



Macadamia Processing Co. Limited

ACN 002 607 972

Annual Report March 2010



HACCP Lic
HCV 20348
SAI Global

Macadamia Processing Co. Limited

ABN 93 002 607 972

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FINANCIAL SUMMARY COMPARISON WITH PREVIOUS YEAR'S RESULTS

	MAR 2009 \$000'S	MAR 2010 \$000'S	% CHANGE 10/09
Trading Revenue	41,656	34,496	-17%
Earnings Before Interest & Taxes	1,087	809	-26%
Profit Before Tax	245	437	78%
Total Assets	21,135	17,543	-17%
QTC Loan Repayments	187	236	26%
Net Debt (interest bearing liabilities less cash)	3,572	751	-79%
Shareholders Equity	13,791	14,177	3%

NIS (\$/kg at 33% KR)	1.75	2.32	33%
NIS Intake - Tonnes	8,471	8,805	4%
No. of Shareholders	180	181	1%
Shareholder Hectares	4,501	4,501	0%

Chairman's Review 2010

Company Performance

The financial year that ended on 31 March 2010 reflects a continued improvement in the Company's performance. An improvement in world prices for kernel is reflected in better prices being paid to growers for nut in shell (NIS) but these continue to be limited by the strength of the Australian dollar.

The Company's financial position enabled for the second year in succession the full notional price to be paid prior to Christmas 2009 and the payment of an additional payment in March 2010.

Financial Results

The Company (Consolidated Entity) reported a pre tax profit of \$436,725 for the year.

The final price paid for premium NIS at 33% kernel recovery and 10% moisture content was \$2.32 per kilogram. Seasonal factors and probably three years of low prices impacted on crop quality which was further exacerbated by the loss of crop during the floods mid-year.

The crop intake for the year of 8,805 tonnes was less than anticipated and although a small improvement of 4% over the previous year represents a 30% reduction on the 2007 season. Revenue for the year decreased by 17% over the previous year as a lower volume of kernel was available for sale. The increase in the average kernel selling price and continuing market development resulted in a 33% increase in the NIS price.

Savings were made in expenses, notably in storage and transport costs due to negotiated rate reductions, a smaller crop and lower kernel inventory levels. Efficiencies flowed through the factory with the ongoing improvement in the process line and the expansion of product offerings and specifications. This enabled further savings in China processing costs as smaller volumes of kernel were sent overseas for secondary sorting. Interest costs fell by 56% due to our stronger cash flow position and lower interest rates on seasonal borrowings.

With regard to the balance sheet, the level of assets and liabilities has fallen by \$3,591,907 and \$3,982,182 respectively. This has resulted in further improvement in the Company's financial strength. The principal components of these changes are reductions in inventories of \$3,947,869 (43%), trade and other payables of \$1,265,066 (43%) and financial liabilities (borrowings) of \$2,763,665 (70%). Total Equity has increased by \$390,275.

The continuing decline in debt levels over the last three years has been achieved in this uncertain economic environment and all financial ratios as required by our bankers have been met.

Board of Directors, Management and Staff

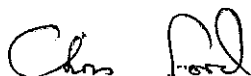
I would like to thank both my fellow Board Members, the General Manager, senior management and all employees for their continued loyalty and commitment. I believe the effort being made by all is contributing to a stronger Company and industry.

Outlook

The 2010 season has resulted in the third successive year of disappointing crops and a shortage of kernel in world markets. We will enter the New Year with negligible levels of kernel which should support the continuation of the improved prices being achieved in foreign markets in 2010. The full benefit of these prices to growers has been limited by the strong Australian dollar. Any weakness in the dollar should therefore be expected to be reflected in improved NIS prices.

The NIS price paid by the Company is also subject to downward pressure from small crops as experienced in the past three years. Any significant improvement in throughput at the Company should also result in higher prices.

On behalf of the Board I would like to thank the shareholders for their continued support, their valuable contribution on policy development including the NIS payment system and the new constitution and last but not least their loyalty in difficult times.

A handwritten signature in black ink that reads "Chris Ford". The signature is written in a cursive style with a large, stylized "C" and "F".

Chris Ford

Chairman

16 July 2010

Macadamia Processing Co Limited

A.C.N. 002 607 972

Financial Statements

For the Year Ended 31 March 2010

Macadamia Processing Co Limited

For the Year Ended 31 March 2010

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Macadamia Processing Co Limited

Directors' Report

31 March 2010

Your directors present their report on the company and its controlled entities for the financial year ended 31 March 2010.

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. Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. The directors recommended that no dividends be paid or declared for payment to members during the year.

5. Operating Results

The consolidated profit/(loss) of the Group after providing for income tax and eliminating minority equity interests amounted to \$ 385,411.

6. 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.

Macadamia Processing Co Limited

Directors' Report

31 March 2010

7. After balance day events

At the Board meeting on 30 June 2010, the directors resolved to convert 211,970 ordinary shares to A class shares.

8. Significant Changes in State of Affairs

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

9. 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.

10. 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.

11. 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.

12. 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.

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 (2009: \$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 2010

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 13 years consultant for the International Monetary Fund 29 years experience in senior accounting and financial roles with large Australian and international companies/banks 13 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 19 years experience as a solicitor Involved as a shareholder and director for 33 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 29 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 15 years experience as a macadamia grower on the Alstonville plateau

Macadamia Processing Co Limited

Directors' Report

31 March 2010

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	10
Geoffrey Ian Royal	11	11
Peter Alfred Shepherd	11	10
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 R Ford
Christopher Robert Ford

Director: Annette Carmel Fontana
Annette Carmel Fontana

Dated this 21st day of July 2010

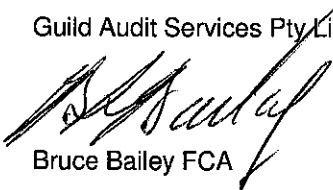
Macadamia Processing Co Limited

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 2010 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

21 July 2010

Macadamia Processing Co Limited

Statement of Comprehensive Income

For the Year Ended 31 March 2010

	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
Revenue	2	34,495,620	41,656,300	34,495,620	41,656,300
Other income	3	1,560,924	14,816	1,560,924	14,816
Raw materials and consumables used		(19,064,659)	(16,678,621)	(19,064,659)	(16,678,621)
Changes in inventories of finished goods and work in progress		(3,401,202)	(9,011,456)	(3,401,202)	(9,011,456)
Employee benefits expense		(6,825,813)	(6,485,021)	(6,825,813)	(6,485,021)
Other staff costs		(545,173)	(551,370)	(545,173)	(551,370)
Storage and transport costs		(1,580,043)	(2,413,249)	(1,580,043)	(2,413,249)
Depreciation, amortisation and impairments		(745,497)	(790,428)	(745,497)	(810,742)
Write down of inventory to net realisable value		(546,666)	(753,402)	(546,666)	(753,402)
Sundry expenses		(2,493,105)	(2,965,439)	(2,493,105)	(2,965,439)
Finance costs	4	(417,661)	(1,745,855)	(417,661)	(1,745,855)
Share of net profits/(loss) of associates		-	(31,696)	-	-
Profit/(loss) before income tax	4	436,725	244,579	436,725	255,961
Income tax benefit/(expense)	7	(51,314)	(17,210)	(51,314)	(20,624)
Profit/(loss) attributable to members		385,411	227,369	385,411	235,337
Total comprehensive income attributable to: the member of the company		385,411	227,369	385,411	235,337

Macadamia Processing Co Limited

Statement of Financial Position

31 March 2010

	Note	Consolidated		Parent	
		2010 \$	2009 \$	2010 \$	2009 \$
ASSETS					
Current assets					
Cash and cash equivalents	8	407,762	345,946	407,744	345,928
Trade and other receivables	9	3,236,505	3,210,059	3,240,954	3,214,508
Inventories	10	5,310,820	9,258,689	5,310,820	9,258,689
Financial assets	11	853,423	-	853,423	-
Other current assets		78,649	69,471	78,649	69,471
Total current assets		9,887,159	12,884,165	9,891,590	12,888,596
Non-current assets					
Financial assets	11	-	-	18	18
Property, plant and equipment	14	6,856,086	7,396,259	6,856,086	7,396,259
Deferred tax assets	16	799,489	854,217	799,489	850,803
Total non-current assets		7,655,575	8,250,476	7,655,593	8,247,080
TOTAL ASSETS		17,542,734	21,134,641	17,547,183	21,135,676
LIABILITIES					
Current liabilities					
Trade and other payables	15	1,661,735	2,926,801	1,661,735	2,926,801
Financial liabilities	17	286,244	2,813,665	286,244	2,813,665
Short-term provisions	18	542,676	496,127	542,676	496,127
Total current liabilities		2,490,655	6,236,593	2,490,655	6,236,593
Non-current liabilities					
Financial liabilities	17	870,468	1,106,712	870,468	1,106,712
Total non-current liabilities		870,468	1,106,712	870,468	1,106,712
TOTAL LIABILITIES		3,361,123	7,343,305	3,361,123	7,343,305
NET ASSETS		14,181,611	13,791,336	14,186,060	13,792,371
EQUITY					
Issued capital	19	4,401,751	4,393,473	4,401,751	4,393,473
Reserves		-	6,656	-	-
Retained earnings		9,779,860	9,391,207	9,784,309	9,398,898
TOTAL EQUITY		14,181,611	13,791,336	14,186,060	13,792,371

Macadamia Processing Co Limited

Statement of Changes in Equity

For the Year Ended 31 March 2010

2010

	Consolidated				
	Ordinary 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

2009

	Consolidated				
	Ordinary Shares	Partly Paid Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2008	4,355,984	37,489	9,163,838	(1,355)	13,555,956
Profit attributable to members	-	-	227,369	-	227,369
Foreign currency translation reserve	-	-	-	8,011	8,011
Balance at 31 March 2009	4,355,984	37,489	9,391,207	6,656	13,791,336

Macadamia Processing Co Limited

Statement of Changes in Equity
For the Year Ended 31 March 2010

2010

Balance at 1 April 2009
Call payments from shareholders
Profit attributable to members
Balance at 31 March 2010

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

2009

Balance at 1 April 2008
Profit attributable to members
Balance at 31 March 2009

	Ordinary Shares	Partly Paid Ordinary Shares	Parent Retained Earnings	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2008	4,355,984	37,489	9,163,561	-	13,557,034
Profit attributable to members	-	-	235,337	-	235,337
Balance at 31 March 2009	4,355,984	37,489	9,398,898	-	13,792,371

Macadamia Processing Co Limited

Statement of Cash Flows

For the Year Ended 31 March 2010

	Note	Consolidated		Parent	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash from operating activities:					
Receipts from customers		35,266,917	41,082,062	35,266,917	41,082,062
Payments to suppliers and employees		(31,842,229)	(34,808,590)	(31,842,229)	(34,808,590)
Interest received		5,993	14,816	5,993	14,816
Finance costs		(417,661)	(1,592,576)	(417,661)	(1,592,576)
Other inflows (outflows) from other operating activities		-	450,000	-	450,000
Net cash provided by (used in) operating activities	22	3,013,020	5,145,712	3,013,020	5,145,712
Cash flows from investing activities:					
Proceeds from sale of plant and equipment		-	2,499	-	2,499
Payments to acquire property, plant and equipment		(198,654)	(247,227)	(198,654)	(247,227)
Net cash provided by (used in) investing activities		(198,654)	(244,728)	(198,654)	(244,728)
Cash flows from financing activities:					
Call payments from shareholders		8,694	-	8,694	-
Net repayment of borrowings		(2,761,244)	(4,773,244)	(2,761,244)	(4,773,244)
Net cash provided by (used in) financing activities		(2,752,550)	(4,773,244)	(2,752,550)	(4,773,244)
Net increase (decreases) in cash held		61,816	127,740	61,816	127,740
Cash at beginning of financial year		345,946	218,206	345,928	218,188
Cash at end of financial year	8	407,762	345,946	407,744	345,928

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

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 2010

1 Statement of Significant Accounting Policies continued

(d) Adoption of New and Revised Accounting Standards

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Macadamia Processing Co Limited.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement — the statement of comprehensive income, or two statements — a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(e) 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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

1 Statement of Significant Accounting Policies continued

(e) Critical accounting estimates and judgments continued

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.

(f) 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.

(g) 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.

(h) 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

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

1 Statement of Significant Accounting Policies continued

(h) Property, Plant and Equipment continued

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.

(i) 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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

1 Statement of Significant Accounting Policies continued

(j) 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.

(k) Investments in associates (equity method)

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.

(l) 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.

(m) 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

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

1 Statement of Significant Accounting Policies continued

(m) Impairment of assets continued

estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) 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.

(o) 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.

(p) 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).

(q) 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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

1 Statement of Significant Accounting Policies continued

(q) Goods and Services Tax (GST) continued

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.

(r) Comparative Figures

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

(s) 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 2010

2 Revenue

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sale of goods	34,495,620	41,656,300	34,495,620	41,656,300

3 Other income

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Interest	5,993	14,816	5,993	14,816
Foreign exchange gains	1,549,930	-	1,549,930	-
Other income	5,000	-	5,000	-
Total	1,560,923	14,816	1,560,923	14,816

4 Profit before income tax

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cost of sales	31,062,667	34,492,838	31,062,667	34,492,838
Finance Costs:				
Interest	377,913	856,835	377,913	856,835
Foreign exchange losses	-	854,304	-	854,304
Other	39,748	34,716	39,748	34,716
Total finance costs	417,661	1,745,855	417,661	1,745,855

5 Auditors' Remuneration

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- Auditing the financial statements	39,500	39,000	39,500	39,000
- Taxation and other services	6,000	6,000	6,000	6,000

6 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:

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

6 Key Management Personnel Compensation continued

(a) Key Management Personnel continued

Key Management Person	Position
Christopher Robert Ford	Chairman
Annette Carmel Fontana	Director
Geoffrey Ian Royal	Director
Peter Alfred Shepherd	Director
James Harrower Duncan	Director
Other Key Management Personnel	
Larry McHugh	General Manager

(b) Key Management Personnel Compensation

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Short-term employee benefits	247,543	255,043	247,543	255,043
Post-employment benefits	22,279	22,279	22,279	22,279
Other long term benefits	24,532	21,669	24,532	21,669
Total	294,354	298,991	294,354	298,991

7 Income Tax Expense

(a) The components of tax expense comprise:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deferred Tax expense	51,314	17,210	51,314	17,210

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
- Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	131,018	73,374	131,018	76,788
Add:				
Tax effect of:				

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

7 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	
	2010	2009	2010	2009
	\$	\$	\$	\$
- Non-deductible expenses	10,616	12,016	10,616	12,016
- Subtotal	141,634	85,390	141,634	88,804
Less:				
Tax effect of:				
- Deductible loan repayments	70,873	56,173	70,873	56,173
- Additional deduction from research and development expenditure	7,721	12,007	7,721	12,007
- Difference in prior year estimates	11,726	-	11,726	-
Income tax attributable to entity	51,314	17,210	51,314	20,624

8 Cash and Cash Equivalents

- (a) Detailed table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash on hand	2,453	2,453	2,453	2,453
Cash at bank	405,309	343,493	405,291	343,475
Total	407,762	345,946	407,744	345,928

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Australian Dollar	113,376	144,992	113,358	144,974
US Dollar	293,156	199,724	293,156	199,724
Other currency	1,230	1,230	1,230	1,230
Total	407,762	345,946	407,744	345,928

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

9 Trade and Other Receivables

(a) Current receivables table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade receivables	3,179,313	3,098,618	3,179,313	3,098,618
Deposits	27,296	36,374	27,296	36,374
Goods and service tax refundable	12,427	27,492	12,427	27,492
Other receivables	17,469	47,575	17,469	47,575
Amounts receivable from: - wholly-owned subsidiaries	-	-	4,449	4,449
Total	3,236,505	3,210,059	3,240,954	3,214,508

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Australian Dollar	2,557,671	2,047,258	2,562,120	2,051,707
US Dollar	642,159	1,037,624	642,159	1,037,624
Pound Sterling	29,148	20,564	29,148	20,564
Other	7,527	104,613	7,527	104,613
Total	3,236,505	3,210,059	3,240,954	3,214,508

(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 2010

9 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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current	2,947,882	2,383,545	2,947,882	2,383,545
1-30 days past due not impaired	287,913	818,550	287,913	818,550
31-60 days past due not impaired	710	-	710	-
91+ days past due not impaired	-	7,964	4,449	12,413
Total	3,236,505	3,210,059	3,240,954	3,214,508

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 17(c) for further details.

10 Inventories

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
At Cost				
Raw materials and stores	1,219,173	1,148,115	1,219,173	1,148,115
Finished goods	162,331	222,902	162,331	222,902
At net realisable value				
Finished goods	3,929,316	7,887,672	3,929,316	7,887,672
Total	5,310,820	9,258,689	5,310,820	9,258,689

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

11 Financial Assets

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Forward exchange contracts - current, at fair value	853,423	-	853,423	-
Unlisted investments - non-current, at cost	-	-	18	18
Total	853,423	-	853,441	18

12 Associated companies

(a) Interests in Associates

Interests are held by the Group in the following associated companies:

Name	Principal Activities	Country of Incorporation	Ownership Interest		Carrying Amount of Investment	
			2010	2009	2010	2009
			%	%	\$	\$
Macadamia Processing Co Europe GmbH	Sales and marketing of macadamia	Germany	-	50.00	-	-

(b) Movements during the Year in Equity Accounted Investments in Associated Companies

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance at beginning of the financial year	-	47,470	-	-
Add:				
Share of associated company's profit/(loss) after income tax	-	(31,696)	-	-
Transferred to foreign exchange reserve	-	8,011	-	-
Less:				
Impairment loss	-	(23,785)	-	-
Balance at end of the the financial year	-	-	-	-

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

12 Associated companies continued

Macadamia Processing Co Europe GmbH (MPCE) did not trade after February 2009 and was finally closed on 20 February 2010.

(c) Equity accounted profit/(loss) of associate are broken down as follows:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Share of associate's profit/(loss) before income tax expense	-	(31,696)	-	-

(d) Summarised presentation of Aggregate Assets, Liabilities and Performance of Associates

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current Assets	-	79,202	-	-
Non-current assets	-	850	-	-
Total Assets	-	80,052	-	-
Current Liabilities	-	32,482	-	-
Total Liabilities	-	32,482	-	-
Net Assets	-	47,570	-	-
Revenues	-	19,701	-	-
Profit/(loss) after income tax of associates	-	(63,392)	-	-

13 Controlled Entities

Name	Country of incorporation	Percentage Owned	Percentage Owned
		2010	2009
Macadamia Magic Limited	Australia	100	100
International Macadamias Limited	Australia	100	100

14 Property Plant and Equipment

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Land and buildings				
At cost	6,246,889	6,267,628	6,246,889	6,267,628
Less: accumulated depreciation	(1,864,338)	(1,666,846)	(1,864,338)	(1,666,846)
Total land and buildings	4,382,551	4,600,782	4,382,551	4,600,782

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

14 Property Plant and Equipment continued

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Plant and equipment				
At cost	11,319,313	11,127,620	11,319,313	11,127,620
Less: accumulated depreciation	(8,845,777)	(8,332,143)	(8,845,777)	(8,332,143)
Total plant and equipment	2,473,536	2,795,477	2,473,536	2,795,477
Total property, plant and equipment	6,856,087	7,396,259	6,856,087	7,396,259

Movements in Carrying Amounts

	Land and buildings	Plant and equipment	Total
	\$	\$	\$
Balance at 31 March 2010			
Balance at the beginning of year	4,600,782	2,795,477	7,396,259
Additions	-	198,654	198,654
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	2,473,536	6,856,087
Balance at 31 March 2009			
Balance at the beginning of year	4,796,221	3,120,485	7,916,706
Additions	550	246,677	247,227
Disposals	-	(1,031)	(1,031)
Depreciation expense	(195,989)	(570,655)	(766,644)
Carrying amount at the end of 31 March 2009	4,600,782	2,795,476	7,396,258

15 Trade and other payables

(a) Current payables - detailed table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Unsecured liabilities				
Trade payables	1,661,735	2,926,801	1,661,735	2,926,801

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

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	
	2010	2009	2010	2009
	\$	\$	\$	\$
Australian Dollar	1,618,040	2,900,046	1,618,040	2,900,046
US Dollar	43,695	26,755	43,695	26,755
Total	1,661,735	2,926,801	1,661,735	2,926,801

16 Tax

(a) Detailed Table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deferred tax assets	799,489	854,217	799,489	850,803

(b) Reconciliations

	Balance at the beginning of the year	Charge/ (credit) to income statement	Balance at the end of the year
	\$	\$	\$
Depreciation and leases	(118,926)	(3,886)	(122,812)
Accruals and provisions	173,818	1,421	175,239
Foreign exchange	20,279	(268,658)	(248,379)
Impairment and share of loss of associates	16,644	(16,644)	-
Tax loss	762,402	233,039	995,441
Total	854,217	(54,728)	799,489

17 Financial Liabilities

(a) Detailed Table - Current

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Secured liabilities				
Bank loans	50,000	2,575,000	50,000	2,575,000
QTC loans	236,244	236,244	236,244	236,244

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

17 Financial Liabilities continued

(a) Detailed Table - Current continued

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Derivatives	-	2,421	-	2,421
Total	286,244	2,813,665	286,244	2,813,665

(b) Detailed Table - Non Current

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Secured liabilities				
QTC loans	870,468	1,106,712	870,468	1,106,712

(c) Total current and non-current secured liabilities

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Bank Loans	50,000	2,575,000	50,000	2,575,000
QTC loans	1,106,712	1,342,956	1,106,712	1,342,956
Forward exchange contracts	-	2,421	-	2,421
Total	1,156,712	3,920,377	1,156,712	3,920,377

The QTC loans of \$1,106,712 (2009: \$1,342,956) 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 2010, the economic and parent entity had available \$12,350,000 (2009: \$9,825,000) of undrawn committed borrowing facilities.

18 Provisions

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Employee benefits	542,676	496,127	542,676	496,127

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

19 Issued Capital

(a) Summary Table

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
2,160,246 (2009: 2,160,246) fully paid ordinary shares	4,355,984	4,355,984	4,355,984	4,355,984
67,542 (2009: 67,542) partly paid ordinary shares	45,767	37,488	45,767	37,488
Total	4,401,751	4,393,472	4,401,751	4,393,472

The company has authorised share capital amounting to 10,000,000 (2009: 10,000,000) ordinary shares of no par value.

(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;
- (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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

20 Operating Lease Commitments

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Payable - minimum lease payments				
- not later than 12 months	7,205	-	7,205	-
- between 12 months and 5 years	15,010	-	15,010	-
Total	22,215	-	22,215	-

21 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) Associated Companies

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Commission paid to an associate, Macadamia Processing Co Europe GmbH, as agent	-	19,701	-	19,701

(b) Key Management Personnel

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Purchased goods	4,269,972	4,018,618	4,269,972	4,018,618

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..

(c) Director Related Parties

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Market development/strategic plan fees paid to Global Strategic Vision Pty Ltd in which Mr James Harrower Duncan is a partner	-	15,000	-	15,000

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

21 Related party transactions continued

- (d) 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.

	2010	2009
	\$	\$
Ordinary shares of Macadamia Processing Co Ltd	597,662	597,662

22 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net income/loss for the period	385,411	235,895	385,411	247,277
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation	716,790	766,644	716,790	766,644
Net (gain)/ loss on disposal of property, plant and equipment	22,037	(1,469)	22,037	(1,469)
Impairment of investments	-	23,785	-	44,099
Increase/decrease in Financial Liabilities	(2,421)	2,421	(2,421)	2,421
Share of associated companies net (profit)/loss after income tax and dividends	-	31,696	-	-
(Increase)/decrease in Financial Asset	(853,423)	160,070	(853,423)	160,070
changes in assets and liabilities, net of the effects of partly paid shares at call				
(Increase)/decrease in trade and term receivables	(26,862)	(306,298)	(26,862)	(306,298)
(Increase)/decrease in prepayments	(9,178)	(3,248)	(9,178)	(3,248)
(Increase)/decrease in inventories	3,947,869	9,764,858	3,947,869	9,764,858
Increase/(decrease) in trade payables and accruals	(1,265,066)	(5,574,659)	(1,265,066)	(5,574,659)
Increase/(decrease) in deferred taxes payable	51,314	8,684	51,314	8,684
Increase/(decrease) in provisions	46,549	37,333	46,549	37,333
Cashflow from operations	<u>3,013,020</u>	<u>5,145,712</u>	<u>3,013,020</u>	<u>5,145,712</u>

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

23 Events After the Balance Sheet Date

At the Board meeting on 30 June 2010, the directors resolved to convert 211,970 ordinary shares to A class shares.

24 Segment information

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

25 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

26 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.

Macadamia Processing Co Limited

Notes to the Financial Statements

For the Year Ended 31 March 2010

26 Financial instruments continued

(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.

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 relates 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.

Financial instrument composition and maturity analysis

The consolidated group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Macadamia Processing Co Limited

Notes to the Financial Statements
For the Year Ended 31 March 2010

26 Financial instruments continued

(e) Interest Rate Risk continued

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years		Non-interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	0.15	0.25	407,762	345,946	-	-	-	-	-	-	407,762	345,946
Receivables	-	-	-	-	-	-	-	-	3,236,505	3,210,059	3,236,505	3,210,059
Total Financial Assets			407,762	345,946	-	-	-	-	3,236,505	3,210,059	3,644,267	3,556,005
Financial Liabilities:												
Rabobank loan secured	5.85	8.17	-	-	50,000	2,575,000	-	-	-	-	50,000	2,575,000
QTC loan secured	4.30	7.47	-	-	236,224	236,244	870,468	1,106,712	-	-	1,106,692	1,342,956
Trade and sundry payables	-	-	-	-	-	-	-	-	1,661,735	2,926,801	1,661,735	2,926,801
Forward exchange contracts	-	-	-	-	-	2,421	-	-	-	-	-	2,421
Total Financial Liabilities			-	-	286,224	2,813,665	870,468	1,106,712	1,661,735	2,926,801	2,818,427	6,847,178

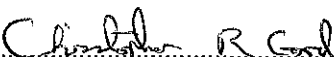
Macadamia Processing Co Limited

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 33, 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 2010 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 
Annette Carmel Fontana

Dated 21 July 2010

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 2010, 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 2010 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

21 July 2010