RODGERS & CO
CHARTERED ACCOUNTANTS

WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019

Walnuts New Zealand Co-operative Limited

Financial Statements
As at 31 March 2019

RODGERS & CO
CHARTERED ACCOUNTANTS

Contents

Walnuts New Zealand Co-operative Limited

Company Directory
As at 31 March 2019

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Issued Capital	Opening Balance - Share Equity
Registered Office	142 Tricketts Road, West Melton, Chistchurch 7676
Directors	Francis VR Brenmuhl Andrew K Horsbrugh Basil Meyer Trevor G Nicholas Heather C North Colin R Prebble Paul A Visser (appointed 22/1/2019)
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 2019

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 31 March 2019.

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 2019 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 $9,250 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 2020.

Directors Holding Office
The following Directors held office during the period:

Francis VR Brenmuhl
Andrew K Horsbrugh
Basil Meyer
Trevor G Nicholas
Heather C North
Colin R Prebble
Paul A Visser (appointed 22/1/2019)

The following Director resigned:

	Date of Resignation
Nelson J Hubber	19/11/2018

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

- Trevor G Nicholas (BG Growers Limited)- purchase of 3,136 Shares at $2.75 each.

Transactions were entered into with the following Directors as transacting shareholders:

- Colin R Prebble - purchase of 1,302 Shares at $2.75 each
- Heather C North - purchase of 7,659 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.

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

For and on behalf of the Board of Directors,

Director _______________ Director _______________

Date: 26 July 2019

Walnuts New Zealand Co-operative Limited

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 March 2019

	Note	*2019* $	*2018* $
Operating Revenue	2	1,137,610	1,237,484
Cost of Sales	3	(734,929)	(844,182)
GROSS PROFIT		402,681	393,302
Other Income	2	134	48
Gain on Disposal of Plant & Equipment		-	1,568
Depreciation	13	(29,671)	(32,468)
Finance Costs		(2,038)	(3,994)
Other Operating Costs	4	(349,206)	(352,266)
PROFIT/(LOSS) BEFORE INCOME TAX		21,900	6,190
Income Tax Expense	10	(6,183)	(753)
NET PROFIT/(LOSS) FOR THE YEAR		$15,717	$5,437
Other Comprehensive Income for the Year		-	-
TOTAL PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		$15,717	$5,437

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

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Walnuts New Zealand Co-operative Limited

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Statement of Changes in Equity
For the Year Ended 31 March 2019

	Note	*2019* $	*2018* $
EQUITY AT START OF YEAR		425,947	333,301
SURPLUS/(LOSS)			
Profit/(Loss) after Tax		15,717	5,437
Total Income and Expense		15,717	5,437
OTHER MOVEMENTS			
Share Capital	18(a)	39,130	87,209
EQUITY AT END OF YEAR		$480,794	$425,947
MOVEMENTS IN RETAINED EARNINGS	18(b)		
Retained Earnings at start of year		(41,034)	(46,471)
Net Profit/(Loss)		15,717	5,437
Retained Earnings at End of Year		(25,317)	(41,034)
MOVEMENTS IN ISSUED CAPITAL	18(a)		
Balance at Start of Year		466,981	379,772
Net Shares Issued		39,130	87,209
Balance at End of Year		506,111	466,981
		$480,794	$425,947

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

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Walnuts New Zealand Co-operative Limited

RODGERS & CO
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Balance Sheet
As at 31 March 2019

	Note	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	8	266,136	85,557
GST refund due		34,176	-
Taxation	10	13	13
Trade and other receivables	19	155,819	167,579
Inventories	12	214,361	118,518
Total Current Assets		670,505	371,667
NON-CURRENT ASSETS			
Plant & Equipment	13	167,595	177,291
Intangible Assets	14	84,758	66,500
Deferred Tax Asset	10	9,162	15,345
Total Non-Current Assets		261,515	259,136
TOTAL ASSETS		932,020	630,803
CURRENT LIABILITIES			
GST due for payment		-	3,423
Trade and other payables	20	411,090	145,391
Provisions	21	30,136	29,765
Term loans - current portion	15	-	26,277
Total Current Liabilities		441,226	204,856
NON-CURRENT LIABILITIES			
Term liabilities	15	10,000	-
Total Non-Current Liabilities		10,000	-
TOTAL LIABILITIES		451,226	204,856
NET ASSETS		$480,794	$425,947
Represented by:			
EQUITY			
Share capital	18(a)	506,111	466,981
Retained Earnings	18(b)	(25,317)	(41,034)
TOTAL EQUITY		$480,794	$425,947

For and on behalf of the Board :

Director Heather Mc[illegible] Director [illegible]

Authorised for Issue: 26 July 2019

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Walnuts New Zealand Co-operative Limited

Cash Flow Statement
For the Year Ended 31 March 2019

	Note	2019 $	2018 $
Cash Flows from Operating Activities	9		
Cash was received from:			
Receipts from customers		1,320,373	1,421,180
Interest received		47	48
		1,320,420	1,421,228
Cash was paid to:			
Payments to suppliers and employees		1,089,424	1,507,638
Rent paid		33,000	33,000
Interest paid		2,038	3,995
Income tax paid		-	(45)
		1,124,462	1,544,587
Net Cash Inflow (Outflow) from Operating Activities		195,958	(123,360)
Cash Flows from Investing Activities			
Cash was received from:			
Proceeds from sale of fixed assets		-	2,024
		-	2,024
Cash was paid to:			
Payments for Intangible Assets - Development		18,258	-
Purchase of fixed assets		19,975	19,332
		38,233	19,332
Net Cash Inflow (Outflow) from Investing Activities		(38,233)	(17,308)
Cash Flows from Financing Activities			
Cash was received from:			
Shares issued less transactions costs		39,130	87,209
		39,130	87,209
Cash was paid to:			
Loan principal repayments		16,277	63,509
		16,277	63,509
Net Cash Inflow (Outflow) from Financing Activities		22,853	23,700
NET INCREASE (DECREASE) IN CASH HELD		180,579	(116,967)
Cash and cash equivalents as at 1 April		85,557	202,524
Cash and Cash Equivalents as at 31 March	8	266,136	85,557

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 and domiciled 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 2019 present the financial position of the Company as at 31 March 2019 and the financial performance for the year ended on that date.

The Financial Statements presented for the year ended 31 March 2019 were authorised for issue by the Directors on 26 July 2019. 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 have been followed by the company.

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.

New Accounting Standards and Interpretations Issued but not yet adopted
At the date of authorisation of these financial statements, certain new standards, amendments and intepretations to existing standards have been issued which were not yet effective at Balance Sheet date, and which the Company has not early adopted. Those relevant to the Company are listed below:

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.
As the motor vehicle lease expired in April 2019, the company has determined that there would be no material impact to the amounts recognised or disclosed in the financial statements. A full review of the potential impact of IFRS 16 will be carried out in the year beginning 1 April 2019.

Adoption of new and revised Standards and Interpretations
The Company adopted all mandatory new and amended standards and interpretations in the current year. None of the new and amended standards and interpretations had a material impact on the measurement of the Company's assets and liabilities. The new NZIFRS Standards adopted are:

NZ IFRS 9 in respect of Financial Instruments, was effective from 1 April 2018 and replaces NZ IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities. There was no material impact on the classification or measurement in the Financial Statements.

NZ IFRS 15 in respect of Revenue from Contracts with Customers was effective from 1 April 2018. NZ IFRS 15 requires identification of discrete performance obligations within a transaction, and replaces NZ IAS 18, Revenue. As associated transaction price is then allocated to these obligations. Revenue is recognised on satisfaction of these performance obligations. These occur when control of the goods or services are transferred to the customer and can be at a point in time or over time. There was no material impact on the accounting or disclosures due to how the Company recognises income. See Note 1.(m).

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the new NZ IFRS Standards and Interpretations listed above.

Comparative Figures
The comparative figures shown are for the year ending 31 March 2018.

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

(a) **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 Profit or Loss and Other Comprehensive Income (Statement of Profit or Loss).

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

(b) **Depreciation**
Depreciation was provided for in the Statement of Profit or Loss 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%

(c) **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 Profit or Loss. Any reversal of the impairment loss is recognised as income immediately.

(d) **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.

(e) **Intangible Assets**
Intangible assets consist of Goodwill and Trademark/Branding development.

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 deemed to have an indefinite useful life and, therefore, is not amortised, but tested annually for impairment (Refer to Note 14). Any impairment is recognised within the Statement of Profit or Loss and may not be subsequently reversed.

Trademark/Branding development is stated at cost. It's useful life has not been determined as it is still under development.

(f) **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.

(g) **Finance Costs**
Finance costs shall be recognised as an expense in the period in which they are incurred.

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(h) **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 Profit or Loss 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 it 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.

(i) **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.

(j) **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.

(k) **Cash and Cash Equivalents**

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

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(l) **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 Profit or Loss in which case transaction costs are expensed to the Statement of Profit or Loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method. 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 Profit or Loss.

Financial Assets at Fair Value through Statement of Profit or Loss and Other Comprehensive Income

Financial assets are classified at 'fair value' through the Statement of Profit or Loss 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 Profit or Loss.

Trade and Other 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, less any impairment. This is equivalent to fair value, being the receivable face (or nominal) value, less appropriate allowances for estimated irrecoverable amounts. The allowance recognised is the lifetime expected credit losses based on an assessment of each individual debtor. It is estimated based on the Company's historical credit loss experience and general economic conditions. Expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of the debtors. Trade receivables are written off when there is no realistic chance of recovery.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. This is equivalent to the face (or nominal) value of the payables, which is assumed to approximate their fair value.

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 Profit or Loss. 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 Profit or Loss.

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.

(m) **Revenue**
Sales of goods are recognised on an accruals basis, when the company has performed its contractual performance obligations in respect of that consideration.

Interest revenue is recognised on an accruals basis using the effective interest method.

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

(o) **Research & Development Costs**
Research expenses are brought to account in the income statement in the period in which it was incurred.

Development costs are recognised as an asset and amortised in the income statement over the period of expected benefit. At balance date, any unamortised costs are reviewed to determine the level of impairment losses.

(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.

(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

	2019	*2018*
	$	*$*
Sales	1,137,610	1,237,484
Interest Received	47	48
Sundry Income	87	-
Total Other Income	134	48
Total Operating Revenue	1,137,744	1,237,532

3. COST OF SALES

	2019	*2018*
	$	*$*
Purchases	451,024	489,604
Freight	36,578	39,366
Sub-contractors	2,141	-
Employee Expenses - Direct Wages	245,186	315,212
Total Cost of Sales	734,929	844,182

4. OPERATING EXPENSES

	2019 $	2018 $
Employee Expenses - Wages	146,702	158,115
Employee Expenses - Other	2,895	4,301
Employee Expenses - Recruitment, HR	365	15,818
Accident Compensation Levy	3,710	3,601
Accountancy Fees	7,000	7,000
Advertising & Marketing	26,777	8,959
Administration Outwork	9,941	15,507
Audit Fees	9,250	9,000
Bank Charges	482	628
Cleaning & Rubbish Disposal	2,333	3,376
Compliance Costs	9,928	5,520
Consultancy Fees	15,211	19,500
Entertainment	286	227
Freight & Courier	159	10
General Expenses	149	199
General Expenses - Factory	2,405	2,232
Governance & Company Secretary Costs	11,817	9,288
Insurance	12,406	12,847
IRD Penalties	117	-
Legal Expenses	-	205
Light Power & Heating	5,530	6,902
Motor Vehicle Expenses	5,250	3,987
Motor Vehicle Lease payments	8,376	8,376
Plant & Equipment <$500	976	894
Printing, Stationery & Computer Expenses	4,731	7,123
Rents and Rates	34,953	33,810
Repairs & Maintenance	4,192	6,164
Research & Development	12,450	-
Rodent Control	4,447	2,489
Subscriptions & Registrations	1,712	1,678
Telephone, Tolls & Internet	4,067	4,312
Travel & Parking Expenses	589	198
Total Operating Expenses	349,206	352,266

Governance costs include $8,400 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

	2019 $	2018 $
Amounts received or receivable by PKF Goldsmith Fox Audit for:		
Auditing the financial statements	9,250	9,000
Total	9,250	9,000

In addition there will be a charge of $750 plus GST for the audit of the Share Register, which will be accounted for in the year ending 31 March 2020.

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6. **RELATED PARTIES**

The following transactions with related parties occurred during the period:

(a) Purchases of goods and services and Interest on balances owed to Directors

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 $314,100 (2018: $267,740), including a deduction for drying costs. $211,780 was outstanding to the Directors at 31 March 2019 (2018: $100,634). To assist with cashflow, the Directors have elected not to be paid for the amount outstanding at 31 March 2019, which is when all other growers are paid. However, interest at 8% per annum is paid to each Director on the amounts outstanding until the Company has made payment in full. Interest paid to Directors for the year ending 31 March 2019 was $1,997 (2018: $2,170).

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. Tunlaw Farm Limited, of which Andrew Horsbrugh is a Director, was owed $2,462 as at 31 March 2019 for packaging and labelling services.

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 transactions

Heather North, Director, was paid for the role of Company Secretary during the year, and the total remuneration was $8,400 (2018: $8,400). Heather North, T/A Lightfoot Walnuts is also a grower/supplier of walnuts and undertook trade with the Co-operative during the year at arm's length. The value of the transactions was $118,718 (2018 $71,002). $43,766 was outstanding at 31 March 2019 (2018: $21,156). Interest of $385 at 8% per annum was paid to Heather North during the year for amounts outstanding (2018: $496).

The General Manager's remuneration is between $85,000 and $95,000 per annum.

(c) Loans

During the year, the company made the final payment on 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. Interest was charged at 4%. Security held in respect of the loan has been released. (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 the right of renewal confirmed on 15 March 2018 for a further three years ending on 30 April 2021 for $33,000 plus GST per annum.

MF & JM Lawrence own 2.9% of the Company's shares as at 31 March 2019 (2018: 3.2%).

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**

	2019	*2018*
	$	*$*
Cash and bank accounts	266,136	85,557

9. **CASH FLOW INFORMATION**

	2019	*2018*
	$	*$*
Net Profit/(Loss) after Taxation	15,717	5,437
Plus/(Less) Non Cash Items:		
Depreciation and Gain/Loss on Disposal	29,671	30,900
	29,671	30,900
Plus/(Less) Movements in Working Capital		
Decrease (Increase) in accounts receivable	11,759	(1,885)
Decrease (Increase) in inventories	(95,843)	62,100
Increase (Decrease) in accounts payable, GST due	228,099	(229,955)
Provisions added	372	9,246
Income tax	6,183	798
	150,570	(159,697)
Net Cash Inflow/(Outflow) from Operating Activities	195,958	(123,360)

The comparative depreciation and gain/loss on disposal amount of $30,900 was made up of $32,468 depreciation less $1,568 gain on disposal.

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10. TAXATION

	2019	2018
	$	$
Net Operating Profit/(Loss) Before Tax	21,900	6,190
Add Non-deductible Expenses	526	5,774
Net Surplus/(Deficit) for Taxation	22,426	11,964
Tax Losses brought forward	(25,011)	(36,975)
Net Surplus/(Deficit) per Tax Return	(2,585)	(25,011)
The Taxation Charge is Represented by		
Deferred tax	6,183	753
	6,183	753
Current year tax	-	-
Less		
RWT credits	13	13
Total Income Tax Refund/(Due) per Balance Sheet	13	13

Deferred Tax

	2019	2018
	$	$
Opening balance	(15,345)	(16,098)
Deferred portion of current year's tax expense	6,183	753
Deferred Tax Closing Balance at 28%	(9,162)	(15,345)

The tax charge in the Statement of Profit or Loss 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

	2019	2018
	$	$
Opening Balance	1,314	1,359
Payments to / (Refunds from) IRD	(13)	(58)
RWT credits attached to Interest income received	13	13
Closing Balance	1,314	1,314

12. INVENTORIES

	2019	2018
	$	$
Shelf/Processed Stock	77,615	53,300
Growers Stock	136,746	65,218
Total Inventories	214,361	118,518

Inventory Commitments

A general security interest held over inventories by A Cracker of a Nut Limited, was released during the year (refer Note 15).

13. PLANT & EQUIPMENT

	2019 $	2018 $
Furniture & Fittings		
At cost	3,498	3,498
Less accumulated depreciation	(1,439)	(1,092)
	2,059	2,406
Current year depreciation	347	406
	347	406
Office Equipment		
At cost	29,614	22,206
Less accumulated depreciation	(18,493)	(13,033)
	11,121	9,173
Current year depreciation	5,460	5,015
	5,460	5,015
Plant & Equipment		
At cost	250,273	237,706
Less accumulated depreciation	(95,858)	(71,994)
	154,415	165,712
Current year depreciation	23,864	27,047
	23,864	27,047
Total Plant & Equipment	167,595	177,291
Total Depreciation & Impairment for the year	29,671	32,468

2019 Reconciliation between Opening and Closing Carrying Amount	Furniture & Fittings $	Office Equipment $	Plant & Equipment $	Total $
Gross carrying amount				
Balance at 1 April 2018	2,406	9,173	165,712	177,291
Additions	-	7,408	12,567	19,975
Disposals	-	-	-	-
Less Current Year Depreciation	(347)	(5,460)	(23,864)	(29,671)
Balance at 31 March 2019	2,059	11,121	154,415	167,595

2018 Reconciliation between Opening and Closing Carrying Amount	Furniture & Fittings $	Office Equipment $	Plant & Equipment $	Total $
Gross carrying amount				
Balance at 1 April 2017	2,812	8,344	179,727	190,883
Additions	-	5,844	13,488	19,332
Disposals	-	-	(2,024)	(2,024)
Gain/(Loss) on Disposal	-	-	1,568	1,568
Less Current Year Depreciation	(406)	(5,015)	(27,047)	(32,468)
Balance at 31 March 2018	2,406	9,173	165,712	177,291

14. INTANGIBLE ASSETS

	2019 $	2018 $
Goodwill		
Opening Balance	66,500	66,500
Closing Balance	66,500	66,500
Trademark/Branding - Development		
Additions	18,258	-
Closing Balance	18,258	-
Total Intangibles	$84,758	$66,500

Goodwill

The purchase price of the business was $201,500, which was made up of Plant and Equipment $135,000 and Goodwill $66,500.

An impairment test was carried out for the year ending 31 March 2019 based on future maintainable earnings (FME). The figure was calculated on an average weighted value of earnings (EBITDA), using actual results for 2016 to 2019 and projections for 2020. 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 $2,127 (2%) 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.

	2019 $	2018 $
Term liabilities at balance date:		
Loan - A Cracker of a Nut Ltd (Vendor Finance)	-	16,277
Interest Rate: 4% per annum		
Term: Repaid 1 June 2018		
Monthly Repayments: Repaid		
Loan - NZ Walnut Industry Group	10,000	10,000
Interest rate: 0% per annum		
Term: Extended to 30 September 2021		
Monthly Repayments: Not required		
	10,000	26,277
Repayable as follows:		
Less than one year	-	26,277
	-	26,277
Two to five years	10,000	-
Total	10,000	-

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Securities & Guarantees

- During the year the loan owing to A Cracker of a Nut Ltd was repaid and the charge over the company's assets was released.

- The loan from NZ Walnut Industry Group is unsecured.

16. **OPERATING LEASE COMMITMENTS**

	2019 $	2018 $
Rent of Property		
Less than one year	33,000	33,000
Greater than one year and no greater than five years	35,750	68,750
	$68,750	$101,750
Lease of Plant/Vehicles		
Less than one year	-	8,376

17. **CAPITAL EXPENDITURE COMMITMENTS**
At year end Walnuts New Zealand Co-operative Limited has committed $195,000 (2018: $0) to capital expenditure on a Sortex E1C BioVision - BSBR Optical Sorter Machine. It has also been agreed to finance additional installation costs incurred after balance date.

18. **SHAREHOLDERS' EQUITY**

(a) **Share Capital**

	2019 $	2018 $
Opening Balance – 190,233 Shares (2018: 157,451)	523,141	432,990
Transaction Costs to date	(56,160)	(56,160)
	466,981	376,830
Share Capital Issued – 14,229 Shares (2018: 32,782)	39,130	90,151
Closing Balance - 204,462 Class A Shares	506,111	466,981

The Company incurred $Nil transaction costs (2018: $2,942) 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**

	2019 $	2018 $
Retained Earnings opening balance	(41,034)	(46,471)
Net Profit/(Loss) after tax	15,717	5,437
Available for appropriation	(25,317)	(41,034)
Retained Earnings Closing Balance	(25,317)	(41,034)

19. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Trade Receivables	152,003	163,658
Payments in Advance	3,816	3,921
	155,819	167,579

20. TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade Creditors	386,884	122,686
Accrued Expenses	8,709	9,554
Accrued Wages	12,329	10,785
Westpac - Mastercard	3,168	1,082
Growers Pending Shares Issue	-	1,284
	411,090	145,391

The amount for Trade Creditors is made up of $355,422 (2018: $103,038) owed to growers and $31,461 (2018: $19,648) owed to other suppliers of goods and services.

21. PROVISIONS

	2019 $	2018 $
Current		
Employee Benefits		
Provision for Holiday Pay	30,136	29,765
Total Current Provisions	30,136	29,765
Total Provisions	30,136	29,765

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.

(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 $152,003. 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 2019.

Financial assets comprise:

	2019 $	2018 $
Current Financial Assets		
Cash and Cash Equivalents	266,136	85,557
Trade and Other Receivables	186,179	163,658
Payments in Advance	3,816	3,921
	456,131	253,136

(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. As the Company no longer has any interest bearing debt, there is no significant market risk.

(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:

2019	Less than 1 year	1-5 years	Greater than 5 years	Total
Trade and Other Payables	441,227	-	-	441,227
Term Loans	-	10,000	-	10,000
Gross Liabilty	441,227	10,000	-	451,227
Less interest	-	-		-
Principal	441,227	10,000	-	451,227

2018	Less than 1 year	1-5 years	Greater than 5 years	Total
Trade and Other Payables	178,579	-	-	178,579
Term Loans	26,386	-	-	26,386
Gross Liabilty	204,965	-	-	204,965
Less interest	109	-		109
Principal	204,856	-	-	204,856

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. The Company has a mandatory share purchase scheme with members based on their supplies of crops in which members must acquire one share at $2.75 for each kilo of walnuts supplied to the company.

23. 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.

24. GOING CONCERN

The company made a small profit for the year ended 31 March 2019 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.

25. 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.

26. EXCEPTIONAL OPERATING RISKS

The Company does not have any exceptional operating risks.

27. SIGNIFICANT EVENTS AFTER BALANCE DATE

No significant events occurred after the balance date.

PKF Goldsmith Fox Audit
Chartered Accountants

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 2019, and the statement of profit or loss and other 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 on pages 4 to 25 present fairly, in all material respects, the financial position of the Company as at 31 March 2019, 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) Frameworks.

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 audit 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.

Other than in our capacity as auditor of the Company and the audit of the Company's share register we have no relationship with, or interests in, the Company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements in the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The result of our audit procedures, including the procedures performed to address the matter below, provided the basis for our audit opinion on the accompanying financial statements.

Why Significant	How our audit addressed the key audit matter
Inventory As at 31 March 2019 the carrying value of inventory was $214,361 (2018: $118,518), as per the client trial balance. Inventory is considered significant to the consolidated entity as it represents almost two thirds of current assets and its valuation is a key area of judgement as actual payment for the growers' stock is made many months after the product is received. In addition, the crop is produced annually and stocks must be managed for 12 months to ensure that customers can receive regular supply as well as maximising returns to the shareholders. The company's accounting policy in respect of inventory is outlined in Note 1(i) which addresses key assumptions, calculations and estimates. Under NZ IAS 2 Inventories, assertions of existence and valuation were the key matters addressed during the audit.	Our work included, the following procedures: • Performed physical stocktakes at all locations to confirm existence; • Testing of cost, on a sample basis, and cut-off to confirm valuation; • Testing for net realisable value and obsolescence, on a sample basis, to confirm valuation; and • Assessing the appropriateness of the related disclosures in the financial statements.
Goodwill As at 31 March 2019 the carrying value of goodwill was $65,000 (unchanged from the prior year). The Goodwill was recognised on the acquisition of the business from the former owners. Goodwill is a key audit matter due to the level of judgement applied in evaluating management's assessment of impairment. Under the accounting standards, management must assess the carrying amount of goodwill and the need to apply any impairment should the value drop below the carrying value. These judgements may, or may not, be based on verifiable assumptions and estimates.	Our audit procedures will include: • evaluating management's methodology for determining the carrying amount of goodwill against generally accepted valuation methodology and the requirements of the accounting standard; • challenging the key assumptions used in management's valuation; and • assessing the appropriateness of the disclosures.

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) Frameworks, 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 controls 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
26 July 2019