ravensdown

# Here to enable smarter farming for a better New Zealand.

# Ka pūkekotia a Rongomātāne, ka poho kererū a Aotearoa.

Annual Report 2019

Contents






## Separate to this Annual Report, Ravensdown has published an Integrated Report which looks at the topics material to our stakeholders: the challenges and the solutions that are delivering value and managing risk. You can download a copy at: integratedreporting.ravensdown.co.nz

Check out videos, downloads and how we engage with stakeholders at: integratedreporting.ravensdown.co.nz

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The Board of Directors of Ravensdown Limited is pleased to present to shareholders the Annual Report and financial statements for Ravensdown Limited and its subsidiaries (together Ravensdown) and Ravensdown's interest in associates and joint ventures for the year ended 31 May 2019.

**John Henderson**
Chair

**Stuart Wright**
Deputy – Chair

**Kate Alexander**

**Scott Gower**

**Tony Howey**

**Peter Moynihan**

**Bruce Wills**

**Jason Dale**

**Glen Inger**

# Finance at a Glance

After four years of market-leading returns in terms of rebate and a strong profit in 2019, it is prudent the co-operative retains funds to maintain Ravensdown's long-term ability to support shareholders.

The profit before rebate and taxes from our continuing businesses was $52 million. A full rebate of $30 per tonne will be made to shareholders, which includes a $15 per tonne interim rebate announced in March 2019. Discontinued activities contributed a loss (after taxes) of $1.6 million. After assessing requirements to fund current and future projects that will assist shareholders to farm smarter, $12 million after rebate and taxes will be retained.

Revenue increased by over $70 million, with much of the increase due to higher commodity prices and a weaker New Zealand dollar. We opted to minimise the increase on fertiliser prices by reducing margin and accordingly, profit. A strong financial position enabled the group to make this decision without impacting on key ratios.

Sales and marketing expenses increased over the prior year and include a number of additional staff for our expanding environmental consultancy team to meet customer demand. Administration costs have also increased, however include a $1.3 million adjustment for Holidays Act remediation costs. Increased requirements for Information Technology systems and services have also contributed to the increase in Administration costs.

Our ongoing commitment to our Research and Development saw this year's expenditure increasing to over $5 million.

In October, a fire damaged the intake and storage facilities at the Christchurch manufacturing site. The company holds insurance policies and the claim has been accepted, with the repair work progressing. Ravensdown holds a deductible which has been expensed this year.

Our fifth year of the asbestos replacement plan impacted our profit by $1.4 million, however this was lower than forecast with contractors redeployed to repair damage caused by the Christchurch fire.

Equity continued to grow, now $451 million after allowing for this year's rebates. The equity ratio of 70% after rebates continues to remain in our target range, however staying at this level is important to ensure Ravensdown can continue to fund ongoing capital expenditure and R&D projects.

Operating cashflow of $32 million was impacted by the decision to reduce margins, an increase in the cost of the stock we held at year end and an increase in May sales which are collected in June i.e. the next financial year.

Investments in infrastructure, technology and other projects continue with $33 million invested. After deducting $10 million received for sale of assets, our net capital expenditure for the year was $23 million. Net bank debt increased to $69 million, reflecting higher value of stock on hand and an increase in Receivables for the month of May 2019.

A recent change to the accounting standards requires us to show the rebates we make to shareholders in a different part of the Income Statement. The rebate is now required to be included under Revenue. This is a reporting change only and does not impact on business performance or results. To assist readers, we have prepared an alternative format which is similar to how we have presented the rebate historically.

**70%**

Equity ratio

2017-18 **71%**

**$12m**

Profit retained

2017-18 $**7m**

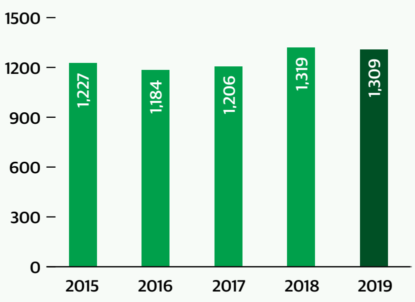
**$5.2m**

Expenditure supporting R&D

2017-18 $**4.7m**

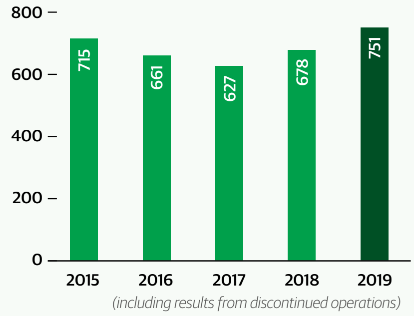
# FINANCE AT A GLANCE

## NEW ZEALAND FERTILISER SALES (THOUSAND TONNES)



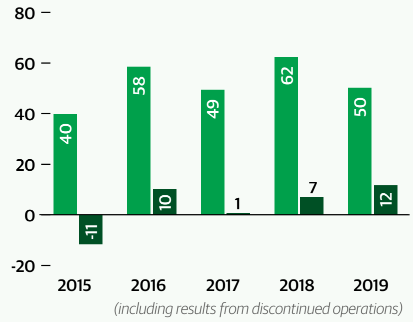

- Fertiliser volumes have remained strong.

## SALES REVENUE ($M)




- Increase in revenue reflects an increase in commodity prices in New Zealand dollar terms.

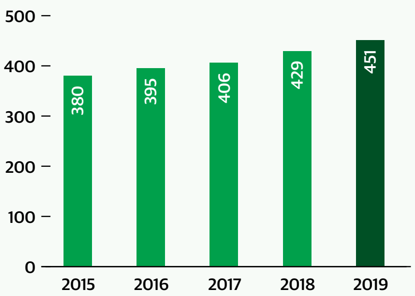
## NET PROFIT COMPARED WITH NET PROFIT AFTER REBATE AND TAX ($M)




**Net profit**
**Net profit after rebate and tax**

- Decrease in profit as a result of reduced prices in market and increased costs. Retaining income to fund future investment.

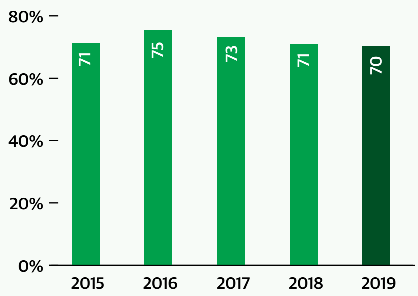
## TOTAL EQUITY ($M)




- We have continued to add shareholder value with increasing total equity.

## EQUITY RATIO %

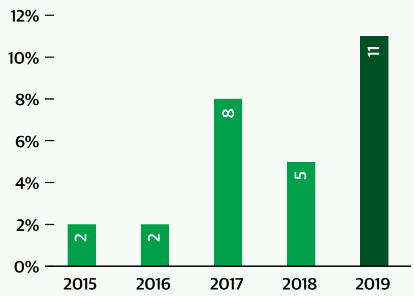
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute




- The equity ratio remains in our targeted band.

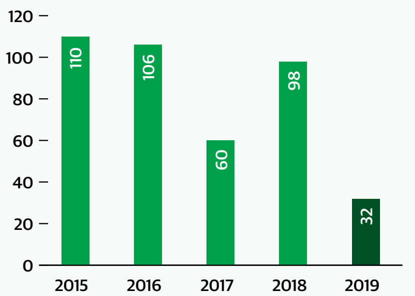
## DEBT RATIO (%)

Bank debt divided by total tangible assets – illustrates how much bank debt is used to fund assets




- Year-end debt ratio increased as a result of increased inventories on hand and lower prices in market. Remains in a sustainable band.

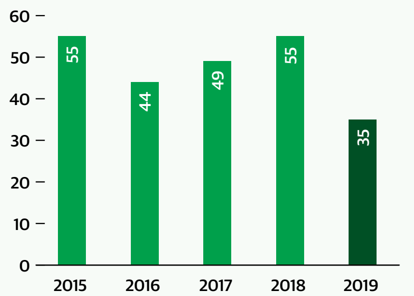
## OPERATING CASH FLOW ($M)




- Decrease in operating cash flow reflects lower prices in market and increased inventory and accounts receivable.

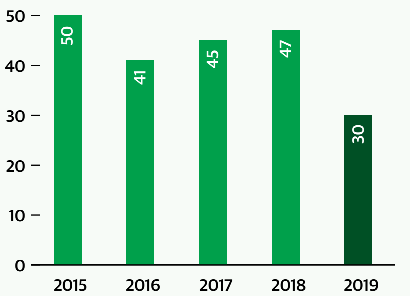
## VALUE OF REBATE TO SHAREHOLDERS ($M)

Total dollar of distribution to shareholders comprising rebates




- Continue to return profit to shareholders while retaining income to fund future investment.

## SHAREHOLDER RETURN ($/T)




- For the fourth year in a row we have returned cash back earlier with an interim rebate.

## Directors' Declaration

**The Board of Directors of Ravensdown Limited is pleased to present to shareholders the financial statements for Ravensdown Limited and its subsidiaries (together Ravensdown) and Ravensdown's interest in associates and joint ventures for the year ended 31 May 2019.**

In the opinion of the Directors, the financial statements and notes on pages 6 to 31:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of Ravensdown as at 31 May 2019 and the results of its operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of Ravensdown and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of Ravensdown, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Board does not consider that there has been any change during the year ended 31 May 2019 in the nature of Ravensdown's business or the classes of business in which Ravensdown has an interest.

For and on behalf of the Board of Directors:

**J.F.C. Henderson**
Chair

*31 July 2019*

**A.S. Wright**
Deputy Chair

# Financial Statements and Notes to the Financial Statements

## Financial Statements



## Notes to the Financial Statements

# Consolidated Income Statement

For the year ended 31 May

| In thousands of New Zealand dollars | Note | 2019 | 2018 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | A1 | 750,336 | 678,002 |
| Rebates to shareholders | C1 | (34,832) | (55,344) |
| **Revenue after rebates to shareholders** | | **715,504** | **622,658** |
| Cost of sales | | (626,025) | (554,052) |
| **Gross profit** | | **89,479** | **68,606** |
| Sales and marketing expenses | | (32,140) | (29,938) |
| Administrative expenses | | (33,076) | (27,292) |
| Other operating expenses | | (5,145) | (4,580) |
| Results from operating activities | | **19,118** | **6,796** |
| Finance income | | 380 | 837 |
| Finance expenses | | (5,008) | (4,127) |
| Net finance costs | A2 | **(4,628)** | **(3,290)** |
| Share of profit of equity accounted investees (after tax) | D2 | 2,455 | 4,300 |
| **Profit before income tax** | | **16,945** | **7,806** |
| Income tax (expense) | A4 | (3,841) | (36) |
| **Profit for the year from continuing operations** | | **13,104** | **7,770** |
| **Discontinued operations** | | | |
| Loss after tax for the year | D5 | (1,552) | (822) |
| **Profit for the year attributable to equity holders** | | **11,552** | **6,948** |

| | | | |
|---|---|---|---|
| **Non-GAAP Presentation** | | | |
| Revenue | | 750,336 | 678,002 |
| Cost of sales | | (626,025) | (554,052) |
| **Gross profit before rebates to shareholders** | | **124,311** | **123,950** |
| **Profit before rebate and income tax** | | **51,777** | **63,150** |
| Rebates to shareholders | | (34,832) | (55,344) |
| **Profit before tax** | | **16,945** | **7,806** |
| Income tax (expense) | | (3,841) | (36) |
| **Profit for the year from continuing operations** | | **13,104** | **7,770** |

*The notes to the financial statements form an integral part of these financial statements.*

## Consolidated Statement of Other Comprehensive Income

For the year ended 31 May

| In thousands of New Zealand dollars | Note | 2019 | 2018 |
|---|---|---|---|
| **Profit for the year** | | **11,552** | **6,948** |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Revaluation of non current assets | | 3,783 | 7,450 |
| Related tax | A4 | (1,388) | (1,127) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation differences for foreign operations | A4 | 18 | (19) |
| Net change in fair value of cash flow hedges | A4 | (480) | 6,557 |
| Related tax | A4 | 58 | (2,224) |
| **Other comprehensive income for the year** | | **1,991** | **10,637** |
| **Total comprehensive income for the year** | | **13,543** | **17,585** |
| **Attributable to:** | | | |
| Continuing operations | | 15,341 | 18,600 |
| Discontinued operations | D5 | (1,798) | (1,015) |
| | | **13,543** | **17,585** |

*The notes to the financial statements form an integral part of these financial statements.*

## Consolidated Statement of Financial Position

As at 31 May

| In thousands of New Zealand dollars | Note | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | C4 | 1,833 | 1,975 |
| Trade and other receivables | C2 | 94,729 | 78,684 |
| Inventories | B4 | 159,236 | 134,899 |
| Derivative financial assets | C2 | 6,268 | 7,558 |
| Current tax assets | | - | 2,433 |
| Assets held for sale | D5 | 639 | 9,878 |
| **Total current assets** | | **262,705** | **235,427** |
| | | | |
| Property, plant and equipment | B1 | 320,698 | 314,664 |
| Intangible assets | B2 | 19,279 | 16,983 |
| Mining deposits | B3 | 15,659 | 15,863 |
| Investments in equity accounted investees | D2 | 19,797 | 17,969 |
| Investment property | D5 | 3,289 | 3,785 |
| **Total non-current assets** | | **378,722** | **369,264** |
| **Total assets** | | **641,427** | **604,691** |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | C2 | 51,764 | 60,278 |
| Employee entitlements | A3 | 14,362 | 11,919 |
| Loans and borrowings | C5 | 70,380 | 30,272 |
| Provision for rebate | C1 | 34,642 | 55,169 |
| Derivative financial liabilities | C2 | 109 | 117 |
| Current tax liabilities | | 1,771 | - |
| **Total current liabilities** | | **173,028** | **157,755** |
| | | | |
| Derivative financial liabilities | C2 | - | 472 |
| Deferred tax liabilities | A4 | 17,833 | 17,060 |
| **Total non-current liabilities** | | **17,833** | **17,532** |
| **Total liabilities** | | **190,861** | **175,287** |
| **Net assets** | | **450,566** | **429,404** |
| | | | |
| **Equity** | | | |
| Co-operative shares | C6 | 309,830 | 302,211 |
| Reserves | | 73,313 | 73,842 |
| Retained earnings | | 67,423 | 53,351 |
| **Total equity** | | **450,566** | **429,404** |

*The notes to the financial statements form an integral part of these financial statements.*

# Consolidated Statement of Cash Flows

For the year ended 31 May

| In thousands of New Zealand dollars | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 731,585 | 677,935 |
| Dividends received | | 1,722 | 1,439 |
| Payments to suppliers and employees | | (700,849) | (582,998) |
| Income tax (paid)/refunded | | (119) | 1,419 |
| **Net cash flows from operating activities** | C4 | **32,339** | **97,795** |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | 10,179 | 5,768 |
| Insurance proceeds | | 4,100 | - |
| Net movements in loans provided to equity accounted investees | | (1,055) | (158) |
| Acquisition of property, plant and equipment | | (27,117) | (33,566) |
| Acquisition of other non-current assets | | (6,520) | (11,010) |
| Acquisition of shares in associates | | (50) | - |
| **Net cash flows (used in) investing activities** | | **(20,463)** | **(38,966)** |
| **Cash flows from financing activities** | | | |
| Interest received | | 381 | 588 |
| Proceeds from issue of share capital | | 23 | 50 |
| Interest paid | | (4,958) | (4,390) |
| Repayment of share capital | | (9,284) | (8,511) |
| Payment of rebates | | (38,480) | (35,298) |
| Net movements in loans and borrowings | | 40,300 | (12,000) |
| **Net cash flows (used in) financing activities** | | **(12,018)** | **(59,561)** |
| Net decrease in cash and cash equivalents | | (142) | (732) |
| Cash and cash equivalents at 1 June | | 1,975 | 2,707 |
| **Cash and cash equivalents at 31 May** | | **1,833** | **1,975** |

*The notes to the financial statements form an integral part of these financial statements.*

## Statement of Changes in Equity

For the year ended 31 May

| In thousands of New Zealand dollars | Note | Co-operative shares | Translation reserve | Hedging reserve | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 June 2017** | | **296,373** | **120** | **(1,749)** | **66,369** | **44,868** | **405,981** |
| Profit for the year attributed to equity holders | | – | – | – | – | 6,948 | 6,948 |
| Foreign currency translation differences for foreign operations | | – | (19) | – | – | – | (19) |
| Revaluation of property, plant and equipment, net of tax | | – | – | – | 6,323 | – | 6,323 |
| Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment | | – | – | – | (1,535) | 1,535 | – |
| Net change in fair value of cash flow hedges | | – | – | 4,333 | – | – | 4,333 |
| **Total comprehensive income for the year** | | **–** | **(19)** | **4,333** | **4,788** | **8,483** | **17,585** |
| Total contributions by and distributions to equity holders | C6 | 5,838 | – | – | – | – | 5,838 |
| **Balance at 31 May 2018** | | **302,211** | **101** | **2,584** | **71,157** | **53,351** | **429,404** |
| **Balance at 1 June 2018** | | **302,211** | **101** | **2,584** | **71,157** | **53,351** | **429,404** |
| Profit for the year attributed to equity holders | | – | – | – | – | 11,552 | 11,552 |
| Foreign currency translation differences for foreign operations | | – | 18 | – | – | – | 18 |
| Revaluation of property, plant and equipment, net of tax | | – | – | – | 2,395 | – | 2,395 |
| Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment | | – | – | – | (2,520) | 2,520 | – |
| Net change in fair value of cash flow hedges | | – | – | (422) | – | – | (422) |
| **Total comprehensive income for the year** | | **–** | **18** | **(422)** | **(125)** | **14,072** | **13,543** |
| Total contributions by and distributions to equity holders | C6 | 7,619 | – | – | – | – | 7,619 |
| **Balance at 31 May 2019** | | **309,830** | **119** | **2,162** | **71,032** | **67,423** | **450,566** |

*The notes to the financial statements form an integral part of these financial statements.*

### Explanation of Reserves

*Foreign Currency Translation Reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge Ravensdown's net investment in a foreign branch.

*Hedging Reserve*

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

*Revaluation Reserve*

The revaluation reserve relates to the revaluation of freehold land and freehold buildings in accordance with accounting policies stated in note B1.

# Notes to the Financial Statements

## About this Report

### In this section

The notes to the consolidated financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and position of Ravensdown. Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Ravensdown;
- it helps to explain changes in Ravensdown's business; or
- it relates to an aspect of Ravensdown's operations that is important to future performance.

### Reporting Entity

The parent company, Ravensdown Limited is a company domiciled in New Zealand, registered under the Companies Act 1993, the New Zealand Co-operative Companies Act 1996, the Australian Corporations Act 2001 and the Western Australia Companies Co-operative Act 1943. The company is a FMC Reporting Entity under the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with this Act.

These consolidated financial statements are for Ravensdown Limited and its subsidiaries (together referred to as "Ravensdown") and Ravensdown's interests in associates and joint ventures as at and for the year ended 31 May 2019.

Ravensdown is primarily involved in the supply of inputs and services to the agricultural sectors in New Zealand and is a profit-oriented entity.

### Basis of Preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements are presented in New Zealand dollars rounded to the nearest thousand. The financial statements were authorised for issue by the directors on 31 July 2019.

### Foreign Currency

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined.

### Critical Judgements and Estimates

In the process of applying Ravensdown's accounting policies and the application of accounting standards, Ravensdown has made a number of judgements and estimates. The estimates and underlying assumptions are based on historic experience and various other factors that are considered to be appropriate under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

Judgements and estimates which are considered material to understanding the performance of Ravensdown are found in the following notes:

| | |
|---|---|
| Property, Plant and Equipment | Note B1 |
| Inventories | Note B4 |

### Measurement System

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- certain items of property, plant and equipment are revalued in accordance with Ravensdown's policy of revaluation
- available for sale assets are measured at the lower of fair value less costs to sell and carrying value

### Accounting Policies

The accounting policies set out in these financial statements have been applied consistently in all periods presented in these financial statements. Other accounting policies that are relevant to understanding the financial statements are provided within the notes to the financial statements.

## Basis of Consolidation

Ravensdown's financial statements comprise the financial statements of Ravensdown Limited and its significant subsidiaries (being entities controlled by Ravensdown Limited), as contained in note D1 Significant Subsidiaries.

The financial statements of members of Ravensdown are prepared for the same reporting period as Ravensdown Limited, using consistent accounting policies.

In preparing Ravensdown's financial statements, intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Ravensdown's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## New Accounting Standards

The following two new accounting standards were adopted from 1 June 2018 onwards:

**NZ IFRS 9 Financial Instruments**

*NZ IFRS 9 Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

Ravensdown notes below the impacts from the adoption of NZ IFRS 9 on 1 June 2018:

- There is no impact on Ravensdown's accounting for financial liabilities. The new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and Ravensdown does not have such liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments and have not been changed.
- The new hedge accounting rules align the accounting for hedging instruments more closely with Ravensdown's risk management practices. As a general rule, more hedge relationships should be eligible for hedge accounting, as the standard introduces a more principles-based approach. From 1 June 2018, Ravensdown's hedge documentation was updated to align with the requirements of NZ IFRS 9. Ravensdown's current hedge relationships qualify as continuing cash flow hedges upon the adoption of NZ IFRS 9. Under NZ IFRS 9, Ravensdown's forward foreign exchange contracts are accounted for as cash flow hedges, whereby the changes in the full fair value of the forward contract is recognised in other comprehensive income (to the extent the hedge is effective). Accordingly, NZ IFRS 9 does not have a significant impact on Ravensdown's accounting treatment for its hedging relationships. The nature and extent of Ravensdown's disclosure note for its hedging relationships has been changed and been incorporated into these consolidated financial statements for the period ended 31 May 2019 (refer note C2 and C3).
- The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as was the case under NZ IAS 39. The standard applies to Ravensdown for financial assets classified at amortised cost, being Ravensdown's trade receivables. Based on Ravensdown's assessment of historical provision rates and forward-looking analysis, there is no material financial impact on the impairment provisions.

In accordance with the transitional provisions in NZ IFRS 9, Ravensdown has not restated comparative amounts for the period prior to first adoption.

**NZ IFRS 15 Revenue from Contracts with Customers**

*NZ IFRS 15 Revenue from Contracts with Customers* establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under NZ IFRS 15, Ravensdown recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Ravensdown notes below the impacts from the adoption of NZ IFRS 15 on 1 June 2018:

- Rebates paid to shareholders have been reclassified in the Consolidated Income Statement. Specifically, the rebates are now recognised as variable consideration and are required to be treated as discounts to customers and offset against revenue. Previously, the rebates were presented as a separate component of the Consolidated Income Statement directly above profit before tax. This reclassification has reduced revenue and gross margin by $34.8 million in the current year (2018: $55.3 million), but has no impact on Ravensdown's net profit after tax or total comprehensive income.
- There are no material impacts on revenue recognition or the comparative Statement of Financial Position.
- The nature and extent of Ravensdown's disclosure note for revenue has been changed and been incorporated into these consolidated financial statements for the period ended 31 May 2019 (refer note A1).

## Standards and Interpretations Not Yet Adopted

**NZ IFRS 16 Leases** effective for the year ending 31 May 2020

*NZ IFRS 16 Leases* will replace the current guidance in NZ IAS 17. Under NZ IAS 17, a lessee is required to make a distinction between operating leases (off balance sheet) and finance leases (on balance sheet). NZ IFRS 16 will require a lessee to recognise a right-of-use asset and a corresponding lease liability for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The income statement will also be impacted by the recognition of an interest expense and an amortisation expense as well as the removal of the current lease rental expense.

This standard will affect primarily the accounting treatment for Ravensdown's operating leases. As at 31 May 2019, Ravensdown has non-cancellable operating lease commitments of $15.1 million (refer note E2). On adoption, NZ IFRS 16 will have a material impact on the Ravensdown's Consolidated Statement of Financial Position and Consolidated Income Statement.

Management has developed a model to calculate the full quantitative impact of their current operating leases under NZ IFRS 16 as at 1 June 2019, being the date of adoption. The model requires management to make some key judgements including:

- The incremental borrowing rate used to discount lease assets and liabilities; and
- The lease term including potential rights of renewals.

The impact on the Consolidated Statement of Financial Position for the period ending 31 May 2020 is expected to be:

- Recognition of a right of use asset of approximately $9.5 million;
- Recognition of a lease liability of approximately $11.1 million; and
- Decrease in opening retained earnings of approximately $1.6 million before tax and $1.2 million after tax.

Management is in the process of assessing the deferred tax implications on the date of adoption. Subject to issuance of specific guidance from the accounting standard setters, it is expected that a deferred taxation asset of approximately $0.5 million will be recognised at 1 June 2019.

The impact on the Consolidated Income Statement for the period ending 31 May 2020 is expected to be:

- Decrease in the operating lease expense of approximately $3.8 million;
- Increase in depreciation and amortisation expense of approximately $2.8 million; and
- Increase in finance expenses (interest expense) of approximately $1.3 million.

The above changes are for financial reporting purposes only and will have no cashflow effect to Ravensdown.

Current estimates are likely to change for the period ending 31 May 2020, mainly due to:

- Finalisation of management's judgements and subsequent movements in the inherent borrowing rate (interest rates);
- New lease contracts entered into by Ravensdown;
- Changes to existing lease contracts; and
- Change in management's judgement to exercise rights of renewals under lease agreements.

Adopting the retrospective approach under NZ IFRS 16, Ravensdown will not restate comparative amounts for the period prior to first adoption and will instead make the adjustment to opening retained earnings referred to above of approximately $1.2 million, as outlined in NZ IFRS 16 paragraph C7.

Ravensdown will apply the following practical expedient in adopting NZ IFRS 16:

- The use of hindsight to determine the lease term where the lease contains options to extend or terminate the lease;
- The option to exclude initial direct costs from measuring the right-of-use asset at the date of initial application; and
- The option to apply a single discount rate to a portfolio of leases with similar characteristics.

# A. Financial Performance

**In this section**

This section explains the financial performance of Ravensdown, providing additional information about individual items in the income statements, including:

a) Accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statements; and
b) Analysis of Ravensdown's performance for the year by reference to key areas including: rebates, expenses and taxation.

## A1. Revenue

### Measurement and Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Ravensdown recognises revenue from the sale of goods at the point when it transfers control of the goods over to the customer, which is when the goods are picked up by the customer or upon shipment of the goods to the customer. For services, Ravensdown recognises revenue over time using an input method to measure progress towards completing the satisfaction of the service.

Insurance proceeds are recognised when received or when receipt is highly probable. Recovery is considered to be highly probable when there is a loss event covered under an insurance contract and the amount recoverable can be estimated reliably and is not disputed.

### Disaggregation of Revenue

Set out below is the disaggregation of Ravensdown's revenue:

| | 2019 | 2018 |
|---|---|---|
| Revenue from contracts with customers | 742,501 | 677,037 |
| Insurance proceeds | 7,835 | 965 |
| **Revenue** | **750,336** | **678,002** |

*Insurance proceeds include recoveries relating to the claim for the fire damage to the Christchurch manufacturing site in October 2018. The total amount of the proceeds outstanding at 31 May 2019 was $3.7 million (note C2).*

## A2. Finance Income and Expenses

| | 2019 | 2018 |
|---|---|---|
| Other interest income | 381 | 588 |
| Net change in fair value of foreign currency options through profit or loss | – | 253 |
| Finance income | 381 | 841 |
| Interest expense on financial liabilities measured at amortised cost | (4,557) | (3,987) |
| Net change in fair value of foreign currency options through profit or loss | (330) | – |
| Fair value of cash flow hedges transferred from equity | (401) | (403) |
| Finance expense | (5,288) | (4,390) |
| **Net finance costs[1]** | **(4,907)** | **(3,549)** |

*1 Included within net finance costs is $279,000 of costs attributable to discontinued operations incurred in the year ended 31 May 2019 (2018: $259,000). The results of the discontinued operations are shown as a net figure in the Consolidated Income Statement.*

### Measurement and Recognition

*Finance income includes interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.*

*Finance expenses comprise interest expense on borrowings and losses on interest rate hedging instruments that are recognised in profit or loss. All borrowing costs other than those relating to hedging instruments are recognised in profit or loss using the effective interest method.*

## A3. Personnel Expenses

| | 2019 | 2018 |
|---|---|---|
| Wages and salaries | 64,101 | 59,416 |
| Holidays Act 2003 remediation costs | 1,282 | 833 |
| Superannuation – defined contribution | 3,585 | 3,292 |
| Increase in liability for long-service leave | 159 | 4 |
| **Total personnel expenses** | **69,127** | **63,545** |
| | | |
| **Transactions with key management personnel** | | |
| Sales of goods and services | 4,876 | 4,659 |
| Purchases of goods and services | (16) | (12) |
| Closing receivables | 511 | 437 |
| | | |
| Key management personnel compensation comprised: | | |
| Employee benefits | 4,184 | 3,729 |
| Directors' fees | 852 | 890 |
| Superannuation contributions | 305 | 222 |

**Measurement and Recognition – Employee Benefits**

*Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and short term and long term employee incentives for services rendered. Provisions are recognised when it is probable they will be settled and can be measured reliably. They are carried at the remuneration rate expected to apply at the time of settlement. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.*

*Key management personnel are Ravensdown's Leadership Team and the Ravensdown Limited Board of Directors. All transactions with key management personnel were carried out on a commercial basis.*

*There is a Defined Contribution superannuation scheme that employees are entitled to join where Ravensdown matches their contributions up to specified limits.*

*The Board of Directors do not receive superannuation contributions as part of their remuneration package.*

## A4. Taxation

| Income Tax Expense Recognised in the Income Statement | 2019 | 2018 |
|---|---|---|
| **Current tax expense** | | |
| Current period tax charge | 4,284 | 783 |
| Adjustment for prior periods | 48 | (24) |
| | 4,332 | 759 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (562) | (719) |
| Adjustment for prior periods | 2 | (97) |
| | (560) | (816) |
| **Total income tax expense/(benefit)** | **3,772** | **(57)** |
| | | |
| *Reconciliation of tax expense* | | |
| Profit for the year – continuing operations | 13,104 | 7,770 |
| Loss for the year – discontinued operations | (1,552) | (822) |
| Total income tax expense – continuing operations | 3,841 | 36 |
| Total income tax (benefit) – discontinued operations | (69) | (93) |
| Profit before tax | **15,324** | **6,891** |
| | | |
| Income tax using the Company's domestic tax rate of 28% | 4,291 | 1,929 |
| Non-deductible/(non-taxable) items | 118 | (661) |
| Tax effect of post tax equity accounted earnings | (687) | (1,204) |
| Under/(over) provided in prior periods | 50 | (121) |
| **Total income tax expense/(benefit)** | **3,772** | **(57)** |

**Measurement and Recognition**

*Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.*

**Current Income Tax Expenses**

*Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.*

*Total income tax expense/(benefit) is net of the income tax benefit from the discontinued operations.*

| Income Tax Recognised Directly in Other Comprehensive Income | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Before tax | Tax (expense)/ benefit | Net of tax | Before tax | Tax (expense)/ benefit | Net of tax |
| Foreign currency translation differences for foreign operations | 18 | (77) | (59) | (19) | (388) | (407) |
| Net change in revaluation reserve | 3,783 | (1,388) | 2,395 | 7,450 | (1,127) | 6,323 |
| **Total movements attributable to revaluation reserves** | **3,801** | **(1,465)** | **2,336** | **7,431** | **(1,515)** | **5,916** |
| Net change in fair value of cash flow hedges | (480) | 135 | (345) | 6,557 | (1,836) | 4,721 |
| **Total movements attributable to derivatives** | **(480)** | **135** | **(345)** | **6,557** | **(1,836)** | **4,721** |
| **Total** | **3,321** | **(1,330)** | **1,991** | **13,988** | **(3,351)** | **10,637** |

| **Deferred Tax** | **2019** | **2018** |
|---|---|---|
| Balance at beginning of year | **17,060** | **14,551** |
| *Temporary differences in profit or loss:* | | |
| Property, plant and equipment | (517) | (795) |
| Payables | (654) | (353) |
| Other Items | 611 | 332 |
| | (560) | (816) |
| *Temporary differences in other comprehensive income:* | | |
| Revaluation reserve movements | 1,388 | 1,127 |
| Derivatives | (58) | 2,224 |
| | 1,330 | 3,351 |
| Effect of movements in exchange rates | 3 | (26) |
| Balance at end of year | **17,833** | **17,060** |
| *Consisting of:* | | |
| Property, plant and equipment | 18,121 | 17,247 |
| Derivatives | 1,724 | 1,859 |
| Other items | 1,218 | 653 |
| Deferred tax liability | **21,063** | **19,759** |
| Trade and other payables | (2,917) | (2,339) |
| Other items | (313) | (360) |
| Deferred tax asset | **(3,230)** | **(2,699)** |
| **Net deferred tax liability** | **17,833** | **17,060** |

**Deferred Tax**

*Deferred tax is income tax which is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:*

- *from the initial recognition of goodwill;*
- *from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss; and*
- *differences relating to investments in subsidiaries and equity accounted investees to the extent that they probably will not reverse in the foreseeable future.*

*Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.*

*Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available to use the asset. This is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the deferred tax asset.*

**Imputation credits**

*As at balance date imputation credits available for use in subsequent periods totalled $49.6 million (2018: $43.7 million).*

# B. Key Operating Assets

**In this section**

This section shows the assets Ravensdown uses to generate operating revenues, including:

a) Property, plant and equipment;
b) Intangible assets;
c) Mining deposits; and
d) Inventories

## B1. Property, Plant and Equipment

| | Land and improvements | Buildings and improvements | Plant, machinery and vehicles | Capital works in progress | Total |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| Balance at 1 June 2017 | 48,895 | 88,818 | 273,707 | 48,695 | 460,115 |
| Additions | 2,430 | 11,892 | 12,021 | 7,235 | 33,578 |
| Transfer from capital works in progress | – | 13,865 | 21,413 | (35,278) | – |
| Revaluations | 2,366 | 1,980 | – | – | 4,346 |
| Disposals | (1,199) | (1,215) | (2,658) | – | (5,072) |
| **Balance at 31 May 2018** | **52,492** | **115,340** | **304,483** | **20,652** | **492,967** |
| | | | | | |
| Balance at 1 June 2018 | 52,492 | 115,340 | 304,483 | 20,652 | 492,967 |
| Additions | 838 | 2,733 | 13,156 | 10,772 | 27,499 |
| Transfer from capital works in progress | – | 4,788 | 8,695 | (13,483) | – |
| Revaluations | 1,214 | (1,091) | – | – | 123 |
| Impairment[1] | – | – | (1,637) | – | (1,637) |
| Disposals | – | (30) | (14,850) | – | (14,880) |
| **Balance at 31 May 2019** | **54,544** | **121,740** | **309,847** | **17,941** | **504,072** |
| | | | | | |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 June 2017 | – | 508 | 165,199 | – | 165,707 |
| Depreciation for the year | – | 3,186 | 14,761 | – | 17,947 |
| Revaluations | – | (3,066) | – | – | (3,066) |
| Disposals | – | (15) | (2,270) | – | (2,285) |
| **Balance at 31 May 2018** | **–** | **613** | **177,690** | **–** | **178,303** |
| | | | | | |
| Balance at 1 June 2018 | – | 613 | 177,690 | – | 178,303 |
| Depreciation for the year | – | 3,882 | 18,066 | – | 21,948 |
| Revaluations | – | (3,800) | – | – | (3,800) |
| Impairment[1] | – | – | (81) | – | (81) |
| Disposals | – | (13) | (12,983) | – | (12,996) |
| **Balance at 31 May 2019** | **–** | **682** | **182,692** | **–** | **183,374** |
| | | | | | |
| **Carrying amounts** | | | | | |
| At 1 June 2017 | 48,895 | 88,310 | 108,508 | 48,695 | 294,408 |
| **At 31 May 2018** | **52,492** | **114,727** | **126,793** | **20,652** | **314,664** |
| | | | | | |
| **At 31 May 2019** | **54,544** | **121,058** | **127,155** | **17,941** | **320,698** |

*1 The impairment relates to damaged plant and machinery following the fire at the Christchurch manufacturing site and is recognised in cost of sales. The insurance proceeds relating to the impaired assets are disclosed in note A1.*

### Measurement and Recognition

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are revalued with changes in fair value recognised directly in equity.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### Depreciation

Depreciation is recognised in profit or loss to allocate the cost or revalued amount of an asset, less any residual value, over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

### Impairment

The carrying amounts of Ravensdown's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Cash-generating units are the lowest levels for which there are separately identifiable cash flows. Impairment losses are recognised in the income statement, unless the assets are carried at a revalued amount, in which case the impairment is treated as a revaluation decrease in equity.

The recoverable amount is the higher of an asset or cash-generating unit's fair value less costs to sell and present value of future cash flows expected to be generated by the assets (value in use).

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount would have been determined had no impairment loss been recognised.

### Key judgements and estimates useful lives

Ravensdown makes estimates of the remaining useful lives of assets, which are as follows:

| | | |
|---|---|---|
| Land | Indefinite | |
| Land Improvements | 25 years | Diminishing value |
| Buildings and fitout | 30 years | Straight line |
| Fixed plant and equipment | 4–15 years | Straight line |
| Mobile plant and motor vehicles | 5 years | Diminishing value |
| Fixed wing aircraft | 33 years | Straight line |

Aircraft are subject to ongoing maintenance programmes which include the use of rotable assets held as spare parts.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### Valuation Basis of Land and Buildings

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates.

The fair value of property and land is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

New Zealand land and buildings were independently valued as at 31 May 2019 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. Australian land and buildings were independently valued as at 31 May 2019 by Mr M Klenke of Aon Global Risk Consulting.

Had Ravensdown's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

| | 2019 | 2018 |
|---|---|---|
| Land | 19,349 | 18,710 |
| Buildings | 73,678 | 71,726 |

## B2. Intangible Assets

| | Patents and Registrations | Resource Consents | Goodwill | Software | Total |
|---|---|---|---|---|---|
| Balance at 1 June 2017 | 1,783 | 2,822 | 722 | 6,406 | 11,733 |
| Additions | 437 | – | – | 8,418 | 8,855 |
| Amortisation for the year | (25) | (316) | – | (3,264) | (3,605) |
| **Net book value at 31 May 2018** | **2,195** | **2,506** | **722** | **11,560** | **16,983** |
| Additions | 116 | – | – | 6,244 | 6,360 |
| Amortisation for the year | (28) | (316) | – | (3,720) | (4,064) |
| **Net book value at 31 May 2019** | **2,283** | **2,190** | **722** | **14,084** | **19,279** |
| Cost | 3,934 | 5,714 | 775 | 30,731 | 41,154 |
| Less accumulated amortisation and impairment | (1,651) | (3,524) | (53) | (16,647) | (21,875) |
| **Net book value at 31 May 2019** | **2,283** | **2,190** | **722** | **14,084** | **19,279** |

### Measurement and Recognition

*Patents and registrations*

Costs associated with acquiring patents and registrations are capitalised and amortised over the life of the assets. The assets primarily comprise patents and registrations that enable Ravensdown to distribute animal health and agrochemical products throughout New Zealand.

*Resource consents*

Costs incurred in obtaining resource consents for Ravensdown's three manufacturing sites are capitalised and amortised from the granting of the consent on a straight line basis for the period of the consent. The remaining life of the resource consents range between 2 years and 29 years.

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

*Software*

Costs associated with acquiring software are capitalised at cost and amortised over the life of the assets. The costs of internally generated software comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. The assets primarily comprise software costs for Ravensdown's operating and information technology systems, aviation systems and customer centred applications based around farm management systems.

**Amortisation and estimated useful lives**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Ravensdown uses its judgement in determining the remaining useful lives and residual value of intangible assets. These are reviewed and, if appropriate, adjusted at each balance date. Amortisation rates selected are as follows:

| | |
|---|---|
| Patents and registrations | 6–20 years |
| Resource consents | 14–35 years |
| Software | 2–8 years |

Intangible assets with an indefinite useful life are not amortised. Instead, they are assessed annually for any indication of impairment.

### Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development costs are capitalised if they can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Ravensdown intends to and has sufficient resources to complete development and to use or sell the asset.

Ravensdown's primary focus of its research and development activities is the improvement of the science of cycling nutrients through pastoral and arable farming systems.

Total research and development expense recognised in the Consolidated Income Statement is $5.2 million (2018: $4.7 million). Net development costs capitalised to Work In Progress for the remote-sensing of soil fertility on hill country was $5.4 million, which is net of $4.6 million funding from the Primary Growth Partnership grant (2018: $4.6 million net, $3.9 million grant).

## B3. Mining Deposits

| | 2019 | 2018 |
|---|---|---|
| Balance at 1 June | 15,863 | 16,134 |
| Balance at 31 May | **15,659** | **15,863** |

Mining deposits represent Ravensdown's ownership in limestone quarries throughout New Zealand, utilised for the production of lime fertiliser products.

**Measurement and Recognition**

*Ravensdown operates a mixed model; in some instances the resource is owned by Ravensdown, in others the resource is acquired on a royalty basis. The quarries are measured at either fair value on acquisition or the costs associated with developing existing quarries to extend their economic life. Available resource is considered on a tonnage basis. The resources are amortised on a per tonne of extraction basis*

*Rehabilitation of lime quarry sites is provided for on an annual basis. The provision reflects the estimated life of the quarry and the potential rehabilitation cost.*

## B4. Inventories

| | 2019 | 2018 |
|---|---|---|
| Finished goods | 131,140 | 107,556 |
| Raw materials | 28,096 | 27,343 |
| **Total inventories** | **159,236** | **134,899** |

Inventories in the Financial Statements are reported as either finished goods or raw materials. All inventories are considered a finished good unless they are to be utilised in the production of superphosphate or its related products.

At 31 May 2019, no impairment to inventory was recognised in the Consolidated Income Statement (2018: $20,000).

**Measurement and Recognition**

*Inventories are measured at the lower of cost and net realisable value. Ravensdown uses both the first-in first-out principle and the weighted average cost formula to assign costs to inventories. The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.*

**Key judgements and estimates**

Ravensdown uses judgement in measuring the quantity of inventory on hand due to the nature of bulk fertiliser products and density factors. As bulk fertiliser is placed and drawn from storage, it settles in irregular shapes. The density of the fertiliser also changes with compaction and atmospheric conditions. Both of these factors contribute to estimation uncertainty when the quantity on hand is measured to arrive at the value of inventory reported in the Financial Statements.

# C. Risk Management and Funding

## In this section

This section explains the financial risks Ravensdown faces, how these risks affect Ravensdown's financial position and performance, and how Ravensdown manages these risks. In addition, this section explains how Ravensdown manages its capital structure, working capital and the various funding sources. In this section of the notes there is information about:

a) Ravensdown's approach to capital and financial risk management;
b) Net debt;
c) Cash and receivables; and
d) Equity and rebates.

## C1. Rebates

Ravensdown exercises judgement in determining the level of rebates provided each year. Total rebates are determined with reference to the overall profitability of Ravensdown for the year and the need to balance this with ensuring sufficient reserves, as considered necessary by the Directors, are retained. Rebates for the year ended 31 May 2019 were issued at $30 per qualifying tonne on all qualifying tonnes of fertiliser purchased by transacting shareholders (2018: $47 per qualifying tonne).

### Measurement and Recognition

*Rebates are provided for based on the qualifying tonnage sold for the year at a rate determined by the Board. Shareholders who hold less than the quota shareholding as determined by the Board may have a portion of their rebate paid in shares. For financial reporting purposes, rebates are treated as discounts to shareholders and offset against revenue in the Consolidated Income Statement.*

### Provision for Rebates

| | 2019 | 2018 |
|---|---|---|
| Rebate | 34,642 | 55,169 |

### Measurement and Recognition

*Provisions for rebates are recognised when the obligations and the amounts of the distributions can be measured reliably. The effect of any under or over provision, as a consequence of confirmed tonnages, is reflected in the Consolidated Income Statement the following year.*

### Capital Management

Ravensdown's capital includes share capital, reserves and retained earnings. Ravensdown's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. This target is achieved through balancing retention of certain reserves with Ravensdown's share rebate process.

Ravensdown's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There have been no material changes in Ravensdown's management of capital during the period.

Ravensdown is subject to external banking covenants. There have not been any breaches of Ravensdown's banking covenants in the year.

## C2. Financial Risk Management

Ravensdown's activities expose it to a variety of financial risks through the normal course of its business. The Board approves policies (including Ravensdown Treasury and Credit policies) which set appropriate principles and risk tolerance levels to guide management in carrying out financial risk management activities to minimise potential adverse effects on the financial performance and economic value of Ravensdown. In order to manage foreign exchange and interest rate risks arising from operational and financing activities, Ravensdown enters into derivative arrangements to hedge its exposure. A financial risk management committee comprised of management provides oversight for risk management and derivative activities. The Board re-evaluates risk policies on a regular basis. Ravensdown does not hold or issue derivative financial instruments for trading purposes.

Ravensdown is exposed to commodity price risk. This is partially mitigated through negotiated long term supply contracts with a geographical diverse range of suppliers and the use of commodity swaps to hedge commodity price risk.

**Interest Rate Risk**

Ravensdown is exposed to interest rate risk on the cash flows arising from borrowings held at floating rates. Ravensdown uses Interest Rate Swaps to achieve an appropriate mix of fixed and floating rate exposure as set out in policy guidelines established by the Board. At 31 May 2019 the nominal amount of Interest Rate derivatives held is $10 million (2018: $10 million).

### Cash flow sensitivity

At 31 May 2019 it is estimated that a general increase of one percentage point in interest rates would decrease Ravensdown's profit before income tax by approximately $1.3 million (2018: $1.1 million). A decrease of one percentage point would increase Ravensdown's profit before income tax by the same amount.

### Fair value sensitivity

At 31 May 2019 it is estimated that a general increase of one percentage point in interest rates would increase Ravensdown's equity (pre tax) by approximately nil (2018: $0.1 million). A decrease of one percentage point would decrease Ravensdown's equity (pre tax) by the same amount.

**Foreign Currency Risk**

Ravensdown is exposed to foreign currency risk on purchases and borrowings that are denominated in a currency other than the functional currency. The currencies in which transactions are usually denominated is U.S. dollars (USD). Ravensdown uses forward exchange contracts and options to hedge its foreign currency risk.

In managing foreign currency risk, Ravensdown hedges up to 100% of all trade payables denominated in a foreign currency. Ravensdown also hedges up to 100% of its estimated foreign currency exposure in respect of forecasted purchases over a period that is approved by the Board. The investment in the Australian branch is hedged by way of Australian dollar denominated borrowings.

### Measurement and Recognition – Derivative Financial Instruments

Derivative financial instruments comprise of forward exchange contracts, options and interest rate swaps. Derivatives are initially recognised at fair value and are subsequently remeasured to their credit adjusted fair value using observable market prices as at reporting date, discounted cash flow models or option pricing models as appropriate. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as an effective hedging instrument, in which event the timing of recognition or loss depends on the nature of the hedge relationship. Derivatives that do not qualify for hedge accounting are accounted for as held for trading instruments.

### Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss. In the event that a hedging instrument is sold, terminated or exercised prior to maturity and the original forecast transaction is no longer forecast to occur, the resultant gain/loss is recognised immediately in the profit or loss.

### Sensitivity to movements in foreign currency

A strengthening of the New Zealand dollar, as indicated below, against the USD would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that Ravensdown considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

The following disclosures relate to the valuation of foreign exchange exposures as at 31 May. Ravensdown has foreign exposures throughout the financial year which fluctuate both in terms of the amount of the exposures at any one time and the effect of movements in the exchange rate. As at 31 May 2019, the notional amount of USD foreign exchange contracts held were $100.1 million (2018: $139.7 million).

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | USD | EURO | AUD | USD | EURO | AUD |
| Trade payables | (10,455) | (281) | (484) | (21,227) | (44) | (521) |
| Net balance sheet – foreign operations | – | – | 9,253 | – | – | 8,260 |
| Net balance sheet exposure before hedging activity | (10,455) | (281) | 8,769 | (21,227) | (44) | 7,739 |
| Forward exchange contracts relating to exposures | 10,455 | – | – | 21,227 | – | – |
| Net unhedged exposure | – | (281) | 8,769 | – | (44) | 7,739 |
| NZD equivalent | – | (481) | 9,304 | – | (73) | 8,368 |
| Sensitivity to 10% strengthening of NZD (pre tax): | | | | | | |
| Increase/(decrease) on equity | (13,809) | – | (892) | (17,997) | – | (812) |
| Increase/(decrease) on profit | 1,455 | 44 | 47 | 2,757 | 7 | 51 |
| Sensitivity to 10% weakening of NZD (pre tax): | | | | | | |
| Increase/(decrease) on equity | 16,877 | – | 1,091 | 21,996 | – | 992 |
| Increase/(decrease) on profit | (1,778) | (53) | (57) | (3,370) | (8) | (63) |

**Credit Risk**

Ravensdown is exposed to credit risk from the possibility that a customer contract will result in a financial loss to Ravensdown or that a counter party will fail to perform their obligations. Ravensdown's exposure to credit risk is mainly influenced by its customer base and banking counterparties.

Ravensdown has a credit policy in place under which each new customer is analysed for credit worthiness. Credit risk is mitigated through most customers also being shareholders of Ravensdown Limited as their share capital may be utilised in cases of default. Ravensdown's customer base is primarily concentrated in the agriculture sector. Investments and derivatives are only made with reputable financial institutions or banks with a minimum Standard and Poor's credit rating of A+ or Moody's A-1+.

The carrying amount of financial assets represents Ravensdown's maximum credit exposure. Ravensdown does not have any material credit risk concentrations. Ravensdown has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

**Trade and Other Receivables**

| | 2019 | 2018 |
|---|---|---|
| Not past due | 86,161 | 73,067 |
| Past due 1 – 30 days | 684 | 645 |
| Past due more than 30 days | 1,640 | 2,645 |
| Less: Provision for impairment in receivables | (1,179) | (1,284) |
| **Total trade receivables** | **87,306** | **75,073** |
| Insurance receivable | 3,735 | 965 |
| Prepayments | 3,688 | 2,646 |
| **Total trade and other receivables** | **94,729** | **78,684** |

**Measurement and Recognition**

*Trade receivables are measured on initial recognition at fair value, and are subsequently carried at amortised cost. Fair value is estimated as the present value of expected future cash flows.*

**Impairment of Trade Receivables**

*A provision for the impairment of receivables is established using the expected credit losses model, which is based on forward-looking analysis taking into account historical provision rates and relevant macroeconomic factors. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.*

**Liquidity Risk**

Liquidity risk represents Ravensdown's ability to meet its contractual obligations. Ravensdown evaluates its liquidity requirements on an on-going basis. In general, Ravensdown generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following tables analyse Ravensdown's financial liabilities, including net and gross settled financial instruments, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and hence will not necessarily reconcile with the amounts disclosed in the balance sheet.

| **2019** | **Carrying value** | **Contractual cash flows** | **0-12 months** | **1-3 years** |
|---|---|---|---|---|
| **Non-derivative financial liabilities**[1] | | | | |
| Trade and other payables | 51,764 | 51,764 | 51,764 | – |
| Loans and borrowings | 70,380 | 70,539 | 70,539 | – |
| | **122,144** | **122,303** | **122,303** | **–** |
| **Cash flow hedge derivatives** | | | | |
| Net foreign exchange contracts | 5,998 | 6,002 | 6,002 | – |
| Interest rate swaps | (107) | (108) | (108) | – |
| Commodity swaps | 268 | 268 | 268 | – |
| Total net derivative assets/(liabilities) | **6,159** | **6,162** | **6,162** | **–** |
| Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss | **6,159** | **6,162** | **5,520** | **642** |

| **2018** | Carrying value | Contractual cash flows | 0-12 months | 1-3 years |
|---|---|---|---|---|
| **Non-derivative financial liabilities**[1] | | | | |
| Trade and other payables | 60,278 | 60,278 | 60,278 | – |
| Loans and borrowings | 30,272 | 30,341 | 30,341 | – |
| | **90,550** | **90,619** | **90,619** | **–** |
| **Cash flow hedge derivatives** | | | | |
| Net foreign exchange contracts | 7,055 | 6,762 | 6,762 | – |
| Interest rate swaps | (472) | (498) | (398) | (100) |
| Commodity swaps | 386 | 386 | 386 | – |
| Total net derivative assets/(liabilities) | **6,969** | **6,650** | **6,750** | **(100)** |
| Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss | **6,969** | **6,650** | **5,598** | **1,052** |

*1 All contractual cash flows arising from non-derivative financial liabilities are expected to be settled within three months of balance date.*

## C3. Fair Value of Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities approximate their fair value and are categorised below:

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Loans and receivables | 92,874 | 78,013 |
| Derivatives designated at fair value | 6,268 | 7,558 |
| **Total assets** | **99,142** | **85,571** |
| **Liabilities** | | |
| Derivatives designated at fair value | 109 | 589 |
| Other liabilities at amortised cost | 171,148 | 157,638 |
| **Total liabilities** | **171,257** | **158,227** |

Loans and receivables consist of: cash and cash equivalents, and trade and other receivables. Other liabilities at amortised cost consist of: loans and borrowings, trade and other payables, employee entitlements, and rebates payable.

### Measurement and Recognition – Trade Payables

Trade payables are recognised initially at fair value on the trade date at which Ravensdown becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Fair value is calculated based on the expected future cash outflows required to settle the contractual obligations at the reporting date.

### Fair value hierarchy

Ravensdown has financial instruments carried at fair value. The following hierarchy defines the valuation method used to value these instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Ravensdown financial instruments carried at fair value are defined as level 2 for valuation purposes for 2019 and 2018. At 31 May 2019, the fair value of Ravensdown's derivative financial instruments was a $6.2 million asset (2018: $7.0 million asset).

## C4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Ravensdown's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Advances and repayments in the banking facilities are reported in the statement of cash flows on a net basis because the turnover is quick, the amounts are large and the maturities are short.

### Reconciliation of Operating Cash Flows

| | **2019** | 2018 |
|---|---|---|
| Profit for the year | 11,552 | 6,948 |
| *Adjustments for:* | | |
| **Items classified as investing or financing activities** | | |
| Rebates to shareholders | 34,832 | 55,344 |
| Interest income | (381) | (588) |
| Interest expense | 4,958 | 4,390 |
| Insurance proceeds | (4,100) | – |
| **Items not involving cash flows** | | |
| Depreciation, amortisation and loss on disposals | 27,986 | 22,097 |
| (Increase) in deferred tax | (560) | (816) |
| Impairment of non current assets | 797 | 1,748 |
| Financial instruments | 330 | (253) |
| (Increase) in equity accounted investees | (736) | (2,862) |
| Income tax expense | 4,213 | 2,176 |
| **Changes in working capital** | | |
| (Increase) in inventories | (24,337) | (20,402) |
| (Increase) in trade and other receivables | (16,059) | (2,125) |
| (Decrease)/increase in trade and other payables | (6,156) | 32,138 |
| **Net cash from operating activities** | **32,339** | **97,795** |

## C5. Loans and Borrowings

| | **2019** | 2018 |
|---|---|---|
| **Current liabilities** | | |
| Loans and borrowings | 70,380 | 30,272 |

### Measurement and Recognition

Borrowings are recognised initially at fair value on the drawn facility amount, net of transaction costs paid. Subsequent to this, borrowings are stated at amortised cost using the effective interest method.

The loans are drawings on Ravensdown's revolving credit facility. At 31 May 2019, the facility available was $210 million (2018: $210 million). The excess headroom in the facility is available to ensure sufficient capital during peak periods arising due to seasonality of operations. The facility is made up of four tranches with expiration dates of May 2020, May 2021 and May 2022. The interest rate is currently 2.74% (2018: 2.76%).

The revolving credit facility agreement is subject to a Negative Pledge agreement. Various covenants apply to the facility. There have not been any breaches of these banking covenants in the year.

## C6. Co-operative Shares

The movement in co-operative shares for Ravensdown is as follows:

| In thousands of shares | 2019 | 2018 |
|---|---|---|
| On issue at 1 June | 302,214 | 296,392 |
| Shares allotted during the year | 16,901 | 14,333 |
| Less: shares surrendered during the year | (9,284) | (8,511) |
| **On issue at 31 May** | **309,831** | **302,214** |

### Partly paid ordinary co-operative shares

| | | |
|---|---|---|
| Partly paid up | 9 | 8 |
| Unpaid | 1 | 3 |
| **Total partly paid and unpaid** | **10** | **11** |

### Value of ordinary co-operative share capital

| In thousands of New Zealand dollars | 2019 | 2018 |
|---|---|---|
| Balance at 1 June | 302,211 | 296,373 |
| Co-operative shares issued | 16,903 | 14,349 |
| Less: co-operative shares surrendered | (9,284) | (8,511) |
| **Balance at 31 May** | **309,830** | **302,211** |

*Voting rights are held by transacting shareholders being entitled to one vote per share held. For votes on Area issues (as defined in the Co-operative Constitution) no transacting shareholder shall vote more than 3.5% of the total number of shares held by transacting shareholders in respect of the relevant Area. On other issues no transacting shareholder shall vote more than that number of shares which equates to 0.125% of the shares held by all transacting shareholders.*

*Ravensdown Limited may redeem shares in accordance with the Companies Act 1993. Upon winding up, shares rank equally with regard to Ravensdown Limited's residual assets. The share qualification quota is 234 shares per tonne. The shares have a value of $1.*

*The co-operative shares are repayable under certain conditions, and will mature when shares are redeemable by the shareholder. Co-operative shares may be repaid when there is a deceased estate or when the shareholder has ceased farming. Shares may also be repaid if there has been a 5 year time lapse since the last transaction.*

### Measurement and Recognition

*Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.*

# D. Group Structure

**In this section**

This section provides information to help readers understand Ravensdown's structure and how it affects the financial position and performance of Ravensdown. In this section of the notes there is information about:

a) Subsidiaries;

b) Investments in Joint Ventures; and

c) Investments in Associate Entities.

## D1. Significant Subsidiaries

| | Principal Activity | Country of Incorporation | Interest (%) 2019 | Interest (%) 2018 |
|---|---|---|---|---|
| Ravensdown Aerowork Limited | Aerial spreading | New Zealand | 100% | 100% |
| C-Dax Limited | Agricultural machinery manufacturer | New Zealand | 100% | 100% |
| Ravensdown Australian Holdings Limited | Investment holding company | New Zealand | 100% | 100% |
| Ravensdown Fertiliser Australia Pty Limited | Fertiliser sales – discontinued | Australia | 100% | 100% |
| Ravensdown Australia Properties Pty Limited | Property investment – discontinued | Australia | 100% | 100% |
| Ravensdown Growing Media Limited[1] | Fertiliser sales – discontinued | New Zealand | 0% | 100% |
| Aerial Sowing Limited | Dormant | New Zealand | 100% | 100% |

*1 On 21 June 2018 Ravensdown Growing Media Limited was removed from the Companies Office register on the grounds that it ceased to carry on business, had discharged in full its liabilities to all its known creditors, and had distributed its assets in accordance with its constitution and the Companies Act 1993.*

Subsidiaries are entities controlled by Ravensdown Limited. Control exists when Ravensdown Limited is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power arises when Ravensdown Limited has existing rights to direct the relevant activities of the investee, i.e. those that significantly affect the investee's returns. Subsidiaries are consolidated from the point at which control is transferred to Ravensdown Limited and until such point as that control ceases. Control is assessed on a continuous basis.

Acquisition related costs are expensed as incurred. On an acquisition-by-acquisition basis, Ravensdown Limited recognises non-controlling interests at either their fair value or proportionate share of the acquiree's net assets. Transactions with non-controlling interests that do not result in a change of control are recognised in equity.

## D2. Equity Accounted Investees

| | 2019 | 2018 |
|---|---|---|
| Interests in joint ventures | 15,467 | 13,755 |
| Interests in associates[2] | 4,330 | 4,214 |
| | **19,797** | **17,969** |

*2 Ravensdown's share of profits after tax arising from its interests in associates was $511,000 (2018: $770,000). All other movements in the carrying value of associates were not considered significant.*

### Measurement and Recognition

*Associates are those entities in which Ravensdown has significant influence, but not control, over the financial and operating policies. Joint ventures are those arrangements in which Ravensdown has contractually agreed joint control and has rights to the net assets of the venture rather than having rights to assets and obligations for its liabilities. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include Ravensdown's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of Ravensdown, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.*

**Selected information on equity accounted investees**

**Joint ventures**

Movements in carrying value of joint ventures:

| | 2019 | 2018 |
|---|---|---|
| Balance at 1 June | 13,755 | 11,354 |
| Share of profit after tax | 1,944 | 3,530 |
| Joint venture capital brought in the year | 50 | - |
| Dividends received from joint ventures | (1,337) | (1,287) |
| Movements in loans to joint ventures | 1,055 | 158 |
| **Balance at 31 May** | **15,467** | **13,755** |

**Summary financial information for equity accounted investees (not adjusted for the interest held by Ravensdown):**

| | Total assets | Total liabilities | Revenues | Profit |
|---|---|---|---|---|
| 2018 | 26,292 | 6,686 | 103,152 | 7,512 |
| 2019 | 43,297 | 18,395 | 151,103 | 9,524 |

## D3. Joint Ventures (Equity Accounted)

| | Principal Activity | Country of Incorporation | Interest (%) 2019 | Interest (%) 2018 |
|---|---|---|---|---|
| Spreading Sandford Limited | Ground spreading | New Zealand | 50.0% | 50.0% |
| Spreading Canterbury Limited | Ground spreading | New Zealand | 50.0% | 50.0% |
| Spreading FBT Limited | Ground spreading | New Zealand | 50.0% | 50.0% |
| Spreading Northland Limited | Ground spreading | New Zealand | 50.0% | 50.0% |
| Mainland Spreading Limited | Ground spreading | New Zealand | 50.0% | 50.0% |
| Ravensdown Shipping Services Pty Limited | Shipping services | Australia | 50.0% | 50.0% |
| New Zealand Phosphate Company Limited | Fertiliser research | New Zealand | 50.0% | 50.0% |
| Hyperceptions Limited | Hyperspectral imaging | New Zealand | 50.0% | 0.0% |

## D4. Associates (Equity Accounted)

| | Principal Activity | Country of Incorporation | Interest (%) 2019 | Interest (%) 2018 |
|---|---|---|---|---|
| Cropmark Seeds Limited | Forage plant breeding and marketing | New Zealand | 25.6% | 25.6% |
| Southstar Technologies Limited | Fertiliser coatings and development | New Zealand | 20.0% | 20.0% |

## D5. Discontinued Operations

Ravensdown Australia Properties Pty Limited is a 100% subsidiary that was set up as a holding company for property owned in Australia. In April 2018, the decision was made to seek a long term tenant for one of the two stores in Australia, rather than to sell it. The other remaining store and associated equipment are currently classified as held for sale. These operations are still considered discontinued as part of the overall plan to exit this market.

### Assets classified as held for sale

As at 31 May 2019, property, plant and equipment for discontinued operations classified as held for sale totalled $0.6 million (2018: $1.1 million).

No other property, plant and equipment was classified as held for sale at 31 May 2019 (2018: $8.8 million).

### Measurement and Recognition

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. The assets, or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories and financial assets which continue to be measured in accordance with Ravensdown's accounting policies.

### Assets classified as investment property

As at 31 May 2019, property, plant and equipment classified as investment property totalled $3.3 million (2018: $3.8 million). The revaluation for the year was a decrease of $0.5 million (2018: $0.2 million decrease).

### Measurement and Recognition

Investment property comprises property held to earn rental income from third parties or from capital appreciation. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment property is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings. Refer to note B1 for the valuation basis.

### Loss for the year from discontinued operations

During the year total net losses after tax arising from discontinued operations were $1.6 million (2018: $0.8 million loss). The total net comprehensive loss arising from discontinued operations was $1.8 million (2018: $1.0 million loss).

### Net Cash Flows from Discontinued Operations

| | 2019 | 2018 |
|---|---|---|
| Operating activities | (317) | 363 |
| Investing activities | 563 | (11) |
| Financing activities | (279) | (259) |
| **Net cash flows** | **(33)** | **93** |

# E. Other Information

**In this section**
This section includes the remaining information relating to Ravensdown's financial statements which is required to comply with NZ IFRS.

## E1. Related Parties

| | 2019 | 2018 |
|---|---|---|
| **Transactions with equity-accounted investees** | | |
| Dividends received | 1,733 | 1,444 |
| Sales of goods and services | 300 | 354 |
| Purchases of goods and services | (54,609) | (47,923) |
| Net trade receivables | 214 | 230 |
| Closing advances | 3,244 | 2,225 |

*During the year Ravensdown entered into a number of transactions for the sale and purchase of goods from its equity accounted investees. All transactions between companies were carried out on a commercial basis.*

*Related parties are the equity accounted investments disclosed in notes D3 and D4.*

## E2. Operating Leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| | 2019 | 2018 |
|---|---|---|
| Less than one year | 3,884 | 3,524 |
| Between one and five years | 6,196 | 8,277 |
| More than five years | 5,038 | 6,167 |
| **Total lease commitments** | **15,118** | **17,968** |

**Measurement and Recognition**

*Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.*

*Ravensdown leases some property, plant and equipment. During the year ended 31 May 2019, $5.1 million was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2018: $4.8 million).*

## E3. Auditor's Remuneration

| | 2019 | 2018 |
|---|---|---|
| Auditor's remuneration to KPMG comprises: | | |
| Audit of financial statements | 135 | 135 |
| Other non-audit services | – | 13 |
| **Total auditor's remuneration** | **135** | **148** |

Other non-audit services related to advisory services in respect of Integrated Reporting.

## E4. Capital Commitments

At 31 May 2019, Ravensdown had capital commitments of $14.0 million (2018: $29.6 million). Capital commitments relate to investment in New Zealand assets and infrastructure. Capital commitments are recognised after a formal capital review and approval process.

## E5. Contingent Liabilities

Ravensdown had no material contingent liabilities at balance date (2018: $2.4 million).

## E6. Subsequent Events

There have been no events subsequent to balance date which would have a material effect on Ravensdown's financial statements to 31 May 2019.

## Resolution of Directors

RESOLVED that, in the opinion of the undersigned directors of Ravensdown Limited (Company), the Company has throughout the financial year ended 31 May 2019 and since the date of registration of the Company under the Co-operative Companies Act 1996 (Act), been a co-operative company within the meaning of the Act on the following grounds:

1. the Company has carried on, as its principal activity, a co-operative activity as that term is defined in the Act;
2. the constitution of the Company states its principal activities as being co-operative activities; and
3. not less than 60% of the voting rights of the Company have been held by transacting shareholders, as that term is defined in the Act.

Dated this 24th day of June 2019

**John Francis Clifford Henderson**

**Kate MacNeil Alexander**

**Jason Colin Dale**

**Scott Gordon Gower**

**Peter Glen Inger**

**Peter William Moynihan**

**Bruce William Massy Wills**

Anthony Charles Howey and Allan Stuart Wright were absent from the board meeting on 24th June 2019 when this resolution was passed.

KPMG

# Independent Auditor's Report

## To the shareholders of Ravensdown Limited

### Report on the consolidated financial statements

#### Opinion

In our opinion, the accompanying consolidated financial statements of Ravensdown Limited (the company) and its subsidiaries (the group) on pages 6 to 31:

i. present fairly in all material respects the Group's financial position as at 31 May 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 May 2019;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has not provided other services to the group. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

#### Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,300,000 determined with reference to a benchmark of group net profit before tax and rebates. We chose the benchmark because, in our view, this is a key measure of the group's performance.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| *Measurement of bulk inventory on hand*<br><br>Refer to note B4 to the consolidated financial statements.<br><br>The Group has inventory of \$159m (2018: \$135m), of which \$147m (2018: \$123m) comprises bulk fertiliser stored in bays at the Group's manufacturing sites and storage facilities across New Zealand.<br><br>Measurement of bulk fertiliser quantities, to which inventory costing is applied to arrive at the value of inventory in the financial statements, requires estimation of the volume on hand, which is then multiplied by the relevant bulk density factor to calculate the quantity on hand. The bulk density factor is the weight of a given fertiliser product in a given volume.<br><br>As bulk fertiliser is placed and drawn from storage, it settles in irregular shapes. The density of the fertiliser also changes with compaction and atmospheric conditions. Both of these factors contribute to estimation uncertainty when the quantity on hand is measured and reported in the financial statements.<br><br>We consider the measurement of inventory to be a key audit matter due to the estimation required in measuring the volume of inventory on hand, the magnitude of the carrying amount and size of any error that could arise from mismeasurement. | Our audit procedures included, amongst others:<br><br>■ Attending annual inventory counts at material manufacturing and storage locations on a rotational basis.<br>■ Calculating volumes at those counts for all bulk inventory, which we compared with management's own assessment and challenged where significant differences identified.<br>■ Agreeing a selection of bulk density calculations from laboratory testing to those used in measuring the quantity of inventory on hand.<br>■ Comparing bulk densities applied against comparative external bulk densities for the same products for reasonableness.<br>■ Validating the description of certain inventory products selected from annual inventory count attendance through laboratory testing.<br>■ Assessing management's count results from inventory counts not directly attended including review of cyclical counts performed during the year and modifying our audit procedures as appropriate. |
| *Valuation of Land and Buildings*<br><br>The Group has land and buildings subject to revaluation of \$176m (2018: \$168m).<br><br>As reflected in note B1, the Group has a policy of revaluing its land and buildings on a three-year rolling basis, with consideration given to whether there has been any material changes in relevant facts and circumstances for the remaining assets which would require a more detailed reassessment.<br><br>As the Group does not possess the internal valuation expertise to perform these valuations itself, an external valuation expert is engaged to undertake these valuations.<br><br>We consider the revaluation of land and buildings to be a key audit matter due to the magnitude of the resulting revaluation increments/decrements, the carrying amount of the revalued assets, and the judgment applied by the external valuers in determining the assets' fair values, including in respect of those buildings affected by the fire at the Christchurch manufacturing site in 2018. | Our audit procedures included, amongst others:<br><br>■ Assessing the competence, objectivity, and integrity of the independent registered valuer engaged by the Group, including an assessment of their professional qualifications, experience, and obtaining representation from them regarding their independence and scope of work.<br>■ Utilising our in-house valuation specialists to assess the appropriateness of methodology applied, including challenging the key inputs and assumptions underlying the valuation. These include applicable discount rates, market capitalisation rates, and depreciation rates.<br>■ Checking that the revalued amounts determined by the independent valuer are reflected in the underlying accounting records.<br>■ Evaluating management's assessment of the carrying amounts for land and buildings not independently revalued during the year by making enquiries of management, and considering market conditions for indicators of a material change since the last revaluation.<br>■ Inspecting management's assessment for those assets affected by the fire at the Christchurch manufacturing site and checking that appropriate adjustments to the carrying amounts had been made in the financial statements to reflect those assets' recoverable amounts. |

### Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report and Integrated Report. Other information includes Finance at a Glance, and corporate governance and statutory disclosures. The Integrated Report includes other information in relation to the Chairman and Chief Executive Officers' report, financial commentary, and stakeholder commentary. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Annual Report and Integrated Report are expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to Directors.

### Use of this independent auditor's report

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

### Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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. They 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 consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG
Christchurch

*31 July 2019*

# Corporate Governance

**The Board and management of Ravensdown are committed to maintaining high standards of corporate governance. This report outlines the policies and procedures under which Ravensdown is governed.**

## Code of Business Conduct and Ethics

Ravensdown's Code of Business Conduct and Ethics requires its employees and directors to act lawfully, professionally and ethically in the conduct of their duties and responsibilities. It reinforces the company's expectation that all staff behave in a way which is consistent with Ravensdown's values, applicable laws and policies.

The code incorporates a number of policies adopted by the company, which are embodied in Ravensdown's procedures and processes. These include:

- the company's conflicts of interest, privacy, diversity and fraud policies;
- policies that set high standards for environmental and health and safety performance; and
- internal policies covering matters such as the prevention of harassment in the workplace.

Ravensdown also has a whistle-blower policy which encourages employees to report any known or suspected incidents of wrongdoing within the company. Reports can be made internally or to a confidential phone line operated by Report-it-Now.

## Responsibility of the Board of Directors

The Board of Directors is elected by and responsible to the shareholders. Its primary objective is to build long-term shareholder value and in doing so act in the best interests of the company. The Board acts as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of Ravensdown and following sound corporate governance principles.

The Board's role and responsibilities are set out in its charter. In summary these are to:

- Engage in creating, approving and monitoring the strategic direction and objectives of the company.
- Appoint the Chief Executive Officer.
- Delegate appropriate authority to the Chief Executive for the day-to-day management of the company.
- Approve the company's systems of internal financial control and risk framework, including monitoring and approving budgets, monitoring monthly financial performance and non-financial KPIs and approving rebates.
- Select the external auditors and ensure their professional merit and independence.

## Board committees

The Board has three standing committees, described below. Special project committees are formed when required.

## Audit & Risk Committee

The committee comprises five directors, including the two independently appointed directors, one of whom is appointed as chair and has appropriate financial experience and qualifications. The meetings are attended by the Chief Executive Officer and Chief Financial Officer. The external auditor attends by invitation of the Chair along with Ravensdown's Internal Auditor and General Counsel. The committee meets a minimum of four times each year and its main responsibilities are to:

- Review the annual budgets, financial statements, proposed rebates and pricing.
- Advise the Board on accounting policies, practices and disclosure.
- Review the scope and outcome of the external audit.
- Review the effectiveness of the organisation's internal control environment.
- Review the resourcing and scope of the internal audit function.
- Review the key risks and ensure there are adequate controls in place.
- Review compliance with the company's risk management framework and the legislative compliance system.

The committee reports the proceedings of each of its meetings to the full Board.

## Board Appointments & Remuneration Committee

The committee comprises five directors. It meets as required to:

- Review the remuneration packages of the Chief Executive Officer and senior managers.
- Make recommendations in relation to Director remuneration.

Remuneration packages are reviewed annually. Independent external surveys and advice are used as a basis for establishing remuneration packages.

## Share Surrenders Committee

This committee comprises three directors. It meets prior to each Board meeting, as required, to consider and make recommendations to the Board regarding share surrender, allotment and transfer applications from shareholders.

## Composition of Board

During the past financial year, the Board reduced from 10 to 9 directors. This reduction in the size of the Board followed an internal review from which the Board determined that, going forward, the governance of the company would be best served by having 6 shareholder elected directors, rather than the previous 8 shareholder elected directors. At the Annual Meeting in September 2018, the shareholders voted to approve this and other changes to the Constitution and agreed a transition from 8 to 6 shareholder elected directors over a period of two years as the existing directors retire from office. Tony Reilly, director of Area 4 retired at the 2018 Annual Meeting and the four South Island Director Areas were realigned to make 3 Areas. At the 2020 Annual Meeting, the same process will happen when Scott Gower retires from Area 7 and then the four North Island Director Areas will be realigned to make three Areas.

Shareholder elected directors are required to retire after three years in office. Retiring directors are eligible to stand for re-election but cannot remain in office for more than 12 years except in certain limited circumstances. Elections for the vacant director positions are held prior to the annual meeting.

Independently appointed Directors are re-appointed each year after the Annual Meeting and cannot remain in office for more than 12 years.

While the Board currently has two independently appointed directors, it is permitted under the constitution to have up to three appointed directors in order to bring additional experience and skills to the Board.

The Chief Executive Officer is not a member of the Board.

## Risk Identification and Management

The company has a comprehensive risk management framework to identify, assess and monitor new and existing risks. Annual risk updates are performed and risk improvements plans created and acted on. The Chief Executive Officer and the Leadership Team are required to report to the Board and Audit & Risk Committee on high risks affecting the business and to develop strategies to mitigate these risks. Additionally, management is responsible for ensuring an appropriate insurance programme is in place and reviewed annually.

## External Auditor Independence

To ensure that the independence of the external auditor is maintained, the Board has agreed that the external auditor should not provide any services which could affect its ability to perform the audit impartially. This is monitored by the Audit & Risk Committee which also reviews the quality and effectiveness of the external auditor.

## Directors' Meetings

The table below sets out the number of meetings and attendance for the Board and standing committees throughout the financial year.

### Board

| 2018-2019 | Total attended | Eligible to attend |
|---|---|---|
| John Henderson (Chair) | 6 | 8 |
| Stuart Wright (Deputy Chair) | 8 | 8 |
| Kate Alexander | 8 | 8 |
| Jason Dale | 7 | 8 |
| Scott Gower | 7 | 8 |
| Tony Howey | 7 | 8 |
| Glen Inger | 7 | 8 |
| Peter Moynihan | 8 | 8 |
| Tony Reilly (retired 17 September 2018) | 3 | 3 |
| Bruce Wills | 8 | 8 |

### Audit and Risk Committee

| 2018-2019 | Total attended | Eligible to attend |
|---|---|---|
| Jason Dale (Chair) | 5 | 5 |
| John Henderson | 2 | 5 |
| Tony Howey | 4 | 5 |
| Glen Inger | 5 | 5 |
| Bruce Wills | 5 | 5 |

### Board Appointments and Remuneration Committee

| 2018-2019 | Total attended | Eligible to attend |
|---|---|---|
| Tony Reilly (Chair, retired 17 September 2018) | 1 | 1 |
| Peter Moynihan (Chair, from 18 September 2018 | 2 | 2 |
| Kate Alexander | 1 | 1 |
| John Henderson | 2 | 2 |
| Scott Gower | 1 | 1 |
| Stuart Wright | 1 | 2 |

### Share surrenders committee

| 2018-2019 | Total attended | Eligible to attend |
|---|---|---|
| Kate Alexander (Chair) | 8 | 8 |
| Tony Howey | 7 | 8 |
| Bruce Wills (last meeting 23 October 2018) | 3 | 3 |
| Scott Gower (first meeting 26 November 2018) | 4 | 5 |

# Statutory Information

## Directors

The Directors of Ravensdown Limited as at 31 May 2019 were as follows:

- John Henderson (Chair)
- Stuart Wright (Deputy Chair)
- Kate Alexander
- Jason Dale
- Scott Gower
- Tony Howey
- Glen Inger
- Peter Moynihan
- Bruce Wills

Tony Reilly's tenure as a Director ended during the year ended 31 May 2019.

## Directors and remuneration

Remuneration and benefits received by Directors or former Directors of Ravensdown Limited during the year was as follows:

| Director | Total remuneration and value of other benefits received |
|---|---|
| J.F.C. Henderson (Chair) | $181,596 |
| A.S. Wright (Deputy Chair) | $94,296 |
| J. Dale (Audit Chair) | $87,769 |
| A.P. Reilly * | $22,215 |
| A.C. Howey | $77,769 |
| S.G. Gower | $77,769 |
| P.G. Inger | $77,769 |
| P.W. Moynihan | $77,769 |
| K. Alexander | $77,769 |
| B. Wills | $77,769 |

** A.P. Reilly's tenure ended on 17 September 2018*

## Entries recorded in the Interests Register

Per Section 140(2) of the Companies Act 1993 the Directors gave the following general disclosures of interests that they are Directors or Members of the following named organisations:

| Director | Position | Entity Name |
|---|---|---|
| **J.F.C. Henderson** | Partner | Evans Henderson Woodbridge |
| | Director/ Shareholder | Hinau Station Limited |
| | | Vanderwood Trustees & Agency Limited |
| | | Premier Dairies Limited |
| | | Waimaria Farms Limited |
| | | Clearsky Agriculture Limited |
| | | Ngatahaka Holdings Limited |
| | | Ngatahaka Dairies Limited |
| | Shareholder | Tikapu Station Limited |
| | | Rewa Rewa Farm Limited |
| | | Hiwinui Station Limited |
| | | Dochroyle Limited |
| | | Ferriby Land Company Limited |
| | | Mount Drake Farm Limited |
| | Director | Athlumney Farms Limited |
| | | Tutu Totara Dairy Limited |
| | | New Zealand Phosphate Company Limited |
| | | Coronet Peak Station Queenstown Limited |
| | | Goodwin Trustees & Agency Limited |
| | Trustee | Lagore Enterprises Trust |
| | | Holtby No. 2 Trust |
| | | The Beechmont Trust |
| | | Bushybank Trust |
| | | Carter Trust |
| | | Ernscliffe Trust |
| | | Clarinbridge Trust |
| | | A D Glasgow Family Trust |
| | Executor | Estate James Gregor Waswo |
| **A.S. Wright** | Director/ Shareholder | Annat Farms Limited |
| | | Otarama Investments 2011 Limited |
| | Chairperson | Potatoes New Zealand |

| Director | Position | Entity Name |
|---|---|---|
| **J. Dale** | Director/ Chairperson | Crest Licensing Systems Limited |
| | Chief Financial Officer – NZ & Pacific Islands | NZ Steel |
| | General Manager – Pacific Islands | NZ Steel |
| | Director | Manukau International Limited |
| | | Penihana Nominees Limited |
| | | New Zealand Steel Holdings Limited |
| | | New Zealand Steel Limited |
| | | BlueScope Steel Finance NZ Limited |
| | | BlueScope Steel Trading NZ Limited |
| | | New Zealand Steel Development Limited |
| | | Pacific Steel (NZ) Limited |
| | | Steltech Structural Limited |
| | | Toward Industries Limited |
| | | Waikato North Head Mining Limited |
| | | SteelServ Limited |
| | | BlueScope Acier Nouvelle Caledonie SA |
| | | BlueScope Lysaght (Vanuatu) Limited |
| | | BlueScope Pacific Steel (Fiji) Pty Limited |
| | | BlueScope Lysaght (Fiji) Limited |
| | Chairperson | Westphalia Properties Limited |
| **A.C. Howey** | Director/ Shareholder | Alpine Fresh Limited |
| | | Southern Packers Limited |
| | | Seedlands Limited |
| | | Seedlands Property Limited |
| | | Grainstor Limited |
| | | Viberi New Zealand Limited |
| | | Farmers Mill Limited |
| | Director | Horticulture New Zealand Limited |
| | | Horticulture NZ Incorporated |
| | Chairperson | NZ GAP |

| Director | Position | Entity Name |
|---|---|---|
| **S.G. Gower** | Owner | High Glades Station |
| | Trustee | Riverhills Trust |
| | | SGG Family Trust |
| | Director | Beef & Lamb New Zealand |
| **P.G. Inger** | Director/ Shareholder | Harbour Edge Avocados Limited |
| | | Journey's End Limited |
| | | Kokako Properties Limited |
| | | Kowhai Falls Limited |
| | | Mercer Assets Limited |
| | | Mercer Mushrooms Limited |
| | | Pukeko Creek Limited |
| | | Stonebridge Investments Limited |
| | | Tall Kauri Limited |
| | | TCS Leases Limited |
| | | TCS Resources Limited |
| | | The Clearance Shed Limited |
| | | The Promised Land 2005 Limited |
| | | Topuni Holdings Limited |
| | | Tui Travel Limited |
| | Director | Albany Direct Limited |
| | | Blue Moon Limited |
| | | Karoola Limited (Fiji) |
| | | Palmerston North Direct Limited |
| | | Porirua Direct Limited |
| | | Pukekohe Direct Limited |
| | | Sleepy Hollow Farm Limited |
| | | Subway Investments Limited |
| | | Whangarei Direct Limited |
| | Shareholder | The Commercial Mushroom Growers Federation (NZ) Limited |
| | Trustee | The Tapora Trust |
| | | The Stinger Trust |
| **P.W. Moynihan** | Director/ Shareholder | Aerodrome Farm Limited |
| | | Rathmore Farm Limited |
| | | Hacienda Lochiel Limited |
| | Director | Last Tango Limited |
| | | The Power Company Limited |
| | Indirect Shareholder | Manukau S.A. |
| | Board Observer | Powernet Limited |
| | Trustee | Rathmore Trust |
| | Employee | Westpac Bank |

| Director | Position | Entity Name |
|---|---|---|
| **K. Alexander** | Director | Riversedge Limited |
| | Shareholder | Willow-Mere Farms Limited |
| | Trustee | The Riverbank Trust |
| | Ministerial Appointment | Open Polytechnic of New Zealand Council |
| | Independent Chairperson | Delta Produce Co-operative Limited |
| **B. Wills** | Director/ Shareholder | Trelinnoe Limited |
| | Director | Tranzfutura International Limited |
| | | QE II National Trust |
| | Independent Director | Horticulture New Zealand Incorporated |
| | Chairperson | NZ Poplar & Willow Research Trust |
| | | Apiculture NZ |
| | | Deer PGP |
| | | Motu (Economic and Public Policy Research) |
| | Trustee | NSC Resilience to Nature's Challenges |
| | | National Science Challenge (Our Land & Water) |
| | | Cape to City |

## Related party transactions

Like most co-operative companies, Ravensdown Limited has frequent transactions with its farming Directors in the ordinary course of business. All transactions are conducted on commercial terms.

## Share dealings of Directors

None of the Directors have acquired or disposed of any shares other than through the normal quota shareholding process.

## Directors indemnity or insurance

The company has arranged policies of liability insurance which ensure that generally Directors and company executives will incur no monetary loss as a result of actions undertaken by them as Directors or employees. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

## Loans to Directors

There were no loans by Ravensdown to Directors.

## Use of company information

No notices from any Director were received by the Board during the year requesting use of company information received in their capacity as Directors which would not otherwise have been available to them.

## Donations

Donations of approximately $7,000 were made to various charities during the year (2018: Nil).

## Employees' remuneration

| Remuneration | No. of Employees |
|---|---|
| $100,000 – $109,999 | 53 |
| $110,000 – $119,999 | 44 |
| $120,000 – $129,999 | 29 |
| $130,000 – $139,999 | 24 |
| $140,000 – $149,999 | 14 |
| $150,000 – $159,999 | 11 |
| $160,000 – $169,999 | 13 |
| $170,000 – $179,999 | 5 |
| $180,000 – $189,999 | 8 |
| $190,000 – $199,999 | 8 |
| $200,000 – $209,999 | 2 |
| $210,000 – $219,999 | 10 |
| $220,000 – $229,999 | 3 |
| $240,000 – $249,999 | 1 |
| $250,000 – $259,999 | 1 |
| $260,000 – $269,999 | 1 |
| $290,000 – $299,999 | 1 |
| $310,000 – $319,999 | 2 |
| $320,000 – $329,999 | 1 |
| $350,000 – $359,999 | 1 |
| $400,000 – $409,999 | 1 |
| $410,000 – $419,999 | 1 |
| $440,000 – $449,999 | 1 |
| $510,000 – $519,999 | 1 |
| $530,000 – $539,999 | 1 |
| $1,510,000 – $1,519,999 | 1 |

Employees' remuneration includes salary, performance incentives and employer's contribution to superannuation and health schemes earned in their capacity as employees during the financial year. Company vehicles are provided to some employees and are included in the remuneration figures.

## Subsidiaries

Persons holding office as directors of Ravensdown Limited's wholly owned subsidiaries as at 31 May 2019 were as follows.

| Subsidiary | Directors |
|---|---|
| Ravensdown Aerowork Limited | Greg Campbell |
| | Mike Whitty |
| C-Dax Limited | Mike Whitty |
| | Richard Christie |
| | Greig Shearer |
| Ravensdown Australian Holdings Limited | Greg Campbell |
| | Sean Connolly |
| Ravensdown Fertiliser Australia Pty Limited | Greg Campbell |
| | Sean Connolly |
| | Allister Burton |
| Ravensdown Australia Properties Pty Limited | Greg Campbell |
| | Sean Connolly |
| | Allister Burton |
| Aerial Sowing Limited | Mike Whitty |
| | Mike Manning |
| Soil Fertility Services Limited | Greg Campbell |
| | Mike Manning |

Except for Allister Burton, all of the current Directors are employees of Ravensdown Limited, Ravensdown Aerowork Limited or C-Dax Limited. This is the only general disclosures of interest by each Director of Ravensdown Limited's subsidiaries as at 31 May 2019, pursuant to s 140(2) of the Companies Act 1993.

Allister Burton has received remuneration of AUD $12,000 during the financial year.

Ravensdown Growing Media Limited was removed from the register on 21 June 2018 on the grounds that the company had ceased to carry on business, had discharged in full its liabilities to all its known creditors, and had distributed its assets in accordance with its constitution and the Companies Act 1993.

Check out videos, downloads and
how we engage with stakeholders at:
**integratedreporting.ravensdown.co.nz**

**RECOMMENDED VIEWING:**

**To watch any of the videos below on your mobile device, either visit integratedreporting.ravensdown.co.nz, or follow these simple steps.**

**01. Search for and download an app called Magenta from the App Store or Google Play.**

**02. Point your phone at the video thumbnails below to watch the videos.**

**03. Enjoy the clips.**

## THE CHALLENGES —


**Sir Rob Fenwick:** Accounting for our natural capital...


**Dr Lucy Hone:** Thriving in an uncertain world...


**Mat Hocken:** An antidote to disruption...

## OUR RESPONSE —


**Science:** Working together to achieve better soil, better farms...


**Wellbeing:** Thinking well into the future...


**Innovation:** Using technology to achieve the right nutrient budget...

## RAVENSDOWN CHAIR & CEO DEBRIEF —


**John Henderson,** Chair &
**Greg Campbell,** CEO