

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

**HALF-YEAR INFORMATION
FOR THE SIX MONTHS ENDED 31 MARCH 2021
PROVIDED TO THE ASX UNDER LISTING RULE 4.2A**

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 September 2020.

Appendix 4D

Half Year Report for the six months to 31 March 2021

Name of entity

Select Harvests Limited

ABN 87 000 721 380

1. Reporting period

Report for the half year ended 31 March 2021

Previous corresponding period is the financial year ended 30 September 2020 and half year ended 31 March 2020

2. Results for announcement to the market

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

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

Revenues from continuing ordinary activities (<i>item 2.1</i>)	Up	37.4%	to	84,750
Profit from continuing ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	83.3%	to	3,096
Net profit after tax attributable to members (<i>item 2.3</i>)	Down	92.7%	to	1,273
Dividends (<i>item 2.4</i>)	Amount per security		Franked amount per security	
Interim dividend	Nil		Nil	
Previous corresponding period Interim dividend	9.0 ¢		9.0¢	
Record date for determining entitlements to the interim and special dividend (<i>item 2.5</i>)	Not applicable			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>):				
Please refer to the attached announcement.				

3. Net tangible assets per security (item 3)

	Current period*	Previous corresponding period
Net tangible asset backing per ordinary security	\$3.59	\$3.33

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

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

Control gained over entities

Name of entities (item 4.1)	-
Date(s) of gain of control (item 4.2)	-
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities since the date(s) in the current period on which control was acquired (item 4.3)	\$ -
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period* (item 4.3)	\$ -

5. Dividends (item 5)

	Date of payment	Total amount of dividend (\$'000)
Interim dividend – year ended 30 September 2021	Not Applicable	Nil
Interim dividend – year ended 30 September 2020	3 August 2020	8,656

Amount per security

	Amount per security	Franked amount per security at 30 % tax	Amount per security of foreign sourced dividend
Total dividend: Current year (interim)	Nil	Nil	Nil ¢
Previous year (interim)	9.0 ¢	9.0 ¢	Nil ¢

Total dividend on all securities

	Current period \$'000	Previous corresponding period \$'000
Ordinary securities <i>(each class separately)</i>	-	8,656
Preference securities <i>(each class separately)</i>	-	-
Other equity instruments <i>(each class separately)</i>	-	-
Total	-	8,656

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

Not applicable

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

Not applicable

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

Name of associate or joint venture entity	%Securities held
N/A	

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

Group's share of associates' and joint venture entities':	2020 \$	2019 \$
Profit (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
Net profit (loss) from ordinary activities after tax	-	-
Adjustments	-	-
Share of net profit (loss) of associates and joint venture entities	-	-

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

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

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

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

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

N/A



SELECT HARVESTS

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 MARCH 2021**

SELECT HARVESTS LIMITED
ABN 87 000 721 380

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 MARCH 2021

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 September 2020 and any public announcements made by Select Harvests Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*



DIRECTORS' REPORT

The directors present their report together with the financial report of Select Harvests Limited and its controlled entities (referred to hereafter as the "Company", "the Group" or "the consolidated entity") for the half-year ended 31 March 2021.

Directors

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

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

The directors have been in office, except where specifically indicated, since the start of the financial period to the date of this report.

Review of Operations

The consolidated profit after tax of the group for the half year amounted to \$1.27 million (31 March 2020: \$17.36 million).

Consistent with the requirements of Accounting Standard AASB 141 Agriculture, the 2021 crop has been valued at the estimated fair value less costs to sell. Based on approximately 50% of the crop being harvested at balance date, 50% of the fair value of the 2021 crop has been recognised at 1H FY2021. Following review of the data from the harvested crop and contracted sales the fair value has been calculated assuming a 28,250MT crop at a sell price of AUD\$6.00/kg. This price takes into account that over 80% of the FY2021 export sales forecast are hedged against the USD at approximately \$0.73.

Due to the significant volatility in the AUD there is a point in time mark to market adjustment recorded in Other Comprehensive Income. This position unwinds as the crop is sold and hedge contracts mature and is incorporated in the 2021 crop's fair value calculation.

The 2021 crop experienced good growing conditions. Conditions toward the end of the growing period were wetter and cooler than average. This has led to some quality issues, additional drying requirements and an extended harvesting period in the NSW orchards. Quality levels overall appear to be better than the 2020 crop.

The company has delivered better than industry standard yields, benefiting from a targeted horticultural program, extensive usage of horticultural technology and frost fans mitigating any potential frost impacts. Growing costs remain well controlled with a modest increase due to lower capitalisation levels on bearing immature orchards.

As a result of the wetter than average seasonal conditions the spot price of temporary water rights has significantly reduced. As previously communicated, this has not fully flowed through to the FY2021 result due to the large volume of carryover water from 2020 acquired at higher than current market prices and large volume leases re-negotiated during the peak of market pricing.

Select Harvests Limited and Controlled Entities



Lower water costs will flow into FY2022 results. The exposure to water price variability continues to be minimised through the Company's diversified water policy of owning, leasing and acquiring water on the annual allocation market.

Prior year investment in processing technology, particularly inshell sorters, has further enhanced quality levels and improved efficiency. Inshell production rates to date have been higher than 2020. This, in addition to the use of on-farm conditioners, is forecasted to increase throughput rates and decrease processing costs per kilogram for the 2021 crop.

Almond prices reduced significantly in the months leading into the FY2021 year. This price reduction is due predominantly to a record 2020 U.S. almond crop of over 3.1 billion pounds and favourable growing conditions leading into the U.S. 2021 crop (to be harvested commencing August 2021).

Covid-19 increasingly impacted market access, demand and supply chains around the world. Combined with a record crop, U.S. marketers became focused on managing the level of U.S. almond crop that would be carried over into the 2021 crop year. As a consequence, global market prices reduced in order to stimulate additional demand. Market pricing has fallen to a ten year low. This has had a positive impact with record breaking US shipments being recorded for their 2020 crop.

Over the past 12 months the AUD has increased in value against the USD. As almonds are traded globally in USD this has had a negative impact on AUD reported pricing. The hedged rate achieved for the 2021 crop is approximately 10% higher than that for the 2020 crop. Despite this Select Harvests, through its hedging policy, has hedged the 2021 crop at levels below USD exchange rates as at 31 March 2021.

Operational cash flows have improved compared to 1H 2020 with delayed FY2020 sales (due to Covid-19 impacts) flowing through to 1H 2021. Due to seasonality, second half cashflows are usually higher than the first half, however in FY2021 this will be offset by the impact of lower almond prices on sales.

The Food Division's half year result is higher than last year's performance and expectations. Consumer Foods' result has remained consistent with higher volumes offset by lower revenue per kg reflecting a change in product mix. Industrial Foods delivered an improved result with strong volumes delivered domestically and internationally. Other nuts traded and sourced also added to the improved result. Branded export market sales into the Asian markets remain behind initial estimates with Covid-19 impacting growth plans.

The sale of the Consumer Foods and non-almond Industrial business has commenced with positive interest expressed from numerous parties.

The company's balance sheet remains in a strong position. Inventory/biological assets are higher than the prior comparable period as are property, plant and equipment and intangible assets, as a result of the acquisition of the Piangil Almond Orchard in Victoria. The inventory balance is high, in line with half year timing, as a result of capitalising a majority of the growing costs of the 2021 crop and the Piangil acquisition. The inventory will be unwound as the crop is sold in 2H FY2021.

The company maintains its policy of recording land and water assets at their cost of acquisition. As at 31 March 2021, the market value of the Company's land and water assets remains significantly higher than the book value reflected in the Balance Sheet, as detailed in the FY2020 financial statements.



In line with the seasonal crop and sales cycle the company recorded an operational cash outflow in 1H FY2021 (the improved result, compared to 1H FY2020, was due to delayed sales, as a result of Covid-19, impacting 1H FY2020 cashflows)). As the crop is sold in 2H FY2021 operational cashflows will increase leading to a forecasted positive net operating cashflow for FY2021 (although reduced compared to prior periods due to the current low almond price). Cashflows continue to be impacted by ongoing Covid-19 related impacts on the global shipping supply chain, although there is now a steady flow through of sales and related cashflows.

Debt levels as at 31 March 2021 are close to their seasonal peak. With almond prices at their current level debt balances are expected to remain relatively constant for the remainder of the year with incoming receipts offset by 2022 crop growing costs and capital commitments.

Due to the low global almond prices and related impact on earnings, waivers were sought and granted from Selects' banking partners for the Debt Leverage Ratio and Interest Coverage Ratio for the March and September 2021 measurement periods (note all March 2021 covenants were met). The company is currently in discussions with its banking partners to replace current covenants with alternatives to better reflect movements related to a commodity based agricultural business.

The company continues to increase its focus on Sustainability and Environment, Social and Governance (ESG). A comprehensive report covering these areas has been released on the company's website during the period. Dedicated resources and focussed plans have been developed to further improve performance in these areas. The company has had zero environmental incidents during the current reporting period.

Based on our Annual Moving Total (MAT) for March 2021, the Lost Time Injury Frequency Rate (LTIFR) has remained steady and our Medically Treated Injury Frequency Rate (MTIFR) has reduced by 10%. Overall, we have achieved a 6% reduction on our Total Recordable Incident Frequency Rate (TRIFR). These results reflect our ongoing efforts to achieve zero harm and improved wellbeing.

Business Outlook

In recent months, almond pricing had started to recover with record shipments by the U.S. industry driving carry over inventory forecasts to manageable levels. This price recovery has stalled with the United States Department of Agriculture (USDA) National Agricultural Statistic Service (NASS) releasing a subjective estimate for the 2021 Californian almond crop of 3.2 billion pounds. The industry consensus forecast is for a lower crop than the subjective estimate. Current low global almond prices are expected to continue until the U.S. crop volume and quality becomes clearer with the NASS Objective estimate is released in July 2021 and the U.S. harvest due to commence in August 2021.

With Select Harvests crop fully harvested and delivered to Carina West processing facility, the company's focus remains on selling the remainder of the 2021 crop. Without an improvement in almond pricing it is anticipated that the second half result will be similar to the reported first half result. Other relevant factors are:

- Harvest activities are now complete with volumes and quality in line with expectations
- 50% of the 2021 crop has been contracted for sale (including internal commitments) at or above rates assumed in the 1H FY2020 results
- Close to 40% of the 2021 crop has been processed to date with no major issues identified
- The 2021 crop is 80% hedged to the USD (almond sales are transacted in USD) at rates below the current spot market
- Tree health for the 2022 crop is positive following strong 2021 vegetative growth and high bud load

Select Harvests Limited and Controlled Entities



- 2021 growing costs per kg (excluding water) have increased due to lower yields and increased recognition of immature orchard costs
- 2021 crop water commitments have completed with lower costs per kg achieved. Forecasted weather conditions are favourable and the cost of water for the 2022 crop is expected to reduce considerably with carryover volumes transacted at favourable rates
- 2H FY2021 hull volume sales will remain consistent, with forward volumes contracted. Market prices are forecast to remain at current low levels with favourable conditions for traditional livestock feed options
- External processing contract volumes increased in FY2021 and will be completed and contribute to the 2H FY2021 result
- The Parboil plant has delivered improved productivity levels and will be fully operational throughout the remainder of the year.
- Industrial sales volumes are expected to remain strong however revenues will decrease in line with the lower almond price
- Consumer sales are expected to perform in line with the first half with continued margin pressure on Lucky and private label lines offset by consistent strong growth in Sunsol
- The sale of the Consumer Foods and non-almond related industrial products is expected to be completed during the second half of the financial year
- Debt levels are forecast to remain consistent as sales receipts are offset by 2022 crop growing costs and capital commitments

The impacts of Covid-19 on global supply chains is expected to continue for some time. Select closely monitors this situation and manages its export program accordingly with adjusted shipping schedules depending on varying restrictions in place. The brunt of the cashflow impact was incurred in FY2020 with catch-up sales and increased current sales keeping ongoing cashflows consistent. Constant dialogue with global and domestic customers continues to ensure current contracts are completed and uncommitted volumes are contracted.

The company continues to focus on:

- Opportunities to reduce operating costs and improve quality across all areas of the production cycle
- Maintaining the strength of the balance sheet in order to take advantage of market opportunities when they arise
- Identifying acquisition opportunities, particularly those that will increase the almond base
- Further developing the Carina West processing facility to increase the volume and range of value-added product, including the volumes transferred from the Thomastown facility following the completion of the Consumer Brands and non-almond Industrial sale process.
- Further investment in sustainability, including understanding our carbon footprint and co-waste recycling opportunities.

The company remains well positioned through its low operating costs, ability to deliver large scale value-add production and strong balance sheet to benefit from an increase in almond prices going forward.

Select Harvests Limited and Controlled Entities



Interim Dividend

Due to the current unfavourable market conditions no dividend has been declared for the interim financial period.

Related party transactions/ Directors' interest in contracts

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

Subsequent Events

No significant events have occurred subsequent to the reporting date.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Rounding

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

Signed in accordance with a resolution of the directors:

Michael Iwaniw
Chairman
Dated 28 May 2021



Auditor's Independence Declaration

As lead auditor for the review of Select Harvests Limited for the half-year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
28 May 2021



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 MARCH 2021

	Note	31 March 2021 \$'000	31 March 2020 \$'000
Continuing operations			
Revenue			
Sales of goods and services		84,586	61,497
Other revenue		164	183
Total revenue		84,750	61,680
Other income			
Fair value adjustment of biological assets	8	(8,675)	10,882
Gain on sale of assets		453	282
Total other income		(8,222)	11,164
Expenses			
Cost of sales		(63,021)	(36,688)
Distribution expenses		(350)	(530)
Marketing expenses		(9)	(2)
Occupancy expenses		(72)	(115)
Administrative expenses		(7,186)	(8,101)
Finance costs		(1,150)	(750)
Other expenses		(317)	(319)
Profit before income tax		4,423	26,339
Income tax expense	7	(1,327)	(7,815)
Profit from continuing operations		3,096	18,524
(Loss) from discontinued operations	15	(1,823)	(1,167)
Profit for the half-year attributable to members of Select Harvests Limited		1,273	17,357
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges, net of tax		(568)	(6,738)
Other Comprehensive Income for the period		(568)	(6,738)
Total Comprehensive Income Attributable to Members Of Select Harvests Limited		705	10,619
Total Comprehensive Income Attributable to Members of Select Harvests Limited arises from:			
Continuing operations		2,528	11,786
Discontinued operations		(1,823)	(1,167)
		705	10,619
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)		2.6	18.1
Diluted earnings (cents per share)		2.6	18.0
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share (cents per share)		1.1	19.3
Diluted earnings (cents per share)		1.1	19.3

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



CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2021

	Note	31 March 2021 \$'000	30 September 2020 \$'000
CURRENT ASSETS			
Cash and cash equivalents		2,834	1,451
Trade and other receivables		37,277	69,154
Inventories		111,071	100,549
Biological assets	8	64,689	42,432
Derivative financial instruments		3,445	3,811
		<u>219,316</u>	<u>217,397</u>
Assets classified as held for sale	15	15,323	-
Total Current Assets		234,639	217,397
NON-CURRENT ASSETS			
Other receivables		1,891	1,891
Property, plant and equipment		430,472	298,715
Right-of-use assets	9	228,270	236,444
Intangible assets	10	84,991	70,447
		<u>745,624</u>	<u>607,497</u>
Total Non-Current Assets		745,624	607,497
TOTAL ASSETS		980,263	824,894
CURRENT LIABILITIES			
Trade and other payables		36,821	42,517
Borrowings	11	20,000	6,235
Lease liabilities	12	29,930	31,264
Derivative financial instruments		202	-
Current tax liabilities		332	5,398
Deferred gain on sale		175	175
Provisions		4,110	5,473
Liabilities directly associated with assets classified as held for sale	15	4,693	-
		<u>96,263</u>	<u>91,062</u>
Total Current Liabilities		96,263	91,062
NON-CURRENT LIABILITIES			
Other Payables		4,012	3,525
Borrowings	11	95,420	52,750
Lease liabilities	12	226,778	233,513
Deferred tax liabilities		35,332	36,312
Deferred gain on sale		2,364	2,452
Provisions		309	270
		<u>364,215</u>	<u>328,822</u>
Total Non-Current Liabilities		364,215	328,822
TOTAL LIABILITIES		460,478	419,884
NET ASSETS		519,785	405,010
EQUITY			
Contributed equity	13	397,810	279,096
Reserves		13,862	14,280
Retained profits		108,113	111,634
		<u>519,785</u>	<u>405,010</u>
TOTAL EQUITY		519,785	405,010

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 MARCH 2021

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 October 2019	271,750	10,417	114,227	396,394
Profit for the period	-	-	17,357	17,357
Other Comprehensive Income	-	(6,738)	-	(6,738)
Total comprehensive income for the half year	-	(6,738)	17,357	10,619
Transactions with equity holders in their capacity as equity holders:				
- Contributions of equity, net of transaction costs and deferred tax	3,405	-	-	3,405
- Dividend paid (note 5)	-	-	(19,156)	(19,156)
- Employee performance rights reserve	-	300	-	300
Balance at 31 March 2020	275,155	3,979	112,428	391,562
Balance at 1 October 2020	279,096	14,280	111,634	405,010
Profit for the period	-	-	1,273	1,273
Other Comprehensive Income	-	(568)	-	(568)
Total comprehensive income for the half year	-	(568)	1,273	705
Transactions with equity holders in their capacity as equity holders:				
- Contributions of equity, net of transaction costs and deferred tax (note 13)	1,962	-	-	1,962
- Dividend paid (note 5)	-	-	(4,794)	(4,794)
- Employee performance rights reserve	-	150	-	150
- Placement and Share Purchase Plan - net of transaction cost and deferred tax	116,752	-	-	116,752
	118,714	150	(4,794)	114,070
Balance at 31 March 2021	397,810	13,862	108,113	519,785

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



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 MARCH 2021

	31 March 2021 \$ '000	31 March 2020 \$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	133,945	98,165
Payments to suppliers and employees	(114,398)	(96,824)
	19,547	1,341
Interest received	23	5
Interest paid	(7,691)	(7,483)
Income tax paid	(5,612)	(16,792)
Net cash inflow/ (outflow) from operating activities	6,267	(22,929)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	787	302
Payment for water rights	(17,857)	-
Payment for property, plant and equipment	(10,870)	(17,041)
Payment for orchard acquisitions	14 (124,872)	-
Payment for tree development costs	(10,109)	(10,676)
Net cash (outflow) from investing activities	(162,921)	(27,415)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	115,382	-
Proceeds from borrowings	179,590	124,425
Repayments of borrowings	(116,920)	(54,425)
Principal elements of lease payments	(10,948)	(10,924)
Dividend payment on ordinary shares, net of Dividend Reinvestment Plan	(2,832)	(15,751)
Net cash inflow from financing activities	164,272	43,325
Net increase/ (decrease) in cash and cash equivalents	7,618	(7,019)
Cash and cash equivalents at the beginning of the half-year	(4,784)	7,945
Cash and cash equivalents at the end of the half-year	2,834	926
Reconciliation to cash at the end of the period:		
Cash and cash equivalents	2,834	1,332
Bank overdraft	-	(406)
	2,834	926

The above Consolidated Statement of Cash flows includes both continuing and discontinued operations. Amounts related to discontinued operations are disclosed in Note 15(b).

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of half-year report

This general purpose interim financial report for the half-year ended 31 March 2021 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the twelve months ended 30 September 2020 and any public announcements made by Select Harvests Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous annual financial report, except for the policies stated below.

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

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

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

2. COMPARATIVE INFORMATION

The Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows provide comparative information for the six months ended 31 March 2020. The Balance Sheet provides comparative information as at 30 September 2020.

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

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. In addition to those critical accounting estimates and assumptions disclosed in the Group's previous annual financial report, the estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and next financial year are discussed below.

Inventory - Prior Years Almond Crops

As at 31 March 2021 the Company held stock related to the 2020 almond crop. These almond stocks have been subject to both price and volume variations from estimates previously reflected in the Company's accounts. The prior year stock values as at 31 March 2021 are:

2020 crop year	\$15,109,693
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At the date of this report the majority of the 2020 crop year stock balance is forecast to be used internally by 30 September 2021.



Inventory - Current Year Almond Crop

A portion of the current year almond crop is classified as a biological asset and valued in accordance with AASB 141 "Agriculture". In applying this standard, the consolidated entity has made various assumptions at the interim balance date as approximately 50% of the current year's almond crop has been harvested and 32% processed. The actual crop yield will not be known until it is completely harvested, processed and sold. The assumptions are the estimated average almond selling price at the point of harvest of \$6.00 per kg and almond yield based on a crop estimate for Company Orchards of 28,250 metric tonnes. This gives a fair value adjustment made during the half year, at 50% amounting to \$6.3M.

Assets classified as held for sale

Assets and liabilities associated with the Consumer Brands and non-almond Industrial business portion of the Food Division are classified as held for sale as it is considered highly probable that the carrying value will be recovered through a sale transaction within 12 months rather than through continuing use. As such, the results have also been disclosed as a discontinued operation. There is significant judgement associated with determining the allocated assets, liabilities, income, expenses and corporate costs.

4. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred subsequent to reporting date.

5. DIVIDENDS

	31 March 2021 \$'000	31 March 2020 \$'000
(a) Dividends paid during the half-year		
Total dividends paid during the half-year	4,794	19,156
(b) Dividends not recognised at the end of the half-year:		
In addition to the above dividends, since the end of the half-year the directors have not declared the payment of an interim dividend (31 March 2020: 9 cents fully franked per fully paid ordinary share). The aggregate amount of the declared dividends but not recognised as a liability at the end of the half-year, is:	Nil	8,656



6. SEGMENT INFORMATION

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

31 March 2021 \$'000	Almond Division	Food Division	Eliminations & Corporate	Total from Continuing Operations	Discontinued operations	Consolidated Total
Total revenue from external customers	41,322	43,269	-	84,591	31,301	115,892
Intersegment revenue	45,507	1,194	(46,706)	(5)	5	-
Total segment revenue	86,829	44,463	(46,706)	84,586	31,306	115,892
Other revenue	138	3	23	164	(3)	161
Total revenue	86,967	44,466	(46,683)	84,750	31,303	116,053
EBIT	3,056	5,702	(3,208)	5,550	(2,593)	2,957
Interest received	-	-	23	23	-	23
Finance costs expensed	(334)	(2)	(814)	(1,150)	(12)	(1,162)
Profit before income tax	2,722	5,700	(3,999)	4,423	(2,605)	1,818
Acquisition of non-current segment assets	171,498	-	76	171,574	164	171,738
Depreciation and amortisation of segment assets	8,698	106	481	9,285	597	9,882

Sales to major customers include Coles 17% and Woolworths 19% of total sales of the Food Division.

Restated 31 March 2020 \$'000	Almond Division	Food Division	Eliminations & Corporate	Total from Continuing Operations	Discontinued operations	Consolidated Total
Total revenue from external customers	22,195	39,365	-	61,560	31,778	93,338
Intersegment revenue	31,827	833	(32,722)	(62)	62	-
Total segment revenue	54,022	40,198	(32,722)	61,498	31,840	93,338
Other revenue	178	(5)	5	178	5	183
Total revenue	54,200	40,193	(32,717)	61,676	31,845	93,521
EBIT	28,071	3,352	(4,338)	27,085	(1,666)	25,419
Interest received	-	-	5	5	-	5
Finance costs expensed	(189)	-	(561)	(750)	(1)	(751)
Profit before income tax	27,882	3,352	(4,894)	26,340	(1,667)	24,673
Acquisition of non-current segment assets	24,872	2,503	342	27,717	-	27,717
Depreciation and amortisation of segment assets	8,020	141	449	8,610	484	9,094

Sales to major customers include Coles 20% and Woolworths 29% of total sales of the Food Division.

7. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	31 March 2021 \$'000	31 March 2020 \$'000
Profit before income tax expense	4,423	26,339
Tax at the Australian tax rate of 30% (2020 – 30%)	(1,327)	(7,902)
Over/ (Under) provision of previous year	-	87
Income tax expense	(1,327)	(7,815)



8. BIOLOGICAL ASSETS

	31 March 2021 \$'000	30 September 2020 \$'000
Growing almond crop	<u>64,689</u>	<u>42,432</u>
<i>Reconciliation of changes in carrying amount of biological assets</i>		
Opening balance	42,432	34,144
Increases due to purchases/ growing costs	86,946	134,327
Decreases due to harvest (i)	(70,959)	(190,650)
Gain arising from changes in fair value (ii)	6,270	64,611
Closing balance	<u>64,689</u>	<u>42,432</u>

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

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

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

- the recognition of 2021 crop fair value margin throughout growth, accrued evenly between harvests and taking into account major cash outflows (31 March 2020: 2020 crop fair value margin)
- the unwinding of 2020 crop fair value margin previously recognised, at the point of sale (31 March 2020: 2019 crop fair value margin)

The movement is disclosed as follows:

	31 March 2021 \$'000	31 March 2020 \$'000
Fair value margin recognised on 2021 almond crop (31 Mar 2020: 2020 almond crop)	6,270	31,081
Unwinding of fair value margin recognised on 2021 and 2020 crop upon sales (31 Mar 2020: 2020 and 2019 crop)	<u>(14,945)</u>	<u>(20,199)</u>
	<u>(8,675)</u>	<u>10,882</u>

9. RIGHT-OF-USE ASSETS

	31 March 2021 \$'000	30 September 2020 \$'000
Property	193	1,355
Plant and equipment	10,746	12,533
Orchards	<u>217,331</u>	<u>222,556</u>
	<u>228,270</u>	<u>236,444</u>



10. INTANGIBLES

Intangibles include goodwill, brand names, permanent water rights and software.

(a) Impairment tests for goodwill and brand names

Goodwill is allocated to the Company's cash-generating units (CGU) identified according to operating segment. The total value of goodwill and brand names relates to the Food Division CGU. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. These calculations use cash flow forecasts based on financial projections by management covering a five-year period based on growth rates taking into account past performance and its expectations for the future.

An impairment test is conducted annually and after assessing indicators for any impairment, management is satisfied that impairment testing was not required at 31 March 2021. The latest impairment test was performed for 30 September 2020 with the assumptions made including new product development, enhanced marketing and market penetration and the exiting of lower margin business will improve EBIT over the forecast period. Cash flow projections beyond the five year period are not extrapolated, but a terminal value with a nil growth rate is included in the calculations. A real pre-tax weighted average cost of capital of 10.0% was used to discount the cash flow projections. No material changes in key assumptions arose during the period.

(b) Impact of possible changes to key assumptions

Based on impairment testing performed at 30 September 2020, the recoverable amount of the goodwill and brand names in the Food Division exceeds the carrying amount of goodwill. A decrease of 10% in the projected annual cash flows, or an increase of 1% in the pre-tax discount rate of 10.0% does not result in an impairment of the goodwill and brand names. These changes would be considered reasonably possible changes to the key assumptions.

11. BORROWINGS

	31 March 2021 \$'000	30 September 2020 \$'000
Current- Secured		
Bank overdraft	-	6,235
Borrowings	20,000	-
	<u>20,000</u>	<u>6,235</u>
Non-Current- Secured		
Borrowings	<u>95,420</u>	<u>52,750</u>

Financing arrangements

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

As a result of the likely lower FY2021 almond price, the Company sought and received waivers from NAB and Rabobank not to test two of its three covenants (Debt Leverage Ratio and Interest Coverage Ratio) for the period ending 31 March 2021 and 30 September 2021. Discussions are currently in progress to replace these two covenants calculations with alternatives to better reflect movements related to a commodity based agricultural business. All covenant measures for the period ending 31 March 2021 were met.



11. BORROWINGS (Continued)

The consolidated Group has reviewed its ongoing compliance with financial covenants under the facility agreement, in particular, compliance with the Debt Leverage Ratio (Net debt/EBITDA) for each calculation date that a waiver was not received for, in the forecast period to 30 March 2022. The review has been based on financial forecasts approved by the Board and the Directors, and management have considered and assessed reasonably possible changes in key assumptions in considering EBITDA, in particular the forecast almond price, and the net debt position. The Directors believe the Group will continue to comply with its financial covenants within this forecasted period.

12. LEASE LIABILITIES

	31 March 2021 \$'000	30 September 2020 \$'000
Current		
Lease liabilities	(29,930)	(31,264)
Non-Current		
Lease liabilities	(226,778)	(233,513)

13. EQUITY SECURITIES ISSUED

	31 March 2021 Shares No	31 March 2020 Shares No	31 March 2021 \$'000	31 March 2020 \$'000
Issues of ordinary shares during the half-year				
Placement and Share Purchase Plan - net of transaction cost and deferred tax(i)	23,082,383	-	116,752	-
Dividend reinvestment scheme issues	379,116	398,739	1,962	3,405
Long term incentive plan – tranche vested	125,858	43,801	-	-
Contributions to equity			118,714	3,405

(i) Capital raising completed in October 2020 as part of the Piangil acquisition. Please refer to note 14 for details on Piangil acquisition.

14. ASSET ACQUISITIONS

(a) Summary of Acquisitions

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



14. ASSET ACQUISITIONS (Continued)

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

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

The above amount excludes stamp duty and transaction costs which amounted to \$9.31 million and were capitalised proportionately to the above asset base. A further operating cost of \$11.78 million was paid to the vendor for the 2021 Piangil crop growing costs incurred from 1 July 2020 to 18 December 2020. Piangil's estimated 2021 crop of 4,250 MT forms part of Select's almond yield.

15. DISCONTINUED OPERATION

(a) Description

On 23 February 2021, the Group announced its intention to exit the Consumer Brands and non-almond Industrial related business and initiated an active program to locate a buyer for the Lucky, Sunsol and Nuvitality brands in addition to the relevant Industrial contracts. An information memorandum has been released and non-binding offers received. Due diligence is currently being conducted by a number of interested parties.

Assets and liabilities associated with the Consumer Brands and non-almond Industrial business are classified as held for sale as it is considered highly probable that the carrying value will be recovered through a sale transaction within 12 months rather than through continuing use. As such, the results have also been disclosed as a discontinued operation and are set out below. There is significant judgement associated with determining the allocated assets, liabilities, income, expenses and corporate costs.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the half-year ended 31 March 2021.

	31 March 2021	31 March 2020
	\$'000	\$'000
Revenue	31,303	31,845
Expenses	(33,908)	(33,446)
(Loss) before income tax	(2,605)	(1,667)
Income tax benefit	782	500
(Loss) after income tax of discontinued operation	(1,823)	(1,167)
Net cash (outflow) from ordinary activities	(2,858)	(855)
Net cash (outflow) from investing activities	(176)	(865)
Net decrease in cash generated by the business	(3,034)	(1,721)



15. DISCONTINUED OPERATION (Continued)

	31 March 2021 Cents	31 March 2020 Cents
Basic (loss) per share from discontinued operations	(1.6)	(1.22)
Diluted (loss) per share from discontinued operations	(1.6)	(1.22)

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 31 March 2021:

	31 March 2021 \$'000
Assets classified as held for sale	
Trade and other receivables	291
Inventories	7,554
Deferred tax assets	391
Property, plant and equipment	2,847
Right-of-use assets	1,338
Intangibles	2,903
Total assets classified as held for sale	15,323
Liabilities directly associated with assets classified as held for sale	
Lease liabilities	2,114
Provisions	2,579
Total liabilities directly associated with assets classified as held for sale	4,693

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The results of the Consumer Brands business for the current and comparative periods have been classified as a discontinued operation in the Statement of Comprehensive Income and all related note disclosures.


The associated assets and liabilities are presented as held for sale within the balance sheet and are excluded from all related note disclosures in 2021. The comparative balance sheet remains unchanged.

DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001* including:
 - i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2021 and of its performance for the half-year ended on that date; and
- b) there are reasonable grounds to believe that Select Harvests Limited will be able to pay its debts as and when they become due and payable.

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



Michael Iwaniw
Chairman
Dated 28 May 2021



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Select Harvests Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 March 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 March 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2021 and of its performance for the half-

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year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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


PricewaterhouseCoopers


Alison Tait
Partner

Melbourne
28 May 2021