

2007 Macgrove Project
ARSN 119 560 235

Financial Report
for the year ended 30 June 2011

Contents

	Page
Director's Report	1 - 3
Auditor's Independence Declaration	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 13
Directors' Declaration	14
Auditor's Report	15 - 16

2007 Macgrove Project
ARSN 119 560 235
Report by Responsible Entity
for the year ended 30 June 2011

The directors of Maccacorp Limited, the Responsible Entity, of the 2007 Macgrove Project (the Project), present their report together with the financial report of the Project for the year ended 30 June 2011 and the auditor's report thereon.

Responsible Entity

The registered office of the Responsible Entity is located at 92 Kenzlers Road Sharon QLD 4670.

The Directors of the Responsible Entity, during and since the end of the financial period were:

<u>Director</u>	<u>Qualification/Experience</u>
Donald Ross	B.Eng.(Sydney University) MBA (Macquarie University) Master Commercial Law, FAICD Previously Managing Director of Macadamia Processing Co Limited Previously General Manager and Managing Director positions with companies such as Boral, Hardie Industries and Stegbar Macadamia grower for 19 years.
Brian Gerrard Grant	Diploma of Teaching (NRCAE) Current Certificate of Real Estate (NSW) Previous experience of business management and franchising in QLD Previous experience in sport administration and management Owner/Manager of real estate agencies of Northern Rivers fo NSW for 20 years Agricultural industry experience include ownership and management of macadamia/cattle farm in Northern NSW and ownership of farms in Bundaberg
Christopher Lomax	Solicitor of the High Court of Australia Solicitor of the Supreme Court of New South Wales Director, Responsible Officer and Compliance Officer of Lismore Management Corporation Limited The Responsible Entity of 'East Coast Mortgage Trust' since the Managed Investment Scheme legislation came into effect Member of the Compliance Committee of an agrischeme being Coffee Management Australia Limited as Responsible Entity for The Northern Rivers Coffee Project No 1 and No 2.

2007 Macgrove Project
ARSN 119 560 235
Report by Responsible Entity
for the year ended 30 June 2011

Principal Activities

The Project is a registered managed investment scheme domiciled in Australia. The project involved the discharge of both the Responsible Entity and the growers' obligation pursuant to the Management Agreements and the Sub-Lease Agreements.

Upon commencement, each grower pays to the Responsible Entity, the application monies. The Responsible Entity contracts with the Project Manager, Macmanagement Pty Limited to manage the operations.

Following harvest, the Responsible Entity markets the crop produced and holds the crop proceeds on behalf of the growers.

There has been no change in the principal activities of the project during the financial year. The Project did not have any employees during the financial year.

Review of Operations

The Directors are satisfied that the performance of the Project reflects the investment strategies implemented in order to achieve the Project's investment objectives.

Results

The Project produced its first, small harvest during the 2010 season. The Projects net operating results for the year ending 30 June 2011 is Nil.

Registered Scheme Interests

In relation to the interests in the Project:

- i) Fees paid to the Responsible Entity during the financial year are disclosed in note 6 to the financial statements,
- ii) the number of interest in the Project issued during and held at the end of the financial year was 579,
- iii) interests in the Project held by the Responsible Entity or its associates are disclosed in note 6 to the financial statements, and
- iv) the Project does not have any assets other than the assets disclosed in the financial statements.

Significant Changes in the State of Affairs

There has been no significant changes in the 2007 Macgrove Projects state of affairs occurred during the financial year other than disclosed in the financial statements.

Likely Developments

The investment strategy if the project will be maintained in accordance with the product disclosure statement dated 8 January 2007. In the opinion of the directors, disclosure of any information would be likely to result in unreasonable prejudice of the Project.

2007 Macgrove Project
ARSN 119 560 235
Report by Responsible Entity
for the year ended 30 June 2011

Environmental Regulation

The Project's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Events Subsequent to Balance Date

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

Indemnification and Insurance of Directors, Officers or Auditors

The scheme has not indemnified any auditors of the scheme.

No Insurance premiums are paid out of the scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the compliance Committee or the auditors of the scheme.

Auditor's Independence declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Rounding Off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and accordance with that Class Order, amounts in the financial reports and directors' report have been rounded off to the nearest dollar, unless otherwise stated.

This report is made with a resolution of the directors of Maccacorp Limited.

Mr Christopher Lomax

Director

Dated this

Mr Brian Grant

Director

Dated this

**Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001
to the Directors of Maccacorp Limited, as the Responsible Entity for 2007
Macgrove Project**

I declare that, to the best of my knowledge and belief, In relation to the independent audit of the 2007 Macgrove Project for the year ended 30 June 2011 there have been:

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

Guild Audit Services Pty Limited

Bruce Bailey FCA
Managing Director

Signed at: 1 York Street, Sydney

Dated this

2007 Macgrove Project
ARSN 119 560 235
Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue			
Management fees		1,158,000	1,158,000
Sales		78,284	61,310
Rent		429,386	416,880
		<u>1,665,671</u>	<u>1,636,190</u>
Expenses			
Management fees		(1,158,000)	(1,158,000)
Rent		(429,386)	(416,880)
Payments to Growers		(78,284)	(61,310)
		<u>(1,665,671)</u>	<u>(1,636,190)</u>
Profit/(losses) attributable to the growers		<u>-</u>	<u>-</u>
Total comprehensive income attributable to the growers		<u>-</u>	<u>-</u>

Statement of recognised income and expense

As the Project has no equity, the Project has not included any items of recognised income and expense for the current or comparative year.

The accompanying notes form part of these financial statements.

2007 Macgrove Project
ARSN 119 560 235
Statement of Financial Position
as at 30 June 2011

	Note	2011 \$	2010 \$
Assets			
Cash and cash equivalents	3	178,926	284,874
Trade and other receivables		-	-
Current assets		<u>178,926</u>	<u>284,874</u>
Total assets		<u>178,926</u>	<u>284,874</u>
Liabilities			
Trade and other payables		178,926	284,874
Current liabilities		<u>178,926</u>	<u>284,874</u>
Total liabilities		<u>178,926</u>	<u>284,874</u>
Net assets attributable to the growers		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

2007 Macgrove Project
ARSN 119 560 235
Statement of Cash Flows
for the year ended 30 June 2011

	2011	2010
	\$	\$
Cash flows from operating activities		
Receipts from growers	1,481,438	1,832,904
Receipts from customers	78,284	61,310
Payments to growers	(78,284)	(61,310)
Payments to the Responsible Entity	(1,587,386)	(1,574,880)
Net cash flows from operating activities	4 (105,948)	258,024
Cash flows from investing activities		
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Net cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(105,948)	258,024
Cash and cash equivalents at beginning of financial year	284,874	26,850
Cash and cash equivalents at end of financial year	3 178,926	284,874

The accompanying notes form part of these financial statements.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

1. Statement of significant accounting policies

Reporting Entity

2007 Macgrove project (the Project) is a registered managed investment scheme under the Corporations Act 2001. The financial report of the scheme is for the year ended 30 June 2011.

Basis of Preparation

a. Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (Including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Project complies with international reporting standards (IFRS) and Interpretations adopted by the International Accounting Standards Board (IASB).

b. Functional Presentation Currency

These financial statements are presented in Australian dollars, which is the Projects functional currency.

The Project is of a kind referred to in ASIC Class Order 98/100 dated on the 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian Dollars has been rounded to the nearest dollar unless otherwise stated.

The financial statements have been produced on an accrual basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Revenue recognition

Revenue comprises of rent and management fees, application fees as outlined in Product Disclosure Statement. Monies received from growers have been recognised as income of the project.

b. Expenses

Any expenditure detailed in the income statements is incurred pursuant to the management agreements and/or the sub-lease agreement on behalf of each grower severally. Any such expenditure is apportioned to each grower in accordance with the proportion that the Co-Production Units they own represent of the total Co-production Units on issue.

All expenses, including management fees, establishment fees and rent, are recognised in the income statement on an accrual basis.

c. Goods and Services Tax ('GST')

Expenses and assets are recognised net of the amount of GST.

d. Distributions

The Responsible Entity will determine the amount of income (after the deduction of expenses) available for distribution at the end of each period. If in the opinion of the Responsible Entity, there is surplus income that is not required to meet future expenses the surplus income will be distributed to the growers.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

e. Income Tax

Under current legislation the Project is not subject to the income tax as its taxable income is distributed in full to growers.

f. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the company.

Key estimates – Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

g. Adoption of New and Revised Accounting Standards

During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of 2007 Macgrove Project.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

Other comprehensive income The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

h. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company is as follows:

- AASB 9: Financial instruments and AASB 2009 11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held to maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows.

The company does not anticipate early adoption of any of the above accounting standards

i. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

j. Rounding of amounts

The Project has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial reports and directors reports have been rounded off to the nearest \$1.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

2. Auditors Remuneration

The Responsible Entity bears the cost of the audit of the Scheme and of the compliance plan.

3. Cash and cash equivalents

	2011	2010
	\$	\$
Maccacorp Holding Account	450	31,522
Perpetual Bank Account	178,476	253,352
	<u>178,926</u>	<u>284,874</u>

4. Reconciliation of cash flows from operating activities

	2011	2010
	\$	\$
Profit/(losses) from operating activities	-	-
Decrease/(Increase) in receivables	-	-
Increase/(decrease) in trade and other payables	(105,948)	258,024
Cash flows form operating activities	<u>(105,948)</u>	<u>258,024</u>

5. Segment Reporting

The Project operates in one business segment agricultural production and one geographical segment being Australia.

6. Related Parties

The Responsible Entity for the 2007 Macgrove Project is Maccacorp Limited (ABN: 116 486 527)

a) Details of Key Management Personnel of the Responsible Entity

i) Directors

Donald Keith Ross
 Brian Gerrard Grant
 Christopher Lomax

ii) Details of specified executives

Neither Maccacorp Limited nor 2007 Macgrove Project employ persons deemed to be specified executives of the Project.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

b) Remuneration of Key Management Personnel of the Responsible Entity

Compensation of the Key Management Personnel is paid directly by the Responsible Entity. The Directors are not provided with any compensation by the Project itself. Directors are not entitled to any interests on the Project, or any right to or options for interest in the Project, as a result of the compensation provided by the related party of the Responsible Entity.

The directors of the Responsible Entity do not consider that there is any direct correlation between the level of compensation provided to the directors of the Responsible Entity and the management fees paid by the Project to the Responsible Entity in accordance with the management agreement and the information memorandum.

All related party transactions are conducted on normal commercial terms and conditions.

c) Responsible Entity Fees and Other Transactions

	2011	2010
	\$	\$
Management fees	1,158,000	1,158,000
Sales	78,284	61,310
Rent	429,386	416,880
	<u>1,665,671</u>	<u>1,636,190</u>

d) Interests held in the Project by the Responsible Entity or its Associates

The Responsible Entity or associated person own 40 Macgrove Interests in the Project.

7. Financial Instruments

a) Significant Accounting Policies

Details of significant accounting policies in respect of each class of financial assets and financial liability are disclosed in notes to the financial statements.

b) Interest rate risk

The interest rate risk refers to the risk that increases in interest rates will result in financial loss to the Project.

The Responsible Entity does not consider there to be any major interest rate risk in this period.

2007 Macgrove Project
ARSN 119 560 235
Notes to the Financial Statements
for the year ended 30 June 2011

c) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Project.

At the date of these financial statements the Responsible Entity has no evidence of any fraudulent activity and believes the systems and procedures it has in place minimises the risk.

d) Fair Value of Financial Instruments

the directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair values.

8. Subsequent Events

There has been no other matter or circumstance, which has arisen since 30 June 2011 that has significantly affected or may significantly affect:

- a. The operations, in financial years subsequent to 30 June 2011, of the Project, or
- b. The result of those operations, or
- c. The state of affairs, in financials years subsequent to 30 June 2011, of the Project

9. Contingent Liabilities

There are no contingent liabilities as at 30 June 2011.

2007 Macgrove Project
ARSN 119 560 235
Directors' Declaration
for the year ended 30 June 2011

In the opinion of the directors of Maccacorp Limited the Responsible Entity of the 2007 Macgrove Project (the Project):

- a. The financial statements and notes, as set out in pages 5 to 11 are in accordance with the Corporations Act 2001, Including:
 - i) Giving a true and fair view of the Projects financial position as at 30 June 2011 and of its performance, for the financial year ended on that date: and
 - ii) Complying with Australian Accounting standards (including the Australian Interpretations)and Corporations Regulations 2001:
- b. The financial report also complies with international financial reporting standards as disclosed in note 1(a); and
- c. There are reasonable grounds to believe that the scheme will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2011.

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

Mr Christopher Lomax
Director

Dated this

Mr Brian Grant
Director

Dated this

Independent Audit Report to the Growers of 2007 Macgrove Project

Report on the Financial Report

We have audited the accompanying financial report of 2007 Macgrove Project ("the Project"), which comprises the balance sheet as at 30 June 2011 and the Income Statement, Statement of Changes in Equity and Cash Flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Maccacorp Limited, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The directors have been given the declarations required by section 295A of the Corporations Act 2001

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Maccacorp Limited on 15 September 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Audit Opinion

In our opinion: :

- (a) the financial report of 2007 Macgrove Project presents fairly in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Project's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporation Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Guild Audit Services Pty Limited

Bruce Bailey FCA
Managing Director

Signed at: 1 York Street, Sydney

Dated this