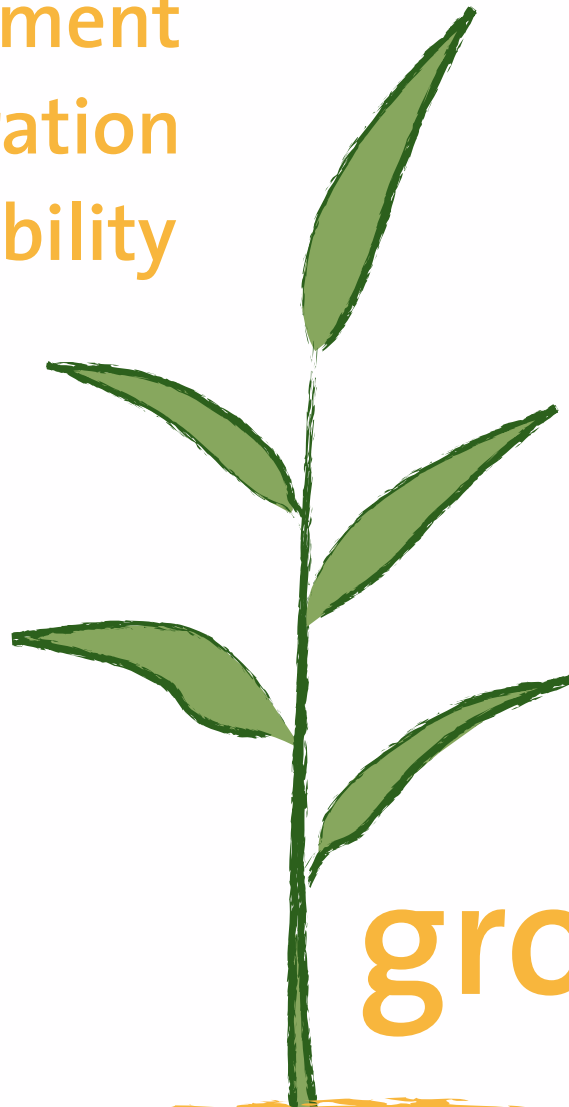




SELECT HARVESTS

expansion  
diversification  
investment  
integration  
sustainability



growth.

Annual Report  
2003

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**Select Harvests is Australia's largest almond grower managing in excess of 50% of Australia's orchards and ranks as one of the top five almond growers globally.**

## Shareholder Information

### Annual General Meeting

The Annual General Meeting will be held on Tuesday 28 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 with a copy of this report.

### 2003/04 Calendar

Feb Announcement of interim results

Apr Payment of interim dividend

Aug Announcement of preliminary full year results

Sept Annual report to shareholders

Sept Payment of final dividend

Oct Annual General Meeting

# our mission.

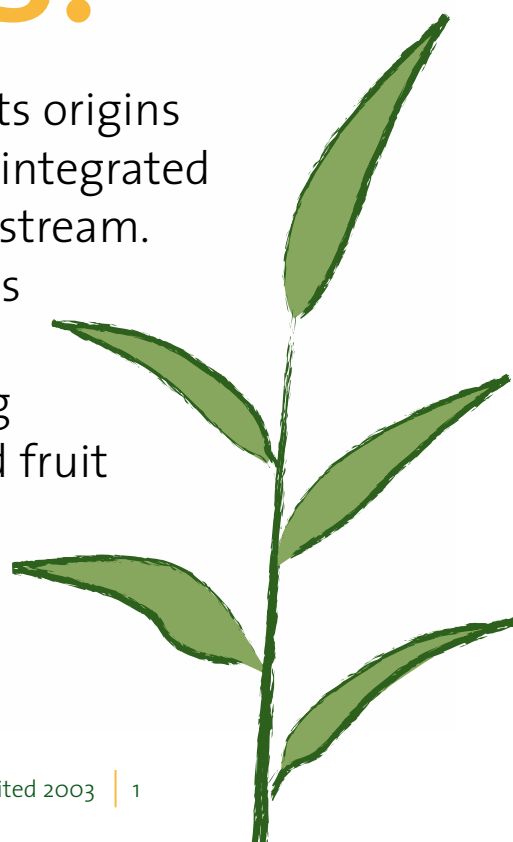
To establish and expand a business model capable of generating sustainable earnings growth into the future thereby delivering increased value to shareholders.

# our strategy.

Strategically, we have diversified and expanded our income stream by leveraging our core strengths of almond growing and knowledge of edible nuts and their markets to establish a fully integrated food company with sustained earnings growth and less volatility from agricultural risk.

# our activities.

Select Harvests has been transformed from its origins as a commodity-based almond grower to an 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 is Australia's leading manufacturer, processor and marketer of a range of nuts and associated products to the Australian retail and industrial markets, as well as exporting almonds all over the world.**

## The Business at a Glance

Select Harvests Limited is Australia's largest almond grower managing in excess of 50% of Australia's almond orchards, and ranks as one of the top five almond growers globally. It is also Australia's leading manufacturer, processor and marketer of a range of nuts and associated products to the Australian retail and industrial markets, and exports almonds all over the world.

Through a focused diversification and growth strategy, Select Harvests has delivered an increase in profit after tax of 161% over the last four years.

Select Harvests' business streams are as follows:

## Almond Orchards and Management Services

- Owns and manages 1,880 acres of almond orchards in the Robinvale area of north-west Victoria.
- Manages on a fee for service basis, 8,070 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 2,800 metric tonnes of almonds from owned and managed orchards representing approximately 30% of Australia's crop. Future tonnage will exceed 12,000 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.

Select Harvests currently handles approximately 2,800 metric tonnes of almonds from owned and managed orchards representing approximately 30% of Australia's crop.



## Food Products

- Produces an extensive range of packaged nuts and associated products (snacks, cooking ingredients, mueslis, 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.

# our year in brief.



This year has produced a record result for the Company and shareholders, and reinforces the Company's strategic direction.

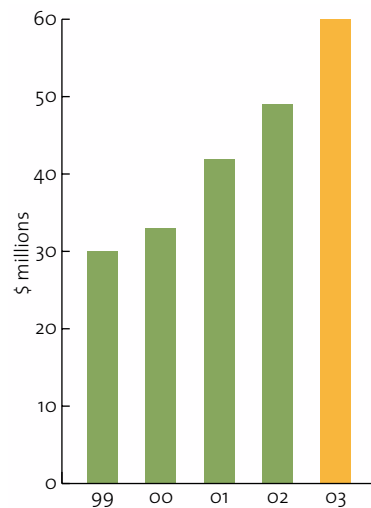
This excellent result stems from the Company's continuing strategy of growth through diversification from what was essentially a commodity-based, single revenue stream company into an integrated food company.



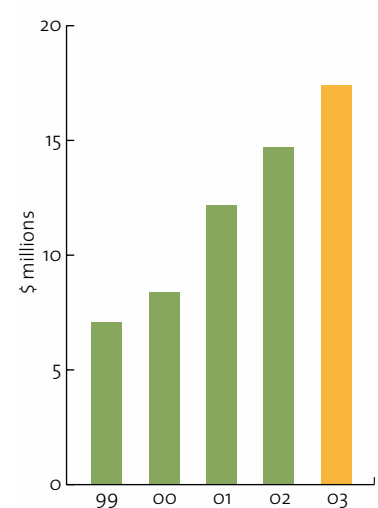
Top: Efficiency gains consolidated the cost savings achieved in previous years and have made us one of the most efficient producers in the world.

Above: Select Harvests markets their food products through several different brands including Lucky, Sunsol, Nu-Vit, Meriram and Soland brands.

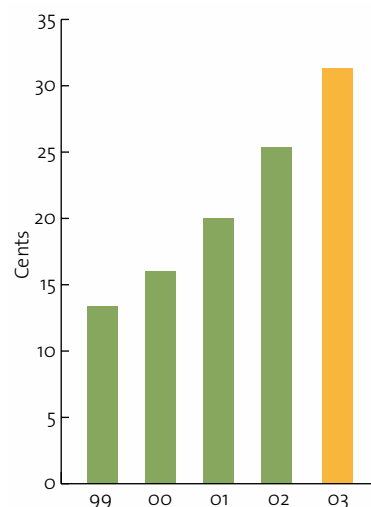
Total Shareholders' Equity



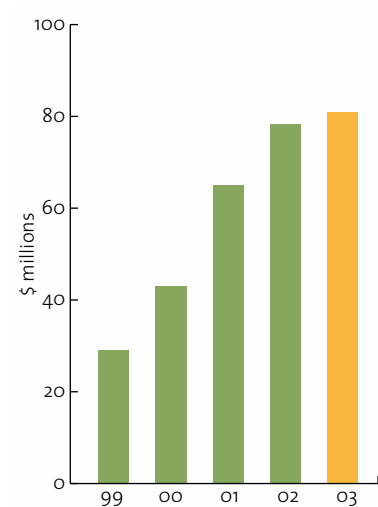
Earnings Before Interest and Tax (EBIT)



Earnings Per Share



Total Sales



# our year in brief.

## Summary of our achievements against the objectives established for the 2002/03 financial year.

### Our strategic objectives

### Our achievements during 2002/03

#### Almond Orchards

Maintain our position as a low cost almond producer.

- Costs per kilogram produced decreased by 5% 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.
- Contributed \$7.7 million (39%) to group EBIT.

#### Management Services

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

- Planted 2,780 acres of new orchards in 2003, totalling 8,070 acres of externally owned orchards and representing 81% of total acreage under management.
- Investor owned crop increased from 400 tonnes in 2002 to 900 tonnes in 2003.
- Anticipate further significant plantings of investor owned orchards for 2004.
- Contributed \$6.1 million (31%) to group EBIT.

#### Food Products

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

- Increased sales revenue by 5% over prior year to \$51 million.
- Consolidation of all food manufacturing operations to a state-of-the-art processing facility in Melbourne, providing a platform for efficiency improvements and capacity for future growth.
- Acquisition of the Meriram Group will contribute \$28 million to revenues in 2003/04, together with improved and new distribution, new product categories, and internal synergies.
- Contributed \$4.6 million (24%) 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 3% to \$81 million.
- EBIT contribution from business segments other than almond production totals 61% of group EBIT.
- Total EBIT increased by 18% to \$17.4 million.
- Net profit after tax increased by 28% to \$10.9 million.

#### Shareholders' Equity

Enhance shareholder value.

- Total dividends increased by 37% to 18.5 cents per share, fully franked.
- Earnings per share increased by 23% to 31.3 cents.
- Total shareholders' equity increased by 12% to \$60 million.
- Return on shareholders' equity increased to 18.3% per annum.
- Share price increased by 54.8% to \$4.80.



# our report.

## Chairman and Managing Director's Report



Above: Bees are kept in the orchards during spring to cross pollinate the almond blossoms so they bear fruit. The bees do not actually create honey from almond blossom but strengthen their combs.

This year delivered improved profits, increased dividends, and a significant appreciation in share price.

### Increasing our Shareholder Value

The key principle that underpins the business strategies of Select Harvests Limited is the creation of shareholder value. We have demonstrated tangibly over the last few years our ability to increase shareholder value through a diversification and acquisition strategy that has built a significant business with sustainable and recurring income streams.

The last year represents another successful step in the Company's development, delivering improved profits, increased dividends and a significant appreciation in share price.

Our objective of creating one of Australia's leading agri-food businesses is well underway and we continue to pursue further growth opportunities.

### The Results

Net profit after tax for the year increased by 28% to \$10.9 million, the fourth consecutive year of earnings growth in excess of 25%, and as a result, earnings per share increased 23% on the previous year from 25.2 cents to 31.3 cents.

Due to the strong cash flow intrinsic to our business model, debt reduced over the year from \$19.2 million to \$9.3 million. The directors have declared a final dividend of 12 cents fully franked thereby delivering a total dividend for the year of 18.5 cents per share, up 37% on the previous year. The year saw a further market re-rating of our share price, which increased by 54.8% from \$3.10 to \$4.80 over the financial year, and has since appreciated further.

### Business Strategies

Over the last five years we have implemented a consistent core strategy to transform Select Harvests from a commodity-based almond grower to an integrated agri-food business with a diversified income stream with less volatility from agricultural risk.

Our strategy has two parts:

- Development of externally owned almond orchards delivering long-term recurring fee income from the provision of a range of services including orchard establishment, farm management, harvesting, processing and marketing. This is our **Management Services division**.
- The processing and marketing of a range of nuts, fruits and associated products to major retailers, distributors and food manufacturers, including cooking ingredients, snacks, mueslis, health foods and industrial ingredients. This is our **Food Products division**.

# our report.



This acquisition delivers increased product ranging and branding, an entry into the fast growing health food sector and lifts total sales of the Food Products division to around \$80 million per annum.

## Our Markets

The key markets in which we operate or which impact on our businesses are each currently enjoying buoyant conditions.

### International almond market

The fundamentals of the almond market are strong with a shift over the last few years from a projected over supply to an anticipated shortfall as increasing world consumption meets flattening USA production.

International almond prices increased significantly over the past year despite a record USA 2002 harvest of over a billion pounds of almonds. The record crop was matched by a 20% increase in sales as world consumption continued to increase at a record pace. Limited new plantings over recent years and an ageing acreage will see production from the USA plateau over the next three years, and a continuation of consumption growth will apply upward pressure to prices. Northern hemisphere producers have commenced the harvest of their 2003 crop and indications are that both the USA and Spain will have reduced yields, bringing total world supply below last year's consumption levels.

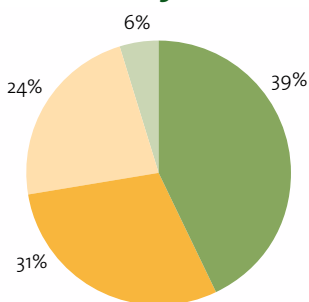
### Nut consumption in Australia

Nut consumption in Australia continues to grow, particularly for natural and health food products. Almonds are leading the charge with sales in major retailers showing well in excess of double-digit growth over the last year.

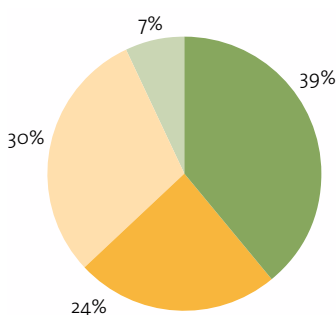
The record USA crop was matched by a 20% increase in sales as world consumption of almonds continued to increase at record pace.

Our business model has served us well and these new divisions now contribute over 50% of total group EBIT and are the foundation for sustained earnings growth in the future.

### Total EBIT 2003



### Total EBIT 2002



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

## The Year in Review

During the year we increased the total area of almond orchards under management to 9,950 acres by the development of a large-scale almond project of 2,780 acres. This project increased the total area under our management by 38% and established us as one of the top five almond growers in the world.

In the first half of the year we completed the consolidation of our Food Products division to a state-of-the-art processing facility in Melbourne providing operational efficiencies and production capacity to facilitate future growth.

In May 2003 we announced the acquisition of the Meriram group of companies. Meriram has an approximate annual turnover of \$28 million, manufacturing a range of health foods, cooking ingredients and breakfast cereals.



# We continue to see good consumption growth of nut based products at retail level and have a number of new products entering the market over the next few months.

Consumer research suggests that the increase is being driven by a growing awareness of the health benefits of regular consumption and a shift towards natural foods. We anticipate this will be an ongoing trend assisted by increased marketing activity by the Australian nut industry initially targeting food influencers and health professionals.

## Almond orchard investment

Managed almond orchards are now well established as a long-term investment in the agri-business investment market. An appreciation by investors of the competitive position of Australia as an almond grower and the strong fundamentals of the international almond market are assisting the attractiveness of almond orchards as an investment.

## Our People

We have experienced significant growth and change as a result of the strategic initiatives of the last few years.

Our success is due to the considerable efforts and dedication of our people, and the support and cooperation of our contractors, suppliers and customers.

We thank our management and staff for their contribution to an excellent result for the year.

## Future Outlook

We remain committed to the continued growth and development of the Company, and to the ongoing improvement of shareholder value in the medium to long-term.

Select Harvests today is a leading integrated agri-food business having developed a business model that is

sound, and one that will deliver further growth opportunities in the years to come.

A reduced 2003 USA crop provides the basis for a continuation of higher almond prices in the 2004 financial year.

Fee income from our management services business will increase in the 2003/2004 year due to an increase in the total area under management and a larger almond harvest from investor owned orchards as more trees begin bearing.

On behalf of Timbercorp Limited, we are planting a 3,000 acre almond development in 2004, which will provide further growth to our recurring fee income. We are also pursuing other almond development opportunities, which we expect to commence in the 2004 financial year, adding further to the area under our management and to our fee base.

Our Melbourne manufacturing facility is now bedded down, and following completion of the Meriram acquisition, we will receive a full year's profit contribution from that business. We continue to see good consumption growth of nut based products at retail level and have a number of new products entering the market over the next few months.

The 2004 financial year has commenced well and we approach the future with confidence.

On behalf of the Board

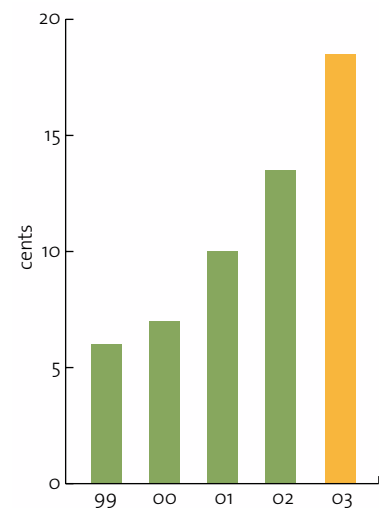


Max Fremder  
Chairman

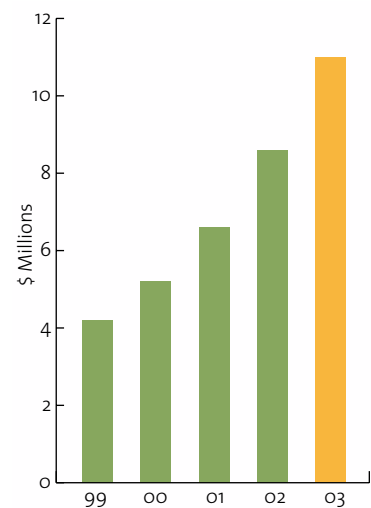


John Bird  
Managing Director

Dividend Per Ordinary Share



Net Profit After Tax



# our operations.

## Review of Operations



**Our Food Products division is Australia's leading supplier of packaged nuts, dried fruits, and associated products to Australian supermarkets.**

### Food Products

This division of the Company is Australia's leading supplier of packaged nuts, dried fruits, and associated products 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. Our distribution channels are

broad and include the major Australian supermarkets, health food stores, the route trade, export markets and major Australian food manufacturers.

The pre-eminent position of this division in the marketplace is a result of the successful execution of the Company's strategic plan that includes a targeted acquisitions program to build processing, marketing and distribution critical mass.

As a result of our initiatives in this area, we have a significant business with sales revenue of \$51.3 million per annum and an EBIT contribution of \$4.6 million (net of goodwill amortisation of \$1.1 million) representing 24% of group earnings. Sales revenue in the 2003 financial year increased by 5% over the prior year and EBIT was down slightly from \$5 million in 2002.

The reduction in EBIT contribution for the 2003 financial year can be attributed to the short-term disruption experienced in the first half of the financial year from the relocation of our manufacturing and processing facilities from two locations in Scoresby and Northcote, into one new state-of-the-art factory in Thomastown, Victoria. The consolidated facility is now operating efficiently and contributed to a 7% increase in our second half EBIT over the prior year. In the longer-term, the new premises will provide the production capacity and operational efficiencies to facilitate further growth.

The outlook for the Food Products division is positive. Consumption of nuts continues to grow due to increased awareness of the health benefits associated with regular

# A key component of our strategy has been the provision of management services to generate a recurring, fee based income stream from all aspects of almond production.

consumption. We continue to see this trend in Australian supermarkets where sales of packaged nuts increased by 6% over the year with the natural (non-processed) component growing by 19%, and we continue to work closely with our customers to develop strategies and plans to further capitalise on our unique position. Product ranging and development continue to be important in enabling us to make market share gains and to increase distribution, and we are constantly reviewing ways in which we can innovate our product offering to grow the business.

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.

In line with our strategy to continue to grow and develop our food products business, we completed the acquisition of the Meriram group of companies on 9 July 2003. Meriram has an annual turnover of approximately \$28 million and manufactures a range of health foods, cooking ingredients, and breakfast cereals under the brand names Meriram, Sunsol, Nu-Vit and Soland.

This acquisition is a logical extension of our food processing and marketing strategy and will deliver revenue growth, increased product ranging and branding, improved distribution to independent retailers, and entry into

the fast growing health food sector. In addition, it provides a number of synergies which can be exploited as we progressively integrate the business with our current operations including an in-house sales and merchandising team, a Queensland based production facility and access to export markets for packaged products.

Following this acquisition, total sales of the combined Food Products division will increase to approximately \$80 million per annum.

## 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.

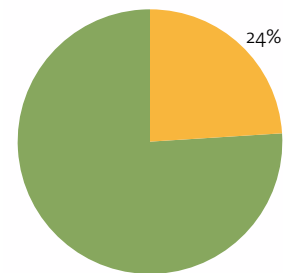
Income generated from these services continues to reduce our exposure to commodity price and agricultural risk. In addition, it enables us to better utilise processing capacity and provides a platform to continue to grow income and profitability.

The year in review saw a continuation of the significant growth achieved in prior years. Management Services contributed \$6.1 million to group EBIT, a 54% increase from the 2002 financial year, and now represents 31% of total group EBIT (24% in 2002).

During the 2003 financial year, we established an additional 2,780 acres of new investor owned orchards,

### Food Products

Proportion of group EBIT



**Sales**

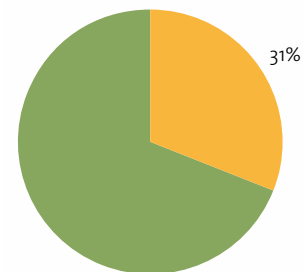
\$51.3 million

**EBIT**

\$4.6 million

### Management Services

Proportion of group EBIT



**Sales**

\$16.4 million

**EBIT**

\$6.1 million

taking the total acres for this division to 8,070. Management Services now represents 81% of the total acreage which Select Harvests manages, and with further substantial plantings anticipated in the 2004 financial year, we look forward to 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

# our operations.

as the orchards recently established progressively come into production. During the 2003 financial year, the level of investor owned almond crop increased to 900 metric tonnes from 400 metric tonnes last year. Based on current acreage under management, we anticipate processing and marketing in excess of 13,000 metric tonnes of almonds when the orchards reach full production, compared with our current throughput of approximately 2,700 metric tonnes.

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.

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 2004 financial year, adding further to the area under management and to our fee base. Timbercorp Limited, with whom we have a long-term strategic alliance agreement, have committed to the development of a further 3,000 acres in the 2004 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 model is both sound and attractive and we are committed to the continuous growth of this division.

## Almond Orchards

Our Almond Orchards division manages 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 \$7.7 million for the 2003 financial year, an increase of 21% over the previous year. Almond Orchards now represents only 39% of total group EBIT compared with 88% only five years ago. This is further testament to the success of the Company's deliberate diversification strategy.

This year's result was achieved despite a 10% reduction in crop levels compared to the 2002 financial year. Australia has experienced severe drought conditions over the past



Peach seedlings are raised in the hothouse prior to the almond budding process.



12 months and our 2003 crop suffered some frost damage that is unusual, but more normally associated with drought conditions. Offsetting this however, has been an improved average almond price. During the 2003 financial year, we have seen an increase of 20% in the average per kilogram almond price despite a record 2002 crop in the USA. This has been aided by an increase in world consumption of 20%, taking global consumption to new record levels. Australian consumption also continues to grow at double-digit rates and it is anticipated that the level of global supply in the 2004 financial year will fall below the level of consumption in the 2003 financial year due to reduced almond crops anticipated in both the USA and Spain.

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

During the 2003 financial year, we also achieved a reduction of 5% in our total cost per kilogram, further cementing Select Harvests as one of the 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.

## 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 2003 financial year were substantially in line with the previous year, and EBIT reduced by 25% to \$886,000 from \$1.1 million in 2002. Pesticide Products accounts for 6% of total group EBIT, and produces good cash flows and revenue streams from a low asset base.

The result for the year was heavily impacted by the severe drought conditions of the last 12 months. The drought has had a two-fold impact on the performance of this division.

Firstly, dry conditions have impacted on the activity of snails and slugs in both commercial and residential situations, thereby reducing demand for our pelletised snail and slug baits. Rodent activity was similarly affected, resulting in reduced demand for baits.

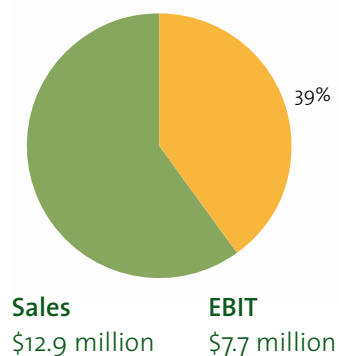
Secondly, the drought has resulted in substantial increases in Australian wheat prices as the yields achieved by wheat growers have reduced significantly. Wheat is the primary raw material input for our pelletised products, and is therefore the principal portion of our product cost. The increase in wheat prices has had an adverse effect on our gross margins during the 2003 financial year, and therefore on the division's EBIT result.

The 2004 financial year has commenced well with present climatic conditions more favourable to the sales of snail and slug baits. With an improvement in the outlook for climatic conditions expected, together with projected reductions in Australian wheat prices, we anticipate that the Pesticide Products division will improve its EBIT contribution during the 2004 financial year.

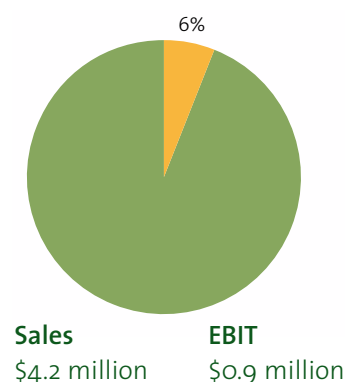
Our pesticide products account for 6% of total group EBIT, and produces good cash flows and revenue streams from a low asset base.



**Almond Orchards**  
Proportion of group EBIT



**Pesticide Products**  
Proportion of group EBIT





# our board.

## Board of Directors



**Max Fremder**  
*Chairman, 73*

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.



**Brian Burns** AM, FCPA, FCIS, FAICD  
*Non-Executive Director, 64*

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.



**John Bird**  
*Managing Director, 46*

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 Managing Director of Select Harvests Limited since January 1998.



**Charles (Sandy) Clark** B.COMM Dip.Ag.Econ  
*Non-Executive Director, 59*

Joined the Board in January 1998. Is currently Chairman, Aviva Australia Holdings Ltd; Chairman, The Myer Family Office Ltd; Deputy Chairman, Legal Practice Board of Victoria; Director, Southern Cross Broadcasting (Australia) Limited; Director, The Myer Foundation; Trustee for the Buckland Foundation; and a director of a number of private companies.



**David Williams** B.Ec(Hons), M.Ec, FAICD  
*Non-Executive Director, 49*

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 a director of Austin Group Limited.

# 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

## Almond Operations

### General Manager

Wayne Turner

### Horticultural Operations Manager

Tim Millen Dip.Hort Distinct

### Commercial Manager

Garry Watkins B.Comm

### Processing Manager – Shelling

Peter Ross

### Processing Manager – Packing

Michael Leslie

### Farm Managers:

Sam Morris

Stephen Alderson

Steve Connor

Andrew Burkinshaw

Troy Richman

### Nursery Manager

Roy Slater

## Food Products

### Operations Manager

Peter Petropoulos

### Sales Manager – Trading

Laurence Van Driel

### Retail Sales Manager

George Yamouni

### Key Accounts Manager, Industrial – NSW

Stephen Thomson B.Sc(Chem)

### Key Accounts Manager, Industrial – VIC

Derek Parr

### Commercial Manager

Colin Dawson Dip.Bus

### Technical Manager

Vlas Salatas B.Sc(Micro)

### Customer Service Manager

Diane Batley

## Pesticide Products

### Operations Manager

Vince Cavanagh

### Commercial Manager

Philip James B.App.Sc.(Chem),M.Bus(Mktg)

Our success is due to the considerable efforts and dedication of our people, and the support and cooperation of our contractors, suppliers and customers.



# statistical summary.

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

(\$'000 except where indicated)

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

## Directors

The names 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 the entire period unless otherwise stated. Refer to page 12 for details of directors' qualifications.

M A Fremder                      J Bird                      B P Burns  
C G Clark                      D J Williams

## Review and Results of Operations

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

## Corporate Information

### Nature of Operations and Principal Activities

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

- The processing, packaging and marketing of edible nuts, dried fruits and seeds.
- The growing, processing, packaging and distribution of almonds.
- The provision of management services.
- The manufacture of chemically-based pelletised products.

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

### Employees

The consolidated entity employed 170 employees as at 30 June 2003 (2002: 174 employees).

## Significant Events After the Balance Date

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 \$9.1 million.

Further payments are to be made over two years to a maximum of \$2.0 million based on achieving EBIT targets. Payment of the maximum amount requires achievement of an EBIT of \$2.5 million for each of the two years post acquisition.

On 29 August 2003, Select Harvests Limited issued Timbercorp's 75% owned subsidiary, Almonds Australia Pty Ltd, a further 2,533,500 ordinary shares for consideration of \$5,827,050 (\$2.30 per share). The shares were issued as part of a strategic alliance between Timbercorp Limited and Select Harvests Limited in August 2000. Almonds Australia Pty Ltd now holds 4,500,000 ordinary shares, or 11.84% in Select Harvests Limited.

## Likely Developments and Expected Results

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

## Environmental Regulation and Performance

The economic entity's operations are subject to environmental regulations under a law 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.



## 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' and Other Officers' Emoluments

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

### Emoluments of Directors of Select Harvests Limited

	ANNUAL EMOLUMENTS			LONG TERM EMOLUMENTS			SUPER-ANNUATION	TOTAL
	BASE FEE	SHORT TERM INCENTIVES	OTHER	OPTIONS GRANTED				
	\$	\$	\$	NUMBER	\$	% OF REMUNERATION	\$	\$
M A Fremder	70,370	-	-	-	-	-	6,333	76,703
J Bird	243,222	127,418	39,576	124,200	45,418	25	24,097	479,731
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

### Emoluments of the Five Most Highly Paid Executive Officers of the Company and the Consolidated Entity

	ANNUAL EMOLUMENTS			LONG TERM EMOLUMENTS			SUPER-ANNUATION	TOTAL
	CASH SALARY	SHORT TERM INCENTIVES	OTHER	TERMINATION & SIMILAR PAYMENTS	OPTIONS GRANTED			
	\$	\$	\$	\$	NUMBER	\$	\$	\$
C H Holland	62,191	11,057	24,250	46,789	34,300	12,543	6,592	163,422
D Sakkas	48,141	8,792	19,400	56,103	17,700	7,257	4,400	144,093
L W Van Driel	98,236	21,651	-	-	8,600	3,526	10,699	134,112
P A James	82,760	11,218	16,800	-	18,800	6,876	8,337	125,991
C A Lukauskas	91,066	-	26,000	-	-	-	8,093	125,159

## Notes

- The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.
- The elements of emoluments 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.

# directors' report.

## 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	NO. OF OPTIONS OFFERED	EXPIRY DATE	GRANTED AUGUST 01	GRANTED AUGUST 02	GRANTED AUGUST 03	BALANCE
2000 Offer	5	\$0.33	\$1.55	336,900	20 October 2003	112,300	112,300	93,300	-
2001 Offer	8	\$0.41	\$1.66	361,500	20 October 2004	-	120,500	87,500	87,500
2002 Offer	7	\$0.486	\$3.31	277,500	28 October 2005	-	-	40,700	236,800
Total				975,900		112,300	232,800	221,500	324,300

### 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	137,600	\$1.55	20 October 2003
J Bird	110,800	\$1.66	20 October 2004
<b>Officers</b>			
C A Lukauskas	12,400	\$3.31	28 October 2005
P A James	20,800	\$1.55	20 October 2003
P A James	16,800	\$1.66	20 October 2004
P A James	7,300	\$3.31	28 October 2005
L W Van Driel	17,200	\$1.66	20 October 2004
L W Van Driel	7,300	\$3.31	28 October 2005

### Unissued Ordinary Shares Under Option

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

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
142,400	\$1.66	20 October 2004
40,700	\$3.31	28 October 2005

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
63,500	\$1.00
317,900	\$1.55
65,600	\$1.66
466,500	\$2.10
2,533,500	\$2.30

There were no amounts unpaid on the shares issued.

## Interests in the Shares of the Company and Related Bodies Corporate

As at the date of this report, the interests of the directors in the shares of Select Harvests Limited are:

	ORDINARY SHARES
M A Fremder	5,538,472
J Bird	316,107
B P Burns	106,518
C G Clark	21,303
D J Williams	-

## Earnings Per Share

	CENTS
Basic earnings per share	31.3
Diluted earnings per share	30.9

## Dividends

	CENTS	DOLLARS
Final dividends proposed and not recognised as a liability:		
• on ordinary shares	12.0	4,592,657
Fully Franked Dividends paid in the year:		
<i>Interim for the year</i>		
• on ordinary shares	6.5	2,300,000
<i>Final for 2002 shown as recommended in the 2002 report</i>		
• on ordinary shares	8.0	2,767,000

# directors' report.

## 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	REMUNERATION
<b>Number of meetings held:</b>	12	5	1
<b>Number of meetings attended:</b>			
M A Fremder	12		1
J Bird	12		
B P Burns	12	5	
C G Clark	12	5	
D J Williams	12		1

## Committee membership

During or since the end of the financial year, the Company had an Audit 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:

AUDIT	REMUNERATION	NOMINATION (ESTABLISHED 31 JULY 2003)
C G Clark (c)	D J Williams (c)	M A Fremder (c)
B P Burns	M A Fremder	J Bird
D J Williams ( <i>appointed 31 July 2003</i> )		B P Burns C G Clark D J Williams

## Notes

(c) Designates the chairman of the committee.

## 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.

## Tax Consolidation

Subsequent to year-end, the directors have resolved to adopt the Tax Consolidation regime for the economic entity with effect from 1 July 2003.

## 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 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, 19 September 2003

# 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 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.

### Board Processes

To assist in the execution of its responsibilities, the Board has established a Nomination Committee, a Remuneration Committee and an Audit Committee.

The full Board holds 12 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. 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.

### Composition of the Board

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

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

The directors in office at the date of this statement are disclosed in the Directors' Report.

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 15.62% shareholding at 30 June 2003.
- 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.
- A non-executive director, Mr C G Clark, is a director of MF Custodians Pty Ltd, which, at 30 June 2003, held 6.2% of the ordinary shares of the Company.

### 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 whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in the notes to the financial statements.



# governance.

## 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 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. Details of directors' remuneration, superannuation and retirement payments are set out in the Directors' Report and Notes to the Financial Statements.

## Nomination Committee

The Nomination Committee was established on 31 July 2003. The members of the Nomination Committee are disclosed in the Directors' Report.

The Nomination Committee will oversee the appointment and induction process for directors. It will review the composition of the Board and make recommendations on the appropriate skill mix, personal qualities, and expertise. When a vacancy exists or there is a need for particular skills, the Committee will determine the selection criteria based on the skills deemed necessary.

The Nomination Committee will meet annually unless otherwise required.

## Dealings in Company Shares

Directors and senior management are prohibited from dealing in Company shares except within a six week trading window that commences on the date of release of the economic entity's results at year-end and half-year, and 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.

## 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.

## Audit Committee

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

The members of the Audit Committee are disclosed in the Directors' Report.

The external auditors, the Managing Director and Chief Financial Officer are invited to Audit 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 responsibilities of the Audit Committee currently include:

- Reviewing the annual, half-year and concise financial reports and other financial information distributed externally, including new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- Considering whether any non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.
- Reviewing the nomination and performance of the external auditor.
- Monitoring compliance with the Corporations Act 2001, and the ASX Listing Rules.
- Addressing any significant matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX, and financial institutions.

The Audit Committee is committed to ensuring that it carries out its functions in an effective manner. Accordingly, the Audit Committee will conduct a review of its charter, and will develop processes and procedures to review its performance on a periodic basis.

### **Business Risk Management**

The economic entity's areas of focus in respect to risk management practices include, but are not limited to, environment, occupational health and safety, property, financial reporting and internal control. The economic entity's management of environmental risks is discussed under 'Environmental Regulation and Performance' within the Directors' Report.

The Audit Committee will be developing processes to advise and report to the Board on a more regular basis the status of business risks through risk management programs aimed at ensuring such risks are identified, assessed and appropriately managed.

### **Internal Control Framework**

The Board is responsible for the overall internal control framework, and the following processes are in place:

- 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.
- 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.
- Investment appraisal – Guidelines for capital expenditure include annual budgets, appraisal and review procedures, and due diligence requirements where businesses are being acquired or divested.

### **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. A formal Code of Conduct shall be developed which the Board shall review regularly, and procedures shall be implemented to promote and communicate these policies.

### **The Role of Shareholders**

The Board informs shareholders of all major developments affecting the economic entity's state of affairs 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.

All documents released publicly are made available on the economic entity's web site at [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.

# performance.

## Statement of Financial Performance

YEAR ENDED 30 JUNE 2003

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Sales revenue	2	80,994	78,327	-	-
Cost of sales	3(a)	(55,040)	(56,634)	-	-
<b>Gross profit</b>		25,954	21,693	-	-
Other revenues from ordinary activities	2	1,098	4,787	9,665	12,070
Other revenues from SGARA stock adjustment	2	490	-	-	-
Distribution expenses		(1,557)	(1,584)	-	-
Marketing expenses		(117)	(134)	-	-
Occupancy expenses		(927)	(630)	(36)	(5)
Administrative expenses		(1,850)	(1,606)	(1,053)	(811)
Borrowing costs expensed	3	(1,415)	(2,027)	(1,696)	(2,412)
Other expenses from ordinary activities		(5,177)	(6,519)	(769)	(960)
Other expenses from SGARA adjustments		(389)	(1,177)	-	-
<b>Profit from ordinary activities before income tax expense</b>		16,110	12,803	6,111	7,882
<b>Income tax expense relating to ordinary activities</b>	4	(5,148)	(4,249)	(397)	(422)
<b>Profit from ordinary activities after income tax expense</b>		10,962	8,554	5,714	7,460
<b>Net profit</b>		10,962	8,554	5,714	7,460
<b>Net profit attributable to members of Select Harvests Limited</b>	21	10,962	8,554	5,714	7,460
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Select Harvests Limited</b>		10,962	8,554	5,714	7,460
Basic earnings per share (cents per share)	25	31.3	25.4		
Diluted earnings per share (cents per share)	25	30.9	24.7		

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

# position.

## Statement of Financial Position

YEAR ENDED 30 JUNE 2003

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Current assets</b>					
Cash assets		565	78	561	75
Receivables	6	12,968	10,740	144	155
Inventories	7	10,711	11,667	-	-
Other	8	833	114	717	-
<b>Total current assets</b>		<b>25,077</b>	<b>22,599</b>	<b>1,422</b>	<b>230</b>
<b>Non-current assets</b>					
Receivables	9	-	-	28,533	35,887
Other financial assets	10	-	4	12,195	12,199
Property, plant and equipment	11	33,480	34,286	336	385
Deferred tax assets	4	158	247	67	93
Self-generating and regenerating assets	12	5,329	5,718	-	-
Intangible assets	13	21,705	22,835	-	-
<b>Total non-current assets</b>		<b>60,672</b>	<b>63,090</b>	<b>41,131</b>	<b>48,564</b>
<b>Total assets</b>		<b>85,749</b>	<b>85,689</b>	<b>42,553</b>	<b>48,794</b>
<b>Current liabilities</b>					
Payables	14	12,150	9,441	513	407
Interest-bearing liabilities	15	360	1,494	61	683
Current tax liabilities	4	2,092	2,848	208	179
Provisions	16	979	3,598	133	2,874
<b>Total current liabilities</b>		<b>15,581</b>	<b>17,381</b>	<b>915</b>	<b>4,143</b>
<b>Non-current liabilities</b>					
Payables	17	-	-	7,039	6,946
Interest-bearing liabilities	18	8,914	17,739	8,077	16,604
Deferred tax liabilities	4	1,155	1,167	-	-
Provisions	19	93	65	-	-
<b>Total non-current liabilities</b>		<b>10,162</b>	<b>18,971</b>	<b>15,116</b>	<b>23,550</b>
<b>Total liabilities</b>		<b>25,743</b>	<b>36,352</b>	<b>16,031</b>	<b>27,693</b>
<b>Net assets</b>		<b>60,006</b>	<b>49,337</b>	<b>26,522</b>	<b>21,101</b>
<b>Equity</b>					
Contributed equity	20	36,206	34,199	36,206	34,199
Reserves	21	9,458	9,458	3,270	3,270
Retained profits (accumulated losses)	21	14,342	5,680	(12,954)	(16,368)
<b>Total equity</b>		<b>60,006</b>	<b>49,337</b>	<b>26,522</b>	<b>21,101</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 2003

NOTES

	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>Cash flows from operating activities</b>				
Receipts from customers	99,487	90,792	-	-
Payments to suppliers and employees	(76,928)	(68,926)	(2,391)	(1,160)
Dividend received	-	1	-	1
Interest received	104	81	104	81
Borrowing costs	(1,415)	(2,027)	(1,287)	(1,796)
Income tax paid	(5,827)	(4,429)	(341)	(258)
<b>Net cash flows from/(used in) operating activities</b>	15,421	15,492	(3,915)	(3,132)
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	993	4,696	7	24
Purchase of property, plant and equipment	(2,906)	(3,865)	(24)	(206)
Purchase of other non-current assets	-	(4,000)	-	-
<b>Net cash flows from/(used in) investing activities</b>	(1,913)	(3,169)	(17)	(182)
<b>Cash flows from financing activities</b>				
Proceeds from issues of ordinary shares	2,007	3,075	2,007	3,075
Proceeds from borrowings – other	-	71	16,629	15,138
Repayments of borrowings – other	(9,307)	(10,485)	(8,525)	(10,241)
Payment of dividends on ordinary shares	(5,070)	(3,868)	(5,070)	(3,868)
<b>Net cash flows from/(used in) financing activities</b>	(12,370)	(11,207)	5,041	4,104
<b>Net increase/(decrease) in cash held</b>	1,138	1,116	1,109	790
Add opening cash brought forward	(608)	(1,724)	(583)	(1,373)
<b>Closing cash carried forward</b>	530	(608)	526	(583)

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 2003

## 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. Unrealised losses are eliminated unless costs cannot be recovered.

### (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 specifically hedged, 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 2003

## **(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 – 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**

Freehold 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 asset's 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:	2003	2002
Buildings	25 to 40 years	25 to 40 years
Leasehold improvements	5 to 20 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

### (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.

### (i) Intangibles

#### Brand names

Brand names are measured at deemed cost on adoption of AASB 1041: 'Revaluation on Non-Current Assets'. Directors are of the view that brand names have an indefinite life and that the depreciable amounts of the Company's brand names are either zero or a negligible amount. 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.

# notes to the financial statements as at 30 June 2003

## **(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 2003 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.

### **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.

### **(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 12 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 profits 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 29.

#### **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 and Investments Commission, relating 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.



# notes to the financial statements as at 30 June 2003

## 2. Revenue from Ordinary Activities

### Revenues from operating activities

Revenue from sale of goods

Revenue from services

Total revenues from operating activities

### Revenues from non-operating activities

Management fees

Dividends and distributions

• Wholly owned group – controlled entities

• Other corporations

Total dividends and distributions

Interest

• Wholly owned group – wholly owned entities

• Other persons/corporations

Total interest

Other income

Proceeds from disposal of property, plant and equipment

Total revenues from non-operating activities

SGARA revenue – stock increment

### Total revenues from ordinary activities

### Revenue/cost of goods sold from almond pool

Revenue from almond pool sales

Cost of goods sold from almond pool sales

	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenue from sale of goods	64,571	64,914	-	-
Revenue from services	16,423	13,413	-	-
<b>Total revenues from operating activities</b>	<b>80,994</b>	<b>78,327</b>	<b>-</b>	<b>-</b>
Management fees	-	-	2,248	2,130
Dividends and distributions				
• Wholly owned group – controlled entities	-	-	4,811	7,250
• Other corporations	1	1	-	1
<b>Total dividends and distributions</b>	<b>1</b>	<b>1</b>	<b>4,811</b>	<b>7,251</b>
Interest				
• Wholly owned group – wholly owned entities	-	-	2,495	2,576
• Other persons/corporations	104	81	104	81
<b>Total interest</b>	<b>104</b>	<b>81</b>	<b>2,599</b>	<b>2,657</b>
Other income	-	9	-	8
Proceeds from disposal of property, plant and equipment	993	4,696	7	24
<b>Total revenues from non-operating activities</b>	<b>1,098</b>	<b>4,787</b>	<b>9,665</b>	<b>12,070</b>
SGARA revenue – stock increment	490	-	-	-
<b>Total revenues from ordinary activities</b>	<b>82,582</b>	<b>83,114</b>	<b>9,665</b>	<b>12,070</b>
Revenue from almond pool sales	3,176	2,203	-	-
Cost of goods sold from almond pool sales	(3,176)	(2,203)	-	-
	-	-	-	-

## 3. Expenses and Losses/(Gains)

### (a) Expenses

Cost of goods sold

Depreciation of non-current assets

• Freehold land and buildings

• Buildings

• Plantation land

• Plant and equipment

Total depreciation of non-current assets

Amortisation of non-current assets

• Goodwill

• Leased plant and equipment

Total amortisation of non-current assets

### Total depreciation and amortisation expenses

Cost of goods sold	55,040	56,634	-	-
Depreciation of non-current assets				
• Freehold land and buildings	6	2	-	2
• Buildings	75	76	1	-
• Plantation land	263	252	-	-
• Plant and equipment	2,034	2,099	40	45
<b>Total depreciation of non-current assets</b>	<b>2,378</b>	<b>2,429</b>	<b>41</b>	<b>47</b>
Amortisation of non-current assets				
• Goodwill	1,130	1,130	-	-
• Leased plant and equipment	456	284	25	22
<b>Total amortisation of non-current assets</b>	<b>1,586</b>	<b>1,414</b>	<b>25</b>	<b>22</b>
<b>Total depreciation and amortisation expenses</b>	<b>3,964</b>	<b>3,843</b>	<b>66</b>	<b>69</b>

Borrowing costs expensed

- Wholly owned entities
- Other persons

Total borrowing costs

Movement in provisions for doubtful debts

Net expense (revenue) for movement in provision for employee entitlements

Operating lease rental

- Minimum lease payments

Total operating lease rental

#### (b) Losses/(gains)

Net loss on disposal of property, plant and equipment

Net foreign currency (gains)/losses

	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Borrowing costs expensed				
• Wholly owned entities	-	-	408	616
• Other persons	1,415	2,027	1,287	1,796
Total borrowing costs	1,415	2,027	1,695	2,412
Movement in provisions for doubtful debts	-	9	-	3
Net expense (revenue) for movement in provision for employee entitlements	686	629	56	3
Operating lease rental				
• Minimum lease payments	1,607	1,404	-	-
Total operating lease rental	1,607	1,404	-	-
(b) Losses/(gains)				
Net loss on disposal of property, plant and equipment	46	17	1	17
Net foreign currency (gains)/losses	-	-	-	(7)

## 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

Tax effect of permanent differences

- Rebateable dividends
- Amortisation of intangible assets
- Write downs to recoverable amount
- Timing differences not previously brought to account
- Other items non allowable items

Under/(over) provision of previous year

Income tax expense attributable to ordinary activities

Prima facie tax on profit from ordinary activities	4,833	3,841	1,833	2,365
Tax effect of permanent differences				
• Rebateable dividends	-	-	(1,443)	(2,175)
• Amortisation of intangible assets	339	339	-	-
• Write downs to recoverable amount	-	17	-	17
• Timing differences not previously brought to account	(279)	-	-	213
• Other items non allowable items	124	75	5	2
Under/(over) provision of previous year	131	(23)	2	-
Income tax expense attributable to ordinary activities	5,148	4,249	397	422
Deferred tax assets and liabilities				
Provision for income tax - current	2,092	2,848	208	179
Provision for deferred income tax - non-current	1,155	1,167	-	-
Future income tax benefit - non-current	158	247	67	93

This future income tax benefit will only be obtained if:

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

# notes to the financial statements as at 30 June 2003

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

### (a) Dividends paid during the year

#### (i) Current year interim

Franked dividends (6.5c per share) (2002: 5.5c)

#### (ii) Previous year final

Franked dividends (8.0c per share)

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

Franked dividends (12.0c per share, \$4,592,657)

### (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% (2002: 30%).

ECONOMIC ENTITY		PARENT ENTITY	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
2,300	1,898	2,300	1,898
2,300	1,898	2,300	1,898
-	2,767	-	2,767
20,757	15,156	3,766	5,194

## 6. Receivables (current)

Trade debtors

Provision for doubtful debts

Other receivables

12,353	10,511	-	-
-	(9)	-	-
12,353	10,502	-	-
615	238	144	155
12,968	10,740	144	155

## 7. Inventories (current)

### Raw materials

Raw materials at cost	4,293	1,115	-	-
Provision for diminution in value	-	(30)	-	-
	4,293	1,085	-	-

### Finished goods

Finished goods at cost	3,083	7,667	-	-
Provision for diminution in value	(479)	(342)	-	-
	2,604	7,325	-	-

### Other inventory

Other inventory at cost	95	194	-	-
	95	194	-	-

### Almond stocks

At net market value	3,719	3,063	-	-
	3,719	3,063	-	-

Total inventories

	10,711	11,667	-	-
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## 8. Other Current Assets

Prepayments	727	-	717	-
Other current assets	106	114	-	-
	833	114	717	-

## 9. Receivables (non-current)

### Related party receivables

Wholly-owned group

• controlled entities	29	-	29,632	36,986
• provision for diminution	29	-	(1,099)	(1,099)
	-	-	28,533	35,887

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

Investments at cost comprise:

Shares

• Listed	-	4	-	4
• Controlled entities - unlisted	-	-	12,195	12,195
	-	4	12,195	12,199

NOTES

ECONOMIC ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

# notes to the financial statements as at 30 June 2003

	NOTES	ECONOMIC ENTITY		PARENT ENTITY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>11. Property, Plant and Equipment</b>					
<b>Freehold land and buildings</b>					
At fair value		315	321	149	150
	11(b)	315	321	149	150
<b>Buildings</b>					
At fair value	11(a)	2,444	2,439	-	-
Accumulated depreciation		(151)	(76)	-	-
	11(b)	2,293	2,363	-	-
<b>Leasehold improvements</b>					
At fair value		-	124	-	-
	11(b)	-	124	-	-
<b>Plantation land</b>					
At fair value	11(a)	17,168	17,920	-	-
	11(b)	17,168	17,920	-	-
<b>Total land and buildings</b>		<b>19,776</b>	<b>20,728</b>	<b>149</b>	<b>150</b>
<b>Plant and equipment under lease</b>					
At cost		1,644	3,136	144	144
Accumulated amortisation		(446)	(732)	(42)	(17)
	11(b)	1,198	2,404	102	127
<b>Plant and equipment</b>					
At cost		22,490	19,929	492	486
Accumulated depreciation		(10,785)	(8,923)	(407)	(378)
	11(b)	11,705	11,006	85	108
<b>Capital works in progress</b>					
At cost	11(a)	801	148	-	-
	11(b)	801	148	-	-
<b>Total plant and equipment</b>		<b>13,704</b>	<b>13,558</b>	<b>187</b>	<b>235</b>
<b>Total property, plant and equipment</b>					
Fair value		19,927	20,804	149	150
Cost		24,935	23,213	636	630
		44,862	44,017	785	780
Accumulated depreciation and amortisation		(11,382)	(9,731)	(449)	(395)
Total written down amount		33,480	34,286	336	385

## (a) Valuations

The fair values of freehold land, and buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. 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.

### Plantation land

Carrying amount at beginning  
Additions  
Disposals  
Depreciation expense

	ECONOMIC ENTITY 2003 \$'000	PARENT ENTITY 2003 \$'000
	17,920	-
	42	-
	(531)	-
	(263)	-
	17,168	-

### Buildings

Carrying amount at beginning  
Additions  
Depreciation expense

	2,363	150
	5	-
	(75)	(1)
	2,293	149

### Leasehold improvements

Carrying amount at beginning  
Transfers between classes

	124	-
	(124)	-
	-	-

### Freehold land and buildings

Carrying amount at beginning  
Depreciation expense

	321	-
	(6)	-
	315	-

### Plant and equipment under lease

Carrying amount at beginning  
Disposals  
Transfers between classes  
Depreciation expense

	2,404	127
	(254)	-
	(496)	-
	(456)	(25)
	1,198	102

### Plant and equipment

Carrying amount at beginning  
Additions  
Disposals  
Transfers between classes  
Depreciation expense

	11,006	108
	2,206	24
	(94)	(7)
	621	-
	(2,034)	(40)
	11,705	85

### Capital works in progress

Carrying amount at beginning  
Additions

	148	-
	653	-
	801	-

# notes to the financial statements as at 30 June 2003

## 12. Self-Generating and Regenerating Assets

SGARA almond trees – at net market value

### (a) Physical quantity of trees

Almond trees (acres)

### (b) Movement in carrying amounts

2003

Balance at the beginning of the year  
– Current year movement

ECONOMIC ENTITY		PARENT ENTITY	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
5,329	5,718	-	-

2003	2002
1,665	1,832

SGARA PLANTATION \$'000
5,718
(389)
5,329

NOTES

## 13. Intangibles

Goodwill – at cost

Accumulated amortisation

Brand names – at cost

ECONOMIC ENTITY		PARENT ENTITY	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
22,314	22,314	-	-
(3,509)	(2,379)	-	-
18,805	19,935	-	-
2,900	2,900	-	-
21,705	22,835	-	-

## 14. Payables (Current)

Trade creditors

Other creditors

7,604	3,041	108	115
4,546	6,400	405	292
12,150	9,441	513	407

## 15. Interest-Bearing Liabilities (Current)

Lease liability

15(a),(b),23

Borrowings secured by floating charge-bank overdraft

15(b)

325	808	26	25
35	686	35	658
360	1,494	61	683
325	808	26	25

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

## 16. Provisions (Current)

Dividends on ordinary shares  
Employee benefits

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	-	2,767	-	2,767
19(a)	979	831	133	107
	979	3,598	133	2,874

## 17. Payables (Non-Current)

Aggregate amounts payable to related parties  
– wholly owned companies

-	-	7,039	6,946
-	-	7,039	6,946

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

Lease liability 18(a),(b),23  
Borrowings secured by floating charge  
– bills of exchange and promissory notes 18(b)

914	1,239	77	104
8,000	16,500	8,000	16,500
8,914	17,739	8,077	16,604
914	1,239	77	104

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

## 19. Provisions (Non-Current)

Employee entitlements 19(a)  
(a) Aggregate employee entitlements liability

93	65	-	-
1,072	896	133	107

## 20. Contributed Equity

### (a) Issued and paid up capital

Ordinary shares fully paid

36,206	34,199	36,206	34,199
36,206	34,199	36,206	34,199

### (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

	2003		2002	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Beginning of the financial year	34,584,891	34,199	32,841,279	31,124
Issued during the year				
• Dividend reinvestment scheme	240,250	804	72,612	196
• Employee share scheme	163,700	223	171,000	179
• Other shares issued	466,500	980	1,500,000	2,700
End of the financial year	35,455,341	36,206	34,584,891	34,199

# notes to the financial statements as at 30 June 2003

## 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 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 \$4.89 on 30 June 2003 (\$3.10 on 30 June 2002).

#### Strategic Alliance with Timbercorp Limited

Pursuant to a strategic alliance between Timbercorp Limited and Select Harvests Limited in August 2000, Timbercorp became entitled to a maximum of 4,500,000 options to acquire Select Harvests shares if, over a three year period, Timbercorp and its subsidiaries established almond orchards of 6,000 acres or more. Having met its target in June 2003, Almonds Australia Pty Ltd, a subsidiary of Timbercorp, exercised the final tranche of options totalling 2,533,500 on 29 August 2003, at an exercise price of \$2.30 per share.

## 21. Reserves and Retained Profits

Capital reserve  
Asset revaluation

Retained profits

NOTES	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
	3,271	3,271	3,270	3,270
21(a)	6,187	6,187	-	-
	9,458	9,458	3,270	3,270
21(b)	14,342	5,680	(12,954)	(16,368)
	6,187	6,187	-	-
	6,187	6,187	-	-
	5,680	1,791	(16,368)	(19,163)
	10,962	8,554	5,714	7,460
	16,642	10,345	(10,654)	(11,703)
	(2,300)	(4,665)	(2,300)	(4,665)
	14,342	5,680	(12,954)	(16,368)

### (a) Asset revaluation

#### (i) Nature and purpose of reserve

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.

#### (ii) Movements in reserve

Balance at beginning of year  
Balance at end of year

### (b) Retained profits

Balance at the beginning of year  
Net profit attributable to members of Select Harvests Limited  
Total available for appropriation  
Dividends provided for or paid  
Balance at end of year

## 22. Statement of Cash Flows

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

	ECONOMIC ENTITY		PARENT ENTITY	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Net profit	10,962	8,554	5,714	7,460
<b>Non-cash Items</b>				
Depreciation and amortisation	2,834	2,713	66	69
Amortisation of goodwill	1,130	1,130	-	-
SGARA revenue – stock	(490)	-	-	-
SGARA expense – trees	389	-	-	-
Finance charges on leases	-	146	-	-
Net (profit)/loss on disposal of property, plant and equipment	(108)	(525)	3	16
Dividends received from associates	-	-	(4,811)	(7,250)
Interest paid	-	-	408	616
Interest received	-	-	(2,495)	(2,576)
Management fees received	-	-	(2,448)	(2,130)
Management fees paid	-	-	163	-
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in trade receivables	(2,228)	(607)	11	-
(Increase)/decrease in inventory	1,447	(207)	-	-
(Increase)/decrease in other assets	(719)	1,871	(622)	18
Increase in trade and other creditors	2,709	2,415	39	508
(Decrease)/increase in income tax payable	(756)	741	30	(108)
(Decrease)/increase in deferred income tax liability	75	(921)	-	273
(Decrease)/increase in employee entitlements	176	182	27	(28)
Net cash flow from operating activities	15,421	15,492	(3,915)	(3,132)

### (b) Reconciliation of cash

Cash balance comprises:				
• Cash at bank	565	78	561	75
• Bank overdraft	(35)	(686)	(35)	(658)
Closing cash balance	530	(608)	526	(583)

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

The economic entity and the Company have a bank overdraft facility available to the extent of \$1,000,000 (2002: \$1,000,000).

As at 30 June 2003 the economic entity and company have used \$0 (2002: \$686,000) of the facility.

The economic entity and the Company have a commercial bill facility available to the extent of \$25,300,000 (2002: \$27,700,000).

As at 30 June 2003 the economic entity and Company have used \$8,000,000 (2002: \$16,500,000).



# notes to the financial statements as at 30 June 2003

## 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

#### (ii) Finance leases:

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

ECONOMIC ENTITY		PARENT ENTITY	
2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
1,777	1,302	-	-
4,938	4,370	-	-
15,506	16,566	-	-
22,221	22,238	-	-
22,221	22,238	-	-
409	1,311	32	32
986	939	79	32
-	79	-	79
1,395	2,329	111	143
(156)	(282)	(8)	(14)
1,239	2,047	103	129
325	808	26	25
914	1,239	77	104
1,239	2,047	103	129

## 24. Subsequent Events

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 \$9.1 million.

Further payments are to be made over two years to a maximum of \$2.0 million based on achieving EBIT targets. Payment of the maximum amount requires achievement of an EBIT of \$2.5 million for each of the two years post acquisition.

On 29 August 2003, Select Harvests Limited issued Timbercorp's 75% owned subsidiary, Almonds Australia Pty Ltd, a further 2,533,500 ordinary shares for consideration of \$5,827,050 (\$2.30 per share). The shares were issued as part of a strategic alliance between Timbercorp Limited and Select Harvests Limited in August 2000. Almonds Australia Pty Ltd now holds 4,500,000 ordinary shares, or 11.84% in Select Harvests Limited.

The financial effect of each of the above events has not been recognised in the financial report at 30 June 2003.

## 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	10,962	8,554
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	10,962	8,554

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

### Effect of dilutive securities:

Share options	448,658	898,895
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	35,489,030	34,636,485

## 26. Remuneration of Directors

### (a) Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Select Harvests Limited, directly or indirectly, from the entity or any related party:

The number of directors of Select Harvests Limited whose income (including superannuation contributions) falls within the following bands is:

\$0 - \$9,999	-	1
\$30,000 - \$39,999	3	3
\$70,000 - \$79,999	1	1
\$320,000 - \$329,999	-	1
\$470,000 - \$479,999	1	-

ECONOMIC ENTITY	
2003 \$'000	2002 \$'000
10,962	8,554
-	-
10,962	8,554

2003 NUMBER OF SHARES	2002 NUMBER OF SHARES
35,040,372	33,737,590
448,658	898,895
35,489,030	34,636,485

ECONOMIC ENTITY		PARENT ENTITY	
2003 \$	2002 \$	2003 \$	2002 \$
671,490	527,206		
		671,490	527,206

2003 NUMBER	2002 NUMBER
-	1
3	3
1	1
-	1
1	-

# notes to the financial statements as at 30 June 2003

## 27. Remuneration of Executives

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:

Remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any of its subsidiaries, whether as an executive officer or otherwise:

The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

\$100,000 - \$109,999  
 \$110,000 - \$119,999  
 \$120,000 - \$129,999  
 \$130,000 - \$139,999  
 \$140,000 - \$149,999  
 \$160,000 - \$169,999  
 \$320,000 - \$329,999  
 \$470,000 - \$479,999

ECONOMIC ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$
1,851,118	1,418,707		
		768,313	505,606
NUMBER	NUMBER	NUMBER	NUMBER
2	4	-	1
3	2	-	-
3	-	1	-
1	1	-	1
1	1	-	-
1	1	1	-
-	1	-	1
1	-	1	-

## 28. Auditor's 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

109,500	114,000	109,500	79,000
13,500	-	13,500	-
123,000	114,000	123,000	79,000

## 29. Related Party Disclosures

### Directors

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

M A Fremder      J Bird  
 B P Burns        C G Clark  
 D J Williams

### 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. An amount of \$964,926 was received during the year by Select Harvests Limited 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 arm's length in the same circumstances.

Advisory services were provided by Challenger International Limited on matters of strategy and acquisition advice. D J Williams was an employee of Challenger International Limited during the year. An amount of \$13,590 was paid during the year by Select Harvests Limited, 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 arm's length in the same circumstances. Since the end of the financial year D J Williams was appointed Managing Director of Mariner Corporate Finance Limited.

## 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	
	2003 NUMBER	2002 NUMBER	2003 NUMBER	2002 NUMBER
M A Fremder	5,538,472	5,529,458	-	-
J Bird	239,707	180,277	193,000	243,000
B P Burns	106,518	102,044	-	-
C G Clark	21,303	20,408	-	-
D J Williams	-	-	-	-
	5,906,000	5,832,187	193,000	243,000

### Movements in directors' equity holdings

During the year the aggregate number of fully paid ordinary shares purchased by directors or their director-related entities was 73,813 shares (2002: 317,819).

## 30. Segment Information

### Segment products and locations

The economic entity has the following five business segments:

- The food products division packs and markets edible nuts, dried fruits and seeds.
- 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 2003

## 30. 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>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
<b>Total segment revenue</b>	<b>51,261</b>	<b>14,449</b>	<b>16,422</b>	<b>-</b>	<b>4,619</b>	<b>(4,274)</b>	<b>82,477</b>
Unallocated revenue							105
<b>Total consolidated revenue</b>							<b>82,582</b>
<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	(613)	81,236
Unallocated assets							4,513
<b>Total assets</b>							<b>85,749</b>
<b>Liabilities</b>							
Segment liabilities	5,215	6,972	2,083		453	6,632	21,355
Non-allocated liabilities							4,388
<b>Total liabilities</b>							<b>25,743</b>
<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

BUSINESS SEGMENTS	FOOD PRODUCTS	ALMOND ORCHARDS	MANAGEMENT SERVICES	ALMOND POOL SALES	PESTICIDE PRODUCTS	ELIMINATIONS AND CORPORATE	ECONOMIC ENTITY
2002	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>							
Sales to customers outside the consolidated entity	48,712	11,989	13,413	-	4,213	-	78,327
Intersegment revenues	-	3,309	-	-	616	(3,925)	-
Sale of almonds to customers outside the economic entity on behalf of managed orchard owners*	-	-	-	2,203	-	-	2,203
Less cost of almonds sold by the economic entity on behalf of managed orchard owners*	-	-	-	(2,203)	-	-	(2,203)
Other revenue	99	4,573	-	-	1	-	4,673
<b>Total segment revenue</b>	<b>48,811</b>	<b>19,871</b>	<b>13,413</b>	<b>-</b>	<b>4,830</b>	<b>(3,925)</b>	<b>83,000</b>
Unallocated revenue							114
<b>Total consolidated revenue</b>							<b>83,114</b>
<b>Results</b>							
Segment result	5,003	6,350	3,959	-	1,175	(1,738)	14,749
Unallocated expenses							(1,946)
Consolidated entity profit from ordinary activities before income tax expense							12,803
Income tax expense							(4,249)
Consolidated entity profit from ordinary activities after income tax expense							8,554
Net profit							8,554
<b>Assets</b>							
Segment assets	42,481	31,051	9,205		2,219	733	85,689
Unallocated assets							-
<b>Total assets</b>							<b>85,689</b>
<b>Liabilities</b>							
Segment liabilities	2,591	6,710	1,993		406	24,652	36,352
Non-allocated liabilities							-
<b>Total liabilities</b>							<b>36,352</b>
<b>Other segment information:</b>							
Acquisition of non-current segment assets	740	2,177	646		96	206	3,865
Depreciation and amortisation of segment assets	2,006	1,264	375		130	68	3,843

\*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 2003

## 31. Financial Instruments

### 31(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 INTEREST RATE	FIXED INTEREST RATE MATURING IN			NON INTEREST BEARING	TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
	\$'000	1 YEAR OR LESS	1 TO 5 YEARS	MORE THAN 5 YEARS			
<b>2003</b>							
<b>(i) Financial assets</b>							
Cash	564	-	-	-	1	565	2.8
Trade and other receivables	-	-	-	-	12,968	12,968	-
Listed shares	-	-	-	-	-	-	-
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	-	-	-	-	4,549	4,549	-
Finance lease liability	-	325	914	-	-	1,239	7.0
Bills of exchange and promissory notes	-	8,000	-	-	-	8,000	6.0 <sup>†</sup>
Foreign exchange contracts	18,969	-	-	-	-	-	-
Total financial liabilities	19,004	8,325	914	-	12,153	21,427	
<b>2002</b>							
<b>(i) Financial assets</b>							
Cash	77	-	-	-	1	78	2.0
Trade and other receivables	-	-	-	-	10,740	10,740	-
Listed shares	-	-	-	-	4	4	-
Total financial assets	77	-	-	-	10,745	10,822	
<b>(ii) Financial liabilities</b>							
Bank overdraft	686	-	-	-	-	686	9.0
Trade creditors	-	-	-	-	3,041	3,041	-
Other creditors	-	-	-	-	6,400	6,400	-
Finance lease liability	-	807	1,239	-	1	2,047	7.0
Bills of exchange and promissory notes	-	16,500	-	-	-	16,500	7.0
Foreign exchange contracts	18,829	-	-	-	-	-	-
Total financial liabilities	36,015	807	1,239	-	9,442	28,674	

<sup>†</sup> There are two facilities for fixed borrowings, one at an interest rate of 5.87% and one at an interest rate of 6.18%. The average interest rate is included in the table.



## (b) 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.

## (c) 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 30 – Segment Information.

## (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 \$18,969,187 (2002: \$18,828,949).

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	SELL AUSTRALIAN DOLLARS		AVERAGE EXCHANGE RATE	
	2003 \$'000	2002 \$'000	2003 \$	2002 \$
SETTLEMENT				
Less than 6 months	3,058	2,543	0.62	0.56
6 months to 1 year	439	-	0.62	-
BUY AUSTRALIAN DOLLARS				
SETTLEMENT				
Less than 6 months	5,874	3,612	0.50	0.50
6 months to 1 year	-	-	-	-
1 year to 2 years	9,469	9,960	0.53	0.50
2 years to 3 years	7,123	7,719	0.56	0.52

# 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 2003 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, 19 September 2003

# 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 2003, as set out on pages 16 to 50, 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, other mandatory professional reporting requirements in Australia and statutory requirements, 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 the consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.



Pitcher Partners

T J Benfold

Partner

Melbourne, 19 September 2003

# 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 29 August 2003.

### (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
1 to 1,000	523
1,001 to 5,000	930
5,001 to 10,000	315
10,001 to 100,000	311
100,001 and over	41

	NUMBER OF SHAREHOLDERS	NUMBER OF ORDINARY SHARES
The number of shareholders holding less than a marketable parcel of shares are:	93	2,394

### (b) 20 largest shareholders

The names of the 20 largest holders of quoted shares are:

	LISTED ORDINARY SHARES	
	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1 Maxdy Nominees Pty Ltd	5,538,472	14.6
2 Almonds Australia Pty Ltd	4,500,000	11.8
3 National Nominees Ltd	1,990,140	5.2
4 MF Custodians Pty Ltd	1,906,334	5.0
5 Thurston Investments Pty Ltd	1,000,000	2.6
6 Commonwealth Custodial Services Limited	894,533	2.4
7 Frank Hadley Pty Ltd	845,000	2.2
8 Invia Custodian Pty Ltd (Black A/C)	782,191	2.1
9 AMP Life Limited	470,314	1.2
10 Mr Peter Charles Nicholas Middendorp	425,967	1.1
11 Mr James Ronald Mackinnon	402,003	1.1
12 Longo Pty Ltd	372,540	1.0
13 Queensland Investment Corporation	370,000	1.0
14 Mirrabooka Investments Limited	320,000	0.8
15 Mutual Trust Pty Ltd	300,000	0.8
16 MID Manhattan Pty Ltd	296,549	0.8
17 Mr Rodney Milton Fitzroy	276,441	0.7
18 Fitzwood Pty Ltd	220,095	0.6
19 Amsamac Pty Ltd	209,786	0.6
20 Dr John Carey	209,575	0.6
	<u>21,329,940</u>	<u>56.1</u>

### (c) Substantial shareholders

The names of substantial shareholders are:

	Number of Shares
Maxdy Nominees Pty Ltd	5,538,472
Almonds Australia Pty Ltd	4,500,000
National Nominees Ltd	1,990,140
MF Custodians Pty Ltd	1,906,334

### (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.



## Directory

Select Harvests Limited  
ABN 87 000 721 380

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

### Board of directors

M A Fremder (Chairman)  
J Bird (Managing Director)  
B P Burns (Non-Executive Director)  
C G Clark (Non-Executive Director)  
D J Williams (Non-Executive Director)

### Company secretary

M Mattia

### Solicitors

Gadens Lawyers

### Auditors

Pitcher Partners

### 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





## SELECT HARVESTS

Select Harvests Limited  
ABN 87 000 721 380

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