

# 2007 Macgrove Project

## Financial Statements

For the Year Ended 30 June 2017

# 2007 Macgrove Project

ARSN 119 560 235

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# 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 Julian Widdup
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 One International Towers Sydney Watermans Quay, Barangaroo GPO Box 2650 SYDNEY NSW 2001
Bankers	Australia and New Zealand Banking Group Limited (ANZ) 242 Pitt Street SYDNEY NSW 2000

# 2007 Macgrove Project

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## Directors' Report

30 June 2017

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 2017.

### Directors

The following persons held office as Directors of the Responsible Entity during the year and up to the date of this report:

Guy Paynter	Non-Executive Chairman
David Bryant	Managing Director
Michael Carroll	Non-Executive Director
Julian Widdup	Non-Executive Director (appointed 15 February 2017)

### 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 for the duration of the license period, being from 2007 to 2028.

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 harvesting 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, Growers were required to fund the annual fee; comprising of farm management fees, Responsible Entity expenses and agribusiness operations expenses, 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, M07 does not have net assets. The respective rights and obligations under the management agreement rest with the Growers.

Each Macgrove operated represents an area of 0.4041 hectares. As at 30 June 2017, the Project had 117 Growers (2016: 117 Growers) with a total of 579 Macgroves (2016: 579 Macgroves) representing 234 hectares (2016: 234 hectares). The operating results discussed in the financial statements include the results attributable to the Growers in the Project.

### Operating results

The cash surplus attributable to Growers for the year ended 30 June 2017 amounted to \$1,598,493 (2016: \$2,145,830).

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 2015 year, 2016 year and 2017 year (to 30 June 2017):

	Year ended 30 June 2017	Year ended 30 June 2016	Year ended 30 June 2015	Total	Total per Macgrove
Production Year	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms
2015	-	96,431	306,253	402,684	695
2016	275,225	377,144	-	652,369	1,127
2017	564,604	-	-	564,604	975

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## Directors' Report

30 June 2017

### Operating results (continued)

The 2017 production year harvest commenced in March 2017. The total production in the 2017 production year is not expected to exceed the 2016 production year, despite a greater proportion of the 2017 production year being harvested prior to 30 June 2017. This is due to adverse weather conditions experienced prior to the commencement of the 2017 harvest and the impact of Cyclone Debbie.

In relation to the harvest for the 2016 production year, a total of 652,369kg of NIS (2015: 402,684kg), 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 2016 production year harvest was \$5.89/kg (2015: \$5.53/kg).

In relation to the harvest for 2017 production year to 30 June 2017, a total of 564,604kg of NIS (2015: 377,144 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 2017 was \$5.41/kg (2016: \$5.79/kg).

### Financial position

At 30 June 2017, the Project held assets with a total value of \$3,367,017 (30 June 2016: \$1,700,233) on behalf of Growers.

### Distributions and performance

A distribution of \$382,636 being \$661 per Macgrove was declared and paid to Growers during the year ended 30 June 2017 (2016: \$1,975,733, being \$3,412 per Macgrove).

At 30 June 2017, the Project held 2017 harvest proceeds of \$2,834,777 (2016: \$785,805) to cover Growers' 2017 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 be distributed to Growers in October 2017.

### Interests in the Project

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

	2017	2016
Number of Macgroves in the Project	579	579
Number of Macgroves in the Project held by the Responsible Entity	79	79

### Fees paid to Responsible Entity and Operational Manager

Fees paid and payable to the Responsible Entity for the financial year ended 30 June 2017 were nil (2016: nil).

Fees paid and payable to the Operational Manager for the financial year ended 30 June 2017 were \$177,868 (2016: \$45,905).

### Significant changes in state of affairs

In the opinion of the Directors, there were no 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.

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## Directors' Report

30 June 2017

### 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 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.

### 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

#### 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). 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 and Remuneration 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 and since that time has led the team that is responsible for the acquisition of large scale agricultural property assets and associated water entitlements. RFM manages over \$600 million of agricultural assets. On a day-to-day level, David is responsible for leading the RFM Executive, maintaining key commercial relationships and sourcing new business opportunities.

Managing Director

Rural Funds Group, RFM Poultry

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## Directors' Report

30 June 2017

### Information on Directors of the Responsible Entity (continued)

#### Michael Carroll

Qualifications

#### Non-Executive Director

Bachelor of Agricultural Science from La Trobe University and a Masters of Business Administration 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.

Experience

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.

Special Responsibilities

Chairman of Audit Committee and Remuneration Committee

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

Michael is on the Board of Tassal Group Limited, Rural Funds Group, RFM Poultry and Select Harvests Limited.

#### Julian Widdup

Qualifications

#### Non-Executive Director

Bachelor of Economics from the Australian National University. Julian is a Fellow of the Institute of Actuaries of Australia and a Fellow of the Australian Institute of Company Directors.

Experience

Julian brings extensive experience to the RFM board having previously served as a director of Palisade Investment Partners, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power generation company, Victorian AgriBioscience Research Facility, Casey Hospital in Melbourne, and Mater Hospital in Newcastle.

Special Responsibilities

Member of Audit Committee and Remuneration Committee.

Directorships currently held in listed entities

Rural Funds Group, RFM Poultry

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

None noted

### 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 financial year, 13 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	13	12
David Bryant	13	13
Michael Carroll	13	13
Julian Widdup	6	6

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## Directors' Report

30 June 2017

### Non-audit services

During the year ended 30 June 2017 fees of \$6,370 (2016: \$4,408) 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 2017 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.

A handwritten signature in black ink, appearing to read 'David Bryant', is written over a faint, illegible stamp or watermark.

David Bryant  
Director

26 September 2017





## Auditor's Independence Declaration

As lead auditor for the audit of 2007 Macgrove Project for the year ended 30 June 2017, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

CMC Heraghty  
Partner  
PricewaterhouseCoopers

Sydney  
26 September 2017

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T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# 2007 Macgrove Project

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## Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	4	4,783,111	2,844,633
Freight subsidy		25,920	10,279
Interest received		12,039	3,760
Other income		24,432	-
Industry levy		(71,060)	(38,937)
Bank fees		(17)	(85)
Agribusiness operations		(2,762,326)	(512,612)
Farm management fees		(177,868)	(45,905)
Responsible Entity expense reimbursement		(235,738)	(115,303)
Cash surplus attributable to Growers		(1,598,493)	(2,145,830)
<b>Net profit for the year</b>		-	-
<b>Other comprehensive income:</b>			
Other comprehensive income		-	-
<b>Total comprehensive income attributable to Growers</b>		-	-

The accompanying notes form part of these financial statements.

# 2007 Macgrove Project

ARSN 119 560 235

## Statement of Financial Position

As at 30 June 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	894,639	297,297
Trade and other receivables	7	1,821,021	1,262,429
Inventories	8	15,287	140,507
Prepayments	9	636,070	-
<b>Total current assets</b>		<b>3,367,017</b>	1,700,233
<b>Total assets</b>		<b>3,367,017</b>	1,700,233
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables		390,755	11,545
Other payables	10	2,976,262	1,688,688
<b>Total current liabilities</b>		<b>3,367,017</b>	1,700,233
<b>Total liabilities (excluding net assets attributable to Growers)</b>		<b>3,367,017</b>	1,700,233
Net assets attributable to Growers		-	-
<b>Total liabilities</b>		<b>3,367,017</b>	1,700,233

The accompanying notes form part of these financial statements.

# 2007 Macgrove Project

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## Statement of Changes in Net Assets Attributable to Growers

For the year ended 30 June 2017

	2017
	\$
<b>Balance at 1 July 2016</b>	-
Net profit for the year	-
<b>Total comprehensive income</b>	-
Change in net assets attributable to Growers	-
<b>Balance at 30 June 2017</b>	-

  

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

## 2007 Macgrove Project

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### Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,288,417	2,487,788
Payments to suppliers		(3,392,195)	(691,460)
Interest received		12,039	3,760
<b>Net cash inflow from operating activities</b>	15	<b>908,261</b>	<b>1,800,088</b>
<b>Cash flows from financing activities</b>			
Contributions from Growers		71,717	193,015
Distributions paid		(382,636)	(1,975,733)
<b>Net cash outflow from financing activities</b>		<b>(310,919)</b>	<b>(1,782,718)</b>
Net increase in cash and cash equivalents held		597,342	17,370
Cash and cash equivalents at the beginning of the period		297,297	279,927
<b>Cash and cash equivalents at the end of the period</b>	6	<b>894,639</b>	<b>297,297</b>

The accompanying notes form part of these financial statements.

# 2007 Macgrove Project

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## Notes to the Financial Statements

30 June 2017

### 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 26 September 2017. 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, 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 expenses 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.

### 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.

# 2007 Macgrove Project

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## Notes to the Financial Statements

30 June 2017

### 2 Summary of significant accounting policies (continued)

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 the 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 cash received from macadamia nuts sales less the Project costs. When the Project costs exceed cash received, the Growers are required to fund the shortfall. When the cash received exceeds the Project 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 risks and rewards of ownership transfers.

Revenue is recognised when the crop is delivered. The sale consideration adopted is the Notional Consignment Value (NCV) 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 upon the delivery of goods to customers which is when the risks and rewards 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.

#### 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.

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## Notes to the Financial Statements

30 June 2017

### 2 Summary of significant accounting policies (continued)

#### 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 comprises of Nut in Shell that have 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.

#### Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred from the lessor, are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits have not been transferred from the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### 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 in or by October each year.



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## Notes to the Financial Statements

30 June 2017

### 2 Summary of significant accounting policies (continued)

#### New accounting standards and interpretations

Standard Name	Effective date for the Project	Requirements	Impact
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 a significant impact on the property leases of the Project.  Total future lease payments under non-cancellable operating leases of land, buildings, improvements, and plant and equipment amount to \$18,079,067.

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. Based on 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.

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## Notes to the Financial Statements

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### 4 Revenue

	2017	2016
	\$	\$
Harvest proceeds - sale of macadamias	4,783,111	2,844,633
<b>Total</b>	<b>4,783,111</b>	<b>2,844,633</b>

### 5 Remuneration of auditors

	2017	2016
	\$	\$
Remuneration of the auditor of the Project for:		
Auditing or review of the financial report	12,026	10,000
Compliance audit	6,370	4,408
<b>Total</b>	<b>18,396</b>	<b>14,408</b>

### 6 Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank	894,639	297,297
<b>Total</b>	<b>894,639</b>	<b>297,297</b>

#### *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:

	2017	2016
Cash and cash equivalents	894,639	297,297

### 7 Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	1,821,021	1,262,429
<b>Total</b>	<b>1,821,021</b>	<b>1,262,429</b>

### 8 Inventories

	2017	2016
	\$	\$
<b>Agricultural produce</b>		
Macadamias on hand	15,287	140,507
<b>Total</b>	<b>15,287</b>	<b>140,507</b>

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

### 9 Prepayments

	2017	2016
	\$	\$
Prepayment of rent	636,070	-
<b>Total</b>	<b>636,070</b>	<b>-</b>

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## Notes to the Financial Statements

30 June 2017

### 10 Other payables

	2017	2016
<b>Provision for distribution</b>	<b>\$</b>	<b>\$</b>
Opening balance	1,688,688	1,325,576
Contribution from Growers	71,717	193,015
Cash surplus attributable to Growers	1,598,493	2,145,830
Distributions paid	(382,636)	(1,975,733)
<b>Closing Balance</b>	<b>2,976,262</b>	<b>1,688,688</b>

### 11 Financial risk management

Financial instruments of the Project comprise cash and cash equivalents, distributions payable 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 cash surplus attributable to Growers, and distributions payable 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.

#### *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.

Regarding 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 carrying amounts 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 from 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.

# 2007 Macgrove Project

ARSN 119 560 235

## Notes to the Financial Statements

30 June 2017

### 11 Financial risk management (continued)

#### *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*

Market risk is the risk that the fair value or future cash flows of financial assets will fluctuate due to changes in market variables such as interest rates.

The effects of a \$0.50/kg change in the price of macadamias on unrealized harvest proceeds are shown in the following table. Any effect in the unrealized harvest proceeds would affect the cash surplus attributable to Growers and distributions payable to Growers.

	<b>2017</b>	<b>2017</b>
	<b>Per Macgrove</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
Increase of \$0.50/kg	<b>26</b>	<b>15,143</b>
Decrease of \$0.50/kg	<b>(26)</b>	<b>(15,143)</b>

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.

### 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:

Guy Paynter  
David Bryant  
Michael Carroll  
Julian Widdup (appointed 15 February 2017)

#### *Other key management personnel*

In addition to the Directors noted above, RFM as the Responsible Entity of the Scheme is considered to be key management personnel with the authority for the strategic direction and management of the scheme.

#### *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 2017

### 13 Minimum lease payments

Minimum lease payments under non-cancellable operating leases of land, buildings, improvements, and plant and equipment not recognised in the financial statements, are payable as follows:

	2017	2016
	\$	\$
Within one year	1,134,604	802,234
Later than one year, but not later than five years	3,968,116	3,092,427
Later than five years	12,976,347	11,018,037
<b>Total</b>	<b>18,079,067</b>	<b>14,912,698</b>

### 14 Related party transactions

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

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

	2017	2016
	\$	\$
Farm management fee paid to RFM Macadamias	177,868	45,905
Responsible Entity expense reimbursement	235,738	557,057
Rental expenses paid to Rural Funds Trust	689,624	-
Rental expense paid to RF Active	274,579	69,713
<b>Total amount paid to RFM and related entities</b>	<b>1,377,809</b>	<b>672,675</b>

### 15 Cash flow information

	2017	2016
	\$	\$
<b>Net profit for the year</b>	-	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in prepayments	(636,070)	-
(Increase)/decrease in trade and other receivables	(558,592)	(212,860)
(Increase)/decrease in inventories	125,220	(140,507)
Increase in trade payable and accruals	1,977,703	2,153,455
<b>Net cash inflow from operating activities</b>	<b>908,261</b>	<b>1,800,088</b>

### 16 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 2017

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 19 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 2017 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

26 September 2017



## *Independent auditor's report*

To the Growers of 2007 Macgrove Project

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### *Our opinion*

In our opinion:

The accompanying financial report of 2007 Macgrove Project (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### ***What we have audited***

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to Growers for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

### ***Independence***

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

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### *Other information*

The Directors of the Responsible Entity are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report included in the Financial Statements, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the directors of the Responsible Entity for the financial report*

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

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

PricewaterhouseCoopers

CMCHeraghty  
Partner

Sydney  
26 September 2017



### Responsible Entity

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