

Annual Report

Happy Valley Milk Limited
For the year ended 30 June 2019

Prepared by VCFO Group Limited

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Happy Valley Milk Limited

Opinion

We have audited the financial statements of Happy Valley Milk Limited Limited, which comprise the statement of financial position as at 30 June 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Happy Valley Milk Limited as at 30 June 2019, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZIFRS RDR).

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 Happy Valley Milk Limited, 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 we have no relationship with, or interests in, Happy Valley Milk Limited.

Director's 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 NZIFRS RDR, 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 to cease operations, or have no realistic alternative but to do so.

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.



A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

This description forms part of our auditor's report.

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which are required to state to them in an 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 and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants
Auckland, New Zealand

15 October 2019

Approval of Financial Report

Happy Valley Milk Limited For the year ended 30 June 2019

The Directors are pleased to present the approved financial report including the historical financial statements of Happy Valley Milk Limited for the year ended 30 June 2019.

APPROVED

For and on behalf of the Board of Directors.



David McCann



Randolph van der Burgh

Date: 15/10/2019

Directory

Happy Valley Milk Limited For the year ended 30 June 2019

Nature of Business

Construction and operation of milk processing plant

New Zealand Business Number

9429042287346

IRD Number

119-441-153

Directors

David McCann

Randolph van der Burgh

Ivan Hammerschlag

Registered Office

VCFO Group Limited
Level 1, 96 St Georges Bay Rd
Parnell
Auckland 1052

Chartered Accountants

VCFO Group Limited
Level 1, 96 St Georges Bay Rd
Parnell
Auckland 1052

Bankers

ASB Bank Limited
PO Box 35
Shortland Street
Auckland 1140

Solicitors

Jackson Russell
Level 13, The AIG Building
41 Shortland St
Auckland 1140

Statement of Comprehensive Income

Happy Valley Milk Limited

For the year ended 30 June 2019

	NOTES	2019	APR 2017-JUN 2018
Trading Income			
Interest Income		4,580	713
Cost recovery fees		8,088	-
Total Trading Income		12,668	713
Gross Profit		12,668	713
Operating Expenses			
Advertising		706	-
Accountancy and secretarial expenses		16,038	9,653
Advisory Board		4,032	-
Audit fees		16,610	-
Bank Fees		770	713
Chairman's fees		92,554	-
Communications		29,050	-
Consents - Annual Sponsorship		5,000	-
Consents - Annual Charges		2,903	-
Convertible Note Issue expenses		-	174,072
Depreciation	8	2,507	-
Directors' Fees		208,731	75,000
Entertainment		243	-
Insurance		14,750	-
KiwiSaver Employer Contributions		2,375	-
Loan Note issue expenses		177,768	-
Office Expenses		1,408	1,462
Printing & Stationery		148	-
Rates		718	-
Recruitment Expense		3,600	2,530
Rent		10,095	-
Salaries		217,820	-
Subscriptions		1,636	-
Sundry expenses		1,319	-
Telephone & Internet		1,899	-
Travel - International		8,896	6,531
Travel - National		19,845	-
Virtual Executive Assistant		4,511	-
Total Operating Expenses		845,934	269,961
Net Profit (Loss) Before Taxation		(833,265)	(269,248)
Taxation and Adjustments			
Income Tax Expense/(Credit)	4	75,395	(75,395)

The financial statements have been audited and are to be read in conjunction with the Audit Report.



Statement of Comprehensive Income

	NOTES	2019	APR 2017-JUN 2018
Entertainment - Non deductible		267	-
Total Taxation and Adjustments		75,662	(75,395)
Net Profit (Loss) for the Year		(908,927)	(193,853)

The financial statements have been audited and are to be read in conjunction with the Audit Report.



Statement of Financial Position

Happy Valley Milk Limited

As at 30 June 2019

	NOTES	30 JUN 2019	30 JUN 2018
Assets			
Current Assets			
Cash and Bank	7	1,362,162	2,006,867
Trade and Other Receivables		-	55,424
GST Receivable		25,748	45,007
Income Tax Receivable	3	1,610	235
Total Current Assets		1,389,521	2,107,533
Non-Current Assets			
Property, Plant & Equipment	8	5,630,834	3,890,107
Deferred Tax	4	-	75,395
Capitalised Interest		14,193	-
Total Non-Current Assets		5,645,027	3,965,502
Total Assets		7,034,548	6,073,036
Liabilities			
Current Liabilities			
Trade and Other Payables	9	429,006	458,744
Balance to settle 132 Ouruwhero Rd		-	210,000
Convertible Notes	10	3,214,165	3,214,165
Total Current Liabilities		3,643,171	3,882,909
Non-Current Liabilities			
Loan	11	2,110,177	-
Total Non-Current Liabilities		2,110,177	-
Total Liabilities		5,753,348	3,882,909
Net Assets		1,281,200	2,190,127
Equity			
Share Capital	6	2,420,000	2,420,000
Retained Earnings		(1,102,800)	(193,873)
Share issue costs		(36,000)	(36,000)
Total Equity		1,281,200	2,190,127

The financial reports have been audited and should be read in conjunction with the Audit Report.

Statement of Cash Flows

Happy Valley Milk Limited

For the year ended 30 June 2019

	2019	APR 2017-JUN 2018
Operating Activities		
Rent and Lease payments	(11,592)	-
Interest received	4,533	713
Income tax refunded/(paid)	(1,359)	280
GST	12,756	(5,050)
Cash receipts from other operating activities	8,088	-
Payments to suppliers and employees	(1,007,060)	(270,115)
Net Cash Flows from Operating Activities	(994,634)	(274,172)
Investing Activities		
Payment for property, plant and equipment	(1,816,430)	(1,504,329)
Other cash items from investing activities	55,424	(55,424)
Net Cash Flows from Investing Activities	(1,761,006)	(1,559,753)
Financing Activities		
Proceeds of long-term loans	2,110,177	-
Repayment of short-term loans	758	-
Capital contributed from shareholders	-	600,000
Convertible Notes	-	3,214,165
Share issue costs	-	(36,000)
Net Cash Flows from Financing Activities	2,110,935	3,778,165
Net Cash Flows	(644,705)	1,944,240
Cash and Cash Equivalents		
Cash and cash equivalents at beginning of period	2,006,867	62,628
ASB Cheque Account	(2,742)	7,388
ASB Savings Account	(641,963)	1,936,852
Cash and cash equivalents at end of period	1,362,162	2,006,867
Net change in cash for period	(644,705)	1,944,240

The financial reports have been audited and should be read in conjunction with the Audit Report.



Statement of Changes in Equity

Happy Valley Milk Limited

For the year ended 30 June 2019

	2019	APR 2017-JUN 2018
Equity		
Opening Balance	2,190,127	1,819,980
Increases		
Share Capital	-	600,000
Total Increases	-	600,000
Decreases		
Loss for the Period	908,927	193,853
Share issue costs	-	36,000
Total Decreases	908,927	229,853
Total Equity	1,281,200	2,190,127

The financial reports have been audited and should be read in conjunction with the Audit Report.



Notes to the Financial Statements

Happy Valley Milk Limited For the year ended 30 June 2019

1. Reporting Entity

Happy Valley Milk Limited (HVM) is a company incorporated under the Companies Act 1993 and is engaged in the business of constructing and operating a milk processing plant.

This General Purpose financial report was authorised for issue in accordance with a resolution of directors dated 10 October 2019.

2. Statement of Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with relevant provisions of the General Purpose Framework in accordance with NZ IFRS RDR. The company is eligible to report under NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

Historical Cost

These financial statements have been prepared on an historical cost basis. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

Changes in Accounting Policies

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous reporting period.

Revenue Recognition

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Accounts Receivable

Accounts receivable are recognised initially at fair value, less an allowance for any uncollectable amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

Goods and Services Tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Income Tax

Income tax is accounted for using the deferred tax basis method.

Deferred tax is recognised in respect of tax losses and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised on the basis that there is probable realisation through future profits.



Capital Raising Costs

Share issue costs are debited against share capital raised, while Convertible Notes and loan issue costs are expensed.

Convertible Notes

Convertible Notes are classified as debt where there is a right to redemption in cash.

Property, Plant & Equipment

Happy Valley Milk Limited classifies its property as owned owner-occupied property in accordance with NZ IAS 16. Property is stated at historical cost and includes expenditure directly attributable to the acquisition of assets together with the cost of development.

	2019	APR 2017-JUN 2018
3. Income Tax Expense		
Net Profit (Loss) Before Tax	(833,265)	(269,248)
Deductions from Taxable Profit		
Losses brought forward	269,268	20
Total Deductions from Taxable Profit	269,268	20
Losses carried forward	(1,102,533)	(269,268)
Tax Payable at 28%	-	-
Deductions from Tax Payable		
Opening Balance	235	515
Net resident withholding tax paid/(refunded)	1,375	(280)
Total Deductions from Tax Payable	1,610	235
Income Tax Payable (Refund Due)	(1,610)	(235)
	2019	APR 2017-JUN 2018

4. Deferred Tax

Deferred Tax Asset	-	75,395
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The deferred tax asset has not been carried forward as the anticipated change in shareholding following the ASX listing will result in the losses being extinguished.

	2019	APR 2017-JUN 2018
5. Imputation Credit Account		
Imputation Credit Account		
Opening Balance	235	515
Increases		
Resident Withholding Tax Paid	1,511	235
Total Increases	1,511	235
Decreases		
Income Tax refunded	136	515
Total Decreases	136	515
Total Imputation Credit Account	1,610	235



	2019	APR 2017-JUN 2018
6. Share Capital		
Share capital	2,420,000	2,420,000
Total Share Capital	2,420,000	2,420,000

The company has issued 10,000 fully paid ordinary shares with equal rights and no other classes of shares.

	2019	APR 2017-JUN 2018
7. Bank and Cash		
Bank and Cash (Bank Overdraft)		
ASB Cheque Account	6,337	9,079
ASB Savings Account	1,355,826	1,997,788
Total Bank and Cash (Bank Overdraft)	1,362,162	2,006,867

	2019	APR 2017-JUN 2018
8. Property, Plant & Equipment		
Opening Balance	3,890,107	1,897,480
Additions - Land	-	220,000
Additions - Development costs	1,735,462	1,772,627
Additions - Office Equipment	7,772	-
Less depreciation	(2,507)	-
Total Property, Plant & Equipment	5,630,834	3,890,107

	2019	APR 2017-JUN 2018
9. Trade Payables		
Spark Loan	758	-
Returned payment	(765)	-
PAYE Payable	37,743	-
Accounts Payable	88,328	328,994
Accruals	302,943	129,750
Total Trade Payables	429,006	458,744



10. Convertible Notes

Secured Convertible Notes

On 21 May 2018 HVM entered into a Secured Convertible Note Deed with the following key terms:

- i. Denominated in New Zealand dollars
- ii. 21 November 2019 maturity date
- iii. Aggregate amount of NZ\$3,214,165
- iv. No interest payable for the interest free period and interest at 20% pa thereafter
- v. Convertible into HVM shares on listing on the ASX at a fixed ratio of $(X/0.7619) - X$, where X means the total number of HVM shares on issue immediately prior to conversion
- vi. Redeemable under certain circumstances
- vii. These convertible notes are secured by a first ranking GSA

On 10 October 2019 HVM entered into the Amended HVM Convertible Note Deed which amongst other things:

- i. Amended the interest free period to end on 31 March 2020
- ii. Amended the conversion and redemption sunset date to 31 March 2020
- iii. The convertible notes are redeemable if HVM is not listed on or before the sunset date

Unsecured Convertible Notes

As part of the Deed of Termination and Release (refer Note 13), on 10 October 2019 HVM entered into the Amended LGO Convertible Note Deed with the following key terms:

- i. Denominated in Australian dollars
- ii. 5 November 2020 maturity date
- iii. Aggregate amount of A\$1,250,000 in the following two tranches:
 - Tranche 1: A\$500,000 issued on 5 May 2019 and novated and assigned to HVM on 10 October 2019
 - Tranche 2: A\$750,000 issued on 10 October 2019
- iv. Convertible into HVM shares on listing on the ASX at a conversion price equal to 80% of the issue price per HVM shares
- v. Redeemable if HVM has not listed on or before the maturity date. Aggregate redemption amount of A\$1,562,500 comprising:
 - A\$625,000 in connection with tranche 1
 - A\$937,500 in connection with tranche 2
- vi. These convertible notes are unsecured



11. Loan

On 2 May 2019 HVM entered into a Secured Loan Agreement with Gleneagle Securities Nominees Pty Ltd which is a related party with the following key terms:

- i. Denominated in Australian dollars
- ii. 2 November 2020 maturity date
- iii. Aggregate amount of A\$2,000,000
- iv. Redemption amount of A\$2,400,000
- v. The loan is secured by a second ranking GSA
- vi. Loan has an interest rate of 20%

On 10 October 2019 HVM entered into the Amended Secured Loan Agreement which amongst other things:

- i. Amended the repayment date to the earlier of the maturity date or the date that is 5 business days after the date that HVM is listed on the ASX.
- ii. Amended repayment obligation so that HVM in its absolute discretion, may repay the redemption amount by issuing HVM shares on listing on the ASX to the aggregate value of A\$2,500,000 (equivalent to a conversion price equal to 80% of the IPO issue price per HVM share).

12. Going Concern

The going concern assumption is dependent on the company raising sufficient capital, both equity and debt, to build and operate the milk processing plant.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the company be unable to continue as a going concern.

13. ASX Listing

Following advice and receipt of in principle approval from the Australian Stock Exchange (ASX), HVM is pursuing a front door listing by way of an initial public offering of HVM's shares on the ASX instead of the previously proposed back door listing transaction with Longreach Oil ("LGO") under the Share Purchase Agreement dated 20 March 2018 between HVM, LGO, Gleneagle Securities Nominees Pty Ltd and shareholders (the "SPA").

A Deed of Termination and Release between HVM and LGO in relation to the SPA and related documents has received the necessary approvals and consents from shareholders, convertible note holders and loan note holders on 10 October 2019.

HVM is currently completing its ASX listing application and prospectus.

	2019	APR 2017-JUN 2018
14. Related Parties		
Payables		
Olwyn Ventures Ltd - shareholder	15,015	15,000
VCFO Group Ltd - shareholder in common	13,901	3,162
Total Payables	28,916	18,162
Purchases		
Olwyn Ventures Ltd - shareholder	180,195	225,000



	2019	APR 2017-JUN 2018
VCFO Group Ltd - shareholder in common	301,058	246,542
Total Purchases	481,253	471,542

Olwyn Ventures Limited, an HVM shareholder, provided investor relations and sale and distribution services.

VCFO Group Limited, a company partly owned by Randolph van der Burgh, an HVM shareholder, provided finance, accounting and project modelling services.

15. Commitments

The Company has entered in to an agreement with Beca for ongoing consulting fees of \$347,500 in relation to concept layout design and Agreed Planning Support.

16. Audit fees

Audit fees for 12 months ended 30 June 2019 were \$11,000 (June 2018: \$5,000)

17. Subsequent Events

Up to the date of the Audit Report the following subsequent events have occurred:

1. Refer to Notes 10, 11,12 and 13 above.
2. On 4 July 2019 HVM entered in to a conditional Sale and Purchase Agreement to acquire Waipa Meadows for \$3,200,000. The Agreement is subject to a number of conditions including obtaining Overseas Investment Office approval.
3. On 17 September 2019 the Company changed its name to Happy Valley Nutrition Limited.

