RODGERS & CO
CHARTERED ACCOUNTANTS

WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

Walnuts New Zealand Co-operative Limited

RODGERS & CO
CHARTERED ACCOUNTANTS

Financial Statements
As at 31 March 2017

Contents

Walnuts New Zealand Co-operative Limited

Company Directory
As at 31 March 2017

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Issued Capital	157,451 Class A Shares
Registered Office	142 Tricketts Road, West Melton, Chistchurch 7676
Directors	Francis VR Brenmuhl Nelson J Hubber Andrew K Horsbrugh Basil Meyer Trevor G Nicholas Heather C North Colin R Prebble
Company Number	5645689
Auditors	PKF Goldsmith Fox Audit
Accountants	Rodgers & Co Limited Christchurch
Bankers	Westpac, Rolleston
Solicitors	Simpson Grierson, Auckland
Date of Formation	29 April 2015
Nature of Business	Walnuts processing and marketing
Business Location	West Melton Christchurch

Walnuts New Zealand Co-operative Limited

RODGERS & CO
CHARTERED ACCOUNTANTS

Directors' Annual Report
For the Year Ended 31 March 2017

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 31 March 2017.

Section 211 of the Companies Act 1993 requires the following disclosures:

Principal Activities
The business of the company is Walnuts processing and marketing . The nature of the company's business has not changed during the year.

Auditors
The company's Auditors for the year ended 31 March 2017 are PKF Goldsmith Fox Audit. PKF Goldsmith Fox Audit are willing to continue as the company auditors.

Fees paid and due to the Auditors are $8,950 for the audit of the financial statements (included in the Statement of Comprehensive Income). In addition, there will be a charge of $750.00 plus GST for the audit of the Share Register, which will be accounted for in the year ending 31 March 2018.

Directors Holding Office
The following Directors held office during the period (appointed in April 2015):

Francis VR Brenmuhl
Nelson J Hubber
Andrew K Horsbrugh
Basil Meyer
Trevor G Nicholas
Heather C North
Colin R Prebble

No directors resigned during the period.

Directors' Disclosures
Transactions were entered into with the following Directors' companies as transacting shareholders.

- Francis VR Brenmuhl - purchase of 2,077 Shares at $2.75 each.
- Andrew K Horsbrugh - purchase of 762 Shares at $2.75 each.

The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

Donations
No donations were made by the company during the period.

RODGERS & CO
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Walnuts New Zealand Co-operative Limited

Directors' Annual Report

For the Year Ended 31 March 2017

For and on behalf of the Board of Directors,

Director ______________________ Director ______________________

Date: 20 July 2017

Walnuts New Zealand Co-operative Limited

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Statement of Comprehensive Income
For the Year Ended 31 March 2017

	Note	2017 $	2016 $
Sales	2	1,215,261	1,084,141
Cost of Sales	3	(895,533)	(814,557)
GROSS PROFIT		319,728	269,584
Other Income	2	211	1,626
Gain/(Loss) on Disposal of Plant & Equipment		1,533	-
Depreciation	13	(30,929)	(27,691)
Finance Costs		(4,578)	(5,622)
Other Operating Costs	4	(324,511)	(260,619)
LOSS BEFORE INCOME TAX		(38,546)	(22,722)
Income Tax Expense	10	12,246	2,551
NET LOSS FOR THE YEAR		($26,300)	($20,171)
TOTAL COMPREHENSIVE INCOME		($26,300)	($20,171)

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This Statement is to be read in conjunction with the notes to the financial statements and audit report.

Walnuts New Zealand Co-operative Limited

RODGERS & CO
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Statement of Changes in Equity
For the Year Ended 31 March 2017

	Note	2017 $	2016 $
EQUITY AT START OF YEAR		302,885	-
SURPLUS/(LOSS)			
Loss after Tax		(26,300)	(20,171)
Total Income and Expense		(26,300)	(20,171)
OTHER MOVEMENTS			
Share Capital	18(a)	56,716	323,056
EQUITY AT END OF YEAR		$333,301	$302,885
MOVEMENTS IN RETAINED EARNINGS	18(b)		
Retained Earnings at start of year		(20,171)	-
Net Loss		(26,300)	(20,171)
Retained Earnings at End of Year		(46,471)	(20,171)
MOVEMENTS IN ISSUED CAPITAL	18(a)		
Balance at Start of Year		323,056	-
Net Shares Issued		56,716	323,056
Balance at End of Year		379,772	323,056
		$333,301	$302,885

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Walnuts New Zealand Co-operative Limited

RODGERS & CO
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Balance Sheet
As at 31 March 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	202,524	164,162
Taxation	10	58	(846)
Trade and other receivables	19	165,694	175,270
Inventories	12	180,618	179,932
Total Current Assets		548,894	518,518
NON-CURRENT ASSETS			
Plant & Equipment	13	190,883	192,334
Intangibles	14	66,500	66,500
Deferred Tax Asset	10	16,098	3,852
Total Non-Current Assets		273,481	262,686
TOTAL ASSETS		822,375	781,204
CURRENT LIABILITIES			
GST due for payment		20,444	21,020
Trade and other payables	20	358,325	290,575
Provisions	21	20,519	15,918
Term loans - current portion	15	63,483	61,022
Total Current Liabilities		462,771	388,535
NON-CURRENT LIABILITIES			
Term liabilities	15	26,303	89,784
Total Non-Current Liabilities		26,303	89,784
TOTAL LIABILITIES		489,074	478,319
NET ASSETS		$333,301	$302,885

Represented by:

	Note	2017 $	2016 $
EQUITY			
Share capital	18(a)	379,772	323,056
Retained Earnings	18(b)	(46,471)	(20,171)
TOTAL EQUITY		$333,301	$302,885

For and on behalf of the Board :

Director Heather Wit Director ______________________

Date: 20 July 2017

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RODGERS & CO
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Walnuts New Zealand Co-operative Limited

Cash Flow Statement
For the Year Ended 31 March 2017

	Note	2017 $	2016 $
Cash Flows from Operating Activities	9		
Cash was received from:			
Receipts from customers		1,407,339	1,068,388
Interest received		211	1,626
		1,407,550	1,070,014
Cash was paid to:			
Payments to suppliers and employees		1,303,456	1,063,472
Rent paid		28,000	23,641
Interest paid		4,578	5,622
Income tax paid		904	455
		1,336,938	1,093,190
Net Cash Inflow (Outflow) from Operating Activities		70,612	(23,175)
Cash Flows from Investing Activities			
Cash was received from:			
Proceeds from sale of fixed assets		2,690	253
		2,690	253
Cash was paid to:			
Purchase of fixed assets		30,635	220,278
Purchase of intangible assets		-	66,500
		30,635	286,778
Net Cash Inflow (Outflow) from Investing Activities		(27,945)	(286,525)
Cash Flows from Financing Activities			
Cash was received from:			
Loan advances received		-	195,000
Shares issued less transactions costs		56,716	323,056
		56,716	518,056
Cash was paid to:			
Loan principal repayments		61,021	44,193
		61,021	44,193
Net Cash Inflow (Outflow) from Financing Activities		(4,305)	473,863
NET INCREASE (DECREASE) IN CASH HELD		38,362	164,162
Cash and cash equivalents as at 1 April 2016		164,162	-
Cash and Cash Equivalents as at 31 March 2017	8	202,524	164,162

This Statement is to be read in conjunction with the Notes to the Financial Statements, and the audit report.

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1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These are the financial statements of Walnuts New Zealand Co-operative Limited ('the company'). Walnuts New Zealand Co-operative Limited is a Co-operative Company incorporated in New Zealand and registered under the Companies Act 1993 and Co-operative Companies Act 1996. Walnuts New Zealand Co-operative Limited is engaged in the business of Walnuts processing and marketing. Its goal is to grow the wealth and security of producer-shareholders by providing them with a path to market for their product.

The Company is an Issuer of a regulated product and a reporting entity for the purposes of the Financial Reporting Act 2013.

The Company is designated as a for-profit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards.

The financial statements for the year ended 31 March 2017 present the financial position of the company as at 31 March 2017 and the financial performance for the year ended on that date.

The Financial Statements presented for the year ended 31 March 2017 were authorised for issue by the Directors on 20 July 2017. The entity's owners do not have the power to amend the financial statements once issued.

Basis of Preparation

The financial statements of Walnuts New Zealand Co-operative Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards. The financial statements have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the company, with the exception of certain items for which specific accounting policies have been identified.

The information is presented in New Zealand dollars, which is the Company's functional and presentation currency and all values are rounded to the nearest dollar ($).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are Impairment and Deferred Tax.

Accounting Standards and Interpretations
During the year the company adopted all mandatory new and amended standards and interpretations. At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance sheet date, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, and has determined that there would be no material impact to the amounts recognised or disclosed in the financial statements.

Accounting Standards and Interpretations Issued but not yet effective
At the date of authorisation of these financial statements, the following Standards and Intepretations which have not been applied in these financial statements, were in issue but not yet effective for the period presented:

NZ IFRS 9 in respect of Financial Instruments, which will be effective for the accounting periods beginning on or after 1 January 2018.

NZ IFRS 15 in respect of Revenue from Contracts with Customers, which will be effective for accounting periods beginning on or after 1 January 2018.

NZ IFRS 16 in respect of Leases being accounted for under a single on-balance sheet model in a similar way to finance leases under IAS 17. This standard will be effective for annual periods beginning on or after 1 January 2019.

Changes in Accounting Policies
There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous period.

Comparative Figures
The comparative figures shown are for the 11 months ending 31 March 2016 as the Company commenced trading on 1 May 2015.

Specific Accounting Policies
In the preparation of these financial statements, the specific accounting policies are as follows:

(a) **Business Combination**
Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given. Costs incurred in connection with the acquisition are recognised as an expense during the previous period.

(b) **Plant & Equipment**
Plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Where an item of plant and equipment is disposed of or when no further economic benefits are expected from its use; the gain or loss (calculated as the difference between net sales price and carrying amount of the asset) is recognised in the Statement of Comprehensive Income.

The assets residual values, useful lives and depreciation methods are reviewed annually and adjusted if appropriate at each financial year end.

(c) **Depreciation**

Depreciation was provided for in the Statement of Comprehensive Income on a diminishing value basis over the estimated useful life of each asset. The principal rates in use were:

Furniture & Fittings	13% to 16%
Office Equipment	16% to 50%
Plant & Equipment	10% to 100%

(d) **Impairment - Non-financial Assets**

Assets other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income. Any reversal of the impairment loss is recognised as income immediately.

(e) **Shares Issued**

Shares issued by the Company are recorded at the value of proceeds received, net of costs directly attributable to the issue of the shares.

(f) **Intangible Assets**

Intangible assets consists of Goodwill. Goodwill represents the excess of the purchase consideration over the fair value of net tangible and identifiable intangible assets acquired, at the time of acquisition. Goodwill is not amortised, but tested annually for impairment (Refer to Note 14).

Any impairment is recognised within the Statement of Comprehensive Income and may not be subsequently reversed.

(g) **Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis with the exception of trade receivables and trade creditors and other trade payables which are shown inclusive of GST.

(h) **Finance Costs**

Finance costs shall be recognised as an expense in the period in which they are incurred.

(i) **Income Tax**

The income tax expense recognised for the period includes both the current period provision and the income tax effects of timing differences, being deferred income tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current period provision is the expected tax payable on the taxable profit for the period based on tax rates enacted at balance date. Current tax for the period is recognised as a liability or asset in the Balance Sheet to the extent that is is not yet paid or refunded.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available in the future to utilise deductible temporary differences. Deferred tax has been calculated on the assumption that there will be no change in tax law or circumstances of the Company that will result in tax losses not being available to the Company in the future.

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of processed inventories includes the cost of direct product, direct labour and a proportion of the factory overhead, based on normal operating capacity.

(k) **Leased Assets**

Plant and equipment and land and buildings are leased by Walnuts New Zealand Co-operative Limited.

Operating Leases

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

(l) **Cash and Cash Equivalents**

Cash in the balance sheet comprise cash at bank and in hand.

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(m) **Financial Instruments**

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either purchase or sell the asset (trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through Statement of Comprehensive Income' in which case transaction costs are expensed to Statement of Comprehensive Income immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. In other circumstances, valuation techniques are adopted.

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

Financial Assets at Fair Value through Statement of Comprehensive Income

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

Receivables

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

Receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

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Impairment
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in the Statement of Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. This reversal is recognised in the Statement of Comprehensive Income.

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

(n) **Revenue**
Sales of goods are recognised when the company has performed its contractual obligations in respect of that consideration.

Interest income is recognised using the effective interest method.

(o) **Receivables**
Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

(p) **Provisions**
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(q) **Employee Entitlements**
A liability for holiday pay entitlements is recognised in the balance sheet.

Where the payment is expected to occur more than 12 months after balance date, the liability is recorded at its present value. Where the payment is expected to be made in less than 12 months, the provision is the amount expected to be paid.

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(r) **Statement of Cash Flows**
Definitions of the terms used in the Statement of Cash Flows.

"Cash and cash equivalents" comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash.

"Operating Activities" are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

"Investing Activities" are those activities relating to the acquisition and disposal of investment property and any other non-current assets.

"Financing Activities" are those activities relating to changes in the equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company's equity capital.

(s) **Segment**
The Company operates in one industry and geographic segment. All activities are carried out in Christchurch, New Zealand. The directors review the operating results on a regular basis and make decisions on resource allocation based on the review of results. The nature of goods and services provided have similar characteristics within the operating segment.

2. OPERATING REVENUE

	2017 $	2016 $
Sales	1,215,261	1,084,141
Interest Received	211	1,626
Total Other Income	211	1,626
Total Operating Revenue	1,215,472	1,085,767

3. COST OF SALES

	2017 $	2016 $
Purchases	568,518	503,545
Freight	33,972	33,104
Employee Expenses - Direct Wages	293,043	277,908
Total Cost of Sales	895,533	814,557

4. OPERATING EXPENSES

	2017 $	2016 $
Employee Expenses - Wages	138,223	118,970
Employee Expenses - Other	3,055	2,061
Accident Compensation Levy	3,016	2,670
Accountancy Fees	8,750	-
Advertising & Marketing	2,876	7,936
Administration Outwork	13,275	13,184
Audit Fees	8,950	8,750
Bank Charges	609	758
Cleaning & Rubbish Disposal	448	157
Compliance Costs	11,324	6,504
Consultancy/Management Fees	18,798	6,766
Entertainment	819	1,134
Freight & Courier	18	285
General Expenses	1,710	311
General Expenses - Factory	3,662	2,895
Governance Costs	9,732	2,645
Insurance	11,592	10,111
Legal Expenses	793	-
Legal & Professional Fees - Set-up	-	8,008
Other Fees - Set-up	-	2,204
Light Power & Heating	5,558	5,312
Motor Vehicle Expenses	3,332	3,559
Motor Vehicle Lease payments	8,376	6,282
Plant & Equipment <$500	4,080	2,114
Printing, Stamps & Stationery	6,175	6,180
Rents and Rates	28,714	23,641
Rent - Plant & Equipment	1,233	125
Repairs & Maintenance	6,104	7,677
Rodent Control	2,417	1,325
Subscriptions	2,900	1,058
Telephone, Tolls & Internet	4,136	2,839
Travel Expenses	13,836	5,158
Total Operating Expenses	324,511	260,619

Governance costs include $7,000 paid to Heather North for duties as Company Secretary, and membership payment to Co-operative Business New Zealand. Insurance costs include Directors' Liability Insurance.

5. AUDITOR'S REMUNERATION

	2017 $	2016 $
Amounts received or receivable by PKF Goldsmith Fox Audit for:		
Auditing the financial statements	8,950	8,750
Other services:		
For assistance with Product Disclosure Statement	-	7,350
Total	8,950	16,100

Goldsmith Fox PKF Audit

6. RELATED PARTIES

The following transactions with related parties occurred during the period:

(a) Purchases of goods and services

The Directors, who are growers/suppliers of walnuts, undertook trade with the Co-operative during the year at arm's length. The value of these transactions as a group was $190,595 (2016: $320,255), including a deduction for drying costs. $146,032 was outstanding to the Directors at 31 March 2017 (2016: $120,156). To assist with cashflow, the Directors have elected not to be paid for the amount outstanding at 31 March 2017, which is when all other growers are paid. However, interest at 8% per annum will be payable to each Director on the amounts outstanding until the Company has made payment in full.

Andrew Horsbrugh, a Director, is the NZ Agent for AMB Rousset, an overseas supplier for walnut processing equipment. There were no transactions with this supplier during the year.

Basil Meyer, a Director, is the NZ Agent for Feucht Obsttechnik, an overseas supplier for walnut processing equipment. There were no transactions with this supplier during the year.

(b) Key management compensation and Company Secretary remuneration

Nelson Hubber, Director, was paid for management services during the year while the General Manager was overseas and for project work on the new Walnut Cracking Line. The total remuneration was $7,268 (2016: $6,225).
Heather North, Director, was paid for the role of Company Secretary during the year, and the total remuneration was $7,000 (2016: Nil).

(c) Loans

The company has a term loan from A Cracker of a Nut Limited for the purchase of the business (Vendor Loan). The Directors of A Cracker of a Nut Limited are shareholders of Walnuts New Zealand Co-operative Limited. The original balance was $185,000. The loan is secured and interest is charged at 4% p.a. (Refer to Note 15).

(d) Deed of Lease

A Deed of Lease for the lease of the premises and car parks at 142 Tricketts Road, West Melton, Christchurch was entered into on 1 May 2015 with MF & JM Lawrence Partnership for $24,000 plus GST per annum for the first year, 2016/2017 $28,000 and 2017/2018 $33,000, with rights of renewal after three years.
MF & JM Lawrence own 3.8% of the Company's shares as at 31 March 2017 (2016: 4.4%).

(e) Acquisition of Interests in Other Entities

On 23 December 2016, transacting shareholders, Malcolm and Jennifer Lawrence, transferred 100% of the shares in Kernelz Limited and Walnuts New Zealand Limited at nil consideration, to Walnuts New Zealand Co-operative Limited. Refer to Note 24.

No amounts with any related parties have been written off or foregone during the period.

7. **SECURITIES AND GUARANTEES**

The only securities and guarantees relate to Term Liabilities (refer to Note 15).

8. **CASH & CASH EQUIVALENTS**

	2017	*2016*
	$	*$*
Cash and bank accounts	202,524	164,162

9. **CASH FLOW INFORMATION**

	2017	*2016*
	$	*$*
Net Profit/(Loss) after Taxation	(26,300)	(20,171)
Plus/(Less) Non Cash Items:		
Depreciation and Gain/Loss on Disposal	29,396	27,691
	29,396	27,691
Plus/(Less) Movements in Working Capital		
Decrease (Increase) in accounts receivable	9,576	(175,270)
Decrease (Increase) in inventories	(686)	(179,932)
Increase (Decrease) in accounts payable, GST due	67,175	311,595
Provisions added	4,601	15,918
Income tax	(13,150)	(3,006)
	67,516	(30,695)
Net Cash Inflow/(Outflow) from Operating	70,612	(23,175)

10. TAXATION

	2017 $	2016 $
Net Operating Profit/(Loss) Before Tax	(38,546)	(22,722)
Add Non-deductible Expenses	1,571	27,369
Net Surplus/(Deficit) for Taxation	(36,975)	4,647
The Taxation Charge is Represented by		
Current year tax at 28%	-	1,301
Deferred tax	(12,246)	(3,852)
	(12,246)	(2,551)
Current year tax	-	1,301
Less		
RWT credits	58	455
Total Income Tax Refund/(Due) per Balance	58	(846)

Deferred Tax

	2017 $	2016 $
Opening balance	(3,852)	-
Deferred portion of current year's tax expense	(12,246)	(3,852)
Deferred Tax Closing Balance	(16,098)	(3,852)

The tax charge in the Statement of Comprehensive Income reflects the movements in deferred tax on holiday pay and tax losses.

11. IMPUTATION CREDIT ACCOUNT

At balance date imputation credits available to the shareholders were

	2017 $	2016 $
Opening Balance	455	-
Payments to / (Refunds from) IRD	846	-
RWT credits attached to Interest income received	58	455
Closing Balance	1,359	455

12. INVENTORIES

	2017 $	2016 $
Shelf/Processed Stock	63,411	47,295
Growers Stock	117,207	132,637
Total Inventories	180,618	179,932

Inventory Commitments

A general security interest is held over all property by A Cracker of a Nut Limited which includes inventories.

Goldsmith Fox PKF Audit

13. PLANT & EQUIPMENT

	2017 $	2016 $
Furniture & Fittings		
At cost	3,498	2,495
Less accumulated depreciation	(686)	(320)
	2,812	2,175
Current year depreciation	366	320
	366	320
Office Equipment		
At cost	16,362	7,813
Less accumulated depreciation	(8,018)	(3,091)
	8,344	4,722
Current year depreciation	4,927	3,091
	4,927	3,091
Plant & Equipment		
At cost	228,110	209,717
Less accumulated depreciation	(48,383)	(24,280)
	179,727	185,437
Current year depreciation	25,636	24,280
	25,636	24,280
Total Plant & Equipment	$190,883	$192,334
Total Depreciation & Impairment for the year	$30,929	$27,691

2017 Reconciliation between Opening and Closing Carrying Amount	Furniture & Fittings $	Office Equipment $	Plant & Equipment $	Total $
Gross carrying amount				
Balance at 1 April 2016	2,175	4,722	185,437	192,334
Additions	1,003	8,549	21,083	30,635
Disposals	-	-	(2,690)	(2,690)
Gain/(Loss) on Disposal	-	-	1,533	1,533
Less Current Year Depreciation	(366)	(4,927)	(25,636)	(30,929)
Balance at 31 March 2017	2,812	8,344	179,727	190,883

14. INTANGIBLES

	2017 $	2016 $
Goodwill		
Opening Balance	66,500	-
On Acquisition - Vendor Financed	-	50,000
On Acquisition - 6,000 shares issued at $2.75	-	16,500
Closing Balance	-	66,500
Total Intangibles	$66,500	$66,500

In the year ending 31 March 2016, the 6,000 shares were issued at $2.75 per share to MF & JM Lawrence, Directors of A Cracker of a Nut Limited.

An impairment test was carried out for the year ending 31 March 2017 based on future maintainable earnings (FME). The figure was calculated on an average weighted value of earnings (EBITDA), using actual results for 2016 and 2017 and projections for 2018. An earnings multiplier was then applied to calculate the enterprise value, justified by the existing customer base that was purchased at the time of acquisition. An impairment provision might be made if there was a reduction of $13,117 (11%) in the average weighted value of earnings, which would result in a goodwill value that is less than the carrying value.

15. TERM LIABILITIES

Term Liabilities, are detailed below along with the original term, security and interest rate as at balance date.

	2017 $	2016 $
Term liabilities at balance date:		
<u>Loan - A Cracker of a Nut Ltd (Vendor Finance)</u>	79,786	140,806
Interest rate: 4% per annum		
Term: 36 Months from 1 May 2015		
Monthly Repayments: Equal monthly payments		
<u>Loan - NZ Walnut Industry Group</u>	10,000	10,000
Interest rate: 0% per annum		
Term: 36 months from 1 May 2015		
Monthly Repayments: Not required		
	89,786	150,806
Repayable as follows:		
Less than one year	63,483	61,022
One to five years	26,303	89,784
Total	89,786	150,806

<u>Securities & Guarantees</u>

- A General Security Interest in favour of A Cracker of a Nut Limited in respect of all of the right, title and interest in all property. Maximum priority sum $300,000.

- The loan from NZ Walnut Industry Group is unsecured.

16. OPERATING LEASE COMMITMENTS

	2017 $	2016 $
Rent of Property		
Less than one year	33,000	28,000
Greater than one year and no greater than five	2,750	33,000
	$35,750	$61,000
Lease of Plant/Vehicles		
Less than one year	8,376	8,376
Greater than one year and no greater than five	8,376	16,752
	$16,752	$25,128

17. CAPITAL EXPENDITURE COMMITMENTS

At year end Walnuts New Zealand Co-operative Limited has committed $0 (2016: $12,000) to the completion of the walnut and shelling line (plant and equipment).

18. SHAREHOLDERS' EQUITY

(a) Capital

	2017 $	2016 $
157,451 Class A Shares	432,990	374,099
Transaction Costs	(53,218)	(51,043)
Total Issued and Paid up Capital	379,772	323,056

The Company incurred transaction costs of $2,175 (2016: $51,043) for legal and professional fees and distribution costs relating to the issue of new shares during the year, which have been deducted from equity (share capital).

At year end Walnuts New Zealand Co-operative Limited has Class A Shares (with voting rights), which can only be held by suppliers and intending suppliers of walnuts to Walnuts New Zealand Co-operative Limited.

The holder of Class A shares has one vote at shareholder meetings for every 500 shares held in the company (or part thereof). The shares are transferable, with the agreement of the Board.

The shares were authorised and issued at $2.75 each, and are fully paid up. The shares have no par value.

(b) Retained Earnings

	2017 $	2016 $
Retained Earnings opening balance	(20,171)	-
Net Profit/(Loss) after tax	(26,300)	(20,171)
Available for appropriation	(46,471)	(20,171)
Retained Earnings Closing Balance	(46,471)	(20,171)

19. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade Receivables	163,195	174,496
Payments in Advance	2,499	774
	165,694	175,270

20. TRADE AND OTHER PAYABLES

	2017 $	2016 $
Trade Creditors	335,700	256,846
Accrued Expenses	7,446	19,083
Accrued Wages	13,305	12,935
Westpac - Mastercard	1,874	1,711
	358,325	290,575

The amount for Trade Creditors is made up of $307,796 (2016: $242,161) owed to growers and $27,905 (2016: $14,685) owed to other suppliers of goods and services.

21. PROVISIONS

	2017 $	2016 $
<u>Current</u>		
Employee Benefits		
Provision for Holiday Pay	20,519	15,918
Total Current Provisions	20,519	15,918
Total Provisions	20,519	15,918

22. FINANCIAL INSTRUMENTS

The Company does not enter into any off Balance Sheet debt financial instruments. All financial instruments are recognised in the Financial Statements.

The Company's activities expose it to a variety of credit risk, market risk and liquidity risk.

RODGERS & CO
CHARTERED ACCOUNTANTS

(a) Credit Risk

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligation resulting in financial loss to the Company.

Financial assets which potentially subject the Company to credit risk consist of bank balances, trade receivable, and balances due from the Inland Revenue Department. The Company considers the maximum exposure to credit risk is for trade receivables of $163,195. Cash equivalents are placed with New Zealand banks holding high credit ratings. Collateral is held in respect to financial assets. There were no material impaired or past due debtors as at 31 March 2017.

Financial assets comprise:

	2017	*2016*
	$	*$*
Current Financial Assets		
Cash and Cash Equivalents	202,524	164,162
Trade and Other Receivables	163,195	174,496
Payments in Advance	2,499	774
	368,218	339,432

(b) Market Risk

Market risk is the risk that changes in market prices will affect the Company's profitability. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company considers the most significant market risk to be as follows:

Interest Rate Risk:
The fixed interest rates range between 0% and 4% per annum.

Interest rate sensitivity analysis:
The sensitivity analysis outlined below has been based on the exposure to interest rates for financial instruments at the end of the reporting period.

Based on the Company's average net level of interest bearing debt, the profit and equity for the year ended 31 March 2017 would decrease/increase by $1,182 if there was a movement of plus/minus 100 basis points.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The directors are responsible for the Liquidity Risk Management and as such have built an appropriate liquidity risk management framework for the management of short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Management also determines the timing and level of payout to the growers.

The following table details exposure to liquidity risk:

2017	**Less than 1 year**	**1-5 years**	**Greater than 5 years**	**Total**
Trade and Other Payables	399,288	-	-	399,288
Term Loans	65,544	26,386	-	91,930
Gross Liabilty	464,832	26,386	-	491,218
Less interest	2,036	109		2,145
Principal	462,796	26,278	-	489,074

2016	**Less than 1 year**	**1-5 years**	**Greater than 5 years**	**Total**
Trade and Other Payables	328,359	-	-	328,359
Term Loans	65,544	91,928	-	157,472
Gross Liabilty	393,903	91,928	-	485,831
Less interest	4,522	2,144		6,666
Principal	389,381	89,784	-	479,165

Trade and Other Payables include GST and Provisions.

(d) Fair Values

Walnuts New Zealand Co-operative Limited has financial instruments carried at fair value, with the fair value of all financial instruments equivalent to their carrying value. The following hierarchy defines the valuation method used to value these instruments. Level 3 has been used as the valuation method.

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(e) Capital Management

The Company's capital structure consists of share capital and retained earnings.

Capital Management is the responsibility of the directors to sustain growth and maximise shareholder value.

23. **BUSINESS COMBINATIONS**

On 1 May 2015 Walnuts New Zealand Co-Operative Limited purchased the business of A Cracker of a Nut Limited, a small privately owned walnut processor.

The business combination was undertaken to provide a large number of walnut growers certainty over the future purchasing of their walnuts. This will be achieved through their common goals of:

- Reliable supply of premium-value product to our consumers
- Providing a path to market for our shareholders
- Efficient and effective processing and cohesive marketing
- Unity of purpose amongst our suppliers
- Behaviour that is socially, financially and environmentally responsible.

The Purchase price was made up of:

Plant and equipment:	$135,000
Goodwill:	$ 66,500
The fair value of the total consideration:	$201,500

No other assets or liabilities were transferred at acquisition date.

This business combination was financed through Vendor financing of $185,000 on the terms found in Note 15, and the issue of 6,000 fully paid shares at $2.75 each.

24. **INTERESTS IN OTHER ENTITIES**

On 23 December 2016, 100% of the shares in Kernelz Limited and Walnuts New Zealand Limited were transferred to the Company at nil consideration by transacting shareholders, Malcolm and Jennifer Lawrence. The companies are currently shelf companies, and are being held by Walnuts NZ Co-operative Limited, for the right to the names only.

25. **GOING CONCERN**
The company made a loss for the year ended 31 March 2017 and is dependent upon the continued support of its shareholders and financiers. The directors are satisfied with the trading results post year end to support the going concern assumption.

26. **CONTINGENT LIABILITIES**
At balance date there are no known contingent liabilities. Walnuts New Zealand Co-operative Limited has not granted any securities in respect of liabilities payable by any other party.

27. **EXCEPTIONAL OPERATING RISKS**
The Company does not have any exceptional operating risks.

28. **SIGNIFICANT EVENTS AFTER BALANCE DATE**
The following significant event occurred after balance date:

The period of heavy rainfall during the harvest of April 2017 could have a significant negative impact on the quality and supply of walnuts for the year ending 31 March 2018. Lower quality walnuts may have to be directed into less profitable market channels. However, the negative effect of this on net financial results should be tempered by the fact that a lower price would be paid to growers for these lower quality walnuts.

29. PRODUCT DISCLOSURE STATEMENT FORECASTS COMPARED TO ACTUAL

	Actual 31-Mar-17	Product Disclosure Statement Forecasts	Variance
Revenue - Sales	1,215,261	1,858,000	(642,739)
Earnings Before Interest, Tax, depreciation and amortisation (EBITDA)	(4,572)	106,081	(110,653)
Net Profit after tax	(26,300)	65,016	(91,316)
Dividends	-	-	-
Total Assets	822,375	716,260	106,115
Cash and cash equivalents	202,524	188,910	13,614
Total Liabilities	489,074	216,997	272,077
Total interest-bearing liabilities	79,786	79,785	1
Net Cash Flows from Operating Activities	70,611	19,388	51,223

Commentary

Revenue - Sales	Frosts sustained in November 2015 had a negative impact on the supply of walnuts, and therefore revenue, for the 2017 year end.
Earnings Before Interest, Tax, depreciation and amortisation (EBITDA)	As per the above. In spite of this, the Directors are pleased with the performance of Management in the second year of operation.
Net Profit after tax	As per above.
Dividends	No dividend proposed.
Total Assets	Trade Receivables were expected to be significantly higher ($50,550 more) in line with the forecasted higher revenue (see above) Stock values were expected to be significantly lower ($105,640 less) due to the majority of the 2016 crop forecast to have already been processed and sold. Fixed Assets were expected to be lower ($54,000 less), however new machinery was purchased over 2015-2017 to automate the processing of walnuts. Intangible Assets were expected to be lower ($36,500 less). Forecasts were conservative with regards to the potential impairment of the Goodwill arising from the purchase of the business from A Cracker of a Nut Limited.
Cash and cash equivalents	Forecasts were close to actual ($14,000 more than forecast)
Total Liabilities	The timing of the pay out was forecast for March where the majority was paid out 6 April 2017. Once again, the Directors agreed to withhold their year end grower payments to ensure the Co-operative Company has sufficient cash flows to continue trading.
Total interest-bearing liabilities	In line with Directors' expectations.
Net Cash Flows from Operating Activities	Forecasts were conservative.

Goldsmith Fox PKF Audit

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Walnuts New Zealand Co-Operative Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Walnuts New Zealand Co-Operative Limited (the company), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters which we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit we have carried out the following assignments; compilation work in relation to the audit of the Share Register which is compatible with independence requirements.

Other than the audit and this assignment, we have no relationship with or interests in, the company.

Emphasis of Matter

Without modifying our opinion we draw attention to note 25, going concern, and the Company's reliance on the continued support of its shareholders and financiers.

Information Other than the Financial Statements and Auditor's Report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and audit report which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Statements

The directors are responsible on behalf of the company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible, on behalf of the Company, for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Gordon Hansen.

PKF Goldsmith Fox Audit.

Christchurch, New Zealand
20 July 2017