



Macadamia Processing Co. Limited

ACN 002 607 972

Annual Report March 2011



HACCP Lic
HCV 20348
SAI Global

Macadamia Processing Co. Limited
ABN 93 002 607 972

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Quality
Endorsed
Company

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Chairman's Review 2011

Financial Results

In what continues to be a challenging environment for both growers and processors the Company is pleased to report a solid financial performance.

The Company (Consolidated Entity) reported a post tax profit of \$1,164,709 for the year out of which two dividends have been paid or provided for to holders of Ordinary shares amounting to \$490,691 resulting in a net increase in shareholder's funds from profit retentions of \$674,018.

The profit is arrived at after recognising a net contribution of \$9,574 from the Company's two new joint ventures. The marketing company shows a small loss reflecting costs incurred prior to its starting operations on 1 April. In a full year it will operate on a break even basis.

The final price paid for premium nut in shell at 33% kernel recovery and 10% moisture content for the 2010 season was \$2.70 per kilogram and the average price paid for nut-in-shell after adjusting for kernel recovery and the quality bonus was \$2.72 per kilogram. The highest price paid for standard NIS was \$3.93 per kilogram.

The crop intake for the year, including contract processed crop, of 8,345 tonnes was a decrease of 5% over the previous year. Revenue dollars for the year increased by 5% over the previous year despite a drop in tonnage sold and reflects higher prices due to a smaller crop.

Expenses continue the downward trend set last year and are down a further 13%. This reflects a combination of the continuing focus on reducing costs and a smaller but better quality crop. Included in this trend is a reduction in finance costs arising from a quicker turnover in inventory resulting in a reduced need for seasonal finance.

The balance sheet presents a strong financial position. Equity has increased by 4.8% to \$14,857,836. Borrowings are limited to QTC loans financing past capital expenditure which continue to decrease as repayments are made in accordance with the agreed terms of the loans. After making an investment in its two new joint ventures totalling \$2,010,000 the Company is still able to report an increase in cash.

Dividends

Following the adoption of the new constitution in 2009 the Company is now able to distinguish between those shareholders who deliver and those who do not deliver NIS to the factory. The non delivering shareholders now have their shares reclassified from Ordinary to A class. A fully franked dividend of 10 cents a share was declared and paid in August 2010 to shareholders holding Ordinary class shares and a further fully franked dividend of 15 cents a share has been declared and will be paid on August 5 2011 to Ordinary class shareholders. It is the Board's intention that, financial circumstances permitting, the payment of dividends on Ordinary class shares will in the future be an annual event.

Investment in Two Joint Ventures

On the 1 February 2011 the Company acquired a 50% shareholding in Consolidated Nuts (Aust) Pty Ltd, (CNA) the only processor in the fast growing Bundaberg macadamia region. Our partners in this company are the largest growers of macadamias in Australia who account for a significant proportion of the plantings in the Bundaberg region. CNA has outgrown its current rented processing facilities in

the area and is constructing a new state of the art facility on land that it has acquired which will be operational for the 2012 season. This new facility will have the ultimate capacity to process up to 15,000 tons of NIS per year as the production from the Bundaberg region increases.

A new marketing company Macadamia Marketing International Pty Ltd (MMI) was established on the 3 December 2010 and is jointly owned with CNA. MMI is now marketing all the product from MPC and CNA as well as acquiring product from other sources. It is the intention to build on MMI's current position as the leading marketer of kernel in the macadamia industry and to continue to develop closer relationships with our customers.

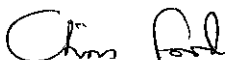
Outlook

The 2011 season is the fourth successive year of disappointing crops causing a continued shortage of kernel in world markets. This continuing shortage of kernel and the demand for nut meat should support continuing high prices for kernel in the near future. The shortage of kernel however is limiting the opportunities for customers to develop new products and in some cases causing the withdrawal of product from shop shelves. Any sharp increase in supply in future years will create challenges for the industry to promote a commensurate increase in demand to avoid an undue drop in prices. The industry is probably better placed to manage this than in the past.

The Company continues its focus on reducing processing costs and improving kernel recoveries from its factory. Prior to the 2012 season it is intending to change its drying process to both reduce its current energy costs and reduce its exposure to the significant increases in energy costs that are being projected.

Acknowledgements

I would like to thank my fellow Board Members, the General Manager, senior management and all employees for their continued loyalty and commitment. Most of all I would like to thank you the shareholders for your support and continued supply to the factory. That supply is critical to the ongoing success and viability of the Company.



Chris Ford
Chairman

29 July 2011

Macadamia Processing Co Limited

A.C.N. 002 607 972

Financial Statements

For the Year Ended 31 March 2011

Macadamia Processing Co Limited

For the Year Ended 31 March 2011

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Macadamia Processing Co Limited

Directors' Report

31 March 2011

Your directors present their report on the company and its controlled entities for the financial year ended 31 March 2011.

1. Directors

The names of the directors in office at any time during, or since the end of, the year are:

Christopher Robert Ford
Annette Carmel Fontana
Geoffrey Ian Royal
Peter Alfred Shepherd
James Harrower Duncan

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

2. Company Secretary

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

Ms Jane Louise Meeve - Bachelor of Commerce, Member of CPA Australia since 1994, Bachelor of Arts and Diploma of Education. Ms Meeve has over 25 years experience in medium to large companies in accounting and financial roles. Ms Meeve was appointed company secretary on 2 May 1995.

3. Principal Activities

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

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

4. Operating Results

The consolidated profit of the Group after providing for income tax amounted to \$ 1,164,709. Paid and provided for dividends totalled \$490,691 resulting in an increase in shareholder funds, before share calls, of \$674,018.

5. Review of operations

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

6. After balance day events

At the Board meeting on 5 July 2011, the directors resolved to convert 19,371 ordinary shares to A class shares.

Macadamia Processing Co Limited

Directors' Report

31 March 2011

7. Significant Changes in State of Affairs

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

8. Future developments

The likely developments in the operations of the Group and the expected results of those operations in future financial years are included in the attached report.

9. Environmental Regulation

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

10. Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards.

11. Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 5. The Board of Directors have considered the provision of non-audit services to the company rendered by Guild Accountants Pty Limited to be compatible with maintaining the independence of the auditor.

12. Dividends paid or recommended

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

- A interim fully franked dividend of \$ 196,236 was paid during the year.
- A fully franked dividend of \$ 294,455 was declared on 31 March 2011 for payment from the profit for the year ended on 31 March 2011. The dividend is recommended to be paid in early August 2011 to ordinary shareholders on the share register at 31 July 11.

13. Options

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

14. Indemnifying Officers or Auditors

The company has paid a premium of \$20,881 (2010: \$20,881) for an insurance policy for the benefit of Christopher Robert Ford, Annette Carmel Fontana, Geoffrey Ian Royal, Peter Alfred Shepherd, James Harrower Duncan and Jane Louise Meeve against liabilities incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer of the Group, other than conduct involving wilful breach of duty in relation to the economic entity, and claims brought by shareholders holding more than 15% equity.

Macadamia Processing Co Limited

Directors' Report

31 March 2011

15. Director Information

(a) Information on Directors

Christopher Robert Ford	Chairman (non-executive)
Qualifications	Bachelor of Economics (Hons) - Manchester University, England Former fellow of the Institute of Chartered Accountants in England and Wales
Experience	Past 14 years consultant for the International Monetary Fund 30 years experience in senior accounting and financial roles with large Australian and international companies/banks 14 years experience in the macadamia industry
Annette Carmel Fontana	Director (non-executive)
Qualifications	Bachelor of Arts - Kuring-gai CAE Diploma of Law - Solicitors Admission Board "Graduate Diploma in Practical Legal Training - University of Technology, Sydney" Master of Laws - University of Technology, Sydney Graduate member of the Australian Institute of Company Directors
Experience	9 years experience as a librarian 20 years experience as a solicitor Involved as a shareholder and director for 34 years in companies developing and growing macadamias in NSW, Queensland and South Africa.
Geoffrey Ian Royal	Director (non-executive)
Experience	27 years experience in banking including positions as branch manager, product manager, project manager and internal audit 30 years experience in the macadamia industry
Peter Alfred Shepherd	Director (non-executive)
Experience	Former general manager of a large regional bus and coach enterprise 20 years management experience and profit centre responsibility as a motor industry executive over manufacturing, customer service, marketing and sales for a broad range of products 16 years experience as a macadamia grower on the Alstonville plateau

Macadamia Processing Co Limited

Directors' Report

31 March 2011

James Harrower Duncan Director (non-executive)
Qualifications Trained as an engineer and manager U.K and Australian
Defence Force Colleges
Experience Former Naval Officer, Deputy Director of State Development
and Technology, Director Commercial Marine and Harbors,
Director Australian Design Council and Tourism Board South
Australia, Managing Director Hornibrook Constructions and
Director Development Baulderstone Hornibrook. Corporate
experience business acquisitions, mergers, international
trading and business development over a wide cross section of
industries. Partner, Global Strategic Vision - management
consultants.

(b) Meetings of Directors

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:


	Directors' Meetings	
	Eligible to attend	Number attended
Christopher Robert Ford	11	11
Annette Carmel Fontana	11	9
Geoffrey Ian Royal	11	11
Peter Alfred Shepherd	11	11
James Harrower Duncan	11	10

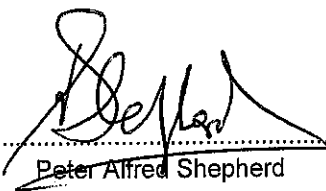
16. Proceedings on Behalf of Company

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

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

Signed in accordance with a resolution of the Board of Directors:

Director: 
Christopher Robert Ford

Director: 
Peter Alfred Shepherd

Dated this 29th day of July 2011

Macadamia Processing Co Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Guild Audit Services Pty Limited



Bruce Bailey FCA

29 July 2011

Macadamia Processing Co Limited

Statement of Comprehensive Income

For the Year Ended 31 March 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
Revenue	2	36,479,254	34,495,620	36,479,254	34,495,620
Other income	3	220,343	1,560,924	220,343	1,560,924
Raw materials and consumables used		(25,365,820)	(19,064,659)	(25,365,820)	(19,064,659)
Changes in inventories of finished goods and work in progress		1,629,678	(3,401,202)	1,629,678	(3,401,202)
Employee benefits expense		(5,934,854)	(6,825,813)	(5,934,854)	(6,825,813)
Other staff costs		(488,635)	(545,173)	(488,635)	(545,173)
Storage and transport costs		(1,153,994)	(1,580,043)	(1,153,994)	(1,580,043)
Depreciation, amortisation and impairments		(713,898)	(745,497)	(713,898)	(745,497)
Write down of inventory to net realisable value		(262,209)	(546,666)	(262,209)	(546,666)
Sundry expenses		(2,571,439)	(2,493,105)	(2,575,888)	(2,493,105)
Finance costs	4	(263,227)	(417,661)	(263,227)	(417,661)
Income/(loss) from equity accounted investments - joint ventures		9,574	-	-	-
Income before income taxes		1,584,773	436,725	1,570,750	436,725
Income tax benefit/(expense)	6	(420,064)	(51,314)	(420,064)	(51,314)
Income before income taxes and extraordinary items		1,164,709	385,411	1,150,686	385,411
Total comprehensive income attributable to:					
the member of the company		1,164,709	385,411	1,150,686	385,411

Macadamia Processing Co Limited

Statement of Financial Position

31 March 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	7	835,654	407,762	835,636	407,744
Trade and other receivables	8	2,032,210	3,236,505	2,032,210	3,240,954
Inventories	9	6,678,289	5,310,820	6,678,289	5,310,820
Financial assets	10	230,492	853,423	230,492	853,423
Other current assets		108,158	78,649	108,158	78,649
Total current assets		9,884,803	9,887,159	9,884,785	9,891,590
Non-current assets					
Financial assets	10	-	-	2,010,018	18
Investments accounted for using the equity method	11	2,019,574	-	-	-
Property, plant and equipment	14	6,347,210	6,856,086	6,347,210	6,856,086
Deferred tax assets	16	379,425	799,489	379,425	799,489
Total non-current assets		8,746,209	7,655,575	8,736,653	7,655,593
TOTAL ASSETS		18,631,012	17,542,734	18,621,438	17,547,183
LIABILITIES					
Current liabilities					
Trade and other payables	15	2,402,306	1,661,735	2,402,306	1,661,735
Financial liabilities	18	236,244	286,244	236,244	286,244
Short-term provisions	19	500,403	542,676	500,403	542,676
Total current liabilities		3,138,953	2,490,655	3,138,953	2,490,655
Non-current liabilities					
Financial liabilities	18	634,223	870,468	634,223	870,468
Total non-current liabilities		634,223	870,468	634,223	870,468
TOTAL LIABILITIES		3,773,176	3,361,123	3,773,176	3,361,123
NET ASSETS		14,857,836	14,181,611	14,848,262	14,186,060
EQUITY					
Issued capital	20	4,403,958	4,401,751	4,403,958	4,401,751
Retained earnings		10,453,878	9,779,860	10,444,304	9,784,309
TOTAL EQUITY		14,857,836	14,181,611	14,848,262	14,186,060

Macadamia Processing Co Limited

Statement of Changes in Equity

For the Year Ended 31 March 2011

	Consolidated				
	Ordinary and A Class Shares \$	Partly Paid Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 April 2010	4,355,984	45,767	9,779,860	-	14,181,611
Call payments from shareholders	2,207	-	-	-	2,207
Profit attributable to members	-	-	1,164,709	-	1,164,709
Reclassification of shares	24,254	(24,254)	-	-	-
Dividends paid or provided for	-	-	(490,691)	-	(490,691)
Balance at 31 March 2011	4,382,445	21,513	10,453,878	-	14,857,836

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	Consolidated				
	Ordinary and A Class Shares \$	Partly Paid Ordinary Shares \$	Retained Earnings \$	Foreign Currency Translation Reserve \$	Total \$
Balance at 1 April 2009	4,355,984	37,489	9,391,207	6,656	13,791,336
Call payments from shareholders	-	8,278	-	-	8,278
Profit attributable to members	-	-	385,411	-	385,411
Reversal of foreign currency translation reserve and tax impact	-	-	3,242	(6,656)	(3,414)
Balance at 31 March 2010	4,355,984	45,767	9,779,860	-	14,181,611

Macadamia Processing Co Limited

Statement of Changes in Equity

For the Year Ended 31 March 2011

	2011		2010	
	Ordinary and A Class Shares	Partly Paid Ordinary Shares	Parent Retained Earnings	Foreign Currency Translation Reserve
	\$	\$	\$	\$
Balance at 1 April 2010	4,355,984	45,767	9,784,309	-
Call payments from shareholders	2,207	-	-	-
Profit attributable to members	-	-	1,150,686	-
Reclassification of shares	24,254	(24,254)	-	-
Dividends paid or provided for	-	-	(490,691)	-
Balance at 31 March 2011	4,382,445	21,513	10,444,304	-
				14,186,060
				2,207
				1,150,686
				-
				(490,691)
				14,186,060

	2011		2010	
	Ordinary and A Class Shares	Partly Paid Ordinary Shares	Parent Retained Earnings	Foreign Currency Translation Reserve
	\$	\$	\$	\$
Balance at 1 April 2009	4,355,984	37,489	9,398,898	-
Call payments from shareholders	-	8,278	-	-
Profit attributable to members	-	-	385,411	-
Balance at 31 March 2010	4,355,984	45,767	9,784,309	-
				13,792,371
				8,278
				385,411
				14,186,060

Macadamia Processing Co Limited

Statement of Cash Flows

For the Year Ended 31 March 2011

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from customers		38,790,269	35,266,917	38,790,269	35,266,917
Payments to suppliers and employees		(35,427,578)	(31,842,229)	(35,427,578)	(31,842,229)
Interest received		23,724	5,993	23,724	5,993
Finance costs		(263,227)	(417,661)	(263,227)	(417,661)
Net cash provided by (used in) operating activities	23	3,123,188	3,013,020	3,123,188	3,013,020
Cash flows from investing activities:					
Payments to acquire property, plant and equipment		(205,022)	(198,654)	(205,022)	(198,654)
Payments to acquire joint ventures		(2,010,000)	-	(2,010,000)	-
Net cash provided by (used in) investing activities		(2,215,022)	(198,654)	(2,215,022)	(198,654)
Cash flows from financing activities:					
Call payments from shareholders		2,207	8,694	2,207	8,694
Net repayment of borrowings		(286,245)	(2,761,244)	(286,245)	(2,761,244)
Dividends paid by parent entity		(196,236)	-	(196,236)	-
Net cash provided by (used in) financing activities		(480,274)	(2,752,550)	(480,274)	(2,752,550)
Net increase (decreases) in cash held		427,892	61,816	427,892	61,816
Cash at beginning of financial year		407,762	345,946	407,744	345,928
Cash at end of financial year	7	835,654	407,762	835,636	407,744

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies

(a) General information

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Macadamia Processing Co. Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report covers the consolidated group of Macadamia Processing Co Limited and controlled entities, and Macadamia Processing Co Limited as an individual parent entity.

The financial report of Macadamia Processing Co Limited and controlled entities, and Macadamia Processing Co Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(c) Principles of Consolidation

A controlled entity is an entity that Macadamia Processing Co Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a March financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the Group's share of post-acquisition reserves of its associates.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies continued

(d) Critical accounting estimates and judgments

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

Key estimates - Impairment

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

(e) Income Tax

The charge for current income tax expense is based on the adjusted profit for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(f) Inventories

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

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies continued

(g) Property, Plant and Equipment

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

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

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

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 - 4%
Plant and Equipment	7.5 - 40%
Leased plant and equipment	lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(h) Leases

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

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

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies continued

(h) Leases continued

likely that the economic entity will obtain ownership of the asset or over the term of the lease.

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

(i) Financial Instruments

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Receivables are stated at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments in equity instruments of associate and controlled entities are measured at cost as there is no quoted price in an active market and fair value cannot be reliably measured. An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivatives are categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

(j) Interests in Joint Ventures

The Group's interest in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interest in joint venture entities are brought to account at cost.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. the Group however will recognise the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

Accounting for the joint venture is done by the equity method.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies continued

(k) Cash and Cash Equivalents

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

(l) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

(m) Foreign currency translations and balances

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

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

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

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

(n) Employee Benefits

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

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

1 Statement of Significant Accounting Policies continued

(o) Revenue

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(p) Goods and Services Tax (GST)

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

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

(q) Comparative Figures

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

(r) Rounding of Amounts

The company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

2 Revenue

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Sale of goods	36,093,122	34,495,620	36,093,122	34,495,620
Contract processing	386,132	-	386,132	-
Total	36,479,254	34,495,620	36,479,254	34,495,620

3 Other income

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Interest	23,724	5,993	23,724	5,993
Foreign exchange gains	186,991	1,549,930	186,991	1,549,930
Other income	9,628	5,000	9,628	5,000
Total	220,343	1,560,923	220,343	1,560,923

4 Profit before income tax

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cost of sales	30,780,755	31,062,667	30,780,755	31,062,667
Finance Costs:				
Interest	210,089	377,913	210,089	377,913
Other	53,138	39,748	53,138	39,748
Total finance costs	263,227	417,661	263,227	417,661

5 Key Management Personnel Compensation

(a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Christopher Robert Ford	Chairman
Annette Carmel Fontana	Director
Geoffrey Ian Royal	Director
Peter Alfred Shepherd	Director
James Harrower Duncan	Director

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

5 Key Management Personnel Compensation continued

(a) Key Management Personnel continued
Key Management Person

Position

Other Key Management Personnel

Larry McHugh

General Manager

(b) Key Management Personnel Compensation

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Short-term employee benefits	261,128	247,543	261,128	247,543
Post-employment benefits	23,502	22,279	23,502	22,279
Other long term benefits	28,160	24,532	28,160	24,532
Total	312,790	294,354	312,790	294,354

6 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred tax expense	420,064	51,314	420,064	51,314

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
- Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)	475,432	131,018	471,225	131,018
Add:				
Tax effect of:				
- Non-deductible expenses	11,518	10,616	11,518	10,616
- Difference in prior year estimates	6,859	-	8,194	-
- Subtotal	493,809	141,634	490,937	141,634
Less:				
Tax effect of:				

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

6 Income Tax Expense continued

- (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: continued

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
- share of net profits joint venture entities netted directly	2,872	-	-	-
- Deductible loan repayments	70,873	70,873	70,873	70,873
- Additional deduction from research and development expenditure	-	7,721	-	7,721
- Difference in prior year estimates	-	11,726	-	11,726
Income tax attributable to entity	420,064	51,314	420,064	51,314

7 Cash and Cash Equivalents

- (a) Detailed table

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash on hand	2,500	2,453	2,500	2,453
Cash at bank & on deposit	833,154	405,309	833,136	405,291
Total	835,654	407,762	835,636	407,744

- (b) The carrying amount of the entity's cash and bank balances are denominated in the following currencies:-

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Australian Dollar	592,238	113,376	592,220	113,358
US Dollar	241,318	293,156	241,318	293,156
Other currency	2,098	1,230	2,098	1,230
Total	835,654	407,762	835,636	407,744

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

8 Trade and Other Receivables

(a) Current receivables table

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade receivables	1,928,903	3,179,313	1,928,903	3,179,313
Deposits	24,192	27,296	24,192	27,296
Goods and service tax refundable	31,037	12,427	31,037	12,427
Other receivables	3,491	17,469	3,491	17,469
Amounts receivable from:				
- joint venture entity	44,587	-	44,587	4,449
Total	2,032,210	3,236,505	2,032,210	3,240,954

(b) The carrying amount of the entity's trade and other receivables are denominated in the following currencies:-

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Australian Dollar	1,267,066	2,557,671	1,267,066	2,562,120
US Dollar	246,726	642,159	246,726	642,159
Pound Sterling	-	29,148	-	29,148
Euro	518,418	-	518,418	-
Other	-	7,527	-	7,527
Total	2,032,210	3,236,505	2,032,210	3,240,954

(c) Provision for Impairment of Receivables

Current trade and term 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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

8 Trade and Other Receivables continued

(d) Credit Risk and Aged analysis

The Group does not have any material credit risk exposure to any single receivable or group of receivables. The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The ageing analysis of receivables is as follows:

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Current	1,590,473	2,947,882	1,590,473	2,947,882
1-30 days past due not impaired	441,572	287,913	441,572	287,913
31-60 days past due not impaired	165	710	165	710
91+ days past due not impaired	-	-	-	4,449
Total	2,032,210	3,236,505	2,032,210	3,240,954

The Group does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

(e) Collateral pledged

A floating charge over trade receivables has been provided for certain debt. Refer to Note 18(c) for further details.

9 Inventories

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
At Cost				
Raw materials and stores	1,239,901	1,219,173	1,239,901	1,219,173
Finished goods	85,648	162,331	85,648	162,331
At net realisable value				
Finished goods	5,352,740	3,929,316	5,352,740	3,929,316
Total	6,678,289	5,310,820	6,678,289	5,310,820

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

10 Financial Assets

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Forward exchange contracts - current, at fair value	230,492	853,423	230,492	853,423
Unlisted investments - non-current, at cost	-	-	2,010,018	18
Total	230,492	853,423	2,240,510	853,441

11 Investments Accounted for Using the Equity Method

	Note	Consolidated		Parent	
		2011	2010	2011	2010
		\$	\$	\$	\$
Interests in joint venture entities	12	2,019,574	-	-	-
		2,019,574	-	-	-

12 Joint Venture

(a) Interest in Joint Venture Entities - Macadamia Marketing International Pty Ltd

Macadamia Marketing International Pty Ltd was established on 3 December 2010 and is equally and jointly owned with Consolidated Nuts (Aust) Pty Ltd. Its principal activity is the sale and marketing of macadamia products.

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

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

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Current Assets	3,304	-	-	-
Non-current Assets	10,131	-	-	-
Total Assets	13,435	-	-	-
Current Liabilities	(27,074)	-	-	-
Total Liabilities	(27,074)	-	-	-
Expenses	(33,770)	-	-	-
Profit/(loss) before income tax	(33,770)	-	-	-
Income tax benefit/(expenses)	10,131	-	-	-
Profit/(loss) after income tax	(23,639)	-	-	-

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

12 Joint Venture continued

(b) Interest in Joint Venture Entities - Consolidated Nuts (Aust) Pty Ltd

Macadamia Processing Co Limited acquired a 50 percent interest in Consolidated Nuts (Aust) Pty Ltd on 1 February 2011. Its principal activity is the production of macadamia products.

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

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

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Current Assets	1,055,090	-	-	-
Non-current Assets	2,237,443	-	-	-
Total Assets	3,292,533	-	-	-
Current Liabilities	763,538	-	-	-
Non-current Liabilities	495,782	-	-	-
Total Liabilities	1,259,320	-	-	-
Revenue	178,819	-	-	-
Expenses	(159,750)	-	-	-
Profit/(loss) before income tax	19,069	-	-	-
Income tax benefit/(expenses)	14,144	-	-	-
Profit/(loss) after income tax	33,213	-	-	-

13 Controlled Entities

Name	Country of incorporation	Percentage Owned	Percentage Owned
		2011	2010
Macadamia Magic Limited	Australia	100	100
International Macadamias Limited	Australia	100	100

14 Property Plant and Equipment

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Land and buildings				
At cost	6,246,889	6,246,889	6,246,889	6,246,889
Less: accumulated depreciation	(2,061,850)	(1,864,338)	(2,061,850)	(1,864,338)
Total land and buildings	4,185,039	4,382,551	4,185,039	4,382,551

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

14 Property Plant and Equipment continued

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Plant and equipment				
At cost	11,524,334	11,319,312	11,524,334	11,319,312
Less: accumulated depreciation	(9,362,163)	(8,845,777)	(9,362,163)	(8,845,777)
Total plant and equipment	2,162,171	2,473,535	2,162,171	2,473,535
Total property, plant and equipment	6,347,210	6,856,086	6,347,210	6,856,086

Movements in Carrying Amounts

	Land and buildings	Plant and equipment	Total
	\$	\$	\$
Balance at 31 March 2011			
Balance at the beginning of year	4,382,551	2,473,535	6,856,086
Additions	-	205,022	205,022
Depreciation expense	(197,512)	(516,386)	(713,898)
Carrying amount at the end of 31 March 2011	4,185,039	2,162,171	6,347,210
Balance at 31 March 2010			
Balance at the beginning of year	4,600,782	2,795,477	7,396,259
Additions	-	198,653	198,653
Disposals	(20,738)	(1,298)	(22,036)
Depreciation expense	(197,493)	(519,297)	(716,790)
Carrying amount at the end of 31 March 2010	4,382,551	2,473,535	6,856,086

15 Trade and other payables

(a) Current payables - detailed table

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Unsecured liabilities				
Trade payables	2,107,851	1,661,735	2,107,851	1,661,735
Dividend payable	294,455	-	294,455	-
Total	2,402,306	1,661,735	2,402,306	1,661,735

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

15 Trade and other payables continued

- (b) The carrying amount of the entity's trade and other payables are denominated in the following currencies:-

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Australian Dollar	2,385,055	1,618,040	2,385,055	1,618,040
US Dollar	17,251	43,695	17,251	43,695
Total	2,402,306	1,661,735	2,402,306	1,661,735

16 Tax

- (a) Detailed Table

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred tax assets	379,425	799,489	379,425	799,489

- (b) Reconciliations

	Balance at the beginning of the year	Charge/ (credit) to income statement	Balance at the end of the year
	\$	\$	\$
Depreciation and leases	(122,812)	(3,132)	(125,944)
Accruals and provisions	175,239	(11,683)	163,556
Foreign exchange	(248,379)	181,782	(66,597)
Tax loss	995,441	(587,031)	408,410
Total	799,489	(420,064)	379,425

17 Dividends

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Distributions paid				
Interim fully franked ordinary dividend of 10 cents per share franked at the tax rate of 30%	196,236	-	196,236	-

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

Proposed final fully franked
ordinary dividend of 15 cents
per share

	294,455	-	294,455	-
Total	490,691	-	490,691	-

18 Financial Liabilities

(a) Detailed Table - Current

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Secured liabilities				
Bank loans	-	50,000	-	50,000
QTC loans	236,244	236,244	236,244	236,244
Total	236,244	286,244	236,244	286,244

(b) Detailed Table - Non Current

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Secured liabilities				
QTC loans	634,223	870,468	634,223	870,468

(c) Total current and non-current secured liabilities

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Bank Loans	-	50,000	-	50,000
QTC loans	870,467	1,106,712	870,467	1,106,712
Total	870,467	1,156,712	870,467	1,156,712

The QTC loans of \$870,467 (2010: \$1,106,712) are secured by a bank guarantee.

The bank loans, forward exchange contracts and bank guarantee are secured by:-

- (a) a registered mortgage over a property owned by the parent entity; and
- (b) a registered fixed and floating charge over all assets and undertakings of the economic entity.

As at 31 March 2011, the economic and parent entity had available \$10,400,000 (2010: \$12,350,000) of undrawn committed borrowing facilities.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

19 Provisions

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Employee benefits	500,403	542,676	500,403	542,676

20 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
2,168,388 (2010: 2,160,246) fully paid ordinary and A class shares	4,382,446	4,355,984	4,382,446	4,355,984
59,400 (2010: 67,542) partly paid ordinary shares	21,512	45,767	21,512	45,767
Total	4,403,958	4,401,751	4,403,958	4,401,751

The company has authorised share capital amounting to 10,000,000 (2010: 10,000,000) ordinary shares of no par value. As at 31 March 2011, there are 211,970 fully paid A class shares.

(b) Ordinary Shares

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

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

(c) 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 be 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;

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

20 Issued Capital continued

(c) A Class Shares continued

- (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.

21 Operating Lease Commitments

Non-cancelable operating leases contracted for but not capitalised in the financial statements

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	7,205	7,205	7,205	7,205
- between 12 months and 5 years	7,805	15,010	7,805	15,010
Total	15,010	22,215	15,010	22,215

22 Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transaction with related parties:

(a) Key Management Personnel

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Purchased goods	5,551,430	4,269,972	5,551,430	4,269,972

These purchases are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) The interests of directors of the reporting entity and their director-related entities in shares and share options of entities within the economic entity at year end are set out below.

	2011	2010
	\$	\$
Ordinary shares of Macadamia Processing Co Ltd	597,662	597,662

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

23 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2011	2010	2011	2010
	\$	\$	\$	\$
Net income/loss for the period	1,164,709	385,411	1,150,686	385,411
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation	713,898	716,790	713,898	716,790
Net (gain)/ loss on disposal of property, plant and equipment	-	22,037	-	22,037
Income not received in cash	(4,449)	-	-	-
Impairment of investments	13,639	-	-	-
Increase/decrease in Financial Liabilities	-	(2,421)	-	(2,421)
Share of joint ventures net (profit)/loss after income tax and dividends	(23,213)	-	-	-
(Increase)/decrease in Financial Asset	622,931	(853,423)	622,931	(853,423)
changes in assets and liabilities, net of the effects of partly paid shares at call				
(Increase)/decrease in trade and term receivables	1,208,744	(26,862)	1,208,744	(26,862)
(Increase)/decrease in prepayments	(29,509)	(9,178)	(29,509)	(9,178)
(Increase)/decrease in inventories	(1,367,469)	3,947,869	(1,367,469)	3,947,869
Increase/(decrease) in trade payables and accruals	446,116	(1,265,066)	446,116	(1,265,066)
Increase/(decrease) in deferred taxes payable	420,064	51,314	420,064	51,314
Increase/(decrease) in provisions	(42,273)	46,549	(42,273)	46,549
Cashflow from operations	3,123,188	3,013,020	3,123,188	3,013,020

24 Events After the Balance Sheet Date

At the Board meeting on 5 July 2011, the directors resolved to convert 19,731 ordinary shares to A class shares.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

25 Segment information

The Group operates predominately in one business and geographical segment being 2 Cowlong Road, Lismore NSW 2480.

26 Company Details

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

Macadamia Processing Co Limited
2 Cowlong Road
Lismore NSW 2480

27 Financial instruments

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and forward exchange contracts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

(a) Financial Risks

The main risks the Group is exposed to through its financial instruments are credit risk, foreign currency risk, interest rate risk and liquidity risk.

(b) Foreign Currency Risk

Currency risk refers to the potential for returns to be reduced because of adverse movements in exchange rates. For the Group, exposure to fluctuations in foreign currencies arises from selling to overseas customers in currencies other than the Australian dollar. In order to reduce the potential volatility of future cash flows the Board follows a policy of prudent currency management whereby an expected foreign currency cash flow is matched with a forward foreign exchange contract.

(c) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

(d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2011

27 Financial instruments continued

(d) Credit Risk continued

Potential credit risk associated with accounts receivable is reduced through credit insurance, by monitoring customer compliance to credit terms and the development of long term relationships with reputable customers. The Group does not have any material credit risk exposure to any single debtor or group of debtors.

The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed in the accounts. Credit risk arises from the potential failure by counterparties to the contract to meet their obligations. Transactions for hedging purposes are undertaken only with reputable institutions with sound financial positions.

(e) Interest Rate Risk

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

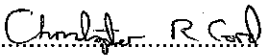
Macadamia Processing Co Limited

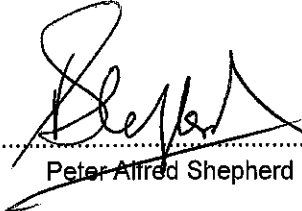
Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 31, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards;
 - (b) give a true and fair view of the financial position as at 31 March 2011 and of the performance for the year ended on that date of the company and consolidated group; and
 - (c) comply with the International Financial Reporting Standards as disclosed in Note 1 . . .
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 
Christopher Robert Ford

Director 
Peter Alfred Shepherd

Dated 29 July 2011

Independent Audit Report to the members of Macadamia Processing Co Limited

Report on the Financial Report

We have audited the accompanying financial report of Macadamia Processing Co Limited, which comprises the statement of financial position as at 31 March 2011, and the statement of comprehensive income for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Macadamia Processing Co Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent Audit Report to the members of Macadamia Processing Co Limited

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Macadamia Processing Co Limited on 21 July 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Macadamia Processing Co Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 31 March 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Guild Audit Services Pty Limited


Bruce Bailey FCA

Signed at: 1 York Street, Sydney

29 July 2011