



# Walnuts New Zealand Co-operative Limited



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## ANNUAL REPORT 2021

For the year 1 April 2020 to 31 March 2021

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## **AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021**

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## About us

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Walnuts New Zealand Co-operative Limited is a grower-owned co-operative company whose main activities are to purchase, process, market and sell walnuts. We operate a walnut processing factory in West Melton, Canterbury. Our range of products is sold



nation-wide and includes kernel pieces for snacking and baking, in-shell walnuts, ground walnuts for food manufacturers, and specialist items such as oil, flour and dukkah. Our retail products carry our new, unified brand, Trickett's Grove, and our ingredients (non-retail) products are sold under the Co-operative's logo.



Walnuts New Zealand Co-operative Limited commenced business on 1 May 2015. On 23 December 2015 we registered a Product Disclosure Statement to offer shareholding to walnut suppliers. Shareholding is based on volume of supply, with the share standard being one share per kilogram of walnuts supplied. As at 31 March 2021, we had 48 shareholders holding a total of 222,540 shares.

This annual report covers our sixth year in business, from 1 April 2020 to 31 March 2021.

### Our statement of purpose

The purpose of our co-operative company is to grow the wealth and security of our New Zealand walnut producer-shareholders through our 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.

## Board of directors

Our constitution requires a board of seven directors. Generally, directors must be shareholders of the Company, though our constitution allows one Appointed Director who is not a shareholder. To date, board members have not been paid for their role as directors, other than a payment for the Company Chair to help cover expenses. Current directors are:

### Frank Brenmuhl (Company Chair)

*Frank and Margaret have a 32-ha walnut orchard at Aylesbury. Frank is a retired dairy farmer and farm consultant. He was a National Board Member of Federated Farmers of New Zealand which included the roles of National Dairy Section Chairman, Chairman of the Dairy Industry Awards Trust and National Vice President of FFNZ.*

### Andrew Horsbrugh (Meeting Chair)

*Andrew and his wife Jo own and operate Tunlaw Farm Limited, a 45-ha walnut orchard in West Melton. Andrew is the Director-Growth & Innovation at Farmlands Co-operative and a member of the Institute of Directors New Zealand. He is a shareholder/director of Donaghys Limited. Andrew and Jo are also the New Zealand agent for AMB Rousset walnut harvesting and processing equipment.*

### Heather North (Company Secretary)

*Heather owns a 17-ha orchard near Lincoln with business partner Clive Marsh. Heather is a research scientist, working as a self-employed contractor. She is a member of the Institute of Directors. In addition to her duties as a director, Heather also served as Company Secretary and Share Registrar for Walnuts New Zealand Co-operative (receiving a monthly fee) until 30 April 2021.*

### Colin Prebble

*Colin and his wife Karen have a 20-year-old orchard they developed from scratch. Colin is a Chartered Accountant with experience on various boards and committees. He is also a partner in some Christchurch-based hospitality businesses.*

### Tim Armitage

*Tim and Cherry have a 25-year-old orchard at Eyreton. Tim worked internationally as an Institutional Development consultant. He is a Fellow of Engineering New Zealand, and assesses the competence of professional engineers and applicants for infrastructure-related diplomas.*

### Basil Meyer

*Basil farms in partnership with Trudi; they have 1000 walnut trees on their property near Charing Cross, Darfield. Both are originally from Switzerland and settled in New Zealand in 1987. Through the sharemilking route they purchased their dairy farm on the West Coast in 1993, which they sold in 2013 to concentrate on their walnut orchard. From 2000 to 2010 Basil was a director of Westland Co-operative Dairy Company. Basil and Trudi are the New Zealand contact for Feucht Obsttechnik, the German manufacturer of walnut harvesting equipment.*

### Paul Visser

*Paul has been involved in the walnut industry since it evolved from the Tree Crops Association. He has held roles of President of Southern Nut Growers Association (Nut Growers of New Zealand) and several terms as Chairman of the New Zealand Walnut Industry Group. Paul and Leigh are Walnuts New Zealand Co-operative shareholders and have been running their orchard for 20 years. Paul has been employed in the Police for 44 years and is currently a supervisor in the Communication Centre.*



## Report of the Company Chair and General Manager

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It has been a challenging year for the Co-operative with the Covid-19 pandemic causing massive disruption. We have had to re-think how we operate in a world that is very different from what it was one year ago.

Freight has more than doubled in price, meaning that new ways of getting our product to market had to be found, especially given that Auckland is where we sell 80% of our product. Getting walnuts from overseas to blend with our product for the ingredients market becomes less viable with the substantially increased cost of freight, and the time for delivery extends because of the delays in moving containers around the world.

This has been the reality that Shane and his team have been operating in since Covid-19 struck. However, in spite of the challenges, we were able to achieve a record year-end result with sales exceeding \$1.5m for the first time and a profit that allowed for a 5% increase in payout to shareholders.

The team at Walnuts New Zealand Co-operative has continued to meet the targets set for sales and marketing, and has built additional resilience in the business by expanding the number of customers that we sell to.



*Trickett's Grove stand at the Christchurch Food Show*

We have been able to access some funds through the Government's support schemes for small business and I would like to acknowledge that.



Many shareholders have asked how we are progressing on the production of walnut oil. We can report that the machinery is now here and undergoing trials to optimise its use.

*Oil press in trial*

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Frank Brenmuhl  
Company Chair

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Shane McKenzie  
General Manager

## Summary of financial performance

Here we review some of the key financial results for the year; for details please see the full audited accounts included in this Annual Report.

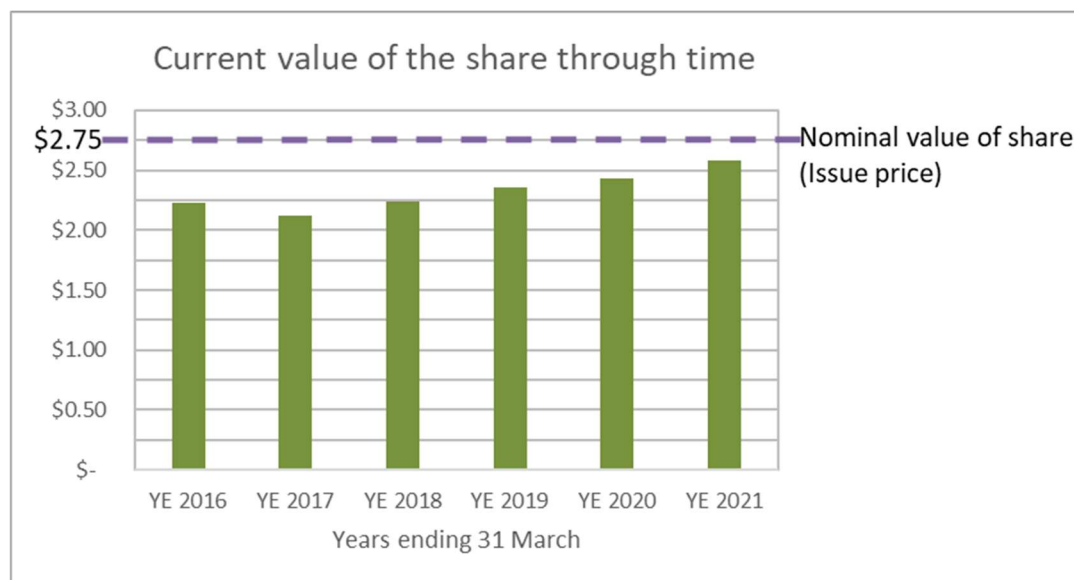
### *Selected financial information for 2020/21 financial year compared to previous years*

For details please see the Financial Statements section of this Annual Report, including the auditor's report. Financial Statements from previous years can be found on the Product Disclosure Statement Offer Register at <https://disclose-register.companiesoffice.govt.nz> offer number OFR10376.

| SELECTED FINANCIAL INFORMATION   | For the<br>11 months to<br>31 March 2016<br>(\$)                                  | For the<br>Year Ending<br>31 March 2017<br>(\$) | For the<br>Year Ending<br>31 March 2018<br>(\$) | For the<br>Year Ending<br>31 March 2019<br>(\$) | For the<br>Year Ending<br>31 March 2020<br>(\$) | For the<br>Year Ending<br>31 March 2021<br>(\$) |
|--|---|---|---|---|---|---|
| Revenues – Sales   | 1,084,141   | 1,215,261                                       | 1,237,484                                       | 1,137,610                                       | 1,326,568                                       | 1,502,860                                       |
| Earnings before interest, tax, depreciation and amortisation (EBITDA)  | 10,591  | (4,572)   | 42,652  | 53,609  | 85,434  | 117,585   |
| Net profit after tax   | (20,171)  | (26,300)  | 5,437   | 15,717  | 16,032  | 28,966  |
| Total assets   | 781,204   | 822,375   | 630,803   | 932,021   | 868,652   | 1,245,737                                       |
| Cash and cash equivalents  | 164,162   | 202,524   | 85,557  | 266,136   | 130,281   | 394,480   |
| Total liabilities  | 478,319   | 489,074   | 204,856   | 451,226   | 365,702   | 670,230   |
| Total interest-bearing liabilities   | 140,806   | 79,786  | 16,277  | 0   | 225,377   | 272,084   |
| Net cash flows from operating activities   | (23,176)  | 70,611  | (123,359)                                       | 195,958   | (87,064)  | 257,998   |
| 'Current value' of share as at end of financial year (total assets minus total liabilities divided by number of shares on issue) | \$2.23  | \$2.12  | \$2.24  | \$2.35  | \$2.43  | \$2.59  |
| Comments:  | Walnuts New Zealand<br>Co-operative Limited<br>commenced trading on<br>1 May 2015 |   |   |   |   |   |



The financial strength of the Company is improving year on year. One indicator is the 'current value' (the underlying net asset position per share) as shown in the table above, and graphed below. The current value of the share has not yet reached the issue price (\$2.75) but has been moving steadily towards it over the last four years.



Other indicators of the Co-operative's improving financial performance are:

- In the 2020/21 year, the Company's financial position allowed for an early interim payment to suppliers – in August – followed by a second in December, with final payment at the end of the financial year. In previous years, there was one interim payment in October/November with final payment at the end of the financial year.
- By March 2021, it was clear that a profit was expected for the year. The board made the decision to split this between an increased payout for growers (a 5% premium) and retaining some earnings to buffer the Company against ongoing uncertainties due to the Covid-19 pandemic.
- The Co-operative again made a small net profit for the year, and is in a situation of positive cash flow. This is particularly pleasing given the disruptions of the Covid-19 pandemic during the year.

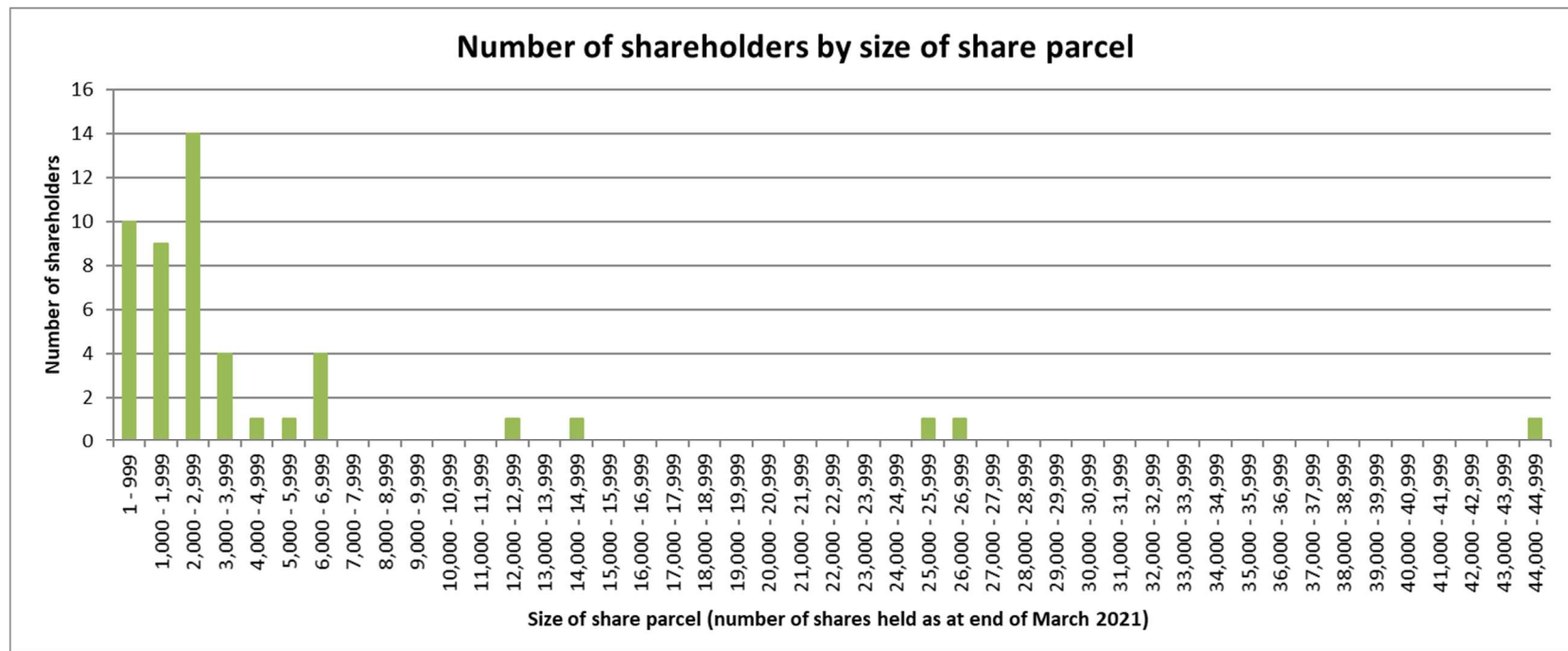
Walnut quality from the 2020 harvest was better than the previous year (when wet spring conditions heightened disease pressure) though some orchards had suffered hail damage. Processing is more efficient when walnut quality is good, which in turn benefits overall profitability. However, to achieve further significant gains in efficiency, the Co-operative needs to be processing greater volumes of product. Orchard production has not increased at the rate originally predicted, and this is currently a limiting factor for financial performance.

No dividends were paid to shareholders in respect of the 2020/21 financial year.

## Shareholding and participation by walnut suppliers

As at the end of March 2021, the Co-operative had 48 shareholders, holding a total of 222,540 shares. This is an increase of 15,851 shares during the financial year. With a nominal share price of \$2.75, the total (gross) capital investment by walnut growers at 31 March 2021 was \$611,985.00.

Below is a graph of the number of shareholders by size of share parcel. As at the end of March 2021, 19 of our shareholders (40%) held less than 2000 shares, a further 24 (50%) held parcels between 2000 and 9,999 shares, and the final five (10%) held share parcels of 10,000 or more. Year by year, we are seeing increases in the percentage of shareholders in the larger share parcel categories, with corresponding decreases in the under-2000 category.



As at 31 March 2021, substantial shareholders (holding 5% or more of the issued shares) were those listed in the table below.

| <b>Substantial shareholders</b><br>(holding 5% or more of the issued shares) | <b>Number and percentage of shares<br/>as at 31 March 2021</b> |
|--|--|
| Clive Marsh & Heather North  | 44,144 shares (19.8%)  |
| Tunlaw Farm Limited  | 26,512 shares (11.9%)  |
| Aylesbury Walnuts Limited  | 25,406 shares (11.4%)  |
| Stephen Thomas & Sonya Olykan  | 14,691 shares (6.6%)   |
| Nelson Hubber & Wilhelmina Hubber  | 12,409 shares (5.6%)   |

Shareholders are continuing to make use of their ability to transfer shares between one another. In the 2020/21 financial year, six transfers took place, of which four were associated with property sales, so that the buyer could continue to supply the Co-operative from the purchased walnut orchard.

The Annual General Meeting in September 2020 was attended (in person or by proxy) by 33 people representing 20 shareholding entities, who collectively held 76% of the total shareholding in the Company. For the first time, we provided an online attendance option. This was specifically motivated by the various periods of Covid-19 restrictions during the previous 6 months, and the possibility of recurrence. It also enabled easier participation by shareholders located further from the AGM venue.

A well-attended factory visit was held in February 2021, where suppliers heard about new MPI requirements for walnut growers under the Food Act 2014 and learned about grading standards at the factory.

Growers supplying under 2 tonnes of walnuts per year do not have to own shares under the Company's constitution, though many do. In recent years, our supply figures show that over 98% of our supply comes from growers who are shareholders.



## Operation during the Covid-19 pandemic

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As growers will no doubt remember, the Covid-19 Level 4 lockdown began just at the commencement of the 2020 walnut harvest. After initial uncertainty it became clear that the factory would be allowed to continue operating as 'essential services' due to being in the food production and processing category.

The Board and General Manager held a special audio-conference meeting to decide how to proceed in a way that would keep our staff safe. The factory doors were closed to visitors, product dispatch was accomplished with 'no touch' methods, and walnut supply was confined to two full truckloads (24 bins at a time) rather than many small consignments from multiple growers. As with all operating businesses, strict processes were set up for hand washing, sanitising of surfaces and physical distancing of staff. We are grateful to staff for their commitment and care during that time, enabling the factory to continue operating and selling product.

- During the ensuing three months, the Board and Management kept in touch regularly by video/audio-conference and email reports.
- Sales reduced during April and May due to the temporary closure of food service customers such as bakeries and restaurants, as well as specialist grocery stores. We also experienced slowdowns later in the year during the Auckland Level 3 restrictions.
- However, sales increased (from a very low base) through our online platform <https://www.trickettsgrove.nz>. We felt fortunate with timing in that we already had our e-sales platform up and running prior to the lockdown.
- We applied for, and received, the Covid-19 wage subsidy, which helped sustain us through the periods of slower sales.
- We also applied for, and received, the Covid Small Business Loan, which supported our recovery through the changes and uncertainty.
- Disruption to international supply chains has made it difficult to obtain and ship equipment needed for the factory, particularly the 'wrap-around' items for the Bühler smart sorter.

Despite the challenges, we are pleased to report that the business has reached the end of the financial year strongly.

## Market and brand development



The new packaging for the Trickett's Grove brand is now complete across our two retail ranges (premium and organic). The flour packaging emphasises nutritional aspects including protein, fibre, Omega 3 and 6, and the flour's gluten-free status. We have rolled out the new packaging to all current and new customers. After much hard work, Trickett's Grove is now listed by Foodstuffs South Island and Foodstuffs North Island (Foodstuffs supply Pak'nSave, New World, Four Square supermarkets and Raeward Fresh amongst others). We are also delighted to have secured a contract to supply My Food Bag.



## Other non-financial performance

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The board would like to thank our dedicated General Manager and team at the factory for their hard work and commitment, particularly through what proved to be an extremely challenging year with Covid-19.

### *Health and safety –*

- Monthly staff meetings at the factory include discussion of health & safety and food safety, as well as quality/process improvements.
- One of the directors undertook an internal health & safety audit on behalf of the board. The key finding related to floors becoming slippery with walnut residue. The response includes increased cleaning frequency and review of cleaning chemicals as well as a decision that rubber-soled shoes should be worn.
- For the full year, three injuries were recorded (none resulting in lost time), with no near-miss incidents. Staff identified 13 potential hazards during the year, enabling mitigation actions to be planned and monitored.
- One staff member was required to stay at home for four days in September, pending the results of a Covid test – which came back negative.

### *Food safety programme –*

- In 2018, the Ministry of Primary Industries (MPI) brought nut and seed producers and processors in under the new Food Act 2014. The Co-operative is operating under a custom food control plan to meet the requirements of the Act.
- The Food Act also requires growers to meet standards, with regular verification. To ease this process for growers, the Co-operative developed a set of recording and verification forms within the Safe Food Pro mobile app. Implementation of this programme began in September 2020. The Co-operative and MPI can then carry out audits remotely using the data that growers submit.
- We now have a new part-time staff member covering roles in Quality & Assurance and Health & Safety, which allows for dedicated attention to these important areas.



### *Equipment and premises –*

- We are still managing to fit our processing operation within the footprint of the current premises on Tricketts Road. This is enabled by: (1) streamlining the processing operation and the layout of equipment; (2) larger growers storing their product on-farm until it is called in by the factory; (3) regular removal of empty bins from the factory with storage on the property of a director.
- Space requirements are, however, increasing, as is electricity demand for the business; and the loading facilities at the premises are not ideal for the crop volume we are now handling.
- Several items of ‘wrap-around’ equipment have been identified to optimise the operation of the Bühler smart sorter, but plans have not been finalised due to Covid-19 shipping disruptions.
- We aim to significantly restructure the walnut grading system, so that the payout will be based on kilograms of kernel in each grade category as separated by the Bühler smart sorter – rather than the current system of assessing a sample of nuts from each bin on entry to the factory. However, the new method of grading will not be physically possible until the wrap-around equipment is in place.
- The board approved capital expenditure for a new oil pressing system, which will be higher capacity and require much less labour than the current batch process. This is now partially in place, but Covid-19 disruptions have also held up the sourcing and transportation of some elements of the new system.



*Oil press arriving*

### *Strategic planning –*

The board updated the Co-operative's strategic plan (the previous 3-year strategic plan was developed in 2017/18). The Objectives are as listed below. An implementation plan with actions and key performance indicators has been developed for each one.

Objective 1: WNZCL enjoys an engaged shareholder base as a result of being well regarded and successful. Growers become financially successful and enjoy participating in their industry and new participants are being attracted.

Objective 2: Financially successful.

Objective 3: Participating in high margin "Super Profit" market sectors.

Objective 4: Improve operational efficiency.

Objective 5: Build the capacity to process and sell 500 tonnes of walnuts each year.

Objective 6: Committed, safe and stable management team and staff.

Objective 7: Be sustainable: improve our footprint and lead in the area we want to market our products.

The first six Objectives continue from our earlier strategic plan. Objective 7, however, is new. Top-end food suppliers are adding carbon labelling to their products as consumers demand more information about the environmental footprint of the items they purchase. This is a big opportunity for us but will require commitment from both growers and factory to achieve.

## **AUDITED FINANCIAL STATEMENTS AS AT 31 MARCH 2021**

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## **OTHER ANNUAL REPORTING DISCLOSURES**

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**Special resolution of the board regarding co-operative status (page 32)**



**WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2021**

**Walnuts New Zealand  
Co-operative Limited**  
**Financial Statements**  
**As at 31 March 2021**

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**Walnuts New Zealand  
Co-operative Limited**  
**Company Directory**  
**As at 31 March 2021**

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|                    |   |
|--------------------|---|
| Issued Capital     | \$555,825 (222,540 Class A Shares)  |
| Registered Office  | 142 Tricketts Road, West Melton, Christchurch 7676  |
| Directors          | Francis VR Brenmuhl<br>Andrew K Horsbrugh<br>Basil Meyer<br>Heather C North<br>Colin R Prebble<br>Paul A Visser<br>Timothy G B Armitage |
| Company Number     | 5645689   |
| Auditors           | PKF Goldsmith Fox Audit Limited   |
| Accountants        | Rodgers & Co Limited<br>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<br>Christchurch   |

**Walnuts New Zealand  
Co-operative Limited**  
**Directors' Annual Report**  
**For the Year Ended 31 March 2021**

The Directors hereby present their Annual Report including Financial Statements of the company for the year ended 31 March 2021.

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 2021 are PKF Goldsmith Fox Audit Limited. PKF Goldsmith Fox Audit Limited are willing to continue as the company auditors.

Fees paid and due to the Auditors are \$13,075 for the audit of the financial statements and the Share Register for year ended 31 March 2021 (included in the Statement of Profit or Loss and Other Comprehensive Income).

**Directors Holding Office**

The following Directors held office during the period:

Francis VR Brenmuhl  
Andrew K Horsbrugh  
Basil Meyer  
Heather C North  
Colin R Prebble  
Paul A Visser  
Timothy G B Armitage

No directors resigned during the period.

**Director's Remuneration**

Directors' remuneration was as follows:

|                     | <b>2021</b>     | <b>2020</b>     |
|---------------------|-----------------|-----------------|
|                     | <b>\$</b>       | <b>\$</b>       |
| Francis VR Brenmuhl | 4,000           | 4,000           |
| Heather C North     | 8,400           | 8,400           |
|                     | <u>\$12,400</u> | <u>\$12,400</u> |

**Employees' Remuneration**

The following number of employees, who were not directors, received remuneration and benefits, which exceeded \$100,000 in value for the 2021 financial year:

1 Employee - \$110,001 - \$120,000



**Walnuts New Zealand  
Co-operative Limited**  
**Directors' Annual Report**  
**For the Year Ended 31 March 2021**

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**Directors' Disclosures**

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

- Franics VR Brenmuhl (Aylesbury Walnuts Limited) - 4,496 Shares issued at \$2.75 each.

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

- Timothy GB Armitage - 1,241 Shares issued at \$2.75 each.

For other related party transactions, refer to Note 6 of the Notes to the Financial Statements.

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**

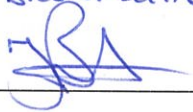
No donations were made by the company during the period.

For and on behalf of the Board of Directors,

FRANK BRENMUHL.

Colin Pebble

Director



Director



Date: 28 July 2021

# Walnuts New Zealand Co-operative Limited

## Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 March 2021

|  | <i>Note</i> | <b>2021</b><br>\$ | <b>2020</b><br>\$ |
|--|-------------|-------------------|-------------------|
| Operating Revenue  | 2           | 1,502,860         | 1,326,568         |
| Cost of Sales  | 3           | (1,036,646)       | (881,391)         |
| <b>GROSS PROFIT</b>  |             | 466,214           | 445,177           |
| Other Income (including COVID-19 Wage Subsidy)             | 2           | 65,633            | 34                |
| Loss on Disposal of Plant & Equipment                      |             | (7,325)           | -                 |
| Depreciation   | 13          | (62,509)          | (47,797)          |
| Finance Costs  |             | (14,937)          | (15,295)          |
| Other Operating Costs                                      | 4           | (406,937)         | (359,777)         |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX</b>                     |             | 40,139            | 22,342            |
| Income Tax Expense   | 10          | (11,173)          | (6,310)           |
| <b>NET PROFIT/(LOSS) FOR THE YEAR</b>                      |             | <u>\$28,966</u>   | <u>\$16,032</u>   |
| Other Comprehensive Income for the Year                    |             | -                 | -                 |
| <b>TOTAL PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> |             | <u>\$28,966</u>   | <u>\$16,032</u>   |

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

**Walnuts New Zealand  
Co-operative Limited**  
**Statement of Changes in Equity**  
**For the Year Ended 31 March 2021**

|   | <i>Note</i> | <b>2021</b><br>\$       | <b>2020</b><br>\$       |
|---|-------------|-------------------------|-------------------------|
| <b>EQUITY AT START OF YEAR</b>          |             | 502,950                 | 480,794                 |
| <b>SURPLUS/(LOSS)</b>                   |             |                         |                         |
| Profit/(Loss) after Tax                 |             | <u>28,966</u>           | <u>16,032</u>           |
| <b>Total Income and Expense</b>         |             | 28,966                  | 16,032                  |
| <b>OTHER MOVEMENTS</b>                  |             |                         |                         |
| Share Capital                           | 19(a)       | <u>43,590</u>           | <u>6,124</u>            |
| <b>EQUITY AT END OF YEAR</b>            |             | <u><u>\$575,507</u></u> | <u><u>\$502,950</u></u> |
| <b>MOVEMENTS IN RETAINED EARNINGS</b>   |             |                         |                         |
| Retained Earnings at start of year      | 19(b)       | (9,284)                 | (25,317)                |
| Profit/(Loss) after Tax                 |             | <u>28,966</u>           | <u>16,032</u>           |
| <b>Retained Earnings at End of Year</b> |             | 19,682                  | (9,285)                 |
| <b>MOVEMENTS IN ISSUED CAPITAL</b>      |             |                         |                         |
| Balance at Start of Year                | 19(a)       | 512,235                 | 506,111                 |
| Net Shares Issued                       |             | <u>43,590</u>           | <u>6,124</u>            |
| Balance at End of Year                  |             | 555,825                 | 512,235                 |
|   |             | <u><u>\$575,507</u></u> | <u><u>\$502,950</u></u> |

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

**Walnuts New Zealand  
Co-operative Limited**  
**Balance Sheet**  
**As at 31 March 2021**

|                                      | <i>Note</i> | <b>2021</b><br>\$       | <b>2020</b><br>\$       |
|--------------------------------------|-------------|-------------------------|-------------------------|
| <b>CURRENT ASSETS</b>                |             |                         |                         |
| Cash and cash equivalents            | 8           | 394,480                 | 130,281                 |
| GST refund due                       |             | 20,967                  | 29,910                  |
| Trade and other receivables          | 20          | 197,691                 | 160,748                 |
| Inventories                          | 12          | <u>71,743</u>           | <u>56,368</u>           |
| <b>Total Current Assets</b>          |             | 684,881                 | 377,307                 |
| <b>NON-CURRENT ASSETS</b>            |             |                         |                         |
| Plant & Equipment                    | 13          | 439,050                 | 379,495                 |
| Investments                          | 14          | 500                     | 500                     |
| Intangible Assets                    | 15          | 109,454                 | 104,853                 |
| Deferred Tax Asset                   | 10          | <u>11,852</u>           | <u>6,497</u>            |
| <b>Total Non-Current Assets</b>      |             | 560,856                 | 491,345                 |
| <b>TOTAL ASSETS</b>                  |             | <u>1,245,737</u>        | <u>868,652</u>          |
| <b>CURRENT LIABILITIES</b>           |             |                         |                         |
| Income tax payable                   | 10          | 20,157                  | 3,636                   |
| Trade and other payables             | 21          | 275,769                 | 103,487                 |
| Provisions                           | 22          | 42,327                  | 23,202                  |
| Term loans - current portion         | 16          | <u>60,636</u>           | <u>25,499</u>           |
| <b>Total Current Liabilities</b>     |             | 398,889                 | 155,824                 |
| <b>NON-CURRENT LIABILITIES</b>       |             |                         |                         |
| Term liabilities                     | 16          | 242,599                 | 209,878                 |
| Lease Liabilities                    | 17          | <u>28,742</u>           | <u>-</u>                |
| <b>Total Non-Current Liabilities</b> |             | 271,341                 | 209,878                 |
| <b>TOTAL LIABILITIES</b>             |             | <u>670,230</u>          | <u>365,702</u>          |
| <b>NET ASSETS</b>                    |             | <u><u>\$575,507</u></u> | <u><u>\$502,950</u></u> |

Represented by:

**EQUITY**

|                     |       |                         |                         |
|---------------------|-------|-------------------------|-------------------------|
| Share capital       | 19(a) | 555,825                 | 512,235                 |
| Retained Earnings   | 19(b) | <u>19,682</u>           | <u>(9,285)</u>          |
| <b>TOTAL EQUITY</b> |       | <u><u>\$575,507</u></u> | <u><u>\$502,950</u></u> |

For and on behalf of the Board :

*FRANK BRENNMUTH*  
Director *[Signature]*

*Cotin Prebble*  
Director *[Signature]*

Authorised for Issue: 28 July 2021



**Walnuts New Zealand  
Co-operative Limited**  
**Statement of Cash Flows**  
**For the Year Ended 31 March 2021**

|  | <i>Note</i> | <b>2021</b><br>\$     | <b>2020</b><br>\$     |
|--|-------------|-----------------------|-----------------------|
| <b>Cash Flows from Operating Activities</b>                | <b>9</b>    |                       |                       |
| <u>Cash was received from:</u>                             |             |                       |                       |
| Receipts from customers                                    |             | 1,690,524             | 1,520,515             |
| COVID-19 Wage Subsidy                                      |             | 65,610                | -                     |
| Interest received  |             | 23                    | 34                    |
| Income Tax Received  |             | -                     | 4                     |
|  |             | <u>1,756,157</u>      | <u>1,520,553</u>      |
| <u>Cash was paid to:</u>                                   |             |                       |                       |
| Payments to suppliers and employees                        |             | 1,448,031             | 1,557,372             |
| Rent paid  |             | 35,184                | 34,950                |
| Income Tax paid  |             | 7                     | -                     |
| Interest paid  |             | 14,937                | 15,295                |
|  |             | <u>1,498,159</u>      | <u>1,607,617</u>      |
| <b>Net Cash Inflow (Outflow) from Operating Activities</b> |             | <u>257,998</u>        | <u>(87,064)</u>       |
| <b>Cash Flows from Investing Activities</b>                |             |                       |                       |
| <u>Cash was paid to:</u>                                   |             |                       |                       |
| Payments for Intangible Assets - Development               |             | 4,601                 | 20,095                |
| Purchase of Farmlands Shares                               |             | -                     | 500                   |
| Purchase of Plant & Equipment                              |             | 100,646               | 259,697               |
|  |             | <u>105,247</u>        | <u>280,292</u>        |
| <b>Net Cash Inflow (Outflow) from Investing Activities</b> |             | <u>(105,247)</u>      | <u>(280,292)</u>      |
| <b>Cash Flows from Financing Activities</b>                |             |                       |                       |
| <u>Cash was received from:</u>                             |             |                       |                       |
| Loan advances received                                     |             | 85,360                | 225,377               |
| Shares issued less transaction costs                       |             | 43,590                | 6,124                 |
|  |             | <u>128,950</u>        | <u>231,501</u>        |
| <u>Cash was paid to:</u>                                   |             |                       |                       |
| Loan principal repayments                                  |             | 17,502                | -                     |
|  |             | <u>17,502</u>         | <u>-</u>              |
| <b>Net Cash Inflow (Outflow) from Financing Activities</b> |             | <u>111,448</u>        | <u>231,501</u>        |
| <b>NET INCREASE (DECREASE) IN CASH HELD</b>                |             | <u>264,199</u>        | <u>(135,855)</u>      |
| Cash and cash equivalents as at 1 April                    |             | 130,281               | 266,136               |
| <b>Cash and Cash Equivalents as at 31 March</b>            | <b>8</b>    | <u><u>394,480</u></u> | <u><u>130,281</u></u> |

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

# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

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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 2021 present the financial position of the Company as at 31 March 2021 and the financial performance for the year ended on that date.

The Financial Statements presented for the year ended 31 March 2021 were authorised for issue by the Directors on 28 July 2021. 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.

#### 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.

**New Accounting Standards and Interpretations Issued but not yet adopted**

At the date of authorisation of these financial statements, there are no new standards, amendments or interpretations that have been issued and which are not yet effective that are expected to have a material impact on the amounts recognised or disclosed in the financial statements.

**Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year.

**Comparative Figures**

The comparative figures shown are for the year ending 31 March 2020.

**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% |
| Right of Use Assets (Vehicle) | 10% to 100% |

Leased assets are depreciated over the unexpired term of the lease or over the estimated useful life, whichever is shorter.

**(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.



**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2021**

**(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 15). Any impairment is recognised within the Statement of Profit or Loss and may not be subsequently reversed.

Trademark/Branding is stated at cost, and was launched in August 2020. It's useful life has been determined to be 10 years from 1 April 2021, at which time it will be amortised on a straight-line basis over 10 years.

**(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.

Cash flows have been presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing, which has been disclosed as operating cash flows.

**(g) Finance Costs**

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

**(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.



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

(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) **Investments**

Investments are stated at cost less impairment losses.

(k) **Leases**

NZ IFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right of control the use of an identified asset for a period of time in exchange for consideration.

If the Company is a lessee, the Company recognises on the Balance Sheet the right-of-use asset and the corresponding lease liabilities, based on the present value of the lease payments. The right-of-use asset is depreciated as set out in Note (b) Depreciation.

For operating lease on land and buildings, the Company has applied the transition provisions set out in NZ IFRS 16 for contracts in place at the time of initial adoption of NZ IFRS 16, being 1 April 2019. The Company has elected not to reassess whether a contract is, or contains a lease as at 1 April 2019.

The company has applied the short-term lease recognition exemption (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

(l) **Cash and Cash Equivalents**

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

**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements  
For the Year Ended 31 March 2021**

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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 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.





**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2021**

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Available-for-Sale Financial Assets

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

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

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.

**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2021**

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**(n) Revenue**

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

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attached to the grants. Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Company recognises as an expense the related costs for which the grant is intended to compensate. During the year, and as a result of the COVID-19 pandemic, the Company applied for and received the government wages subsidy.

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

**(o) Research & Development Costs**

Development costs are recognised as an asset and amortised in the Statement of Profit or Loss 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 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.



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

(s) **Segment**

The Company operates in one industry and geographic segment. All activities are carried out in 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

|                                | 2021             | 2020             |
|--------------------------------|------------------|------------------|
|                                | \$               | \$               |
| Sales                          | 1,502,860        | 1,326,568        |
| COVID-19 Wage Subsidy Received | 65,610           | -                |
| Interest Received              | 23               | 34               |
| Total Other Income             | 65,633           | 34               |
| Total Operating Revenue        | <u>1,568,493</u> | <u>1,326,602</u> |

### 3. COST OF SALES

|                                  | 2021             | 2020           |
|----------------------------------|------------------|----------------|
|                                  | \$               | \$             |
| Purchases                        | 711,856          | 536,002        |
| Freight                          | 64,436           | 48,098         |
| Purchases - Additional Payout**  | 29,974           | 56,843         |
| Sub-contractors                  | -                | 12,358         |
| Employee Expenses - Direct Wages | 230,380          | 228,090        |
| Total Cost of Sales              | <u>1,036,646</u> | <u>881,391</u> |

\*\* Note 5% premium paid to growers based on 2020 walnuts supply (2020: 15% based on 2019).

**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements  
For the Year Ended 31 March 2021**

**4. OPERATING EXPENSES**

|  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| Employee Expenses - Wages                | 161,603        | 119,186        |
| Employee Expenses - Other                | 5,447          | 2,674          |
| Employee Expenses - Recruitment, HR      | -              | 4,290          |
| Accident Compensation Levy               | 1,961          | 1,943          |
| Accountancy Fees                         | 8,250          | 7,670          |
| Advertising & Marketing                  | 7,984          | 12,376         |
| Administration Outwork                   | 13,540         | 11,866         |
| Audit Fees                               | 13,075         | 10,225         |
| Bank Charges                             | 708            | 1,814          |
| Cleaning & Rubbish Disposal              | 5,383          | 3,940          |
| Compliance Costs                         | 14,710         | 17,207         |
| Consultancy Fees                         | 41,996         | 42,714         |
| Entertainment                            | 275            | 351            |
| General Expenses                         | 857            | 105            |
| General Expenses - Factory               | 4,609          | 4,232          |
| Governance & Company Secretary Costs     | 14,744         | 13,306         |
| Insurance                                | 15,664         | 16,269         |
| IRD Penalties                            | -              | 85             |
| Legal Expenses                           | -              | 7,960          |
| Light Power & Heating                    | 5,486          | 6,198          |
| Motor Vehicle Expenses                   | 3,570          | 4,253          |
| Motor Vehicle Lease payments             | 2,792          | 8,376          |
| Plant & Equipment                        | 13,084         | 1,200          |
| Printing, Stationery & Computer Expenses | 10,047         | 6,725          |
| Rents and Rates                          | 35,184         | 34,950         |
| Rent - Plant & Equipment                 | 3,529          | 3,550          |
| Repairs & Maintenance                    | 12,826         | 5,675          |
| Rodent Control                           | 3,507          | 3,464          |
| Subscriptions & Registrations            | 1,724          | 2,674          |
| Telephone, Tolls & Internet              | 3,660          | 3,489          |
| Travel & Parking Expenses                | 722            | 1,010          |
| <b>Total Operating Expenses</b>          | <b>406,937</b> | <b>359,777</b> |

Governance costs include \$8,400 paid to Heather North for duties as Company Secretary (2020: \$8,400) and \$4,000 owed to Francis Brenmuhl for Chairman honorarium (2020: \$4,000). Insurance costs include Directors' Liability Insurance.

**5. AUDITOR'S REMUNERATION**

|  | <b>2021</b>   | <b>2020</b>   |
|--|---------------|---------------|
|  | <b>\$</b>     | <b>\$</b>     |
| Amounts received or receivable by PKF Goldsmith Fox Audit Limited for: |               |               |
| Auditing the financial statements                                      | 13,075        | 10,225        |
| <b>Total</b>   | <b>13,075</b> | <b>10,225</b> |

The above amount includes a charge of \$850 plus GST (2020: \$750 plus GST) for the audit of the Share Register.



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### 6. RELATED PARTIES

The following transactions with related parties occurred during the period:

- (a) Purchases of goods and services, Shares issued 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 \$325,949 (2020: \$236,439), including a deduction for drying costs. \$103,062 was outstanding to the Directors at 31 March 2021 (2020: \$414).

As transacting shareholders, shares were issued at \$2.75 each as follows:

- 4,496 to Aylesbury Walnuts Limited of which Francis Brenmuhl is a Director.
- 1,241 to Director, Timothy Armitage.
- 1,661 to Courtenay Walnuts Partnership - Partners, Anna Brenmuhl and Maria Tiede, are daughters of Director, Francis Brenmuhl.

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. Basil Meyer was paid \$3,500 for waste disposal services during the year (2020: \$1,544).

Aylesbury Walnuts Ltd, of which Francis Brenmuhl is a Director, was paid \$2,400 for management of bin services. FLV Holdings Ltd, of which Colin Prebble is a Director, was paid \$240 for budget review.

- (b) Key management compensation and transactions

An amount of \$4,000 to Francis Brenmuhl, Director for the role of Chairman during the year (2020: \$4,000). This remained outstanding at year end.

Heather North, Director, was paid for the role of Company Secretary during the year, and the total remuneration was \$8,400 (2020: \$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 \$116,460 (2020 \$85,486). \$36,583 was outstanding at 31 March 2021 (2020: \$Nil).

The General Manager's remuneration is between \$95,000 and \$105,000 per annum (2020: between \$85,000 and \$95,000 per annum). For the year ended 31 March 2021, the General Manager's remuneration was between \$110,000 and \$120,000, due to the payment of a bonus.

- (c) 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 for \$33,000 plus GST per annum. MF & JM Lawrence sold the balance of their shares in the Company during the year ended 31 March 2021 (2020: owned 1.9% of shares). A new Deed of Lease is currently being negotiated.

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



**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2021**

**7. SECURITIES AND GUARANTEES**

The only securities and guarantees relate to Term Liabilities (refer to Note 16).

**8. CASH & CASH EQUIVALENTS**

|                        | <b>2021</b>    | <b>2020</b>    |
|------------------------|----------------|----------------|
|                        | \$             | \$             |
| Cash and bank accounts | <u>394,480</u> | <u>130,281</u> |

**9. CASH FLOW INFORMATION**

|  | <b>2021</b>    | <b>2020</b>     |
|--|----------------|-----------------|
|  | \$             | \$              |
| Net Profit/(Loss) after Taxation                           | 28,966         | 16,032          |
| <b>Plus/(Less) Non Cash Items:</b>                         |                |                 |
| Depreciation and Gain/Loss on Disposal                     | 69,834         | 47,797          |
| Deferred Tax   | <u>(5,355)</u> | <u>2,665</u>    |
|  | 64,479         | 50,462          |
| <b>Plus/(Less) Movements in Working Capital</b>            |                |                 |
| Decrease (Increase) in accounts receivable                 | (36,943)       | (4,928)         |
| Decrease (Increase) in inventories                         | (15,376)       | 157,994         |
| Increase (Decrease) in accounts payable, GST due           | 181,227        | (303,338)       |
| Provisions added   | 19,124         | (6,934)         |
| Income Tax   | <u>16,521</u>  | <u>3,649</u>    |
|  | 164,553        | (153,558)       |
| <b>Net Cash Inflow/(Outflow) from Operating Activities</b> | <u>257,998</u> | <u>(87,064)</u> |



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### 10. TAXATION

|  | 2021<br>\$    | 2020<br>\$    |
|--|---------------|---------------|
| Net Operating Profit/(Loss) Before Tax     | 40,139        | 22,342        |
| Increase/(Decrease) in Holiday Pay Accrual | 19,124        | (6,994)       |
| Add Non-deductible Expenses                | 138           | 255           |
| Effect of application of NZ IFRS 16 Leases | (371)         | -             |
| Net Surplus/(Deficit) for Taxation         | 59,030        | 15,603        |
| Tax Losses brought forward                 | -             | (2,585)       |
| Net Surplus/(Deficit) per Tax Return       | <u>59,030</u> | <u>13,018</u> |

#### The Taxation Charge is Represented by

|                         |                |              |
|-------------------------|----------------|--------------|
| Current year tax at 28% | 16,528         | 3,645        |
| Deferred tax            | <u>(5,355)</u> | <u>2,665</u> |
|                         | <u>11,173</u>  | <u>6,310</u> |

|                  |        |       |
|------------------|--------|-------|
| Current year tax | 16,528 | 3,645 |
|------------------|--------|-------|

|  |                 |                |
|--|-----------------|----------------|
| Less   |                 |                |
| RWT credits                                  | 7               | 9              |
| Outstanding from prior years                 | <u>(3,636)</u>  | <u>-</u>       |
| Total Income tax Refund/(Due) per Tax Return | <u>(20,157)</u> | <u>(3,636)</u> |

#### Deferred Tax

|  | 2021<br>\$      | 2020<br>\$     |
|--|-----------------|----------------|
| Opening balance                                | (6,497)         | (9,162)        |
| Deferred portion of current year's tax expense | <u>(5,355)</u>  | <u>2,665</u>   |
| Deferred Tax Closing Balance at 28%            | <u>(11,852)</u> | <u>(6,497)</u> |

The tax charge in the Statement of Profit or Loss reflects the movements in deferred tax on holiday pay.

### 11. IMPUTATION CREDIT ACCOUNT

At balance date imputation credits available to the shareholders were

|  | 2021<br>\$   | 2020<br>\$   |
|--|--------------|--------------|
| Opening Balance                                  | 1,310        | 1,314        |
| Payments to / (Refunds from) IRD                 | -            | (13)         |
| RWT credits attached to Interest income received | <u>7</u>     | <u>9</u>     |
| Closing Balance                                  | <u>1,317</u> | <u>1,310</u> |

### 12. INVENTORIES

|                       | 2021<br>\$    | 2020<br>\$    |
|-----------------------|---------------|---------------|
| Shelf/Processed Stock | 40,284        | 56,368        |
| Packaging             | <u>31,459</u> | <u>-</u>      |
| Total Inventories     | <u>71,743</u> | <u>56,368</u> |



**Walnuts New Zealand  
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Notes to the Financial Statements  
For the Year Ended 31 March 2021

**13. PLANT & EQUIPMENT**

|   | <b>2021</b>               | <b>2020</b>               |
|---|---------------------------|---------------------------|
|   | <b>\$</b>                 | <b>\$</b>                 |
| <b>Furniture &amp; Fittings</b>                             |                           |                           |
| At cost   | 6,763                     | 6,763                     |
| Less accumulated depreciation                               | <u>(2,547)</u>            | <u>(1,779)</u>            |
|   | <u>4,216</u>              | <u>4,984</u>              |
| <br>Current year depreciation                               | <br><u>768</u>            | <br><u>340</u>            |
|   | <u>768</u>                | <u>340</u>                |
| <b>Office Equipment</b>                                     |                           |                           |
| At cost   | 34,362                    | 34,362                    |
| Less accumulated depreciation                               | <u>(29,992)</u>           | <u>(25,747)</u>           |
|   | <u>4,370</u>              | <u>8,615</u>              |
| <br>Current year depreciation                               | <br><u>4,245</u>          | <br><u>7,254</u>          |
|   | <u>4,245</u>              | <u>7,254</u>              |
| <b>Plant &amp; Equipment</b>                                |                           |                           |
| At cost   | 579,656                   | 501,957                   |
| Less accumulated depreciation                               | <u>(177,563)</u>          | <u>(136,061)</u>          |
|   | <u>402,093</u>            | <u>365,896</u>            |
| <br>Current year depreciation                               | <br><u>51,362</u>         | <br><u>40,203</u>         |
|   | <u>51,362</u>             | <u>40,203</u>             |
| <b>Right of Use Assets (Vehicle)</b>                        |                           |                           |
| Under NZ IFRS 16 Leases                                     | 34,505                    | -                         |
| Less accumulated depreciation                               | <u>(6,134)</u>            | <u>-</u>                  |
|   | <u>28,371</u>             | <u>-</u>                  |
| <br>Current year depreciation                               | <br><u>6,134</u>          | <br><u>-</u>              |
|   | <u>6,134</u>              | <u>-</u>                  |
| <br><b>Total Plant &amp; Equipment</b>                      | <br><u><u>439,050</u></u> | <br><u><u>379,495</u></u> |
| <br><b>Total Depreciation &amp; Impairment for the year</b> | <br><u><u>62,509</u></u>  | <br><u><u>47,797</u></u>  |

# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

| 2021 Reconciliation between Opening<br>and Closing Carrying Amount | Furniture &<br>Fittings | Office<br>Equipment | Plant &<br>Equipment | Right of<br>Use Asset<br>(Vehicle) | Total          |
|--|-------------------------|---------------------|----------------------|------------------------------------|----------------|
|  | \$                      | \$                  | \$                   | \$                                 | \$             |
| <b>Gross carrying amount</b>                                       |                         |                     |                      |                                    |                |
| Balance at 1 April 2020  | 4,984                   | 8,615               | 365,896              | -                                  | 379,495        |
| Additions  | -                       | -                   | 95,232               | 34,505                             | 129,737        |
| Disposals  | -                       | -                   | (7,673)              | -                                  | (7,673)        |
| Less Current Year Depreciation                                     | (768)                   | (4,245)             | (51,362)             | (6,134)                            | (62,509)       |
| <b>Balance at 31 March 2021</b>                                    | <b>4,216</b>            | <b>4,370</b>        | <b>402,093</b>       | <b>28,371</b>                      | <b>439,050</b> |

| 2020 Reconciliation between Opening<br>and Closing Carrying Amount | Furniture &<br>Fittings | Office<br>Equipment | Plant &<br>Equipment | Right of<br>Use Asset | Total          |
|--|-------------------------|---------------------|----------------------|-----------------------|----------------|
|  | \$                      | \$                  | \$                   | \$                    | \$             |
| <b>Gross carrying amount</b>                                       |                         |                     |                      |                       |                |
| Balance at 1 April 2019  | 2,059                   | 11,121              | 154,415              | -                     | 167,595        |
| Additions  | 3,265                   | 4,748               | 251,684              | -                     | 259,697        |
| Disposals  | -                       | -                   | -                    | -                     | -              |
| Less Current Year Depreciation                                     | (340)                   | (7,254)             | (40,203)             | -                     | (47,797)       |
| <b>Balance at 31 March 2020</b>                                    | <b>4,984</b>            | <b>8,615</b>        | <b>365,896</b>       | <b>-</b>              | <b>379,495</b> |

### 14. INVESTMENTS

|                   | 2021<br>\$ | 2020<br>\$ |
|-------------------|------------|------------|
| Non-Listed Shares |            |            |
| Farmlands Shares  | 500        | 500        |
|                   | 500        | 500        |
| Total             | 500        | 500        |

### 15. INTANGIBLE ASSETS

|   | 2021<br>\$ | 2020<br>\$ |
|---|------------|------------|
| <b>Goodwill</b>                         |            |            |
| Opening Balance                         | 66,500     | 66,500     |
| Closing Balance                         | 66,500     | 66,500     |
| <b>Trademark/Branding - Development</b> |            |            |
| Opening Balance                         | 38,353     | 18,258     |
| Additions                               | 4,601      | 20,095     |
| Closing Balance                         | 42,954     | 38,353     |
| Total Intangibles                       | 109,454    | 104,853    |



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### 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 on goodwill was carried out for the year ended 31 March 2021 based on future maintainable earnings (FME). The figure was calculated on an average weighted value of earnings (EBITDA), using actual results for 2018 to 2021 and projections for 2022. 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 would be made if there was a reduction of \$27,282 (20%) in the average weighted value of earnings, which would result in a goodwill value that is less than the carrying value. This was not found to be the case.

### 16. TERM LIABILITIES

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

|  | 2021<br>\$ | 2020<br>\$ |
|--|------------|------------|
| <u>Business Loan - Inland Revenue</u>    | 20,800     | -          |
| Interest Rate: 0% if paid within 2 years |            |            |
| Term: 5 Years                            |            |            |
| Monthly Repayments: Not required         |            |            |
| <u>Loan - NZ Walnut Industry Group</u>   | 10,000     | 10,000     |
| Interest rate: 0% per annum              |            |            |
| Term: Extended to 30 September 2021      |            |            |
| Monthly Repayments: Not required         |            |            |
| <u>Loan - Westpac Bank</u>               | 272,435    | 225,377    |
| Interest rate: 5.9% per annum            |            |            |
| Term: 5 Years                            |            |            |
| Monthly Repayments: \$5,416              |            |            |
|  | 303,235    | 235,377    |
| Repayable as follows:                    |            |            |
| Less than one year                       | 60,636     | 25,499     |
| One to five years                        | 242,599    | 209,878    |
|  | 303,235    | 235,377    |

### Securities & Guarantees

The loan from NZ Walnut Industry Group is unsecured.

Westpac Bank holds a Registered General Security Agreement, dated 23 August 2019 over all present and after-acquired property, and a Specific Security Agreement, dated 23 August 2019 over Sortex E1C BioVision Optical Sorter (ID: 700154379) and accessories and all present and after-acquired property.

# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### 17. LEASE LIABILITIES & COMMITMENTS

The company has lease contracts for motor vehicles. Motor vehicles have lease terms between 3 to 3.75 years. The company's obligations under its leases are secured by the lessor's title to leased assets. Generally the company is restricted from assigning and subleasing the leased assets.

The right of use asset relating to the motor vehicle lease is included within Property, Plant & Equipment (Note 13).

At Balance Date \$28,742 was outstanding (2020: \$Nil) of which \$8,937 is due within the next twelve months.

|                       |                                      |
|-----------------------|--------------------------------------|
| Lease Instrument      | 2020 Mazda CX-5 GSX, Regn No. MZZ116 |
| Closing Balance       | \$28,742                             |
| Termination Date      | 27 April 2024                        |
| Implied Interest Rate | 4%                                   |
| Term                  | 3.75 years                           |

|                                       |                           |
|---------------------------------------|---------------------------|
| Interest Expense on Lease Liabilities | \$853 (2020: \$Nil)       |
| Total Cash Outflow for Leases         | \$44,592 (2020: \$43,326) |

For additions, carrying amount and depreciation charge of right of use assets, refer to Note 13.

|  | 2021<br>\$      | 2020<br>\$      |
|--|-----------------|-----------------|
| <b>Lease of Vehicles</b>                             |                 |                 |
| Less than one year                                   | 8,937           | -               |
| Greater than one year and no greater than five years | 19,805          | -               |
|  | <u>\$28,742</u> | <u>-</u>        |
| <b>Rent of Property</b>                              |                 |                 |
| Less than one year                                   | 2,750           | 33,000          |
| Greater than one year and no greater than five years | -               | 2,750           |
|  | <u>\$2,750</u>  | <u>\$35,750</u> |

A new Deed of Lease is currently being negotiated for the property.

### 18. CAPITAL EXPENDITURE COMMITMENTS

At year end Walnuts New Zealand Co-operative Limited has committed \$0 (2020: \$75,000) to capital expenditure.





**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements  
For the Year Ended 31 March 2021**

**19. SHAREHOLDERS' EQUITY**

**(a) Share Capital**

|  | <b>2021</b>           | <b>2020</b>           |
|--|-----------------------|-----------------------|
|  | <b>\$</b>             | <b>\$</b>             |
| Opening Balance – 206,689 Shares (2020: 204,462)   | 568,395               | 562,271               |
| Transaction Costs to date                          | (56,160)              | (56,120)              |
|  | <u>512,235</u>        | <u>506,111</u>        |
| Share Capital Issued – 15,851 Shares (2020: 2,227) | 43,590                | 6,124                 |
| <b>Closing Balance – 222,540 Class A Shares</b>    | <u><u>555,825</u></u> | <u><u>512,235</u></u> |

The Company incurred \$Nil transaction costs (2020: \$Nil) for legal and professional fees and distribution costs relating to the issue of new shares during the year.

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**

|  | <b>2021</b>          | <b>2020</b>           |
|--|----------------------|-----------------------|
|  | <b>\$</b>            | <b>\$</b>             |
| Retained Earnings opening balance        | (9,284)              | (25,317)              |
| Net Profit/(Loss) after tax              | 28,966               | 16,032                |
| Available for appropriation              | 19,682               | (9,285)               |
| <b>Retained Earnings Closing Balance</b> | <u><u>19,682</u></u> | <u><u>(9,285)</u></u> |



# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### 20. TRADE AND OTHER RECEIVABLES

|                     | 2021           | 2020           |
|---------------------|----------------|----------------|
|                     | \$             | \$             |
| Trade Receivables   | 191,139        | 157,895        |
| Payments in Advance | 6,552          | 2,853          |
|                     | <u>197,691</u> | <u>160,748</u> |

### 21. TRADE AND OTHER PAYABLES

|                                | 2021           | 2020           |
|--------------------------------|----------------|----------------|
|                                | \$             | \$             |
| Trade Creditors                | 246,373        | 50,284         |
| Accrued Expenses               | 16,441         | 9,747          |
| Accrued Wages                  | 9,066          | 7,459          |
| Westpac - Mastercard           | 3,889          | 849            |
| Wages Subsidy - Unused Portion | -              | 35,148         |
|                                | <u>275,769</u> | <u>103,487</u> |

The amount for Trade Creditors includes \$200,390 (2020: \$414) owed to growers.

### 22. PROVISIONS

|                                 | 2021          | 2020          |
|---------------------------------|---------------|---------------|
|                                 | \$            | \$            |
| <b>Current</b>                  |               |               |
| <b>Employee Benefits</b>        |               |               |
| Provision for Holiday Pay       | 42,327        | 23,202        |
| <b>Total Current Provisions</b> | <u>42,327</u> | <u>23,202</u> |
| <b>Total Provisions</b>         | <u>42,327</u> | <u>23,202</u> |

### 23. 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.

# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### (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 receivables, and balances due from the Inland Revenue Department. The Company considers the maximum exposure to credit risk is for trade receivables of \$191,139 (2020: \$157,895). 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 2021.

Financial assets comprise:

|                                 | 2021<br>\$     | 2020<br>\$     |
|---------------------------------|----------------|----------------|
| <b>Current Financial Assets</b> |                |                |
| Cash and Cash Equivalents       | 394,480        | 130,281        |
| Trade and Other Receivables     | 191,139        | 157,895        |
| Payments in Advance             | 6,552          | 2,853          |
|                                 | <u>592,171</u> | <u>291,029</u> |

### (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 6.0% 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 2021 would decrease/increase by \$2,840 if there was a movement of plus/minus 100 basis points.

# Walnuts New Zealand Co-operative Limited

## Notes to the Financial Statements For the Year Ended 31 March 2021

### (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:

| 2021                     | Less than<br>1 year | 1-5 years | Greater than<br>5 years | Total   |
|--------------------------|---------------------|-----------|-------------------------|---------|
| Trade and Other Payables | 338,254             | -         | -                       | 338,254 |
| Term Loans               | 74,992              | 275,353   | -                       | 350,345 |
| Gross Liability          | 413,246             | 275,353   | -                       | 688,599 |
| Less interest            | 14,707              | 32,754    | -                       | 47,461  |
| Principal                | 398,539             | 242,599   | -                       | 641,138 |

| 2020                     | Less than<br>1 year | 1-5 years | Greater than<br>5 years | Total   |
|--------------------------|---------------------|-----------|-------------------------|---------|
| Trade and Other Payables | 132,558             | -         | -                       | 132,558 |
| Term Loans               | 37,587              | 229,973   | -                       | 267,560 |
| Gross Liability          | 170,145             | 229,973   | -                       | 400,118 |
| Less interest            | 12,088              | 20,095    | -                       | 32,183  |
| Principal                | 158,057             | 209,878   | -                       | 367,935 |

Trade and Other Payables include Provisions.



**Walnuts New Zealand  
Co-operative Limited**  
**Notes to the Financial Statements**  
**For the Year Ended 31 March 2021**

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**(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.

**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 small profit for the year ended 31 March 2021 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**

No significant events occurred after the balance date.





## 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 balance sheet as at 31 March 2021, 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 28 present fairly, in all material respects, the financial position of the Company as at 31 March 2021, 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  |
|---|---|
| <p><b>Goodwill</b></p> <p>As at 31 March 2021 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.</p> <p>Goodwill is a key audit matter due to the level of judgement applied in evaluating management's assessment of impairment.</p> <p>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.</p> | <p>Our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• evaluating management's methodology for determining the carrying amount of goodwill against generally accepted valuation methodology and the requirements of the accounting standard;</li> <li>• challenging the key assumptions used in management's valuation; and</li> <li>• assessing the appropriateness of the disclosures.</li> </ul> |

### 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.*

**PKF Goldsmith Fox Audit Limited**  
**Christchurch, New Zealand**  
28 July 2021

## OTHER ANNUAL REPORTING DISCLOSURES

### WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED (Company) SPECIAL RESOLUTION OF THE BOARD REGARDING CO-OPERATIVE STATUS

It is resolved that:

In the opinion of the Board, the Company has operated through the year ended 31 March 2021 as a co-operative company within the meaning of the Co-operative Companies Act 1996.

The grounds for this opinion are:

- The Company is operating under a constitution in accordance with the Co-operative Companies Act 1996; and
- The Company is trading in the processing of walnuts where walnut suppliers to the Company are shareholders in the co-operative.

DATED: 21 July 2021


SIGNED ON BEHALF OF WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED BY:



Signature of director

F.V.R. Brennehl.

Name of director



Signature of director

Heather North

Name of director