Macadamia Processing Co Limited

ABN: 93 002 607 972

General Purpose Financial Report
for the year ended 31 March 2019

Macadamia Processing Co Limited

ABN: 93 002 607 972

For the year ended 31 March 2019

Macadamia Processing Co Limited
ABN: 93 002 607 972

Directors' report
For the year ended 31 March 2019

Your directors present their report on Macadamia Processing Co Limited and its controlled entities for the financial year ended 31 March 2019.

Directors

The names of the directors that served during the year are as follows:

Christopher Robert Ford
Peter John Costi
Scott David Norval
Peter Michael Zadro
Andrew Jon Leslie

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company secretary

The following persons held the position of company secretary at the end of the financial year:

Ms Jane Louise Meeve - Bachelor of Commerce, member of CPA Australia since 1994, Bachelor of Arts and Diploma of Education. Ms Meeve was appointed company secretary on 2 May 1995.

Mr Timothy James Gilmore (Resigned 23/04/2019) - Bachelor of Business, member of CPA Australia since 1998. Mr Gilmore was appointed company secretary on 16 October 2016.

Principal activities

The principal activities of the Group during the financial year were purchasing, processing and selling of macadamia nuts and macadamia products.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

Operating results

The consolidated profit of the Group after providing for income tax amounted to $7,909,565 (2018: $3,001,150).

Review of operations

A review of the operations of the Group during the financial year and the results of those operations are as per the attached report.

After balance day events

On 26 March 2019, the Macadamia Processing Company's shareholders approved the purchase of the remaining 63% of Pacific Gold Macadamias at an extraordinary general meeting (EGM). The transaction was subject to a 30 day hold period as required by the Corporations Act 2001 (CTH), that lapsed on 28 April 2019. The parties elected 30 April as the effective date of transfer of the shares.

Other than the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Significant changes in state of affairs

No significant changes in the Group's state of affairs occurred during the financial year.

Likely developments and expected results of operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not regulated by any significant regulation under the law of the Commonwealth or of a state or territory.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 7. The Board of Directors has considered the provision of non-audit services to the company rendered by RSM Australia Partners to be compatible with maintaining the independence of the auditor.

Dividends paid or recommended

Dividends paid or declared since the start of the financial year are as follows:

a. A fully franked dividend of 40c per ordinary share was paid during the year as recommended in last year's report.

b. A fully franked dividend of 80c per ordinary share was declared on 13 March 2019 per ordinary share for payment from the profit for the financial year ended 31 March 2019. This dividend has been provided for in note 23 to the financial statements.

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of officers or auditor

An insurance policy is in place for the benefit of Christopher Robert Ford, Andrew Jon Leslie, Peter John Costi, Scott David Norval and Peter Michael Zadro against liabilities incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer of the company, other than conduct involving wilful breach of duty in relation to the company, and claims brought by the shareholders of the company holding more than 15% equity of the company.

Director information

(a) Information on directors

Christopher Robert Ford	Chairman (non-executive)
Qualifications	Bachelor of Economics (Hons) - Manchester University, England Former fellow of the Institute of Chartered Accountants in England and Wales.
Experience	Past 21 years consultant for the International Monetary Fund, 38 years experience in senior accounting and financial roles with large Australian and international companies/banks, 22 years experience in the macadamia industry.

(a) Information on directors (continued)

Peter John Costi	Director (non-executive)
Qualifications	Building Diploma
Experience	Carpenter, Joiner and Macadamia farmer. 26 years involvement in the building industry as a director and shareholder of a commercial construction company and a residential building company. 20 years experience in the macadamia industry.
Scott David Norval	Director (non-executive)
Qualifications	Graduate Certificate Business Management (Central Queensland University) (Issued 2009). Ground Engineers Instrument – Electrical, Sydney TAFE 1989
Experience	National Manager Macadamias for RFM Pty Ltd, Company director and secretary of agricultural and constructions companies with prior experience as a compliance officer. 17 Years experience in the macadamia industry from processing to farm establishment and management.
Peter Michael Zadro	Director (non-executive)
Qualifications	Bachelor of Rural Science (Hons) University of New England, Armidale NSW
Experience	For the last 14 years full time involvement with the family business consisting of macadamia plantations in QLD, NSW and South Africa. This role has been to provide operational support and direction whilst developing the business as it grows with increasing acreages to use a common database and mapping platform at Hinkler Park Plantation, Victoria Park Plantation and Barberton Valley Plantation. Previously worked for a French multinational telecommunications provider, Alcatel, as an IT project manager, business analyst and programmer for over 19 years and before this with the Department of Agriculture, NSW for three years, with some part time casual involvement in the macadamia family businesses since 1980 on an ongoing basis.
Andrew Jon Leslie	Director (non-executive)
Qualifications	Bachelor of Economics and a Post Graduate Diploma of Financial Management from the University of New England in Armidale, NSW.
Experience	Accountant for the Queensland State Government for 20 years, specialising in management reporting including detailed budgeting, financial reporting, performance reporting and project funding submissions. Macadamia grower and MPC shareholder for the past 19 years, owning a macadamia farm and involved in the management of three other family run macadamia orchards and one share farm orchard in the Alstonville area. Owned and operated a successful retail Garden Centre called the 'Alstonville Garden House' on our macadamia farm for 5 years, and have started a macadamia skin care range in March 2017 selling products to retail outlets throughout Australia and overseas.

(a) Information on directors (continued)

Andrew Jon Leslie	Director (non-executive)
Qualifications	Bachelor of Economics and a Post Graduate Diploma of Financial Management from the University of New England in Armidale, NSW.
Experience	Accountant for the Queensland State Government for 20 years, specialising in management reporting including detailed budgeting, financial reporting, performance reporting and project funding submissions. Macadamia grower and MPC shareholder for the past 19 years, owning a macadamia farm and involved in the management of three other family run macadamia orchards and one share farm orchard in the Alstonville area. Owned and operated a successful retail Garden Centre called the 'Alstonville Garden House' on our macadamia farm for 5 years, and have started a macadamia skin care range in March 2017 selling products to retail outlets throughout Australia and overseas.

(b) Meetings of Directors

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' meetings	
	Eligible to attend	Number attended
Christopher Robert Ford	9	9
Scott David Norval	9	8
Peter John Costi	9	9
Peter Michael Zadro	9	9
Andrew Jon Leslie	9	8

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors

Christopher Robert Ford
Director

Scott David Norval
Director

Dated: 17 July 2019

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Macadamia Processing Co Limited for the year ended 31 March 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW

Dated: 17 July 2019

Macadamia Processing Co Limited

ABN: 93 002 607 972

Statement of comprehensive income for the year ended 31 March 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Continuing operations					
Revenue	2	**102,312,542**	85,272,938	**102,312,542**	85,272,938
Other income	3	**106,771**	115,674	**106,771**	115,674
Raw materials and consumables used		**(78,757,932)**	(68,112,812)	**(78,757,932)**	(68,112,812)
Changes in inventories on hand		**3,140,803**	626,498	**3,140,803**	626,498
Employee benefits expense		**(10,832,997)**	(8,884,742)	**(10,832,997)**	(8,884,742)
Storage and transport costs		**(660,655)**	(353,318)	**(660,655)**	(353,318)
Depreciation and amortisation expense	16	**(2,060,296)**	(1,218,098)	**(2,060,296)**	(1,218,098)
Other expenses		**(4,137,610)**	(3,931,342)	**(4,137,592)**	(3,931,342)
Finance costs	4	**(570,201)**	(267,077)	**(570,201)**	(267,077)
Share of net profits of associates and joint ventures accounted for using the equity method	13, 14	**803,339**	756,733	**-**	-
Profit before income tax expense		**9,343,764**	4,004,454	**8,540,443**	3,247,721
Income tax expense	7	**(1,434,199)**	(1,003,304)	**(1,434,199)**	(1,003,304)
Profit for the year		**7,909,565**	3,001,150	**7,106,244**	2,244,417
Total comprehensive income attributable to:					
Members of the parent entity		**7,909,565**	3,001,150	**7,106,244**	2,244,417

There was no other comprehensive income for the period under review.

The accompanying notes form part of these financial statements.

Macadamia Processing Co Limited
ABN: 93 002 607 972

Statement of financial position as at 31 March 2019

		Consolidated		Parent	
		2019	2018	2019	2018
	Notes	$	$	$	$
Current assets					
Cash and cash equivalents	8	**820,368**	192,287	**820,368**	192,287
Trade and other receivables	9	**10,489,499**	11,007,004	**10,489,499**	11,007,004
Inventories	10	**15,016,203**	11,875,400	**15,016,203**	11,875,400
Other assets		**72,986**	82,634	**72,986**	82,616
Total current assets		**26,399,056**	23,157,325	**26,399,056**	23,157,307
Non-current assets					
Financial assets	11	**-**	-	**2,010,018**	2,010,018
Investments accounted for using the equity method	12	**5,433,660**	4,630,321	**-**	-
Trade and other receivables	9	**-**	300,000	**-**	300,000
Property, plant and equipment	16	**13,704,031**	11,099,227	**13,704,031**	11,099,227
Deferred tax assets	18	**468,436**	620,778	**468,436**	620,778
Total non-current assets		**19,606,127**	16,650,326	**16,182,485**	14,030,023
Total assets		**46,005,183**	39,807,651	**42,581,541**	37,187,330
Current liabilities					
Trade and other payables	17	**6,389,019**	4,836,234	**6,389,019**	4,836,234
Borrowings	21	**-**	3,995,000	**-**	3,995,000
Deferred revenue	20	**845,259**	942,925	**845,259**	942,925
Short-term provisions	23	**2,227,777**	1,424,981	**2,227,777**	1,424,981
Current tax payable	18	**678,589**	681,848	**678,589**	681,848
Total current liabilities		**10,140,644**	11,880,988	**10,140,644**	11,880,988
Non-current liabilities					
Borrowings	21	**3,020,000**	1,475,000	**3,020,000**	1,475,000
Long-term provisions	23	**58,619**	57,343	**58,619**	57,343
Total non-current liabilities		**3,078,619**	1,532,343	**3,078,619**	1,532,343
Total liabilities		**13,219,263**	13,413,331	**13,219,263**	13,413,331
Net assets		**32,785,920**	26,394,320	**29,362,278**	23,773,999
Equity					
Issued capital	24	**4,404,023**	4,404,013	**4,404,023**	4,404,013
Retained earnings		**28,381,897**	21,990,307	**24,958,255**	19,369,986
Total equity		**32,785,920**	26,394,320	**29,362,278**	23,773,999

The accompanying notes form part of these financial statements.

Macadamia Processing Co Limited
ABN: 93 002 607 972

Statement of changes in equity for the year ended 31 March 2019

	Notes	Preference shares $	Ordinary and A class shares $	Retained earnings $	Total $
Consolidated					
Balance at 1 April 2017		33	4,403,957	19,754,198	24,158,188
Comprehensive income					
Profit for the year		-	-	3,001,150	3,001,150
Total comprehensive income for the year		-	-	3,001,150	3,001,150
Transactions with owners, in their capacity as owners					
Net changes in preference shares	24	23	-	-	23
Dividends paid or provided for	19	-	-	(765,041)	(765,041)
Total transactions with owners		23	-	(765,041)	(765,018)
Balance at 31 March 2018		56	4,403,957	21,990,307	26,394,320
Comprehensive income					
Profit for the year		**-**	**-**	**7,909,565**	**7,909,565**
Total comprehensive income for the year		**-**	**-**	**7,909,565**	**7,909,565**
Transactions with owners, in their capacity as owners					
Net changes in preference shares	24	**10**	**-**	**-**	**10**
Dividends paid or provided for	19	**-**	**-**	**(1,517,975)**	**(1,517,975)**
Total transactions with owners		**10**	**-**	**(1,517,975)**	**(1,517,965)**
Balance at 31 March 2019		**66**	**4,403,957**	**28,381,897**	**32,785,920**
Parent					
Balance at 1 April 2017		33	4,403,957	17,890,610	22,294,600
Comprehensive income					
Profit for the year		-	-	2,244,417	2,244,417
Total comprehensive income for the year		-	-	2,244,417	2,244,417
Transactions with owners, in their capacity as owners					
Net changes in preference shares	24	23	-	-	23
Dividends paid or provided for	19	-	-	(765,041)	(765,041)
Total transactions with owners		23	-	(765,041)	(765,018)
Balance at 31 March 2018		56	4,403,957	19,369,986	23,773,999
Comprehensive income					
Profit for the year		**-**	**-**	**7,106,244**	**7,106,244**
Total comprehensive income for the year		**-**	**-**	**7,106,244**	**7,106,244**
Transactions with owners, in their capacity as owners					
Net changes in preference shares	24	**10**	**-**	**-**	**10**
Dividends paid or provided for	19	**-**	**-**	**(1,517,975)**	**(1,517,975)**
Total transactions with owners		**10**	**-**	**(1,517,975)**	**(1,517,965)**
Balance at 31 March 2019		**66**	**4,403,957**	**24,958,255**	**29,362,278**

The accompanying notes form part of these financial statements.

Macadamia Processing Co Limited

ABN: 93 002 607 972

Statement of cash flows for the year ended 31 March 2019

	Note	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Cash flows from operating activities					
Receipts from customers		**103,335,027**	80,868,686	**103,335,009**	80,868,686
Payments to suppliers and employees		**(92,985,063)**	(79,527,340)	**(92,985,045)**	(79,527,340)
Interest received		**9,105**	17,009	**9,105**	17,009
Finance costs		**(570,201)**	(267,077)	**(570,201)**	(267,077)
Income tax paid		**(1,285,116)**	(445,016)	**(1,285,116)**	(445,016)
Net cash provided by operating activities	27	**8,503,752**	646,262	**8,503,752**	646,262
Cash flows from investing activities					
Payment for property, plant and equipment	16	**(4,665,100)**	(1,924,837)	**(4,665,100)**	(1,924,837)
Net cash used in investing activities		**(4,665,100)**	(1,924,837)	**(4,665,100)**	(1,924,837)
Cash flows from financing activities					
Net draw-down / (repayment) of borrowings		**(2,450,000)**	1,620,000	**(2,450,000)**	1,620,000
Net proceeds from share issue		**10**	23	**10**	23
Dividends paid		**(760,581)**	(573,781)	**(760,581)**	(573,781)
Net cash provided by / (used in) financing activities		**(3,210,571)**	1,046,242	**(3,210,571)**	1,046,242
Net (decrease) / increase in cash held		**628,081**	(232,333)	**628,081**	(232,333)
Cash at beginning of year		**192,287**	424,620	**192,287**	424,620
Cash at end of year	8	**820,368**	**192,287**	**820,368**	192,287

The accompanying notes form part of these financial statements.

1 Statement of significant accounting policies

The financial report includes the consolidated financial statements and notes of Macadamia Processing Co Limited and controlled entities (‘consolidated group’ or ‘Group’), and the separate financial statements and notes of Macadamia Processing Co Limited as an individual parent entity (‘parent entity’).

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on the 17 July 2019 by the directors.

Accounting policies

a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Macadamia Processing Co Limited at the end of the reporting period. A controlled entity is any entity over which Macadamia Processing Co Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in note 15 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests’ interest in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

1 Statement of significant accounting policies (continued)

b) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year, and unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Group.

(i) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

1 Statement of significant accounting policies (continued)

c) Critical accounting estimates and judgements (continued)

(ii) Inventory valuation

The principal activities of the Group during the financial year were purchasing, processing and selling of macadamia nuts and macadamia products. There is volatility in the price of the various macadamia products depending on global demand, the geographical spread of the customer base, foreign currency fluctuations and various other factors. There is a degree of estimation uncertainty and judgement required in determining the net realisable value of inventory as a result of this volatility. Management and the board have exercised their judgement in determining the adjustment in respect of the net realisable value write down disclosed in Note 10 to the financial statements.

(iii) Joint venture and investment in associate

As stated in Note 14, Macadamia Processing Co Limited ('MPC') has a 50% interest in the joint venture entity Macadamia Marketing International Pty Ltd ('MMI'). The Board has exercised its judgement in determining that it has joint control of MMI by virtue of the clauses contained within the MMI shareholders agreement and consequently the investment is considered to be joint venture as defined, and is equity accounted for in accordance with the accounting policy reflected in Note 1 (f).

As stated in Note 13, the company also holds a 37% interest in Pacific Gold Macadamia's Pty Ltd ('PGM'). MPC, MMI and PGM share some common directors. The board has exercised their judgement in determining PGM is an associate and consequently it is equity accounted for in accordance with the policy reflected in note 1 (f).

d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis or diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of assets are:

Class of fixed assets	Depreciation rate
Buildings	2.5-4%
Plant and equipment	7.5-40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

1 Statement of significant accounting policies (continued)

f) Investments accounted for using the equity method

Under AASB 11 Joint Arrangement investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint ventures are those entities whose financial and operating policies of the Group has joint control over, and where the Group has rights to the net assets of the entity.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures on an equity accounted basis, from the date that significant influence or joint control commences until the date it ceases. When the Group's share of losses exceeds the carrying amount of the associate or joint venture, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Note 12 details the Group's interests in associates and joint ventures.

g) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

1 Statement of significant accounting policies (continued)

h) Financial instruments (continued)

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

(i) Financial assets at fair value though profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) 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 subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

The Group did not hold any held-to-maturity investments in the current or comparative financial year.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1 Statement of significant accounting policies (continued)

h) Financial instruments (continued)

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Financial guarantees
Where material, financial guarantees issued which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as financial liabilities at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118 'Revenue'.'

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

When available-for-sale investments are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other-short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

j) Impairment of assets

At each reporting date, the Group 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.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Statement of significant accounting policies (continued)

k) Foreign currency translations and balances

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

l) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

m) Revenue and other income

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

1 Statement of significant accounting policies (continued)

n) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

q) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r) Government grants

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Government grants is subsequently released over the relevant period to the statement of comprehensive income.

1 Statement of significant accounting policies (continued)

s) Changes in accounting policies, disclosures, standards and interpretations

i) New and amended standards and interpretations

The Group applied AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are escribed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group.

AASB 15 *Revenue from Contracts with Customers*
AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

AASB 15 required entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the models to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard required extensive disclosures.

The Group adopted AASB 15 using the full retrospective method of adoption. There was no significant impact on recognition or measurement in the statement of profit or loss and other comprehensive income, statement of financial position or the statement of cash flows as a result of the adoptions but there has been a change in the required disclosures to reflect the requirements of the new accounting standard.

AASB 9 *Financial Instruments*
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 April 2018.

ii) Accounting standards and interpterion's issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 31 March 2019. The directors have not early adopted any of these new amended standards and interpretations. The directors are in the process of assessing the impact of the applications of AASB 16 *Leases* (effective 1 April 2019) and its amendment to the extent relevant to the financial statement of the Group.

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $

2 Revenue

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Sale of goods	**101,744,239**	84,535,020	**101,744,239**	84,535,020
Contract processing	**568,303**	737,918	**568,303**	737,918
	102,312,542	85,272,938	**102,312,542**	85,272,938

3 Other income

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Interest	**9,105**	17,009	**9,105**	17,009
Government grant income (note 20)	**97,666**	97,665	**97,666**	97,665
Gain on sale of property, plant and equipment	**-**	1,000	**-**	1,000
	106,771	115,674	**106,771**	115,674

4 Profit for the year before income tax

Profit before income tax from continuing operations includes the following specific expenses:

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Finance costs:				
Interest costs	**453,816**	194,557	**453,816**	194,557
Other costs	**116,385**	72,520	**116,385**	72,520
	570,201	267,077	**570,201**	267,077

5 Key management personnel compensation

The totals of remuneration paid to key management personnel (KMP) during the year are as follows:

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Short-term employee benefits	120,000	120,000	120,000	120,000
Post-employment benefits	11,400	11,400	11,400	11,400
	131,400	131,400	**131,400**	131,400

Other KMP transactions:

For details of other transactions with KMP, refer to note 26: Related party transactions.

6 Auditors' remuneration

	2019 $	2018 $
Remuneration of auditor:		
-Auditing or reviewing financial statements	66,832	43,288
-Taxation services	3,800	3,800
	70,632	47,088

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$

7 Income tax expense

a) The components of tax expense comprise:

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Current tax expense	1,281,857	1,122,679	1,281,857	1,122,679
Deferred tax expense	152,342	(119,375)	152,342	(119,375)
	1,434,199	1,003,304	**1,434,199**	1,003,304

b) The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%)	**2,803,129**	1,201,336	**2,562,133**	974,316
Add:				
Tax effect of:				
Non-deductible expenses	12,719	28,988	12,719	28,988
Prior year under accrual	43,676	-	43,676	
Other differences	6,677	-	6,671	-
Less:				
Tax effect of:				
T-Corp loan repayment	(1,191,000)	-	(1,191,000)	-
Share of net profits joint venture entities netted directly	(241,002)	(227,020)	-	-
Income tax attributable to entity	**1,434,199**	1,003,304	**1,434,199**	1,003,304

8 Cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Cash on hand	**600**	600	**600**	600
Cash at bank	**819,768**	191,687	**819,768**	191,687
	820,368	192,287	**820,368**	192,287

9 Trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
CURRENT				
Trade receivables	**7,365,877**	10,443,421	**7,365,877**	10,443,421
Other receivables	**-**	-	**-**	-
Amount due from a joint venture entity	**3,123,622**	463,583	**3,123,622**	463,583
Amount due from an associate entity	**-**	100,000	**-**	100,000
	10,489,499	11,007,004	**10,489,499**	11,007,004
NON-CURRENT				
Amount due from an associate entity	**-**	300,000	**-**	300,000

Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. There are no balances within trade and other receivables that contain assets that are impaired. It is expected these balances will be received when due.

Collateral pledged

A floating charge over trade receivables has been provided for certain debt. Refer to Note 21 for further details.

	Consolidated		Parent	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**

10 Inventories

At cost				
Raw materials and stores	**4,961,463**	5,340,258	**4,961,463**	5,340,258
Finished goods	**10,054,740**	6,535,142	**10,054,740**	6,535,142
	15,016,203	11,875,400	**15,016,203**	11,875,400

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2019 amounted to $720,816 (2018: $509,058). The expense has been included in 'Changes in inventories on hand' in profit or loss.

11 Financial assets

Unlisted investments - non-current, at cost	-	-	**2,010,018**	2,010,018
	-	-	**2,010,018**	2,010,018

12 Investments accounted for using the equity method

Investments in associates (note 13)	**5,143,533**	4,385,057	-	-
Investments in joint venture (note 14)	**290,127**	245,264	-	-
Total investments accounted for using the equity method	**5,433,660**	4,630,321	**-**	-

13 Investments in associates

Macadamia Processing Co Limited has a 37.04% (2018: 37.04%) interest in the associate entity Pacific Gold Macadamias Pty Ltd, incorporated in Australia, which is involved in processing macadamia products.

The group accounts for its interest in the associate by applying the equity method of accounting.

	2019	**2018**
	$	**$**
Balance at the beginning of the financial year	**4,385,057**	3,646,840
Transfer from joint venture entities	**-**	-
Share of associated company's profit after income tax	**758,476**	738,217
Adjustment for change in share holding	**-**	-
Balance at the end of the financial year	**5,143,533**	4,385,057
Balance comprises:		
Investment at cost	**2,000,000**	2,000,000
Cumulative share of profits	**3,143,533**	2,385,057
	5,143,533	4,385,057

14 Joint venture

Macadamia Processing Co Limited has a 50% (2018: 50%) interest in the joint venture entity Macadamia Marketing International Pty Ltd, incorporated in Australia, whose principal activity is the sale and marketing of macadamia products.

The Group accounts for its interest in the joint venture by applying the equity method of accounting.

Share of joint venture entity's results and financial position:

	2019 $	2018 $
Balance at the beginning of the financial year	**245,264**	226,748
Share of joint venture profit after income tax	**44,863**	18,516
Balance at the end of the financial year	**290,127**	245,264
Balance comprises:		
Investment at cost	**10,018**	10,018
Share of profits limited to investment	**280,109**	235,246
	290,127	245,264

15 Consolidated entities

		Percentage owned	
Name	**Country of incorporation**	**2019** **%**	**2018** **%**
Macadamia Magic Pty Limited	Australia	**100**	100
International Macadamias Limited	Australia	**100**	100

These subsidiaries have not traded since being incorporated and are dormant at the reporting date.

16 Property, plant and equipment

	Consolidated		Parent	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Land and buildings				
At cost	**9,942,590**	8,384,819	**9,942,590**	8,384,819
Less: Accumulated depreciation	**(4,050,498)**	(3,764,607)	**(4,050,498)**	(3,764,607)
Total Land and buildings	**5,892,092**	4,620,212	**5,892,092**	4,620,212
Plant and equipment				
At cost	**23,417,576**	20,894,590	**23,417,576**	20,894,590
Less: Accumulation depreciation	**(15,605,637)**	(14,415,575)	**(15,605,637)**	(14,415,575)
Total Plant and equipment	**7,811,939**	6,479,015	**7,811,939**	6,479,015
Total property, plant and equipment	**13,704,031**	11,099,227	**13,704,031**	11,099,227

16 Property, plant and equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land and buildings $	Plant and equipment $	Total $
Consolidated			
Balance at 1 April 2017	4,658,601	5,733,887	10,392,488
Additions	241,071	1,683,766	1,924,837
Depreciation expense	(279,461)	(938,637)	(1,218,098)
Balance at 31 March 2018	**4,620,211**	**6,479,016**	**11,099,227**
Balance at 1 April 2018	4,620,211	6,479,016	11,099,227
Additions	1,557,771	3,107,329	4,665,100
Depreciation expense	(285,890)	(1,774,406)	(2,060,296)
Balance at 31 March 2019	**5,892,092**	**7,811,939**	**13,704,031**
Parent			
Balance at 1 April 2017	4,658,601	5,733,887	10,392,488
Additions	241,071	1,683,766	1,924,837
Depreciation expense	(279,461)	(938,637)	(1,218,098)
Balance at 31 March 2018	**4,620,211**	**6,479,016**	**11,099,227**
Balance at 1 April 2018	4,620,211	6,479,016	11,099,227
Additions	1,557,771	3,107,329	4,665,100
Depreciation expense	(285,890)	(1,774,406)	(2,060,296)
Balance at 31 March 2019	**5,892,092**	**7,811,939**	**13,704,031**

Collateral pledged

A registered first mortgage has been taken out over land and buildings. Refer to Note 21 for further details.

17 Trade and other payables

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Current payables - detailed table				
Unsecured liabilities				
Trade payables	**4,614,249**	4,486,773	**4,614,249**	4,486,773
Sundry payables and accrued expenses	**1,774,770**	349,461	**1,774,770**	349,461
	6,389,019	4,836,234	**6,389,019**	4,836,234

18 Tax

(a) Current tax

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Liabilities				
Income tax payable	**678,589**	681,848	**678,589**	681,848

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
18 Tax (continued)				
(b) Deferred tax				
Deferred tax assets				
Accruals and superannuation	**71,470**	34,420	**71,470**	**34,420**
Provisions- employee benefits	**224,414**	387,319	**224,414**	**387,319**
Grant income	**253,578**	282,878	**253,578**	**282,878**
Deferred tax liabilities				
Property, plant and equipment- tax allowance	**(81,026)**	(83,839)	**(81,026)**	**(83,839)**
Closing balance	**468,436**	620,778	**468,436**	620,778

19 Dividends

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Proposed final fully franked ordinary dividend	**1,517,975**	765,041	**1,517,975**	765,041

20 Deferred revenue

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Government grants				
Grants received (carrying value)	**942,925**	1,040,590	**942,925**	1,040,590
Released into income	**(97,666)**	(97,665)	**(97,666)**	(97,665)
	845,259	942,925	**845,259**	942,925

21 Borrowings

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
CURRENT				
Secured liabilities				
Bank loans (i)	**-**	3,995,000	**-**	3,995,000
	-	3,995,000	**-**	3,995,000
NON CURRENT				
Secured liabilities				
New South Wales Treasury Access Finance Loan (ii)	**3,020,000**	1,475,000	**3,020,000**	1,475,000
Total	**3,020,000**	1,475,000	**3,020,000**	1,475,000

(i) On 30 October 2018, the Group's facility with Rabo Bank was extinguished and replaced with a new facility with the National Australia Bank. The Group has an aggregate Facility limit of $70,416,656 as at 31 March 2019.

The Facility is secured by the following:

a) a registered first mortgage over the macadamia nut processing facility at 2 Cowlong Road, Lindendale, NSW.

b) a registered first mortgage over the macadamia nut processing facility at 170 Rosedale Road, Oakdale, QLD.

c) a first fixed and floating charge over the assets and undertaking of Macadamia Processing Co Limited, Pacific Gold Macadamias Pty Ltd and Macadamia Marketing International Pty Limited.

d) a registered first security agreement from Macadamia Processing Co Limited, Pacific Gold Macadamias Pty Ltd and Macadamia Marketing International Pty Limited. over all present and after-acquired property.

e) an unlimited guarantee from Macadamia Processing Co Limited, Pacific Gold Macadamias Pty Ltd and Macadamia Marketing International Pty Limited.

(ii) The company had an aggregate facility with New South Wales Treasury Corporation, with a limit of $6,990,000 as at 31 March 2019. The company repaid $3,970,000 of the facility during the year. The loan bears interest at the 3 month bank bill swap rate plus 0.8% and $1,100,000 is repayable on 23 June 2023 and $1,920,000 is repayable on 27 June 2025.

22 Other financial liabilities

Financial guarantees

The Group has potential exposure to guarantees that it has issued to New South Wales Treasury Corporation in relation to the bank facilities of its associates and joint venture entities, Pacific Gold Macadamias Pty Ltd and Macadamia Marketing International Pty Ltd. Further details relating to these contracts are provided at note 29: Contingent Liabilities.

23 Provisions

	Consolidated		Parent	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
CURRENT				
Provisions for dividend	**1,538,350**	780,957	**1,538,350**	780,957
Employee benefits	**689,427**	644,024	**689,427**	644,024
Total	**2,227,777**	1,424,981	**2,227,777**	1,424,981
NON CURRENT				
Employee benefits - non current	**58,619**	57,343	**58,619**	57,343
	2,286,396	1,482,324	**2,286,396**	1,482,324

	Employee Benefits	Dividends	Total
	$	**$**	**$**
Consolidated - Analysis of provisions			
Opening balance	701,367	780,957	1,482,324
Net provisions raised / (amount used) during the year	46,679	757,393	804,072
Balance at 31 March 2019	748,046	1,538,350	2,286,396
Parent - Analysis of provisions			
Opening balance	701,367	780,957	1,482,324
Net provisions raised / (amount used) during the year	46,679	757,393	804,072
Balance at 31 March 2019	748,046	1,538,350	2,286,396

Provision for dividend

A provision has been recognised for dividends on the basis there is a constructive obligation to pay dividends, but they are yet to be paid. Refer to note 19 for further dividend information.

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1.

24 Issued capital

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
66 (2018: 56) preference shares (i)	**66**	56	**66**	56
252,069 (2018: 252,069) fully paid A class shares (ii)	**469,700**	469,700	**469,700**	469,700
1,922,938 (2018: 1,922,938) fully paid ordinary shares	**3,934,257**	3,934,257	**3,934,257**	3,934,257
Total	**4,404,023**	4,404,013	**4,404,023**	4,404,013

	Consolidated 2019 No.	Consolidated 2018 No.	Parent 2019 No.	Parent 2018 No.
(i) Preference shares				
At beginning of the year	**56**	33	**56**	33
Shares issued during the year	**10**	27	**10**	27
Shares cancelled during the year	**-**	(4)	**-**	(4)
At the end of the reporting year	**66**	56	**66**	56

The company has authorised share capital amounting to 10,000,000 ordinary shares of no par value.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, when a poll is called, each member shall have one vote for each fully paid share held and a fractional vote for each partly paid share held, this fraction being the total paid amount divided by the allotment price. Otherwise each shareholder has one vote on a show of hands.

(ii) A Class shares

A class shares participate in the proceeds on winding up of the parent entity in proportion to the number of shares held.

A class shares are not entitled to participate in dividends.

A class shares are entitled to receive notice of and to attend any general meeting of the Company but will not be entitled to any right to vote at such meetings except in one or more of the following circumstances:

(i) on proposal to reduce share capital of the Company;
(ii) on a proposal that affects rights attaching to A class shares;
(iii) on a proposal for disposal of the whole property, business and undertaking of the Company;
(iv) on a resolution to approve the terms of a buy back agreement; or
(v) during the winding up of the Company.

25 Operating lease commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements:

	Consolidated 2019 $	Consolidated 2018 $	Parent 2019 $	Parent 2018 $
Payable-minimum lease payments				
- not later than 12 months	-	12,688	-	12,688
- between 12 months and 5 years	-	-	-	-
	-	12,688	-	12,688

26 Related party transactions

The Group's main related parties are as follows:

a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to note 5: Key management personnel compensation.

b) Joint venture entities that are accounted for under the equity method

The Group has a 50% (2018: 50%) interest in the joint venture entity, Macadamia Marketing International Pty Ltd.

The interest in joint ventures is accounted for in these consolidated financial statements of the Group, using the equity method of accounting.

For details of interests held in joint venture entities, refer to Note 14: Joint Venture.

c) Investment in associates that are accounted for under the equity method

The Group has a 37.04% (2018: 37.04%) interest in the associates, Pacific Gold Macadamias Pty Ltd.

The interest in associates is accounted for in these consolidated financial statements of the Group, using the equity method of accounting.

For details of interests held in associate, refer to note 13: Investment in associates.

d) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family

	Consolidated		Parent	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Transactions with related parties				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated				
(i) Purchase of goods and services				
Directors and their director-related entities	**22,461,432**	17,063,723	**22,461,432**	17,063,723

26 Related party transactions (continued)

	Consolidated		Parent	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
(ii) Sale of goods and services				
Revenue from jointly controlled entities:				
Pacific Gold Macadamias Pty Ltd	**7,601,912**	5,651,639	**7,601,912**	5,651,639
Macadamia Marketing International Pty Ltd	**93,853,782**	77,425,897	**93,853,782**	77,425,897
(iii) Trade and other receivables				
Amounts due from jointly controlled entities:				
Pacific Gold Macadamias Pty Ltd	**672,074**	398,321	**672,074**	398,321
Macadamia Marketing International Pty Ltd	**6,783,300**	10,019,273	**6,783,300**	10,019,273

e) Beneficial holdings

The direct, indirect and beneficial holdings of directors and their director-related entities in ordinary shares of the Group as at 31 March 2019 was 815,615 (2018: 815,615) ordinary shares.

27 Cash flow information

Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	**7,909,565**	3,001,150	**7,106,244**	2,244,417
Non-cash flows in profit:				
Depreciation	**2,060,296**	1,218,098	**2,060,296**	1,218,098
Share of joint ventures net profit after income tax	**(803,339)**	(756,733)	**-**	-
Changes in assets and liabilities:				
Decrease / (increase) in trade and other receivables	**817,505**	(4,872,378)	**817,505**	(4,872,378)
Decrease in prepayments	**9,648**	12,871	**9,630**	12,871
Increase in inventories	**(3,140,803)**	(626,498)	**(3,140,803)**	(626,498)
Decrease / (increase) in deferred taxes	**152,342**	(119,400)	**152,342**	(119,400)
Decrease in trade payables and accruals	**1,357,453**	1,703,922	**1,357,453**	1,703,922
Increase/(decrease) in income tax payable	**(3,259)**	677,688	**(3,259)**	677,688
Increase/(decrease) in provisions	**144,344**	407,542	**144,344**	407,542
	8,503,752	646,262	**8,503,752**	646,262

28 Events after the balance sheet date

On 26 March 2019, the Macadamia Processing Company's shareholders approved the purchase of the remaining 63% of Pacific Gold Macadamias at an extraordinary general meeting (EGM). The transaction was subject to a 30 day hold period as required by the Corporations Act 2001 (CTH), that lapsed on 28 April 2019. The parties elected 30 April as the effective date of transfer of the shares.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

29 Contingent liabilities

Macadamia Marketing International Pty Ltd and Pacific Gold Macadamias Pty Ltd provided an unlimited guarantee to the National Australia Bank for the obligations of Macadamia Processing Company Ltd. The directors are of the opinion that such guarantees are unlikely to have any financial impact on the company in the foreseeable future.

30 Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, payables and bank loans.

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the group's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. During the period, most of the group’s transactions are in Australian dollars, and while there are sales and purchases made in foreign currencies, the movement in foreign exchange did not have a material impact to the overall financial performance of the group.

The group is not exposed to any significant price risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rates related primarily to the Group's short and long term debt obligations. Interest rate risk is managed by having a mixture of fixed and floating rate debt.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

30 Financial risk management (continued)

	Weighted average interest rate %	Within 1 year $	1 to 5 years $	Remaining contractual maturities $
Consolidated - 31 March 2019				
Financial liabilities				
Trade and other payables	-	**6,389,019**	**-**	**6,389,019**
Bank loans	2.83	**-**	**3,020,000**	**3,020,000**
Total financial liabilities		**6,389,019**	**3,020,000**	**9,409,019**
Consolidated - 31 March 2018				
Financial liabilities				
Trade and other payables	-	4,836,234	-	4,836,234
Bank loans	3.38	3,995,000	1,475,000	5,470,000
Total financial liabilities		8,831,234	1,475,000	10,306,234
Parent - 31 March 2019				
Financial liabilities				
Trade and other payables	-	**6,389,019**	**-**	**6,389,019**
Bank loans	2.83	**-**	**3,020,000**	**3,020,000**
Total financial liabilities		**6,389,019**	**3,020,000**	**9,409,019**
Parent - 31 March 2018				
Financial liabilities				
Trade and other payables	-	4,836,234	-	4,836,234
Bank loans	3.38	3,995,000	1,475,000	5,470,000
Total financial liabilities		8,831,234	1,475,000	10,306,234

31 Company details

The registered office and the principal place of business of the Group is:

Macadamia Processing Co Limited
2 Cowlong Road
Alphadale NSW 2480

Macadamia Processing Co Limited
ABN 93 002 607 972

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 32, are in accordance with the Corporations Act 2001 and:

(a) comply with Australian Accounting Standards;

(b) give a true and fair view of the financial position as at 31 March 2019 and of the performance for the year ended on that date of the consolidated group; and

(c) comply with the International Financial Reporting Standards as disclosed in Note 1

2. In the directors' opinion there are reasonable grounds to believe that the company 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 Directors.

Christopher Robert Ford Director	Scott David Norval Director

Dated: 17 July 2019

RSM Australia Partners
Level 13, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 (0) 2 8226 4500
F +61 (0) 2 8226 4501
www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Macadamia Processing Company Limited

Opinion

We have audited the financial report of Macadamia Processing Company Limited (the Company), which comprises the statement of financial position as at 31 March 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 31 March 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2019, but does not include the financial report and the 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, 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 for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 are responsible for assessing the ability of the Company 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 either intend to liquidate the Company 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 this 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.

RSM

RSM Australia Partners

GNS

G N Sherwood
Partner

Sydney, NSW, dated 24 July 2019