

2007 Macgrove Project

Financial Statements

For the Period Ended 7 July 2023

2007 Macgrove Project

ARSN 119 560 235

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2007 Macgrove Project

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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 Andrea Lemmon |
| Company Secretary | Emma Spear |
| Custodian | Certane CT Pty Limited ACN 106 424 088 Level 6, 80 Clarence Street SYDNEY NSW 2000 |
| Auditors | PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000 |

2007 Macgrove Project

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Directors' Report

7 July 2023

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 period from 1 July 2022 to 7 July 2023 (the period).

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 |
| Andrea Lemmon | Non-Executive Director |

Principal activities and significant changes in nature of activities

The principal activity of the Project during the period 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.

RFM is the Responsible Entity of the Project, with RFM Macadamias Pty Limited being the operational manager. Growers are entitled to receive net cash flows arising under the Project, being cash received from macadamia nut sales less the Project costs. When the Project costs exceed cash receipts, the Growers are required to fund the shortfall. When the cash receipts 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.

On 25 October 2022 Growers were invoiced for the FY22 operating loss and prepayment of FY23 operating expenses with payment due by 25 January 2023. Growers that did not pay their FY22 invoice became defaulting Growers and their Macgroves were sold through a tender process. The tender process concluded on 3 April 2023 with no bids received from existing Growers, RF Active acquired all defaulted Macgroves.

On 1 June 2023, RF Active offered to acquire the remaining Macgroves from the rest of the Growers within the scheme. The acquisition was completed on 30 June 2023. On 30 June 2023 RF Active as the sole Grower in the scheme elected to wind-up the Project. As at 7 July 2023 all Macgroves in the Project have been cancelled as a result of the wind-up of the Project.

Operating results

The cash deficit attributable to Growers for the 12 month and 7 day period ended 7 July 2023 amounted to \$4,628,351 (2022 cash deficit: \$1,130,218).

Macadamia nuts are harvested and delivered for processing during the period February 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 2021, 2022 and 2023 production years:

| | Period ended 7 July 2023 | Year ended 30 June 2022 | Year ended 30 June 2021 | Total | Total per Macgrove |
|--------------------|--------------------------------|-------------------------------|-------------------------------|---------------|-----------------------|
| Production Year | NIS Kilograms | NIS Kilograms | NIS Kilograms | NIS Kilograms | NIS Kilograms |
| 2021 | - | 120,254 | 662,560 | 782,814 | 1,352 |
| 2022 | 198,073 | 739,910 | - | 937,983 | 1,706 |
| 2023 | 464,818 | - | - | 464,818 | 803 |

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For the 2022 production year, a total of 937,983kg of NIS (2021: 782,814kg) at 10% moisture content was delivered to Marquis Macadamias Limited. The average price paid for the 2022 production year was \$2.73/kg (2021: \$5.85/kg).

The 2023 production year harvest commenced in March 2023. The total production in the 2023 production year is expected to be lower than the 2022 production year due to heavy rain during nut set leading to reduced number of nut and mass.

For the 2023 production year to 7 July 2023, a total of 464,818kg of NIS (2022: 739,910kg) at 10% moisture content, was delivered to Marquis Macadamias. The average price paid for the 2023 harvest to 7 July 2023 was \$1.63/kg (2022: \$2.73/kg).

Financial position

At 7 July 2023, the Project held assets with a total value of \$268 (30 June 2022: \$8,905,157) on behalf of Growers.

Distributions and performance

During the period, the Project raised a final invoice to Growers in respect to FY23 operating result as part of the wind-up. The invoice comprised an operating loss for FY23 of \$4,842,791 or \$5,069 per Macgrove (FY22 loss: \$909,549 or \$1,571 per Macgrove) and a credit for prepaid operating expenses of \$2,229,150 or \$3,850 per Macgrove (FY22: \$955,350 or \$1,650 per Macgrove).

The details of the invoice are shown below:

| | Sub-total \$/Macgrove \$ | GST \$/Macgrove \$ | Total \$/Macgrove \$ |
|--|---|-----------------------------------|-------------------------------------|
| Income | | | |
| Proceeds received in FY23 – 2022 Crop | 2,685.45 | GST Free | 2,685.45 |
| Proceeds received in FY23 – 2023 Crop | 590.38 | GST Free | 590.38 |
| Adjustment on freight reimbursement from prior years | (77.66) | GST Free | (77.66) |
| Interest income | 14.85 | GST Free | 14.85 |
| Other income | 74.48 | 7.45 | 81.93 |
| Expenses | | | |
| Operating expenses | (5,293.46) | (529.35) | (5,822.81) |
| Rental | (1,457.95) | (145.80) | (1,603.75) |
| Farm management fees | (379.96) | (38.00) | (417.96) |
| Responsible Entity costs | (472.31) | (47.23) | (519.54) |
| FY23 operating result | (4,316.19) | (752.92) | (5,069.11) |
| Credit for prepaid operating expenses (FY23) | 3,500.00 | 350.00 | 3,850.00 |
| Total invoice per Macgrove | (816.19) | (402.92) | (1,219.11) |

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.

| | 7 July 2023 | 30 June 2022 |
|---|------------------------|-------------------------|
| Number of Macgroves in the Project | - | 579 |
| Number of Macgroves in the Project held by the Responsible Entity | - | 79 |

Fees paid to Responsible Entity and Operational Manager

Fees paid and payable to the Responsible Entity for the 12 month and 7 day period were nil (2022: nil).

Fees paid and payable to the Operational Manager for the 12 month and 7 day period were \$242,000 (2022: \$302,453).

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Directors' Report

7 July 2023

Significant changes in state of affairs

RF Active elected to wind up the Project on 30 June 2023. As the result, the financial statements for the period ended 7 July 2023 has been prepared on a liquidation basis. In the opinion of the Directors, there were no other significant changes in the state of affairs of the Project during the period.

Matters subsequent to the end of the period

No matter or circumstance has arisen since the end of the period that has significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust.

Likely developments and expected results of operations

The Project is in the process of winding up and all the remaining cash balance was transferred to RF Active as the sole Grower in the Project.

Environmental regulation

The operations of the Project are not subject to any or significant environmental regulations under 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 Secretary 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

Guy Paynter

Qualifications

Experience

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

David Bryant

Qualifications

Experience

Special responsibilities

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

Non-Executive Chairman

Bachelor of Laws from The University of Melbourne

Guy is a former director of broking firm JB Were. Guy 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's agricultural interests include cattle breeding in the Upper Hunter region in New South Wales.

Rural Funds Group

Managing Director

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

David Bryant established RFM in February 1997 and leads the RFM team. RFM manages approximately \$2.0 billion of agricultural assets. David focuses on strategic planning, maintaining key commercial relationships and sourcing new business opportunities.

Managing Director

Rural Funds Group

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Directors' Report

7 July 2023

Information on Directors (continued)

Michael Carroll

Qualifications

Non-Executive Director

Bachelor of Agricultural Science, La Trobe University and Master of Business Administration, Melbourne University Business School. Michael has also completed the Advanced Management Program, Harvard Business School and is a Fellow of the Australian Institute of Company Directors.

Experience

Michael is currently the Chair of Viridis Ag Pty Limited, a Director of Paraway Pastoral Company Limited and Incitec Pivot Limited. Michael also runs his own cattle business in south west Victoria.

Former board positions include the Australian Rural Leadership Foundation, Genetics Australia, Regional Investment Corporation, Select Harvests Limited, Elders Limited, Sunny Queen Australia Pty Limited, Tassal Group Limited, the Australian Farm Institute, Warrnambool Cheese and Butter Factory Company Holdings Limited, Queensland Sugar Limited, Rural Finance Corporation of Victoria, Meat and Livestock Australia and the Geoffrey Gardiner Dairy Foundation.

Michael's executive experience includes establishing and leading the National Australia Bank's Agribusiness division and as a Senior Adviser in NAB's internal investment banking and corporate advisory team. Prior to that Michael worked for Monsanto Agricultural Products and a biotechnology venture capital company.

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

Rural Funds Group, Incitec Pivot Limited

Michael held previous roles as Chairman of Elders Limited and Director of Select Harvests Limited.

Julian Widdup

Qualifications

Non-Executive Director

Bachelor of Economics, Master of Business Administration and University Medal from the Australian National University. Completed the Senior Executive Leadership Program at Harvard Business School. Fellow of the Institute of Actuaries of Australia and Fellow of the Australian Institute of Company Directors.

Experience

Julian is currently a director of Equip Super, Screen Canberra and the Australian Catholic University. His former board positions include the Australian Catholic Superannuation Retirement Fund, Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations, Regional Livestock Exchange Company, Merredin Energy power utility, Cultural Facilities Corporation, Victorian Agribioscience Research Facility, Casey Hospital and Mater Hospital. Julian has over 20 years' experience in the financial services including as an executive director of Palisade Investment Partners, a partner of Access Capital Advisers, a consultant with Towers Perrin (now Willis Towers Watson) and previously worked in the Australian Government.

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

Rural Funds Group

2007 Macgrove Project

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Directors' Report

7 July 2023

Information on Directors (continued)

Andrea Lemmon

Non-Executive Director

Qualifications

Diploma in Financial Planning from Deakin University

Experience

Andrea was employed by RFM from its inception in 1997 until her retirement in October 2018. During her tenure with RFM, Andrea held a variety of senior executive roles and was responsible for overseeing RFM's investment into the macadamia industry. From August 2020 until November 2022, Andrea was Chair of Marquis Macadamias Ltd, Australia's largest macadamia processor and a non-executive Director of Marquis Marketing, the company responsible for marketing around 25% of the global macadamia crop. Andrea's extensive experience consists of previously serving as a non-executive director of Perth Markets Limited and Market City Operator.

Directorships currently held in listed entities and during the three years prior to the current year Rural Funds Group

Company Secretary

Emma Spear is RFM's company secretary. Emma joined RFM in 2008, is a member of CPA Australia and is admitted as a Legal Practitioner of the Supreme Court of the ACT.

Meetings of Directors of the Responsible Entity

During the period, 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 | 13 |
| David Bryant | 13 | 12 |
| Michael Carroll | 13 | 12 |
| Julian Widdup | 13 | 10 |
| Andrea Lemmon | 13 | 12 |

Non-audit services

During the period ended 7 July 2023 fees of \$9,075 (2022: \$8,912) 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 period ended 7 July 2023 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

27 September 2023



Auditor's Independence Declaration

As lead auditor for the audit of 2007 Macgrove Project for the period ended 7 July 2023, 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 read 'Rod Dring'.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
27 September 2023

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Statement of Comprehensive Income

For the period ended 7 July 2023

| | | 2023 | 2022 |
|---|------|-------------------------|-------------|
| | | 12 months and 7 days | 12 months |
| | Note | \$ | \$ |
| Revenue | 4 | 168,723 | 3,868,339 |
| Freight subsidy | | 24,761 | 34,874 |
| Interest received | | 8,881 | - |
| Other income | | 19,620 | 25,805 |
| Industry levy | | (53,185) | (75,163) |
| Bank fees | | (78) | - |
| Agribusiness operations | | (2,814,803) | (3,024,527) |
| Farm management fees | | (242,000) | (302,453) |
| Overheads | | (310,002) | (301,208) |
| Property lease expenses | | (124,746) | (44,899) |
| Finance costs | 9 | (301,546) | (320,148) |
| Depreciation | 9 | (1,003,976) | (990,838) |
| Cash deficit attributable to Growers | 10 | 4,628,351 | 1,130,218 |
| 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.

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Statement of Financial Position

As at 7 July 2023

| | Note | 2023 \$ | 2022 \$ |
|---|------|------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 268 | 109,451 |
| Trade and other receivables | 7 | - | 2,173,442 |
| Total current assets | | 268 | 2,282,893 |
| Non-current assets | | | |
| Right of use assets - leases | 8 | - | 6,622,264 |
| Total non-current assets | | - | 6,622,264 |
| Total assets | | 268 | 8,905,157 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade payables | 9 | - | 23,543 |
| Other payables | 10 | 268 | 2,161,570 |
| Lease liabilities | 8 | - | 1,217,850 |
| Total current liabilities | | 268 | 3,402,963 |
| Non-current liabilities | | | |
| Lease liabilities | 8 | - | 5,502,194 |
| Total non-current liabilities | | - | 5,502,194 |
| Total liabilities (excluding net assets attributable to Growers) | | 268 | 8,905,157 |
| Net assets attributable to Growers | | - | - |
| Total liabilities | | 268 | 8,905,157 |

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Growers

For the period ended 7 July 2023

| | 7 July 2023 |
|--|----------------|
| | \$ |
| Balance at 1 July 2022 | - |
| Net profit for the period | - |
| Total comprehensive income | - |
| Change in net assets attributable to Growers | - |
| Balance at 7 July 2023 | - |

| | 30 June 2022 |
|--|-----------------|
| | \$ |
| Balance at 1 July 2021 | - |
| Net profit for the period | - |
| Total comprehensive income | - |
| Change in net assets attributable to Growers | - |
| Balance at 30 June 2022 | - |

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Statement of Cash Flows

For the period ended 7 July 2023

| | Note | 2023 \$ | 2022 \$ |
|--|------|--------------------|-------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,842,952 | 3,985,415 |
| Freight subsidy | | 24,761 | 34,874 |
| Other income | | 19,620 | 25,805 |
| Payments to suppliers | | (3,382,872) | (3,640,405) |
| Interest received | | 8,881 | - |
| Finance costs - leases | 8 | (301,546) | (320,148) |
| Net cash (outflow)/inflow from operating activities | 14 | (1,788,204) | 85,541 |
| Cash flows from financing activities | | | |
| Contributions from Growers | 10 | 5,164,162 | 955,350 |
| Distributions paid | 10 | (2,274,950) | (1,031,905) |
| Repayment of lease liabilities | 8 | (1,210,191) | (1,090,056) |
| Net cash inflow/(outflow) from financing activities | | 1,679,021 | (1,166,611) |
| Net decrease in cash and cash equivalents held | | (109,183) | (1,081,070) |
| Cash and cash equivalents at the beginning of the period | | 109,451 | 1,190,521 |
| Cash and cash equivalents at the end of the period | 6 | 268 | 109,451 |

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

7 July 2023

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 27 September 2023. 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.

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 as Responsible Entity of the Project. The accounting policies adopted for the period ended 7 July 2023 are consistent with prior reporting periods unless otherwise stated. The financial statements are based on historical cost.

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 financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Notes to the Financial Statements

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2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

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 receipts, the Growers are required to fund the shortfall. When the cash receipts 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.

Basis of accounting

On 30 June 2023 RF Active, as the sole grower of the Project, elected to wind up the Project. Under these circumstances, the directors have determined that the going concern basis of preparation is no longer appropriate. The financial statements have been prepared on a liquidation basis.

Comparative amounts

Comparative amounts have not been restated unless otherwise noted.

Revenue

Under AASB 15 *Revenue from Contracts with Customers*, revenue from the sale of goods is recognised when control of goods is transferred to a customer.

The sale consideration adopted is the Notional Consignment Value (NCV) advised by the purchaser, Marquis Macadamias Limited. 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.

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Project has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue with no significant overdue amounts.

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2 Summary of significant accounting policies (continued)

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.

Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Project becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit and loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are divided into the following categories which are described in detail below:

- financial assets at amortised cost; and
- financial assets at fair value through profit or loss.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payment (including in-substance fixed payments), and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease payments are discounted using the Project's incremental borrowing rate, being the rate that the Project would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

The Project is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received.

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Notes to the Financial Statements

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2 Summary of significant accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Project is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of agricultural plant & equipment.

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.

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 purchaser, Marquis Macadamias Limited. 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.

At the end of each reporting period, the Project updates the NCV to represent the most recent Notional Price at the end of the reporting period and the changes in the NCV during the reporting period.

On 3 March 2023, the processor advised the final notional consignment value for the 2022 crop price of \$2.45/kg (FY22: \$3.80/kg) with the final payment being paid in March 2023. The change in NCV for the prior period has been reported as a reduction of revenue in the current reporting period.

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Notes to the Financial Statements

7 July 2023

4 Revenue

| | 2023 12 months and 7 days | 2022 12 months |
|--|---------------------------------|-------------------|
| | \$ | \$ |
| 2022 crop harvested in FY22 – change in variable consideration | (1,120,849) | - |
| 2022 crop harvested in FY23 | 535,482 | 703,787 |
| 2023 crop harvested in FY23 | 754,090 | 3,164,552 |
| Total | 168,723 | 3,868,339 |

During the period, the 2022 crop Notional Price advised by the purchaser, Marquis Macadamias Limited, has been revised from \$3.80/kg to \$2.45/kg based on the Notional Price that has been paid to date. \$1,120,849 has been recognised as a reduction in revenue due to the price changes.

5 Remuneration of auditors

| | 2023 12 months and 7 days | 2022 12 months |
|---|---------------------------------|-------------------|
| | \$ | \$ |
| Remuneration of the auditor of the Project for: | | |
| Auditing or review of the financial report | 29,272 | 23,728 |
| Compliance audit | 9,075 | 8,912 |
| Total | 38,347 | 32,640 |

6 Cash and cash equivalents

| | 7 July 2023 | 30 June 2022 |
|--------------|-------------|----------------|
| | \$ | \$ |
| Cash at bank | 268 | 109,451 |
| Total | 268 | 109,451 |

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:

| | 7 July 2023 | 30 June 2022 |
|---------------------------|----------------|-----------------|
| | \$ | \$ |
| Cash and cash equivalents | 268 | 109,451 |

7 Trade and other receivables

| | 7 July 2023 | 30 June 2022 |
|-------------------|----------------|------------------|
| | \$ | \$ |
| Trade receivables | - | 2,173,442 |
| Total | - | 2,173,442 |

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Notes to the Financial Statements

7 July 2023

8 Lease

The Project leases farmland, equipment and vehicles. Assets and liabilities arising from the leases are initially measured on a present value basis.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | 7 July 2023 \$ | 30 June 2022 \$ |
|----------------------------------|----------------------|-----------------------|
| Right-of-use assets | | |
| Properties | - | 4,422,117 |
| Equipment | - | 2,200,147 |
| Total right-of-use assets | - | 6,622,264 |
| Lease liabilities | | |
| Current | - | 1,217,850 |
| Non-current | - | 5,502,194 |
| Total lease liabilities | - | 6,720,044 |

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

| | 7 July 2023 \$ | 30 June 2022 \$ |
|---|----------------------|-----------------------|
| Depreciation charge of right-of-use assets | | |
| Properties | (733,495) | (737,020) |
| Equipment | (270,481) | (253,818) |
| Total depreciation on lease | (1,003,976) | (990,838) |
| Interest expense (include in finance costs) | (301,546) | (320,148) |
| Expense relating to lease of low-value assets that are not show above as short-term leases (included in cost of agricultural produce sold and rental and property expenses) | (9,258) | (28,439) |
| Expense relating to variable lease payments not included in lease liabilities (included in rental and property expenses) | (6,703) | (16,460) |

The total cash outflow for leases for the period until 7 July 2023 was \$1,511,737 (2022: \$1,410,204).

9 Trade payables

| | 7 July 2023 \$ | 30 June 2022 \$ |
|--------------|----------------------|-----------------------|
| Accruals | - | 23,543 |
| Total | - | 23,543 |

2007 Macgrove Project

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Notes to the Financial Statements

7 July 2023

10 Other payables

| | 7 July 2023 | 30 June 2022 |
|--------------------------------------|----------------|------------------|
| Provision for distribution | \$ | \$ |
| Opening balance | 2,161,570 | 3,368,343 |
| Contribution from Growers | 5,164,162 | 955,350 |
| Distributions declared | (2,274,949) | (1,031,905) |
| Cash deficit attributable to Growers | (5,050,515) | (1,130,218) |
| Total | 268 | 2,161,570 |

Contribution from Growers relates to the invoice of the prepayment of operating expenses and rental during the period.

Cash deficit attributable to Growers includes \$422,164 harvest proceeds receivable at 7 July 2023.

11 Financial risk management

The Project has no assets or liabilities as at period end.

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
Andrea Lemmon

Other key management personnel

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

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

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Notes to the Financial Statements

7 July 2023

13 Related party transactions

Responsible Entity (Rural Funds Management Limited) and related entities

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

| | 7 July 2023 | 30 June 2022 |
|--|------------------|------------------|
| | \$ | \$ |
| Farm management fee paid to RFM Macadamias | 242,000 | 302,453 |
| Expenses reimbursed to RFM Macadamias | 2,814,803 | 3,024,526 |
| Expenses reimbursed to Responsible Entity | 310,002 | 301,208 |
| Rental expense from Rural Funds Trust | 939,735 | 840,288 |
| Rental expense from RF Active | 588,315 | 614,815 |
| Total amount paid to RFM and related entities | 4,894,855 | 5,083,290 |

Lease liabilities

| | 7 July 2023 | 30 June 2022 |
|-------------------|----------------|------------------|
| | \$ | \$ |
| Rural Funds Trust | - | 4,915,478 |
| RF Active | - | 1,804,566 |
| Total | - | 6,720,044 |

14 Cash flow information

| | 7 July 2023 | 30 June 2022 |
|--|--------------------|-----------------|
| | \$ | \$ |
| Net profit for the year | - | - |
| Non-cash flows in profit | | |
| Depreciation | 1,003,976 | 990,838 |
| Property lease derecognition | 108,433 | - |
| Changes in assets and liabilities | | |
| Decrease in trade and other receivables | 2,173,442 | 233,783 |
| Decrease in trade and other payables | (5,074,055) | (1,139,080) |
| Net cash (outflow)/inflow from operating activities | (1,788,204) | 85,541 |

15 After balance date events

No matter or circumstance has arisen since the end of the period that has significantly affected or could significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust.

2007 Macgrove Project

ARSN 119 560 235

Directors' Declaration

7 July 2023

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 7 July 2023 and of its performance for the period ended on that date; and
- 2 As disclosed in note 2 to the annual financial statements, the directors have prepared the annual financial statements on a liquidation basis following RF Active electing to wind up the Project. The assets are equal to liabilities and there are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable.

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



David Bryant
Director

27 September 2023



Independent auditor's report

To the growers of 2007 Macgrove Project

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 7 July 2023 and of its financial performance for the period 1 July 2022 to 7 July 2023
- (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 7 July 2023
- the statement of comprehensive income for the period 1 July 2022 to 7 July 2023
- the statement of changes in net assets attributable to Growers for the period 1 July 2022 to 7 July 2023
- the statement of cash flows for the period 1 July 2022 to 7 July 2023
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors declaration.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Liability limited by a scheme approved under Professional Standards Legislation.

Emphasis of matter - going concern no longer appropriate

We draw attention to Note 2 in the financial report, which discusses that on 30 June 2023 RF Active, as the sole grower of the Project, elected to wind up the Project. As a result, the financial report has been prepared on a liquidation basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the period 1 July 2022 to 7 July 2023, but does not include the financial report and our auditor's report thereon.

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 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 that we 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.

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

The directors of 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 of the Responsible Entity determines 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 intends to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

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. This description forms part of our auditor's report.

A stylized, handwritten signature of PricewaterhouseCoopers in black ink.

PricewaterhouseCoopers

A stylized, handwritten signature of Rod Dring in black ink.

Rod Dring
Partner

Sydney
27 September 2023

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