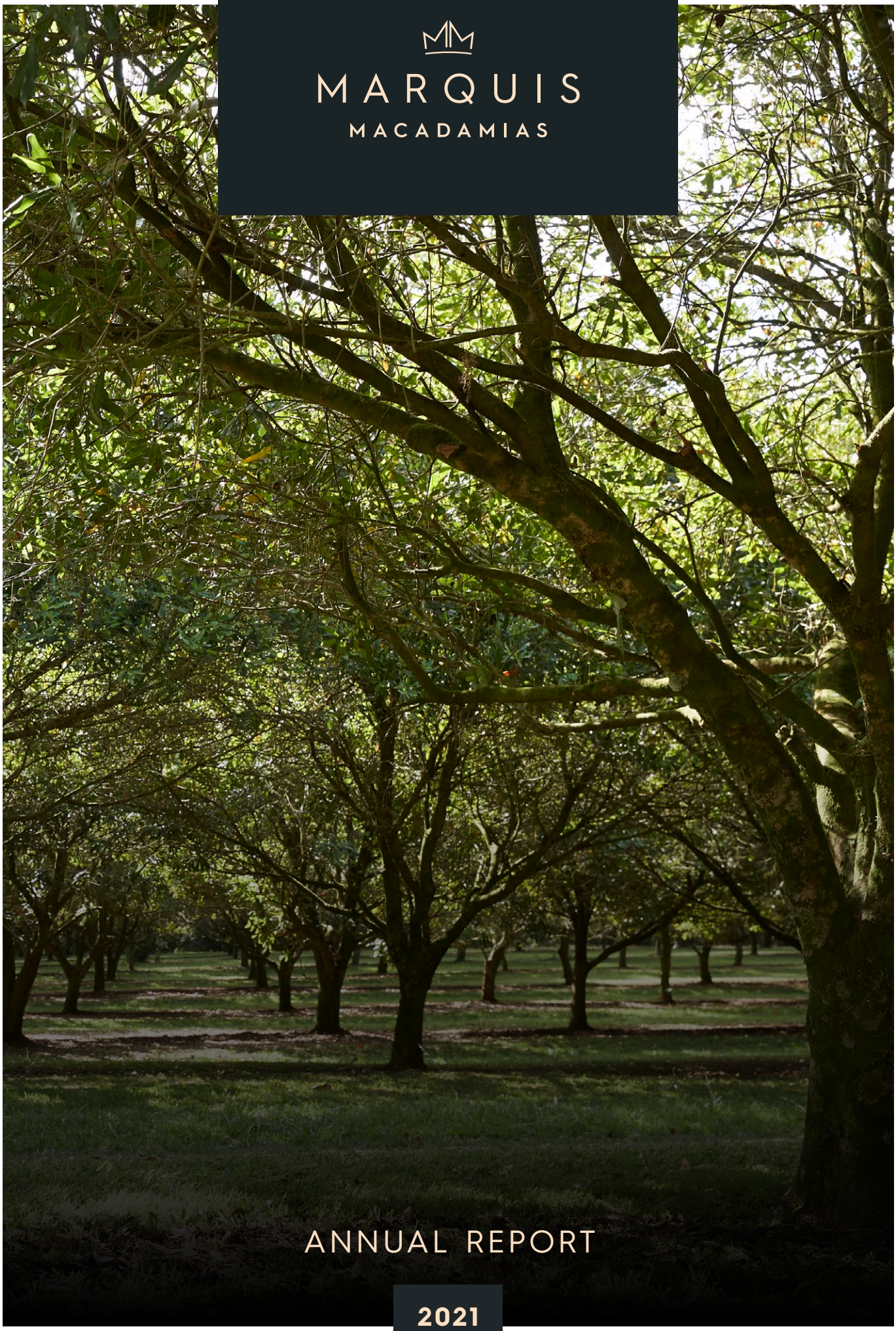
MARQUIS
MACADAMIAS



# ANNUAL REPORT

2021


## ANNUAL GENERAL MEETING 2021

The 39th Annual General Meeting for Marquis Macadamias Limited will be held at 10.00am (AEST) on Friday, 27 August 2021.

### Meeting in Person

The Meeting will be held at Ballina Surf Club, 65 Lighthouse Parade, East Ballina NSW 2478. However, please note that due to COVID-19 restrictions at the venue, we are limited to the number of Shareholders able to attend the Meeting in person. For those Shareholders attending the Meeting in person, registration is available from 9.15am.

### Virtual AGM

To ensure that all Shareholders can participate even if they are unable to attend the venue, the Meeting will be webcast live via the Lumi online platform. You will be able to listen to the proceedings, view the presentation, ask questions and vote.

Further information on how to participate in the Meeting is provided in the Notice of Annual General Meeting which you can access at http://marquis.com/agm-2021/.

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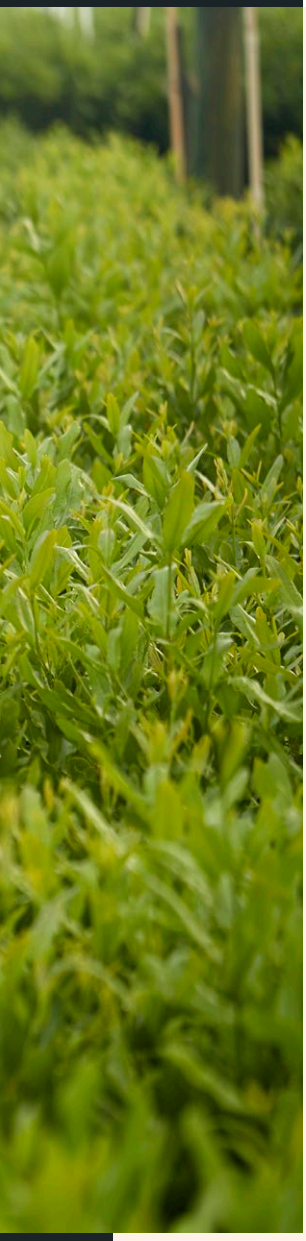
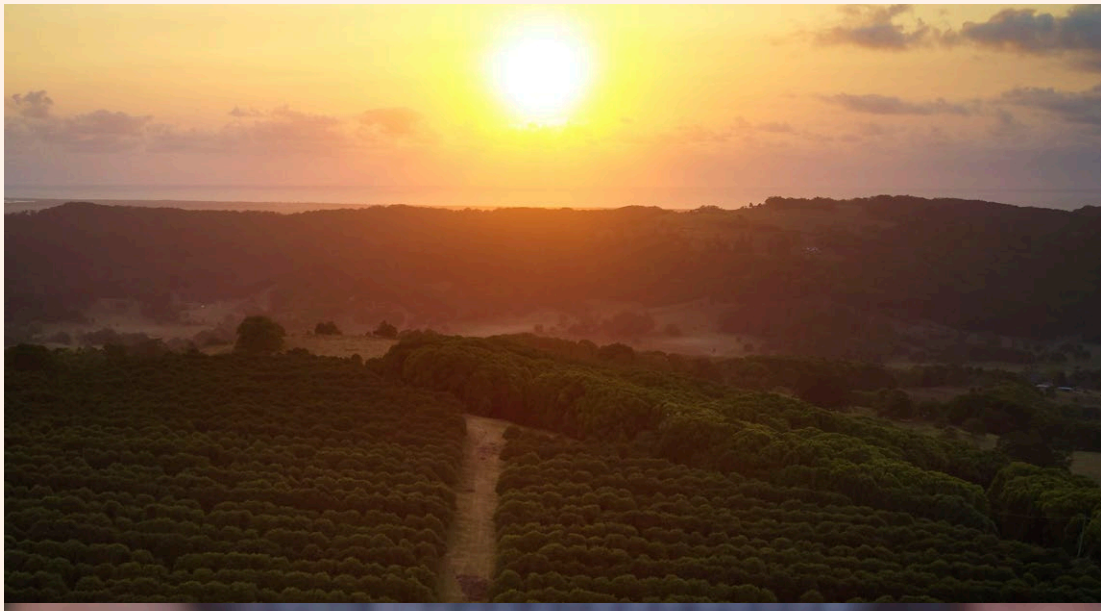
Marquis Macadamias Ltd ABN 93 002 607 972



# OUR MISSION

**Our mission is to lead the continued growth and development of the macadamia industry around the world. We want people everywhere to experience both the delicious taste and impressive health benefits of the Queen of nuts.**



# HIGHLIGHTS

**100%**
GROWER-OWNED

**21,000T**
NIS PROCESSED

**45**
GLOBAL EXPORT COUNTRIES

**352+**
STAFF ACROSS 3 LOCATIONS

**360+**
AUSTRALIAN GROWERS

**42%**
OF TOTAL AUSTRALIAN CROP

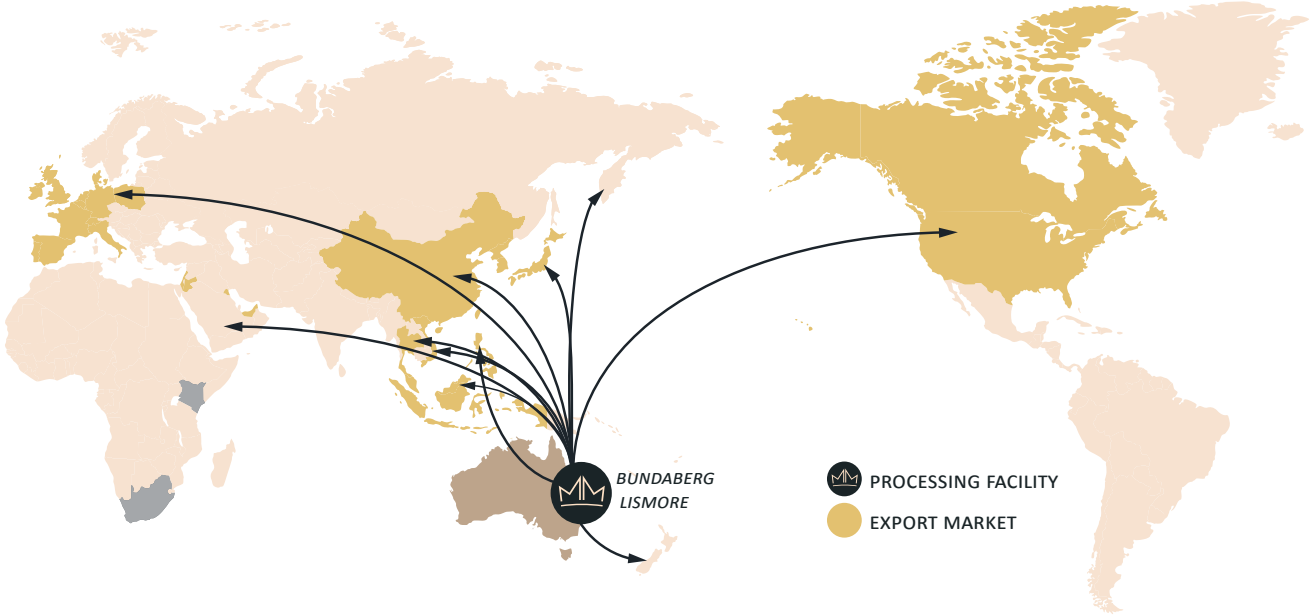
# OVERVIEW

The Marquis Group of companies is the world's largest macadamia grower, processor and marketer providing superior quality macadamias to customers across the globe. We work with multinational wholesalers and some of the largest and most popular food manufacturing brands and retailers.

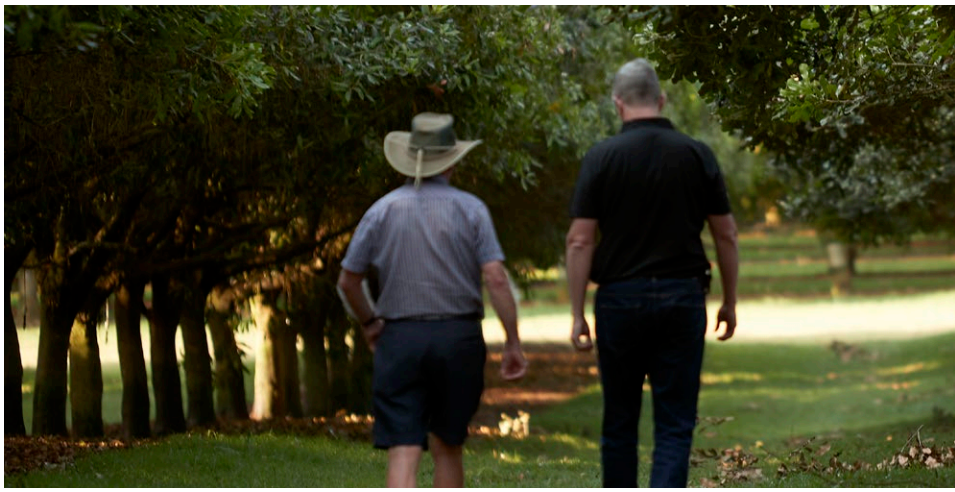
Marquis's best-in-class products include an extensive variety of nut-in-shell and kernel, along with value adding capabilities for bespoke products.

# ORGANISATIONAL STRUCTURE


# GEOGRAPHIC OPERATIONS



# CHAIR'S LETTER



## DEAR SHAREHOLDER

Thank you for the opportunity to report on the 2020 season. It seems slightly pessimistic to begin this report with reference to the current global pandemic, however what most of us hoped would be a relatively short interruption to our way of lives, has turned into a test of our endurance. At the time of preparing this report, many states of Australia, including regions of New South Wales, are again in lockdown as a result of COVID-19 virus outbreaks.

The virus has impacted our business in terms of communicating with Growers, processing nut-in-shell, including the challenge of having relatively large numbers of people in close proximity, as well as making our customers more cautious in their buying activities as their own businesses have dealt with closures and restrictions. Our Marquis management team have continued to manoeuvre through this challenging period, keeping our staff protected and using technology to stay in touch with customers.

Pleasingly, our business has displayed a level of resilience in the face of this global challenge. The Company (Consolidated Entity) reported a post-tax profit of $9.078 million compared to $3.123 million in the prior year. At first glance, this appears to be a significant improvement in profit, however these results include the value of unrealised Foreign Exchange Contracts (FECs) impacting across the financial years.

When the impact of the movements in FECs is removed (as noted last year we had to book a large foreign exchange loss on FECs held at March 2020 which then reversed in 2020/21 financial year), the challenging environment resulted in Marquis achieving a pre-tax profit of $0.983 million compared to the $14.106 million prior year. This decrease in profit can be attributed to two main factors. Firstly, Marquis paid approximately $9.0 million more to Growers in the 2020 season with a final $6.20 price per kilogram for NIS at 33% kernel recovery + a new quality bonus compared to a final $5.80 price in the previous year. Secondly, our sales prices and sales volume in certain styles reduced during the year because of the impact of COVID-19, and stock that was held at the end of year had to be written down by $2.3 million to reflect the lower average sales prices achievable in this environment.

FECs are held to protect the notional price paid to Growers, and the Board takes a conservative policy regarding foreign exchange cover. During this year, we have changed the way of accounting for unrealised movements in FECs to provide a clearer view of the operating results of the Marquis Group. This change will see the Marquis Group apply a hedge accounting policy, which accounts for any unrealised movements in the valuation of foreign exchange contracts through the companies reserves, and not through the profit and loss.

The directors of Marquis Macadamias Ltd declared a dividend of 40 cents for the 2020 season to be paid in the 2021/22 financial year.

The consolidated net asset position of the Group has increased to $52.426 million from $45.470 million the previous year. This increase was driven by the profit after tax of $9.078 million which as noted above included the reversal of the FEC booked last year (See Change in Equity on page 19).

Operationally, Marquis continued its progression as an Australian and global leader. The brand consolidation that commenced in the previous year under the Marquis banner continued, and our South African partners have now changed their trading name from Global to Marquis. We continue to closely monitor our combined processing capacity and refine quality specifications across the business. Our aim is to ensure we can deliver a very consistent product to our customers, regardless of origin, which in turn provides flexibility to meet demands for particular styles. We are now truly part of a growing, global business.

*Our aim is to ensure we can deliver a very consistent product to our customers, regardless of origin, which in turn provides flexibility to meet demands for particular styles. We are now truly part of a growing, global business.*

Whilst optimism is good and necessary for any business, we must stay aware of the challenges that lie ahead. The industry is growing quickly both here in Australia and globally. You may have heard our CEO, Larry McHugh speak at events during the year, stating that forecasts are reliably pointing to a doubling of the global crop over the next four years, with a similar level of growth expected in Australia.

These additional nuts will need to be processed and marketed, and at present there is not the processing capacity or ready markets to absorb the crop.

In addition to fostering the establishment of the World Macadamia Organisation, Marquis is executing dual strategies to directly address these issues. The first strategy is the expansion of our processing capacity and we will keep our Shareholders updated as we investigate options to increase our processing capacity. Expansion is likely to be undertaken in stages and in preparation we will invite new equity into Marquis via new Shareholders.

Secondly, we continue to invest in building our systems and distribution network for bulk nut sales. Bulk sales are our core business, and with the significant growth expected in the amount of crop available for sale, it is sensible to focus most of our marketing resources here. We also have some resources directed at the development of new or niche products and will continue to work with retailers and other partners to demonstrate that we can take product from concept through to shop ready, together with a Marquis brand perfect for display.

This is an appropriate forum to recognise some long-term and valued contributors to Marquis and I sincerely acknowledge the work of our two directors who retired at last year's AGM. Mr Chris Ford served as Director and Chairman for over a decade and we thank him for the counsel and guidance he provided during his tenure. Mr Scott Norval was also a long serving director and, like Chris, provided a strong commercial focus for the Company. The intellect and energy they contributed to the Company has left Marquis well placed for future growth.

On behalf of the board, thank you to the Marquis management and staff for your contribution to our Company. The past 18 months under the shadow of COVID-19, has changed some of the ways we do business, and your flexibility in adapting is appreciated. Thank you also to our Shareholders and our customers for being part of our growing business and partnering with us on this journey. We are grateful that you are part of the Marquis family.

**Andrea Lemmon**
Director and Chair

# CEO'S REPORT

**$9.08m**
NPAT

**40 cents**
DIVIDEND PER SHARE FOR 2020 SEASON

**$6.20**
FINAL PRICE PER KG FOR 2020 SEASON

**600kw**
SOLAR INSTALLED

## DEAR SHAREHOLDER

The 2020 season was the 38th year of our Company's operations, and one of the more challenging we have faced due to the extensive effects of the global pandemic. It is fortunate that we grow, process and sell a food product that remained in relatively strong demand despite lockdowns and consumer uncertainty.

The largest effect on our market was in our smaller styles that are predominantly used as an ingredient in products such as ice cream, cookies and chocolates. Many of these products are sold through cafes, restaurants and convenience stores, and throughout lockdowns and capacity restrictions, many of these stores were either closed, or had very low foot traffic. The result was a steep drop in the price of ingredient grades and a consequent increase in stock levels of these styles globally. The general uncertainty in the market also resulted in an easing of prices in some other styles.

The impact of the price reduction on our profit was compounded by a year of poor-quality deliveries in Bundaberg, resulting in slower processing and increased costs. Fortunately, the Australian dollar weakened against the US dollar during the year which had a positive effect on our income.

The combination of lower prices, poor quality in Bundaberg and a favourable exchange, resulted in a smaller than forecast profit for the Company, but we were still able to pay a record price of $6.20/kg for NIS, and declare a $0.40 dividend to our Shareholders.

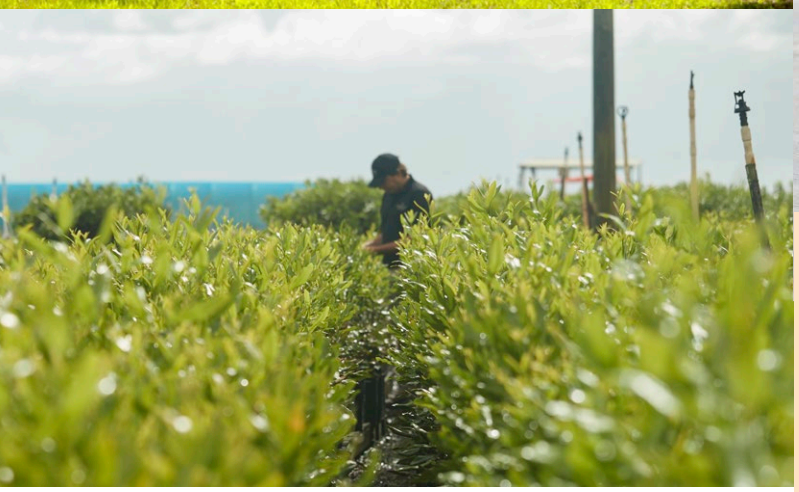
Disruptions to the world markets such as global pandemics are not within our control, but we have shown over our 37 years of processing and selling our Growers' crop, that we are resilient. We have learnt that irrespective of the conditions we are facing, we must continue to prepare for the future.

Part of these preparations was the installation of a new cracking room in the Lismore factory in early 2020, which has proven to be reliable and capable of very high throughput. We continue to invest in colour sorting technology in both factories as part of our quality improvement and cost reduction program. In 2020, we installed a new pouch filling machine in our retail packing line at Bundaberg that improved our packing rate by a factor of five, and considerably reduced costs.

The focus of our investment over the next few years will be to increase capacity whilst becoming more automated. This will require investment in machines, technology and IT and data platforms. These investments represent our preparations to remain strong for many years to come.

We are also mindful of the need to keep diversifying and investing in new product development to help grow the market and improve the returns from the crop. In the 2020 season, we purchased and commissioned a pasting line, which has provided an alternative stream for kernel in our processing line and opportunities to access new products being developed around the world. We also developed and successfully sold a new honey roast recipe with a much lower sugar content, and more honey flavour, than many competing products. In addition, we worked with a large retailer to develop a vanilla flavoured sawn NIS with natural ingredients, and this product is being manufactured in Lismore and shipped around the world.

The Company reached a significant milestone in 2020 when Global Macadamias purchased a 50% share of Marquis Marketing, which was formerly 100% owned by Marquis Macadamias. Marquis Marketing now sells kernel and NIS from the world's top 3 producing countries as well as Zimbabwe, Malawi and Mozambique. As a result of Global joining our Group, we now have access to increasing amounts of product allowing us to continue to build market for the rapidly growing


*Whilst our business is growing increasingly more complex, our main goals remain the same: build processing capacity; create demand to ensure our Growers remain profitable; and to ensure that farm values remain stable or increase.*

world crop. In early 2021, Global Macadamias changed their name to Marquis Macadamias. The Marquis brand is now consistent across the Group and well known around the world.

Marquis Marketing revenue is now approaching $300 million annually and its macadamia supply comes from 6 countries with sales into 45 countries.

In Australia, Marquis Macadamias runs the two largest processing plants and coordinates delivery of crop from across our growing regions. We then process, pack and distribute products throughout Australia and the world. Recent research indicates there are 30,000 hectares of macadamias planted in Australia, currently producing approximately 50,000 tonnes. Over the coming five years we will see the Australian crop rise rapidly towards 90,000 tonnes. Marquis Macadamias has plans to deal with these increases through expansions in Bundaberg and Lismore.

Whilst our business is growing increasingly more complex, our main goals remain the same: build processing capacity; create demand to ensure our Growers remain profitable; and to ensure that farm values remain stable or increase.

I would like to take this opportunity to thank all the Growers who have supported us during the 2020 season. We look forward to continuing the partnership over the coming years as we continue the work we started in 1983.

**Larry McHugh**
*Chief Executive Officer*

# BOARD OF DIRECTORS

Marquis Macadamias is led by an experienced team of Directors.

**ANDREA LEMMON** | *Director and Chair*

Andrea has spent most of her career in the agriculture industry having worked at Rural Funds Management, Perth Markets Ltd and Market City Operator. During her extensive time with Rural Funds Management, her role included a variety of senior executive corporate roles and she was responsible for overseeing large investments into the macadamia industry, such investments included acquiring 250ha of orchards over three sites in the Bundaberg Queensland region.

During Andrea's previous role as Director of Perth Markets Ltd and Market City Operator she oversaw Perth's only wholesale fruit and vegetable market with $700m of throughput, representing approximately 60% of WA's fresh fruit and vegetables, linking 2,600 growers with 600 buyers.

**PETER COSTI** | *Non-Executive Director*

Carpenter, Joiner and Macadamia farmer. Peter has 26 years involvement in the building industry as a director and shareholder of a commercial construction company and a residential building company. He has 20 years' experience in the macadamia industry.

Peter has a Building Diploma and is a member of the Remuneration Committee.

**PHIL ZADRO** | *Non-Executive Director*

Phil acquired his first macadamia property in 1978 and founded Macadamia Processing Company (now Marquis Macadamias) in 1983. He has significant plantings both in Australia and South Africa and has been critical to the growth of the Group from its humble beginnings in 1983.

**ANDREW LESLIE** | *Non-Executive Director*

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 his macadamia farm for 5 years and started a macadamia skin care range in March 2017 selling products to retail outlets throughout Australia and overseas.

Andrew has a Bachelor of Economics and a Post Graduate Diploma of Financial Management from the University of New England in Armidale, NSW. He is a member of the Remuneration Committee.

**PETER ZADRO** | *Non-Executive Director*

For the last 14 years full time involvement with the family business consisting of macadamia plantations in QLD, NSW and South Africa. His 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.

Peter has a Bachelor of Rural Science (Hons) University of New England, Armidale NSW.

**DONALD ROSS** | *Non-Executive Director*

Donald has over 30 years' experience in the macadamia industry after developing several farms in the northern rivers of NSW and also the Bundaberg, Queensland region. Donald's previous roles include Managing Director and Chief Executive Officer for large public and private companies. He has a Bachelor of Engineering from Sydney University and MBA, Master of Commercial Law and PhD from Macquarie University.

**CLAYTON MATTIAZZI** | *Non-Executive Director*

Has been in the macadamia industry for 13 years and has wide ranging experience in all aspects of macadamia production including nursery management, farm development, orchard management and post-harvest handling.

Clayton has a Bachelor of Applied Sciences (B.A.Sc) Agronomy and Crop Science (University of Queensland).

# DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Marquis Macadamias Ltd and the entities it controlled at the end of, or during, the year ended 31 March 2021.

## DIRECTORS

The following persons were directors of Marquis Macadamias Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Peter John Costi
- Christopher Robert Ford (Resigned 28 August 2020)
- Andrew Jon Leslie
- Clayton Joel Mattiazzi
- Scott David Norval (Resigned 28 August 2020)
- Andrea Joan Lemmon (Appointed 28 August 2020)
- Fermino Carl Zadro
- Peter Michael Zadro
- Donald Keith Ross (Appointed 28 August 2020)

## PRINCIPAL ACTIVITIES

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

## DIVIDENDS

Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| Dividend paid in the year ended 31 March 2021 of 40 cents (31 March 2020: 80 cents) per ordinary share | 1,007,315 | 1,538,350 |
| | 1,007,315 | 1,538,350 |

**A dividend of 40 cents per ordinary ($1,012,169) share was declared during the year and will be paid in the year ending 31 March 2022.**

## REVIEW OF OPERATIONS

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $9,078,210 (31 March 2020: $3,123,227).

The financial position of the consolidated entity remains strong with a large asset base, which is being fully utilised. Even with the downturn in the global economy, the forecast profitability of the Group remains strong and with continued support from our banking partners, the Group can expect another year of strong financial performance.

The macadamia industry continues to grow in size with new growers, processors and marketers entering the market both domestically and internationally. Demand for macadamias remains strong despite the uncertainty created by the global COVID-19 pandemic. The world macadamia crop is expected to continue expanding with the industry evolving at a rapid pace. The Group has continued to invest in its brand, factories, staff and IT infrastructure so that it can meet future challenges head on. The prospects for the macadamias industry continue to look positive.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 17 August 2020, Marquis Marketing Pty Ltd issued additional share capital equal to 50% of the equity to Global Macadamias Marketing Pty Ltd, a subsidiary of Global Macadamias (Global Macadamias has subsequently rebranded Marquis Macadamia Africa). This strategic decision was made to strengthen Marquis reach within the global market and expand its supply through a group of growers in Africa with similar goals as the co-operative in Australia.

The 2021 results have been reported as the consolidated results of the Group which includes 100% of Marquis Marketing up to August 2020 and post that date the results of Marquis Marketing Pty Ltd are shown in one line as Share of profit/(loss) of associates, whereas the 2020 comparatives include 100% of Marquis Marketing and Marquis Macadamias for the full year.

The Group underwent a rebranding exercise that was approved by shareholders at an EGM on 2 October 2019. The new 'Marquis' name was adopted across the Group in February 2020 and has been extremely well received across the broader industry.

As at 1 April 2020, a tax consolidated group was formed between Pacific Gold Macadamias Pty Ltd and Marquis Macadamias Ltd. The assets and liabilities of Pacific Gold Macadamias were transferred to Marquis Macadamias Ltd during the course of the 2021 financial year.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

# Directors' Report continued

## INFORMATION ON DIRECTORS

| | |
|---|---|
| Name: | **Peter John Costi** |
| Title: | Director (non-executive) |
| Qualifications: | Building Diploma |
| Experience and expertise: | Carpenter, Joiner and Macadamia farmer. Peter has 27 years involvement in the building industry as a director and shareholder of a commercial construction company and a residential building company. He has 21 years' experience in the macadamia industry. |
| Special responsibilities: | Remuneration Committee, Treasury Management Committee |
| Name: | **Andrea Joan Lemmon** |
| Title: | Director (non-executive) and Chairman |
| Qualifications: | Diploma of Financial Planning from Griffith University |
| Experience and expertise: | Spent most of her career in the agriculture industry having worked at Rural Funds Management, Perth Markets Ltd and Market City Operator. During her extensive time with Rural Funds Management, her role included a variety of senior executive corporate roles, and she was responsible for overseeing large investments into the macadamia industry, such investments included acquiring 250ha of orchards over three sites in the Bundaberg Queensland region. |
| Special responsibilities: | Remuneration Committee, Treasury Management Committee |
| Name: | **Andrew Jon Leslie** |
| Title: | 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 and expertise: | 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 20 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 his macadamia farm for 6 years and started a macadamia skin care range in March 2017 selling products to retail outlets throughout Australia and overseas. |
| Special responsibilities: | Remuneration Committee |
| Name: | **Clayton Joel Mattiazzi** |
| Title: | Director (non-executive) |
| Qualifications: | Bachelor of Applied Sciences (B.A.Sc) Agronomy and Crop Science (University of Queensland) |
| Experience and expertise: | Has been in the macadamia industry for 14 years and has wide ranging experience in all aspects of macadamia production including nursery management, farm development, orchard management and post-harvest handling. |
| Special responsibilities: | None |
| Name: | **Donald Keith Ross** |
| Title: | Director (non-executive) |
| Qualifications: | Bachelor of Engineering (Sydney University), MBA, M. Com. Law and PhD (Macquarie University) |
| Experience and expertise: | Has over 20 years management experience as Managing Director/Chief Executive Officer and Director in large public and private companies mainly within the Building and Constructions industry. He has over 30 years' experience in the macadamia industry developing farms in the northern rivers of NSW and Bundaberg in Queensland. |
| Special responsibilities: | Treasury Management Committee and Remuneration Committee |

| | |
|---|---|
| Name: | **Fermino (Phil) Carlo Zadro** |
| Title: | Director (non-executive) |
| Experience and expertise: | Phil acquired his first macadamia property in 1978 and founded Macadamia Processing Company (Now Marquis Macadamias) in 1983. He has significant plantings both in Australia and South Africa and has been critical to the growth of the group from its humble beginnings in 1983. |
| Special responsibilities: | None |
| Name: | **Peter Michael Zadro** |
| Title: | Director (non-executive) |
| Qualifications: | Bachelor of Rural Science (Hons) University of New England, Armidale NSW |
| Experience and expertise: | 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. |
| Special responsibilities: | None |

## COMPANY SECRETARY

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

Mr Ivan Giuricich – Bachelor of Accounting Science (University of the Witwatersrand South Africa), member of South African Institute of Chartered Accountants (SAICA) since 2016. Mr Giuricich resigned as company secretary on 31 March 2021.

Ms Emma Nicole Rose – Bachelor of Business, member of CPA since 2015.

Mr Larry McHugh – CEO of Marquis Macadamias Limited, Appointed company secretary 31 March 2021.

## MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 March 2021, and the number of meetings attended by each Director were:

| | Full board | |
|---|---|---|
| | **Attended** | **Held** |
| Peter John Costi | 15 | 15 |
| Christopher Robert Ford (Resigned 28 August 2020) | 6 | 6 |
| Andrew Jon Leslie | 14 | 15 |
| Clayton Joel Mattiazzi | 14 | 15 |
| Scott David Norval (Resigned 28 August 2020) | 5 | 6 |
| Fermino Carlo Zadro | 15 | 15 |
| Peter Michael Zadro | 15 | 15 |
| Donald Keith Ross (Appointed 28 August 2020) | 9 | 9 |
| Andrea Joan Lemmon (Appointed 28 August 2020) | 9 | 9 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

# Directors' Report continued

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

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

## INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the Directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## INDEMNITY AND INSURANCE OF AUDITOR

To the extent permitted by applicable law, the company shall indemnify its auditors, Ernst & Young (Australia), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young (Australia) during or since the financial year.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' Report.

## AUDITOR

Ernst & Young were appointed to office in accordance with section 327 of the Corporations Act 2001 on 2 October 2019.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

**Andrea Lemmon**
*Director (Chair)*

**Peter Costi**
*Director*

Dated: 29 July 2021

# AUDITOR'S INDEPENDENCE DECLARATION

Building a better working world

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

## Auditor's Independence Declaration to the Directors of Marquis Macadamias Limited

As lead auditor for the audit of the financial report of Marquis Macadamias Limited for the financial year ended 31 March 2021, I declare 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.

This declaration is in respect of Marquis Macadamias Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
29 July 2021

# FINANCIAL REPORT



## GENERAL INFORMATION

The financial statements cover Marquis Macadamias Ltd as a consolidated entity consisting of Marquis Macadamias Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Marquis Macadamias Ltd's functional and presentation currency.

Marquis Macadamias Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| **Registered office** | **Principal place of business** |
|---|---|
| 2 Cowlong Road<br>Lismore NSW 2480 | 2 Cowlong Road<br>Lismore NSW 2480 |

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 July 2021. The directors have the power to amend and reissue the financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| Revenue | 3 | 204,007,133 | 200,431,423 |
| Other income | 5 | 3,106,788 | 466,587 |
| **Expenses** | | | |
| Raw materials and consumables used | | (165,667,887) | (142,843,667) |
| Employee benefits expense | | (23,580,508) | (22,260,338) |
| Storage and transport costs | | (2,749,710) | (3,299,723) |
| Depreciation and amortisation expense | 6 | (3,390,516) | (3,305,773) |
| Other expenses | 6 | (10,265,678) | (15,341,904) |
| Finance costs | 6 | (1,316,539) | (1,406,687) |
| Foreign exchange gain/(loss) | | 12,966,205 | (10,335,855) |
| Share of profits/(loss) of associates accounted for using the equity method | 4 | (106,258) | – |
| **Profit before income tax expense** | | 13,003,030 | 2,104,063 |
| Income tax (expense)/benefit | 7 | (3,924,820) | 1,019,164 |
| **Profit after income tax for the year** | | 9,078,210 | 3,123,227 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (102,830) | – |
| Other comprehensive income for the year, net of tax | | – | – |
| **Total comprehensive income for the year** | | (102,830) | **–** |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | | – | – |
| Owners of Marquis Macadamias Ltd | 24 | 9,078,210 | 3,123,227 |
| | | 9,078,210 | 3,123,227 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | | – | – |
| Owners of Marquis Macadamias Ltd | | (102,830) | – |
| | | 8,975,380 | 3,123,227 |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

| | | Consolidated | |
|---|---|---|---|
| **Assets** | **Note** | **2021 $** | **2020 $** |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 2,738,813 | 3,768,061 |
| Trade and other receivables | 9 | 18,843,599 | 26,230,358 |
| Inventories | 10 | 55,813,016 | 47,830,317 |
| Income Tax Receivable | 21 | 3,434,951 | |
| Other | 11 | 414,415 | 398,967 |
| Total current assets | | 81,244,794 | 78,227,703 |
| **Non-current assets** | | | |
| Investments accounted for using the equity method | 12 | 268,742 | – |
| Property, plant and equipment | 13 | 33,916,362 | 32,263,417 |
| Intangibles | 14 | 30,400 | 421,688 |
| Deferred tax asset | 15 | – | 4,931,292 |
| Financial assets | 16 | – | 100 |
| Total non-current assets | | 34,215,504 | 37,616,497 |
| **Total assets** | | 115,460,298 | 115,844,200 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 8,571,991 | 16,837,514 |
| Borrowings | 18 | 48,149,010 | 35,326,026 |
| Foreign Exchange Contracts | 19 | 102,911 | 13,437,600 |
| Lease Liability Current | 20 | 223,764 | 434,024 |
| Contract Liability | | – | 758,577 |
| Income tax payable | 21 | – | 888,436 |
| Employee benefits | 22 | 1,303,362 | 1,177,141 |
| Provisions | 23 | 1,012,069 | – |
| Total current liabilities | | 59,363,108 | 68,859,318 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 2,449,310 | 149,010 |
| Lease Liability Non-current | 20 | 852,973 | 1,205,995 |
| Deferred tax liability | 15 | 107,270 | |
| Employee benefits | 22 | 261,846 | 160,064 |
| Total non-current liabilities | | 3,671,398 | 1,515,069 |
| **Total liabilities** | | 63,034,506 | 70,374,387 |
| **Net assets** | | 52,425,792 | 45,469,813 |
| **Equity** | | | |
| Issued capital | 24 | 13,964,672 | 13,964,689 |
| Reserves | | (102,830) | |
| Retained profits | 25 | 38,563,950 | 31,505,124 |
| **Total equity** | | 52,425,792 | 45,469,813 |

The above statement of financial position should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

| Consolidated | Preference shares $ | Ordinary and A class shares $ | Cash Flow Hedge Reserve $ | Retained profits $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 April 2019 | 66 | 4,403,957 | – | 28,381,897 | 32,785,920 |
| Profit after income tax expense for the year | – | – | – | 3,123,227 | 3,123,227 |
| Total comprehensive income for the year | – | – | – | 3,123,227 | 3,123,227 |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Issue of shares in PGM Merger | – | 9,560,653 | – | – | 9,560,653 |
| Net changes in preference shares (Note 24) | 13 | – | – | – | 13 |
| Dividends paid (Note 26) | – | – | – | – | – |
| **Balance at 31 March 2020** | 79 | 13,964,610 | – | 31,505,124 | 45,469,813 |

| Consolidated | Preference shares $ | Ordinary and A class shares $ | Cash Flow Hedge Reserve $ | Retained profits $ | Total equity $ |
|---|---|---|---|---|---|
| Balance at 1 April 2020 | 79 | 13,964,610 | – | 31,505,124 | 45,469,813 |
| Profit after income tax expense for the year | – | – | – | 9,078,210 | 9,078,210 |
| Total comprehensive income for the year | – | – | (102,830) | – | (102,830) |
| *Transactions with owners in their capacity as owners:* | | | | | |
| Net changes in shares (Note 24) | 1 | (19) | – | – | (18) |
| Dividends paid/declared (Note 26) | – | – | – | (2,019,384) | (2,109,384) |
| **Balance at 31 March 2021** | 80 | 13,964,592 | (102,830) | 38,563,950 | 52,425,791 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 215,731,460 | 199,026,076 |
| Payments to suppliers and employees (inclusive of GST) | | (220,605,045) | (192,527,767) |
| Interest received | | 4,499 | 4,017 |
| Interest and other finance costs paid | | (1,312,039) | (1,070,881) |
| Income taxes paid | | (3,209,645) | (3,449,044) |
| Net cash from/(used in) operating activities | 35 | (9,399,768) | 1,982,401 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (5,182,167) | (5,668,908) |
| Net cash from (used in) investing activities | | (5,182,167) | (5,668,908) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of preference shares | | 1 | 13 |
| Dividends paid | 26 | (1,007,315) | (1,538,350) |
| Proceeds/(Repayment) of borrowings | | 14,560,002 | 6,868,310 |
| Net cash from/(used in) financing activities | | 13,552,688 | 5,329,973 |
| Net increase/(decrease) in cash and cash equivalents | | (1,029,248) | 1,643,4661 |
| Cash added from consolidation | | – | 1,304,227 |
| Cash and cash equivalents at the beginning of the financial year | | 3,768,061 | 820,368 |
| **Cash and cash equivalents at the end of the financial year** | 8 | 2,738,813 | 3,768,061 |

The above statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

31 March 2021

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

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

The following Accounting Standards and Interpretations are most relevant to the consolidated 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').

#### *Going Concern*

The financial statements have been prepared on a going concern basis. The directors are confident of renewing the seasonal financing facilities upon expiration 31 May 2022. The Directors note the facilities are historically renewed on an annual basis.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 30.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marquis Macadamias Ltd ('company' or 'parent entity') as at 31 March 2021 and the results of all subsidiaries for the year then ended. Marquis Macadamias Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

# Notes to the financial statements continued

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## Foreign currency translation

The financial statements are presented in Australian dollars, which is Marquis Macadamias Ltd's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## Revenue recognition

The consolidated entity recognises revenue as follows:

### *Revenue from contracts with customers*

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 a 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 recognised as a refund liability.

### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

### *Rendering of services*

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Marquis Macadamias Ltd (the 'head entity') and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime subsequent to year end. The head entity and each subsidiary in the tax consolidated group will continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under the tax consolidation with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax consolidation ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

## Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

# Notes to the financial statements continued

## Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

## 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 consolidated entity 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained, or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

## Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## Financial Instruments including Derivative financial instruments

### *Investments*

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges: when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item.

### *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income as other operating expenses. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

### Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

### Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

# Notes to the financial statements continued

### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

## Property, plant and equipment

Land and buildings are shown at cost less accumulated depreciation.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Buildings | 25 – 40 years |
| Plant and equipment | 2.5 – 20 years |
| Motor Vehicles | 5 – 8 years |
| Computer Equipment | 3 – 4 years |
| Software | 5 years |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

## Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

## Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### *Software*

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

## Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

## Employee benefits

### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

# Notes to the financial statements continued

### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

## Issued capital

Ordinary shares, preference shares, and 'A Class' shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

## Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 March 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## NOTE 2. CRITICAL 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 and estimates 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, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

# Notes to the financial statements continued

### Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

### Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

### Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### COVID-19

On 11 March 2020, the World Health Organisation declared COVID-19 as a pandemic. In addition to health and societal issues, it caused disruptions to businesses and economic activity. The scale and duration of these developments had varying impacts on our earnings, cash flow and financial condition as the pandemic sent cities into lockdown in both Australia and overseas at different times. Management has considered continual impact of COVID-19 in performing impairment assessment and establishing the expected credit loss on financial assets. As a result, no adjustments were made to the Group's assets.

### Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

### Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

### Employee benefits provision

As discussed in Note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### Business combinations

As discussed in Note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## NOTE 3. REVENUE

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| *Revenue from contracts with customers* | | |
| Sale of goods | 203,994,524 | 200,324,606 |
| Contract processing | 12,609 | 106,817 |
| | 204,007,133 | 200,431,423 |
| Revenue | 204,007,133 | 200,431,423 |

## NOTE 4. SHARE OF PROFITS OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| **Share of profit/(loss) – associates** | (106,258) | – |

# Notes to the financial statements continued

## NOTE 5. OTHER INCOME

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Interest | 4,499 | 4,017 |
| Insurance | 85,840 | 363,404 |
| Government grant income | 747,593 | 97,666 |
| Gain on loss of control of subsidiary | 111,179 | – |
| Net gain on disposal of property, plant and equipment | – | 1,500 |
| Exchange rate gain realised | 2,033,960 | – |
| Other | 123,717 | – |
| Other income | 3,106,788 | 466,587 |

## NOTE 6. EXPENSES

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Profit before income tax includes the following specific expenses: | | |
| *Finance costs* | | |
| Interest costs | 936,911 | 1,168,109 |
| Other costs | 379,628 | 238,578 |
| | 1,316,539 | 1,406,687 |
| *Depreciation and amortisation* | | |
| Buildings | 721,873 | 684,687 |
| Plant and equipment | 2,176,886 | 1,949,235 |
| Motor vehicles | 55,096 | 5,337 |
| Computer equipment | 85,492 | 15,979 |
| Right-of-use assets | 297,305 | 484,598 |
| Software (Note 14) | 53,864 | 165,937 |
| **Total depreciation** | 3,390,516 | 3,305,773 |
| *Other Expenses* | | |
| Repairs and Maintenance | 1,059,524 | 954,549 |
| Insurance | 1,014,188 | 1,174,824 |
| Consulting Costs | 764,602 | 840,235 |
| Exchange Rate Loss Realised | – | 5,022,549 |
| Contract Processing Services | 3,297,903 | 1,769,220 |
| Other Expenses | 4,129,461 | 5,580,527 |
| **Total Other Expenses** | 10,265,678 | 15,341,904 |

## NOTE 7. INCOME TAX EXPENSE

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| *Income tax expense* | | |
| Current tax | (954,389) | (670,297) |
| Deferred tax – origination and reversal of temporary differences | 4,872,236 | (171,055) |
| Adjustment recognised for prior periods | 6,973 | (177,812) |
| **Aggregate income tax expense (benefit)** | 3,924,820 | (1,019,164) |
| Deferred tax included in income tax expense comprises: | | |
| (Increase)/decrease in deferred tax assets (Note 15) | 183,023 | 870,285 |
| Increase/(decrease) in deferred tax liabilities | (1,340,109) | (538,395) |
| Deferred tax – origination and reversal of temporary differences | (1,157,086) | 331,890 |
| Increase/(decrease) in losses | (3,715,150) | 3,714,149 |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Profit before income tax expense | 13,003,030 | 2,466,832 |
| Tax at the statutory tax rate of 30% | 3,900,909 | 740,049 |
| *Less tax effect of:* | | |
| T-Corp loan repayment | – | (1,539,207) |
| Share of net profits joint venture entities netted directly | 31,877 | – |
| | 3,932,787 | (799,158) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Entertainment expenses | 16,111 | 19,462 |
| Franking credits | 1,270 | 26,425 |
| Franking offset | – | (88,081) |
| Adjustment recognised for prior periods | – | (177,812) |
| Profit on loss of subsidiary | (33,354) | – |
| Sundry items | 8,006 | – |
| Adjustment recognised for prior periods | – | – |
| **Income tax expense** | 3,924,820 | (1,019,164) |

# Notes to the financial statements continued

## NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Cash on hand | 1,878 | 1,045 |
| Cash at bank | 2,736,935 | 3,767,016 |
| | 2,738,813 | 3,768,061 |

### Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Balances as above | 2,738,813 | 3,768,061 |
| Balance as per statement of cash flows | 2,738,813 | 3,768,061 |

## NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Trade receivables | 18,563,024 | 26,230,358 |
| | 18,563,024 | 26,230,358 |
| Other receivables | | |
| Amount due from an associate entity | 280,575 | – |
| | 18,843,599 | 26,230,358 |

### 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 18 for further details.

## NOTE 10. CURRENT ASSETS – INVENTORIES

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Raw materials | 7,169,054 | 11,120,205 |
| Finished goods | 48,643,963 | 36,710,112 |
| | 55,813,016 | 47,830,317 |

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2021 amounted to $2,311,707 (31 March 2020: $103,733). The expense has been included in 'Other expenses' in profit or loss.

## NOTE 11. CURRENT ASSETS – OTHER

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Prepayments | 414,415 | 398,967 |
| | 414,415 | 398,967 |

## NOTE 12. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Investment in associates | 268,742 | – |
| | 268,742 | – |

Refer to Note 33 for further information on interests in associates.

# Notes to the financial statements continued

## NOTE 13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Land and buildings – at cost | 19,782,620 | 18,265,179 |
| Less: Accumulated depreciation | (7,698,781) | (6,588,858) |
| | 12,083,839 | 11,676,321 |
| Plant and equipment – at cost | 40,629,618 | 40,367,134 |
| Less: Accumulated depreciation | (20,152,496) | (21,389,113) |
| | 20,477,122 | 18,978,021 |
| Motor vehicles – at cost | 332,698 | 42,699 |
| Less: Accumulated depreciation | (177,956) | (14,711) |
| | 154,742 | 27,988 |
| Computer equipment – at cost | 381,636 | 39,552 |
| | (241,537) | (25,976) |
| | 140,099 | 13,576 |
| Right-of-use assets | 1,669,483 | 2,052,109 |
| Less: Accumulated depreciation | (608,923) | (484,598) |
| | 1,060,560 | 1,567,511 |
| | 33,916,362 | 32,263,417 |

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| Consolidated | Land and buildings $ | Plant and equipment $ | Motor vehicles $ | Computer equipment $ | Right-of-use Assets $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance at 1 April 2019** | **5,892,092** | **7,811,939** | **–** | **–** | **–** | **13,704,031** |
| Additions | 377,643 | 5,344,392 | – | 29,555 | 2,052,109 | **7,803,699** |
| Additions through business combinations | 6,091,273 | 7,770,925 | 33,325 | – | – | **13,895,523** |
| Disposals | | | | – | – | **–** |
| Transfers in/(out) | | | | – | – | **–** |
| Depreciation expense | (684,687) | (1,949,235) | (5,337) | (15,979) | (484,598) | **(3,139,836)** |
| **Balance at 31 March 2020** | **11,676,321** | 18,978,021 | 27,988 | 13,576 | 1,567,511 | **32,263,417** |
| Additions | 100,470 | 5,205,333 | 40,211 | 58,378 | – | **5,404,392** |
| Transfers in/(out) | 1,028,921 | (1,385,083) | 167,404 | 163,229 | | **(25,529)** |
| Disposals | – | (144,264) | – | (3,812) | (209,646) | **(357,722)** |
| Loss of Control – Subsidiary | – | – | (25,765) | (5,779) | | **(31,544)** |
| Depreciation expense | (721,873) | (2,176,886) | (55,096) | (85,492) | (297,305) | **(3,336,652)** |
| **Balance at 31 March 2021** | **12,083,839** | **20,477,122** | **154,742** | **140,099** | **1,060,560** | **33,916,362** |

### Collateral pledged

A registered first mortgage has been taken out over land and buildings. Refer to Note 18 for further details.

## NOTE 14. NON-CURRENT ASSETS - INTANGIBLES

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Software – at cost | 1,219,502 | 921,680 |
| Less: Accumulated amortisation | (1,189,102) | (499,992) |
| | 30,400 | 421,688 |
| | 30,400 | 421,688 |

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| **Consolidated** | **Software**<br>**$** | **Total**<br>**$** |
|---|---|---|
| Balance at 1 April 2019 | – | – |
| Additions through business combinations | 587,625 | 587,625 |
| Impairment of assets | – | – |
| Amortisation expense | (165,937) | (165,937) |
| Balance at 31 March 2020 | 421,688 | 421,688 |
| Transfers in/(out) | 25,529 | 25,529 |
| Additions | 18,965 | 18,965 |
| Impairment of assets | (381,918) | (381,918) |
| Amortisation expense | (53,864) | (53,864) |
| **Balance at 31 March 2021** | 30,400 | 30,400 |

## NOTE 15. NON-CURRENT ASSETS/(LIABILITY) - DEFERRED TAX

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| *Deferred tax assets/(liabilities)* | | |
| Accruals and superannuation | 46,137 | 50,590 |
| Provisions – employee benefits | 469,562 | 418,922 |
| Lease assets/liabilities | 4,853 | 21,752 |
| Losses | – | 3,714,150 |
| Deferred Revenue | – | 224,278 |
| Property, plant and equipment – tax allowance | (1,044,218) | 76,105 |
| Other | 416,396 | 425,495 |
| **Closing balance** | (107,270) | 4,931,292 |

# Notes to the financial statements continued

## NOTE 16. NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Shares held in subsidiaries | – | 100 |

## NOTE 17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Trade payables | 7,331,034 | 16,547,981 |
| Sundry payables and accrued expenses | 1,240,957 | 289,533 |
| | 8,571,991 | 16,837,514 |

## NOTE 18. CURRENT LIABILITIES – BORROWINGS

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| *Current* | | |
| Secured liabilities | | |
| Bank loans[(i)] | 48,149,010 | 35,326,026 |
| | 48,149,010 | 35,326,026 |
| *Non-current* | | |
| Secured liabilities | | |
| Bank loans | | 149,010 |
| New South Wales Treasury Access Finance Loan[(ii)] | 2,449,310 | – |
| | 2,449,310 | 149,010 |
| | 50,598,320 | 35,475,036 |

(i) The Group continued to bank with the National Australia Bank for the current financial year. The Group has an aggregate Facility limit of $85,446,782 for the 2021 season (2022 financial year). On 26th July 2021 the facility was renewed with an expiry date of 31st May 2022.

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 Marquis Macadamias Limited, Pacific Gold Macadamias Pty Ltd and Marquis Marketing Pty Ltd.

d) a registered first security agreement of Marquis Macadamias Limited, Pacific Gold Macadamias Pty Ltd and Marquis Marketing Pty Ltd overall present and after-acquired property.

e) an unlimited guarantee from Marquis Macadamias, Pacific Gold Macadamias Pty Ltd and Marquis Marketing Pty Ltd.

(ii) The company used a facility with New South Wales Treasury Corporation for capital projects. The company borrowed a loan of $2,449,310 during the year. The loan bore interest at the 3-month bank bill swap rate plus 0.8%.

## NOTE 19. FOREIGN EXCHANGE CONTRACTS

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| *Current* | | |
| Foreign exchange contracts | 102,911 | 13,437,600 |
| | 102,911 | 13,437,600 |

## NOTE 20. LEASE LIABILITIES

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| *Current* | | |
| Lease Liabilities | 223,764 | 434,024 |
| | 223,764 | 434,024 |
| *Non-current* | | |
| Lease Liabilities | 852,973 | 1,205,995 |
| | 852,973 | 1,205,995 |
| | 1,076,737 | 1,640,019 |

There were no additions to right of use assets or lease liabilities during the year.

## NOTE 21. INCOME TAX PROVISION

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| *Current Asset* | | |
| Provision for income tax | 3,434,951 | – |
| *Current Liability* | | |
| Provision for income tax | – | 888,436 |

# Notes to the financial statements continued

## NOTE 22. CURRENT LIABILITIES – EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Employee benefits | 1,303,362 | 1,177,141 |

### Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Employee benefits obligation expected to be settled after 12 months | 261,846 | 160,064 |

## NOTE 23. CURRENT LIABILITIES – PROVISIONS

| | Consolidated | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Provisions for dividend | 1,012,069 | – |
| | 1,012,069 | – |

### Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

| Consolidated – 2021 | Dividend $ |
|---|---|
| Carrying amount at the start of the year | – |
| Additional provisions recognised | 1,012,069 |
| Amounts transferred from non-current | – |
| Amounts used | – |
| Unused amounts reversed | – |
| Carrying amount at the end of the year | 1,012,069 |

## NOTE 24. EQUITY – ISSUED CAPITAL

| | Consolidated | | | |
|---|---|---|---|---|
| | 2021 Shares | 2020 Shares | 2021 $ | 2020 $ |
| Preference shares | 80 | 79 | 80 | 79 |
| A class shares – fully paid | 289,519 | 291,131 | 542,941 | 533,639 |
| Ordinary shares – fully paid | 2,519,903 | 2,518,291 | 13,421,651 | 13,430,971 |
| | 2,809,502 | 2,809,501 | 13,964,672 | 13,964,689 |

### Movements in preference share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 April 2019 | 66 | | 56 |
| Cancellation of shares | 22 August 2019 | (3) | $1.00 | (3) |
| Issue of shares | 2 October 2019 | 10 | $1.00 | 10 |
| Issue of shares | 6 November 2019 | 6 | $1.00 | 6 |
| Balance | 31 March 2020 | 79 | | 79 |
| Issue of shares | 4 March 2021 | 1 | $1.00 | 1 |
| **Balance** | **31 March 2021** | **80** | | **80** |

### 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.

### Movements in A class share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 1 April 2019 | 252,069 | | 469,700 |
| Conversion between ordinary and A class | 31 March 2020 | 39,062 | $1.63 | 63,939 |
| **Balance** | **31 March 2020** | **291,131** | | **533,639** |
| Conversion between A Class to ordinary | 31 March 2021 | (11,880) | $1.70 | (20,240) |
| Conversion between ordinary to A class | 31 March 2021 | 10,268 | $2.88 | 29,542 |
| **Balance** | **31 March 2021** | **289,519** | | **542,941** |

# Notes to the financial statements continued

## Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

## Movements in ordinary share capital

| Details | Date | Shares | Issue price | $ |
|---|---|---|---|---|
| Balance | 31 March 2019 | 1,922,938 | | 3,934,257 |
| Issue of shares in PGM Merger | 30 April 2019 | 634,415 | $15.07 | 9,560,634 |
| Conversion between ordinary and A class | 31 March 2020 | (39,062) | $1.63 | (63,939) |
| Issue of share | 31 March 2020 | 1 | $18.75 | 19 |
| Balance | 31 March 2020 | 2,518,291 | | 13,430,971 |
| Conversion between A Class to ordinary | 31 March 2021 | 11,880 | $1.70 | 20,240 |
| Conversion between ordinary to A class | 31 March 2021 | (10,268) | $2.88 | (29,542) |
| Cancellation of share | 31 March 2021 | | $18.75 | (19) |
| **Balance** | **31 March 2020** | **2,517,923** | | **13,421,651** |

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 31 March 2020 Annual Report.

## NOTE 25. EQUITY – RETAINED PROFITS

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Retained profits at the beginning of the financial year | 31,505,124 | 28,381,897 |
| Profit after income tax expense for the year | 9,078,210 | 3,123,227 |
| Dividends declared (Note 26) | (2,019,384) | – |
| **Retained profits at the end of the financial year** | 38,563,950 | 31,505,124 |

## NOTE 26. EQUITY – DIVIDENDS

### Dividends

Dividends paid during the financial year were as follows:

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Final dividend declared in the year ended 31 March 2021 (2020 Season) of 40 cents per ordinary share | 1,012,069 | – |
| Final dividend paid in the year ended 31 March 2021 of 40 cents (2019 Season) (2020: 80 cents, 2018 Season) per ordinary share | 1,007,315 | 1,538,350 |
| | 2,019,384 | 1,538,350 |

### Franking credits

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| **Franking credits available for subsequent financial years based on a tax rate of 30%** | 13,282,251 | 11,055,203 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## NOTE 27. FINANCIAL INSTRUMENTS

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

### Financial risk management objectives

The consolidated entity'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 consolidated entity'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 consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Chief Financial Officer ('finance') and Treasury Management Committee under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

# Notes to the financial statements continued

## Market risk

### *Foreign currency risk*

The consolidated entity 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 entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. During the period, most of the consolidated entity's costs are in Australia Dollars but the majority of the sales transactions are in foreign currencies, the board has taken out the appropriate foreign exchange cover to ensure that the operating profitability of the Group is not impacted.

### *Price risk*

The consolidated entity is not exposed to any significant price risk.

### *Interest rate risk*

The consolidated entity's exposure to market risk for changes in interest rates related primarily to the consolidated entity'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 consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity 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 consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

## Liquidity risk

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

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

### *Financing arrangements*

Unused borrowing facilities at the reporting date:

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| Bank overdraft | 400,000 | 400,000 |
| | 400,000 | 400,000 |

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

### *Remaining contractual maturities*

The following tables detail the consolidated entity'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.

| Consolidated – 2020 | Weighted average interest rate % | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| *Financial liabilities* | | | | | |
| Trade payables | – | 16,837,514 | – | – | 16,837,514 |
| Bank loans | 1.52% | 48,763,626 | 149,010 | – | 48,912,636 |
| Total financial liabilities | | 65,601,140 | 149,010 | – | 65,750,150 |

| Consolidated – 2020 | Weighted average interest rate % | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|
| *Financial liabilities* | | | | | |
| Trade payables | – | 8,571,991 | – | – | 8,571,991 |
| Bank loans | 1.67% | 48,251,921 | 2,449,310 | – | 50,701,231 |
| Total financial liabilities | | 56,823,912 | 2,449,310 | – | 59,273,222 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

### Compensation

The term 'key management personnel' (KMP) refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity (i.e. Group), directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The Directors and other key management personnel of the consolidated entity during or since the end of the financial year were:

### Directors:

Peter John Costi

Christopher Robert Ford (Resigned 28 August 2020)

Andrew Jon Leslie

Clayton Joel Mattiazzi

Andrea Joan Lemmon (Appointed 28 August 2020)

Scott David Norval (Resigned 28 August 2020)

Fermino Carl Zadro

Peter Michael Zadro

Donald Keith Ross (Appointed on 28 August 2020)

All of the Directors listed above are related parties to the consolidated entity due to their direct or indirect shareholding in the consolidated entity.

# Notes to the financial statements continued

### Executive officers:

Larry McHugh (Chief Executive Officer)
Steven Lee (Chief Operations Officer)
Ivan Giuricich (Chief Financial Officer) – Resigned 31 March 2021
Justin Truscott (Chief Financial Officer) – Commenced 13 January 2021
Charles Cormack (General Manager – Marquis Marketing Pty Ltd)

The aggregate compensation made to key management personnel of the consolidated entity is set out below.

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| Short-term wages and salaries | 1,035,388 | 1,125,786 |
| Termination benefits | – | 49,103 |
| Superannuation | 98,191 | 110,266 |
| Post-employment benefits | – | 283,589 |
| Share Based Payments | – | – |
| | 1,133,579 | 1,568,744 |
| **Total KMP Excluding Directors** | **5** | **5** |

## NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Ernst and Young, the auditor of the company, its network firms and unrelated firms:

| | Consolidated | |
|---|---|---|
| | **2021 $** | **2020 $** |
| *Audit services* | | |
| Audit of the financial statements – Ernst & Young | 150,000 | 150,000 |
| AASB 16 *Leases – Assurance services* | | 5,000 |
| AASB 15 *Contracts with Customers Assurance services* | | 12,000 |
| Assurance related Acquisition services | | 10,000 |
| | 150,000 | 177,000 |

## NOTE 30. RELATED PARTY TRANSACTIONS

### Parent entity

Marquis Macadamias Ltd is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in Note 32.

### Associates

Interests in associates are set out in Note 33.

### Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

### Transactions with related parties

The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| (i) Purchase of Nut in Shell | | |
| Directors and their director-related entities | 50,699,281 | 56,104,411 |
| (ii) Sale of goods and services | | |
| Revenue from jointly controlled entities | | |
| Macadamia Marketing Pty Ltd | 96,548,342 | – |
| (iii) Trade and other receivables | | |
| Amounts due from jointly controlled entities | | |
| Macadamia Marketing Pty Ltd | 18,815,084 | – |

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

# Notes to the financial statements continued

## NOTE 31. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

| | Parent | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Profit after income tax | 622,251 | 8,598,707 |
| Total comprehensive income | 519,340 | 8,598,707 |

### Statement of financial position

| | Parent | |
|---|---|---|
| | 2021 $ | 2020 $ |
| Total current assets | 81,244,776 | 35,332,979 |
| Total assets | 126,480,025 | 63,237,792 |
| Total current liabilities | (59,363,108) | (17,264,153) |
| Total liabilities | (80,459,845) | (17,726,188) |
| Equity | | |
| Issued capital | 13,964,671 | 13,964,670 |
| Reserves | (102,911) | – |
| Retained profits | 32,158,419 | 31,546,944 |
| Total equity | 46,020,180 | 45,511,605 |

### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

### Contingent liabilities

The parent entity had no contingent liabilities as at 31 March 2021 and 31 March 2020.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 March 2021 and 31 March 2020.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## NOTE 32. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

| | | Ownership interest | |
|---|---|---|---|
| **Name** | **Principal place of business/ Country of incorporation** | **2021 %** | **2020 %** |
| Macadamia Magic Pty Ltd | Australia | 100.00% | 100.00% |
| International Macadamias Ltd | Australia | 100.00% | 100.00% |
| Marquis Macadamias (Qld) Pty Ltd | Australia | 100.00% | 100.00% |
| Marquis Nuts Pty Ltd | Australia | 100.00% | 100.00% |
| Marquis Foods Pty Ltd | Australia | 100.00% | 100.00% |
| Marquis Processing Pty Ltd | Australia | 100.00% | 100.00% |
| Macadamia Processing Co Pty Ltd | Australia | 100.00% | 100.00% |
| Pacific Gold Macadamias Pty Ltd | Australia | 100.00% | 100.00% |
| Marquis Marketing Pty Ltd | Australia | 50.00% | 99.91% |

## NOTE 33. INTERESTS IN ASSOCIATES

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

| | | Ownership interest | |
|---|---|---|---|
| **Name** | **Principal place of business/ Country of incorporation** | **2021 %** | **2020 %** |
| Marquis Marketing Pty Ltd | Australia | 50.00% | 99.91% |

## NOTE 34. EVENTS AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 31 March 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

# Notes to the financial statements continued

## NOTE 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | 2021<br>$ | 2020<br>$ |
| Profit after income tax expense for the year | 9,078,210 | 3,123,227 |
| Adjustments for: | | |
| Depreciation and amortisation | 3,920,510 | 3,305,773 |
| Share of joint ventures net profit after income tax | (106,258) | – |
| Change in operating assets and liabilities (inclusive of business combination): | | |
| Decrease/(increase) in trade and other receivables | 7,385,348 | (7,666,811) |
| Decrease/(increase) in prepayments | (15,448) | (325,981) |
| Decrease (increase) in inventories | (7,982,699) | (8,305,963) |
| Decrease/(increase) in deferred taxes | 5,038,562 | (4,413,919) |
| Decrease in trade payables and accruals | (8,265,523) | 2,286,214 |
| Increase/(decrease) in income tax payable | (4,323,387) | 209,849 |
| Increase/(decrease) in employee benefits | 228,003 | 418,864 |
| Increase/(decrease) in deferred revenue | (758,577) | (86,682) |
| Loss of Control of Subsidiary – net assets | (263,821) | – |
| Increase/(decrease) in derivative liabilities | (13,334,689) | 13,437,600 |
| **Net cash from/(used in) operating activities** | (9,399,768) | 1,982,401 |

# DIRECTORS' DECLARATION

31 March 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 March 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

On behalf of the Directors

**Andrea Lemmon**
*Director (Chair)*

Dated: 29 July 2021

# INDEPENDENT AUDITOR'S REPORT

to the members of Marquis Macadamias Ltd

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Ernst & Young
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Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

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## Independent Auditor's Report to the Members of Marquis Macadamias Limited

### Opinion

We have audited the financial report of Marquis Macadamias Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, 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 Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2021 and of its consolidated financial performance for the year ended on that date; and

b) 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 Group 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 (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.

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

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Wade Hansen

Wade Hansen
Partner
Brisbane
29 July 2021

# CORPORATE DIRECTORY

## Registered Office and Principal Place of Business

2 Cowlong Road
Lismore NSW 2480

ABN 93 002 607 972

## Auditors

Ernst & Young
111 Eagle Street
Brisbane QLD 4000

## Directors

Peter John Costi

Christopher Robert Ford (Resigned 28 August 2020)

Andrew Jon Leslie

Clayton Joel Mattiazzi

Scott David Norval (Resigned 28 August 2020)

Andrea Joan Lemmon (Appointed 28 August 2020)

Fermino Carl Zadro

Peter Michael Zadro

Donald Keith Ross (Appointed 28 August 2020)

## Company Secretary

Ms Emma Rose

Mr Larry McHugh (Appointed 31 March 2021)

Mr Ivan Giuricich (Resigned 31 March 2021)

# MARQUIS
MACADAMIAS