

2007 Macgrove Project

Financial Report
For the Year Ended 30 June 2021

2007 Macgrove Project

ARSN 119 560 235

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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
Company Secretary	Emma Spear
Custodian	Australian Executor Trustees Limited ABN 84 007 869 794 Level 19, 60 Castlereagh Street SYDNEY NSW 2000
Auditors	PricewaterhouseCoopers One International Towers Sydney Watermans Quay BARANGAROO NSW 2000

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Directors' Report

30 June 2021

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 2021.

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

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.

On 24 February 2016, RFM was appointed Responsible Entity of the Project, with RFM Macadamias Pty Limited as the operational manager. Growers are entitled to receive net cash flows arising under the Project, being cash received from macadamias 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.

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 2021, the Project had 119 Growers (2020: 119 Growers) with a total of 579 Macgroves (2020: 579 Macgroves) representing 234 hectares (2020: 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 2021 amounted to \$438,757 (2020: \$1,504,283).

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 2019, 2020 and 2021 production years:

	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2019	Total	Total per Macgrove
Production Year	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms	NIS Kilograms
2019	-	150,162	591,459	741,621	1,281
2020	170,739	757,377	-	928,116	1,603
2021	662,560	-	-	662,560	1,144

For the 2020 production year, a total of 928,116kg of NIS (2019: 741,621kg) at 10% moisture content, was delivered to Marquis Macadamias Limited. The average price paid for the 2020 production year was \$6.68/kg (2019: \$6.35/kg).

The 2021 production year harvest commenced in March 2021. The total production in the 2021 production year is expected to be lower than the 2020 production year due to hot and dry weather conditions affecting the 2021 harvest.

For the 2021 production year to 30 June 2021, a total of 662,560kg of NIS (2020: 757,377kg) at 10% moisture content, was delivered to Marquis Macadamias. The average price paid for the 2021 harvest to 30 June 2021 was \$5.86/kg (2020: \$6.41/kg).

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30 June 2021

Financial position

At 30 June 2021, the Project held assets with a total value of \$10,264,448 (2020: \$11,247,418) on behalf of Growers.

At 30 June 2021, the project held net assets with a total value of nil (2020: nil) on behalf of Growers.

Distributions and performance

A net distribution of \$943,423 being \$1,629 per Macgrove was declared and paid to Growers during the year ended 30 June 2021 (2020: \$765,973 being \$1,323 per Macgrove).

At 30 June 2021, the Project held 2021 harvest proceeds of \$1,516,019 (2020: \$2,222,609) to cover Growers' 2021 actual operating costs. The cash surplus after paying all costs is expected to be distributed to Growers in October 2021.

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.

	2021	2020
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 2021 were nil (2020: nil).

Fees paid and payable to the Operational Manager for the financial year ended 30 June 2021 were \$273,450 (2020: \$261,843).

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.

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 Commonwealth, State, or Territory law.

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

COVID-19 outbreak

The outbreak of Coronavirus Disease 2019 was ongoing during the year ended 30 June 2021 and as at the date of the financial statements. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Project continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

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Directors' Report

30 June 2021

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 of the Responsible Entity

Guy Paynter	Non-Executive Chairman
Qualifications	Bachelor of Laws from The University of Melbourne
Experience	Guy Paynter 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.
Special responsibilities	Member of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry
David Bryant	Managing Director
Qualifications	Diploma of Financial Planning from the Royal Melbourne Institute of Technology and Masters of Agribusiness from The University of Melbourne.
Experience	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 approximately \$1.3 billion of agricultural assets. David is responsible for leading the RFM management team, maintaining key commercial relationships and sourcing new business opportunities.
Special responsibilities	Managing Director
Directorships currently held in listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry

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Directors' Report

30 June 2021

Information on Directors of the Responsible Entity (continued)

Michael Carroll	Non-Executive Director
Qualifications	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	<p>Chair of Viridis Ag Pty Limited and the Australian Rural Leadership Foundation. Director of Paraway Pastoral Company Limited, Genetics Australia and the Regional Investment Corporation. Michael also runs his own cattle business in SW Victoria.</p> <p>Former board positions include 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.</p> <p>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.</p>
Special responsibilities	Chairman of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Michael is on the board of Rural Funds Group and has held previous roles as Chairman of Elders Limited and Director of Select Harvests Limited, Tassal Group Limited and RFM Poultry.
Julian Widdup	Non-Executive Director
Qualifications	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 Widdup is currently a director of the Australian Catholic Superannuation & Retirement Fund, Screen Canberra and Cultural Facilities Corporation. He worked in the financial services industry for over 20 years including as a senior executive of asset management companies, Palisade Investment Partners and Access Capital Advisers (now Whitehelm Capital). Julian brings extensive experience to the RFM board having been a director of Darwin International Airport, Alice Springs Airport, NZ timberland company Taumata Plantations Limited, Regional Livestock Exchange Investment Company, Merredin Energy power utility and the Victorian AgriBioscience Research Facility.
Special responsibilities	Member of Audit Committee and Remuneration Committee
Directorships currently held in listed entities and during the three years prior to the current year	Rural Funds Group, RFM Poultry

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Directors' Report

30 June 2021

Company secretary of the Responsible Entity

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 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	13
David Bryant	13	13
Michael Carroll	13	13
Julian Widdup	13	13

Non-audit services

During the year ended 30 June 2021 fees of \$10,647 (2020: \$7,845) 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 2021 has been received and is included on page 7 of the financial report.

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



David Bryant
Director

28 September 2021



Auditor's Independence Declaration

As lead auditor for the audit of 2007 Macgrove Project for the year ended 30 June 2021, 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', with a large, stylized loop at the end.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
28 September 2021

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Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Revenue	5	5,221,336	6,080,893
Freight subsidy		34,189	41,150
Interest received		-	2,625
Other income		25,517	5,775
Industry levy		(73,166)	(75,444)
Bank fees		(26)	(9)
Agribusiness operations		(2,785,532)	(2,678,717)
Farm management fees		(273,450)	(261,843)
Overheads		(312,127)	(249,276)
Property lease expenses		(41,150)	(39,851)
Finance costs		(331,134)	(352,254)
Depreciation		(1,025,700)	(968,766)
Cash surplus attributable to Growers	11	(438,757)	(1,504,283)
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 30 June 2021

	Note	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,190,521	1,514,241
Trade and other receivables	8	2,407,225	2,617,814
Total current assets		3,597,746	4,132,055
Non-current assets			
Right of use assets - leases	9	6,666,702	7,115,363
Total non-current assets		6,666,702	7,115,363
Total assets		10,264,448	11,247,418
LIABILITIES			
Current liabilities			
Trade payables	10	32,405	105,932
Other payables	11	3,368,343	3,873,009
Lease liabilities	12	1,040,174	910,461
Total current liabilities		4,440,922	4,889,402
Non-current liabilities			
Lease liabilities	12	5,823,526	6,358,016
Total non-current liabilities		5,823,526	6,358,016
Total liabilities (excluding net assets attributable to Growers)		10,264,448	11,247,418
Net assets attributable to Growers		-	-
Total liabilities		10,264,448	11,247,418

The accompanying notes form part of these financial statements.

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Statement of Changes in Net Assets Attributable to Growers

For the year ended 30 June 2021

	2021
	\$
Balance at 1 July 2020	-
Net profit for the year	-
Total comprehensive income	-
Change in net assets attributable to Growers	-
Balance at 30 June 2021	-
	2020
	\$
Balance at 1 July 2019	-
Net profit for the year	-
Total comprehensive income	-
Change in net assets attributable to Growers	-
Balance at 30 June 2020	-

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		5,394,922	5,444,580
Freight subsidy		34,189	41,150
Other income		25,517	5,775
Payments to suppliers		(3,521,975)	(3,209,975)
Interest received		-	2,625
Finance costs - leases	12	(331,134)	(352,254)
Net cash inflow from operating activities	16	1,601,519	1,931,901
Cash flows from financing activities			
Contributions from Growers	11	318,450	318,450
Distributions paid	11	(1,261,873)	(1,084,421)
Repayment of lease liabilities	12	(981,816)	(815,652)
Net cash outflow from financing activities		(1,925,239)	(1,581,623)
Net (decrease)/increase in cash and cash equivalents held		(323,720)	350,277
Cash and cash equivalents at the beginning of the year		1,514,241	1,163,964
Cash and cash equivalents at the end of the year	7	1,190,521	1,514,241

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the year ended 30 June 2021

1 General information

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

The financial statements were authorised for issue by the Directors of the Responsible Entity on 28 September 2021. 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.

COVID-19 outbreak

The outbreak of Coronavirus Disease 2019 was ongoing during the year ended 30 June 2021 and as at the date of the financial statements. There have been unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus which has led to significant uncertainty and has had a significant impact on the Australian and global economies. Following the outbreak, the Project continues to operate with no significant impacts to its ongoing operation to date. RFM will continue to monitor the potential impacts of the outbreak.

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Notes to the Financial Statements

For the year ended 30 June 2021

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 year ended 30 June 2021 are consistent with those of the financial year ended 30 June 2020. 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 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.

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.

New or amended Accounting Standards and Interpretations adopted

The Project has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Project.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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.

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Notes to the Financial Statements

For the year ended 30 June 2021

2 Summary of significant accounting policies (continued)

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are 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.

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.

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Notes to the Financial Statements

For the year ended 30 June 2021

2 Summary of significant accounting policies (continued)

Leases (continued)

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.

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.

New and amended standards and interpretations

There are no 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 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.

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Notes to the Financial Statements

For the year ended 30 June 2021

3 Significant accounting judgements, estimates and assumptions

Revenue recognition (continued)

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.

4 Working capital

The working capital deficiency is a result of the provision for distribution to Growers. The Project classifies the provision for distribution to Growers as a current liability due to the structure of the Project. Distribution payments are only required to be made if the cash received by the Project exceeds the Project costs. Excluding the impact of the provision for distribution, the Project is in a net current asset position of \$2,525,167.

5 Revenue

	2021	2020
	\$	\$
Harvest proceeds - sale of macadamias	5,221,336	6,080,893
Total	5,221,336	6,080,893

6 Remuneration of auditors

	2021	2020
	\$	\$
Remuneration of the auditor of the Project for:		
Auditing or review of the financial report	21,978	22,943
Compliance audit	10,647	7,845
Total	32,625	30,788

7 Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank	1,190,521	1,514,241
Total	1,190,521	1,514,241

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:

	2021	2020
	\$	\$
Cash and cash equivalents	1,190,521	1,514,241

8 Trade and other receivables

	2021	2020
	\$	\$
Trade receivables	2,407,225	2,617,814
Total	2,407,225	2,617,814

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Notes to the Financial Statements

For the year ended 30 June 2021

9 Right of use assets - leases

	2021	2020
	\$	\$
Opening balance	7,115,363	7,885,708
Additions	704,136	198,421
Remeasurement	(127,097)	-
Depreciation	(1,025,700)	(968,766)
Total	6,666,702	7,115,363

10 Trade payables

	2021	2020
	\$	\$
Accruals	32,405	105,932
Total	32,405	105,932

11 Other payables

	2021	2020
	\$	\$
Provision for distribution		
Opening balance	3,873,009	3,134,697
Contribution from Growers	318,450	318,450
Distributions paid	(1,261,873)	(1,084,421)
Cash surplus attributable to Growers	438,757	1,504,283
Total	3,368,343	3,873,009

12 Lease liabilities

	2021	2020
	\$	\$
Opening balance	7,268,477	7,885,709
Additions	704,136	198,420
Remeasurement	(127,097)	-
Payments made during the year	(1,312,950)	(1,167,906)
Finance costs - leases	331,134	352,254
Total	6,863,700	7,268,477

Of which are:

	2021	2020
Current lease liabilities	1,040,174	910,461
Non-current lease liabilities	5,823,526	6,358,016
Total	6,863,700	7,268,477

13 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.

2007 Macgrove Project

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Notes to the Financial Statements

For the year ended 30 June 2021

13 Financial risk management (continued)

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 Marquis Macadamias who purchases the macadamias grown in the Project's orchards. Marquis Macadamias was the only purchaser of the macadamias produced by the Project during the year. The credit risk exposure is the trade receivable balance. This risk is not unusual in the primary production industry and the risk is mitigated, to the extent possible, by monitoring that payments are made in accordance with terms, reconciling remittance returns and being alert to any indicators of heightened credit risk.

Liquidity risk

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

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

Market risk

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

The Project is exposed to price risk, regarding the price that it receives for the nut in shell that is delivered to Marquis Macadamias and included in trade and other receivables. As per the 'Nut-in-Shell Purchase for the 2021 Season' with Marquis Macadamias is 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.

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Notes to the Financial Statements

For the year ended 30 June 2021

14 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

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.

15 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:

	2021	2020
	\$	\$
Farm management fee paid to RFM Macadamias	273,450	261,843
Expenses reimbursed to RFM Macadamias	2,785,532	2,678,717
Expenses reimbursed to Responsible Entity	312,127	249,276
Rental payment to Rural Funds Trust	788,399	775,295
Rental payment to RF Active	565,701	432,462
Total amount paid to RFM and related entities	4,725,209	4,397,593

Lease liabilities

	2021	2020
	\$	\$
Rural Funds Trust	5,158,093	5,835,655
RF Active	1,705,607	1,432,822
Total	6,863,700	7,268,476

16 Cash flow information

	2021	2020
	\$	\$
Net profit for the year	-	-
Non-cash flows in profit		
Depreciation	1,025,700	968,766
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	210,589	(554,132)
Decrease in trade and other payables	365,230	1,517,266
Net cash inflow from operating activities	1,601,519	1,931,900

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Notes to the Financial Statements

For the year ended 30 June 2021

17 After balance date events

No 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.

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Directors' Declaration

30 June 2021

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 20 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 2021 and of its performance for the year ended on that date; and
- 2 There are reasonable grounds to believe that the Project will be able to pay its debts as and when they become due and payable.

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

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



David Bryant
Director

28 September 2021



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 30 June 2021 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 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to Growers
- the statement of cash flows for the year then ended
- 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.

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 year ended 30 June 2021, 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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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.

PricewaterhouseCoopers

Rod Dring
Partner

Sydney
28 September 2021

Responsible Entity

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