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Macadamia Processing Co. Limited

ACN 002 607 972

Annual Report March 2013

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Quality Endorsed Company
ISO 9001:2008
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Chairman's Review 2013

Financial Results

I am pleased to report a strong financial performance for the year combined with a leading price paid for the season.

The Company (Consolidated Entity) reported a post tax profit of $1,745,026 for the year out of which it is proposed to pay a dividend to holders of Ordinary shares amounting to $479,208 resulting in a net increase in shareholder's funds from profit retentions of $1,265,818. The balance sheet shows a significant increase in the level of inventories over 2012. This largely reflects kernel retained to meet sales contracts in the first few months of the new financial year.

The profit is arrived at after recognising a net contribution of $346,334 from the Company's two joint ventures.

The marketing company, Macadamia Marketing International Pty Ltd grew its markets increasing its gross revenue by 37% over the year to $56 million. It continues its focus of building close relationships with key customers and expanding its sources of kernel.

Consolidated Nuts (Aust) Pty Ltd, the only processor in the fast growing macadamia region of Bundaberg in Queensland completed its first season in its state of the art new factory. Despite the challenges of setting up the new factory it was able to achieve a pre-tax profit of $601,497 in its first year of operation.

The final price paid for premium nut in shell at 33% kernel recovery and 10% moisture content for the 2012 season was $3.15 per kilogram

Dividends

A fully franked dividend of 25 cents a share has been declared and will be paid on 9 August 2013 to Ordinary class shareholders.

Outlook

The 2013 season is proving to be challenging. The quality of kernel is poor following the prolonged wet period that the industry is enduring and the overall crop size looks like being similar to 2012.

The company has secured a $1.484 million Clean Technology Food and Investment Grant to fund major energy efficient upgrades to the factory's nut in shell dying systems. The first stage of the upgrade to the factory's internal NIS drying room was completed prior to the start of the current season and is already producing significant cost savings. The second stage will see the construction of a new energy efficient NIS drying room with the capacity to store and dry 1,500 tons of NIS which should be completed for the start of the 2014 season.

Acknowledgements

This year is the thirtieth year since the establishment of the company. During most of that period the company has been and continues to be the leading processor of macadamia nuts in the world. Its factory leads the industry in the development of macadamia processing technology resulting in a product of high quality with a long shelf life. I would like to acknowledge the vision and commitment of the founders of the company, all the directors and staff who have contributed to its success over the years and the loyalty of its growers without whom this success could not have been achieved.

Chris Ford (Chairman)

23 July 2013

Macadamia Processing Co Limited

ABN: 93 002 607 972

General Purpose Financial Report
for the year ended 31 March 2013

Directors' report
For the year ended 31 March 2013

Your directors present their report on Macadamia Processing Co Limited and its controlled entity for the financial year ended 31 March 2013.

Directors

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

Christopher Robert Ford
Peter Alfred Shepherd
James Harrower Duncan
Peter John Grant (appointed 24 August 2012)
William John Moorhouse (appointed 24 August 2012)
Annette Carmel Fontana (resigned 24 August 2012)
Geoffrey Ian Royal (resigned 24 August 2012)

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

Company secretary

The following 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.

Principal activities

The principle 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 principle activities during the financial year.

Operating results

The consolidated profit of the Group after providing for income tax amounted to $1,745,026 (2012: $1,402,119).

Review of operations

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

After balance day events

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

Significant changes in state of affairs

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

Likely developments and expected results of operations

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

Environmental regulation

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

Auditor's independence declaration

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

Dividends paid or recommended

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

a. A fully franked dividend of $286,566 was paid during the year as recommended in last year's report.

b. A fully franked dividend of $479,208 was declared on 31 March 2013 for payment from the profit for the financial year ended 31 March 2013.

Options

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

Indemnification of officers or auditor

An insurance policy is in place for the benefit of Christopher Robert Ford, James Harrower Duncan, Peter Alfred Shepherd, Peter John Grant, William John Moorhouse 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 company, other than conduct involving wilful breach of duty in relation to the company, and claims brought by the shareholders of the company holding more than 15% equity of the company.

Director information

(a) Information on directors

Christopher Robert Ford	Chairman (non-executive)
Qualifications	Bachelor of Economics (Hons) - Manchester University, England Former fellow of the Institute of Chartered Accountants in England and Wales.
Experience	Past 16 years consultant for the International Monetary Fund, 32 years experience in senior accounting and financial roles with large Australian and international companies/banks, 16 years experience in the macadamia industry.

(a) Information on directors (continued)

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. 18 years experience as a macadamia grower on the Alstonville plateau.
James Harrower Duncan	Director (non-executive)
Qualifications	Trained as an engineer and Manager in the U.K. and Australia 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.
Peter John Grant	Director (non-executive)
Qualifications	Building Diploma
Experience	Carpenter, Joiner and Macadamia farmer. 22 years involvement in the building industry as a director and shareholder of a commercial construction company and a residential building company. 14 years experience in the macadamia industry.
William John Moorhouse	Director (non-executive)
Qualifications	Civil Engineer on National Registration No 483700. Post Grad Qual- Financial Management, Engineering and Town Planning, Licenced Builder.
Experience	27 Years as Shire or City Engineer in Councils. 8 Years as Consulting Engineer working in Australia and oversees. 19 years as a Macadamia Grower.

(b) Meetings of Directors

During the financial year, 10 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	10	10
Peter Alfred Shepherd	10	10
James Harrower Duncan	10	8
Peter John Grant (appointed 24 August 2012)	5	2
William John Moorhouse (appointed 24 August 2012)	5	5
Annette Carmel Fontana (resigned 24 August 2012)	5	4
Geoffrey Ian Royal (resigned 24 August 2012)	5	5

Directors' report
For the year ended 31 March 2013

Proceedings on behalf of company

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

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

Signed in accordance with a resolution of the Board of Directors

Christopher Robert Ford	~~Peter Alfred Shepherd~~
Director	Director

Dated: 23/7/2013

RSM Bird Cameron Partners

RSM Bird Cameron Partners
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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Macadamia Processing Co Limited for the year ended 31 March 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 23 July 2013

Macadamia Processing Co Limited

ABN: 93 002 607 972

Statement of comprehensive income for the year ended 31 March 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Continuing operations					
Revenue	2	**37,258,030**	35,100,684	**37,258,030**	35,100,684
Other income	3	**67,002**	119,866	**67,002**	119,866
Raw materials and consumables used		**(33,298,271)**	(20,789,750)	**(33,298,271)**	(20,789,750)
Changes in inventories of finished goods		**8,861,968**	(2,434,688)	**8,861,968**	(2,434,688)
Employee benefits expense		**(6,905,564)**	(6,298,921)	**(6,905,564)**	(6,298,921)
Storage and transport costs		**(850,122)**	(649,334)	**(850,122)**	(649,334)
Depreciation and amortisation expense	15	**(679,665)**	(724,114)	**(679,665)**	(724,114)
Other expenses		**(2,234,516)**	(2,244,275)	**(2,234,516)**	(2,244,275)
Finance costs	4	**(482,979)**	(307,934)	**(482,979)**	(307,934)
Share of net profits of joint venture entities	13	**346,334**	96,842	**-**	-
Profit before income tax expense		**2,082,217**	1,868,376	**1,735,883**	1,771,534
Income tax expense	7	**(337,191)**	(466,257)	**(337,191)**	(466,257)
Profit for the year		**1,745,026**	1,402,119	**1,398,692**	1,305,277
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income attributable to:					
Members of the parent entity		**1,745,026**	1,402,119	**1,398,692**	1,305,277

The accompanying notes form part of these financial statements.

Macadamia Processing Co Limited

ABN: 93 002 607 972

Statement of financial position as at 31 March 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Current assets					
Cash and cash equivalents	8	**179,965**	2,034,677	**179,947**	2,034,659
Trade and other receivables	9	**5,755,166**	6,614,120	**5,755,166**	6,614,120
Inventories	10	**13,225,852**	4,243,602	**13,225,852**	4,243,602
Other assets		**88,029**	53,807	**88,029**	53,807
Total current assets		**19,249,012**	12,946,206	**19,248,994**	12,946,188
Non-current assets					
Financial assets	11	**-**	-	**2,010,018**	2,010,018
Investments accounted for using the equity method	12	**2,462,750**	2,116,416	**-**	-
Property, plant and equipment	15	**6,557,256**	5,994,327	**6,557,256**	5,994,327
Deferred tax assets	17	**82,613**	50,539	**82,613**	50,539
Total non-current assets		**9,102,619**	8,161,282	**8,649,887**	8,054,884
Total assets		**28,351,631**	21,107,488	**27,898,881**	21,001,072
Current liabilities					
Trade and other payables	16	**1,983,768**	1,926,388	**1,983,768**	1,926,388
Borrowings	19	**6,900,000**	536,244	**6,900,000**	536,244
Current tax liabilities	17	**142,106**	125,911	**142,106**	125,911
Short-term provisions	21	**1,086,531**	847,577	**1,086,531**	847,577
Total current liabilities		**10,112,405**	3,436,120	**10,112,405**	3,436,120
Non-current liabilities					
Borrowings	19	**1,000,000**	1,697,979	**1,000,000**	1,697,979
Total non-current liabilities		**1,000,000**	1,697,979	**1,000,000**	1,697,979
Total liabilities		**11,112,405**	5,134,099	**11,112,405**	5,134,099
Net assets		**17,239,226**	15,973,389	**16,786,476**	15,866,973
Equity					
Issued capital	22	**4,403,977**	4,403,958	**4,403,977**	4,403,958
Retained earnings		**12,835,249**	11,569,431	**12,382,499**	11,463,015
Total equity		**17,239,226**	15,973,389	**16,786,476**	15,866,973

Macadamia Processing Co Limited

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Statement of changes in equity for the year ended 31 March 2013

	Notes	Preference shares	Ordinary and A class shares $	Partly paid ordinary shares	Retained earnings $	Total $
Consolidated						
Balance at 1 April 2011		1	4,382,444	21,513	10,453,878	14,857,836
Comprehensive income						
Profit for the year		-	-	-	1,402,119	1,402,119
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,402,119	1,402,119
Transactions with owners, in their capacity as owners						
Dividends paid or provided for	18	-	-	-	(286,566)	(286,566)
Balance at 31 March 2012		1	4,382,444	21,513	11,569,431	15,973,389
Comprehensive income						
Profit for the year		-	-	-	**1,745,026**	**1,745,026**
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	**1,745,026**	**1,745,026**
Transactions with owners, in their capacity as owners						
Issue of preference shares	22	**19**	-	-	-	**19**
Reclassification of shares		-	**21,513**	**(21,513)**	-	-
Dividends paid or provided for	18	-	-	-	**(479,208)**	**(479,208)**
Total transactions with owners		**19**	**21,513**	**(21,513)**	**(479,208)**	**(479,189)**
Balance at 31 March 2013		**20**	**4,403,957**	-	**12,835,249**	**17,239,226**
Parent						
Balance at 1 April 2011		1	4,382,444	21,513	10,444,304	14,848,262
Comprehensive income						
Profit for the year		-	-	-	1,305,277	1,305,277
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,305,277	1,305,277
Transactions with owners, in their capacity as owners						
Dividends paid or provided for	18	-	-	-	(286,566)	(286,566)
Balance at 31 March 2012		1	4,382,444	21,513	11,463,015	15,866,973
Comprehensive income						
Profit for the year		-	-	-	**1,398,692**	**1,398,692**
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	-	**1,398,692**	**1,398,692**
Transactions with owners, in their capacity as owners						
Issue of preference shares	22	**19**	-	-	-	**19**
Reclassification of shares		-	**21,513**	**(21,513)**	-	-
Dividends paid or provided for	18	-	-	-	**(479,208)**	**(479,208)**
Total transactions with owners		**19**	**21,513**	**(21,513)**	**(479,208)**	**(479,189)**
Balance at 31 March 2013		**20**	**4,403,957**	-	**12,382,499**	**16,786,476**

The accompanying notes form part of these financial statements.

Macadamia Processing Co Limited

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Statement of cash flows for the year ended 31 March 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Cash flows from operating activities					
Receipts from customers		**38,133,598**	30,818,445	**38,133,598**	30,818,445
Payments to suppliers and employees		**(43,371,651)**	(30,110,642)	**(43,371,651)**	(30,110,642)
Interest received		**16,166**	25,204	**16,166**	25,204
Finance costs		**(415,333)**	(224,912)	**(415,333)**	(224,912)
Income tax paid		**(353,070)**	(11,460)	**(353,070)**	(11,460)
Net cash (used in)/provided by operating activities	25	**(5,990,290)**	496,635	**(5,990,290)**	496,635
Cash flows from investing activities					
Payment for property, plant and equipment	15	**(1,242,594)**	(371,231)	**(1,242,594)**	(371,231)
Net cash used in investing activities		**(1,242,594)**	(371,231)	**(1,242,594)**	(371,231)
Cash flows from financing activities					
Net proceeds from borrowings		**5,665,796**	1,363,756	**5,665,796**	1,363,756
Dividends paid		**(287,624)**	(290,137)	**(287,624)**	(290,137)
Net cash provided by financing activities		**5,378,172**	1,073,619	**5,378,172**	1,073,619
Net (decrease)/increase in cash held		**(1,854,712)**	1,199,023	**(1,854,712)**	1,199,023
Cash at beginning of year		**2,034,677**	835,654	**2,034,659**	835,636
Cash at end of year	8	**179,965**	2,034,677	**179,947**	2,034,659

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2013

1 Statement of significant accounting policies

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

Basis of preparation

Macadamia Processing Co Limited and controlled entity has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards a arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 April 2012.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards' reduced disclosure requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

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

The financial statements were authorised for issue on the 23 July 2013 by the directors.

Accounting policies

a) Principles of consolidation

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

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in note 14 to the financial statements.

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

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

1 Statement of significant accounting policies (continued)

b) Income tax

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

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

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

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

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

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

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

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

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

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

c) Critical accounting estimates and judgements

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

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.

1 Statement of significant accounting policies (continued)

d) Inventories

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

e) Property, plant and equipment

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

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

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

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

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

f) Leases

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

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

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

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

1 Statement of significant accounting policies (continued)

g) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

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

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

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

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

The Group did not hold any Financial assets at fair value through profit or loss in the current or comparative financial year.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

1 Statement of significant accounting policies (continued)

g) Financial instruments (continued)

(iii) Held-to-maturity investments

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

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

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

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

(iv) Available-for-sale financial assets

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

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

(v) Financial liabilities

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

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

Impairment

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

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

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

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

1 Statement of significant accounting policies (continued)

g) Financial instruments (continued)

Financial guarantees

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

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

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

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

Derecognition

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

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

h) Interest 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.

1 Statement of significant accounting policies (continued)

i) Cash and cash equivalents

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

j) Impairment of assets

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

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

k) Foreign currency translations and balances

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

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

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

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

l) Employee benefits

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

1 Statement of significant accounting policies (continued)

m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable.

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).

n) Trade and other payables

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

o) Borrowing costs

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

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

p) Goods and services tax (GST)

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

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

q) Comparative figures

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

r) 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.

1 Statement of significant accounting policies (continued)

s) Adoption of new and revised accounting standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

t) New accounting standards for application in future periods

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's financial report:

Reference	Title	Summary	Application date (financial years beginning)	Expected impact
AASB 9	*Financial Instruments*	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015	No expected impact
AASB 10	*Consolidated Financial Statements*	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013	No expected impact
AASB 119	*Employee Benefits*	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013	No expected impact

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

2 Revenue

Sale of goods	**36,232,591**	33,674,985	**36,232,591**	33,674,985
Contract processing	**1,025,439**	1,425,699	**1,025,439**	1,425,699
	37,258,030	35,100,684	**37,258,030**	35,100,684

3 Other income

Interest	**16,166**	25,204	**16,166**	25,204
Foreign exchange gains	**20**	25,484	**20**	25,484
Other income	**-**	69,178	**-**	69,178
Government grant income	**50,816**	-	**50,816**	-
	67,002	119,866	**67,002**	119,866

4 Profit for the year before income tax

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

Finance costs:				
Interest	**415,333**	224,912	**415,333**	224,912
Other	**67,646**	83,022	**67,646**	83,022
	482,979	307,934	**482,979**	307,934

5 Key management personnel compensation

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

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
Short-term employee benefits	90,000	90,000	90,000	90,000
Post-employment benefits	8,100	8,100	8,100	8,100
	98,100	98,100	98,100	98,100

Other KMP transactions:

For details of other transactions with KMP, refer to note 24: Related party transactions.

6 Auditors' remuneration

Remuneration of auditor:		
-Auditing or reviewing financial statements	**43,300**	42,000
-Taxation services	**3,500**	3,500
	46,800	45,500

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

7 Income tax expense

a) The components of tax expense comprise:

Current tax expense	**359,200**		**359,200**	
Deferred tax expense	**(22,009)**	466,257	**(22,009)**	466,257
	337,191	466,257	**337,191**	466,257

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

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	**624,665**	560,513	**520,765**	531,460
Add:				
Tax effect of:				
Non-deductible expenses	**5,426**	11,481	**5,426**	11,481
Less:				
Tax effect of:				
Share of net profits joint venture entities netted directly	**(103,900)**	(29,053)	-	-
Deductible loan repayments	**(190,267)**	(70,783)	**(190,267)**	(70,783)
Additional deduction from research and development expenditure	-	(3,200)	-	(3,200)
Difference in prior year estimates	**1,267**	(2,701)	**1,267**	(2,701)
Income tax attributable to entity	**337,191**	466,257	**337,191**	466,257

8 Cash and cash equivalents

Cash on hand	**1,902**	1,927	**1,902**	1,927
Cash at bank	**178,063**	2,032,750	**178,045**	2,032,732
	179,965	2,034,677	**179,947**	2,034,659

9 Trade and other receivables

Trade receivables	**5,754,696**	6,556,668	**5,754,696**	6,556,668
Other receivables	-	54,963	-	54,963
Amount due from a joint venture entity	**470**	2,489	**470**	2,489
	5,755,166	6,614,120	**5,755,166**	6,614,120

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 19 for further details.

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

10 Inventories

At cost				
Raw materials and stores	**1,482,562**	1,505,917	**1,482,562**	1,505,917
Finished goods	**45,149**	49,894	**45,149**	49,894
At net realisable value				
Finished goods	**11,698,141**	2,687,791	**11,698,141**	2,687,791
	13,225,852	4,243,602	**13,225,852**	4,243,602

Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 March 2013 amounted to $414,132 (2012: $464,578). The expense has been included in 'Changes in inventories of finished goods' in profit or loss.

11 Financial assets

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

12 Investments accounted for using the equity

Interest in joint venture entities at cost	**2,010,018**	2,010,018	**-**	-
Share of joint venture profits	**452,732**	106,398	**-**	-
Interests in joint venture entities	**2,462,750**	2,116,416	**-**	-

13 Joint venture

Interest in joint venture entities - Macadamia Marketing International Pty Ltd

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

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

The directors have exercised their judgement in determining that Macadamia Processing Co Limited has joint control over Macadamia Marketing International Pty Ltd. Macadamia Marketing International Pty Ltd is jointly controlled by Macadamia Processing Co Limited and Consolidated Nuts (Aust) Pty Ltd, Macadamia Processing Co Limited has a direct interest of 50% in Macadamia Marketing International Pty Ltd and an indirect interest of 25% through its interest in Consolidated Nuts (Aust) Pty Ltd. The directors are of the opinion that Macadamia Processing Co Limited does not control Macadamia Marketing International Pty Ltd by virtue of the fact that joint control is established by between the Joint Venture parties by way of equal shareholding and joint control of the Board of Macadamia Marketing International Pty Ltd together with various other clauses in the Joint Venture agreement that establish Joint Control.

13 Joint venture (continued)

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

	Consolidated	
	2013	2012
	$	$
Current assets	4,615,965	3,703,185
Non-current assets	-	2,574
Total assets	4,615,965	3,705,759
Current liabilities	4,446,774	3,701,764
Non-current liabilities	47,757	-
Total liabilities	4,494,531	3,701,764
Revenue	28,394,500	20,727,076
Expenses	(28,226,730)	(20,701,886)
Profit before income tax	167,770	25,190
Income tax expense	(50,331)	(7,557)
Profit after income tax	117,439	17,633

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

Macadamia Processing Co Limited has a 50% interest in the joint venture entity Consolidated Nuts (Aust) Pty Ltd, incorporated in Australia, which is involved in processing 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:

Current assets	3,464,474	952,919
Non-current assets	6,550,060	6,342,117
Total assets	10,014,534	7,295,036
Current liabilities	3,763,841	2,314,149
Non-current liabilities	3,909,377	2,868,466
Total liabilities	7,673,218	5,182,615
Revenue	8,971,940	5,546,780
Expenses	(8,671,192)	(5,432,565)
Profit before income tax	300,748	114,215
Income tax expense	(71,853)	(35,006)
Profit after income tax	228,895	79,209

On 25 June 2013, Consolidated Nuts (Aust) Pty Ltd re-financed their $3,500,000 NAB bank loan in current liabilities to a five year finance facility of $3,700,000 with 60 monthly repayments of $49,965 and a balloon payment of $1,665,000.

14 Consolidated entities

		Percentage Owned	
		2013	2012
Name	Country of incorporation	%	%
Macadamia Magic Pty Limited	Australia	**100**	100
International Macadamias Limited	Australia	**100**	100

Notes to the financial statements for the year ended 31 March 2013

15 Property, plant and equipment

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Land and buildings				
At cost	**6,246,889**	6,246,889	**6,246,889**	6,246,889
Less: Accumulated depreciation	**(2,457,134)**	(2,259,478)	**(2,457,134)**	(2,259,478)
Total Land and buildings	**3,789,755**	3,987,411	**3,789,755**	3,987,411
Plant and equipment				
At cost	**13,138,160**	11,895,566	**13,138,160**	11,895,566
Less: Accumulation depreciation	**(10,370,659)**	(9,888,650)	**(10,370,659)**	(9,888,650)
Total Plant and equipment	**2,767,501**	2,006,916	**2,767,501**	2,006,916
Total property, plant and equipment	**6,557,256**	5,994,327	**6,557,256**	5,994,327

Movements in carrying amounts

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

	Land and buildings $	Plant and equipment $	Total $
Consolidated			
Balance at 1 April 2012	3,987,411	2,006,916	5,994,327
Additions	-	1,242,594	1,242,594
Depreciation expense	(197,656)	(482,009)	(679,665)
Balance at 31 March 2013	3,789,755	2,767,501	6,557,256
Parent			
Balance at 1 April 2012	3,987,411	2,006,916	5,994,327
Additions	-	1,242,594	1,242,594
Depreciation expense	(197,656)	(482,009)	(679,665)
Balance at 31 March 2013	3,789,755	2,767,501	6,557,256

16 Trade and other payables

(a) Current payables - detailed table

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Unsecured liabilities				
Trade payables	**1,814,546**	1,641,727	**1,814,546**	1,641,727
Sundry payables and accrued expenses	**169,222**	255,017	**169,222**	255,017
Amount due to a joint venture entity	**-**	29,644	**-**	29,644
Total	**1,983,768**	1,926,388	**1,983,768**	1,926,388

Notes to the financial statements for the year ended 31 March 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

17 Tax

(a) Current tax liabilities

Income tax payable	**142,106**	125,911	**142,106**	125,911

(b) Deferred tax assets

Deferred tax assets				
Accruals and superannuation	**24,385**	10,976	**24,385**	10,976
Provisions- employee benefits	**181,219**	167,008	**181,219**	167,008
Trade and other receivables	-	109	-	109
Deferred tax liabilities				
Property, plant and equipment				
- tax allowance	**(122,991)**	(127,554)	**(122,991)**	(127,554)
Closing balance	**82,613**	50,539	**82,613**	50,539

18 Dividends

Proposed final fully franked ordinary dividend	**482,468**	290,884	**482,468**	290,884
Reversal of previous years final dividend over-provision	**(3,260)**	(4,318)	**(3,260)**	(4,318)
Total	**479,208**	286,566	**479,208**	286,566

19 Borrowings

CURRENT				
Secured liabilities				
Bank loans	**6,900,000**	300,000	**6,900,000**	300,000
QTC loans	-	236,244	-	236,244
Total	**6,900,000**	536,244	6,900,000	536,244
NON CURRENT				
Secured liabilities				
Bank loans	**1,000,000**	1,300,000	**1,000,000**	1,300,000
QTC loans	-	397,979	-	397,979
Total	**1,000,000**	1,697,979	**1,000,000**	1,697,979

The bank loans are secured by guarantees and indemnities given by Macadamia Magic Pty Limited, International Macadamias Limited and Macadamia Marketing International Pty Ltd supported by:

(a) a registered first fixed and floating charge mortgage over all assets, undertakings and uncalled capital given by the Group and Macadamia Marketing International Pty Ltd; and

(b) a registered first mortgage by the parent company over the macadamia nut processing at 2 Cowlong Road, Alphadale NSW.

As at 31 March 2013 the economic and parent entity had available $9,100,000 (2012: $10,400,000) of undrawn borrowing facilities.

20 Other financial liabilities

Financial guarantees

The Group has potential exposure to guarantees that it has issued to third parties in relation to the bank facilities of its joint venture entities, Consolidated Nuts (Aust) Pty Ltd and Macadamia Marketing International Pty Ltd. Further details relating to these contracts are provided at Note 27: Contingent Liabilities.

21 Provisions

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
CURRENT				
Provisions for dividend	**482,468**	290,884	**482,468**	290,884
Employee benefits	**604,063**	556,693	**604,063**	556,693
Total	**1,086,531**	847,577	**1,086,531**	847,577

Provision for dividend
A provision has been recognised for dividends that have been declared, but are yet to be paid. Refer to note 18 for further dividend information.

22 Issued capital

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
20 (2012: 1) preference shares	**20**	1	**20**	1
2,175,007 (2012: 2,168,388) fully paid ordinary and A class shares	**4,403,957**	4,382,444	**4,403,957**	4,382,444
Nil (2012: 59,400) partly paid ordinary shares	-	21,513	-	21,513
Total	**4,403,977**	4,403,958	**4,403,977**	4,403,958

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

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

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

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.

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

23 Operating lease commitments

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

Payable-minimum lease payments				
- not later than 12 months	8,050	6,082	8,050	6,082
- between 12 months and 5 years	11,225	698	11,225	698
	19,275	6,780	19,275	6,780

The motor vehicle operating lease expires on 16 October 2015.

24 Related party transactions

The Group's main related parties are as follows:

a) Key management personnel

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

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

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

The Group has a 50% interest in the joint venture entity, Consolidated Nuts (Aust) Pty Ltd and a 50% interest in the joint venture entity, Macadamia Marketing International Pty Ltd.

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

For details of interests held in joint venture entities, refer to Note 13: Joint Venture.

c) Other related parties

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

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$

d) Transactions with related parties

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

(i) Purchase of goods and services				
Directors and their director-related entities	8,870,693	5,862,233	8,870,693	5,862,233

24 Related party transactions (continued)

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
(ii) Sale of goods and services				
A jointly controlled entity, Macadamia Marketing International Pty Ltd	**35,555,648**	28,384,709	**35,555,648**	28,384,709
(iii) Trade and other receivables				
Amount due from/(to) a jointly controlled entity, Consolidated Nuts (Aust) Pty Ltd	1,463	130,814	**1,463**	130,814
Amount due from/(to) a jointly controlled entity, Macadamia Marketing International Pty Ltd	5,736,200	6,375,594	**5,736,200**	6,375,594

e) Beneficial holdings

The direct, indirect and beneficial holdings of directors and their director-related entities in ordinary shares of the Group as at 31 March 2013 was 177,726 (2012: 597,662) ordinary shares.

25 Cash flow information

Reconciliation of cash flow from operations with profit after income tax

	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
Profit after income tax	**1,745,026**	1,402,119	**1,398,692**	1,305,277
Non-cash flows in profit:				
Depreciation	**679,665**	724,114	**679,665**	724,114
Share of joint ventures net profit after income tax	**(346,334)**	(96,842)	**-**	-
Changes in assets and liabilities:				
(Increase)/decrease in financial assets	**-**	230,492	**-**	230,492
(Increase)/decrease in trade and other receivables	**858,954**	(4,581,910)	**858,954**	(4,581,910)
(Increase)/decrease in prepayments	**(34,222)**	54,351	**(34,222)**	54,351
(Increase)/decrease in inventories	**(8,982,250)**	2,434,687	**(8,982,250)**	2,434,687
(Increase)/decrease in deferred taxes	**(32,074)**	328,886	**(32,074)**	328,886
Increase/(decrease) in trade payables and accruals	**57,380**	(181,463)	**57,380**	(181,463)
Increase/(decrease) in income tax payable	**16,195**	125,911	**16,195**	125,911
Increase/(decrease) in provisions	**47,370**	56,290	**47,370**	56,290
	(5,990,290)	496,635	**(5,990,290)**	496,635

26 Events after the balance sheet date

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

27 Contingent liabilities

The Group has provided a joint guarantee to National Australia Bank (NAB) for its joint venture entity Consolidated Nuts Australia Pty Ltd's obligations under its bank bill facility amounting to $3,500,000. This bank guarantee is supported by fixed and floating charge over all of the present and future rights, property and undertaking of a related party of the Group, Saratoga Holdings Pty Ltd.

At the end of the reporting period, the directors are of the opinion that, Consolidated Nuts Australia Pty Ltd is in a sound financial position and is not likely to default on the facility amounting to $3,499,903. The Group's total exposure in the event of default is 50% on the facility.

The Group has provided a joint guarantee to Rabobank for its joint venture entity Macadamia Marketing International Pty Ltd's obligations under its bank bill facility amounting to $2,000,000. This bank guarantee is supported by:

(a) a registered first fixed and floating charge mortgage over all assets, undertakings and uncalled capital given by the Group, and

(b) a registered first mortgage by the parent company over the macadamia nut processing at 2 Cowlong Road, Alphadale NSW.

The directors are of the opinion that, Macadamia Marketing International Pty Ltd is in a sound financial position and is not likely to default on the facility amounting to $200,000. The Group's total exposure in the event of default is 75% of the facility.

28 Financial risk management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
Financial assets				
Cash and cash equivalents	**179,965**	2,034,677	**179,947**	2,034,659
Trade and other receivables	**5,755,166**	6,614,120	**5,755,166**	6,614,120
Total financial assets	**5,935,131**	8,648,797	**5,935,113**	8,648,779
Financial liabilities				
Trade and other payables	**1,983,768**	1,926,388	**1,983,768**	1,926,388
Bank loans	**7,900,000**	2,234,223	**7,900,000**	2,234,223
Current tax liabilities	**142,106**	125,911	**142,106**	125,911
Total financial liabilities	**10,025,874**	4,286,522	**10,025,874**	4,286,522

29 Company details

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

Macadamia Processing Co Limited
2 Cowlong Road
Lismore NSW 2480

Macadamia Processing Co Limited

ABN 93 002 607 972

Directors' declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 30, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards; and

(b) give a true and fair view of the financial position as at 31 March 2013 and of the performance for the year ended on that date of the company and consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Christopher R Ford

Christopher Robert Ford
Director

Peter Alfred Shepherd
Director

Dated: 23/7/2013

RSM Bird Cameron Partners

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

MACADAMIA PROCESSING CO LIMITED

We have audited the accompanying financial report of Macadamia Processing Co Limited ("the company"), which comprises the statements of financial position] as at 31 March 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company 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 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 about 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 entity'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.

RSM Bird Cameron Partners

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*, which has been given to the directors of Macadamia Processing Co Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 and consolidated entity's financial positions as at 31 March 2013 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N Sherwood
Partner

Sydney, NSW
Dated: 26 July 2013