policies

### (a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (including Urgent Issues Group Consensus Views) have also been complied with.

The financial report covers Select Harvests Limited as an individual parent entity and Select Harvests Limited and controlled entities as an economic entity. Select Harvests Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis and is based on historical costs, except where AASB 1037: 'Self Generating and Regenerating Assets' has been applied, and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of consideration that would be given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### (b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Select Harvests Limited (the parent entity) and all entities which Select Harvests Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

### (c) Foreign currencies

#### Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

#### Specific hedges

Where a purchase or sale is hedged specifically, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the Statement of Financial Performance.

### (d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

# notes to the financial statements as at 30 June 2004

## 1. Summary of significant accounting policies (continued)

### (e) Inventories

Inventories are valued at the lower of cost and net realisable value except for almond stocks which are measured at net market value in accordance with AASB 1037: 'Self Generating and Regenerating Assets' – refer to (f) below.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials and consumables – purchase cost on a first-in-first-out basis.
- Finished goods and work-in-progress – cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.
- Almond stocks are valued in accordance with AASB 1037 'Self Generating and Regenerating Assets' whereby the cost of the non-living (harvested) produce is deemed to be its net market value immediately after it becomes non-living. This valuation takes into account current almond selling prices and current processing and selling costs.

### (f) Self-generating and regenerating assets

#### Almond trees

Almond trees are classified as a self generating and regenerating asset and valued in accordance with AASB 1037 'Self Generating and Regenerating Assets'.

Developing almond trees are valued at their growing cost until the year they achieve economic maturity. The values of economically mature almond trees are calculated using a discounted cash flow methodology. The discounted cash flow incorporates the following factors:

- Almond trees have an estimated 30-year economic life, with crop yields consistent with long-term yield rates.
- Selling prices are based on long-term average trend prices.
- Growing, processing and selling costs are based on long-term average levels.
- Cash flows are discounted at a rate that takes into account the cost of capital plus a suitable risk factor.
- Asset values to be deducted from the cumulative cash flow, to determine the tree value, are based on current valuation and then adjusted annually to account for capital expenditure, depreciation and utilised acreage.

#### Growing almond crop

The growing almond crop is valued in accordance with AASB 1037 'Self Generating and Regenerating Assets'. This valuation takes into account current almond selling prices and current growing, processing and selling costs. The calculated crop value is then discounted to take into account that it is only partly developed, and then further discounted by a suitable factor to take into account the agricultural risk until crop maturity.

#### New orchards growing costs

All costs associated with the establishment, planting and growing of almond trees for a new orchard are accumulated for the first three years of that orchard. Once immature trees commence bearing a commercial crop a proportion of the annual growing costs are expensed on the basis of yield achieved as a proportion of anticipated yield of a mature tree. At the end of the eighth year full maturation is deemed to occur, after which the tree is considered to be mature in terms of revenue generation and the annual growing costs are then expensed in full and the almond trees are valued as described above.





## **(g) Property, plant and equipment**

### **Cost and valuation**

Plantation land, water rights and buildings on freehold land are measured on a fair value basis. Carrying amounts are regularly reviewed by directors to ensure that they do not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

All other classes of property, plant and equipment are measured at cost.

The carrying amount of 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 not been discounted to present values in determining recoverable amounts.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

### **Depreciation**

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

The useful lives for each class of assets are:

	<b>2004</b>	<b>2003</b>
Buildings:	25 to 40 years	25 to 40 years
Leasehold improvements:	5 to 40 years	5 to 20 years
Plant and equipment:	5 to 20 years	5 to 20 years
Leased Plant and Equipment:	5 to 10 years	5 to 10 years
Irrigation systems:	10 to 40 years	10 to 40 years

### **Capital works in progress**

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

## **(h) Leases**

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

### **Operating leases**

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

### **Finance leases**

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

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

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

# notes to the financial statements as at 30 June 2004

## 1. Summary of significant accounting policies (continued)

### (i) Intangibles

#### Brand names

Brand names are measured at deemed cost. Directors are of the view that brand names have an indefinite life. Brand names are therefore not depreciated.

#### Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight line basis over the period during which benefits are expected to be received. This is taken as being 20 years.

### (j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### Sale of goods

Control of the goods has passed to the buyer.

#### Rendering of services

Revenue from the rendering of services is recognised upon the delivery of the service to the customer. Certain clients may be invoiced in advance of provision of services.

#### Interest

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

#### Dividends

Control of the right to receive a dividend is evidenced by the approval of the dividend at a meeting of the Board of Directors in accordance with the Company's constitution.

#### Almond stocks

Increments or decrements in the net market value of almond stocks are recognised as revenues or expenses in the Statement of Financial Performance in the financial year in which they occur. The net increment or decrement in the total market value of the almond stocks is determined as the difference between the net market value and quantities at the beginning of the year and at year end, less any further costs required to get the almonds stocks to a saleable state.

#### Almond pool revenue

Under the contractual arrangements with external growers the Company simultaneously acquires and sells the almonds and does not make a margin on those sales. These transactions are disclosed in Note 2 and are not recognised as revenue.

As at 30 June 2004 the Company held almond inventory on behalf of external growers which was not recorded as inventory of the Company.

All revenue is stated net of the amount of Goods and Services Tax (GST).



## (k) Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Where assets are revalued no provision for potential capital gains tax has been made.

### Tax consolidation

The parent entity of Select Harvests Limited and its subsidiaries have implemented the tax consolidation legislation and have formed a tax-consolidated group from 1 July 2003.

The parent entity and subsidiaries in the tax-consolidated group have entered into a tax funding agreement such that each entity in the tax consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. All entities in the tax-consolidated group have adopted UIG 52 to account for the effects of the tax funding agreement under the tax consolidation system. This means that:

- The parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- The subsidiaries recognise current or deferred tax amounts arising in respect of their own transactions, events and balances only;
- All expenses and revenues arising under the tax funding agreement are recognised as a component of income tax expense or income tax revenue by each individual entity; and
- All assets and liabilities arising under the tax funding agreement are recognised as tax-related amounts receivable from or payable to other entities in the group, rather than as tax assets or tax liabilities.

Deferred tax balances relating to the subsidiaries have been remeasured by reference to the carrying amounts of the subsidiaries' assets based on the reset tax value under tax consolidation.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of subsidiaries in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system in the event of default by the parent entity to meet its payment obligations.

### 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

# notes to the financial statements as at 30 June 2004

## 1. Summary of significant accounting policies (continued)

### (l) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories are charged against profit on a net basis in their respective categories:

- Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits.
- Other types of employee benefits.

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

### (m) Financial instruments

#### *Terms and Conditions*

#### **Financial assets**

Trade receivables are carried at full amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable.

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. Details of the terms and conditions are set out in Note 28.

#### **Financial liabilities**

The bank overdraft is carried at the principal amount. Interest is charged as an expense as it accrues. The bank overdraft is secured by a floating charge over the Company's assets.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade liabilities are normally settled on 30 days from month end.

Finance lease liability is accounted for in accordance with AASB 1008 'Leases'. As at balance date, the Company had finance leases with an average lease term of four years. The average discount rate implicit in the leases is 7%. The lease liability is secured by a charge over the leased asset.

### (n) Comparatives

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

### (o) Rounding amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relation to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.



## **(p) International financial reporting standards**

For reporting periods beginning on or after 1 January 2005, the economic entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. This will require the production of accounting data for future comparative purposes at the beginning of the next financial year.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements. The differences between Australian standards and requirements and IFRS identified to date as potentially having a significant effect on the economic entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian standards and requirements and IFRS. At this stage it is not feasible to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The economic entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

The economic entity's management, are assessing the significance of these changes and preparing for their implementation. The Audit and Risk Committee will establish an IFRS sub-committee to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards when they are finalised.

The key potential implications of the conversation to IFRS on the economic entity are as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Income tax will be calculated based on the 'balance sheet' approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.
- Revaluation increments and decrements, relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.
- Intangible assets can only be revalued if there is an active market.
- Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.
- Impairment of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Equity based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

# notes to the financial statements as at 30 June 2004

## 2. Revenue from Ordinary Activities

### Revenues from operating activities

Revenue from sale of goods	101,446	64,571	-	-
Revenue from services	25,934	16,423	-	-
<b>Total revenues from operating activities</b>	<b>127,380</b>	<b>80,994</b>	<b>-</b>	<b>-</b>

### Revenues from non-operating activities

Management fees	-	-	2,608	2,248
Dividends and distributions				
– Controlled entities	-	-	11,300	4,811
– Other corporations	-	1	-	-
<b>Total dividends and distributions</b>	<b>-</b>	<b>1</b>	<b>11,300</b>	<b>4,811</b>
Interest				
– Wholly owned entities	-	-	2,295	2,495
– Other persons/corporations	120	104	101	104
<b>Total interest</b>	<b>120</b>	<b>104</b>	<b>2,396</b>	<b>2,599</b>
Other Income	2	-	-	-
Proceeds from disposal of property, plant & equipment	324	993	-	7
<b>Total revenues from non-operating activities</b>	<b>446</b>	<b>1,098</b>	<b>16,304</b>	<b>9,665</b>
SGARA Revenue – Stock increment	561	490	-	-
<b>Total revenues from ordinary activities</b>	<b>128,387</b>	<b>82,582</b>	<b>16,304</b>	<b>9,665</b>

### Revenue/Cost of goods sold from Almond Pool

Revenue from almond pool sales	5,163	3,176	-	-
Cost of goods sold from almond pool sales	(5,163)	(3,176)	-	-
	-	-	-	-

## 3. Expenses and Losses/(Gains)

### (a) Expenses

Cost of goods sold	91,242	55,040	-	-
Depreciation of non-current assets				
– Freehold land and buildings	5	6	-	-
– Buildings	75	75	1	1
– Plantation Land	303	263	-	-
– Plant and equipment	2,173	2,034	107	40
<b>Total depreciation of non-current assets</b>	<b>2,556</b>	<b>2,378</b>	<b>108</b>	<b>41</b>



	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>(a) Expenses (continued)</b>				
Amortisation of non-current assets				
– Goodwill	1,413	1,130	-	-
– Leased plant and equipment	380	456	25	25
Total amortisation of non-current assets	1,793	1,586	25	25
<b>Total depreciation and amortisation expenses</b>	<b>4,349</b>	<b>3,964</b>	<b>133</b>	<b>66</b>
Borrowing costs expensed				
– wholly owned entities	-	-	-	408
– other persons	1,369	1,415	1,182	1,288
Total borrowing costs	1,369	1,415	1,182	1,696
Movement in provisions for doubtful debts	27	-	-	-
Net expense (revenue) for movement in provision for employee entitlements	589	686	54	56
Operating lease rental				
– Minimum lease payments	2,189	1,607	-	-
Total operating lease rental	2,189	1,607	-	-
<b>(b) Losses/(gains)</b>				
Net loss on disposal of property, plant and equipment	17	46	-	1

#### 4. Income Tax

The prima facie tax, using tax rates applicable in the country of operation, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:

Prima facie tax on profit from ordinary activities	6,776	4,833	3,939	1,833
Tax effect of permanent differences				
– Rebateable dividends	-	-	(3,390)	(1,443)
– Amortisation of intangible assets	424	339	-	-
– Timing differences not previously brought to account	-	(279)	-	-
– Other items non allowable items	130	124	6	5
Under/(over) provision of previous year	32	131	63	2
Income tax expense attributable to ordinary activities	7,362	5,148	618	397
<b>Deferred tax assets and liabilities</b>				
Provision for income tax – current	2,229	2,092	378	208
Provision for deferred income tax – non-current	1,263	1,155	-	-
Future income tax benefit – non-current	322	158	124	67

This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

# notes to the financial statements as at 30 June 2004

## 5. Dividends Paid or Provided for on Ordinary Shares

### (a) Dividends paid during the year

(i) Current year interim

Franked dividends (10.0c per share) (2003: 6.5c)

ECONOMIC ENTITY		PARENT ENTITY	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3,840	2,300	3,840	2,300
3,840	2,300	3,840	2,300
4,590	-	4,590	-
8,430	-	8,430	-
25,894	20,757	8,958	3,766

(ii) Previous year final (paid 30 September 2003)

Franked dividends (12.0c per share)

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

Franked dividends (16.0c per share, \$6,164,088)

### (c) Franking credit balance

Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and any credits that may be prevented from distribution in subsequent years.

The dividend franking account has been measured at the after tax profits basis not the income tax paid basis in accordance with the New Business Tax System (Imputation) Act 2002.

The tax rate at which paid dividends have been franked is 30% (2003: 30%).

## 6. Receivables (Current)

Trade debtors

Provision for doubtful debts

Other receivables

15,605	12,353	-	-
(27)	-	-	-
15,578	-	-	-
19	615	19	144
15,597	12,968	19	144





## 7. Inventories (Current)

### Raw materials

Raw materials at cost  
Provision for diminution in value

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	3,248	4,293	-	-
7(a)	(31)	-	-	-
	3,217	4,293	-	-
	6,061	3,083	-	-
7(a)	(381)	(479)	-	-
	5,680	2,604	-	-
	2,569	95	-	-
	2,569	95	-	-
	3,978	3,719	-	-
	3,978	3,719	-	-
Total inventories	15,444	10,711	-	-
(a) Movements in provision for diminution in value				
Beginning of the financial year	(479)	(372)	-	-
Movement during the year	67	(107)	-	-
End of the financial year	(412)	(479)	-	-

### Finished goods

Finished goods at cost  
Provision for diminution in value

### Other inventory

Other inventory at cost

### Almond stocks

At net market value

Total inventories

### (a) Movements in provision for diminution in value

Beginning of the financial year  
Movement during the year  
End of the financial year

## 8. Other Current Assets

Prepayments  
Other current assets

	956	727	784	717
	-	88	-	-
	956	815	784	717

## 9. Receivables (Non-Current)

### Related party receivables

Wholly-owned group  
– controlled entities  
– provision for diminution

28	-	-	42,772	29,632
28	-	-	(1,099)	(1,099)
	-	-	41,673	28,533

## 10. Other Financial Assets (Non-Current)

### Investments at cost comprise:

Shares  
Other Corporations  
Controlled entities – unlisted

	19	18	-	-
	-	-	12,195	12,195
	19	18	12,195	12,195



# notes to the financial statements as at 30 June 2004

## 11. Property, Plant and Equipment

### Freehold land and buildings

At cost

Accumulated depreciation

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	465	389	150	150
	(81)	(74)	(1)	(1)
11(b)	384	315	149	149
	2,792	2,444	-	-
	(206)	(151)	-	-
11(b)	2,586	2,293	-	-
	23,822	17,683	-	-
	(819)	(515)	-	-
11(b)	23,003	17,168	-	-
	25,973	19,776	149	149
	3,368	1,644	144	144
	(1,664)	(446)	(69)	(42)
11(b)	1,704	1,198	75	102
	25,762	22,490	1,049	492
	(13,084)	(10,785)	(526)	(407)
11(b)	12,678	11,705	523	85
	1,542	801	-	-
11(b)	1,542	801	-	-
	15,924	13,704	598	187
	26,614	20,127	-	-
	31,137	25,324	1,343	786
	57,751	45,451	1,343	786
	(15,854)	(11,971)	(596)	(450)
	41,897	33,480	747	336

### Plant & equipment

At cost

Accumulated depreciation

### Capital works in progress

At cost

### Total plant and equipment

### Total property, plant and equipment

Fair value

Cost

Accumulated depreciation and amortisation

Total written down amount

### (a) Valuations

The fair values of freehold land, and buildings on freehold land have been determined by the directors based upon information and advice received during the financial year. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.



**(b) Reconciliations**

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

**Freehold land and buildings**

Carrying amount at beginning  
Additions  
Depreciation expense

**Buildings**

Carrying amount at beginning  
Additions  
Net amount of revaluation increments less decrements  
Depreciation expense

**Plantation land**

Carrying amount at beginning  
Additions  
Net amount of revaluation increments less decrements  
Depreciation expense

**Plant and equipment under lease**

Carrying amount at beginning  
Disposals  
Additions through acquisition of entities / operations  
Transfers between classes  
Depreciation expense

**Plant and equipment**

Carrying amount at beginning  
Additions  
Disposals  
Additions through acquisition of entities / operations  
Transfers between classes  
Depreciation expense

**Capital works in progress**

Carrying amount at beginning  
Additions

	ECONOMIC ENTITY 2004 \$'000	PARENT ENTITY 2004 \$'000
	315	149
	74	-
	(5)	-
	384	149
	2,293	-
	44	-
	324	-
	(75)	-
	2,586	-
	17,168	-
	1,729	-
	4,409	-
	(303)	-
	23,003	-
	1,198	102
	(35)	-
	1,081	-
	(160)	-
	(380)	(27)
	1,704	75
	11,705	85
	1,847	545
	(324)	-
	1,463	-
	160	-
	(2,173)	(107)
	12,678	523
	801	-
	741	-
	1,542	-



# notes to the financial statements as at 30 June 2004

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>12. Self-Generating and Regenerating Assets</b>					
SGARA Almond Trees – at net market value		4,986	5,329	-	-
<b>(a) Physical quantity of trees</b>					
Almond Trees (acres)		2,380	1,665		
<b>(b) Movement in carrying amounts</b>					
<b>2004</b>		<b>SGARA PLANTATION</b>		<b>\$'000</b>	
Balance at the beginning of the year		5,329			
Current year movement		(343)			
		4,986			
<b>13. Intangibles</b>					
Goodwill – at cost		29,267	22,314	-	-
Accumulated amortisation		(4,922)	(3,509)	-	-
		24,345	18,805	-	-
Brand names – at cost		2,900	2,900	-	-
		27,245	21,705	-	-
<b>14. Payables (Current)</b>					
Trade creditors		5,275	7,604	124	108
Other creditors		9,069	4,546	463	405
		14,344	12,150	587	513
<b>15. Interest-Bearing Liabilities (Current)</b>					
Lease liability	15(a), (b), 23	830	325	78	26
Borrowing's secured by floating charge					
– bank overdraft	15(b)	127	35	127	35
		957	360	205	61
(a) Secured lease liability – finance lease		830	325	78	26
(b) Terms and conditions relating to the above financial instruments:					
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.					



## 16. Provisions (Current)

Employee benefits

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
19 (a)	1,547	979	150	133
	1,547	979	150	133

## 17. Payables (Non-Current)

Aggregate amounts payable to related parties  
– wholly owned companies

-	-	9,150	7,039
-	-	9,150	7,039

## 18. Interest-Bearing Liabilities (Non-Current)

Lease liability

18(a),(b),23

Borrowing's secured by floating charge

bills of exchange and promissory notes

18(b)

423	914	-	77
6,700	8,000	6,700	8,000
7,123	8,914	6,700	8,077
423	914	-	77

(a) Secured lease liability – finance lease

(b) Terms and conditions relating to the above financial instruments:

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

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

## 19. Provisions (Non-Current)

Employee entitlements

19(a)

(a) Aggregate employee entitlements liability

(b) Number of employees at year end

224	93	36	-
1,771	1,072	186	133
252	170	7	7

## 20. Contributed Equity

### (a) Issued and paid up capital

Ordinary shares fully paid

43,940	36,206	43,940	36,206
43,940	36,206	43,940	36,206

### (b) Movements in shares on issue

Beginning of the financial year

Issued during the year

– Dividend reinvestment scheme

– Employee share scheme

Other shares issued

End of the financial year

	2004		2003	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Beginning of the financial year	35,455,341	36,206	34,584,891	34,199
Issued during the year				
– Dividend reinvestment scheme	234,311	1,416	240,250	804
– Employee share scheme	302,400	491	163,700	223
Other shares issued	2,533,500	5,827	466,500	980
End of the financial year	38,525,552	43,940	35,455,341	36,206



# notes to the financial statements as at 30 June 2004

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000

## 20. Contributed Equity (continued)

### (c) Share options

Options over ordinary shares:

#### Employee share scheme

The company continued to offer employee participation in short-term and long-term Incentive schemes as part of the remuneration packages for the employees of the companies. Both the short-term and long-term schemes involve payments up to an agreed proportion of the total fixed remuneration of the employee, with relevant proportions based on market-relativity of employees with equivalent responsibilities.

The employee is able to receive payments under the short-term incentive scheme based on the achievement of agreed business plans by the individual. This performance is measured and reported by a balanced scorecard approach.

The long-term scheme involves the issue of options to the employee, under the executive share option scheme. During or since the end of the financial year, 408,700 (2003: 454,300 options) have been granted under this scheme (refer Directors' Report for further details). The market value of ordinary Select Harvests Limited shares closed at \$6.67 on 30 June 2004 (\$4.89 on 30 June 2003).

## 21. Reserves and Retained Profits

Capital reserve		3,271	3,271	3,270	3,270
Asset revaluation	21(a)	10,920	6,187	-	-
		14,191	9,458	3,270	3,270
Retained profits	21(b)	21,137	14,342	(8,874)	(12,954)
<b>(a) Asset revaluation</b>					
<b>(i) Nature and purpose of reserve</b>					
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay dividends in limited circumstances.					
<b>(ii) Movements in reserve</b>					
Balance at beginning of year		6,187	6,187	-	-
Surplus on revaluation		4,733	-	-	-
Balance at end of year		10,920	6,187	-	-
<b>(b) Retained profits</b>					
Balance at the beginning of year		14,342	5,680	(12,954)	(16,368)
Net profit attributable to members of Select Harvests Limited		15,225	10,962	12,510	5,714
Total available for appropriation		29,567	16,642	(444)	(10,654)
Dividends paid		(8,430)	(2,300)	(8,430)	(2,300)
Balance at end of year		21,137	14,342	(8,874)	(12,954)



## 22. Statement of Cash Flows

### (a) Reconciliation of the net profit after tax to the net cash flows from operations

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net profit	15,225	10,962	12,510	5,714
<b>Non-Cash Items</b>				
Depreciation and amortisation	2,936	2,834	133	66
Amortisation of goodwill	1,413	1,130	-	-
SGARA revenue – stock	561	(490)	-	-
SGARA expense – trees	(342)	389	-	-
Net (profit)/loss on disposal of property, plant and equipment	(11)	(108)	-	3
Dividends received from controlled entities	-	-	(11,300)	(4,811)
Interest paid	-	-	-	408
Interest received	-	-	(2,295)	(2,495)
Management fees received	-	-	(2,608)	(2,448)
Management fees paid	-	-	-	163
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in trade receivables	(3,225)	(2,228)	-	11
(Increase)/decrease in inventory	(4,733)	1,447	-	-
(Increase)/decrease in receivables and other assets	234	(719)	58	(622)
Increase in trade and other creditors	2194	2,709	74	39
(Decrease)/increase in income tax payable	137	(756)	170	30
(Decrease)/increase in deferred income tax liability	(56)	75	(57)	-
(Decrease)/increase in employee entitlements	699	176	53	27
Net cash flow from operating activities	15,032	15,421	(3,262)	(3,915)
<b>(b) Reconciliation of cash</b>				
Cash balance comprises:				
Cash at bank	489	565	-	561
Bank overdraft	(127)	(35)	(127)	(35)
Closing cash balance	362	530	(127)	526

### (c) Credit stand-by arrangements and loan facilities

The economic entity and the Company have a bank overdraft facility available to the extent of \$2,000,000 (2003: \$1,000,000).

As at 30 June 2004 the economic entity and company have used \$0 (2003: \$0) of the facility.

The economic entity and the Company have a commercial bill facility available to the extent of \$22,900,000 (2003: \$25,300,000).

As at 30 June 2004 the economic entity and Company have used \$6,700,000 (2003: \$8,000,000).

# notes to the financial statements as at 30 June 2004

## 22. Statement of Cash Flows (continued)

### (d) Acquisition of entities

During the year Select Harvests Marketing Pty Ltd, a wholly owned subsidiary of Select Harvests Limited, acquired 100% of the share capital of Meriram Pty Ltd and Kibley Pty Ltd at an initial cost of \$9.145 million.

Details of this transaction are: Purchase consideration

Cash consideration

Assets and liabilities held at acquisition date:

Receivables

Inventories

Property, plant and equipment

Intangible assets

Other assets

Creditors

Interest liabilities

Provisions

Other liabilities

Goodwill on consolidation

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
	9,145	-	-	-
	9,145	-	-	-
	-	-	-	-
	-	-	-	-
	2,278	-	-	-
	3,046	-	-	-
	2,544	-	-	-
	1,168	-	-	-
	406	-	-	-
	(2,909)	-	-	-
	(691)	-	-	-
	(668)	-	-	-
	(314)	-	-	-
	4,860	-	-	-
	4,285	-	-	-
	9,145	-	-	-

At 30 June 2004 an additional amount of \$1,500,000, as noted in Note 33, became due and payable and was recognised as a liability as at 30 June 2004. This amount has been added to the goodwill on consolidation.





## 23. Expenditure Commitments

### Lease expenditure commitments

#### (i) Operating leases (non-cancellable):

Minimum lease payments

- Not later than one year
- Later than one year and not later than five years
- Later than five years
- Aggregate lease expenditure contracted for at reporting date

Aggregate expenditure commitments comprise:

Aggregate lease expenditure contracted for at reporting date

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

#### (ii) Finance leases:

- Not later than one year
- Later than one year and not later than five years
- Total minimum lease payments
- Future finance charges
- Lease liability
- Current liability
- Non-current liability

ECONOMIC ENTITY		PARENT ENTITY	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
2,659	1,777	-	-
10,815	4,938	-	-
14,413	15,506	-	-
27,887	22,221	-	-
27,887	22,221	-	-
882	409	78	32
441	986	-	79
1,323	1,395	78	111
(70)	(156)	-	(8)
1,253	1,239	78	103
830	325	78	26
423	914	-	77
1,253	1,239	78	103

## 24. Subsequent Events

On 9 September 2004, Select Harvests Marketing Pty Ltd, a wholly owned subsidiary of Select Harvests Limited entered into an agreement to acquire the Chiquita Nibbles business ('Nibbles') from Chiquita Brands South Pacific Limited for consideration of \$1.03 million plus stock on hand at completion. It is anticipated that completion will take place within one month of signing. The total amount payable for the business is estimated to be \$4.5 million.

## 25. Earnings Per Share

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

Net profit

15,225      10,962

#### Adjustments:

Earnings used in calculating basic and diluted earnings per share

15,225      10,962

#### NUMBER OF SHARES

2004      2003

Weighted average number of ordinary shares used in calculating basic earnings per share

38,041,423      35,040,372

#### Effect of dilutive securities:

Share options

439,622      448,658

Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share

38,481,045      35,489,030



# notes to the financial statements as at 30 June 2004

## 26. Remuneration of Directors and Executives

Remuneration levels are set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages, given trends in the marketplace. Remuneration packages include a mix of fixed remuneration, performance based remuneration, and equity based remuneration.

Executive directors and senior executives may receive short term incentives based on achievement of specific business plans and performance indicators, which include financial and operational targets relevant to performance at the economic entity level, divisional level, or functional level, as applicable, for the financial year. In addition, the economic entity offers executive directors and senior executives participation in the long-term incentive scheme involving the issue of options to the employee under the executive share option scheme. The executive share option scheme provides for the offer of a parcel of options to participating employees on an annual basis, with a three-year expiry period, exercisable at the market price set at the time the offer was made. The options are granted annually in three tranches on achievement of the performance hurdles.

Directors' fees for the financial year were \$38,352 per annum. The Chairman receives up to twice the base fee. In May 2004, an independent external review was conducted and it was resolved that the level of non-executive directors' fees be increased to \$45,780 per annum from 1 July 2004. The Chairman's fee has been increased to \$91,560 from the current level of \$76,703. Non-executive directors do not receive any performance related remuneration nor are they issued options on securities.

The following table provides the details of all directors of the economic entity ('specified directors') and the five or more executives of the economic entity with the greatest authority ('specified executives') and the nature and amount of the elements of their remuneration for the year ended 30 June 2004.

### Remuneration of Directors of Select Harvests Limited

	BASE FEE \$	ANNUAL REMUNERATION			LONG TERM REMUNERATION		TOTAL \$
		SHORT TERM INCENTIVES \$	NON CASH BENEFITS \$	SUPERANNUATION CONTRIBUTIONS \$	OPTIONS GRANTED NUMBER	VALUE \$	
<b>2004</b>							
<b>Non Executive</b>							
M A Fremder	70,370	-	-	6,333	-	-	76,703
B P Burns ( <i>retired 30/6/04</i> )	35,185	-	-	3,167	-	-	38,352
C G Clark	35,185	-	-	3,167	-	-	38,352
D J Williams ( <i>resigned 16/02/04</i> )	23,457	-	-	2,111	-	-	25,568
G F Dan O'Brien ( <i>appointed 29/3/04</i> )	9,179	-	-	826	-	-	10,005
<b>Executive</b>							
J Bird	286,470	119,093	39,576	25,633	176,000	70,593	541,365
<b>Total Specified Officers</b>	<b>459,846</b>	<b>119,093</b>	<b>39,576</b>	<b>41,237</b>	<b>176,000</b>	<b>70,593</b>	<b>730,345</b>
<b>2003</b>							
<b>Non Executive</b>							
M A Fremder	70,370	-	-	6,333	-	-	76,703
B P Burns	35,185	-	-	3,167	-	-	38,352
C G Clark	35,185	-	-	3,167	-	-	38,352
D J Williams	35,185	-	-	3,167	-	-	38,352
<b>Executive</b>							
J Bird	243,222	127,418	39,576	24,097	124,200	45,418	479,731
<b>Total Specified Officers</b>	<b>419,147</b>	<b>127,418</b>	<b>39,576</b>	<b>39,931</b>	<b>124,200</b>	<b>45,418</b>	<b>671,490</b>



	BASE FEE \$	ANNUAL REMUNERATION			LONG TERM REMUNERATION		TOTAL \$
		SHORT TERM INCENTIVES \$	NON CASH BENEFITS \$	SUPERANNUATION CONTRIBUTIONS \$	OPTIONS GRANTED NUMBER	VALUE \$	
<b>2004</b>							
M Ciobo (General manager – Meriram)	210,000	-	15,989	18,900	-	-	244,889
M Mattia (Chief financial officer and Company secretary)	139,635	4,366	40,900	12,462	-	-	197,363
V Cavanagh (General manager – pelletising)	74,980	11,063	16,800	7,681	24,100	9,630	120,154
T Millen (Horticultural manager)	85,854	9,317	5,000	8,510	7,500	3,356	112,037
P Petropolous (Operations manager)	75,753	3,660	19,000	6,804	-	-	105,217
W Turner (General manager – almond division)	111,046	10,237	19,000	10,196	-	-	150,479
L Van Driel (Trading manager)	107,939	18,594	-	9,625	15,900	7,074	143,232
<b>Total Specified Officers</b>	<b>805,207</b>	<b>57,237</b>	<b>116,689</b>	<b>74,178</b>	<b>47,500</b>	<b>20,060</b>	<b>1,073,371</b>

### 2003

M Ciobo (General manager – Meriram) (commenced 1 July 2003)	-	-	-	-	-	-	-
M Mattia (Chief Financial Officer and Company secretary) (commenced 1 May 2003)	23,257	-	6,817	2,093	-	-	32,167
V Cavanagh (General manager – pelletising)	74,779	11,445	16,800	7,715	17,300	6,325	117,064
T Millen (Horticultural manager)	76,074	6,990	5,000	7,435	3,800	1,558	97,057
P Petropolous (Operations manager)	75,753	3,660	19,000	6,804	-	-	105,217
W Turner (General manager – almond division) (commenced 9 September 2002)	89,738	-	15,833	8,056	-	-	113,627
L Van Driel (Trading manager)	98,236	21,651	-	10,699	8,600	3,526	134,112
<b>Total Specified Officers</b>	<b>437,837</b>	<b>43,746</b>	<b>63,450</b>	<b>42,802</b>	<b>29,700</b>	<b>11,409</b>	<b>599,244</b>

# notes to the financial statements as at 30 June 2004

## 26. Remuneration of Directors and Executives (continued)

### Options and rights over equity instruments granted as remuneration

During the reporting period, the following options over ordinary shares were granted and vested during the current year under the executive share option scheme:

	NUMBER OF OPTIONS GRANTED AND VESTED DURING THE YEAR
<b>Specified Directors</b>	
J Bird	176,000
<b>Specified Executives</b>	
L Van Driel ( <i>Trading manager</i> )	15,900
V Cavanagh ( <i>General manager – pelletising</i> )	24,100
T Millen ( <i>Horticultural manager</i> )	7,000

All options granted in the current year were granted on 1 September 2003, and have the following expiries, exercise prices and fair values:

DATE GRANTED	EXPIRY DATE	EXERCISE PRICE	FAIR VALUE
1 September 2003	20/10/2003	\$1.55	\$0.330
	20/10/2004	\$1.66	\$0.410
	20/10/2005	\$3.31	\$0.486

All options expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable at any time after they have been granted.

### Exercise of options granted as remuneration

During the financial year, the following shares were issued on the exercise of options previously granted as remuneration:

	NUMBER OF SHARES	AMOUNT PAID PER SHARE \$
<b>Specified Directors</b>		
J Bird	206,400	\$1.55
<b>Specified Executives</b>		
L Van Driel ( <i>Trading manager</i> )	17,200	\$1.66
V Cavanagh ( <i>General manager – pelletising</i> )	28,800	\$1.55

There are no amounts unpaid on the shares issued as a result of the exercise of the options.



### Option holdings

The movement during the financial year in the number of options over ordinary shares in the company held, directly or indirectly, by each specified director and specified executive is as follows:

	HELD AT 1 JULY 2003	GRANTED AS REMUNERATION	EXERCISED	HELD AT 30 JUNE 2004	VESTED AND EXERCISABLE AT 30 JUNE 2004
<b>Specified Directors</b>					
J Bird	193,000	176,000	206,400	162,600	162,600
<b>Specified Executives</b>					
L Van Driel ( <i>Trading manager</i> )	8,600	15,900	17,200	7,300	7,300
V Cavanagh ( <i>General manager – pelletising</i> )	26,900	24,100	28,800	22,200	22,200
T Millen ( <i>Horticultural manager</i> )	3,800	7,500	-	11,300	11,300

No options held by specified directors or specified executives are vested but not exercisable

### Equity holdings and transactions

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

	HELD AT 1 JULY 2003	PURCHASES	RECEIVED ON EXERCISE OF OPTIONS	RECEIVED FROM DIVIDEND RE-INVESTMENT PLAN	SALES	TOTAL
<b>2004</b>						
<b>Specified Directors</b>						
<b>Non Executive</b>						
M A Fremder	5,538,472	-	-	10,439	-	5,548,911
B P Burns ( <i>retired 30/6/04</i> )	106,518	-	-	3,883	-	110,401
C G Clark	21,303	-	-	776	-	22,079
D J Williams ( <i>resigned 16/02/04</i> )	-	-	-	-	-	-
G F Dan O'Brien ( <i>appointed 29/3/04</i> )	-	20,000	-	-	-	20,000
<b>Executive</b>						
J Bird	239,707	-	206,400	-	180,000	266,107
<b>Specified Executives</b>						
M Ciobo ( <i>General manager – Meriram</i> <i>(commenced 1 July 2003)</i> )	-	35,728	-	-	-	35,728
L Van Driel ( <i>Trading manager</i> )	8,600	-	8,600	-	8,600	8,600
V Cavanagh ( <i>General manager – pelletising</i> )	112,565	-	28,800	-	-	141,365
T Millen ( <i>Agricultural manager</i> )	11,514	-	-	-	-	11,514

### Other transactions with specified directors and specified executives

There were no other transactions with specified directors and specified executives that require disclosure in accordance with AASB 1046 for the year ended 30 June 2004.

# notes to the financial statements as at 30 June 2004

## 27. Auditors' Remuneration

Amounts received or due and receivable by Pitcher Partners for:

- An audit or review of the financial report of the entity and any other entity in the consolidated entity
- Other financial services

ECONOMIC ENTITY		PARENT ENTITY	
2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
126,380	105,200	126,380	105,200
29,765	21,774	29,765	21,774
156,145	126,974	156,145	126,974

## 28. Related Party Disclosures

### Directors

The directors of Select Harvests Limited during the financial year were:

M A Fremder

B P Burns (*retired 30 June 2004*)

D J Williams (*resigned 16 February 2004*)

J Bird

C G Clark

G F Dan O'Brien (*appointed 24 May 2004*)

### Wholly-owned group transactions

#### Loans

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

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

Management fees received by Select Harvests Limited from controlled entities under normal terms and conditions.

### Director-related entity transactions

#### Services

Select Harvests Limited has an Almond Orchard Management Agreement and a Land Lease agreement with Maxdy Nominees Pty Ltd, a company in which Mr M A Fremder is a director. Under the terms of the agreements, Select Harvests Limited has developed and continues to manage 300 acres of almond orchard on a fee basis for Maxdy Nominees Pty Ltd.

In addition, Select Harvests Limited will process and sell the entire production of the orchard for the entire 25-year life of the orchard. The economic entity received an amount of \$928,155 during the financial year in relation to the above contract. The agreements are under normal terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arms length in the same circumstances.



## Equity instruments of directors

### Interests at balance date

Interests in the equity instruments of Select Harvests Limited held by directors of the reporting entity and their director-related entities:

	ORDINARY SHARES FULLY PAID		OPTIONS OVER ORDINARY SHARES	
	2004 NUMBER	2003 NUMBER	2004 NUMBER	2003 NUMBER
M A Fremder	5,548,911	5,538,472	-	-
J Bird	266,107	239,707	162,600	193,000
B P Burns	110,401	106,518	-	-
C G Clark	22,079	21,303	-	-
G F Dan O'Brien	20,000	-	-	-
	5,967,498	5,906,000	162,600	193,000

### Movements in directors' equity holdings

During the year the aggregate number of fully paid ordinary shares purchased, sold, or acquired by directors or their director-related entities through on-market purchases and sales, the exercise of options, or participation in the company's dividend reinvestment plan was 61,498 (2003: 73,813).

## 29. Segment Information

### Segment products and locations

The economic entity has the following five business segments:

- The food products division processes, markets, and distributes edible nuts, dried fruits, seeds, and a range of natural health foods.
- The almond orchards operation comprises the growing, processing and sale of almonds to the food industry, from company owned almond orchards.
- The management services operation involves the sale of a range of management services to external owners of almond orchards, including consultancy, orchard development, tree supply, farm management, land rental and, irrigation infrastructure.
- The almond pool markets and sells almonds on behalf of external investors.
- The pesticide products operation comprises the production of pelletised snail, slug and rodent baits for other marketers.

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

# notes to the financial statements as at 30 June 2004

## 29. Segment Information - Primary Segment

BUSINESS SEGMENTS	FOOD PRODUCTS	ALMOND ORCHARDS	MANAGEMENT SERVICES	ALMOND POOL SALES	PESTICIDE PRODUCTS	ELIMINATIONS AND CORPORATE	ECONOMIC ENTITY
	\$'000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>2004</b>							
<b>Revenue</b>							
Sales to customers outside the consolidated entity	88,442	9,229	25,935	-	3,775	(1)	127,380
Intersegment revenues	18	4,251	-	2,954	443	(7,666)	-
Sale of almonds to customers outside the economic entity on behalf of managed orchard owners*	-	-	-	5,163	-	-	5,163
Less cost of almonds sold by the economic entity on behalf of managed orchard owners*	-	-	-	(8,117)	-	2,954	(5,163)
Other revenue	321	584	-	-	-	-	905
<b>Total segment revenue</b>	<b>88,781</b>	<b>14,064</b>	<b>25,935</b>	<b>-</b>	<b>4,218</b>	<b>(4,713)</b>	<b>128,285</b>
Unallocated revenue							102
<b>Total consolidated revenue</b>							<b>128,387</b>
<b>Results</b>							
Segment result	7,027	8,804	9,460	-	752	(2,207)	23,836
Unallocated expenses							(1,249)
Consolidated entity profit from ordinary activities before income tax expense							22,587
Income tax expense							(7,362)
Consolidated entity profit from ordinary activities after income tax expense							15,225
Net profit							15,225
<b>Assets</b>							
Segment assets	61,729	34,309	12,580		2,279	(3,942)	106,955
<b>Liabilities</b>							
Segment liabilities	9,493	7,556	2,770		265	7,603	27,687
<b>Other segment information</b>							
Acquisition of non-current segment assets	1,225	2,311	326		15	557	4,434
Depreciation and amortisation of segment assets	2,510	1,218	159		114	348	4,349





BUSINESS SEGMENTS	FOOD PRODUCTS	ALMOND ORCHARDS	MANAGEMENT SERVICES	ALMOND POOL SALES	PESTICIDE PRODUCTS	ELIMINATIONS AND CORPORATE	ECONOMIC ENTITY
	\$'000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
<b>2003</b>							
<b>Revenue</b>							
Sales to customers outside the consolidated entity	51,261	9,107	16,422	-	4,204	-	80,994
Intersegment revenues	-	3,866	-	1,358	408	(5,632)	-
Sale of almonds to customers outside the economic entity on behalf of managed orchard owners*	-	-	-	3,176	-	-	3,176
Less cost of almonds sold by the economic entity on behalf of managed orchard owners*	-	-	-	(4,534)	-	1,358	(3,176)
Other revenue	-	1,476	-	-	7	-	1,483
Total segment revenue	51,261	14,449	16,422	-	4,619	(4,274)	82,477
Unallocated revenue							105
Total consolidated revenue							82,582
<b>Results</b>							
Segment result	4,598	7,687	6,099	-	886	(1,849)	17,421
Unallocated expenses							(1,311)
Consolidated entity profit from ordinary activities before income tax expense							16,110
Income tax expense							(5,148)
Consolidated entity profit from ordinary activities after income tax expense							10,962
Net profit							10,962
<b>Assets</b>							
Segment assets	42,542	28,257	8,441		2,609	3,900	85,749
<b>Liabilities</b>							
Segment liabilities	5,215	6,972	2,083		453	11,020	25,743
<b>Other segment information</b>							
Acquisition of non-current segment assets	833	1,948	23		100	-	2,904
Depreciation and amortisation of segment assets	2,055	1,493	225		124	67	3,964

\*The economic entity provides a range of management and other services to externally owned or third party orchards. The income and expenses associated with the provision of orchard establishment, orchard management, harvesting, maintenance services and processing and marketing are recorded as part of the 'Management Services' segment of the above summary. In addition to these services, the economic entity sells the crop of almonds harvested from the orchards of the external owners.

Almond pool sales are sales of almonds for externally owned almond orchards which are sold by the economic entity on a pooled basis, the proceeds from which are distributed to the pool participants. The economic entity earns a marketing fee for providing this service. These fees are included as part of the 'Management Services' segment of the above summary.

# notes to the financial statements as at 30 June 2004

## 30. Financial Instruments

### (a) Interest rate risk

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

FINANCIAL INSTRUMENTS	FLOATING	FIXED INTEREST RATE MATURING IN:			NON	TOTAL	WEIGHTED
	INTEREST	1 YEAR	OVER 1 TO	MORE THAN			
	RATE	OR LESS	5 YEARS	5 YEARS	BEARING	AMOUNT	EFFECTIVE
						AS PER THE	INTEREST
						STATEMENT	RATE
						OF FINANCIAL	
						POSITION	
						\$ '000	%
<b>2004</b>	\$'000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	
<b>(i) Financial assets</b>							
Cash	487	-	-	-	2	489	-
Trade and other receivables	-	-	-	-	15,597	15,597	-
Total financial assets	487	-	-	-	15,599	16,086	
<b>(ii) Financial liabilities</b>							
Bank overdraft	127	-	-	-	-	127	9.1
Trade creditors	-	-	-	-	5,275	5,275	-
Other creditors	-	-	-	-	9,069	9,069	-
Finance lease liability	-	830	423	-	-	1,253	7.0
Bills of exchange and promissory notes	-	6,700	-	-	-	6,700	6.0
Foreign exchange contracts	17,504	-	-	-	-	-	-
Total financial liabilities	17,631	7,530	423	-	14,344	22,424	
<b>2003</b>							
<b>(i) Financial assets</b>							
Cash	564	-	-	-	1	565	2.8
Trade and other receivables	-	-	-	-	12,968	12,968	-
Total financial assets	564	-	-	-	12,969	13,533	
<b>(ii) Financial liabilities</b>							
Bank overdraft	35	-	-	-	-	35	9.0
Trade creditors	-	-	-	-	7,604	7,604	-
Other creditors	-	-	-	-	4,546	4,546	-
Finance lease liability	-	325	914	-	-	1,239	7.0
Bills of exchange and promissory notes	-	8,000	-	-	-	8,000	6.0
Foreign exchange contracts	18,969	-	-	-	-	-	-
Total financial liabilities	19,004	8,325	914	-	12,150	21,424	

\*There is one facility for fixed borrowings at an interest rate of 6.18%. The average interest rate is included in the table.



## (b) Credit risk exposures

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

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

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

### Concentrations of credit risk

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 group operates. Refer also to Note 29 – Segment Information.

## (c) Net fair values

For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

For bills of exchange and promissory notes which are traded on organised financial markets the net fair value is based on the quoted market offer price at balance date adjusted for transaction costs expected to be incurred.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments and forward exchange contracts.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements

## (d) Forward exchange contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The full amount of the foreign currency the economic entity will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Company. At balance date the net amount was \$17,503,960 (2003: \$18,969,187).

The accounting policy in regard to forward exchange contracts is detailed in note 1(c).

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

BUY UNITED STATES DOLLARS SETTLEMENT	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2004 \$'000	2003 \$'000	2004 \$	2003 \$
Less than 6 months	3,654	3,058	0.71	0.62
6 months to 1 year	-	439	-	0.62
BUY AUSTRALIAN DOLLARS SETTLEMENT	SELL UNITED STATES DOLLARS		AVERAGE EXCHANGE RATE	
	2004 \$'000	2003 \$'000	2004 \$	2003 \$
Less than 6 months	7,850	5,874	0.54	0.50
6 months to 1 year	-	-	-	-
1 years to 2 years	8,257	9,469	0.57	0.53
2 years to 3 years	5,051	7,123	0.59	0.56



# notes to the financial statements as at 30 June 2004

## 31. Controlled Entities

(a)

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)	
		2004	2003
<b>Parent Entity: Select Harvests Limited</b>	<b>Australia</b>	<b>2004</b>	<b>2003</b>
Subsidiaries of Select Harvests Limited:	Australia	-	-
Allinga Farms Pty Ltd	Australia	100	100
Kibley Pty Ltd	Australia	100	-
Kyndalyn Park Pty Ltd	Australia	100	100
Meriram Pty Ltd	Australia	100	-
Riverina Pelletising Services Pty Ltd	Australia	100	100
Select Harvests Marketing Pty Ltd	Australia	100	100
Select Home Garden Pty Ltd	Australia	100	100

## (b) Controlled entities acquired

On 9 July 2003 Select Harvests Marketing Pty Ltd, a wholly owned subsidiary of Select Harvests Limited, acquired 100% of the share capital of Meriram Pty Ltd and Kibley Pty Ltd at an initial cost of \$9.145 million.

## 32. Employee Benefits

### Executive share option scheme

The economic entity has in place an executive share scheme. The scheme provides for the Board to offer to eligible employees a parcel of options, which will be granted for no consideration in three equal tranches over a period of approximately three years from the date of each result announcement to the ASX in each financial year.

Each option is convertible into one ordinary share. The exercise price of the options, determined in accordance with the rules of the scheme, is based on the weighted average price of the company's shares over the first 50 sales of shares in the ordinary course of trading on the stock market of the ASX immediately following the result announcement.

All options expire on the earlier of their expiry date or termination of the employee's employment. The granting of options is conditional upon the economic entity achieving growth of at least 10% in EPS in each financial year over the preceding financial year. Accordingly, the scheme does not represent remuneration for past services.

There are no voting or dividend rights attached to the options.



## Summary of options over unissued ordinary shares

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

GRANT DATE	EXERCISE DATE ON OR AFTER	EXPIRY DATE	EXERCISE PRICE \$	NUMBER OF OPTIONS AT BEGINNING OF YEAR	OPTIONS GRANTED	OPTIONS LAPSED	OPTIONS EXERCISED	NUMBER OF OPTIONS AT END OF YEAR		PROCEEDS RECEIVED \$	NUMBER OF SHARES ISSUED	FAIR VALUE PER SHARE \$	FAIR VALUE AGGREGATE \$
								ON ISSUE	VESTED				
<b>2004</b>													
30/08/01	30/08/01	20/10/03	1.55	82,900	-	-	82,900	-	-	128,495	82,900	1.77	146,733
28/08/02	28/08/02	20/10/03	1.55	82,900	-	-	82,900	-	-	128,495	82,900	3.15	261,135
01/09/03	01/09/03	20/10/03	1.55	-	93,300	-	93,300	-	-	144,615	93,300	5.60	522,480
28/08/02	28/08/02	20/10/04	1.66	79,100	-	-	12,200	66,900	66,900	20,252	12,200	3.15	38,430
01/09/03	01/09/03	20/10/04	1.66	-	87,500	-	20,600	66,900	66,900	34,196	20,600	5.60	115,360
01/09/03	01/09/03	20/10/05	3.31	-	92,500	-	10,500	82,000	82,000	34,755	10,500	5.60	58,800
				244,900	273,300	-	302,400	215,800	215,800	490,808	302,400		1,142,938
<b>2003</b>													
30/09/99	30/09/99	30/09/02	1.00	74,226	-	10,726	63,500	-	-	63,500	63,500	1.02	64,770
30/08/01	30/08/01	20/10/03	1.55	112,300	-	-	29,400	82,900	82,900	45,570	29,400	1.77	52,038
28/08/02	28/08/02	20/10/04	1.55	-	112,300	-	29,400	82,900	82,900	45,570	29,400	3.15	92,610
28/08/02	28/08/02	20/10/05	1.66	-	120,500	-	41,400	79,100	79,100	68,724	41,400	3.15	130,410
				186,526	232,800	10,726	163,700	244,900	244,900	223,364	163,700		339,828

The fair value of shares issued as a result of exercising the options during the reporting period is the market price of the company's shares on the ASX as at the close of trading on the exercise date.

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

	ECONOMIC ENTITY		PARENT ENTITY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Issued and Paid up Capital	491	223	491	223

# notes to the financial statements as at 30 June 2004

## **33. Contingent Liabilities**

Upon achieving an EBIT target of \$2.5 million in each of the financial years ending 30 June 2004 and 30 June 2005, further payments to a maximum of \$2 million are to be made in respect of the acquisition of Meriram Pty Ltd and Kibley Pty Ltd.

As at 30 June 2004 \$1,500,000 became payable in accordance with the share purchase agreement and this amount has been recognised as a liability as at 30 June 2004.

The balance of \$500,000 will become payable upon achievement of an EBIT target of \$2.5 million for the year ended 30 June 2005.



# declaration

## Directors' Declaration

In accordance with a resolution of the directors of Select Harvests Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
  - (ii) Complying with Accounting Standards and Corporations Regulations 2001; 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.

On behalf of the Board



M A Fremder Chairman

Melbourne, 17 September 2004

# audit report

## Independent Audit Report

To the members of Select Harvests Limited

### Scope

We have audited the financial report of Select Harvests Limited for the financial year ended 30 June 2004, as set out on pages 15 to 52, including the Directors' Declaration. The financial report includes the financial statements of Select Harvests Limited, and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at year's end or from time to time during the financial year.

The Company directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### Audit Opinion

In our opinion, the financial report of Select Harvests Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2004 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional requirements in Australia.



Pitcher Partners



T J Benfold  
Partner  
Melbourne

Date: 20 September 2004





# ASX information

## ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 31 August 2004.

### (a) Distribution of equity securities

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

NUMBER OF ORDINARY SHARES	NUMBER OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES
1 to 1,000	755	The number of Shareholders holding less than a marketable parcel of shares are:	
1,001 to 5,000	1,064		
5,001 to 10,000	301		
10,001 to 100,000	310		
100,001 and over	41		49

### (b) Twenty largest shareholders

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

	LISTED ORDINARY SHARES NUMBER OF SHARES	PERCENTAGE OF ORDINARY
1 Maxdy Nominees Pty Ltd	5,548,911	14.4
2 Almonds Australia Pty Ltd	4,500,000	11.7
3 M F Custodians Ltd	1,906,334	4.9
4 Westpac Custodian Nominees Limited	1,598,324	4.2
5 Invia Custodian Pty Limited	1,314,970	3.4
6 National Nominees Limited	1,214,041	3.2
7 Thurston Investments Pty Ltd	1,000,000	2.6
8 J P Morgan Nominees Australia Limited	883,613	2.3
9 Frank Hadley Pty Ltd	845,000	2.2
10 AMP Life Limited	570,693	1.5
11 Mr Peter Charles Nicholas Middendorp	425,967	1.1
12 Longo Pty Ltd	386,120	1.0
13 Est Mr James Ronald Mackinnon c/o Mr Armstrong and Mr Bourne	382,003	1.0
14 Mirrabooka Investments Limited	314,687	0.8
15 Mid Manhattan Pty Ltd	307,359	0.8
16 Mutual Trust Pty Ltd	300,000	0.8
17 Mr Rodney Milton Fitzroy	286,518	0.7
18 Ellise Investments Pty Ltd	237,338	0.6
19 Dr John Carey	217,215	0.6
20 Amsamac Pty Ltd	209,786	0.5



# ASX information

## **(c) Substantial shareholders**

The names of substantial shareholders are:

Maxdy Nominees Pty Ltd

Almonds Australia Pty Ltd

**NUMBER OF SHARES**

5,548,911

4,500,000

## **(d) Voting rights**

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

**(e)** The Company is listed on the Australian Stock Exchange. The home exchange is Melbourne.



## Corporate Information

ABN 87 000 721 380

### Directors

M A Fremder (Chairman, 74)  
J Bird (Managing Director, 47)  
C G Clark (Non-Executive Director, 60)  
G F Dan O'Brien (Non-Executive, 49)  
J C Leonard (Non-Executive Director, 59)

### Company Secretary

M Mattia

### Registered Office - Select Harvests Limited

360 Settlement Road  
Thomastown VIC 3074

### Postal address

PO Box 5  
Thomastown VIC 3074  
Telephone (03) 9474 3544  
Facsimile (03) 9474 3588  
Email [info@selectharvests.com.au](mailto:info@selectharvests.com.au)

### Internet Address

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

### Solicitors

Gadens Lawyers

### Bankers

Australia and New Zealand Banking  
Group Limited

### Share Register

Computershare Investor Services Pty  
Limited  
Level 12  
575 Bourke Street  
Melbourne VIC 3000  
Telephone (03) 9611 5711  
Facsimile (03) 9611 5710

### Auditors

Pitcher Partners





SELECT HARVESTS

our locations



Select Harvests Limited  
ABN 87 000 721 380

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