2007 Macgrove Project

ARSN 119 560 235

Annual Report

For The Financial Year Ended

30 June 2014

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2007 Macgrove Project
ARSN 119 560 235
Directors' Report
For the Year Ended 30 June 2014

The Directors of Huntley Management Limited ACN 089 240 513, the Responsible Entity of the 2007 Macgrove Project ('the Project'), submit herewith the annual report of the Project for the year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

1. Directors
The names of the Directors of the Responsible Entity during and since the end of the financial year are:

John H. Knox
Stephen L. Law
Francis G. Swain

2. Company Secretaries
The name of each person who was a company secretary at year end are:
Stephen L. Law
William J. Foxall

No director or officer was or has been a partner or director of the audit firm.

3. Principal Activities
The principal activity of the Project during the financial year has been the growing, harvesting and marketing of macadamia nuts for commercial gain.

Macadamia nuts are harvested and delivered for processing during the period March to August each year. This results in the production year being split between two financial years. The following is a table of the production for the 2013 year and 2014 year (to 30 June 2014):

	Year ended 30 June 2014	**Year ended 30 June 2013**	**Total**	**Total per Macgrove**
	NIS Kilograms	**NIS Kilograms**	**NIS Kilograms**	**NIS Kilograms**
Production year 2013	114,469	228,789	**343,258**	**593**
Production year 2014	316,128	-	**316,128**	**546**
Total	**430,597**			
Total per Macgrove	**744**			

4. Operating Results

Total income for the year	\$1,676,596 (2013: \$1,061,525)
Total expenses for the year	\$54,920 (2013: \$37,270)
Profit attributable to Growers	\$1,621,676 (2013: \$1,024,255)
Total Assets at 30 June 2014	\$1,054,554 (2013: \$678,890)

5. Distributions
Distributions provided for during the year were \$1,621,676, being \$2,800 per Macgrove (2013: \$1,024,255, being \$1,769 per Macgrove). Distributions of \$1,253,263, being \$2,165 per Macgrove, were paid during the year ended 30 June 2014 (2013: \$866,569, being \$1,497 per Macgrove).

6. Review of Operations

The principal activity of the Project during the financial year was to continue to grow, harvest and market the macadamia nuts produced from the Project's macadamia orchards.

The Project is a registered managed investment scheme domiciled in Australia, registered and regulated in accordance with Chapter 5C of the *Corporations Act 2001* and the Project's Constitution.

During each year of the Project, each several Grower may pay annual fees to the Responsible Entity. These fees are not required to be paid into the Project agency account, as they do not comprise "scheme property".

On 14 June 2012, Huntley Management Limited was appointed as responsible entity of the Project. Huntley Management Limited has appointed Maccmanagement Pty Ltd as the Operational Manager for the Project.

Maccmanagement Pty Ltd, the Operational Manager of the Project, advised in its July to December 2013 Orchard Services Report that the 2013 harvest was completed in October 2013. In total, Macadamia Processing Co Limited (MPC) and Agrimac Macadamia (Agrimac) advised 343,258kg of Nut in Shell, at 10% moisture content, had been delivered in relation to the 2013 harvest. The average price paid by MPC was $3.36/kg. The average price paid by Agrimac was $3.23/kg.

Project reports are available from Huntley Management Limited's website www.huntleygroup.com.au.

Upon commencement of harvesting, the Responsible Entity is required to hold crop proceeds in the Project agency account on behalf of Growers, out of which the Responsible Entity pays each Grower's share of applicable expenses and then distributes the balance remaining to the Growers in accordance with the Project Constitution.

The Project did not have any employees during the year.

7. Significant Change in State of Affairs

During the financial year there was no significant change in the state of the affairs of the Project

8. After Balance Date Events

During September 2014, a distribution of $845,902, being $1,461 per Macgrove, was paid to Growers.

Since 30 June 2014, no other matters or circumstances have arisen which significantly affected or could significantly affect the operations of the Project, or the results of those operations, or the state of affairs of the Project in future financial years.

9. Future Developments

There are no likely developments in the operations, or expected results of those operations, of the Project other than the continuing discharge of the Responsible Entity's and Growers' obligations pursuant to the relevant agreements and the Constitution.

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Directors' Report
For the Year Ended 30 June 2014

10. Details of Macgroves

Number of Macgroves in the Project held by the Responsible Entity or its Associates as at 30 June 2014	Nil
Macgroves in the Project issued during the period	Nil
Macgroves terminated during the period	171
Macgroves re-issued during the period	154
Macgroves in the Project as at 30 June 2014	562

The Responsible Entity continues to operate 17 Macgroves, pending re-issue.

11. Macgrove Options

No options over issued or unissued Macgroves in the Project were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

12. Remuneration of the Responsible Entity and Associates

In respect of the financial year ending 30 June 2014, Huntley Management Limited is entitled to receive:

- Management fees in accordance with the Grower Management Agreement of $2,143 per Macgrove (GST exclusive) (2013: $2,099/Macgrove), being total management fees of $1,241,029 (2013: $1,215,483). The Project operating expenses are paid from these management fees.
- Land rent in accordance with the Grower Sub-Lease of $795 per Macgrove (GST exclusive) (2013: $778/Macgrove), being a total of $460,168 (2013: $450,699). The Project land lease rent is paid from the sub-lease rents.
- Recovery of expenses in accordance with the Grower Sub-Lease of $101 per Macgrove (GST free) (2013: $75/Macgrove), being total recovery of expenses of $58,624 (2013: $43,460). The Project council rates and water rates are paid from these fees.
- Adjustment to actual operating expenses in accordance with the Grower Management Agreement of $80 per Early and Late Grower Macgrove (GST exclusive) (2013: $Nil/Macgrove), being total fees of $40,960 (2013: $Nil). The balance of the Project operating expenses are paid from these management fees.

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

In respect of the year ended 30 June 2014, Huntley Custodians Limited was entitled to receive $10,280 (GST exclusive) from Huntley Management Limited to act as custodian (2013: $10,000). The custodian fees were not payable from Project property.

Huntley Custodians Limited and Huntley Management Limited are both wholly owned subsidiaries of Huntley Consultancy Pty Ltd.

13. Environmental Regulation

The Operational Manager had adequate systems and controls in place for the management of the Project's environmental regulation requirements.

14. Directors' and Auditor's Indemnification

During or since the end of the financial year the Responsible Entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Responsible Entity has paid premiums;
  - to insure directors and officers against legal defence costs resulting from a claim alleging a wrongful act arising from their conduct whilst acting in good faith on behalf of the Responsible Entity; and,
  - To indemnify directors and officers to the extent permitted by the *Corporations Act 2001* against losses, which are legally insurable, resulting from alleged wrongful acts whilst acting in good faith on behalf of the Responsible Entity.

The above coverage is provided as part of an insurance package, the premiums payable in respect of that insurance package are not to be disclosed.

The Responsible Entity has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Responsible Entity or of any related body corporate against a liability incurred as auditor.

The Project has not directly indemnified or insured officers of the Responsible Entity or the auditor.

15. Auditor Declaration of Independence

The Project has been provided with a declaration of the auditor's independence as required by section 307C of the *Corporations Act 2001* included at page 6 of this financial report.

Signed in accordance with a resolution of the directors of the Responsibility Entity made pursuant to s.298(2) of the *Corporations Act 2001.*

On behalf of the Directors of the Responsible Entity, Huntley Management Limited

John H. Knox
Director
Sydney NSW
Date: 26 September 2014

GEOFFREY FINALL & CO
Chartered Accountants

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7 Jarrah Ct
Bathurst NSW 2795

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Geoffrey Finall C.A. Reg. Company Auditor

GFC – TaxDirect Pty Ltd
ABN 35 082 576 636

(UNDER SECTION 307C OF THE CORPORATIONS ACT 2001)

To THE DIRECTORS OF: 2007 MACGROVE PROJECT

AUDITOR'S INDEPENDENCE DECLARATION

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been :

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the Audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

GEOFFREY FINALL
Chartered Accountant
Bathurst, NSW
26th September, 2014

2007 Macgrove Project
ARSN 119 560 235
Directors' Declaration
For the Year Ended 30 June 2014

The Directors of the Responsible Entity declare that, in the Directors' opinion:

(i) there are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable;

(ii) the attached financial statements are in compliance with the International Financial Reporting Standards, as stated in Note 1(a) to the financial statements; and

(iii) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and financial performance of the Project.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001.*

On behalf of the Directors of the Responsible Entity, Huntley Management Limited

John H. Knox
Director
Sydney NSW
Date: 26 September 2014

2007 Macgrove Project
ARSN 119 560 235
Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 30 June 2014

	NOTE	2014 $	2013 $
Sales revenue			
Sales income		1,662,693	1,013,993
Cost of goods sold			
Opening stock		(34,990)	-
Closing stock		27,400	34,990
Cost of sales		**(7,590)**	**34,990**
Gross Profit		**1,655,103**	**1,048,983**
Other income			
Freight subsidy		17,645	11,440
Interest income		3,848	1,102
		21,493	**12,542**
Total income		**1,676,596**	**1,061,525**
Expenses			
Industry levy		37,155	25,676
Bank fees		120	154
Freight		17,645	11,440
		54,920	**37,270**
Profit before income tax expense		**1,621,676**	**1,024,255**
Income tax expense	1(d)(ix)	-	-
Profit attributable to Growers		**1,621,676**	**1,024,255**
Finance costs attributable to Growers			
Provision for distributions to Growers		(1,621,676)	(1,024,255)
Total changes in Project property		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

The accompanying notes form part of these financial statements.

2007 Macgrove Project
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Statement of Financial Position
As at 30 June 2014

	NOTE	2014 $	2013 $
CURRENT ASSETS			
Cash and cash equivalents	6(ii)	325,361	182,902
Trade and other receivables	2	701,793	460,998
Inventory	3	27,400	34,990
TOTAL CURRENT ASSETS		**1,054,554**	**678,890**
TOTAL ASSETS		**1,054,554**	**678,890**
CURRENT LIABILITIES			
Trade and other payables	4	14,106	6,855
Provisions	5	1,040,448	672,035
TOTAL CURRENT LIABILITIES		**1,054,554**	**678,890**
TOTAL LIABILITIES		**1,054,554**	**678,890**
NET ASSETS ATTRIBUTABLE TO GROWERS		**-**	**-**
Liabilities attributable to Growers		-	-
NET ASSETS		**-**	**-**

The accompanying notes form part of these financial statements.

2007 Macgrove Project
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Statement of Changes in Equity
For the Year Ended 30 June 2014

	Project Equity $	Retained Earnings $	Total $
Balance at 1 June 2012	-	-	-
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Balance at 30 June 2013	-	-	-
Balance at 1 July 2013	-	-	-
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
Balance at 30 June 2014	-	-	-

The accompanying notes form part of these financial statements.

2007 Macgrove Project
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Statement of Cash Flows
for the Year Ended 30 June 2014

	NOTE	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,402,388	860,468
Interest received		3,848	1,102
Payments to suppliers		(15,951)	(5,941)
Net cash provided by operating activities	6(i)	1,390,285	855,629
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash from investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions paid		(1,247,826)	(869,792)
Net cash used in financing activities		(1,247,826)	(869,792)
Net (decrease) increase in cash and cash equivalents held		142,459	(14,163)
Cash and cash equivalents at the beginning of the year		182,902	197,065
Cash and cash equivalents at the end of the year	6(ii)	**325,361**	**182,902**

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 2014

1. Summary of accounting policies

(a) Basis of Accounting

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, comply with other requirements of the law and the Constitution of the 2007 Macgrove Project ('the Project'). Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements were authorised for issue by the directors on 26 September 2014.

The financial statements have been prepared on an accruals basis and are based on historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets.

The directors are requirement to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented in these financial statements.

1. Summary of accounting policies (cont'd)

(b) Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reports in these financial statements.

Standards affecting presentation and disclosure

- **AASB 13** ***Fair Value Measurement*** and its associated amending standards consolidates the existing AASB standards regarding fair value measurement into one standard. The standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. The effective date of the amendments is reporting periods beginning on or after 1 January 2013.

- **AASB 2011-4** ***'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'*** Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the *Corporations Act 2001.*

- **AASB 1053** ***'Application of Tiers of Australian Accounting Standards'.*** This standard establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for entities preparing general purpose financial statements. The Project falls under Tier 1: Australian Accounting Standards and will continue to be required to prepare general purpose financial statements consisting of full IFRS and Australian-specific recognition, measurement, presentation and disclosure requirements. Amendments are applicable for annual reporting periods commencing on or after 1 July 2013.

- **AASB 2012-1** ***'Amendments to Australian Accounting Standards – Fair Value Measurement – Reduce Disclosure Requirements'*** sets out the reduced disclosure requirements arising from AASB 13. Amendments are applicable for annual reporting periods commencing on or after 1 July 2013.

- **AASB 2012-5** ***'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'*** amends a number of pronouncements including amendments to AASB 1, AASB 01, AASB 132 and AASB 134. Amendments are applicable for annual reporting periods beginning on or after 1 January 2013.

Standards and Interpretations affecting the reported results or financial position

There are no new or revised Standards and Interpretations adopted in these financial statements affecting the reported results or financial position.

1. Summary of accounting policies (cont'd)

(c) Standards and Interpretations on issue not yet adopted

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Project has decided not to early adopt. A discussion of those future requirements and their impact on the Project is as follows:

- **AASB 9** ***Financial Instruments*** and its associated amending standards specify new recognition and measurement requirements for financial assets within the scope of AASB 139. Broadly, the amendments require financial assets to be measured at fair value through profit and loss unless the criteria for amortised cost measurement are met or the Project qualifies or elects to recognise gains and losses on equity securities that are not held for trading directly in other comprehensive income. The Directors of the Responsible Entity consider that AASB 9 will have minimal impact on the Project's financial assets. The effective date of the amendments is reporting periods beginning on or after 1 January 2017.

- **AASB 2013-9** ***'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'*** amends the mandatory effective date of AASB 9 'Financial Instruments' from annual reporting periods beginning on or after 1 January 2015 to 1 January 2017. The effective date of the amendment is reporting periods beginning on or after 1 January 2014.

- **AASB 1031** ***Materiality*** has been revised. The revised standard will act as an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The effective date of the amendment is reporting periods beginning on or after 1 January 2014.

(d) Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

i. Revenue Recognition

Crop proceeds are recognised as revenue when the crop is delivered. The sale consideration adopted is the Notional Consignment Value advised by the purchasers, Macadamia Processing Co Limited, Agrimac Macadamias and Pacific Gold Macadamias.

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

Freight subsidy is recognised as revenue when the crop is delivered. The subsidy is calculated as per the Nut in Shell Supply Agreements with the purchasers.

1. Summary of accounting policies (cont'd)

(d) Significant accounting policies (cont'd)

ii. **Expenditure**
Any expenditure detailed in the Statement of Profit or Loss and Other Comprehensive Income is incurred pursuant to the Project's Constitution on behalf of each Grower severally. Any such expenditure is apportioned to each Grower in accordance with the relevant provisions of the Constitution.

iii. **Receivables**
Receivables are recorded at amortised cost less impairment.

iv. **Borrowings**
Borrowings are initially recorded at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowing using the effective interest rate method.

v. **Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised inclusive of the amount of goods and services tax (GST). Cash flows are included in the Statement of Cash Flows on a gross basis. The recoverability of GST depends upon the Grower's individual registration status.

vi. **Cash and Cash Equivalents**
Cash and cash equivalents comprise cash on hand and cash in banks, net of any outstanding bank overdrafts.

vii. **Presentation Currency**
The Project's functional currency is Australian dollars and all amounts presented in the financial statements are in Australian dollars.

viii. **Distributions**
In accordance with the Project's Constitution, the Project fully distributes its distributable income to Growers by way of cash.

ix. **Income Tax**
The Project is not a taxable entity under current income tax legislation. Accordingly no income tax expense or income tax liability has been recorded.

x. **Inventory**
Inventory is comprised of Nut in Shell that has been harvested, but not yet delivered to the purchasers. In accordance with AASB 141: Agriculture, Nut in Shell (NIS) inventory is measured at fair value less estimated selling costs.

1. Summary of accounting policies (cont'd)

(d) Significant accounting policies (cont'd)

xi. **Significant Management Judgement**

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, Agrimac Macadamias and Pacific Gold Macadamias. The NCV varies between the purchasers. The NCV may be adjusted for variations in moisture content, kernel recovery and other NIS specifications. Additionally, the Terms and Conditions of the Nut In Shell 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 Board. 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.

xii. **Scope of Transactions**

At the commencement of the Project, each several Grower paid to the Responsible Entity application monies. In accordance with the Project Constitution, the Responsible Entity was required to hold the application monies in a separate trust account as "scheme property" until the Responsible Entity had accepted the application and satisfied the conditions set out in the Project Constitution relating to the release of application monies.

During each year of the Project, each several Grower may pay annual fees to the Responsible Entity. These fees are not required to be paid into the Project Proceeds account as they do not comprise "scheme property".

Upon commencement of harvesting, the Responsible Entity is required to hold crop proceeds in the Project Proceeds account on behalf of Growers, out of which the Responsible Entity pays each Grower's share of applicable expenses and then distributes the balance remaining to the Growers in accordance with the Project Constitution. The crop proceeds paid into the Project Proceeds account comprise 'scheme property'.

The scope of these financial statements is limited to transactions relating to scheme property in the Project Proceeds account.

2. Trade and other receivables

	2014 $	2013 $
Trade debtor	701,793	460,998
	701,793	**460,998**

The trade debtor balance is comprised of the amount receivable from the purchasers for nuts delivered as at 30 June.

3. Inventory

	2014 $	2013 $
Inventory – Nut in shell (at net realisable value)	27,400	34,990
	27,400	**34,990**

The inventory amount consists of nut in shell that has been harvested, but not yet delivered to the purchasers.

4. Trade and other payables

	2014 $	2013 $
Trade creditors	7,466	5,652
Distribution payable to Growers	6,640	1,203
	14,106	**6,855**

5. Provisions

Provision for distribution

	2014 $	2013 $
Opening balance	672,035	514,349
Distributions provided for	1,621,676	1,024,255
Distributions paid	(1,253,263)	(866,569)
	1,040,448	**672,035**

	2014 $	2013 $

6. Notes to the cash flow statement

i) Reconciliation of net profit for the year to net cash provided by operating activities

	2014 $	2013 $
Net profit	1,621,676	1,024,255
Changes in net assets:		
(Increase)/decrease in receivables	(240,795)	(139,288)
(Increase)/decrease in inventory	7,590	(34,990)
Increase/(decrease) in trade creditors	1,814	5,652
Net cash provided by operating activities	**1,390,285**	**855,629**

ii) Reconciliation of cash and cash equivalents

	2014 $	2013 $
Huntley Custodians Limited – Proceeds Account	323,536	182,902
Huntley Custodians Limited – Maximiser Account	1,825	-
	325,361	**182,902**

7. Remuneration of auditors

	2014 $	2013 $
Auditing or reviewing the financial report	-	10,000
Audit of compliance plan	-	6,000
	-	16,000

Audit fees are paid by the Responsible Entity
The auditor of the Project was Guild Audit Services Pty Ltd

	2014 $	2013 $
Auditing or reviewing the financial report	-	-
Audit of compliance plan	-	-
	-	-

Audit fees are paid by the Responsible Entity
The auditor of the Project is Geoffrey Finall & Co

8. Financial Risk Management

The Project's activities may expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Project's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance of the Project. The Responsible Entity provides principles for overall financial risk management, including policies described below covering specific areas such as interest rate risk, credit risk, foreign exchange risk, non derivative financial instrument risk and investment of excess liquidity.

(a) Market risk

(i) Interest rate risk

Interest rate risk relates only to interest on cash balances and it is not material. An increase or decrease in the interest rate during the year would not have a material impact on the Project's net profit or other equity reserves as this is passed on to the Growers.

(ii) Foreign exchange risk

The Project is not exposed to foreign exchange risk. The Project does not have any foreign currency denominated monetary assets or liabilities.

(iii) Price risk

The Project is exposed to price risk, regarding the price that it receives for the nut in shell that is delivered to Macadamia Processing Co. Limited (MPC), Agrimac Macadamia (Agrimac) and Pacific Gold Macadamias (Pacific Gold) and included in trade and other receivables. As per the 'Nut-in-Shell Supply Agreement' dated 22 March 2013 with MPC and the '2014 Season: Nut in Shell (NIS) Purchase Agreement' with Pacific Gold, the payments are based on a notional price, and are subject to change.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Project. The credit worthiness of counterparties and collateral or other security is obtained where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit risk is measured on a fair value basis.

During the year, the Project had significant credit risk exposure in respect of trade receivables to Macadamia Processing Co. Limited (MPC), Agrimac Macadamias (Agrimac) and Pacific Gold Macadamias (Pacific Gold) who purchase the macadamias grown in the Project's orchards. MPC, Agrimac 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.

The credit risk on liquid funds once paid to the Project custodian is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

8. Financial Risk Management (cont'd)

(b) Credit risk (cont'd)

The credit risk exposure to the Project custodian is mitigated by regular monitoring and reporting of Project assets and confirmation of agreed financial criteria.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(c) Liquidity risk management

An appropriate liquidity risk management framework for the management of the Project's short, medium and long term requirements is in place. Liquidity risk is managed by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(d) Fair value estimation

The carrying amount of financial assets and financial liabilities are considered to approximate their fair values.

(e) Capital risk management

In line with the Project's Constitution, the Project does not have capital.

9. Related party information

(a) Related parties

The related parties for the Project include:

- The Responsible Entity, Huntley Management Limited, which is a wholly owned entity of Huntley Consultancy Pty Ltd;
- The parent of the Responsible Entity, Huntley Consultancy Pty Ltd;
- Huntley Custodians Limited, the Custodian of the Project Property, which is also a wholly controlled entity of Huntley Consultancy Pty Ltd; and
- The directors and other key management personnel of the Responsible Entity and its Parent Entity.

(b) Key management personnel

The names of the key management personnel of the Project during or since the end of the year were:

<u>Huntley Management Limited and Associated Entities</u>

J Knox .... Managing Director
S Law .... Director
W Foxall... General Manager
F Swain... Director

The positions noted above for the Project's key management personnel are the positions held with the Responsible Entity or its Parent Entity and not the Project itself.

9. Related party information (cont'd)

(c) Transactions with Related Parties

Transactions with, amounts receivable from and payable to related parties, and related party Project investments, occur within normal commercial terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

Huntley Custodians Limited is the custodian for the Project. Huntley Management Limited and Huntley Custodians Limited are both wholly owned subsidiaries of Huntley Consultancy Pty Ltd.

Huntley Management Limited and Huntley Custodians Limited do not hold any Macgroves in the Project. None of the directors of either Huntley Management Limited or Huntley Custodians Limited, or any of their associates, hold any Macgroves in the Project.

In respect of the financial year ending 30 June 2014, Huntley Management Limited is entitled to receive:

- Management fees in accordance with the Grower Management Agreement of $2,143 per Macgrove (GST exclusive) (2013: $2,099/Macgrove), being total management fees of $1,241,029 (2013: $1,215,483). The Project operating expenses are paid from these management fees.
- Land rent in accordance with the Grower Sub-Lease of $795 per Macgrove (GST exclusive) (2013: $778/Macgrove), being a total of $460,168 (2013: $450,699). The Project land lease rent is paid from the sub-lease rents.
- Recovery of expenses in accordance with the Grower Sub-Lease of $101 per Macgrove (GST free) (2013: $75/Macgrove), being total recovery of expenses of $58,624 (2013: $43,460). The Project council rates and water rates are paid from these fees.
- Adjustment to actual operating expenses in accordance with the Grower Management Agreement of $80 per Early and Late Grower Macgrove (GST exclusive) (2013: $Nil/Macgrove), being total fees of $40,960 (2013: $Nil). The balance of the Project operating expenses are paid from these management fees.

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

In respect of the year ended 30 June 2014, Huntley Custodians Limited was entitled to receive $10,280 (GST exclusive) from Huntley Management Limited to act as custodian (2013: $10,000). The custodian fees were not payable from Project property.

(d) Key Management Personnel Compensation

Remuneration of the KMP is paid directly by the Responsible Entity, Huntley Management Limited. The KMP do not receive any remuneration directly from the Project and there are no agreements in place between the KMP and the Project.

10. Subsequent Events

During September 2014, a distribution of $845,902, being $1,461 per Macgrove, was paid to Growers.

Since 30 June 2014, no other matters or circumstances have arisen which significantly affected or could significantly affect the operations of the Project, or the results of those operations, or the state of affairs of the Project in future financial years.

11. Additional Project Information

The Project is a registered scheme, operating in Australia.

Principal Registered Office and Place of Business:

Huntley Management Limited
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Telephone: (02) 9233 5444

GEOFFREY FINALL & CO
Chartered Accountants

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Geoffrey Finall C.A. Reg. Company Auditor

GFC – TaxDirect Pty Ltd
ABN 35 082 576 636

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

2007 MACGROVE PROJECT

We have audited the accompanying financial report of 2007 Macgrove Project ("the Project"), which comprises the Director's Declaration, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, Statement of Cash Flows, Statement of Changes In Equity, a summary of significant accounting policies and other explanatory notes for the financial year ended 30 June 2014.

The Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 1, 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 (IFRS).

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 director, 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. We confirm that the independence declaration required by the Corporations Act 2001, provided to the director of 2007 Macgrove Project ("the Project"), on 30 June 2014 would be in the same terms if provided to the director as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of 2007 Macgrove Project ("the Project"), is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GEOFFREY FINALL
Chartered Accountant
26th September, 2014