

2007 Macgrove Project

Financial Statements

For the Year Ended 30 June 2016

2007 Macgrove Project

ARSN 119 560 235

Contents

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Net Assets Attributable to Growers	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	22
Independent Auditor's Report	23

2007 Macgrove Project

ARSN 119 560 235

Corporate Directory

Registered Office	Level 2, 2 King Street DEAKIN ACT 2600
Responsible Entity	Rural Funds Management Limited ABN 65 077 492 838 AFSL 226 701 Level 2, 2 King Street DEAKIN ACT 2600 Ph: 1800 026 665
Directors	Guy Paynter David Bryant Michael Carroll
Company Secretaries	Andrea Lemmon Stuart Waight
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 22, 207 Kent Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers Darling Park 201 Sussex Street SYDNEY NSW 2000
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

2007 Macgrove Project

ARSN 119 560 235

Directors' Report

30 June 2016

The Directors of Rural Funds Management Limited (RFM), the Responsible Entity of 2007 Macgrove Project (M07 or the Project) present their report on the Project for the financial year ended 30 June 2016.

Directors

The following persons held office as Directors of the Responsible Entity, Huntley Management Limited, from 1 July 2015 to 24 February 2016:

John H. Knox
Stephen L. Law
Francis G. Swain (ceased 31 January 2015)
Antony Resnick (appointed 21 August 2014, ceased 13 March 2015)
Brian Silvia (appointed 21 August 2014)
Craig James (appointed 13 March 2015 as alternate for Brian Silvia)
Peter P. Krejci (appointed 5 June 2015)

Rural Funds Management Limited was appointed Responsible Entity on 24 February 2016.

The following persons held office as Directors of the Responsible Entity, Rural Funds Management Limited, from the date of appointment and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director

Principal activities and significant changes in nature of activities

The principal activity of the Project during the year was the commercial growing, harvesting and marketing of macadamia nuts to be sold for processing and consumption in Australia and internationally.

M07 was established in 2007 to provide Growers with an opportunity to invest and participate in the business of growing and selling macadamias. The Growers then entered into a management agreement with Maccacorp Limited, the initial Responsible Entity of the 2007 Macgrove Project, to conduct the growing and harvest of the macadamias.

On 14 June 2012, Huntley Management Limited (Huntley) was appointed Responsible Entity of the Project. Maccmanagement Pty Limited was subsequently appointed as the Operational Manager for the Project. On 24 February 2016, RFM was appointed Responsible Entity of the Project, with Maccmanagement Pty Limited (renamed to RFM Macadamias Pty Limited) continuing as the operational manager.

Under the previous arrangement, prior to the appointment of RFM as Responsible Entity, the Growers were required to fund the annual fee to the Responsible Entity. Following the appointment of RFM, Growers are entitled to receive net cash flows arising under the Project, being revenue from macadamias nuts sales less the Project costs. When the Project costs exceed revenues, the Growers are required to fund the shortfall. When the revenues exceed costs, the surplus is distributed to Growers.

As the Project manages the cash flows associated with the above and does not operate a business in its own right, M07 does not have net assets. The respective rights and obligations under the management agreement rest with the Growers.

As at 30 June 2016, the Project had 117 Growers (2015: 117 Growers) with a total of 579 macgroves (2015: 579 macgroves) representing 234 hectares (2015: 234 hectares).

2007 Macgrove Project

ARSN 119 560 235

Directors' Report

30 June 2016

Operating results

The cash surplus attributable to Growers for the year ended 30 June 2016 amounted to \$2,145,830 (2015: \$1,863,482).

Macadamia nuts are harvested and delivered for processing during the period March to September each year. This results in the production year being split across two financial years. The following is a table of the production of macadamia nut in shell (NIS) for the 2014 year, 2015 year and 2016 year (to 30 June 2016):

	Year ended 30 June 2016	Year ended 30 June 2015	Year ended 30 June 2014	Total	Total per Macgrove
	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms
Production year 2014	-	78,733	316,128	394,861	682
Production year 2015	96,431	306,253	-	402,684	695
Production year 2016	377,144	-	-	377,144	651

The 2016 production year harvest commenced in March 2016. The total production in the 2016 production year is expected to exceed the 2015 production year due to the maturity of the trees.

In relation to the harvest for 2015 production year, a total of 402,684 kg of NIS (2014: 394,861 kg), at 10% moisture content, was delivered to two processors, Macadamia Processing Co. Limited (MPC) and Pacific Gold Macadamias Pty Limited (Pacific Gold). The average price paid for the 2015 production year harvest was \$5.53/kg (2014: \$4.01/kg).

In relation to the harvest for 2016 production year to 30 June 2016, a total of 377,144 kg of NIS (2015: 306,253 kg), at 10% moisture content, was delivered to two processors, MPC and Pacific Gold. The average price paid for the 2016 harvest to 30 June 2016 was \$5.79/kg (2015: \$5.13/kg).

Financial position

At 30 June 2016 the Project held assets with a total value of \$1,700,233 (30 June 2015: \$1,329,496) on behalf of Growers.

Distributions and performance

Distributions of \$1,975,733, being \$3,412 per Macgrove, were paid by Huntley during the year ended 30 June 2016 (2015: \$1,578,354, being \$2,726 per Macgrove).

At 30 June 2016 the Project held 2016 harvest proceeds of \$785,805 to cover Growers' 2016 actual operating costs on top of the management fee they paid in accordance with the Grower management agreement. The cash surplus after paying all costs is expected to distribute to Growers in October 2016.

2007 Macgrove Project

ARSN 119 560 235

Directors' Report

30 June 2016

Interests in the Project

At the date of this report no associates or Directors of the Responsible Entity hold an interest in the Project.

	2016	2015
	No.	No.
Macgroves in the Project	579	579
Number of Macgroves in the Project held by the Responsible Entity	79	-

Fees paid to Responsible Entity

In respect of the period from 1 July 2015 to 24 February 2016, Huntley received the following fee from Growers:

- Management fees in accordance with the Grower Management Agreement of \$2,242 per Macgrove (GST exclusive) (2015: \$2,211/Macgrove), being total management fees of \$1,297,886 (2015: \$1,279,969). The Project operating expenses are paid from these management fees.
- Land rent in accordance with the Grower Sub-Lease of \$831 per Macgrove (GST exclusive) (2015: \$820 per Macgrove), being a total of \$481,254 (2015: \$474,612). The Project land lease rent is paid from the sub-lease rents.
- Recovery of expenses in accordance with the Grower Sub-Lease of \$107 per Macgrove (GST free) (2015: \$99/Macgrove), being total recovery of expenses of \$62,136 (2015: \$57,437). The Project council rates and water rates are paid from these fees.
- Adjustment to actual operating expenses in accordance with the Grower Management Agreement is nil (2015: \$88/Macgrove, being total fees of \$50,952).

These management fees and rent are payable by each Grower individually from their own assets.

From the date of appointment, 24 February 2016, RFM received \$193,015 from Huntley in regards to the balance of Growers' management fees. The cash was used to pay the 2016 operating costs on behalf of the Growers.

Fees paid and payable to the Responsible Entity for the period from 24 February 2016 to 30 June 2016 were \$672,675 (2015: nil).

Significant changes in state of affairs

On 24 February 2016, RFM was appointed as Responsible Entity of the Project.

There were no other significant changes in the state of affairs of the Project during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since the end of the year that has significantly affected or could significantly affect the operations of the Project, the results of those operations or the state of affairs of the Project in future financial years.

Likely developments and expected results of operations

Maximising Grower returns by developing crop yield potential and improving efficiency in operations is the main focus for the Project.

Environmental regulation

The operations of the Project are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

There have been no known breaches of any other environmental requirements applicable to the Project.

2007 Macgrove Project

ARSN 119 560 235

Directors' Report

30 June 2016

Indemnity of Responsible Entity and Custodian

In accordance with the Constitution, 2007 Macgrove Project indemnifies the Directors, Company Secretaries and all other officers of the Responsible Entity and Custodian when acting in those capacities, against costs and expenses incurred in defending certain proceedings.

Information on Directors of the Responsible Entity

Guy Paynter

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

David Bryant

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

Michael Carroll

Qualifications

Experience

Special Responsibilities

Directorships held in listed entities during the three years prior to the current year

Non-Executive Chairman

Bachelor of Laws from The University of Melbourne

Guy Paynter is a former director of broking firm JB Were and brings to RFM more than 30 years of experience in corporate finance. Guy is a former member of the Australian Securities Exchange (ASX) and a former associate of the Securities Institute of Australia (now known as the Financial Services Institute of Australasia). Today, Guy is also chairman of Bill Peach Group Limited (previously known as Aircruising Australia Limited).

Guy's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Member of Audit Committee

Rural Funds Group, RFM Poultry

Managing Director

Diploma of Financial Planning from the Royal Melbourne Institute of Technology and a Masters of Agribusiness from The University of Melbourne

David Bryant established RFM in February 1997. Since then, David has led the RFM team that has acquired over \$390 million in agricultural assets across eight Australian agricultural regions. This has included negotiating the acquisition of more than 35 properties and over 70,000 megalitres of water entitlements.

Managing Director

Rural Funds Group, RFM Poultry

Non-Executive Director

Bachelor of Agricultural Science from La Trobe University and a Master of Business Administration (MBA) from The University of Melbourne's Melbourne Business School. Michael has completed the Advanced Management Program at Harvard Business School, Boston, and is a Fellow of the Australian Institute of Company Directors

Michael Carroll serves a range of food and agricultural businesses in a board and advisory capacity. Michael is on the boards of Tassal Group Limited, Select Harvests Limited, Paraway Pastoral Company, Sunny Queen Pty Limited, and the Gardiner Dairy Foundation. Michael also has senior executive experience in a range of companies, including establishing and leading the National Australia Bank (NAB) Agribusiness division.

Chairman of Audit Committee

Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited. Michael was on the Board of Warrnambool Cheese and Butter Limited from August 2009 until May 2014.

2007 Macgrove Project

ARSN 119 560 235

Directors' Report

30 June 2016

Company secretaries of the Responsible Entity

Stuart Waight and Andrea Lemmon are RFM's joint company secretaries. Stuart joined RFM in 2003, is a Chartered Accountant and is RFM's Chief Operating Officer. Andrea has been with RFM since 1997 and currently holds the position of Executive Manager Funds Management.

Meetings of Directors of the Responsible Entity

During the period from 24 February 2016 to 30 June 2016, 7 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors Meetings	
	No. eligible to attend	No. attended
Guy Paynter	7	7
David Bryant	7	6
Michael Carroll	7	6

Non-audit services

During the year ended 30 June 2016 fees of \$4,408 (2015: nil) were paid or payable to PricewaterhouseCoopers for compliance audit services provided.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2016 has been received and is included on page 7 of the financial report.

The Directors' report is signed in accordance with a resolution of the Board of Directors of Rural Funds Management Limited.



David Bryant

Director

28 September 2016



Auditor's Independence Declaration

As lead auditor for the audit of 2007 Macgrove Project for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'CMC Heraghty', written over a horizontal line.

CMC Heraghty
Partner
PricewaterhouseCoopers

Sydney
28 September 2016

2007 Macgrove Project

ARSN 119 560 235

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	4	2,844,633	1,891,164
Freight subsidy		10,279	11,285
Interest received		3,760	5,711
Industry levy		(38,937)	(33,273)
Bank fees		(85)	(120)
Agribusiness operations		(512,612)	(11,285)
Farm management fees		(45,905)	-
Responsible entity expenses		(115,303)	-
Cash surplus attributable to Growers		(2,145,830)	(1,863,482)
Net profit for the year		-	-
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income attributable to Growers		-	-

The accompanying notes form part of these financial statements.

2007 Macgrove Project

ARSN 119 560 235

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	297,297	279,927
Trade and other receivables	7	1,262,429	1,049,569
Inventories	8	140,507	-
Total current assets		1,700,233	1,329,496
Total assets		1,700,233	1,329,496
LIABILITIES			
Current liabilities			
Trade payables	9	11,545	3,920
Other payables	10	1,688,688	1,325,576
Total current liabilities		1,700,233	1,329,496
Total liabilities (excluding net assets attributable to Growers)		1,700,233	1,329,496
Net assets attributable to Growers		-	-
Total liabilities		1,700,233	1,329,496

The accompanying notes form part of these financial statements.

2007 Macgrove Project

ARSN 119 560 235

Statement of Changes in Net Assets Attributable to Growers

For the year ended 30 June 2016

	2016
	\$
Balance at 1 July 2015	-
Net profit for the year	-
Total comprehensive income for the period	-
Change in net assets attributable to Growers	-
Balance at 30 June 2016	-

	2015
	\$
Balance at 1 July 2014	-
Net profit for the year	-
Total comprehensive income for the period	-
Change in net assets attributable to Growers	-
Balance at 30 June 2015	-

2007 Macgrove Project

ARSN 119 560 235

Statement of Cash Flows

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		2,487,788	1,548,799
Payments to suppliers		(691,460)	(14,950)
Interest received		3,760	5,711
Net cash inflow from operating activities	14	1,800,088	1,539,560
Cash flows from financing activities			
Contributions from Growers		193,015	-
Distributions paid		(1,975,733)	(1,584,994)
Net cash outflow from financing activities		(1,782,718)	(1,584,994)
Net increase in cash and cash equivalents held		17,370	(45,434)
Cash and cash equivalents at the beginning of the period		279,927	325,361
Cash and cash equivalents at the end of the period	6	297,297	279,927

The accompanying notes form part of these financial statements.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

1 General information

These financial statements cover the 2007 Macgrove Project (M07 or the Project) as an individual entity. The Project is a registered managed investment scheme constituted in 2007. The Responsible Entity of the Project, Rural Funds Management Limited (RFM), is incorporated and domiciled in Australia. The registered office of the Responsible Entity is Level 2, 2 King Street, Deakin, ACT 2600.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 28 September 2016. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

The Project does not operate a business in its own right. The Project acts as a conduit for the receipt of income from the sale of macadamias produce, and the distribution of the same to Grower investors. It also acts as a conduit for the receipt of monies from Growers and where applicable the distribution of those monies in accordance with the Project's constituent documents. Growers are responsible for all operating costs, license and management fees, including an interest component to fund the operation. Any profits made under the Project are profits made by the Growers.

As the Project manages the cash flows associated with the above and does not operate a business in its own right, the Project does not have net assets.

Obligations of the Responsible Entity

The Responsible Entity, RFM, has obligations to operate the Project and perform functions conferred on it by the relevant Project constitution.

Other obligations to members of the Project

In addition to its responsibilities as the Responsible Entity, RFM has entered into individual contractual arrangements with members of the Project under which RFM is obliged to incur various expenditures and provide various services. The members either have paid or will make payments to RFM to perform these obligations. The costs incurred by RFM in discharging its contractual obligations with members are specific financial obligations of RFM and are reimbursable to RFM from the members. They can be recoverable from the member's proceeds of sale and are not financial obligations of the Project. Therefore these costs are not directly relevant to this financial report.

Notwithstanding this, members of the Project should understand that in addition to RFM meeting its obligations to the Project under the Managed Investment Scheme constitutions, RFM also needs to meet its contractual obligations to members for services pursuant to the individual agreements entered into with individual members of the Project. These obligations include incurring maintenance expenditure for the duration of the Project.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies

Basis of preparation

The accounting policies that have been adopted in respect of the financial report are those of Rural Funds Management Limited as Responsible Entity of the Project.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and the Project's Constitution. The report has been prepared on a going concern basis.

The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost.

Under the previous arrangement, prior to the appointment of RFM as Responsible Entity, Growers were required to pay annual fees to the Responsible Entity to cover the operating costs under Grower management agreement. These fees are paid by the Growers and do not comprise property of the Project. As a result, these costs have not been disclosed as part of this financial report.

Following the appointment of RFM, Growers are entitled to receive net cash flows arising under the Project, being revenue from macadamias nuts sales less the Project costs. When the Project costs exceed revenues, the Growers are required to fund the shortfall. When the revenues exceed costs, the surplus is distributed to Growers. The Statement of Comprehensive Income matches the harvest proceeds of nuts delivered during the period, and the costs incurred during the period, offset by the net cash flows relating to the Growers' future distributions.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers which is when the risk and reward of ownership transfers.

Revenue is recognised when the crop is delivered. The sale consideration adopted is the Notional Consignment Value advised by the purchasers, Macadamia Processing Co. Limited (MPC) and Pacific Gold Macadamias Pty Limited (Pacific Gold).

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

Freight subsidy is recognised as upon the delivery of goods to customers which is when the risk and reward of ownership transfers.

Income tax

All Project assets and any income of the Project is held on behalf of either the Growers or the Responsible Entity. The Project does not derive any income on its own account and accordingly is not subject to income tax.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised inclusive of the amount of GST. Growers registered for GST are able to claim input tax credits from the ATO based on the annual invoice. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Trade and other receivables

Trade receivables are recognised and carried at original amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of an amount is no longer probable. Financial difficulties of the debtor, default payments or debts more than 180 days overdue are considered objective evidence of impairment.

Impairment of assets

At each reporting date, the Project reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Inventories

Agricultural produce

Agricultural produce on hand at year end is valued at the lower of cost and net realisable value. Prior to acquisition of inventory, in accordance with the AASB141 *Agriculture*, cost is measured at fair value less point of sale costs at the time of harvest.

Inventories is comprised of Nut in Shell that has been harvested, but not yet delivered to the processor at balance date, as the transfer of ownership of the macadamias to the customer does not occur until they are delivered. Inventories at balance date have a corresponding liability included in creditors to reflect the amounts that will be offset by costs to be billed to, or amounts owing to Growers.

Trade and other payables

Liabilities for creditors are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Project.

Payables include estimated distributions payable. The carrying period is aligned with the receipt of trade receivables and the terms of the Project constitution which determine that distributions are payable on or by 30 October each year.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

2 Summary of significant accounting policies (continued)

New accounting standards and interpretations

Standard Name	Effective date for the Project	Requirements	Impact
AASB 2014-6 Amendments to AASB 116 and AASB 141 for bearer plants	1 Jan 2016	Amends the accounting for bearer plants to now be the same as property, plant and equipment in AASB 116 Property, Plant and Equipment, because their operation is similar to that of manufacturing.	It is not expected that this standard will have a material impact on the Project.
AASB 15 Revenue from contracts with customers	1 Jan 2018	Recognise contracted revenue when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards.	It is not expected that this standard will have a material impact on the Project.
AASB 16 Leases	1 Jan 2019	Introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months.	Management is currently assessing the impact of the new rules. It is expected that this standard will have an impact on the property leases of the Project.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods.

3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements, estimates and assumptions in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates or assumptions are made.

Revenue recognition

The Responsible Entity has determined to recognise revenue from the sale of the crop at the Notional Consignment Value (NCV) advised by the purchasers, Macadamia Processing Co Limited (MPC) and Pacific Gold Macadamias Pty Limited (Pacific Gold). The NCV varies between the purchasers. The NCV may be adjusted for variations in moisture content, kernel recovery and other Nut in Shell (NIS) specifications. Additionally, the terms and conditions of the NIS purchase agreements states that payments will be based upon a Notional Price only and all prices are therefore subject to change at the discretion of the processors' Board of Directors. On the basis of historical experience of the notional price not being materially altered during a season, the Responsible Entity has determined to adopt the advised NCV for reporting proceeds and levies from the sale of the crop. Any changes in the NCV will be adjusted in the subsequent reporting period when actuals are determined by receipt.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

4 Revenue

	2016	2015
	\$	\$
Harvest proceeds - sale of macadamias	2,844,633	1,891,164
Total	2,844,633	1,891,164

5 Remuneration of auditors

	2016	2015
	\$	\$
Remuneration of the auditor of the Project for:		
- auditing or review of the financial report	10,000	-
- Compliance audit	4,408	-
Remuneration of other auditors for:		
- auditing or review of the financial report	-	15,580
- audit of compliance plan	-	7,540
Total	14,408	23,120

The auditor of the Project for the year ended 30 June 2015 was Geoffrey Finall & Co.

6 Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank	297,297	279,927
Total	297,297	279,927

Reconciliation of cash

Cash and cash equivalents reported in the Statement of Cash Flows are reconciled to the equivalent items in the Statement of Financial Position as follows:

Cash and cash equivalents	297,297	279,927
---------------------------	---------	---------

7 Trade and other receivables

	2016	2015
	\$	\$
Trade and other receivables	1,262,429	1,049,569
Total	1,262,429	1,049,569

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

8 Inventories

	2016	2015
Agricultural produce	\$	\$
Macadamias on hand	140,507	-
Total	140,507	-

Agricultural produce inventory represents nut in shell that have been harvested, but remains on hand.

9 Trade payables

	2016	2015
	\$	\$
Trade payables	11,545	3,920
Total	11,545	3,920

10 Other payables

	2016	2015
Provision for distribution	\$	\$
Opening balance	1,325,576	1,040,448
Contribution from Growers	193,015	-
Distributions provided for	2,145,830	1,863,482
Distributions paid	(1,975,733)	(1,578,354)
Total	1,688,688	1,325,576

11 Financial risk management

Financial instruments of the Project comprise cash and cash equivalents, net assets attributable to Growers, and other financial instruments such as trade debtors and creditors, which arise directly from its operations. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to Growers of the Project from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below.

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, ultimately to the Board of Directors of the Responsible Entity.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty. In order to avoid excessive concentrations of risk, the Project monitors its exposure to ensure concentrations of risk remain within acceptable levels.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

11 Financial risk management (continued)

Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Project to incur a financial loss.

With respect to credit risk arising from the financial assets of the Project, the Project's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk is not considered to be significant to the Project because any default by a Grower on their contributions results in a corresponding reduction in the payable to RFM for management fees, license fees and interest.

During the year, the Project had significant credit risk exposure in respect of trade receivables to MPC and Pacific Gold who purchase the macadamias grown in the Project's orchards. MPC and Pacific Gold were the only purchasers of the Macadamias produced by the Project during the year. The credit risk exposure is the trade receivable balance. This risk is not unusual in the primary production industry and the risk is mitigated, to the extent possible, by monitoring that payments are made in accordance with terms, reconciling remittance returns and being alert to any indicators of heightened credit risk.

Liquidity risk

Liquidity risk is the risk that the Project will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled as the Project maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Project comprise of trade and other payables, and net assets attributable to Growers. Trade and other payables are on terms that correspond with Grower contributions receivables thus limiting liquidity risk. Net assets attributable to Growers are payable when distributable profit meets the criteria for distribution according to the Project's Constitution.

Market risk

The Project is exposed to price risk, regarding the price that it receives for the nut in shell that is delivered to MPC and Pacific Gold and included in trade and other receivables. As per the 'Nut-in-Shell Supply Agreement' with MPC and the '2016 Season: Nut in Shell (NIS) Purchase Agreement' with Pacific Gold, the payments are based on a notional price, and are subject to change.

Fair values

The Project's financial assets and liabilities included in the Statement of Financial Position are carried at their fair value or at amounts that approximate their fair values.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

12 Key management personnel

Directors

The Directors are considered to be key management personnel of the Project. The Directors of the Responsible Entities in office during the year and up to the date of the report are:

Current Responsible Entity - Rural Funds Management Limited, appointed 24 February 2016

Guy Paynter
David Bryant
Michael Carroll

Former Responsible Entity - Huntley Management Limited, from 1 July 2015 to resignation on 24 February 2016

John H. Knox
Stephen L. Law
Francis G. Swain (ceased 31 January 2015)
Antony Resnick (appointed 21 August 2014, ceased 13 March 2015)
Brian Silvia (appointed 21 August 2014)
Craig James (appointed 13 March 2015 as alternate for Brian Silvia)
Peter P. Krejci (appointed 5 June 2015)

Other key management personnel

In addition to the Directors noted above, Huntley and RFM, the former and current Responsible Entities of the Project are considered to be key management personnel with the authority for the strategic direction and management of the Project.

RFM may retire as the Responsible Entity of the Project as permitted by law. However, RFM must retire as the Responsible Entity of the Project when required by law. When retired or removed, RFM will be released from all obligations and remuneration in relation to the Project arising after the time of retirement or being removed.

Compensation of key management personnel

No amount is paid by the Project directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 *Related Party Disclosures* is paid by the Project to the Directors as key management personnel.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

13 Related party transactions

Transactions between the Project and related parties are on commercial terms and conditions.

Current Responsible Entity (Rural Funds Management Limited) and related entities

Transactions between the Project and the Responsible Entity and its associated entities are shown below:

	2016	2015
	\$	\$
Farm management fee paid to RFM Macadamias	45,905	-
Expense reimbursed to RFM	557,057	-
Licence fee paid to Rural Funds Group	-	-
Rental expense paid to RF Active	69,713	-
Total amount paid to RFM and related entities	672,675	-

Former Responsible Entity (Huntley Management Limited) and related entities

In respect of the financial year ended 30 June 2016, Huntley received the following fee from Growers:

- Management fees in accordance with the Grower Management Agreement of \$2,242 per Macgrove (GST exclusive) (2015: \$2,211/Macgrove), being total management fees of \$1,297,886 (2015: \$1,279,969). The Project operating expenses are paid from these management fees.
- Land rent in accordance with the Grower Sub-Lease of \$831 per Macgrove (GST exclusive) (2015: \$820 per Macgrove), being a total of \$481,254 (2015: \$474,612). The Project land lease rent is paid from the sub-lease rents.
- Recovery of expenses in accordance with the Grower Sub-Lease of \$107 per Macgrove (GST free) (2015: \$99/Macgrove), being total recovery of expenses of \$62,136 (2015: \$57,437). The Project council rates and water rates are paid from these fees.
- Adjustment to actual operating expenses in accordance with the Grower Management Agreement is nil (2015: \$88/Macgrove, being total fees of \$50,952).

These management fees and rent are payable by each Grower individually from their own assets.

Under the previous arrangement, prior to the appointment of RFM as Responsible Entity, Growers were required to pay annual fees to the Responsible Entity to cover the operating costs under Grower management agreement. These fees are paid by the Growers and do not comprise property of the Project. As a result, these costs have not been disclosed as part of this financial report.

Following the appointment of RFM, Growers are entitled to receive net cash flows arising under the Project, being revenue from macadamias nuts sales less the Project costs. When the Project costs exceed revenues, the Growers are required to fund the shortfall. When the revenues exceed costs, the surplus is distributed to Growers. The Statement of Comprehensive Income matches the harvest proceeds of nuts delivered during the period, and the costs incurred during the period, offset by the net cash flows relating to the Growers' future distributions.

2007 Macgrove Project

ARSN 119 560 235

Notes to the Financial Statements

30 June 2016

14 Cash flow information

	2016	2015
	\$	\$
Net Profit for the year	-	-
Cash flows excluded from profit attributable to operating activities		
Changes in assets and liabilities		
(Increase) in trade and other receivables	(212,860)	(347,776)
(Increase) / decrease in inventories	(140,507)	27,400
Increase in trade payable and accruals	2,153,455	1,859,936
Net cash inflow from operating activities	1,800,088	1,539,560

15 After balance date events

No other matter or circumstance have arisen since the end of the year which significantly affected or may significantly affect the operation of the Project, the result of those operations or the state of affairs of the Project in future financial years.

2007 Macgrove Project

ARSN 119 560 235

Directors' Declaration

30 June 2016

In the Directors of the Responsible Entity's opinion:

- 1 The financial statements and notes of 2007 Macgrove Project set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the Project's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- 2 There are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of the Directors of Rural Funds Management Limited.



David Bryant
Director

28 September 2016



Independent auditor's 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 registered scheme), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in net assets attributable to growers and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of Rural Funds Management Limited (the responsible entity) are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of 2007 Macgrove Project is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to CMC Heraghty.

CMC Heraghty
Partner

Sydney
28 September 2016

Responsible Entity

Rural Funds Management Limited
ABN 65 077 492 838
AFSL 226 701

Level 2, 2 King Street
Deakin ACT 2600

www.ruralfunds.com.au

Telephone (Investor Services)
1800 026 665

Telephone (Adviser Services)
1300 880 295

Facsimile
1800 625 518