



**MACS
NETWORK**



Investment Opportunity



The Macs Network investment is a large scale Australian Macadamia nut farm operation that provides investors an opportunity to invest directly in productive macadamia farms.

Macadamias are a highly prized tree nut, valued in select markets around the World. Consumers have an increasing awareness and appetite for Macadamias, with the enjoyment and versatility of use generating ever-increasing demand.

Macadamias along with other tree nuts are also being recognized as a valuable part of a healthy diet. These factors are all contributing to strong demand assuring firm prices for macadamias.

The strong market conditions are forecast to continue for some time due to the long lead times for increasing macadamia production.

Securing an interest in Australian macadamia production delivers participation in a world leading supply source. The Australian macadamia industry as the leading supplier, it is also at the forefront in macadamia production and processing technologies.

Macs Network will purchase a network of productive macadamia orchards located throughout the established macadamia growing regions along the east coast of Australia.

The selected properties represent mature, developing and production capable orchards.

Macs Network will have the scale to enable it to directly market macadamia in-shell, kernel and value added products thereby improving the returns to investors.

The value proposition includes

- Ownership of a network of mature and developing macadamia orchards
- Regular dividends with a forecast yield averaging 18% over the first 5 years and growing with increasing farm output
- An integrated supply chain capability delivering above market returns
- Capital growth through orchard maturing and development, exposure to Australian coastal real estate markets
- Unique and highly experienced team of industry professionals with demonstrated performance at farm management and macadamia production, processing and marketing
- Equity participation of management team
- A medium to long-term approach for investors of 7-10 years.



Investment Summary

STRUCTURE	DESCRIPTION
Type of Investment	The Macs Network Property Trust #1('Fund') is an unlisted unit trust. Macs Network is a Private Company whom is also the trustee of Macs Network Property trust #1. Units and shares are being offered as stapled securities.
Offer size	\$20 Million with the ability to expand to \$25 Million. Approximately 10 Million units will be purchased by vendors associated with the farms being acquired by the Fund.
Offer	An invitation to buy units in the Macs network Property Trust #1 at \$1.00 per unit. An invitation to buy shares in Macs network Pty Ltd at \$1.00 per unit, limited to one share per 100,000 property trust units held.
Manager	Macs Network Pty Ltd. ('MNPL') Company whom is trustee of the Fund and manages the operations undertaken on and associated with the assets of the Fund. The Company will be directed by a board of 5, all of whom will be investors or a representative of an investor, in the Fund.
Investment timeframe	An investment in the Fund should be considered medium term investment, as your funds will be committed for up to 10 years.
Gearing	The Fund Manager will secure project specific finance with recourse limited to fund assets. Lenders will have no recourse against the Fund investors. The Fund will have a loan to value ratio of no greater than 50%
Regular Reporting	Macs Network will send a half yearly report including a distribution statement (where a distribution has been made) to investors.
Annual Report	An annual report for the fund will be prepared and distributed for each financial year summarising taxable and other income for the Fund reconciling to physical distributions made during the year.



Fund Dimensions

Total Value of Project	\$34.25 Million
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Investment	
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Property	\$30.9M
Establishment Costs	\$2.2M
Working Capital	\$1.15M

Financing	
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Existing Investors	\$12.0M
New Investors	\$10.0M
Bank debt	\$12.2M

Overview of Assets

The farmland and orchards are the principal physical assets that will be purchased and owned by the Fund.

The farms have been selected for their current and future productivity. Operationally the farms have been grouped into clusters to generate efficiencies and cost reduction.

FARM SUMMARY

Land	900 Hectares
Orchard	610 Hectares of orchard area under cultivation Mix of dryland and irrigated properties
Trees	170,000 with average planting density of 324 trees/Ha

BROOKLET, NSW

Land	205 Ha
Trees	36,500
Production	2015: 530T 2020: 610T

1

BUNDABERG EAST

Land	300 Ha
Trees	90,433
Production	2015: 500T 2020: 820T

2

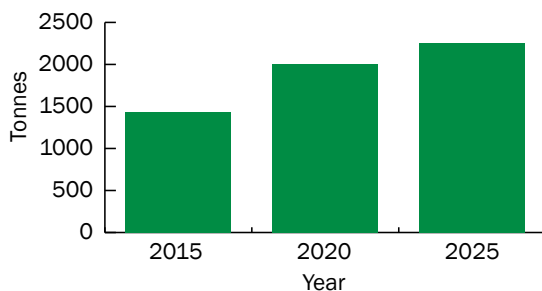
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BUNDABERG WEST

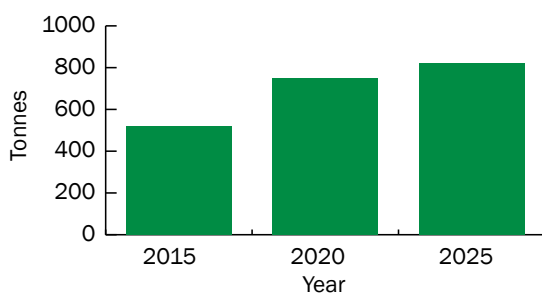
Land	395 Ha
Trees	56,600
Production	2015: 495T 2020: 700T

PRODUCTION

Macadamia in shell



Macadamia kernel



FARM CLUSTER – BROOKLET NORTHERN RIVERS DISTRICT, NSW

Three macadamia farms with combined current production of 530T NIS, inclusive of post harvest processing facilities.

Sale of non-productive assets is forecast to release \$1.4M*.

- Involves the acquisition and bundling of 3 mature orchards
- Expansion potential with adjoining vacant and semi developed blocks.
- Expansion potential through leasing adjoining orchards.

Lot	Status	Land Size, Ha	Hectares under canopy	Tree numbers	Commencing Production		Forecast Production		SKR
					T	(T/Ha)	T	(T/Ha)	
Orchard #1	Purchase Mature	40	31	9500	60	1.5	120	3.9	36%
Orchard #2	Purchase Mature	125	100	15000	350	3.5	350	3.5	33%
Orchard #3	Purchase Mature	40	34	12000	120	3.7	140	4	33%
	TOTAL	205	165	36500	530	3.2	610	3.7	35%

Orchard #2 has crop handling and processing facilities capable of supporting the clustered operation.

Additional income through operating the post harvest handling facility on a contract service basis to other farms.

**Subject to Council approval under the State Environment Plan (Rural)*

ACQUISITION SUMMARY

Lot	Purchase Price	Capital Management Land	Net Asset Cost	Infrastructure Allowance	Net \$/Ha	ROC (2015)	ROC (2020)
Orchard #1	\$2,350,000	\$650,000	\$1,700,000		\$50,000	26.9%	29.3%
Orchard #2	\$5,000,000		\$5,000,000	\$350,000	\$46,500	18.2%	21.5%
Orchard #3	\$2,300,000	\$750,000	\$1,550,000		\$50,000	22.1%	26.2%
TOTAL	\$9,650,000	\$1,400,000	\$8,250,000		\$47,880	20.3%	24.1%

The Northern Rivers area is in demand for lifestyle properties, consequently there is capital value tied up in the farms associated with the residential building entitlements allocated with each lot. It is proposed to release this value through sale of 2Ha from each lot and releasing capital.*

Rainfall in the northern Rivers area permits dryland farming of macadamias. There is no irrigation infrastructure at the farms being proposed for purchase. Dams and water licences to support dryland farming practices are in place. Eg. Spray water supply.



*Subject to Council approval

FARM CLUSTER – MOORE PARK BUNDABERG EAST

Acquisition of three maturing macadamia orchards and a vacant block suitable for future planting.

Lot	Status	Land Size, Ha	Hectares under canopy	Tree numbers	Commencing Production		Forecast Production		SKR
					T	(T/Ha)	T	(T/Ha)	
Orchard #1	Purchase Maturing Orchard	100	74	30,360	120	1.62	320	4.3	38%
Orchard #2	Purchase Maturing Orchard	170	104	32,375	280	3.3	430	4.0	38%
Orchard #3	Purchase Mature Orchard	40	25	8,000	100	4.0	110	4.4	36%
Land	Vacant	59	45	(19700)	0	0	180	4	38%
TOTAL Existing		310	203	70,735	500	2.4	820	4.2	38%
With development		370	250	90,435	500		1040	4.2	38%

Lot	Purchase Price	Net Asset Cost	Net \$/Ha	ROC (2015)	ROC (2020)
Orchard #1	\$4,000,000	\$4,000,000	\$54,054	6.3%	29.4%
Orchard #2	\$5,500,000	\$5,250,000	\$50,480	20.8%	25.4%
Orchard #3	\$1,300,000	\$1,300,000	\$52,000	15.2%	24%
Land	\$950,000	\$950,000	\$15,833*	0	
TOTAL	\$11,250,000	\$11,250,000	\$46,000**	14.3%**	27.1%

* excludes orchard development costs

** excludes vacant land block

The Bundaberg East farms are located approximately 15Km North of Bundaberg. Orchard #1 and #3 adjoin and were planted in 2006, 7 and 2000 respectively; Orchard #3 has reached maturity and is regularly producing 100T per season. Orchard #1 is increasing in productivity and is yet to reach full production. Orchard #2 was planted in 2004 and is also increasing in productivity. All farms are equipped with irrigation and hold extensive dam storage. Additional licences are held in excess of 300ML.

Planting density varies between the orchards,

	Spacing	Trees per Hectare
Orchard #1	8m x 4m	410
Orchard #2	7m x 3.5m	312
Orchard #3	8m x 4m	312

The vacant land adjoins farm #2 and is currently being used for sugar cane production. Production from the Bundaberg East cluster will be consolidated and processed at the Bundaberg west facility.



FARM CLUSTER – SHARON BUNDABERG WEST

Acquisition of two maturing orchards with infrastructure for post harvest handling.

Lot	Status	Land Size, Ha	Hectares under canopy	Tree numbers	Commencing Production		Forecast Production		SKR
					T	(T/Ha)	T	(T/Ha)	
Orchard #1	Purchase Maturing Orchard	206	130	40,370	390	3.0	540	4.15	38%
Orchard #2	Purchase Maturing Orchard	58	52	16,224	110	2.12	225	4.26	38%
TOTAL		264	167	60000	495	2.96	700	4.2	38%

Lot	Purchase Price	Capital Management Equipment	Net Asset Cost	Infrastructure Allowance	Net \$/Ha	ROC (2015)	ROC (2020)
Orchard #1	\$7,000,000	\$150,000	\$6,850,000	\$350,000	\$50,000	31.7%	29.8%
Orchard #2	\$2,500,000	0	\$2,500,000	0	\$48,077	22.3%	36.7%
TOTAL	\$8,750,000	\$150,000	\$8,600,000	\$350,000	\$49,400	29.4%	31.4%

DESCRIPTION OF SWAN RIDGE

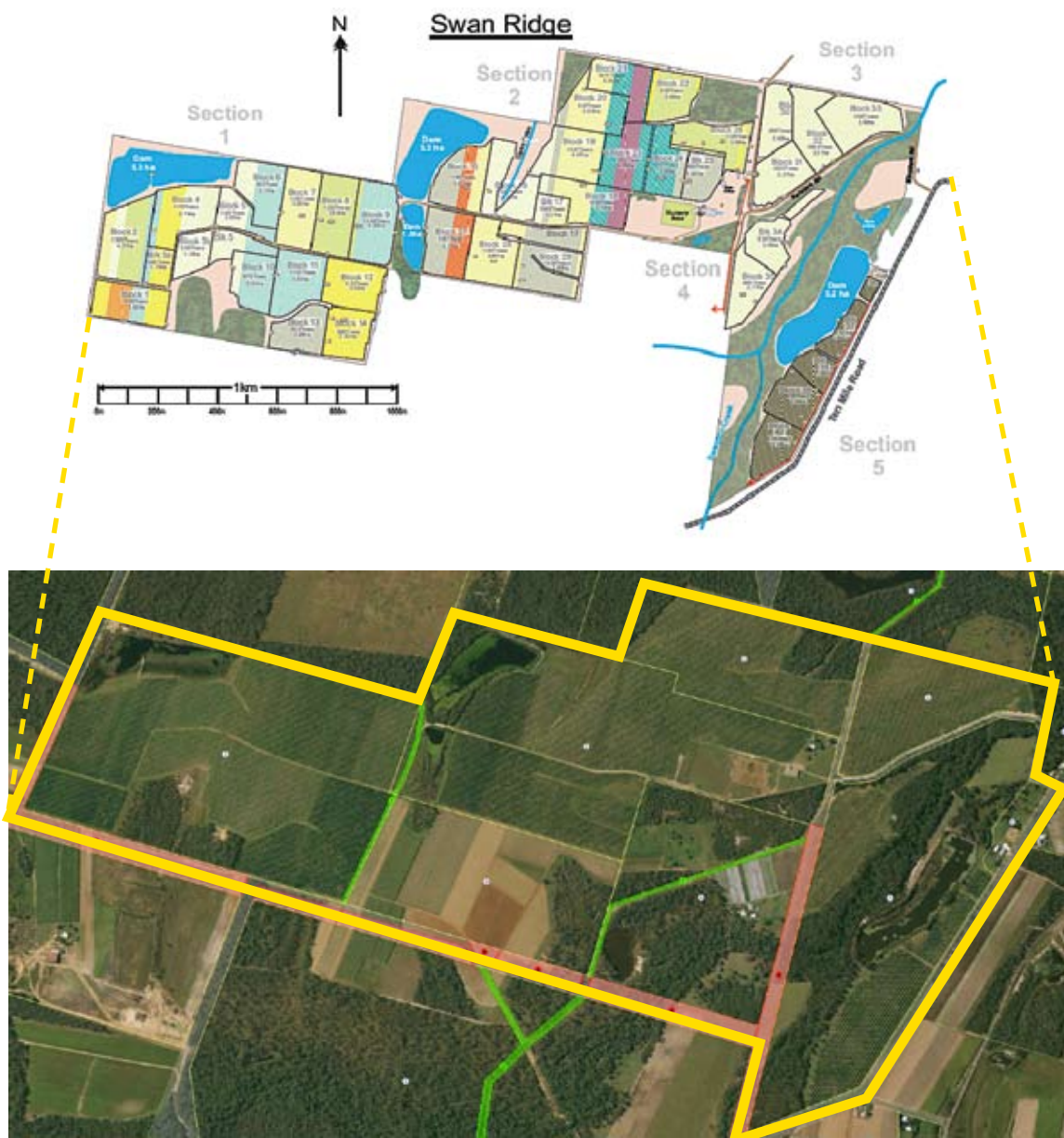
Property Description	Area (Ha)
Lot 3 on RP 866764	65.25
Lot 4 on RP 866764	57.47
Lot 1 on SP 199369	61.07
Lot 60 on CP CK2025	21.70
Total	205.49

DETAILS OF WATER LICENSES ON SWAN RIDGE

Licence Number	Vol (ML)
IWS No. 360	119
IWS No. 5331	60
IWS No. 199	119
Water Harvest Licence No. 407414	126 litres/sec

Orchard #1 is approximately 10km west of Bundaberg, Queensland. A macadamia orchard of 40,370 trees planted in 2006 and 2007 is established on 130.22ha of the property in an 8m by 4m row configuration. The remaining 80ha of unplanted area is deployed for water storage, laneways, improved pasture, buildings and improvements, and remnant vegetation. Prior to planting macadamias, the property was used for sugar cane and small crop production.

Swan Ridge has licensed irrigation water licenses of 298ML, plus onsite dam storage and a water harvesting licence to pump water from Splitters Creek. The property consists of four adjoining parcels of land with frontage to Kenzlers Road and Ten Mile Road.

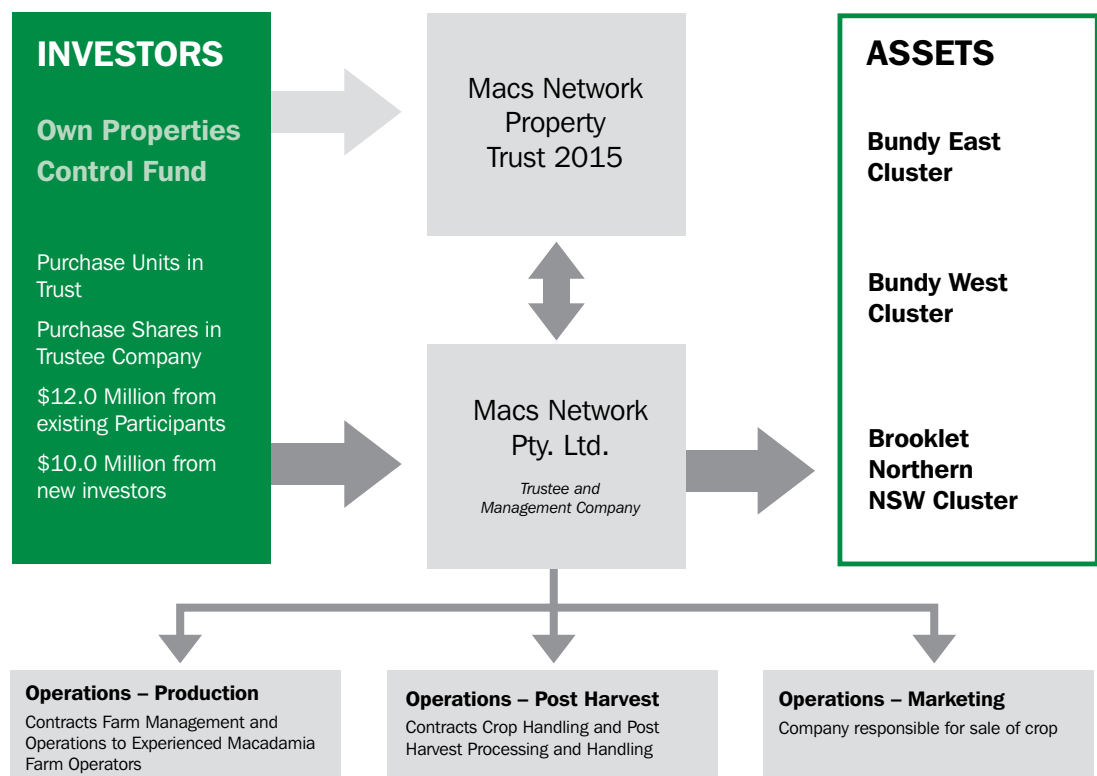


Structure and Key Agreements

Macs Network Property Trust will be an unlisted unit trust and Macs Network Pty Ltd. will be the trustee. The unitholders of the property trust will also hold ownership of Macs Network Pty. Ltd.

Macs Network Pty. Ltd will contract the operation of the farms and the sale of the crop to other parties.

OWNERSHIP STRUCTURE



FARM MANAGEMENT AGREEMENTS

In establishing the network farming operations, two guiding principles have been utilised.

- Size and location to engage operational capability and efficiency.
- Farm productivity is the key to profitability.

Scale is achieved through the grouping or clustering of farm management. The farms selected are either adjoining or sufficiently close to enable one operator to manage multiple farms and utilise a single machinery pool for the operation of the farm cluster. A manager will have sufficient operational requirements to engage and operate a team efficiently.

Three farm management agreements are proposed with each agreement covering a geographic group or cluster of farms. The managers responsible for each farm cluster will be responsible for the complete farming operation - establishing, maintaining, growing and harvesting the macadamias grown on the farm. The manager will supply all equipment necessary to conduct the farming operation.

Managers will be appointed to manage the farm clusters for up to 7 years.

The manager must conduct the operations of the farm with due care and skill, regularly reporting to the Trustee on the work performed, the status of the orchard and the crop yielded. The management agreement sets out the detail of the work together with the reporting requirements.

To complement the work of the managers. The trustee will appoint a coordinator who will facilitate communication amongst the Farm Managers, negotiate input supply terms which delivers savings and improved services to the Managers. The Coordinator will facilitate the development of annual horticulture plans with the Farm Managers and report these to the Trustee. The Coordinator will engage the services of independent experts able to monitor soil health, tree health and crop pest and disease pressure. The consultants engaged by the Coordinator will also convey their findings to the Farm Managers.

The Managers will be remunerated on a fixed fee basis calculated on the size and operational status of the orchards. For mature orchards the payment will include a performance component directly related to the farm productivity delivered by the Manager.

HANDLING AND PROCESSING AGREEMENTS

Macs Network will centralise the crop handling infrastructure at two sites as consolidation centres for the crop of the network. Efficient handling of NIH/NIS from the farm during harvest supports protection of product quality and value. The scale of the Macs Network operation will enable these facilities to invest in machinery to automate post harvest handling and operate at lower cost than the industry norm. The facilities will enable handling of material grown outside the farms owned by the network and deliver additional revenue to the Network and expand the material under management building to the size and influence of the subsequent crop marketing operation.

The handling facilities will dehusk, sort, dry and size nut for either sale as in-shell or cracking to market kernel products.

The cracking and processing of NIS for kernel production will be contracted to outside parties.

There is an excess of processing capacity between the Australian macadamia processing companies, the availability will enable Macs Network to secure contract processing and packaging services at competitive rates. Three quality processors have been identified as potential contractors. General rates for processing services has been utilised in modelling so the opportunity for further cost reduction is yet to be included.

MARKETING AGREEMENT

An integral feature of the investment is Macs Network will have the scale to maintain ownership of the product beyond the farm gate and trade processed and value added product in marketable quantities.

A company associated with Macs Network will take responsibility for the sale of the crop. The marketing company will be responsible for maximising the value of the crop through identifying in-shell, kernel and value added product customers for the crop.

The Marketing Company will be known as Mac Network Marketing Pty. Ltd.

Financial Projections

The financial model is based on the acquisition of nine properties, three in Northern New South Wales and six in Central Queensland. It is anticipated that all properties will be purchased and settled prior to the 2015 harvest season.

Plant and equipment included in farm acquisitions is forecast to be sold with proceeds returning to the Fund.

The sale of building entitlements in the Northern Rivers properties is forecast to be achieved in the first two years with net proceeds returning to the fund.

RETURNS TO UNITHOLDERS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Distributions										
Net Profit after Tax	\$6,344,346	\$4,810,896	\$5,766,852	\$5,341,077	\$5,597,398	\$5,710,579	\$5,991,081	\$6,201,087	\$6,395,387	\$6,446,777
Number of units on Issue	4405	3605	3005	2605	2205	1905	1705	1705	1705	1705
Earnings per unit	\$1,440.26	\$1,334.51	\$1,919.09	\$2,050.32	\$2,538.50	\$2,997.68	\$3,513.83	\$3,637.00	\$3,750.96	\$3,781.10
TOTAL Distributions										
Capital Return, buy back		\$4,000,000	\$3,300,000	\$2,420,000	\$2,662,000	\$2,196,150	\$1,610,510			
Unit purchase price		\$5,000	\$5,500	\$6,050	\$6,655	\$7,321	\$8,053			
Income Distribution, pre-tax	\$1,762,000	\$2,703,750	\$2,253,750	\$1,953,750	\$2,205,000	\$2,381,250	\$2,131,250	\$2,557,500	\$4,924,448	\$4,964,018
Distribution per Unit (pre-tax)	\$400.00	\$750.00	\$750.00	\$750.00	\$1,000.00	\$1,250.00	\$1,250.00	\$1,500.00	\$2,888.24	\$2,911.45
Issue Price	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,907	\$6,837	\$7,639	\$7,639	\$7,639
Distribution Return on Unit Capital	8.0%	15.0%	15.0%	15.0%	20.0%	21.2%	18.3%	19.6%	37.8%	38.1%
Forecast Capital appreciation of Land and Orchards	3.11%	3.19%	3.27%	3.35%	3.44%	3.53%	2.10%	2.10%	2.10%	2.10%
Net Capital appreciation of assets	17.3%	18.0%	26.1%	24.6%	26.2%	24.9%	24.0%	12.3%	5.7%	5.5%
TOTAL RETURNS (pre-tax)	25.3%	33.0%	41.1%	39.6%	46.2%	46.1%	42.3%	32.0%	43.5%	43.6%

KEY ASSUMPTIONS

A 10 year forecast for the Fund has been prepared, key revenue and production assumptions are outlined below.

PRICE ASSUMPTION

Macs Network Marketing Pty. Ltd. will be responsible for the sale of the crop. Revenue reflecting the net return from sale of kernel is utilised in the forecast. The price of kernel is forecast to rise by 0.5% from 2017.

PRODUCTION ASSUMPTION

Yield from the farms is forecast to increase with maturing of the orchards over the ten year period. A target farm productivity of 4.0T/Ha of NIS is utilised as the target farm productivity.

REVENUE

The primary revenue is from sale of the crop.

Incremental income has been forecast from two nut handling facilities owned by the Fund and rental of houses located on the properties.

Profit & Loss Forecasts	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$	Year 8 \$	Year 9 \$	Year 10 \$
REVENUE										
NIS Sales	\$7,358,041.20	\$8,518,089.75	\$9,201,463.26	\$10,012,770.16	\$10,494,118.35	\$10,789,007.31	\$11,039,564.68	\$11,094,762.51	\$11,150,236.32	\$11,205,987.50
Other Income	\$61,800.00	\$725,000.00	\$981,240.00	\$89,532.00	\$94,058.40	\$96,300.00	\$98,580.00	\$98,580.00	\$98,580.00	\$98,580.00
Revenue	\$7,419,841.20	\$9,243,089.75	\$10,182,703.26	\$10,102,302.16	\$10,588,176.75	\$10,885,307.31	\$11,138,144.68	\$11,193,342.51	\$11,248,816.32	\$11,304,567.50
EXPENSES										
Admin Expenses	\$139,036.00	\$415,361.35	\$436,453.75	\$476,316.94	\$502,129.32	\$521,911.04	\$538,712.58	\$547,568.24	\$556,602.70	\$565,820.52
Farm Management Expenses	\$650,600.00	\$3,126,500.00	\$3,265,530.00	\$3,684,379.32	\$3,950,471.32	\$4,161,576.73	\$4,332,965.11	\$4,419,624.41	\$4,508,016.90	\$4,598,177.24
Property expenses	\$125,000.00	\$470,000.00	\$170,500.00	\$71,012.50	\$71,537.81	\$72,076.26	\$72,628.16	\$73,193.87	\$73,773.72	\$74,368.06
Total Overhead Expenses	\$914,636.00	\$4,011,861.35	\$3,872,483.75	\$4,231,708.76	\$4,524,138.46	\$4,755,564.02	\$4,944,305.86	\$5,040,386.52	\$5,138,393.32	\$5,238,365.82
EBITDA	\$6,505,205.20	\$5,231,228.40	\$6,310,219.51	\$5,870,593.40	\$6,064,038.30	\$6,129,743.29	\$6,193,838.82	\$6,152,955.98	\$6,110,423.00	\$6,066,201.68
EBITDA %	\$0.88	\$0.57	\$0.62	\$0.58	\$0.57	\$0.56	\$0.56	\$0.55	\$0.54	\$0.54
Depreciation	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
EBIT	\$6,505,205.20	\$5,231,228.40	\$6,310,219.51	\$5,870,593.40	\$6,064,038.30	\$6,129,743.29	\$6,193,838.82	\$6,152,955.98	\$6,110,423.00	\$6,066,201.68
Interest Expense	-\$160,858.75	-\$420,332.48	-\$543,368.00	-\$529,516.40	-\$466,640.14	-\$419,164.26	-\$202,757.87	\$48,131.15	\$284,964.31	\$380,575.35
Net Profit Before Tax	\$6,344,346.45	\$4,810,895.92	\$5,766,851.51	\$5,341,077.01	\$5,597,398.16	\$5,710,579.03	\$5,991,080.96	\$6,201,087.13	\$6,395,387.31	\$6,446,777.03
Tax (Expense) / Benefit	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Net Profit After Tax	\$6,344,346.45	\$4,810,895.92	\$5,766,851.51	\$5,341,077.01	\$5,597,398.16	\$5,710,579.03	\$5,991,080.96	\$6,201,087.13	\$6,395,387.31	\$6,446,777.03

FARM MANAGEMENT EXPENSES

These are expenses paid to the farm Managers. The farm management expense is related to farm productivity.

A coordinator position has been allowed for to support the Networking of the farm Managers and facilitate communication with MNPL. An allowance of 4% of total farm management expense has been budgetted.

ADMINISTRATIVE EXPENSES

DIRECTORS FEES

These fees are forecast at \$75,000 in FY2015 with an annual increase of 0.5% per annum for the forecast period.

ACCOUNTING FEES

Annual accounting fees of \$25,000 have been budgeted to manage the financial and statutory reporting required by the trust (including taxation lodgements). MNPL as a Company may be required to pay GST, PAYG installments. Expenses forecast are net of GST.

PROPERTY EXPENSES

An allowance for maintenance of the properties outside of the scope of the Farm management has been budgeted. \$25,000 in FY2015 and \$50,000 for each year thereafter.

OTHER EXPENSES

Allowance of \$20,000 each for Rates and Insurance has been made. An increase of 0.5% each year from FY2017 to the end of the forecast period.

	Year 1 \$	Year 2 \$	Year 3 \$	Year 4 \$	Year 5 \$	Year 6 \$	Year 7 \$	Year 8 \$	Year 9 \$	Year 10 \$
OPERATING CASH INFLOWS										
Cash Receipts	7,419,841	9,243,090	10,182,703	10,102,302	10,588,177	10,885,307	11,138,145	11,193,343	11,248,816	11,304,567
Operating Cash Outflows										
Cash Payments	(914,636)	(4,011,861)	(3,872,484)	(4,231,709)	(4,524,138)	(4,755,564)	(4,944,306)	-504038652%	-513839332%	-523836582%
Surplus/(Deficit) after Tax before Finc.	6,505,205	5,231,228	6,310,220	5,870,593	6,064,038	6,129,743	6,193,839	6,152,956	6,110,423	6,066,202
FINANCING										
Interest, (paid), earnt	(160,859)	(420,332)	(543,368)	(529,516)	(466,640)	(419,164)	(202,758)	48,131	284,964	380,575
Net Surplus / (Deficiency) before divs & loan repyts	6,344,346	4,810,896	5,766,852	5,341,077	5,597,398	5,710,579	5,991,081	6,201,087	6,395,387	6,446,777
Bank Debt (Repayments)	0	0	0	0	0	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Dividends (paid)	(1,762,000)	(2,703,750)	(2,253,750)	(1,953,750)	(2,205,000)	(2,381,250)	(2,131,250)	(2,557,500)	(4,924,448)	(4,964,018)
Buy Back (paid)		(4,000,000)	(3,300,000)	(2,420,000)	(2,662,000)	(2,196,150)	(1,610,510)	0		
Opening Bank Balance	1,115,510	5,697,857	3,805,003	4,018,105	4,985,432	5,715,830	5,849,010	7,098,331	9,741,919	10,212,858
Closing Bank Balance / Cumulative Cash flow requirement	5,697,857	3,805,003	4,018,105	4,985,432	5,715,830	5,849,010	7,098,331	9,741,919	10,212,858	10,695,617
Effective LVR of Borrowings	20%	25%	24%	20%	18%	14%				

MACS
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Investment Fundamentals – Outlook and Strategies

Price perspective • Continuing to strengthen

Demand for tree nuts, macadamias in particular, is forecast to remain strong. The factors driving the market growth are

- Healthy diets in first world economies incorporating nuts.
- Rising affluence in developing economies.
- Increasing availability and product development

Additionally, for macadamias

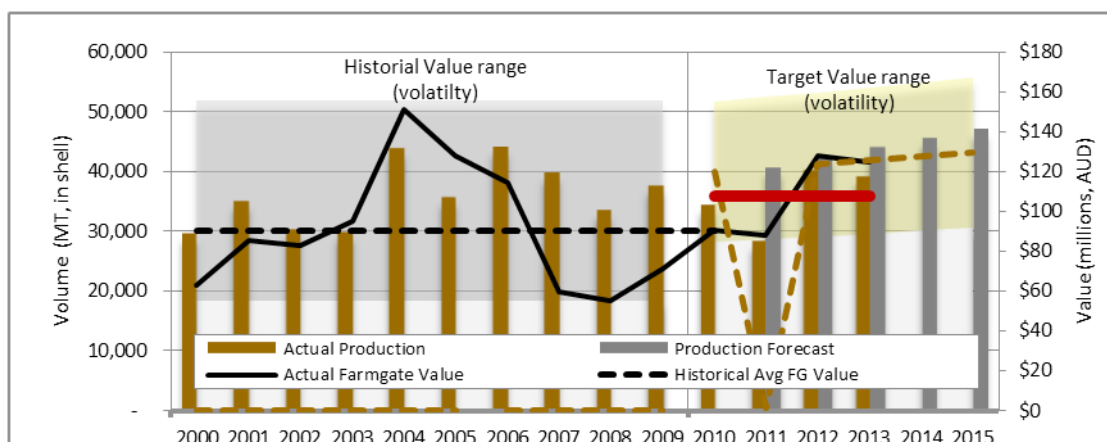
- The market penetration is low in first world economies
- Tariff barriers in developing markets are reducing, eg Korea, Japan and China
- Forecast tree nut category expansion will occur at a higher rate than macadamia production
- No inventories, no carry in to 2014 and 2015 crops

Price offers for 2015 crop have raised the benchmark NIS price to \$4/Kg, this reflects the lack of inventory, strong demand and competition for intake by processors. Further strengthening in the price will depend upon production; crop forecasts are suggesting a modest increase over 2014 which would support the higher prices holding.

Recent softening of the Australian dollar will support further price improvement.

For forecasting purposes the current prices are indexed by 0.5%pa, below CPI and acknowledgment of a sustaining of the strong market demand. This forecast sits within the industry Farmgate value forecast shown below.

FARMGATE VALUE



Source: The Australian Macadamia Society Industry Statistics, The Australian Macadamia Handlers Association.

HOW MACADAMIAS ARE PRICED AND THE FACTORS AFFECTING PRICE

Macadamia prices when relating to the farming operation are quoted on an in-shell basis (NIS). An NIS price reflects the amount of shell and kernel, as the kernel is the edible portion the price alters depending upon the amount of edible kernel. The total kernel content of Australian produced NIS can range between 25% and 45%.

The reference price is for a nut to contain 33% by weight of saleable kernel.

In Australia the NIS price is normally quoted based on 10% moisture.

Factors affecting NIS price

Moisture – 10% moisture is the nominal moisture content for quotation of price in Australia. Internationally NIS may be quoted at 4% moisture which is the moisture content NIS is dried to for cracking. Typically NIS leaves farm at 10-16% moisture. Processors dry the NIS to 5% or 1.5% kernel moisture for cracking and transport.

Reject Kernel – Unsaleable kernel is deducted from the sale price. There are defects in NIS and kernel that lead to downgrading of product. Quality reports express the kernel defects leading to rejection of kernel and therefore NIS. Rejects are open or cracked NIS, damaged kernel due to insect damage, mould, immaturity and germination. Rejects are expressed as a percentage of NIS.

Low reject levels lead to lower processing costs and therefore some processors offer bonuses for low reject levels.

Reject levels reflect cultivation and management practices.

Saleable Kernel – is the total kernel content less the unsound or reject kernel. Variation in saleable kernel leads to changes in the recoverable portion of the NIS and therefore price of NIS. Total kernel content varies by variety and is impacted by cultivation practices.

There are differences in kernel pricing; some processors reflect the higher price of certain kernel styles in their NIS price offers. Eg. Higher percentage of whole kernel crack-out may lead to a higher NIS price.

KERNEL

When macadamia kernel is recovered from the cracking process, it leads to a variety of macadamia portions from wholes to pieces. In addition to the cracking process, the handling of the NIS through the production process, on-farm and beyond, will also impact the appearance, taste and shelf life of the kernel.

Kernel is graded into Premium, Commercial or Manufacturing and Oil Stock.

Premium and Commercial kernel is also graded into sizes and styles reflecting the size and wholeness of the kernel.

The grading system is widely adopted internationally.

The highest prices are achieved for Premium Wholes, Style 0. Style 4s, small half kernel, tends to trade lower – the price differential between wholes and halves varies from 10 to 20% depending upon availability.



Production Perspective – Good Management practices delivers profitability

Productivity assumptions vary by property 4.0T/Ha for mature farms is target output

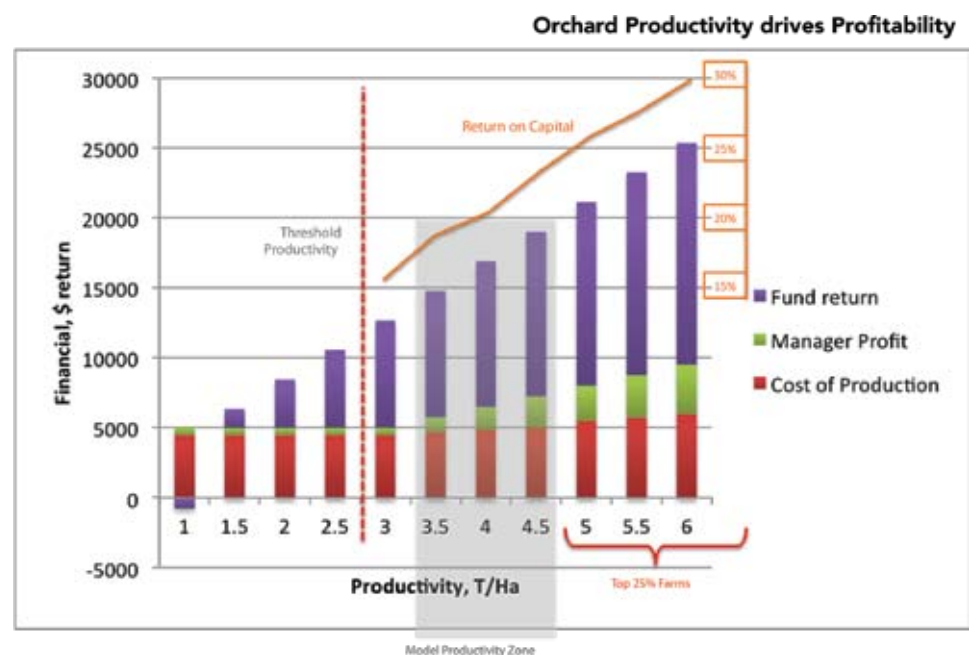
Productivity is the key to profitability in macadamia production.

The industry benchmarking study has highlighted the widespread farm productivity performance. This is a demonstration of the spread of orchard maturity, farm ownership and management practices across the sample set.

To deliver a strong performing investment a target operational performance of 4.0T/Ha is seen as the threshold performance. This is performance is well proven with well managed farms.

Due diligence in the selection of prospective orchard investments is to firstly select the high performing orchards and identify those orchards where management can be applied to achieve above average productivity. Additionally some immature orchards may yet to be producing at the threshold rate. Allowance for these orchards to reach the performance standard within a reasonable timeframe is allowed.

The Australian macadamia industry has a strategic development plan that aims to ensure the average productivity of farms increases to 3.5T/Ha. Through this work the top performing farms are being studied and the farming practices are being investigated and quantified.





INTEGRATION AND SUPPLY CHAIN OPPORTUNITIES

The large scale production capacity of Macs Network assures a secure supply of macadamia in shell to global markets. The integration opportunities that result from the captured supply are for further processing and value adding to whole-sale and consumer in shell and kernel products.

The fragmented nature of the Australian macadamia industry leads to a supply chain with potentially more participants than necessary.



The majority of the Australian crop is produced on farms where processing beyond the removal of the husk is uneconomic. This has led to the number of processing companies whom dry and crack macadamia in-shell, processing for in-shell and kernel market supply. Processing of kernel to snack products, bakery and confectionery items is completed by separate parties from the processors, specialist companies whom brand and utilise macadamia kernel as a product ingredient.

KERNEL PRODUCT SUPPLY

The majority of macadamia consumption is of kernel and kernel based products. The industry, in Australia and offshore, is supported by processors whom are equipped and focused upon the supply of kernel products to manufacturers and snack product roasters and packers.

Australian processors produce premium kernel products with a reputation for quality and consistency. Within Australia macadamia processing is highly mechanised, labour intensive and costly.

Processing in China and Vietnam operates with a lower but a decreasing competitive cost base. The quality and consistency of product sold through Australian processors is valued and is a platform that can be leveraged in the sale of kernel from Macs Network.

IN-SHELL PRODUCT SUPPLY

The market for macadamia in-shell products to consumers is rapidly growing and centered upon the Chinese and North Asian markets. Demand for macadamia in-shell is higher than macadamia kernel and the major consumer demand is in the cracking and snacking of macadamia in-shell products.

The processing of macadamia in-shell for in-shell consumer products is all completed offshore, mainly in China.

Market prices for in-shell products is attracting supply and limiting the supply and raising the cost of in-shell to processors for their kernel markets.

The tight market supply environment thereby offers opportunities for companies with secure supply channels to process and market with flexibility and improves operational profitability.

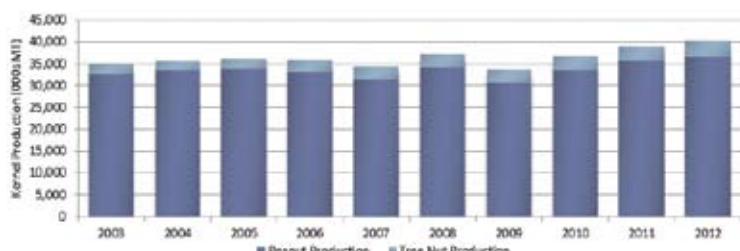
Macadamia in-shell product is supplied as partly cracked with a metal tool to facilitate opening and consumption of the kernel. Nuts are roasted and flavoured.

The Australian macadamia processors are labour intensive and highly mechanised delivering premium kernel products at high cost.

Overview – The Nut Market

Macadamias are sold and traded as a tree nut within the broader nut (and dried fruit) market. The total nut kernel market has grown 20% in the last 10 years and more than 40 million tonnes of kernel was produced in 2012.

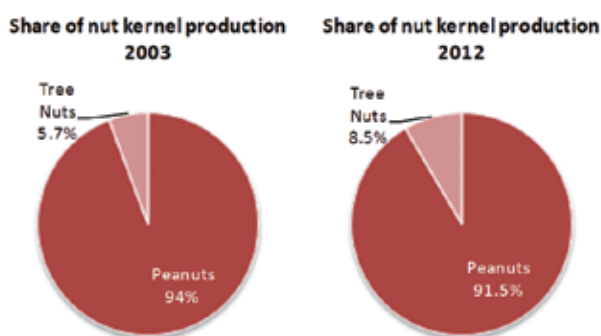
GLOBAL NUT KERNEL PRODUCTION 2003-2012



Source: International Dried Fruits & Nuts statistics database

While the nut market is dominated by peanuts, tree nut kernel production has increased more rapidly in the 10 years to 2012 growing by 71%; over the same period peanut production grew by 15%. This has seen tree nuts gain a greater share of the nut market.

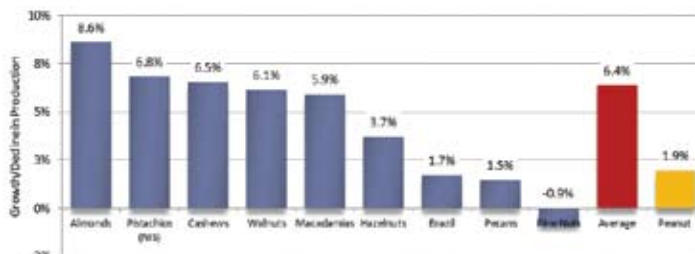
COMPARISON OF TREE NUT KERNEL SHARE OF TOTAL NUT PRODUCTION



Source: International Dried Fruits & Nuts statistics database

Tree nut kernel production growth was 6.4% CAGR from 2003-2012 compared with peanut production growth of 1.9%. Almonds showed the strongest growth at 8.6% followed by pistachios, cashews and walnuts at 6.8%, 6.5% and 6.1% respectively. This has seen almonds share of total kernel production increase from 26.6% in 2003 to 31.2% in 2012 representing a share increase of +4.6%.

GLOBAL TREE NUT KERNEL PRODUCTION CAGR 2003-2012



Source: International Dried Fruits & Nuts statistics database

SHARE OF GLOBAL TREE NUT KERNEL PRODUCTION BY NUT VARIANT

	Share of Production 2003	Share of Production 2012	Share Change
Almonds	26.6%	31.2%	4.6%
Pistachios (NIS)	18.9%	18.1%	-0.8%
Cashews	15.1%	16.0%	0.9%
Walnuts	14.8%	14.6%	-0.2%
Hazelnuts	16.6%	13.9%	-2.7%
Pecans	4.2%	3.0%	-1.2%
Brazil	1.2%	1.4%	0.2%
Macadamias	1.2%	1.2%	0.1%
Pine Nuts	1.4%	0.5%	-0.8%

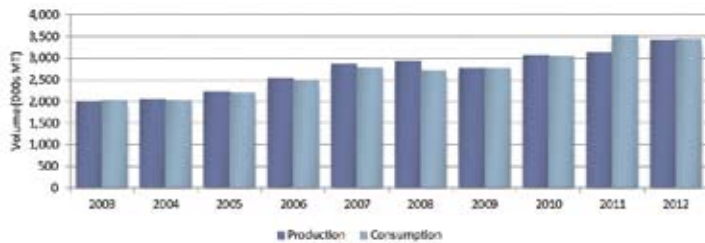
Source: International Dried Fruits & Nuts statistics database

Importantly for tree nuts, consumption has grown in line with production as tree nuts have become more popular with consumers and are being used more often by manufacturers.

Although the market growth is widespread, the growth in Chinese consumption of nuts is the standout. China is the largest market for almonds, pecans and walnuts. It is a net importer of walnuts even though it is the world's largest producer.

The swelling Chinese appetite for nuts is also diversifying with macadamia consumption increasing at an alarming rate.

GLOBAL TREE NUT KERNEL PRODUCTION AND CONSUMPTION 2003-2012



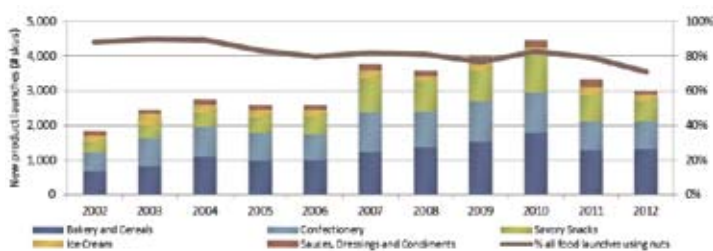
Source: International Dried Fruits & Nuts statistics database

While the volume of peanuts produced far outweighs tree nuts, the level of innovation (new product development) using tree nuts is much higher and more than 50% of new food product launches using nuts as an ingredient over the last 10 years have used tree nuts.

80-90% of the new product launches using tree nuts have been in 5 categories:

1. Bakery & Cereals
2. Confectionary
3. Savoury Snacks
4. Ice-cream
5. Sauces, Condiments and Dressings

NEW FOOD PRODUCT LAUNCHES USING TREE NUTS



Source: Datamonitor Product Launch database

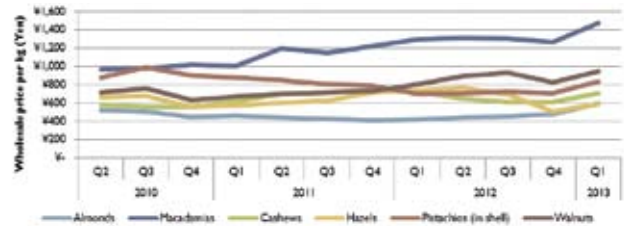
Tree nut supply is interdependent, but relativity in pricing is maintained due to substitution opportunities in the snack market. I.e. Mixed nut marketers moderate finished goods cost by altering the ratios of the different nuts in their products.

In the case of mixed nuts, macadamias are only utilized in premium blends- reflecting their high relative price.

Macadamia achieve a price premium over other tree nuts in our core export markets. In the 12 months to

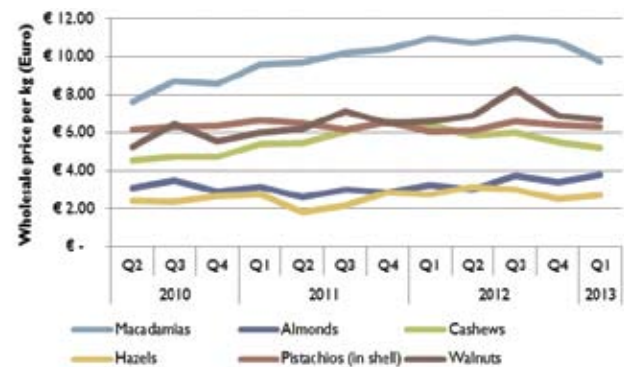
March 2013, Australia maintained a wholesale price premium in all four quarters of between 33 and 56% over other tree nuts in Europe and between 40 and 56% in Japan.

TREE NUT IMPORTS TO JAPAN



Source: Eurostat

TREE NUT IMPORTS TO EUROPE



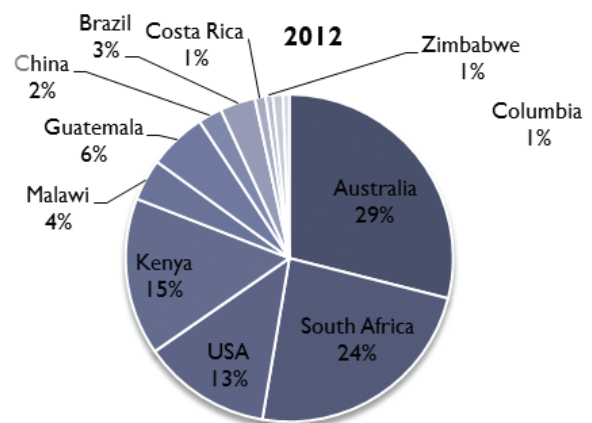
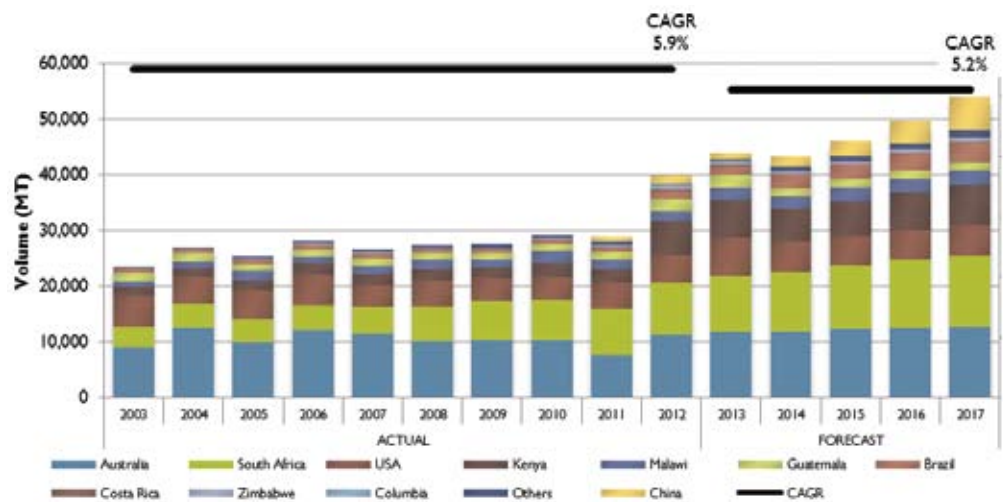
Source: Japan Customs

GLOBAL MACADAMIA PRODUCTION

Macadamias remains one of the smallest tree nuts in terms of global tree nut kernel production volume at 1.2% this share is reducing as the growth in other tree nuts continues at a higher rate.

Growth in macadamia production over the last 10 years has been 5.9% CAGR which is just below tree nut category growth of 6.4%.

GLOBAL MACADAMIA KERNEL PRODUCTION (HISTORICAL AND FORECAST)



Australia, South Africa and Hawaii are the major producers.

Australia has been the leading producer since the mid 90s but its share has declined over the last 5 years with South Africa now the clear number two producer. As a region, Africa now produces almost 50% of the world production.

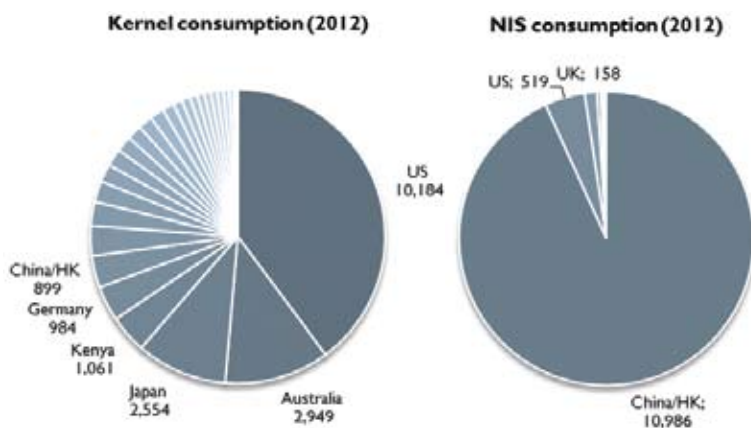
The growth in macadamia production is forecast to slow to 5.2% CAGR from 2013-2017. Overshadowing this growth is the significant increase in consumption of macadamias as in-shell product. The largest market for macadamia in shell is China. The growth in the Chinese in shell consumption is leading to a reduction in the amount of kernel produced and a decline in the amount of kernel available.

	2012				2013				2014			
	Production @ 10% MC	NIS Sales @ 10% MC	% sold as NIS	Kernel production	Production @ 10% MC	NIS	% sold as NIS	Kernel production	2014	% sold as NIS	NIS Sales	Kernel production
South Africa	36,957	8,862	24%	9,680	39,572	14,973	38%	6,390	46000	50%	23000	5,577
Australia	40,000	2,000	5%	11,400	35,200	5,000	14%	8,400	40000	28%	11200	8,058
USA	20,025		NA	6,230	18,900		0%	4,418	18900	0%	0	4,407
Kenya	17,775		NA	3,360	22,320	500	2%	4,464	23400	20%	4680	4,190
Guatemala	7,290		NA	2,041	7,800	200	3%	1,500	8400	5%	420	1,861
Malawi	5,222		NA	1,551	5,881		0%	1,457	6000	40%	2400	806
Brazil	4,420		6%	720	4,800	200	0%	1,122	5000	0%	0	1,166
China	3,000		NA	891	5,000	5,000	NA		5000	75%	3750	291
Columbia	1,270		NA	228	1,000		NA	234	1000	0%	0	233
New Zealand	500		NA	117	600		NA	140	600	0%	0	157
Others*	3,000		NA	701	4,000	3,000	NA	234	0	0%	0	0
	139,459	10,862		36,919	145,073	28,873		28,359	154300		45450	26,746

Tight supply conditions is creating competition between in-shell and kernel supply chains. The significant volumes of South African production being supplied to the in-shell market is creating a shortfall in the kernel market and undermining supply reliability. This in turn creates a market opportunity for Macs Network as customers are dealing directly with a production source whom is able to offer reliability and surety of supply.

GLOBAL MACADAMIA MARKET

The USA is the largest market for macadamias with strong established consumption in bakery and confectionary markets. For example, Subway fast food outlets represent one of the largest macadamia buyers, utilizing the kernel for their white chocolate and macadamia cookies.



Source: GTIS database, AMS

Japanese consumption has historically been in manufacturing for confectionary products including chocolate covered.

Meiji, a Japanese food manufacturer, recently ran a competition to understand consumer preferences to tree nuts. Macadamias were voted the favorite over the cheaper and more available nuts. It is understood that Meiji will be launching more macadamia products, including a straight snacking SKU, in the near future.

Japan is Australia's largest export market and Australia holds 57% of the volume of macadamia kernel imported into Japan. Japan is also the most lucrative market for Australia.

China which currently represents a small portion of the kernel market it is estimated the market is currently 1million kilograms of kernel and 10 million kilograms of in shell. With the rapid growth, it is forecast to be the largest market in the next 5-10 years.

China is currently having considerable impact on kernel availability with significant growth in NIS consumption impacting the availability of nut for kernel production. Up to 10% of the Australian 2013 crop was sold to China for in shell consumption, this is forecast to increase to nearly 30% in 2014. Reports of 50% of the South African crop being sold as NIS exacerbate the shortage in kernel supplies to the global market.

GLOBAL MACADAMIA KERNEL CONSUMPTION PER CAPITA

Australia is the largest consumer of macadamia kernel per capita followed by the United States and Taiwan.

The low penetration of macadamias in high nut intake populations such as China and India highlights the growth potential.

Consumption growth in established markets through promotion and product diversification is also increasing demand.

CONSUMPTION PER CAPITA (G)

	2010	2011	2012
Australia	159.8	149.8	137.1
US	35.6	38.2	36.2
Taiwan	17.8	17.5	25.4
Germany	39.6	31.5	21.8
Japan	17.0	18.4	20.3
China/HK	NA	NA	1.3
China/HK based on China middle class	NA	NA	3.6

Source: Eurostat, Japan Customs, The Australian Macadamia Handlers Association, USDA, International Dried Fruit & Nut Association Statistics Database, World Bank

The international nut industries, lead by the US and Australia have been active at promoting the health benefits of nuts to policy makers and health professionals. A number of clinical studies have been conducted demonstrating the health benefits of nuts.



In Australia this activity through Nuts for Life commenced in 2003 and to date is seen as partly responsible for a 52% increase in market size.

In February 2013 the Australian Dietary guidelines were released. The guidelines recommend a 350% increase in nut consumption. The guidelines also recommend the replacement of saturated fats with healthy fats such as those in "nut butters and pastes".

AUSTRALIAN MACADAMIA PRODUCTION

The Australian macadamia industry is the leading supplier of macadamia nuts and produces approximately 30% of the world supply of macadamia kernel

Australia is regarded as producing the highest quality product in the world and achieves a price premium commensurate with this of between 3–27% in international markets.

Current estimates are that the Australian industry has about 6 Million trees covering an area of 18,000 Hectares, approximately 25% of the planted capacity is immature and 30% is in early bearing stage of development.

The industry is valued at \$150 million at farm gate, \$180 million at factory gate and around \$350 million at retail. The maturing of plantings will see the industry continue to grow and support its global leadership position for some time.

AUSTRALIAN MACADAMIA INDUSTRY VALUE

	2011	2012	2013	2014 F
Nut in shell (NIS) crop forecast	28,500,000KG	40,000,000kg	39,000,000kg	43,600Kg
Estimated average in shell price	AUD\$3.10/kg	AUD\$3.20/kg	AUD\$3.20/kg	AUD\$3.70/Kg
Estimated farm gate value	AUD\$88.4 million	AUD\$128.0 million	AUD\$124.8 million	AUD\$161.3 million
Processed kernel production	9,800,000kg	9,800,000kg	8,400,000Kg	9,300,000Kg
Production sold in-shell		2,000,000Kg	5,000,000Kg	11,200,000Kg
Estimated average factory gate price (based on style 2 price)	AUD\$16.50/kg	AUD\$16.50/kg	AUD\$16.50/kg	AUD\$19.00/Kg
Estimated value of processed kernel	AUD\$128.7 million	AUD\$188.1 million	AUD\$151,800 million	AUD\$180.0 Million
Estimated average retail snack price	AUD\$28/kg	AUD\$28/kg	AUD\$28/kg	AUD\$35/Kg
Estimated value of retail sales	AUD\$218.4 million	AUD\$319.2 million	AUD\$257.6 million	AUD\$350 million

Source: The Australian Macadamia Handlers Association, the Australian Macadamia Society, Industry Statistics



The industry is primarily located along the coastal areas of Eastern Australia, with farms positioned with the highly fertile areas growing locations in sub tropical climates.



MARKET STRUCTURE

The Australian macadamia supply chain



There are 700 macadamia farmers with an average farm size of 20 Hectares or 5000 trees. The origins of the industry are in the northern Rivers with the majority of farms being owner operated. The newer plantings tending to be larger scale and are located in Bundaberg, some orchards in the Bundaberg area have corporate ownership. There is limited corporate ownership throughout the industry.

Region	Hectares (%)	12 Year production average	Production, average of last 4 Years
Northern Rivers	47	49	45
Bundaberg	62	18	24
Gympie	9	8	7
South East Qld	6	8	9
Mid Coast NSW	5	15	13
Other	1	2	2
Total	100	100	100

Farms typically produce macadamia in shell and sell to processors for cracking and sale of kernel.

There are 12 processors whom sell and market the majority (over 95%) of kernel, they are known as primary marketers or major processors and most of their sales are in bulk to a secondary marketer. Of the kernel that is sold under a retail brand by primary marketers, more than 90% is under a private label brand.

Secondary marketers include:

1. Businesses that either repackage macadamias under proprietary or private label brands which are then sold through to retailers. They may value add by way of flavoring or mixing the product with other raw materials but the original format of the macadamia is retained.
2. Businesses which significantly change the product form or use the product in the manufacture of packaged food products and where the physical macadamia may or may not be recognizable in the final product. It includes cereal, confectionary, ice-cream and biscuit manufacturers. These businesses may market and sell both proprietary and private label brands.
3. Retailers that commission private label products and are responsible for the decisions about ranging of all types of products that include macadamias.

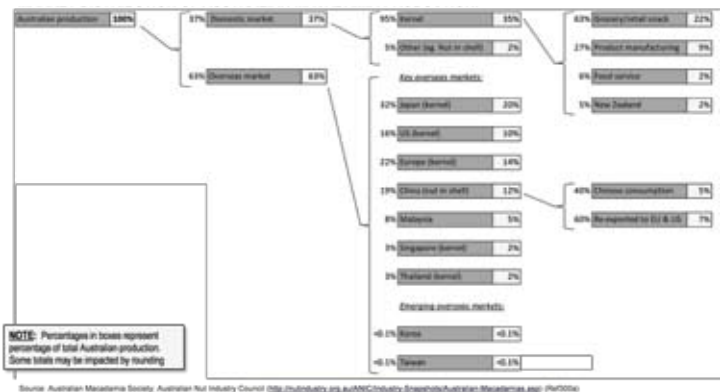
In the main, secondary marketers control what macadamia products are developed and to what degree the macadamia component is important or used to add value to their product offering.

Many multinational organizations and retailers comprise the secondary marketers group including Meiji, Unilever, Goodman Fielder, Woolworths, Aldi and Costco.

AUSTRALIAN MACADAMIA SALES

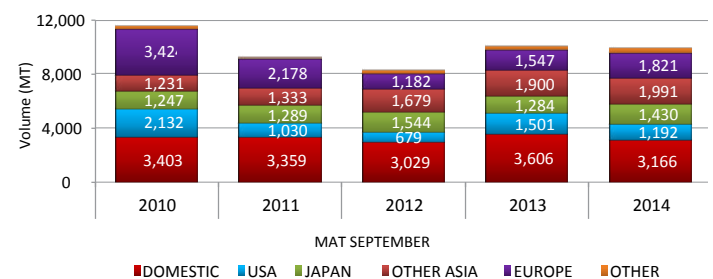
The Australian industry, because of its dominance is active in all macadamia markets, the diversification has a bias towards the more valuable kernel market.

MARKET DISTRIBUTION OF AUSTRALIAN MACADAMIA PRODUCTION:



Sales of Australian macadamia kernel increased by 15.6% in the 12 months to March 2013 in line with increased 2012 production.

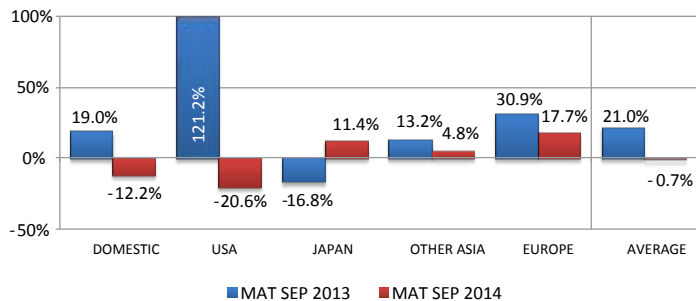
AUSTRALIAN KERNEL SALES BY KEY MARKET



Source: The Australian Macadamia Handlers Association

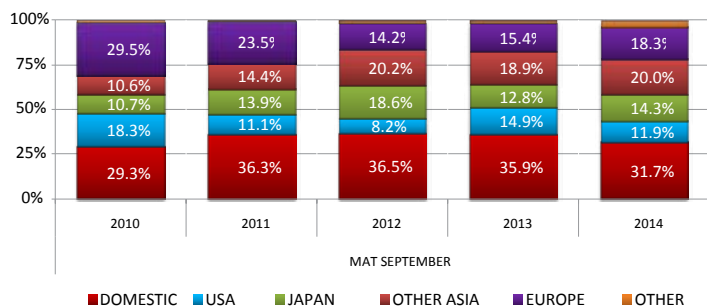
Given that 2011 was one of the poorest crops in 10 years it is worthwhile making a comparison with both of the prior years. This shows that the domestic market has been stable consuming between 3.2 and 3.4 million kilograms over the last 3 years. Sales to the United States rebounded in the last 12 months but are still almost half what they were in 2 years ago. Japan and other Asian markets were strong over both periods with significantly increased volumes sold. Europe continued to decline.

GROWTH/DECLINE IN KERNEL SALES BY KEY MARKET



Source: The Australian Macadamia Handlers Association
Distribution of Australian kernel sales continued to move towards the Asia Pacific region which accounted for 73% of sales in the last 12 months.

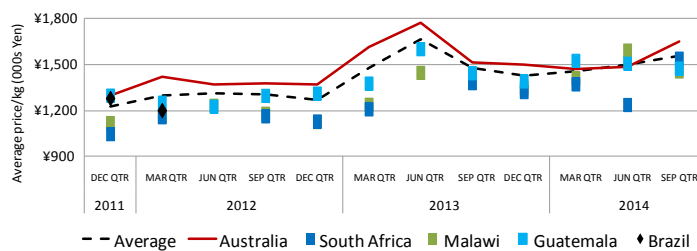
AUSTRALIAN KERNEL SALES DISTRIBUTION BY KEY MARKET



Source: The Australian Macadamia Handlers Association

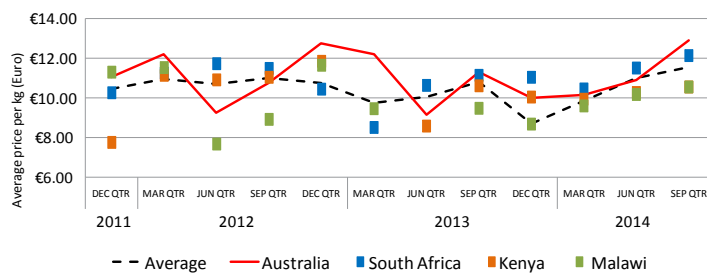
Australian continued to achieve a price premium over other origins in key export markets. In the 12 months to March 2013, Australia retained a price premium over the average in the Japan market in every quarter and in Europe a price premium was achieved in two out of four quarters.

MACADAMIA IMPORTS TO JAPAN



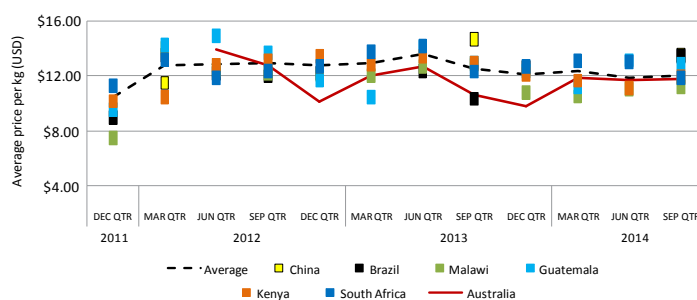
Source: Japan Customs

MACADAMIA IMPORTS TO EUROPE



Source: Eurostat

MACADAMIA IMPORTS TO USA



Source: USDA

ADDITIONAL INFORMATION

Rights and liabilities attaching to the Securities

As a unitholder, investor's rights include, amongst other things, the right:

- (a) to receive any distributions (in proportion to the number of units which you hold);
- (b) upon termination of the Fund, to receive a distribution of the net proceeds of sale of the Fund's assets (in proportion to the number of units which are held by the investor;
- (c) to transfer units to another person in accordance with the Trust Deed;
- (d) for individuals, on death, for units to pass to a surviving joint holder, or otherwise to your estate;
- (e) to call a meeting of members in accordance with the Trust Deed; and
- (f) to receive within 90 days after the end of each financial year, an annual statement of the Fund's accounts.

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