2021 Annual Report

Separate to this Annual Report, Ravensdown has published an **Integrated Report** which is available on its **website**: integratedreporting.ravensdown.co.nz

CONTENTS

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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 2021.

From left to right.

Back row

01. — Peter Moynihan

02. — Jason Dale

03. — John Henderson **(CHAIR)**

04. — David Biland

05. — Bruce Wills

Front row

06. — Jacqueline Rowarth

07. — Nicola Hyslop

08. — Jane Montgomery

$53m

Profit before rebate, bonus shares and tax from continuing and discontinuing operations

2019 - 20 **$67m**

78%

Equity ratio

2019 - 20 **74%**

$56m

Operating cashflows before rebates to shareholders

2019 - 20 **$143m**

The cautious optimism with which we viewed 2020-21 was justified as the year proved volatile from a commodity price and product supply perspective. The precautionary cost controls, carefully managed capex and a focus on the core business combined with strong customer demand to deliver a strong result. The total profit from our continuing and discontinuing activities was $53 million. To assist our stakeholders to focus and understand our future, the remainder of this report compares our continuing operations as is our normal practice.

We delivered a profit from continuing operations before tax and rebate of $52 million (2020: $69 million). In addition to an interim early cash rebate of $15 per tonne paid in June, a further rebate of $15 per tonne of fertiliser purchased in 2020-21 was declared. This amounted to $33 million being returned to shareholders by the co-operative with $16 million retained for improving physical assets and service-enhancing technology.

The reduction in profit was due to the volatility in global commodity prices meaning increases were not passed on as quickly as they might have been. Revenue before rebate and bonus shares was down slightly to $712 million (2020: $750 million) but was on forecast as we had anticipated a slight reduction in tonnages sold.

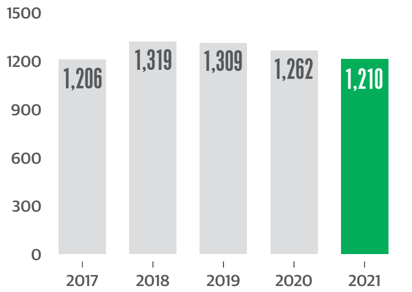
The balance sheet was strong with negligible net debt ($0.3 million), an equity ratio of 78% and an operating cashflow of $56 million before rebates to shareholders. Inventory was in line with last year and accounts receivables were down; a reflection of good payments from our customers.

Investment in physical infrastructure increased to $31 million and asbestos replacement, which is so important to employees and neighbours, continued with $1.4 million spent during the year. Completed stormwater and intake projects in Christchurch increased environmental performance and efficiency.

Salary and wage costs were contained due to a hold on pay increases and new headcount. The delivery of value and resisting margin erosion will be a focus in order to preserve long-term viability and ongoing investment in services, research and technologies.

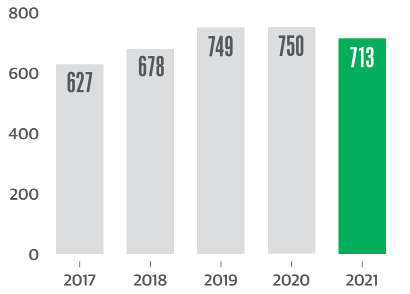
R&D spend represented a sizeable commitment of $6 million (2020: $5 million) at a time when evidence-based decision making is more important than ever. We maintained developments in customer-benefitting technology such as HawkEye and a new Customer Centre telephony system with a commitment of $4 million (2020: $5 million).

NEW ZEALAND FERTILISER SALES (thousand tonnes)



Fertiliser volumes were marginally down on last year. Key drivers were significant drought in parts of New Zealand and customers switching from urea to N-protect where less tonnes are applied.

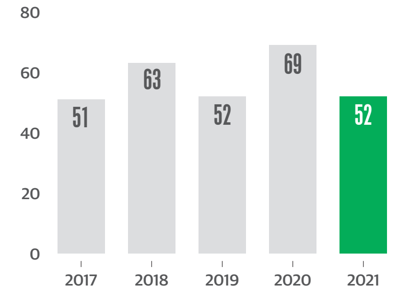
REVENUE ($M) (before rebates and bonus shares)



(including results from discontinued operations)

Revenue was down on last year on slightly lower volumes and lower prices in market.

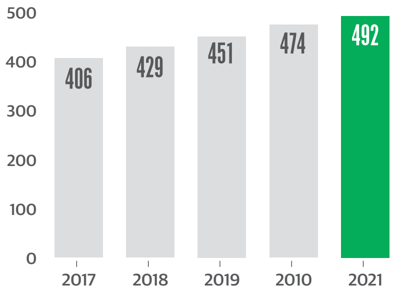
PROFIT FROM CONTINUING OPERATIONS BEFORE REBATE, BONUS SHARES & TAX ($M)



(from continuing operations)

Strong profit before rebates to shareholders in a year with volatile global commodity prices.

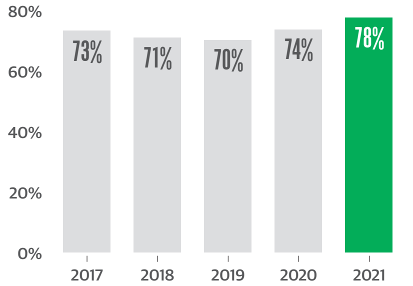
TOTAL EQUITY ($M)



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

EQUITY RATIO (%)

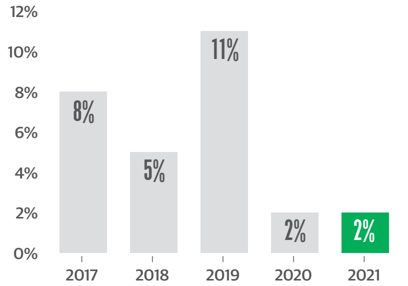
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute



The equity ratio remains in our targeted band.

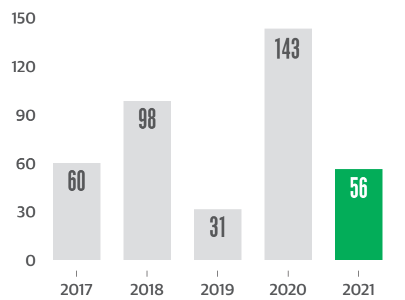
DEBT RATIO (%)

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



Strong cashflows enabled us to end the financial year with low net debt. This enabled a low Debt Ratio.

OPERATING CASH FLOW ($M)

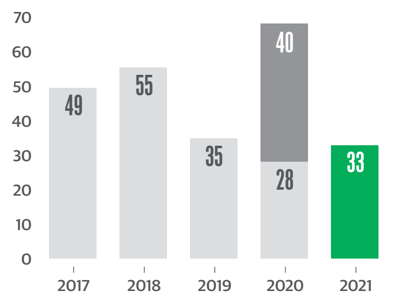


(before rebates to shareholders)

Operating cashflows reflects normalised inventory levels and timing of payables.

VALUE OF SHAREHOLDER DISTRIBUTIONS ($M)

Total dollar of distribution to shareholders comprising rebates and bonus shares

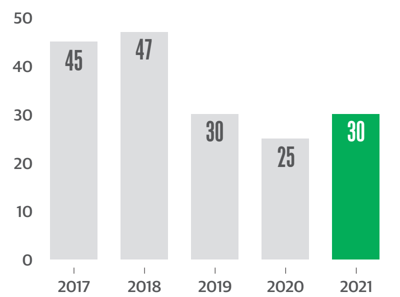


(bonus shares include tax credits)

Rebates   Bonus Shares

In 2021 we made two distributions: our early interim rebate in cash and a final rebate, totalling $33m.

SHAREHOLDER REBATE ($/T)



In 2021 our rebate of $30 enables the company to reward our shareholders whilst strengthen our financial position.

DIRECTOR'S 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 2021.

In the opinion of the Directors, the financial statements and notes on pages 6 to 32:

- comply with New Zealand Generally Accepted Accounting Practice ("GAAP") and give a true and fair view of the financial position of Ravensdown as at 31 May 2021 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 2021 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. Henderson
Chair
9 August 2021

D. Biland
Deputy Chair

CONTENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	Note	2021	2020
Continuing operations			
Revenue	A1	712,006	749,621
Rebates to shareholders	C1	(32,762)	(28,091)
Bonus shares issued	C7	–	(29,789)
Revenue after rebates and bonus shares issued		**679,244**	**691,741**
Cost of sales		(593,454)	(611,858)
Gross profit		**85,790**	**79,883**
Sales and marketing expenses		(29,941)	(30,335)
Administrative expenses		(33,352)	(32,170)
Other operating expenses		(5,733)	(4,951)
Operating expenses		**(69,026)**	**(67,456)**
Finance income		1,477	1,484
Finance expenses		(2,986)	(4,295)
Net finance costs	A2	**(1,509)**	**(2,811)**
Share of profit of equity accounted investees (after tax)	D2	4,117	1,096
Profit before income tax		**19,372**	**10,712**
Income tax (expense)	A4	(3,999)	(10,864)
Profit/(loss) for the year from continuing operations		**15,373**	**(152)**
Discontinued operations			
Profit/(loss) after tax for the year	D5	717	(1,950)
Profit/(loss) for the year attributable to equity holders		**16,090**	**(2,102)**

Non-GAAP Presentation for Continuing Operations		
Revenue	712,006	749,621
Cost of sales	(593,454)	(611,858)
Gross profit before rebates and bonus shares issued	**118,552**	**137,763**
Profit before income tax	**19,372**	**10,712**
Rebates to shareholders	32,762	28,091
Bonus shares issued	–	29,789
Profit before rebate, bonus shares and income tax	**52,134**	**68,592**

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	2021	2020
Profit/(loss) for the year		**16,090**	**(2,102)**
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		5,850	3,901
Related tax	A4	2,022	572
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	A4	(1,629)	(71)
Net change in fair value of cash flow hedges	A4	(6,404)	(6,031)
Related tax	A4	1,790	1,695
Other comprehensive income for the year		**1,629**	**66**
Total comprehensive income/(loss) for the year		**17,719**	**(2,036)**
Attributable to:			
Continuing operations		16,999	(111)
Discontinued operations	D5	720	(1,925)
		17,719	**(2,036)**

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	2021	2020
Assets			
Cash and cash equivalents	C5	9,355	15,650
Trade and other receivables	C2	84,255	94,704
Inventories	B4	132,106	135,572
Derivative financial assets	C2	514	4,382
Assets held for sale		405	–
Total current assets		**226,635**	**250,308**
Property, plant and equipment	B1	335,284	328,298
Intangible assets	B2	24,785	19,583
Mining deposits	B3	14,122	14,500
Right of use assets	B5	11,349	9,826
Investments in equity accounted investees	D2	19,669	19,612
Investment property	D5	2,953	2,257
Total non-current assets		**408,162**	**394,076**
Total assets		**634,797**	**644,384**
Liabilities			
Trade and other payables	C2	55,034	78,975
Employee entitlements	A3	12,914	13,687
Lease liabilities	C3	3,339	2,847
Loans and borrowings	C6	9,663	9,672
Provision for rebate	C1	32,761	28,057
Derivative financial liabilities	C2	6,790	4,254
Current tax liabilities		1,424	8,553
Total current liabilities		**121,925**	**146,045**
Deferred tax liabilities	A4	11,044	15,654
Lease liabilities	C3	9,473	8,509
Total non-current liabilities		**20,517**	**24,163**
Total liabilities		**142,442**	**170,208**
Net assets		**492,355**	**474,176**
Equity			
Co-operative shares	C7	337,444	336,984
Reserves		74,854	73,376
Retained earnings		80,057	63,816
Total equity		**492,355**	**474,176**

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	2021	2020
Cash flows from operating activities			
Cash receipts from customers		719,442	746,058
Dividends received		1,087	794
Payments to suppliers and employees		(653,026)	(600,240)
Payment of rebates		(19,008)	(26,063)
Income tax paid		(11,877)	(3,933)
Net cash flows from operating activities	C5	**36,618**	**116,616**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		208	632
Insurance proceeds		5,460	5,470
Net movements in loans provided to equity accounted investees		1,318	316
Acquisition of property, plant and equipment		(30,590)	(28,010)
Acquisition of other non-current assets		(5,504)	(5,229)
Acquisition of shares in associates		–	(91)
Net cash flows (used in) investing activities		**(29,108)**	**(26,912)**
Cash flows from financing activities			
Interest received		1,477	1,485
Proceeds from issue of share capital		25	59
Interest paid		(2,523)	(3,778)
Repayment of principal and interest on lease liabilities		(4,170)	(4,312)
Repayment of share capital		(8,614)	(8,510)
Net movements in loans and borrowings		–	(60,831)
Net cash flows (used in) financing activities		**(13,805)**	**(75,887)**
Net (decrease)/increase in cash and cash equivalents		(6,295)	13,817
Cash and cash equivalents at 1 June		15,650	1,833
Cash and cash equivalents at 31 May		**9,355**	**15,650**

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

CONSOLIDATED 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 2019		**309,830**	**119**	**2,162**	**71,032**	**65,915**	**449,058**
Profit for the year attributable to equity holders		–	–	–	–	(2,102)	(2,102)
Foreign currency translation differences for foreign operations, net of tax		–	(71)	–	–	–	(71)
Revaluation of property, plant and equipment, net of tax		–	–	–	4,473	–	4,473
Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment, net of tax		–	–	–	(3)	3	–
Net change in fair value of cash flow hedges, net of tax		–	–	(4,336)	–	–	(4,336)
Total comprehensive (loss) for the year		**–**	**(71)**	**(4,336)**	**4,470**	**(2,099)**	**(2,036)**
Total contributions by and distributions to equity holders	C7	27,154	–	–	–	–	27,154
Balance at 31 May 2020		**336,984**	**48**	**(2,174)**	**75,502**	**63,816**	**474,176**
Balance at 1 June 2020		**336,984**	**48**	**(2,174)**	**75,502**	**63,816**	**474,176**
Profit for the year attributable to equity holders		–	–	–	–	16,090	16,090
Foreign currency translation differences for foreign operations, net of tax		–	(1,632)	–	–	–	(1,632)
Revaluation of property, plant and equipment, net of tax		–	–	–	7,872	–	7,872
Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment, net of tax		–	–	–	(151)	151	–
Net change in fair value of cash flow hedges, net of tax		–	–	(4,611)	–	–	(4,611)
Total comprehensive income for the year		**–**	**(1,632)**	**(4,611)**	**7,721**	**16,241**	**17,719**
Total contributions by and distributions to equity holders	C7	460	–	–	–	–	460
Balance at 31 May 2021		**337,444**	**(1,584)**	**(6,785)**	**83,223**	**80,057**	**492,355**

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.

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 2021.

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 ("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 9 August 2021.

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 note:

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
- assets held for sale are measured at the lower of fair value less costs to sell and carrying value
- investment properties are initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

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 subsidiaries (being entities controlled by Ravensdown Limited), as contained in note D1 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.

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 before rebates to shareholders:

	2021	2020
Revenue from contracts with customers	710,796	743,636
Insurance proceeds	1,210	5,985
Revenue before rebates to shareholders	**712,006**	**749,621**

Insurance proceeds include recoveries relating to the claim for the fire damage to the Christchurch manufacturing site. The total amount of the proceeds outstanding at 31 May 2021 was $Nil (2020: $4.3 million) (note C2).

A2. Finance Income and Expenses

	2021	2020
Interest income	1,477	1,485
Finance income	1,477	1,485
Interest expense on financial liabilities measured at amortised cost	(2,523)	(3,778)
Interest on lease liabilities	(728)	(876)
Finance expense	(3,251)	(4,654)
Net finance costs[1]	**(1,774)**	**(3,169)**

1 *Included within net finance costs is $0.3 million of costs attributable to discontinued operations incurred in the year ended 31 May 2021 (2020: $0.4 million). 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 and deferred payment arrangements. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and the interest component of lease payments. All borrowing costs other than those relating to hedging instruments are recognised in profit or loss using the effective interest method.

A3. Personnel Expenses

	2021	2020
Wages and salaries	67,066	67,768
Superannuation – defined contribution	3,897	3,925
Increase/(decrease) in liability for long-service leave	25	(80)
Total personnel expenses	**70,988**	**71,613**
Transactions with entities that key management personnel have an interest		
Sales of goods and services	4,482	4,804
Purchases of goods and services	(2,192)	(57)
Closing receivables	954	764
Key management personnel compensation comprised:		
Employee benefits	4,924	4,778
Directors' fees	821	889
Superannuation contributions	381	376

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.

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

Key management personnel are Ravensdown's Leadership Team and the Ravensdown Limited Board of Directors. Close family members of key management personnel have also been included within the transactions with key management personnel. Close family members are defined as their spouse or domestic partner and their respective children. All transactions with key management personnel were carried out on a commercial basis.

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	2021	2020
Current tax expense		
Current period tax charge	4,430	10,757
Adjustment for prior periods	210	(19)
	4,640	10,738
Deferred tax expense		
Origination and reversal of temporary differences	(439)	(18)
Adjustment for prior periods	(228)	96
	(667)	78
Total income tax expense	**3,973**	**10,816**
Reconciliation of tax expense		
Profit/(loss) – continuing operations	15,373	(152)
Profit/(loss) – discontinued operations	717	(1,950)
Total income tax expense – continuing operations	3,999	10,864
Total income tax (benefit) – discontinued operations	(26)	(48)
Profit before tax	**20,063**	**8,714**
Income tax using the Company's domestic tax rate of 28%	5,618	2,440
Non (taxable)/deductible items	(474)	265
Non-deductible bonus share issue	–	8,341
Tax effect of post tax equity accounted earnings	(1,153)	(307)
(Over)/under provided in prior periods	(18)	77
Total income tax expense	**3,973**	**10,816**

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	2021			2020		
	Before tax	**Tax benefit/ (expense)**	**Net of tax**	**Before tax**	**Tax benefit/ (expense)**	**Net of tax**
Foreign currency translation differences for foreign operations	(1,629)	(3)	(1,632)	(71)	6	(65)
Net change in revaluation reserve	5,850	2,022	7,872	3,901	572	4,473
Total movements attributable to revaluation reserves	**4,221**	**2,019**	**6,240**	**3,830**	**578**	**4,408**
Net change in fair value of cash flow hedges	(6,404)	1,793	(4,611)	(6,031)	1,689	(4,342)
Total movements attributable to derivatives	**(6,404)**	**1,793**	**(4,611)**	**(6,031)**	**1,689**	**(4,342)**
Total	**(2,183)**	**3,812**	**1,629**	**(2,201)**	**2,267**	**66**

Deferred Tax	**2021**	**2020**
Balance at beginning of year	**15,654**	**17,833**
Temporary differences in profit or loss:		
Property, plant and equipment	1,121	(447)
Payables	(513)	2
Other Items	(1,275)	523
	(667)	78
Temporary differences in other comprehensive income:		
Revaluation reserve movements	(2,153)	(563)
Derivatives	(1,790)	(1,695)
	(3,943)	(2,258)
Effect of movements in exchange rates	–	1
Balance at end of year	**11,044**	**15,654**
Consisting of:		
Property, plant and equipment	16,079	17,110
Derivatives	–	36
Other items	231	1,607
Deferred tax liability	**16,310**	**18,753**
Trade and other payables	(3,431)	(2,920)
Derivatives	(1,757)	–
Other items	(78)	(179)
Deferred tax asset	**(5,266)**	**(3,099)**
Net deferred tax liability	**11,044**	**15,654**

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 $53.9 million (2020: $49.9 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;
d) Inventories; and
e) Right of use assets

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 2019	54,544	121,740	309,847	17,941	504,072
Additions	933	819	9,496	16,691	27,939
Transfer from capital works in progress	270	2,588	5,568	(8,426)	–
Revaluations	1,295	(1,407)	–	–	(112)
Impairment [1]	–	–	(2,318)	–	(2,318)
Disposals	–	(4)	(2,092)	–	(2,096)
Balance at 31 May 2020	**57,042**	**123,736**	**320,501**	**26,206**	**527,485**
Balance at 1 June 2020	57,042	123,736	320,501	26,206	527,485
Additions	4,755	8,169	7,649	10,356	30,929
Transfer from capital works in progress	4,215	604	9,932	(14,751)	–
Reclassification to software	–	–	–	(5,632)	(5,632)
Revaluations	4,392	(2,531)	–	–	1,861
Impairment	–	(358)	–	–	(358)
Disposals	(50)	(1,072)	(9,495)	–	(10,617)
Reclassification to assets held for sale	(405)	–	–	–	(405)
Balance at 31 May 2021	**69,949**	**128,548**	**328,587**	**16,179**	**543,263**
Depreciation and impairment losses					
Balance at 1 June 2019	–	682	182,692	–	183,374
Depreciation for the year	76	4,143	17,877	–	22,096
Revaluations	(76)	(3,818)	–	–	(3,894)
Impairment [1]	–	–	(1,120)	–	(1,120)
Disposals	–	–	(1,269)	–	(1,269)
Balance at 31 May 2020	**–**	**1,007**	**198,180**	**–**	**199,187**
Balance at 1 June 2020	–	1,007	198,180	–	199,187
Depreciation for the year	305	3,824	17,336	–	21,465
Revaluations	(305)	(3,587)	–	–	(3,892)
Disposals	–	(3)	(8,778)	–	(8,781)
Balance at 31 May 2021	**–**	**1,241**	**206,738**	**–**	**207,979**
Carrying amounts					
At 1 June 2019	54,544	121,058	127,155	17,941	320,698
At 31 May 2020	**57,042**	**122,729**	**122,321**	**26,206**	**328,298**
At 31 May 2021	**69,949**	**127,307**	**121,849**	**16,179**	**335,284**

1 The impairment related to a damaged top-dressing aircraft following an accident in April 2020. The insurance proceeds relating to the impaired assets are disclosed in note A1 and the impairment was recognised in the Consolidated Income Statement.

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	30–50 years	Straight line
Fixed plant and equipment	3–30 years	Straight line
Mobile plant and motor vehicles	5 years	Diminishing value
Fixed wing aircraft	4–32 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 2021 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. Australian buildings were independently valued as at 31 May 2021 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:

	2021	2020
Land	28,711	20,225
Buildings and improvements	78,147	73,866

B2. Intangible Assets

	Patents and Registrations	Resource Consents	Goodwill	Software	Total
Balance at 1 June 2019	2,283	2,190	722	14,084	19,279
Additions	37	381	–	4,633	5,051
Amortisation for the year	(317)	(317)	–	(4,113)	(4,747)
Net book value at 31 May 2020	**2,003**	**2,254**	**722**	**14,604**	**19,583**
Additions	67	1,201	–	3,925	5,193
Reclassification from capital works in progress	–	–	–	5,632	5,632
Amortisation for the year	(286)	(316)	–	(4,390)	(4,992)
Impairment[1]	(631)	–	–	–	(631)
Net book value at 31 May 2021	**1,153**	**3,139**	**722**	**19,771**	**24,785**
Cost	4,038	7,296	775	44,921	57,030
Less accumulated amortisation and impairment	(2,885)	(4,157)	(53)	(25,150)	(32,245)
Net book value at 31 May 2021	**1,153**	**3,139**	**722**	**19,771**	**24,785**

1 The impairments relate to registrations and patents and are recognised in the Consolidated Income Statement.

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 1 year and 27 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. Configuration and customisation costs are capitalised as software if they create an identifiable intangible asset controlled by Ravensdown where future economic benefits are expected to flow from the asset.

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	4–20 years
Resource consents	14–35 years
Software	3–10 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 $5.9 million (2020: $5.0 million).
Net development costs capitalised to Work In Progress for the remote-sensing of soil fertility on hill country was $5.8 million, which is net of $5.2 million funding from the Primary Growth Partnership grant (2020: $6.1 million net, $5.0 million grant). Net Work In Progress for the remote-sensing of soil fertility on hill country capitalised is $5.6 million this year. This was reclassified from capital works in progress in property, plant and equipment (note B1) to software in intangible asset (note B2).

B3. Mining Deposits

	2021	**2020**
Balance at 1 June	14,500	15,659
Balance at 31 May	**14,122**	**14,500**

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

At 31 May 2021, no lime resources were impaired in the Consolidated Income Statement (2020: $0.9 million).

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 the estimated life of the quarry and the potential rehabilitation cost, discounted to the present value of the future cost. At 31 May 2021, a $0.8 million provision for lime rehabilitation costs was included within the Statement of Consolidated Financial Position (2020: $0.8 million).

B4. Inventories

	2021	2020
Finished goods	118,398	107,279
Raw materials	13,708	28,293
Total inventories	**132,106**	**135,572**

Inventories 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 2021, a $0.3 million impairment to finished goods was recognised in the Consolidated Income Statement (2020: $0.4 million).

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, 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.

Bulk density sensitivity

At 31 May 2021, it is estimated that a general increase of one percentage point in bulk density would increase Ravensdown's inventories by approximately $0.8 million. A decrease of one percentage point would decrease Ravensdown's inventories by the same amount.

B5. Right of Use Assets

	2021			2020		
	Right of use land and buildings	Right of use plant, machinery and vehicles	Total	Right of use land and buildings	Right of use plant, machinery and vehicles	Total
Balance at 1 June	7,808	2,018	9,826	–	–	–
Adoption of NZ IFRS 16	–	–	–	9,508	2,450	11,958
Additions	2,822	2,063	4,885	122	1,215	1,337
Disposals	–	(5)	(5)	–	(29)	(29)
Depreciation for the year	(1,686)	(1,671)	(3,357)	(1,822)	(1,618)	(3,440)
Net book value at 31 May 2021	**8,944**	**2,405**	**11,349**	**7,808**	**2,018**	**9,826**

Measurement and Recognition

Right of use assets are initially measured at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right of use asset, excluding restorations costs, is depreciated on a straight-line basis over the lease term. The amount included within right of use assets relating to restoration costs is $Nil (2020:$Nil). Right of use assets are considered for impairment. Refer to note B1 for the impairment basis.

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 2021 were issued at $30 per qualifying tonne on all qualifying tonnes of fertiliser purchased by transacting shareholders (2020: $25 per qualifying tonne).

Provision for Rebates

	2021	2020
Rebate	32,761	28,057

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.

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 geographically 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 2021 there were no Interest Rate derivatives held (2020: $Nil).

Cash flow sensitivity

At 31 May 2021 it is estimated that a general increase of one percentage point in interest rates would decrease Ravensdown's profit before income tax by approximately $0.9 million (2020: $0.7 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 2021 it is estimated that a general increase of one percentage point in interest rates would not increase Ravensdown's equity (pre tax) (2020: $Nil). A decrease of one percentage point would not decrease Ravensdown's equity (pre tax).

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 2021, the notional amount of USD foreign exchange contracts held were $229.5 million (2020: $150.1 million).

	2021			2020		
	USD	EURO	AUD	USD	EURO	AUD
Trade payables	(13,765)	(1)	(309)	(24,795)	(779)	(282)
Net balance sheet – foreign operations	–	–	10,429	–	–	11,144
Other balance sheet items	471	–	18	735	–	78
Net balance sheet exposure before hedging activity	(13,294)	(1)	10,138	(24,060)	(779)	10,940
Forward exchange contracts relating to exposures	13,294	–	–	24,060	–	–
Foreign denominated borrowings	–	–	(9,000)	–	–	(9,000)
Net unhedged exposure	–	(1)	1,138	–	(779)	1,940
NZD equivalent	–	(2)	1,221	–	(1,394)	2,085
Sensitivity to 10% strengthening of NZD (pre tax):						
Increase/(decrease) on equity	(28,535)	–	(139)	(17,593)	–	(209)
Increase/(decrease) on profit	1,672	–	28	3,526	127	20
Sensitivity to 10% weakening of NZD (pre tax):						
Increase/(decrease) on equity	34,876	–	170	21,502	–	256
Increase/(decrease) on profit	(2,044)	–	(35)	(4,309)	(155)	(24)

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

	2021	2020
Not past due	76,705	84,420
Past due 1 – 30 days	832	1,017
Past due more than 30 days	794	809
Less: Provision for impairment in receivables	(239)	(405)
Total trade receivables	**78,092**	**85,841**
Insurance receivable	–	4,250
Prepayments	6,163	4,613
Total trade and other receivables	**84,255**	**94,704**

Measurement and Recognition

Trade receivables are measured on initial recognition at transaction price, and are subsequently carried at amortised cost. Transaction price 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 Statement of Financial Position.

2021	Carrying value	Contractual cash flows	0–12 months	1–3 years
Non-derivative financial liabilities[1]				
Trade and other payables	55,034	55,034	55,034	–
Loans and borrowings	9,663	9,677	9,677	–
	64,697	**64,711**	**64,711**	**–**
Cash flow hedge derivatives				
Net foreign exchange contracts	(6,276)	(5,560)	(5,560)	–
Total net derivative assets/(liabilities)	**(6,276)**	**(5,560)**	**(5,560)**	**–**
Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss	**(6,276)**	**(5,560)**	**(5,518)**	**(42)**

2020	Carrying value	Contractual cash flows	0–12 months	1–3 years
Non-derivative financial liabilities[1]				
Trade and other payables	78,975	78,975	78,975	–
Loans and borrowings	9,672	9,687	9,687	–
	88,647	**88,662**	**88,662**	**–**
Cash flow hedge derivatives				
Net foreign exchange contracts	128	585	585	–
Total net derivative assets/(liabilities)	**128**	**585**	**585**	**–**
Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss	**128**	**585**	**1,128**	**(543)**

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

C3. Lease Liabilities

	2021	2020
Opening balance	11,356	–
Adoption of NZ IFRS 16 Leases	–	13,466
Net additions	4,885	1,337
Interest of lease liabilities	728	876
Repayments	(4,157)	(4,323)
Closing balance	**12,812**	**11,356**
Current	3,339	2,847
Non-current[2]	9,473	8,509

2 Non-current leases' maturity is reached between the range of 2–40 years.

Measurement and Recognition

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using Ravensdown's incremental borrowing rate taking into account the duration of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments, or if Ravensdown changes its assessment of whether it will exercise an extension or termination option.

Lease Expenses

The Consolidated Income Statement includes expenses relating to short term leases of $1.2 million (2020: $1.3 million). Depreciation of right of use assets are reported in note B5. Interest on lease liabilities are reported as financial expenses (see note A2).

Extension & Termination Options

Some leases contain extension and termination options exercisable by Ravensdown before the end of the non-cancellable contract period. The period covered by the options are only included in the lease term if Ravensdown is reasonably certain to exercise the option.

C4. Fair Value of Financial Assets and Liabilities

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

	2021	2020
Assets		
Loans and receivables	87,447	105,741
Derivatives designated at fair value	514	4,382
Total assets	**87,961**	**110,123**
Liabilities		
Derivatives designated at fair value	6,790	4,254
Other liabilities at amortised cost	110,372	130,391
Total liabilities	**117,162**	**134,645**

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 2020 and 2021. At 31 May 2021, the fair value of Ravensdown's derivative financial instruments was a $6.3 million liability (2020: $0.1 million asset).

C5. 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

	2021	2020
Profit/(loss) for the year	16,090	(2,102)
Adjustments for:		
Items classified as investing or financing activities		
Interest income	(1,477)	(1,485)
Interest expense	2,523	3,778
Insurance proceeds	(5,460)	(5,470)
Repayment of interest on lease liabilities	728	876
Items not involving cash flows		
Depreciation, amortisation and loss on disposals	30,884	32,291
Bonus share issue	–	29,789
(Increase)/decrease in deferred tax	(797)	89
Impairment of non current assets	1,321	2,858
(Increase) in equity accounted investees	(3,032)	(302)
Income tax expense	(7,106)	6,795
Changes in working capital		
Decrease in inventories	3,466	23,664
Decrease in trade and other receivables	10,448	26
(Decrease)/increase in trade and other payables	(10,970)	25,809
Net cash from operating activities	**36,618**	**116,616**

C6. Loans and Borrowings

	2021	2020
Current liabilities		
Loans and borrowings	**9,663**	**9,672**

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 2021, the facility available was $230 million (2020: $230 million). The excess headroom in the facility is available to ensure sufficient cash flow during peak periods arising due to seasonality of operations. The facility is made up of four tranches with expiration dates of May 2022, May 2023 and May 2024. The interest rate is currently 1.04% (2020: 1.13%).

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.

C7. Co-operative Shares

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

In thousands of shares	2021	2020
On issue at 1 June	336,986	309,831
Shares allotted on bonus issue	–	26,992
Shares allotted during the year	9,074	8,673
Less: co-operative shares surrendered	(8,614)	(8,510)
On issue at 31 May	**337,446**	**336,986**

Partly paid ordinary co-operative shares

Partly paid up	9	9
Unpaid	2	2
Total partly paid and unpaid	**11**	**11**

Value of ordinary co-operative share capital

In thousands of New Zealand dollars	2021	2020
Balance at 1 June	336,984	309,830
Co-operative shares issued	9,074	8,672
Co-operative shares allotted on bonus issue	–	26,992
Less: co-operative shares surrendered	(8,614)	(8,510)
Balance at 31 May	**337,444**	**336,984**

Co-operative Shares

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 258 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. Subsidiaries

	Principal Activity	Country of Incorporation	Interest (%) 2021	Interest (%) 2020
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[1]	Fertiliser sales – discontinued	Australia	100%	100%
Ravensdown Australia Properties Pty Limited	Property investment – discontinued	Australia	100%	100%
Aerial Sowing Limited	Dormant	New Zealand	100%	100%
Soil Fertility Services Limited	Dormant	New Zealand	100%	100%

1 On 8 June 2021, Ravensdown Fertiliser Australia Pty Limited commenced a members voluntary liquidation.

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

	2021	2020
Interests in joint ventures	14,700	15,108
Interests in associates[2]	4,969	4,504
	19,669	**19,612**

2 Ravensdown's share of profits after tax arising from its interests in associates was \$0.5 million (2020: \$0.4 million). 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:

	2021	2020
Balance at 1 June	15,108	15,467
Share of profit after tax	3,605	690
Dividends received from joint ventures	(1,056)	(671)
Movements in loans to joint ventures	(1,318)	(128)
Impairment of loans to joint ventures[3]	–	(250)
Foreign currency translation differences for foreign operations	(1,639)	–
Balance at 31 May	**14,700**	**15,108**

3 In 2020, Ravensdown impaired $0.3 million of loans to equity accounted investees. This impairment was recognised in the Consolidated Income Statement.

Summary financial information for joint ventures (not adjusted for the interest held by Ravensdown):

	Total assets	Total liabilities	Revenues	Profit before tax
2020	57,199	32,574	94,508	690
2021	**99,567**	**72,621**	**195,755**	**10,204**

D3. Joint Ventures (Equity Accounted)

	Principal Activity	Country of Incorporation	Interest (%) 2021	Interest (%) 2020
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%	50.0%

D4. Associates (Equity Accounted)

	Principal Activity	Country of Incorporation	Interest (%) 2021	Interest (%) 2020
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 was sold during 2020. No impairment was recorded in discontinued operations (2020: $0.2 million). These operations are still considered discontinued as part of the overall plan to exit this market.

Assets classified as investment property

As at 31 May 2021, property, plant and equipment classified as investment property totalled $3 million (2020: $2.3 million). The revaluation for the year was an increase of $0.7 million (2020: $1.0 million decrease) and was recognised in the Consolidated Income Statement for the year. The valuation of the building was determined by independent valuers and consideration made by the directors.

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.

Profit/(loss) for the year from discontinued operations

During the year total net income after tax arising from discontinued operations were $0.7 million (2020: $2.0 million loss). The total net comprehensive income arising from discontinued operations was $0.7 million (2020: $1.9 million loss).

Net Cash Flows from Discontinued Operations

	2021	2020
Operating activities	266	596
Investing activities	103	320
Financing activities	(389)	(1,037)
Net cash flows	**(20)**	**(121)**

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

	2021	2020
Transactions with equity-accounted investees		
Dividends received	1,104	994
Sales of goods and services	291	379
Purchases of goods and services	(61,629)	(57,360)
Net trade receivables	185	308
Closing advances	1,611	2,916

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.

Transactions with key management personnel are disclosed in note A3.

E2. Auditor's Remuneration

	2021	2020
Auditor's remuneration to KPMG comprises:		
Audit of financial statements	171	160
Other non-audit services	–	–
Total auditor's remuneration	**171**	**160**

E3. Capital Commitments

At 31 May 2021, Ravensdown had capital commitments of $27.8 million (2020: $19.1 million). Capital commitments relate to investment in New Zealand assets and infrastructure. Capital commitments are recognised after a formal capital review and approval process.

E4. Contingent Liabilities

Ravensdown had no material contingent liabilities at balance date (2020: $Nil).

E5. 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 2021.

RESOLUTION OF DIRECTORS

RESOLUTION OF DIRECTORS PURSUANT TO SECTION 10 OF THE CO-OPERATIVE COMPANIES ACT 1996

RESOLVED that, in the opinion of the undersigned directors of Ravensdown Limited (Company), the Company has throughout the financial year ended 31 May 2021 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 it 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 21st day of June 2021

John Francis Clifford Henderson

David Alexander Biland

Jason Colin Dale

Nicola Alice Orbell Hyslop

Jane Montgomery

Peter William Moynihan

Jacqueline Sara Rowarth

Bruce William Massy Wills

KPMG

Independent Auditor's Report

To the shareholders of Ravensdown Limited

Report on the audit of 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 32:

i. present fairly in all material respects the group's financial position as at 31 May 2021 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 2021;

— the consolidated income statement, consolidated 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 $2.3 million determined with reference to a benchmark of group's profit before tax and rebates. We chose the benchmark because, in our view, this is a key measure of the group's performance.

KPMG

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 – note B4.	
The Group has inventory of $132 million at 31 May 2021, of which $87 million relates to bulk fertiliser stored as piles in bays at the group's manufacturing and storage facilities across New Zealand. The carrying amount of bulk fertiliser is calculated by multiplying the quantity on hand by the applicable unit cost. The key judgment in this calculation is the estimation of the quantity on hand. This is determined by: — Estimation of volume: as bulk fertiliser is placed in and drawn from storage, it settles in irregular shapes. Management determines volume based on site inspection and the calculation of relevant volumes; and — Application of bulk density factors: the estimated volume is multiplied by the relevant bulk density factor to calculate the quantity on hand. The bulk density factor is the estimated weight of a given fertiliser product in a given volume. The density of fertiliser can change with compaction and atmospheric conditions. A pile of fertiliser may comprise multiple shipments of fertiliser, each with different bulk density factors. Due to the level of estimation required in calculating the volume of bulk fertiliser on hand, and selecting	Our audit procedures included, amongst others: — Attending annual inventory counts at material manufacturing sites and other storage locations on a rotational basis. — Calculating volumes at those counts for all bulk inventory, and comparing with management's assessment and challenging where significant differences identified. — Checking that agreed volumes of bulk inventory inspected at annual inventory counts were updated in the inventory records. — Agreeing a selection of bulk density factors from laboratory testing to those used in measuring the quantity of bulk inventory on hand. — Comparing bulk density factors applied against external comparatives for the same products. — Validating the stated description of certain inventory products selected from annual inventory count attendance to results from laboratory testing. — Assessing management's count results from inventory counts not directly attended, including reviewing cyclical counts performed during the year and modifying our audit procedures as appropriate.

The key audit matter	How the matter was addressed in our audit
the appropriate bulk density factor, when combined with the magnitude of the balance at 31 May 2021, we consider the measurement of bulk inventory to be a key audit matter.	
Valuation of land and buildings – note B1	
The group has land and buildings subject to revaluation of $197 million at 31 May 2021. The group revalues its land and buildings on a triennial basis, with consideration given to material changes that may have occurred in the remaining assets which require a more detailed reassessment of carrying amount. Because the group does not have the internal valuation expertise to perform these valuations, an independent valuation expert was engaged to undertake these valuations. The independent valuation expert exercises professional judgment in determining the fair value adopted in the financial statements for a specified asset. This judgment relates to their assessment of fair value estimates under the depreciated replacement cost, income capitalisation, and discounted cash flow valuation methods, and the assumptions relating to depreciation, replacement cost, market rentals, discount, and capitalisation rates. 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, particularly given the absence of extensive comparable data in some of the group's operating locations.	Our audit procedures included, amongst others: — Assessing the competence, objectivity, and integrity of the independent valuation expert engaged by the group, including an assessment of their professional qualifications, experience, and obtaining representation from them regarding their independence and scope of work. — Engaging our in-house valuation specialists to assess the appropriateness of valuation methodology applied, including challenging key inputs and assumptions underlying the valuation directly with the independent valuation expert. Mechanical application of the methodologies was checked for accuracy. — Specifically challenging the discount rates, market capitalisation rates, market rentals, discount rates, and depreciation rates applied. — Checking that the revalued amounts determined by the independent valuation expert, and any related deferred tax effects, were reflected in the underlying accounting records. — Checking whether any resulting asset revaluation reserves by asset resulted in a debit (negative) reserves, requiring recycling of that amount to profit or loss. — Analysing and understanding the reasoning for differences between valuation methods that fell outside a threshold by asset. — Evaluating management's assessment of the carrying amounts for land and buildings not independently revalued during the year, including considering market conditions for indicators of a material change since the last revaluation.

KPMG

Other information

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

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears misstated. If so, we are required to report such matters to the 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 **Matt Kinraid**.

For and on behalf of

KPMG

KPMG
Christchurch

9 August 2021

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 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 protected disclosures 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 service 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 Risk and Assurance Manager 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.
- Make recommendations in relation to Appointed Directors to the Board.

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

Share Registry Committee

This committee comprises four 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 had 9 directors before the Annual Meeting on 14 September 2020 and 8 after the meeting. Having served more than 12 years in office, Stuart Wright retired at the Annual Meeting and Jane Montgomery was elected in his place for Area 2. Also having served more than 12 years in office, Scott Gower retired as the director for Area 7. With effect from the Annual Meeting, Area 7 was merged into the existing three North Island Areas by adjusting the boundaries of those Areas and renaming them Areas 4, 5 and 6. With the merging of Area 7 the Board decreased from 9 to 8 directors.

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. Elections for the vacant director positions are held prior to the annual meeting.

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 improvement 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

Director	Total attended	Eligible to attend
John Henderson (Chair)	8	8
Stuart Wright (Deputy Chair – retired 14 September 2020)	3	3
David Biland (Deputy Chair from 15 September 2020)	8	8
Jason Dale	7	8
Scott Gower (retired 14 September 2020)	3	3
Nicola Hyslop	8	8
Pete Moynihan	8	8
Jacqueline Rowarth	8	8
Bruce Wills	8	8
Jane Montgomery (from 15 September 2020)	5	5

Audit & Risk Committee

Director	Total attended	Eligible to attend
Jason Dale (Chair)	4	4
David Biland	4	4
John Henderson	3	4
Peter Moynihan	4	4
Bruce Wills	4	4

Share Registry Committee

Director	Total attended	Eligible to attend
Bruce Wills (Chair)	9	9
Scott Gower (Retired 14 September 2020)	3	3
Nicola Hyslop	6	9
Jane Montgomery (from 15 September 2020)	5	5
Jacqueline Rowarth	8	9

Board Appointments and Remuneration Committee

Director	Total attended	Eligible to attend
Pete Moynihan (Chair)	2	2
David Biland	1	1
Scott Gower (retired 14 September 2020)	1	1
John Henderson	2	2
Nicola Hyslop (from 15 September 2020)	1	1
Jacqueline Rowarth (from 15 September 2020)	1	1
Stuart Wright (retired 14 September 2020)	1	1
Bruce Wills	2	2

Directors

The Directors of Ravensdown Limited as at 31 May 2021 were as follows:

- John Henderson (Chair)
- David Biland (Deputy Chair)
- Jason Dale
- Peter Moynihan
- Bruce Wills
- Nicola Hyslop
- Jacqueline Rowarth
- Jane Montgomery

Scott Gower and Stuart Wright retired from the Board effective from the Annual Meeting on 14 September 2020.

Directors and remuneration

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

Director	Total remuneration and value of other benefits received
J.F.C. Henderson (Chair)	$196,000
D. Biland (Deputy Chair)*	$94,208
J. Dale (Audit & Risk Committee Chair)	$95,500
P.W. Moynihan	$85,500
B. Wills	$80,500
N. Hyslop	$80,500
J. Rowarth	$80,500
J. Montgomery***	$57,326
S.G. Gower**	$23,174
A.S. Wright** (Ex Deputy Chair)	$28,716

* *David Biland became Deputy Chair, effective 15 September 2020.*

** *Stuart Wright and Scott Gower retired from the Board, effective 14 September 2020.*

*** *Jane Montgomery joined the Board, effective 14 September 2020*

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 as at 31 May 2021:

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

Director	Position	Entity Name
J. Dale	Director/Chair	Crest Licensing Systems Limited
	Chief Financial Officer – NZ & Pacific Islands	NZ Steel
	General Manager – Pacific Islands	NZ Steel
	Director	New Zealand Steel Holdings Limited
	Director	New Zealand Steel Limited
	Director	BlueScope Steel Finance NZ Limited
	Director	BlueScope Steel Trading NZ Limited
	Director	New Zealand Steel Development Limited
	Director	Pacific Steel (NZ) Limited
	Director	Steltech Structural Limited
	Director	Toward Industries Limited
	Director	Waikato North Head Mining Limited
	Director	SteelServ Limited
	Director	BlueScope Acier Nouvelle Caledonie SA
	Director	BlueScope Lysaght (Vanuatu) Limited
	Director	BlueScope Pacific Steel (Fiji) Pty Limited
	Director	BlueScope Lysaght (Fiji) Limited
	Director	Tasman Steel Holdings Limited
	Chair	Westphalia Properties Limited
P.W. Moynihan	Director/ Shareholder	Aerodrome Farm Limited
	Director/ Shareholder	Rathmore Farm Limited
	Director/ Shareholder	Hacienda Lochiel Limited
	Director	Last Tango Limited
	Director	The Power Company Limited
	Director	PowerNet Limited
	Indirect Shareholder	Manukau S.A.
	Trustee	Rathmore Trust
	Employee	Westpac Bank

Director	Position	Entity Name
B. Wills	Director/ Shareholder	Trelinnoe Limited
	Director	Tranzfutura International Limited
	Director	Remarkables Station National Trust Limited
	Chair	QE II National Trust
	Chair	Apiculture NZ
	Chair	Deer PGP
	Chair	Motu (Economic and Public Policy Research)
	Chair	Primary ITO
	Trustee	NSC Resilience to Nature's Challenges
	Trustee	National Science Challenge (Our Land & Water)
D. Biland	Director/ Shareholder	Hughland Limited
	Trustee	The Davinzi Trust
	Client of Hughland Limited	Simcro Limited
	Client of Hughland Limited	SVS Veterinary Supplies Limited
	Client of Hughland Limited	EIDNZ Limited
J. Rowarth	Director	DairyNZ Limited
	Director / Shareholder	Oraka Farming Limited
	Shareholder	Scott Holdings (Tirau) Limited
	Indirect Shareholder (via Scott Holdings (Tirau) Ltd	Fonterra Co-operative Group
	Indirect Shareholder (via Scott Holdings (Tirau) Ltd	Silver Fern Farms Co-operative Limited
	Indirect Shareholder (via Scott Holdings (Tirau) Ltd	Livestock Improvement Corporation
	Trustee	New Zealand Grassland Trust
	Adjunct Professor	Lincoln University

Director	Position	Entity Name
N. Hyslop	Director/ Shareholder	Levels Estate Company Limited
	Director	Beef + Lamb New Zealand Limited
	Director	New Zealand Meat Board
	Director	Meat and Wool Trust Limited
	Director	Pastoral Genomics Limited
	Director (Vice Chair) /Shareholder	Opuha Water Limited
	Independent Chair	Hunter Dairies Limited
	Independent Chair	Nind Family Advisory Board
	Indirect Shareholder via Level Estate Company Ltd	Farmland Co-operative Society Limited
	Indirect Shareholder via Level Estate Company Ltd	Silver Fern Farms Co-operative Limited
	Independent Member	New Zealand Agricultural Greenhouse Gas Research Centre
	Council Member/ Stakeholder	Ospri
J. Montgomery *Commenced Sep 2020*	Director/ Shareholder	Kotare Headwaters Limited
	Director/ Shareholder	Cheviot Hills Fine Foods Limited
	Director/Indirect Shareholder	Gower Brae Limited
	Shareholder	Narwhal Two Limited
	Trustee	Marchlaw Trust
	Trustee	J C Montgomery Family Trust
	Executor	Estate H T Stubberfield

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 with the Board are carried out on a commercial basis, and the Board does not receive advance notice of price changes. Directors are notified of price changes at the same time as all shareholders.

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 and an indemnity 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 certain 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 $2,500 were made to various charities during the year (2020: $9,000).

Employees' remuneration

Remuneration	No. of Employees
$100,000 – $109,999	50
$110,000 – $119,999	45
$120,000 – $129,999	40
$130,000 – $139,999	33
$140,000 – $149,999	23
$150,000 – $159,999	16
$160,000 – $169,999	13
$170,000 – $179,999	13
$180,000 – $189,999	7
$190,000 – $199,999	5
$200,000 – $209,999	3
$210,000 – $219,999	4
$220,000 – $229,999	7
$230,000 – $239,999	5
$240,000 – $249,999	1
$260,000 – $269,999	4
$370,000 – $379,999	1
$380,000 – $389,999	1
$420,000 – $429,999	1
$430,000 – $439,999	1
$490,000 – $499,999	1
$560,000 – $569,999	2
$2,050,000 – $2,059,999	1

Employee's 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 2021 were as follows:

Subsidiary	Directors
Ravensdown Aerowork Limited	Greg Campbell Mike Whitty
C-Dax Limited	Mike Whitty Anna Stewart Greig Shearer
Ravensdown Australian Holdings Limited	Greg Campbell Sean Connolly Anna Stewart
Ravensdown Fertiliser Australia Pty Limited[1]	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

1 On 8 June 2021, Ravensdown Fertiliser Australia Pty Limited commenced a members voluntary liquidation.

Except for Allister Burton, all of the current Directors are employees of Ravensdown 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 2021, pursuant to s 140(2) of the Companies Act 1993.

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

Greg Campbell retired as CEO of Ravensdown and his directorships on 31 May 2021.

Enabling smarter farming throughout New Zealand

KEY

- Ravensdown-owned stores
- Ravensdown consignment stores
- Ravensdown aglime quarries
- Lime processing plant
- Aerowork

REGISTERED OFFICE

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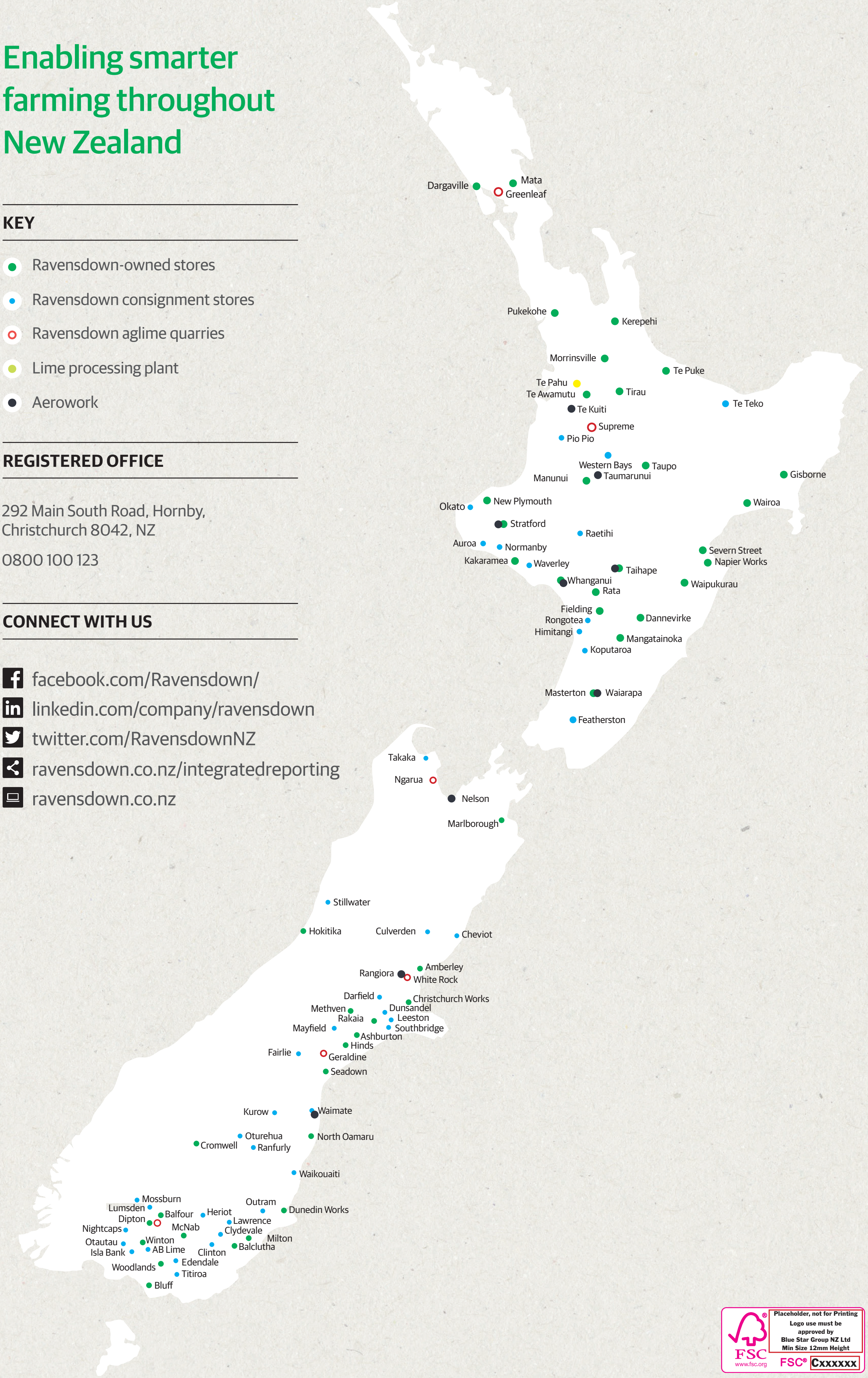

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Supplementary information available on **www.ravensdown.co.nz/integratedreport**