

REPLACEMENT
PRODUCT DISCLOSURE STATEMENT
for the Product Disclosure Statement dated 8 December 2019 for an
**Offer of Class A and Class B Shares in
Walnuts New Zealand Co-operative Limited**

Issued by Walnuts New Zealand Co-operative Limited

Dated: 28 November 2022

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://disclose-register.companiesoffice.govt.nz>, offer number OFR10376. Walnuts New Zealand Co-operative Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. KEY INFORMATION SUMMARY

What is this?

This is an offer of Class A Shares¹ (and Class B Shares if at any future time your Class A Shares are reclassified as Class B Shares). The Shares give you a stake in the ownership of Walnuts New Zealand Co-operative Limited (**Walnuts NZ Co-op**).

You could receive a return reflecting the performance of Walnuts NZ Co-op through the payment of dividends or rebates.

If Walnuts NZ Co-op runs into financial difficulties and is wound up, you will be paid only after all other creditors have been paid. You may lose some or all of your investment.

About Walnuts New Zealand Co-operative Limited

Walnuts NZ Co-op is a walnut-grower-owned co-operative company that operates a walnut processing and marketing business for its shareholders. Its Constitution can be viewed at <https://companies-register.companiesoffice.govt.nz>.

Purpose of this offer

The purpose of this offer of Shares is to raise money for the development and expansion of the walnut processing and marketing business owned by Walnuts NZ Co-op.

¹ See explanations in Glossary for capitalised terms.

Key terms of the offer

Key terms	Description
Description of Shares	Class A nominal value voting shares in Walnuts NZ Co-op, which may be reclassified into Class B non-voting shares.
Who this offer applies to	Class A Shares may only be held by suppliers and intending suppliers of walnuts to Walnuts NZ Co-op.
People who must hold Class A Shares – Share Standard/minimum subscription	<p>Growers who have supplied to Walnuts NZ Co-op over 2,000 kg of walnuts (or such other amount determined by the Board) in any year must hold one Class A share for every kilogram of walnuts supplied (exemption may be available – see section 10 of this Product Disclosure Statement (PDS)).</p> <p>For example, if you supply 2,500 kg, you must hold 2,500 Class A Shares. You will be deemed to apply for any additional Shares required as your supply volume increases. Walnuts NZ Co-op can deduct the issue price of the further Shares from money payable by Walnuts NZ Co-op to you (e.g. from payment for the walnut supply).</p> <p>Growers who have always supplied less than 2,000 kg annually to Walnuts NZ Co-op may choose to buy shares but do not have to. However, if the grower chooses to buy shares they must meet the Share Standard (one Class A Share per kilogram supplied) – there is no partial shareholding.</p>
Issue price	<p>The issue price for Class A Shares is their nominal value of \$2.75 per share.</p> <p>If Class A Shares are reclassified as non-voting Class B Shares, the issue price for the Class B Shares will be the Surrender Value of the Class A Shares at the relevant time.</p>
Surrender or conversion of Class A to Class B	<p>If you stop supplying walnuts to Walnuts NZ Co-op or decrease your supply, Class A Shares can be surrendered (in proportion to the reduction). Payment for surrendered Shares can take up to five years, and is at the Surrender Value. "Surrender" is the process of giving up your Shares to Walnuts NZ Co-op.</p> <p>Instead of surrender, Walnuts NZ Co-op can choose to reclassify your Class A Shares as Class B Shares, and must pay out your Class B Shares within five years, at the Surrender Value.</p> <p>The Surrender Value will be the lesser of the nominal value or the Current Value of the Class A Shares surrendered or reclassified, unless a lower amount is otherwise agreed between Walnuts NZ Co-op and the shareholder, or if a lower amount is due because the shares had not been fully paid up by the shareholder.</p>

Returns	<p>Class A shareholders may receive the following types of returns:</p> <ul style="list-style-type: none"> • rebates – a share of the profits relating to the shareholder's volume of walnuts supplied to Walnuts NZ Co-op; • dividends – a share of profits relating to the number of Shares held; • payment for walnuts supplied. <p>Class B shareholders will receive dividends (if any).</p> <p>The timing of payment of any rebates and dividends is up to the Board, and depends on the financial position of Walnuts NZ Co-op. Payments for walnut supply are paid in accordance with Walnuts NZ Co-op's terms and conditions of supply from time to time.</p>
Offer re-opens	1 March 2023
Offer closes	This is a continuous offer of Shares. The offer therefore has no closing date, but Walnuts NZ Co-op is not obliged to accept applications and can suspend offering Shares at any time.

How you can get your money out

Walnuts NZ Co-op does not intend to quote the Class A or Class B Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares.

You may only sell your Class A or Class B Shares to a Transacting shareholder or intended Transacting shareholder, which includes those supplying or intending to supply walnuts to Walnuts NZ Co-op. Your rights to sell Shares are subject to the terms of the Constitution, and the transfer is subject to board approval. Shares sold to other Transacting shareholders may be sold at a price agreed by the buyer and seller. Several such share transfers have occurred in recent years, particularly in cases where an existing shareholder has sold their orchard to a new grower, and has also sold their shares along with it so that the new owner can continue the walnut supply to Walnuts NZ Co-op.

Share surrender

Your Shares can be surrendered:

- where agreed by Walnuts NZ Co-op;
- where required by Walnuts NZ Co-op on the following grounds:
 - the shareholder has ceased to supply walnuts or to the extent that supply has decreased; or
 - material breach of Walnuts NZ Co-op's supply terms by the shareholder; or
 - the Board resolves that surrender is in the best interests of Walnuts NZ Co-op because the shareholder is bringing Walnuts NZ Co-op into disrepute or is causing significant loss or disruption to its business;
- where required by the shareholder on the following grounds:
 - the shareholder has not supplied Walnuts NZ Co-op during the immediately preceding five years (or such other period determined by the Board); or
 - the shareholder no longer has capacity to continue to supply walnuts (e.g. has sold their property).

A full description of the surrender and share reclassification process is in section 5 "Key Features of Shares".

Share redemption

Walnuts NZ Co-op may redeem the Shares at its option in accordance with section 69(1)(b) of the Companies Act 1993. Redemption is similar to the surrender of shares in that you give up your Shares to Walnuts NZ Co-op and receive a payment for them. However the process is governed by the Companies Act rather than the Co-operative Companies Act 1996.

Key drivers of returns

The following current and future aspects of our business are likely to have the most impact on Walnuts NZ Co-op's financial performance. Our key strategies and plans for those aspects of the business are listed in the following table:

Aspect	Strategies and plans
Make business profitable	Walnuts NZ Co-op has paid off its purchase loan and has progressed to the point of making small nett profits in the 2018 to 2021 financial years. Work is ongoing to improve processing efficiency in the factory and develop new product lines and markets. We recently made a significant investment in automation with the purchase of a high-tech smart sorter, for which we took on a \$300,000 bank loan with a 5-year term. Further information about the purchase and loan can be found in section 2 under "Current and future aspects affecting financial performance, and strategies and plans".
Expansion of capacity	Reconfigure the factory to handle expected increase in walnut volume, and invest in or lease larger premises if required. Make optimum use of the automation and processing speed made possible by the new smart sorter.
Effective and innovative management and governance	The Board comprises a range of business and strategic skills with experience to develop and implement a growth strategy; and a General Manager with appropriate experience has been appointed.
Ability to source walnuts of suitable quality from growers	We have developed grading standards and harvest-time instructions for growers and will continue to refine these. We work closely with the walnut industry peak body, New Zealand Walnut Industry Group Incorporated, to support grower knowledge and best practice to produce a quality product.
Ability to compete in the market, particularly against imported walnuts, and align our product range with customer requirements	Extensive market and consumer research has been undertaken, resulting in a new brand (<i>Trickett's Grove</i>) and launch into new markets with a focus on differentiating our walnuts from imports. An e-sales platform has been established.

More information about the key strategies and plans of Walnuts NZ Co-op is provided in section 2 of this PDS: "Current and future aspects affecting financial performance, and strategies and plans".

Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about Walnuts NZ Co-op's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. Walnuts NZ Co-op considers that the most significant risk factors that could affect the returns from holding the Class A and Class B Shares are:

Risk Factors	Significance
We may fail to return adequate profits	Walnuts NZ Co-op's nett profits to date have been small, no dividends have yet been paid to shareholders, and no increase in walnut payout to growers has yet been possible. However, we have made steady financial progress by having paid off our purchase loan on schedule, and shifting from losses prior to purchase to our current small profits. The Board and management are focussed on continuing to achieve improvements in efficiencies and market placement to enable a viable operation. The projected increase in walnut supply will provide economies of scale.
Cash-flow mismatch	The timing of our income from walnut sales is different to the timing of our payment commitments to growers. We have implemented cash-flow forecasting to provide early warning and to allow time to seek financial support, and we expect to continue being able to arrange suitable seasonal finance where required.
Loan taken on for smart sorter – what if automation does not produce the level of financial benefit expected or we have difficulty paying back the loan?	We recently took on a \$300,000 bank loan for the purchase of a high-tech smart sorter (and its installation and commissioning). The board believes this is a valuable investment, with substantial financial benefits expected from improved automation (labour efficiency), processing speed and quality of resulting product, and that these will allow us to pay the loan off within the 5-year term. However, we are also aware it is a large financial commitment for our young company. A summary of key information relating to the purchase and loan can be found in section 2 under "Current and future aspects affecting financial performance, and strategies and plans".
Walnut production is currently rising – what if we struggle to fund the required increases in factory capacity?	Walnut production has increased more slowly than expected, but is still expected to out-grow the current factory facilities in the future. Capacity increase could include mechanisation, out-sourcing, leasing and building, which may require further investment from shareholders. Without this, Walnuts NZ Co-op may have to turn away supply in the future.

<p>Currently, demand exceeds supply for walnuts in NZ, but this could change.</p> <p>International commodity prices for walnuts are low, relative to current NZ grower payouts.</p>	<p>Most domestic walnut demand is currently supplied from imports, so there is room in the market for us to expand into; however, the prices are likely to be lower than those we receive for our current high-end products.</p> <p>We have an advantage in that our local production is generally fresher than imported walnuts. However, gaining a price advantage on this basis in this price-sensitive market is difficult. We are targeting our newly-branded products into higher value market segments.</p>
<p>Walnut production has not increased as quickly as expected – we may fail to achieve the economies of scale required for profitable operation.</p>	<p>Crop increases on some New Zealand orchards have been much slower than expected, and challenging weather conditions (including frost or very wet conditions in spring) have also affected walnut quality and quantity in some years. Lower quality means less access to high value markets as well as higher processing costs, and low volumes mean subdued sales across which to spread fixed costs. We will work with NZWIG (the peak industry body) on research projects and grower advice provision to assist with improved yields and quality.</p>
<p>As with any primary production industry, there is always the risk of a pest or disease incursion into New Zealand affecting our crop.</p>	<p>Some of the pests and diseases present overseas could have a severe impact on our orchards if they got through New Zealand's biosecurity. At worst, this could result in a decline in crop volume and therefore the number of Class A Shares and equity in Walnuts NZ Co-op.</p> <p>We rely on Government agencies to manage this risk.</p>

This summary does not cover all risks of investing in the Shares. You should also read section 7 of the PDS ("Risks to Walnuts NZ Co-op's business and plans"), and the financial information on the Offer Register.

Walnuts NZ Co-op's financial information

The financial position and performance of Walnuts NZ Co-op are essential to an assessment of this offer. You should read the financial information about Walnuts NZ Co-op on the Offer Register. This includes financial information from our trading years to date.

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2. Walnuts NZ Co-op and what it does

About Walnuts NZ Co-op

Walnuts NZ Co-op's main activities are to purchase, process, market and sell walnuts in New Zealand and overseas on behalf of its shareholders. Walnuts NZ Co-op was registered at the Companies Office on 29 April 2015 and commenced business on 1 May 2015.

The purpose of Walnuts NZ Co-op is to grow the wealth and security of our 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.

Origins

The original walnut processing and marketing business, *A Cracker of a Nut Limited*, was set up and owned by Jenny and Malcolm Lawrence. In 2014, they stated that they wished to retire. A meeting of walnut suppliers voted in seven transitional directors (all walnut growers and suppliers of *A Cracker of a Nut Limited*), who were given the tasks of investigating possible structures for a grower-owned walnut company, setting up such a company (with an appropriate constitution), and negotiating the purchase of the business of *A Cracker of a Nut Limited*.

Walnuts NZ Co-op purchased the business as a going concern, with settlement on 1 May 2015, and leased the factory building. The transitional directors, through their walnut business entities, made an early Share purchase in 2015 to finance the set-up costs of Walnuts NZ Co-op and to provide working capital for the factory in the early months. By late 2015, Walnuts NZ Co-op had 54,933 Class A Shares (with a nominal value of \$2.75 each), held in eight share parcels represented by the seven founding directors, and Malcolm and Jenny Lawrence who received their Class A shares as part of the payment for the sale of the business to Walnuts NZ Co-op. During this time the PDS was developed, and our share offer to growers opened on 23 December 2015. By the end of April 2016, Walnuts NZ Co-op had 44 shareholders holding a total of 143,676 Class A shares, and shareholding has continued to increase since then.

What Walnuts NZ Co-op does

Walnuts NZ Co-op focuses on higher-value markets for walnuts, such as health food shops, supermarkets, delicatessens and specialist grocers, rather than bulk or commodity markets. We sell walnut retail products throughout New Zealand, including kernel pieces for snacking and baking, in-shell walnuts, oil and dukkah. We also have important customers in food manufacturing who buy ground walnut kernel from us.

We have developed and launched a new retail brand, *Trickett's Grove*, to replace the three brands developed by *A Cracker of a Nut Limited* (*Kernelz*, *Kerakel* and *Wild*), and we have

transitioned our retail products into the new brand. 2019 saw the creation of a new online sales platform, website (www.trickettsgrove.nz) and Facebook page to support and promote the new brand.

The industry in which Walnuts NZ Co-op operates

New Zealand currently imports most of its walnut supplies. Based on information from Statistics New Zealand as at 18 October 2019:

- Over the three years 2016–18, imports of shelled walnuts (kernel) averaged 948 tonnes per year (up from an average of 605 tonnes per year for the period 2012–2014), at an average cost of NZ\$10.32 per kg (including insurance and freight, but excluding GST; down from an average of NZ\$12.66 per kg in 2012–2014). Very little is imported in-shell, averaging only 560 kg per year, at an average cost of NZ\$11.58 per kg (excluding GST).
- Imports of walnut kernel from USA accounted for 84% of the total during 2016–2018. India and Australia were the next two in size, with 7% and 6% of imports to NZ respectively. Chile is now also a source, accounting for 2% of total kernel.

Imported kernel comes into New Zealand more cheaply than we can produce, because of the scale of overseas production. So it imposes a low baseline price in the bulk/commodity market, though the product is often showing its age through a lack of freshness, and even rancidity, in the taste. Packaged imported kernel for snacking and baking is available in supermarkets at several price points, which provides more direct competition for us. However, we are bringing current-season, local New Zealand product to the market, which we believe is an advantage in the eyes of many consumers. There are several smaller local processors also at the higher end of the market, but with very small volumes.

Current and future aspects affecting financial performance, and strategies and plans

The primary focus for Walnuts NZ Co-op is to make our walnut processing and marketing business financially sustainable. This includes aspects of processing efficiency, and product and market development. In parallel, we are preparing for the greater crop volumes that will be produced by New Zealand's maturing walnut orchards over the next 5–10 years. This requires capital expenditure for capacity expansion, but also offers opportunities in improved economies of scale. A further factor in financial performance is grower capability to produce good quality raw product, even in years of challenging growing conditions.

Make business profitable: In our first seven years we have made good progress on strengthening the financial position of Walnuts NZ Co-op. This included paying off the original purchase loan on schedule, and making small nett profits in four of the last five years. However, we have not yet been in a position where a dividend could be paid and the walnut payout has only marginally improved. Processing efficiency in the factory has been greatly increased, with improved workflows and materials handling.

We have made a significant investment in a high-tech smart sorter, which automates the removal of shell pieces and other reject material, and allows us to separate different grades of product, with greatly reduced labour requirement. The key terms of the purchase and loan were:

- Equipment is a Buhler Sortex E1C Biovision-BSBR Optical Sorter. Commissioning was in July 2019. We also purchased several smaller items of wrap-around equipment to enable its operation and workflow of product.
- The purchase was with a trade loan from Westpac New Zealand Limited of \$300,000. We are currently paying interest at a rate of 9.3%.
- This trade loan was converted into a \$300,000 term loan from Westpac New Zealand Limited, with a term of 5 years, and monthly repayments. The board of directors of the Walnuts NZ Co-op executed the loan documents on 22 August 2019, and the term loan was approved. The loan is secured by a General Security Agreement over the property of Walnuts NZ Co-op, and a Specific Security Agreement over the smart sorter itself and its associated accessories.

Our assessment shows substantial gains in labour efficiency will allow us to pay off the loan within the 5-year term. We are continuing to work on improving processing efficiency and making the most profitable use of our assets. Other key aspects of profitability are the quality of walnuts coming in from growers, and the price at which we can sell our walnuts into the market; these aspects are covered later in this section.

Expansion of capacity: At present we are leasing the factory buildings, with the current lease term running until 2028. Depending on future lease arrangements and on mechanisation of our operation, these premises should be sufficient for up to about 300-400 tonnes of walnuts (in a year), which is significantly more than our current volume. The new smart sorter is enabling us to process walnuts at a much higher rate than was previously possible. We are exploring options for out-sourcing some tasks where they can be done more efficiently elsewhere. One aspect of our facilities that is not ideal is the storage space constraint on-site. The greater part of the year's walnut crop has to be stored off-site, at growers' facilities, until the factory requires it. This makes inventory control more difficult. If new or expanded premises are required at some point in the future, mechanisms for funding this are likely to include cash reserves (retentions from previous years' profits and surplus share equity), bank debt, and further shareholder funding.

Under the Companies Act a transaction where more than 50% of Walnuts NZ Co-op's assets are involved is deemed to be a Major Transaction and would require a special resolution passed by at least 75% of shareholders who are entitled to vote and who do vote.

Effective and innovative management and governance: the Board comprises a range of business and strategic skills with experience to develop and implement a growth strategy and sound governance; and a General Manager with appropriate experience has been appointed.

Under the Walnuts NZ Co-op Constitution directors have 3-year terms, staggered such that each year one-third of directors retire (and may stand for re-election if they wish). In general, directors must be Transacting Shareholders of Walnuts NZ Co-op, but the Constitution allows for one appointed director who is not a shareholder, so that specific skills could be brought into the board if required.

Ability to source walnuts of suitable quality from growers: we developed new grading standards and harvest-time instructions for growers. Quantitative grading records are made available to growers as a form of feedback, to help them identify any particular quality issues they may face. In recent years, growers have faced climatic challenges of several types, with frost or persistent rain in spring being particularly problematic. These weather conditions

have affected both the quality and quantity of walnuts available. We have put in place grading, testing and sorting procedures at the factory, and maintain a product mix that can incorporate these variations to some extent. A further challenge is that crop yields have increased much more slowly than expected on some orchards, so economies of scale at the factory have not improved as quickly as originally predicted. We work closely with the walnut industry peak body, New Zealand Walnut Industry Group Incorporated, to support grower knowledge and best practice.

Ability to compete in the market, particularly against imported walnuts, and align our product range with customer requirements: the Board and General Manager undertook a strategic planning process, including market and consumer research and development of a marketing business plan to differentiate Walnuts NZ Co-op's product from imported walnuts. Kernel for commodity uses (such as the bulk bins in supermarkets) can be sourced at a relatively low price from overseas, but the quality is typically poor. In contrast, we are positioning our walnuts at the higher levels of the market, focusing on the freshness and local provenance of our product. We have developed and launched a new retail brand, *Trickett's Grove*. The new name and logo are distinctly our own, have a premium look and feel, and do not tie us to walnuts alone. To align with modern trends, where consumers often look online for sales and information, we are also making our products available through internet sales, and we have a website (www.trickettsgrove.nz), Instagram account and Facebook page to support and promote the new brand. Discussions and thinking related to new product development are on-going.

Directors and management

At the date of this PDS, the directors of Walnuts NZ Co-op are:

- Maria May Tiede;
- Timothy George Burry Armitage;
- Andrew Keith Horsbrugh – Company Chair;
- Basil Meyer;
- Clive Marsh ;
- Colin Raymond Prebble; and
- Mark Charles Wren.

Walnuts NZ Co-op has a General Manager, Kevin Parish. He is not a walnut grower and does not own Shares in Walnuts NZ Co-op. He has extensive experience in business development and marketing, and took up his role with us in April 2022.

Existing shareholdings

A table of substantial shareholders and relevant interests can be found on the Offer Register in the document entitled "Substantial Shareholders and Relevant Interests".

Issue of other equity securities

Walnuts NZ Co-op's Constitution permits the issue of further classes of shares as well as Class B Shares (other than those arising out of conversion of Class A Shares) that rank equally with, or in priority to, the Class A Shares and the Class B Shares, without a special resolution of holders of Class A Shares and Class B Shares. Such securities could be issued where the Board considers this to be fair and reasonable to Walnuts NZ Co-op and to all shareholders

at the time.

Interests of directors and senior managers

As at the date of this PDS, none of the directors receive any remuneration for their services as directors on the Board, other than an honorarium for the Chair to help cover expenses. All of the directors have interests in Class A Shares of Walnuts NZ Co-op, either as shareholders or through their control over a shareholding entity. Directors have been remunerated for specific duties.

Other material governance disclosures

Under our Constitution, every Class A shareholder is entitled to one vote for every 500 Class A Shares held in Walnuts NZ Co-op (or part thereof). Voting rights on Class A Shares are capped so that no one shareholder can exercise 20% or more of the vote (even if they own 20% or more of the Class A Shares). This is to prevent a single shareholder from gaining excessive influence, and to protect the smaller shareholders in our co-operative company.

Class B Shares do not carry voting rights (but without prejudice to the rights of a holder of Class B Shares under section 117 of the Companies Act 1993 (protections on alteration of shareholder rights)).

3. Purpose of the offer

Purpose of the offer

The purpose of this offer of Shares is to raise money for the development and expansion of the walnut processing and marketing business owned by Walnuts NZ Co-op. The Share issue enables you, as a walnut supplier, to take up a stake in Walnuts NZ Co-op. Thus, you can see the processing, marketing and distribution activities as an extension of your own walnut-growing business. You can get a say in how Walnuts NZ Co-op is run through exercising the voting rights attached to your Class A Shares. You will be assured of a path-to-market for your crop (as long as it meets defined quality standards, and terms and conditions of supply).

What will the funds raised be used for?

In our first few years, the capital raised by the offer was used, along with earnings from walnut sales, to pay off the purchase loan and buy machinery to automate some processing tasks in the factory. It was also used to meet operational and development costs, such as the original writing and lodgement of this PDS, Walnut Pay-outs, rent, staff wages and the General Manager's salary but, as planned, these are now largely covered by walnut sales.

However, as outlined in section 2, under "Current and future aspects affecting financial performance, and strategies and plans", we have new commitments relating to capital expenditure on equipment (particularly the purchase, installation and commissioning of the smart sorter, which has been funded by a bank loan), as well as funds for new product and market development. We also have the likely requirement for capacity expansion in certain aspects of the factory in coming years. These will be the primary purposes for our ongoing capital-raising through share issues.

What happens if few growers take up the offer?

Most of the larger orchards amongst the original suppliers of *A Cracker of a Nut Limited* signed up as shareholders in the first two years after the business was purchased by Walnuts NZ Co-op. In subsequent years share issues have slowed as smaller numbers of new growers have joined the industry, and existing growers need only 'top up' their shareholdings as their crop increases. As at the date of this replacement PDS we have 45 shareholders owning a total of 245,388 shares, i.e. covering over 240 tonnes of potential walnut supply. Crop volumes on the majority of orchards are still increasing, however, and existing shareholders are automatically issued any new shares they require to meet the Share Standard at the issue price of \$2.75.

The Board considers that the shareholding of Walnuts NZ Co-op as at the date of this PDS is sufficient for Walnuts NZ Co-op to continue operating. The Board believes, however, that the greater the ongoing share uptake by suppliers is, the stronger Walnuts NZ Co-op will be.

4. Terms of the offer

The terms of the offer of Shares in this PDS are set out in the Key Information Summary at pages ii to iii. The terms of the Shares are also governed by the Constitution of Walnuts NZ Co-op, a copy of which may be obtained from the offer register.

The price of Class A Shares (the nominal value of \$2.75) was set by the Board after considering the projected capital and operating costs of Walnuts NZ Co-op in its first three years of operation and dividing this across the projected number of Shares to be issued to Class A Shareholders in that time (this being based on registrations of interest). The Board also took into account that the amount per Share should be at a level expected to be acceptable to those looking to subscribe for Class A Shares.

There was no independent or objective mechanism used to set the price for the Class A Shares.

The nominal value for Class A Shares can be altered in the Constitution by a special resolution of Class A shareholders, with the prior approval of the Board.

In the first four years of operation, the Current Value of the Share has remained below the nominal value. At the ends of financial years, respectively, the Current Value was \$2.23 (2016), \$2.12 (2017), \$2.24 (2018), \$2.35 (2019), \$2.43 (2020), \$2.59 (2021) and \$2.11 (2022).

5. Key features of Shares

Walnuts NZ Co-op is a supplier-owned co-operative company, so there are some differences in the way the Shares work when compared with shares in non-co-operative companies. The key features of the Shares that do not apply to ordinary shares are:

Class A Shares

- Class A Shares are nominal value shares that can be held by and sold to "Transacting shareholders" only (e.g. growers who supply walnuts to Walnuts NZ Co-op for processing and marketing);
- Growers who supply Walnuts NZ Co-op must hold a number of Class A Shares that meets the Share Standard and Walnuts NZ Co-op can issue the further Shares that a shareholder is required to hold without application by the shareholder, and can deduct the issue price of any required increase in a Class A shareholder's holding of Class A Shares from money payable by Walnuts NZ Co-op to the shareholder (e.g. from payment for the supply of walnuts);
- Class A Shares may be required to be surrendered by Walnuts NZ Co-op or can be surrendered on acceptance of a shareholder request, for their Surrender Value (which may be less than the nominal value, i.e. the issue price paid for them) – see more below;
- Class A Shares entitle holders to rebates (if any) by reference to the volume of transactions holders have with Walnuts NZ Co-op (rebates are at the discretion of the Board);
- Shareholders are bound by the Constitution to the terms and conditions of walnut supply fixed by the Board from time to time;
- Class A shareholders are entitled to one vote for every 500 Class A Shares (or part thereof) that they hold, to a maximum of 20% of the voting rights in Walnuts NZ Co-op;
- The nominal value of Class A Shares can be changed by altering the Constitution with the prior consent of the Board and a special resolution of the shareholders of Walnuts NZ Co-op.

Class B Shares

- Class B Shares are non-voting;
- They rank equally with Class A Shares for dividends and on a liquidation;
- They are redeemable by Walnuts NZ Co-op as described in the section on Surrender of Class A Shares and conversion to Class B Shares below.

All Shares

- The Board can refuse to allow a transfer of Shares for a number of reasons set out in the Constitution, including where it considers the transferee would not be a desirable person to become a shareholder; it is not in the best interests of Walnuts NZ Co-op; or it is not likely the transferee would become a Transacting shareholder.

Surrender of Class A Shares and conversion to Class B Shares

A Class A shareholder may request that Walnuts NZ Co-op accept the surrender of Class A Shares where the shareholder has ceased to supply walnuts, or holds Class A Shares in excess of their Share Standard, based on supply over a period determined by the Board from time to time. Acceptance of surrender on shareholder request is at the discretion of the Board.

A Class A shareholder may require Walnuts NZ Co-op to accept the surrender of Class A Shares (subject to Walnuts NZ Co-op satisfying the solvency test) where the shareholder:

- has not been a Transacting shareholder during the immediately preceding five years or such other period as may be determined by the Board of Walnuts NZ Co-op or specified in its Constitution; or
- has disposed of, or changed the use of, the shareholder's property and other assets with the result that the shareholder does not have the capacity to continue to be a Transacting shareholder.

Walnuts NZ Co-op may require a Class A shareholder to surrender a number of their Class A Shares where:

- the shareholder has ceased to supply walnuts, or holds Shares in excess of their Share Standard based on supply of walnuts over a period of time determined by the Board from time to time; or
- the shareholder has failed to comply in a material respect with the requirements relating to transactions with Walnuts NZ Co-op contained in any contract between Walnuts NZ Co-op and the shareholder; or
- the Board resolves that surrender is in the best interests of Walnuts NZ Co-op because that shareholder is bringing Walnuts NZ Co-op into disrepute, or is causing significant loss or disruption to the business of Walnuts NZ Co-op.

Where Class A Shares are surrendered, they are redeemed at their Surrender Value, which could be less than the price you paid for your Class A Shares. The Surrender Value is the lesser of:

- the nominal value (which is \$2.75 per Class A Share) or, if any of the Shares were not fully paid for, then the amount paid up in respect of those Shares; or
- the Current Value (being the value of a share in Walnuts NZ Co-op determined by the Board from time to time by calculating the value of the total assets less total liabilities of Walnuts NZ Co-op as determined in the most recent audited financial statements (without provision for future liabilities), and dividing that figure by the number of shares on issue in Walnuts NZ Co-op as at the date of the calculation.

Walnuts NZ Co-op has up to five years to pay consideration to you for the surrender. If payment is delayed, the Board may authorise payments to the ex-holder of the surrendered Shares, of an amount no greater than dividends that would have been paid on those Shares had they not been surrendered.

Instead of the surrender of Class A Shares, Walnuts NZ Co-op can opt to reclassify the Class A Shares as Class B Shares, and then must redeem them for the Surrender Value of the relevant Class A Shares, at its option within five years.

The payment delay and reclassification mechanisms are to protect Walnuts NZ Co-op if

several large growers wish to sell out at the same time, requiring surrender of their Shares (i.e. to receive their Surrender Value back from Walnuts NZ Co-op), which could result in a large loss of capital.

Dividend policy

The Constitution of Walnuts NZ Co-op allows for the Board to pay rebates on Class A Shares and distribute a dividend on any share class. Rebates are payments to Class A shareholders calculated by reference to the number, value of or volume of, or profit derived from, transactions by shareholders with Walnuts NZ Co-op.

Any other dividends will be paid at the same rate per share to holders of both Class A and Class B Shares. As a co-operative company, any 'profit' (surplus funds not needed for running the business, and not retained for a developing Walnuts NZ Co-op) is returned to the shareholder via the Walnut Pay-out and, when possible, the rebates and dividends.

Because this is a supplier-owned co-operative company, the main benefit to the shareholder is via the Walnut Pay-out being maintained at levels which reflect the co-operative nature of the undertaking. Normal business conditions of supply and demand, and quality of the walnuts supplied, will affect the pay-out level. Establishing a strong market and reliable Walnut Pay-outs could also help lift the value of walnut properties. Your shareholding in Walnuts NZ Co-op is an asset of your orchard business.

Dividends and rebates are not guaranteed, are at the discretion of the directors, and will be declared only after meeting appropriate solvency requirements.

Details of payment of dividends/rebates by Walnuts Co-op NZ (if any) can be found on the Offer Register. Details of dividends/rebates (if any) may also be in section 6 of the Product Disclosure Statement.

6. Walnuts NZ Co-op's financial information

The following financial information for Walnuts NZ Co-op can be found on the Offer Register:

- Selected financial information for Walnuts NZ Co-op (covering actual results for the financial years ending 31 March 2020, 2021, and 2022 in the document entitled "Selected Financial Information for PDS";
- Audited financial statements for Walnuts NZ Co-op for the financial year ending 31 March 2022 in the document entitled "Walnuts NZ Co-op financial statements for the period ended 31 March 2022".

If you do not understand this financial information, you should seek advice from a financial adviser or an accountant.

7. Risks to Walnuts NZ Co-op's business and plans

Before making any investment, you should consider the risks for that investment – particularly the likelihood that they will occur and the impact they will have on your investment if they do. Before purchasing your Shares, you should consider the circumstances below, which exist or are likely to arise and which significantly increase the risk to Walnuts NZ Co-op. Where possible, we have included our assessment of the significance of these risks and the likelihood of any impact arising from these circumstances, and any steps we have taken, or can take, to mitigate them.

	Risk	Walnuts NZ Co-op's assessment of risk	Steps taken to mitigate risk
	Risks relating to financial position and financial performance		
1	<p><i>We may fail to return adequate profits</i></p> <p>We are a relatively new company that is still at the stage of setting up efficient processing systems and developing markets.</p>	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> High</p> <p>In our first seven years of operation, Walnuts NZ Co-op has made steady financial progress by paying off our purchase loan on schedule, and shifting from losses prior to our purchase of the business to small profits in most years.</p> <p>However it is a potentially serious risk if the business performs poorly: the likely results are; (a) low Walnut Pay-outs for growers, and (b) a low Current Value for Shares, so that if you sell or surrender your Shares, you could receive less for them than you paid.</p> <p>A low pay-out could make shareholders' own orchard businesses financially unsustainable.</p> <p>We think the likelihood of this is medium, but the potential impacts on shareholders would be high if this were to occur on an on-going basis.</p>	<p>A great deal of work has been put into lifting efficiency at the factory, including automation and improving workflows and materials handling. We assess the opportunities for out-sourcing certain tasks on an ongoing basis. A smart sorter has been purchased, which has improved labour efficiency, while ensuring product quality to the customer. A new retail brand has been launched, and placement of products in supermarkets and an online sales platform established. Walnuts NZ Co-op has an experienced General Manager who is, with the support of the board, taking the company forward.</p> <p>The projected increase in production by suppliers will provide economies of scale and contribute to profitability, though these crop increases have occurred more slowly than expected.</p>

2	<p><i>Cash-flow mismatch</i></p> <p>The timing of our income is different to the timing of our payment commitments to growers.</p>	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> Medium</p> <p>Our income from the sale of walnuts occurs throughout the year, but we have a large pay-out commitment to growers at the end of each financial year. This can put seasonal pressure on the financial position of Walnuts NZ Co-op.</p>	<p>Walnuts NZ Co-op management has implemented cash-flow forecasting to provide early warning of any declining cash position or shortfall. In the first four years, the directors effectively provided seasonal finance by delaying walnut payouts to their own businesses, which Walnuts NZ Co-op paid back (with interest) during the first 5 months of each new financial year. However, now that the original business purchase loan is paid off, we are exploring options for establishing a conventional seasonal loan facility through a bank.</p>
Risks relating to expansion plans			
3	<p><i>Loan taken on for smart sorter</i></p> <p>What if automation does not produce the level of financial benefit expected and we have difficulty paying back the loan?</p>	<p><i>Assessment of likelihood of circumstances arising:</i> Low</p> <p><i>Assessment of Impact:</i> High</p> <p>The board believes that the new smart sorter is a valuable investment, with substantial financial benefits from improved automation (labour efficiency), processing speed and quality of resulting product, However we are also aware that the \$300,000 bank loan taken on for its purchase, installation and commissioning is a large financial commitment for our young company.</p> <p>A summary of the key terms of the contracts relating to the purchase and loan can be found in section 2 under "Current and future aspects affecting financial performance, and strategies and plans".</p>	<p>The board and management have carried out careful analysis of anticipated financial benefits of this new processing automation, and believe that these will allow us to pay the loan off on schedule. The new equipment is being systematically commissioned and tested, to ensure it operates as it should and that we can extract maximum benefit from it.</p>

4	Walnut production in New Zealand is currently rising as many orchards are at the stage of maturing and coming into production – what if we struggle to fund increases in factory capacity?	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> High</p> <p>Walnut production has increased more slowly than originally forecast, so capacity constraints have not become a problem as early as first thought. However, the current factory facilities will not have the capacity to process the walnut volume from current suppliers once their orchards all come into full production.</p>	We have rearranged operations, and automated a several key tasks. This means that that the factory has continued to serve our purposes, and should have sufficient capacity for several years to come. However, for the future, capacity increase could include leasing or building arrangements, as well as further mechanisation or out-sourcing options. Shareholders need to be willing to invest if required, alongside Walnuts NZ Co-op bank debt and cash reserves. Without this, the co-op may have to turn away supply.
5	Currently, demand exceeds supply for walnuts in NZ, but this could change. International commodity prices for walnuts are low, relative to NZ grower payouts.	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> Medium</p> <p>Our factory currently outputs only a small proportion of domestic walnut consumption, but our volumes are expected to grow in the next 5–10 years. This increased supply could cause prices to drop, and we could face more competition from other processors. We currently experience downward pressure on prices caused by the presence of cheap (often poor quality) imported walnuts.</p>	Most domestic walnut demand is currently supplied from imports, so there is room in the market for us to expand into; however, the prices are lower than those we receive for our current high-end products. We are targeting our newly-branded products into higher value market segments, on the basis of our fresh, local walnuts, and we are also looking into developing new value-added products.
Risks to financial position relating to our co-op structure			
6	Surrender Value payment risk	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> Low</p> <p>If the value of Walnuts NZ Co-op does not support the nominal value of the Class A Shares, the Surrender Value of the Class A Shares (or the value at which Class A Shares are reclassified to be Class B Shares), will be less than issue price (i.e. less than the nominal value of the Class A Shares).</p> <p>Shareholders should also be aware that payment of the Surrender Value could also be delayed for up to five years if the financial position of Walnuts NZ Co-op does not support payment at the time of surrender or reclassification of Class A Share to Class B Shares.</p>	As at the date of this replacement PDS, the Current Value of the Share has not yet risen to meet the nominal value, but this is not unexpected at this stage of Walnuts NZ Co-op's development. The Board and management are working to make Walnuts NZ Co-op profitable, and to increase its value, as described in section 2, under "Current and future aspects affecting financial performance, and strategies and plans".

Risks to financial performance, position and plans relating to walnut supply			
7	<i>Another walnut processing company could expand and attract a material volume of walnut processing business away from us.</i>	<p><i>Assessment of likelihood of circumstances arising:</i> Low</p> <p><i>Assessment of Impact:</i> Medium</p> <p>A loss of volume of walnuts that we process would mean poorer economies of scale for the factory and less negotiating power in the market.</p> <p>Currently, other walnut processing companies are small compared to our business. It is unlikely that our biggest growers could go to other companies, because their crop volume would overwhelm the smaller processors/sellers. Gate sales or a farmers market are also not realistic alternatives for large growers. Small growers may have more choice, and if a lot of them chose to go elsewhere, this could have an impact on our economies of scale.</p>	We aim to mitigate the risk of losing growers by paying the most competitive price for their walnuts that we can – which will be made possible by running the business in the most efficient and effective way that we can. Our co-operative structure provides growers with an interest in Walnuts NZ Co-op.
8	<i>Walnut production has not increased as quickly as expected, and climatic conditions also affect walnut quality and quantity – we may fail to achieve the economies of scale and high value markets required for profitable operation.</i>	<p><i>Assessment of likelihood of circumstances arising:</i> Medium</p> <p><i>Assessment of Impact:</i> Medium</p> <p>On some orchards, crop volume has increased much more slowly than expected, and challenging weather conditions (including frost or very wet conditions in spring) affect walnut quality and quantity in some years. Lower quality means less access to high value markets as well as higher processing costs, and low volumes mean less income across which to spread our fixed costs.</p>	We will work with NZ Walnut Industry Group (the peak industry body) on research projects and provision of advice to growers to assist with improved yields and quality. Our grading standards at the factory are an important tool in fostering good quality raw product, and our new smart sorter greatly increases our ability to efficiently remove reject material.
Other risks to financial performance			
9	<i>As with any primary production industry, there is always the risk of a pest or disease incursion into New Zealand affecting our crop.</i>	<p><i>Assessment of likelihood of circumstances arising:</i> Low</p> <p><i>Assessment of Impact:</i> High</p> <p>Some of the pests and diseases present overseas could have a severe impact on our orchards if they got through New Zealand's biosecurity. Management of these could require more chemical use, make the cost of walnut production higher, and the industry less attractive to growers, resulting in a decline in the shareholder base of Walnuts NZ Co-op.</p>	We rely on Government agencies to manage the risk of pests and disease coming into the country.

8. Tax

Tax can have significant consequences for investments.

If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

9. Where you can find more information

Further information relating to Walnuts NZ Co-op or the Shares (for example, Walnuts NZ Co-op's Constitution, and financial statements) is available on the Offer Register <https://disclose-register.companiesoffice.govt.nz>. A copy of the information on the Offer Register is available on request to the Registrar (email registrar@fspr.govt.nz).

Further information relating to Walnuts NZ Co-op is also available on the public Companies Register of the Ministry of Business, Innovation and Employment, <https://companies-register.companiesoffice.govt.nz>.

Further information about Walnuts NZ Co-op is also available free of charge on its website, <https://walnutsnz.co.nz/key-documents-for-information>.

Shareholders will receive annual reports and annual audited financial statements for Walnuts NZ Co-op, and other communications as and when required to update you on progress. You will also receive a notice stating the availability of such communications and how to obtain copies.

This information will be made available to you, free-of-charge, upon a written request to Walnuts NZ Co-op at:

c/o The General Manager
142 Tricketts Road
RD6 Christchurch 7676
Ph. +64-3-347-8103
gm@walnutsnz.co.nz

10. How to apply

To take up this offer to purchase Shares in Walnuts NZ Co-op:

1. Please read this PDS carefully. If you would like to know more about how Walnuts NZ Co-op operates, and its share structure, shareholders' rights, etc., please read the Constitution, which can be found on the offer register.
2. If your maximum supply is over 2,000 kg you are required to purchase Class A Shares in order to sell your walnuts to the Walnuts NZ Co-op, unless otherwise determined by the Board. If you wish to apply for this exemption, please do so using the application form at the end of this PDS. If your maximum supply is 2,000 kg or less, you are welcome to purchase Class A Shares but do not have to (but note that non-shareholders may be paid less for their walnuts than shareholders). If you choose to buy shares, even if your maximum supply is under 2000 kg, you must meet the Share Standard (one Class A Share per kilogram supplied) – there is no partial shareholding.
3. If your production is increasing you may purchase extra Class A Shares if you wish, in anticipation of future crop yields that could reasonably be expected and as approved by Walnuts NZ Co-op.
4. If you have any questions about how many Class A Shares you are required to hold to meet the Share Standard, please contact Walnuts NZ Co-op at the contact details in section 9 "Where you can find more information".
5. Fill in your details and how many Class A Shares you are purchasing on the application form at the end of this PDS, and send it with your evidence of electronic payment to our address on the form.
6. We will issue Shares and post or email out confirmations after Shares have been allotted.

You will be deemed to have applied for Class B Shares automatically if the Board of Walnuts NZ Co-op determines to reclassify Class A Shares as Class B Shares in accordance with the Constitution of Walnuts NZ Co-op, instead of your Class A Shares being surrendered for cash.

11. Contact details

If you require further information please contact Walnuts New Zealand Co-operative Limited:

c/o The General Manager
142 Tricketts Road
RD6 Christchurch 7676
Ph. +64-3-347-8103
gm@walnutsnz.co.nz

Web (Walnuts NZ Co-op): <https://walnutsnz.co.nz>

Contact information for the directors is provided on the above website. Further information about Walnuts NZ Co-op, and important documents such as the Constitution and terms and conditions of supply, can also be found here.

GLOSSARY

TERM	MEANING
Act	Companies Act 1993
Board	The board of directors of Walnuts NZ Co-op
Class A Shares	Nominal value voting shares issued by Walnuts NZ Co-op as Class A Shares, and held by Transacting shareholders of Walnuts NZ Co-op, and otherwise as described on pages ii to iii and pages 10 to 12
Class B Shares	Non-voting redeemable shares, and otherwise as described on pages ii to iii and pages 10 to 12
Constitution	The constitution of Walnuts NZ Co-op from time to time
Current Value	The value of a Share in Walnuts NZ Co-op determined by the Board from time to time by calculating the value of the total assets less total liabilities of Walnuts NZ Co-op as determined in the most recent audited financial statements of Walnuts NZ Co-op (without provision for future liabilities), and dividing that figure by the number of shares on issue in Walnuts NZ Co-op as at the date of the calculation
director	A director of Walnuts NZ Co-op
nominal value	In relation to Class A Shares, means \$2.75 per Class A share, or other amount specified in the Constitution as amended by special resolution of the Walnuts NZ Co-op shareholders, with the prior consent of the Board
Offer Register	The register containing information on the offer in this PDS available at https://disclose-register.companiesoffice.govt.nz , offer number OFR10376.
PDS	This Product Disclosure Statement
Shares	As the context requires, the Class A and/or Class B Shares of Walnuts NZ Co-op
Share Standard	As referred to in the "Key Terms of the Offer" on page ii of the PDS
surrender	The process of giving up your Shares to Walnuts NZ Co-op

Surrender Value	<p>The lesser of:</p> <ul style="list-style-type: none"> • the nominal value of the shares on the date the surrender takes place or, if any of the Shares were not fully paid for, then the amount paid up in respect of those Shares; • Current Value; • an amount agreed by the shareholder and Walnuts NZ Co-op.
Transacting shareholder	As defined in section 4 of the Co-operative Companies Act 1996. Transacting shareholder includes an owner of Shares that supplies Walnuts to Walnuts NZ Co-op
walnut	Walnuts and any other product or by-product of the walnut tree
Walnuts NZ Co-op	Walnuts New Zealand Co-operative Limited
Walnut Pay-out	The payment from Walnuts NZ Co-op to a grower in respect of walnuts supplied by the grower to Walnuts NZ Co-op
we, our, us	Walnuts New Zealand Co-operative Limited
\$	New Zealand Dollars

WALNUTS NEW ZEALAND CO-OPERATIVE LIMITED
(Walnuts NZ Co-op)

Application Form for Class A Shares

Before completing this Application Form, applicants should read Walnuts New Zealand Co-operative's replacement Product Disclosure Statement dated 28 November 2022 (PDS).

Capitalised terms have the meaning defined in this Application Form or in the PDS.

SUPPLIER DETAILS

- If your walnut orchard business is a company, then the company will be the applicant for Class A Shares in Walnuts NZ Co-op (**Applicant**).
- If it is a partnership/individual(s) then the Applicant will be the partners/individual(s).
- Unincorporated trusts such as family trusts cannot be an Applicant because they are not distinct legal entities. Instead, if your business is an unincorporated trust, the Applicant should be the trustees, and all the trustees must sign the Application Form.
- A joint application must be signed by all parties. Joint applicants agree that, unless expressly indicated on the Application Form, the Shares will be held by them jointly.

Business type (tick one box)

☐

Company

☐

Partnership

☐

Individual(s)

☐

Other

<i>Company legal details (if applicable)</i> (Company name)		(Company number)	
<i>Trading name of business supplying walnuts</i>			
<i>Full names of company directors or individuals/partners/trustees of walnut supplier business (additional names should be completed on a separate sheet of paper)</i>			
	(First names)	(Surname)	(Preferred name)
1.			
2.			
3.			
4.			

<i>Postal and physical address of walnut supplier business (registered address of company, if applicable)</i> (Rapid/street number) (Road/street name) (Rural delivery number)		
(PO Box/Private Bag)	(Town/city)	(Postcode)
<i>Residential address (if different from above)</i>		
Telephone (home)	Telephone (business)	
Email address		

PAYMENT FOR SHARES

Please find out from Walnuts NZ Co-op what your maximum supply of walnuts has been up to and including the last financial year (kilograms of dry, in-shell walnuts meeting the terms and conditions of supply).

If you have supplied over 2000 kg, the constitution of Walnuts NZ Co-op requires you to buy one share per kilogram of walnuts supplied, unless otherwise determined by the Board. If you wish to apply for an exemption, please use the application form at the end. Alternatively, you may buy more Class A Shares than required by the Share Standard, up to a number to match the crop that could reasonably be expected when your orchard is at full production. Note that we will estimate this 'expected' production at 2.5 tonnes per hectare of orchard area.

If your maximum supply is 2000 kg or less, you do not have to buy Shares, but you are welcome to do so. If you choose to buy shares, even if your maximum supply is under 2000 kg, you must meet the Share Standard (one Class A Share per kilogram supplied) – there is no partial shareholding.

Please fill in the five figures below:

Kilograms of walnuts supplied (dry, in-shell) in year of maximum supply:

Number of Class A Shares you wish to purchase:

Size of your orchard area in hectares (count only walnut blocks, and exclude area in other land uses such as gardens, roadways and paddocks):

Year, or range of years, when trees were planted:

Number of Class A Shares \times \$2.75 = Amount paid

\$

Applications must be accompanied by payment in full. Payment must be in New Zealand currency based on the issue price of \$2.75 per Share.

You may choose only ONE of the PAYMENT options below. Please tick the relevant box (✓).

OPTION 1

☐

Direct credit to: account no: 03-1553-0002676-018

OPTION 2

☐

Share payment by offset against my walnut pay-out for the current financial year. If walnut pay-out is not sufficient to cover share payment, then the additional amount has been paid by:

☐

Direct credit

☐

PAYMENT OF INCOME TO SUPPLIER/SHAREHOLDER

I have supplied my bank account details below for the purpose of direct crediting of any future rebates or dividends and walnut sales proceeds paid by Walnuts NZ Co-op. All future rebates or dividends paid by Walnuts NZ Co-op will also be to this account unless Walnuts NZ Co-op is advised otherwise in writing.

Please provide your New Zealand dollar bank account details for direct debit and/or direct credit of future dividend payments below:

Bank:

Branch:

Account number

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Applicable Prescribed Investor Rate (PIR) (Tick One Box)

<input type="checkbox"/> 0%	<input type="checkbox"/> 10.5%	<input type="checkbox"/> 17.5%	<input type="checkbox"/> 28%
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Note: If none is selected, 28% will apply.

IRD number

IRD Number of business supplying walnuts (in respect of a joint application provide only the IRD number of the applicant who is in the highest tax band)

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Identity Verification

Please attach a certified copy (see note below) of one of the following forms of identification to your application: please tick the form you have provided.

- ☐ Current and valid Passport
- ☐ Current and valid Driver's Licence
- ☐ Birth certificate (for minors and only if photo ID is not available)

OR if none of the above is available, please attach certified copies of two forms of the following forms of identification (please tick the two forms you have provided):

- ☐ Current and valid NZ Police issue photo firearms licence
- ☐ Credit card with the cardholder's photo embedded
- ☐ NZ Police photo identity card
- ☐ Current and valid national identity card
- ☐ NZ Defence photo identity card
- ☐ Current and valid student identity card

Note: The above calls for 'certified' copies of your identification. This is best practice but, at the discretion of the board, if you are personally known to one of the directors then you do not need to get the photocopies of your identity documents certified. If you are getting them certified, you would take the copies and the original documents to a JP or lawyer etc. who will sight the original document and sign the copy.

☐ Tick if you have not had your identity documents certified on the basis of being personally known to one of the directors.

Electronic verification

I/We consent to Walnuts NZ Co-op verifying my/our identity electronically using my/our details provided above and below by providing those details to a credit reporting agency or any other person or entity for that purpose. All directors/partners/individuals of the shareholding business to complete the following (alternatively you may send us a photocopy or scan of the identity page of your passport):

Name	NZ Driver's License number	License version

Electronic Correspondence & Reporting

To enable Walnuts NZ Co-op to provide you with your investor correspondence in relation to your holding in this security electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the address provided on this Application Form.

Your email address: _____

Consent for electronic communication

I/We consent to Walnuts NZ Co-op Ltd communicating with me/us by email or other electronic means to send out annual reports, AGM notices, share certificates, and other information relevant to our/my shareholding in, and walnut supply to, Walnuts NZ Co-op Ltd:

YES / NO

Delivery

The application form must be scanned and emailed to gm@walnutsnz.co.nz . The original Application Form must then be sent to Walnuts NZ Co-op at the address below.

Walnuts NZ Co-operative Limited, Attn. General Manager
142 Tricketts, RD6, Christchurch 7676

Anti Money Laundering and Countering Financing Of Terrorism Act 2009 (AML/CFT)

1. You must not knowingly do anything to put Walnuts NZ Co-op in breach of any AML/CFT law.
2. You agree to provide all additional information and assistance requested by us and to comply with all reasonable requests from us to facilitate our compliance with AML/CFT laws.
3. You represent and warrant that you are not aware and have no reason to suspect that:
 - (a) the money used to fund any investment by you is derived from or related to any criminal or other illegal activities, money laundering, terrorism financing or similar activities (**Illegal Activities**); or
 - (b) the proceeds of any investment will fund any Illegal Activities.
4. You agree that we are not liable for any losses incurred as a result of any action we take which either delays your investment or results in an application being declined, when these actions are necessary for us to comply with our obligations under AML/CFT laws.

The Privacy Act

This statement relates to the personal information that you are providing to Walnuts NZ Co-op by way of this application and any subsequent personal information which you may provide in the future.

The personal information you have supplied may be used by Walnuts NZ Co-op (and its related entities) for the purposes of enabling Walnuts NZ Co-op to arrange and manage your investment and the supply and sale of walnuts, and to contact you in relation to your investment and the supply and sale of walnuts.

You further authorise us to disclose your personal information to any third parties as needed to perform services on your behalf; to regulatory bodies or law enforcement agencies as required by law; to meet our legal or regulatory obligations; and to any party proposing to acquire an interest in us.

We will provide you (on request) with the name and address of any entity to which information has been disclosed.

You have the right to access all personal information held about you by us. If any of the information is incorrect, you have the right to have it corrected.

You acknowledge that you are authorised to provide personal information on behalf of the applicant and other persons named in this Application Form, and evidence of this authority is provided (in the case of a parent/guardian/other providing information about the applicant). You agree that your name and address may be used by us to provide you with newsletters and other information about Walnuts NZ Co-op and other products and services.

Certificate of Non-Revocation of Power of Attorney

(Complete this section if you are acting on behalf of the Applicant on this Application for whom you have power of attorney)

I, _____ *(full name)*

of _____ *(place and country of residence),*

_____ *(occupation),*

CERTIFY:

- THAT by deed dated _____ *(date of instrument creating the power of attorney),*
_____ *(full name of person/body corporate*
_____ *which granted the power of attorney)*
_____ *(place and country of residence of person/body*
of _____ *corporate which granted the power of attorney**)*

appointed me, _____ attorney;
_____ *(his/her/its)*

- THAT I have executed the application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney.

Signed at _____ this _____ day of _____ *(month/year)*

Signature of attorney _____

*** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.*

Certificate of Non-Revocation of Agent

(Complete this section if you are acting as an agent on behalf of the Applicant on this Application)

I, _____ *(full name)*

of _____ *(place and country of residence),*

_____ *(occupation),*

CERTIFY:

• THAT by the agency agreement dated _____ *(date of instrument creating the power of attorney),*
_____ *(full name of person/body corporate which appointed you as agent)*
of _____ *(place and country of residence of person/body corporate you appointed as agent**)*

appointed me, _____ agent;
(his/her/its)

• THAT I have executed the application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

• THAT I have not received notice or information of the revocation of my appointment as agent.

Signed at _____ this _____ day of _____ *(month/year)*

Signature of agent _____

*** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.*

Signatures of Applicants

I have read and retained a copy of the attached Product Disclosure Statement for Walnuts NZ Co-op and agree to be bound by the terms and conditions of the Constitution. I agree to the terms outlined above in relation to the Privacy Act, the supply of personal information, email use and AML/CFT law.

I agree that submission of this application form to Walnuts NZ Co-op constitutes consent to the issue of Class A Shares now and to any future share issue to me as required to meet Walnuts NZ Co-op's Share Standard, in accordance with the Constitution.

If applicable, submission of this application form to Walnuts NZ Co-op also constitutes consent to the issue of Class B Shares (should your Class A Shares be reclassified as Class B Shares in the future), in accordance with the Constitution.

I consent to Walnuts NZ Co-op Ltd:

- making share transaction confirmation information (on the issue, transfer or redemption/surrender of Shares) available through an electronic facility on a substantially continuous basis (if such a facility is established by Walnuts NZ Co-op at any time);
- giving share transaction confirmation information (on the issue, transfer or redemption/surrender of Shares) to me or delivering or sending it to me to my address not later than 10 working days after the last day of each six monthly reporting period determined by the Board of Walnuts NZ Co-op (if such a practice is adopted by Walnuts NZ Co-op at any time).

An application received by Walnuts NZ Co-op cannot be withdrawn or revoked by the applicant.

I understand that investment in Walnuts NZ Co-op is subject to investment risk, including possible delays in repayment and loss of income or principal invested. I understand that neither Walnuts NZ Co-op nor any other person guarantees the performance of Walnuts NZ Co-op or the repayment of capital by Walnuts NZ Co-op or any particular rate of return.

I hereby apply for the number of Class A Shares set out above and agree to accept such Shares (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

All applicants on the Application Form must sign.

Signature: _____

Date: _____

Signature: _____

Date: _____

Signature: _____

Date: _____

Signature: _____

Date: _____

APPLICATION FOR EXEMPTION FROM BUYING SHARES

If you have supplied over 2000 kg of walnuts to the factory in a year, the constitution of Walnuts NZ Co-op requires you to be a shareholder if you wish to supply your walnuts to the factory, unless otherwise determined by the Board.

If you wish to apply for an exemption, please fill in the 'Supplier details' and 'Payment of Income to Supplier/ Shareholder' sections of the Application Form, and the form below. Please also read the Privacy Statement in the Application Form, and respond to the Consent for electronic communication statement in the Application Form.

I/We have supplied over 2000 kg of walnuts to Walnuts NZ Co-op in a year. I/We wish to continue supplying walnuts to Walnuts NZ Co-op without being a shareholder in Walnuts NZ Co-op for the reason stated below. I/We understand that the Board of Walnuts NZ Co-op has discretion over granting this exemption.

Reason for applying for exemption (e.g. charitable organisation selling walnuts for fund-raising purposes):

Signatories

1. I/We agree that I/we have received and read the PDS.
2. I/We have read, understood and agree to the Privacy statement in the Application Form.
3. I/We have read, understood and responded to the Consent for electronic communication statement in the Application Form.
4. I/We confirm that the information supplied in this application by me/us is true and complete and can be relied upon by Walnuts NZ Co-operative Ltd.

All directors/partners/individuals of the supplying business to sign:

1.	(Print full name)	
	(Signature)	(Date)
2.	(Print full name)	
	(Signature)	(Date)
3.	(Print full name)	
	(Signature)	(Date)
4.	(Print full name)	
	(Signature)	(Date)