ravensdown

Our
2020
Annual
Report

Response + Resilience

Separate to this Annual Report, Ravensdown has published an **Integrated Report** which can be **downloaded** at: integratedreporting.ravensdown.co.nz

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The Board of Directors of Ravensdown Limited is pleased to present to shareholders the Annual Report and financial statements for Ravensdown Limited and its subsidiaries (together Ravensdown) and Ravensdown's interest in associates and joint ventures for the year ended 31 May 2020.

John Henderson LLB
Chair

Stuart Wright B. Ag. Com
Deputy Chair

Scott Gower IoD Company Director's Certificate

Peter Moynihan B. Ag. Sc

Bruce Wills B. Ag. Com

Nicola Hyslop B.Ag.Sc (Hons), IoD Company Director's Certificate

Dr Jacqueline Rowarth PhD, B.Ag.Sc (Hons), IoD Company Director's Certificate

Jason Dale (Appointed) B. Com FCA

David Biland (Appointed) B.Ag.Sc, Dip Hort Sci, IoD Company Director's Certificate

FINANCE AT A GLANCE

$69m

Net profit before rebate, bonus shares and tax from continuing operations

2018 – 19 **$52m**

74%

Equity ratio

2018 – 19 **70%**

$143m

Operating cashflows

2018 – 19 **$31m**

As the country faced the unprecedented challenge of COVID-19, it was Ravensdown's financial strength that enabled value to be delivered to shareholders as outlined in this report. The response continues and the position remains strong, yet caution is justified.

Being entrusted as an essential service and operating throughout all alert levels made a significant difference. When combined with lower costs, reduced inventory and strong cashflows throughout the pandemic response, the year ended solidly from a financial perspective. The level of uncertainty as we entered the pandemic response and as we looked at the short to medium term future resulted in Ravensdown implementing a precautionary cost containment plan.

Ravensdown has recorded a 32% increase in profit to $69 million from continuing operations before tax, rebate and an earlier issue of bonus shares. The profit increase compared to last year was attributable to almost identical group revenues ($750 million), slightly higher margins and reduced costs. Overall, we have seen our operating costs reduce, primarily due to our response as the pandemic took hold.

Some cost reductions were the deferral of some improvements at several of our store locations and these will be undertaken in the future. We continued our asbestos replacement programme, increasing our spend to $2.5 million during the year. Although this reduced overall profit, the benefits certainly outweigh the cost. We were able to maintain our funding of research and development at the same level ($5 million) as a better New Zealand depends on smarter farming more than ever.

During the year, we had very strong operating cashflows of $143 million (2019 $31 million). This allowed us to fund our capital investment programme as well as pay off all our net debt. In fact, we ended the year with $6 million of net cash (2019 $69 million net bank debt). This was primarily a result of reduced inventory and prompt customer payments.

In terms of capital investment, we continued to refresh our current infrastructure, invest in new plant, technologies, systems and products. Our combined investment in property, plant and intangibles was also the same as 2019 at $33 million.

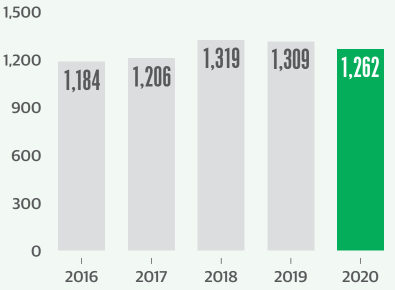
In March 2020, we issued bonus shares of $27 million which, when combined with the tax benefits to shareholders of $13 million and the rebate payable in August, results in $68 million of value distributed to shareholders.

The bonus share issue was based on the prior three years' qualifying purchases. Under accounting standards, this is recognised as a reduction in revenue this year. To assist readers, we have included profit before rebate and bonus shares in our analysis of performance. Although this is a non-GAAP measure, the Directors consider this to be a key performance measure of Ravensdown, and an important factor in determining the amount of distributions made to shareholders.

Combining the operating result and the retention of the non-cash bonus share issue has seen equity increase by $24 million to $474 million.

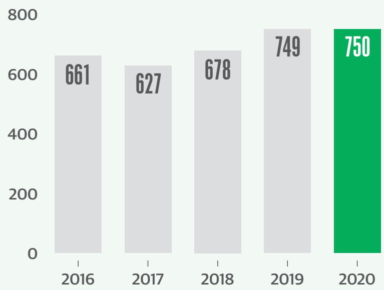
With a high level of uncertainty still in play, we will continue to be prudent in the coming year as we assess our customers' needs, suppliers' positions and our business requirements – while planning accordingly.

NEW ZEALAND FERTILISER SALES (THOUSAND TONNES)



Fertiliser volumes were marginally down on last year. A significant drought in parts of New Zealand was a key driver in the reduction.

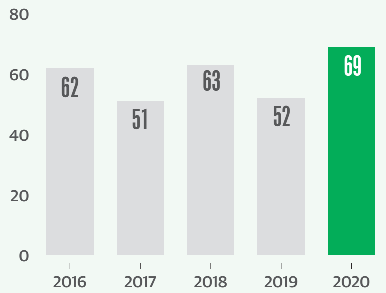
SALES REVENUE ($M)



(including results from discontinued operations)

Sales Revenue remained constant, retaining the growth achieved in the previous year.

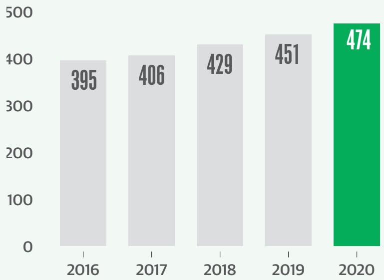
NET PROFIT BEFORE REBATE, BONUS SHARES & TAX ($M)



(from continuing operations)

Strong increase in net profit before rebate, bonus shares and tax, is the combination of cost reductions, product mix and additional margin.

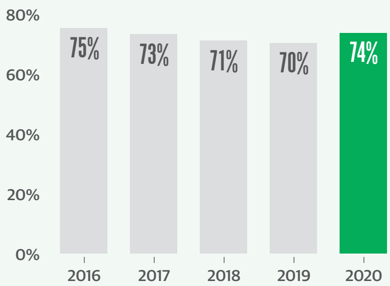
TOTAL EQUITY ($M)



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

EQUITY RATIO (%)

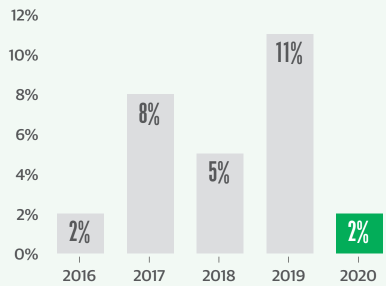
The ratio of equity to total assets compares the money creditors contribute to the business with the money owners contribute



The equity ratio remains in our targeted band.

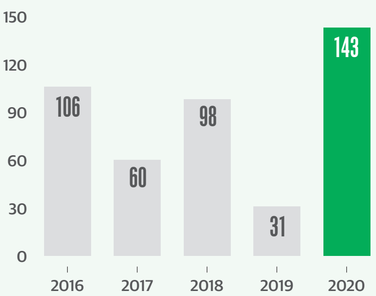
DEBT RATIO (%)

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 no net debt. This enabled a low Debt Ratio.

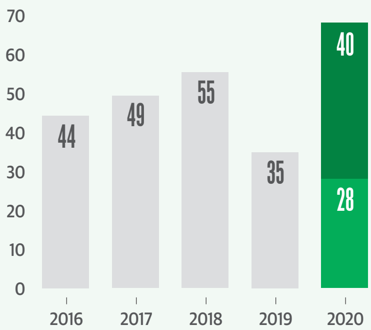
OPERATING CASH FLOW ($M)



Strong operating cashflows were achieved through good profit, reduced value of inventories held, continuing good debtor collections and an increase in our creditors.

VALUE OF SHAREHOLDER DISTRIBUTIONS ($M)

Total dollar of distribution to shareholders comprising rebates and bonus shares

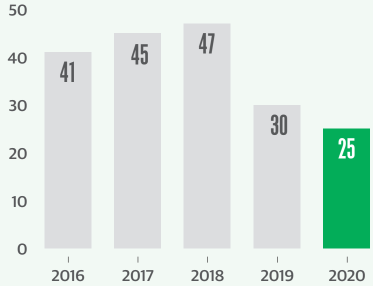


(bonus shares include tax credits)

Rebates   Bonus Shares

In 2020 we made two distributions: our annual rebate and a bonus share issue, totalling $68m including tax credits.

SHAREHOLDER REBATE ($/T)



In 2020 our rebate of $25 enables the company to reward our shareholders whilst strengthen our financial position.

FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020.

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

- 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 2020 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 2020 in the nature of Ravensdown's business or the classes of business in which Ravensdown has an interest.

For and on behalf of the Board of Directors:

J.F.C. Henderson
Chair

31 July 2020

A.S. Wright
Deputy Chair

CONTENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

In thousands of New Zealand dollars	Note	2020	2019
Continuing operations			
Revenue	A1	749,621	749,016
Rebates to shareholders	C1	(28,091)	(34,832)
Bonus shares issued	C7	(29,789)	–
Revenue after rebates and bonus shares issued		**691,741**	**714,184**
Cost of sales		(611,858)	(626,025)
Gross profit		**79,883**	**88,159**
Sales and marketing expenses		(30,335)	(32,140)
Administrative expenses		(32,170)	(33,076)
Other operating expenses		(4,951)	(5,145)
Operating expenses		**(67,456)**	**(70,361)**
Finance income		1,484	1,700
Finance expenses		(4,295)	(5,008)
Net finance costs	A2	**(2,811)**	**(3,308)**
Share of profit of equity accounted investees (after tax)	D2	1,096	2,455
Profit before income tax		**10,712**	**16,945**
Income tax (expense)	A4	(10,864)	(3,841)
(Loss)/profit for the year from continuing operations		**(152)**	**13,104**
Discontinued operations			
Loss after tax for the year	D5	(1,950)	(1,552)
(Loss)/profit for the year attributable to equity holders		**(2,102)**	**11,552**

Non-GAAP Presentation for Continuing Operations			
Revenue		749,621	749,016
Cost of sales		(611,858)	(626,025)
Gross profit before rebates and bonus shares issued		**137,763**	**122,991**
Profit before income tax		**10,712**	**16,945**
Rebates to shareholders		28,091	34,832
Bonus shares issued		29,789	–
Profit before rebate, bonus shares and income tax		**68,592**	**51,777**

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	2020	2019
(Loss)/profit for the year		**(2,102)**	**11,552**
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment		3,901	3,783
Related tax	A4	572	(1,388)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	A4	(71)	18
Net change in fair value of cash flow hedges	A4	(6,031)	(480)
Related tax	A4	1,695	58
Other comprehensive income for the year		**66**	**1,991**
Total comprehensive (loss)/income for the year		**(2,036)**	**13,543**
Attributable to:			
Continuing operations		(111)	15,341
Discontinued operations	D5	(1,925)	(1,798)
		(2,036)	**13,543**

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	2020	2019
Assets			
Cash and cash equivalents	C5	15,650	1,833
Trade and other receivables	C2	94,704	94,729
Inventories	B4	135,572	159,236
Derivative financial assets	C2	4,382	6,268
Assets held for sale	D5	–	639
Total current assets		**250,308**	**262,705**
Property, plant and equipment	B1	328,298	320,698
Intangible assets	B2	19,583	19,279
Mining deposits	B3	14,500	15,659
Right of use assets	B5	9,826	-
Investments in equity accounted investees	D2	19,612	19,797
Investment property	D5	2,257	3,289
Total non-current assets		**394,076**	**378,722**
Total assets		**644,384**	**641,427**
Liabilities			
Trade and other payables	C2	78,975	51,764
Employee entitlements	A3	13,687	14,362
Lease liabilities	C3	2,847	-
Loans and borrowings	C6	9,672	70,380
Provision for rebate	C1	28,057	34,642
Derivative financial liabilities	C2	4,254	109
Current tax liabilities		8,553	1,771
Total current liabilities		**146,045**	**173,028**
Deferred tax liabilities	A4	15,654	17,833
Lease liabilities	C3	8,509	-
Total non-current liabilities		**24,163**	**17,833**
Total liabilities		**170,208**	**190,861**
Net assets		**474,176**	**450,566**
Equity			
Co-operative shares	C7	336,984	309,830
Reserves		73,376	73,313
Retained earnings		63,816	67,423
Total equity		**474,176**	**450,566**

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	2020	2019
Cash flows from operating activities			
Cash receipts from customers		746,058	730,265
Dividends received		794	1,722
Payments to suppliers and employees		(600,240)	(700,849)
Income tax paid		(3,933)	(119)
Net cash flows from operating activities	C5	**142,679**	**31,019**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		632	10,179
Insurance proceeds		5,470	4,100
Net movements in loans provided to equity accounted investees		316	(1,055)
Acquisition of property, plant and equipment		(28,010)	(27,117)
Acquisition of other non-current assets		(5,229)	(6,520)
Acquisition of shares in associates		(91)	(50)
Net cash flows (used in) investing activities		**(26,912)**	**(20,463)**
Cash flows from financing activities			
Interest received		1,485	1,701
Proceeds from issue of share capital		59	23
Interest paid		(3,778)	(4,958)
Repayment of principal and interest on lease liabilities		(4,312)	-
Repayment of share capital		(8,510)	(9,284)
Payment of rebates		(26,063)	(38,480)
Net movements in loans and borrowings		(60,831)	40,300
Net cash flows (used in) financing activities		**(101,950)**	**(10,698)**
Net increase/(decrease) in cash and cash equivalents		13,817	(142)
Cash and cash equivalents at 1 June		1,833	1,975
Cash and cash equivalents at 31 May		**15,650**	**1,833**

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 2018		**302,211**	**101**	**2,584**	**71,157**	**53,351**	**429,404**
Profit for the year attributable to equity holders		–	–	–	–	11,552	11,552
Foreign currency translation differences for foreign operations		–	18	–	–	–	18
Revaluation of property, plant and equipment, net of tax		–	–	–	2,395	–	2,395
Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment		–	–	–	(2,520)	2,520	–
Net change in fair value of cash flow hedges		–	–	(422)	–	–	(422)
Total comprehensive income for the year		**–**	**18**	**(422)**	**(125)**	**14,072**	**13,543**
Total contributions by and distributions to equity holders	C7	7,619	–	–	–	–	7,619
Balance at 31 May 2019		**309,830**	**119**	**2,162**	**71,032**	**67,423**	**450,566**
Adjustment to retained earnings on 1 June 2019 for the adoption of NZ IFRS 16		–	–	–	–	(1,508)	(1,508)
Balance at 1 June 2019 restated		**309,830**	**119**	**2,162**	**71,032**	**65,915**	**449,058**
Loss for the year attributable to equity holders		–	–	–	–	(2,102)	(2,102)
Foreign currency translation differences for foreign operations		–	(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		–	–	–	(3)	3	–
Net change in fair value of cash flow hedges		–	–	(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**

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

Explanation of Reserves

Foreign Currency Translation Reserve

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

Hedging Reserve

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

Revaluation Reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ABOUT THIS REPORT

In this section

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

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

Reporting Entity

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

These consolidated financial statements are for Ravensdown Limited and its subsidiaries (together referred to as "Ravensdown") and Ravensdown's interests in associates and joint ventures as at and for the year ended 31 May 2020.

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 31 July 2020.

Foreign Currency

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

Critical Judgements and Estimates

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

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

Property, Plant and Equipment	Note B1
Inventories	Note B4

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on Wednesday 25 March 2020 the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) for an initial 4 week period. Ravensdown was deemed to be an essential service, and as such continued the majority of operations during Alert Levels 3 & 4. At 31 May, all identified impacts of COVID-19 have been reflected in the financial statements, and in the relevant key estimates and assumptions. There has been no impact on the areas of the Group's financial statements that the Directors have identified as being most susceptible, either directly or indirectly, to COVID-19, which comprise: collectability of receivables, impairment of assets, and the fair value of property, plant, and equipment.

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.

Accounting Policies

The accounting policies set out in these financial statements have been applied consistently in all periods presented in these financial statements except for the impact of NZ IFRS 16 (refer to note B5 and C3). Other accounting policies that are relevant to understanding the financial statements are provided within the notes to the financial statements. Certain comparatives have been re-presented to conform with the current period's presentation.

Basis of Consolidation

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

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

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

New Accounting Standards

From 1 June 2019 onwards, NZ IFRS 16 Leases replaced the previous guidance in NZ IAS 17. Under NZ IAS 17, a lessee was required to make a distinction between operating leases (off balance sheet) and finance leases (on balance sheet). NZ IFRS 16 now requires a lessee to recognise a right of use asset and a corresponding lease liability for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The Consolidated Income Statement is also impacted by the recognition of an interest expense and an amortisation expense as well as the removal of the current lease rental expense.

This standard only affected the accounting treatment for Ravensdown's operating leases.

The impact on the Consolidated Statement of Financial Position as at 1 June 2019 was the following:

- Recognition of a right of use asset of approximately $12.0 million;
- Recognition of a lease liability of approximately $13.5 million; and
- Decrease in opening retained earnings of approximately $1.5 million.

Adopting the modified retrospective approach under NZ IFRS 16, Ravensdown did not restate comparative amounts for the period prior to first adoption and instead made the adjustment to opening retained earnings of approximately $1.5 million.

Ravensdown applied the following practical expedients in adopting NZ IFRS 16:

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

The following reconciliation to the opening balance for the lease liabilities as at 1 June 2019 is based upon the operating lease obligations as at 31 May 2019.

Operating lease commitments at 31 May 2019 under NZ IAS 17	15,118
Less: Recognition exemption under NZ IFRS 16 for:	
Short term leases recognised on a straight-line basis as expense	(188)
Leases of low value assets recognised on a straight-line basis as expense	(7)
Add: Adjustments for the different treatment of lease payments & borrowing rates	88
Total undiscounted operating lease commitments	**15,011**
Effect of discounting using the incremental borrowing rate at 1 June 2019	(1,545)
Lease liabilities recognised under NZ IFRS 16 at 1 June 2019	**13,466**

The weighted average incremental borrowing rate applicable to the lease liability was 4.6%.

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:

	2020	2019
Revenue from contracts with customers	743,636	741,181
Insurance proceeds	5,985	7,835
Revenue	**749,621**	**749,016**

Insurance proceeds include recoveries relating to the claim for the fire damage to the Christchurch manufacturing site as well as the damaged top-dressing aircraft. The total amount of the proceeds outstanding at 31 May 2020 was $4.3 million (2019: $3.7 million) (note C2).

A2. Finance Income and Expenses

	2020	2019
Interest income	1,485	1,701
Finance income	1,485	1,701
Interest expense on financial liabilities measured at amortised cost	(3,778)	(4,557)
Interest on lease liabilities	(876)	–
Net change in fair value of foreign currency options through profit or loss	–	(330)
Fair value of cash flow hedges transferred from equity	–	(401)
Finance expense	(4,654)	(5,288)
Net finance costs[1]	**(3,169)**	**(3,587)**

1 *Included within net finance costs is $358,000 of costs attributable to discontinued operations incurred in the year ended 31 May 2020 (2019: $279,000). The results of the discontinued operations are shown as a net figure in the Consolidated Income Statement.*

Measurement and Recognition

Finance income includes interest income on funds invested and deferred payment arrangements. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, losses on interest rate hedging instruments that are recognised in profit or loss, 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.

A. FINANCIAL PERFORMANCE CONT.

A3. Personnel Expenses

	2020	2019
Wages and salaries	67,768	64,101
Holidays Act 2003 remediation costs	–	1,282
Superannuation - defined contribution	3,925	3,585
(Decrease)/increase in liability for long-service leave	(80)	159
Total personnel expenses	**71,613**	**69,127**
Transactions with key management personnel		
Sales of goods and services	4,804	4,876
Purchases of goods and services	(57)	(16)
Closing receivables	764	511
Key management personnel compensation comprised:		
Employee benefits	4,778	4,184
Directors' fees	889	852
Superannuation contributions	376	305

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. 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	2020	2019
Current tax expense		
Current period tax charge	10,757	4,284
Adjustment for prior periods	(19)	48
	10,738	4,332
Deferred tax expense		
Origination and reversal of temporary differences	(18)	(562)
Adjustment for prior periods	96	2
	78	(560)
Total income tax expense	**10,816**	**3,772**
Reconciliation of tax expense		
(Loss)/profit - continuing operations	(152)	13,104
Loss - discontinued operations	(1,950)	(1,552)
Total income tax expense - continuing operations	10,864	3,841
Total income tax (benefit) - discontinued operations	(48)	(69)
Profit before tax	**8,714**	**15,324**
Income tax using the Company's domestic tax rate of 28%	2,440	4,291
Non-deductible items	265	118
Non-deductible bonus share issue	8,341	-
Tax effect of post tax equity accounted earnings	(307)	(687)
Under/(over) provided in prior periods	77	50
Total income tax expense	**10,816**	**3,772**

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	2020			2019		
	Before tax	Tax benefit/ (expense)	Net of tax	Before tax	Tax benefit/ (expense)	Net of tax
Foreign currency translation differences for foreign operations	(71)	6	(65)	18	(77)	(59)
Net change in revaluation reserve	3,901	572	4,473	3,783	(1,388)	2,395
Total movements attributable to revaluation reserves	**3,830**	**578**	**4,408**	**3,801**	**(1,465)**	**2,336**
Net change in fair value of cash flow hedges	(6,031)	1,689	(4,342)	(480)	135	(345)
Total movements attributable to derivatives	**(6,031)**	**1,689**	**(4,342)**	**(480)**	**135**	**(345)**
Total	**(2,201)**	**2,267**	**66**	**3,321**	**(1,330)**	**1,991**

A. FINANCIAL PERFORMANCE CONT.

Deferred Tax	2020	2019
Balance at beginning of year	**17,833**	**17,060**
Temporary differences in profit or loss:		
Property, plant and equipment	(447)	(517)
Payables	2	(654)
Other Items	523	611
	78	(560)
Temporary differences in other comprehensive income:		
Revaluation reserve movements	(563)	1,388
Derivatives	(1,695)	(58)
	(2,258)	1,330
Effect of movements in exchange rates	1	3
Balance at end of year	**15,654**	**17,833**
Consisting of:		
Property, plant and equipment	17,110	18,121
Derivatives	36	1,724
Other items	1,607	1,218
Deferred tax liability	**18,753**	**21,063**
Trade and other payables	(2,920)	(2,917)
Other items	(179)	(313)
Deferred tax asset	**(3,099)**	**(3,230)**
Net deferred tax liability	**15,654**	**17,833**

Deferred Tax

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

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

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

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

Imputation credits

As at balance date imputation credits available for use in subsequent periods totalled $49.9 million (2019: $49.6 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 2018	52,492	115,340	304,483	20,652	492,967
Additions	838	2,733	13,156	10,772	27,499
Transfer from capital works in progress	–	4,788	8,695	(13,483)	–
Revaluations	1,214	(1,091)	–	–	123
Impairment[1]	–	–	(1,637)	–	(1,637)
Disposals	–	(30)	(14,850)	–	(14,880)
Balance at 31 May 2019	**54,544**	**121,740**	**309,847**	**17,941**	**504,072**
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**
Depreciation and impairment losses					
Balance at 1 June 2018	–	613	177,690	–	178,303
Depreciation for the year	–	3,882	18,066	–	21,948
Revaluations	–	(3,800)	–	–	(3,800)
Impairment[1]	–	–	(81)	–	(81)
Disposals	–	(13)	(12,983)	–	(12,996)
Balance at 31 May 2019	**–**	**682**	**182,692**	**–**	**183,374**
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**
Carrying amounts					
At 1 June 2018	52,492	114,727	126,793	20,652	314,664
At 31 May 2019	**54,544**	**121,058**	**127,155**	**17,941**	**320,698**
At 31 May 2020	**57,042**	**122,729**	**122,321**	**26,206**	**328,298**

1 The impairment relate to:
- *damaged plant and machinery following the fire at the Christchurch manufacturing site in October 2018; and*
- *damaged top-dressing aircraft following a crash in April 2020.*

The insurance proceeds relating to the impaired assets are disclosed in note A1 and is recognised in the Consolidated Income Statement.

B. KEY OPERATING ASSETS CONT.

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	30-33 years	Straight line
Fixed plant and equipment	3-15 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 2020 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. Australian buildings were independently valued as at 31 May 2020 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:

	2020	2019
Land	20,225	19,349
Buildings	73,866	73,678

B2. Intangible Assets

	Patents and Registrations	Resource Consents	Goodwill	Software	Total
Balance at 1 June 2018	2,195	2,506	722	11,560	16,983
Additions	116	–	–	6,244	6,360
Amortisation for the year	(28)	(316)	–	(3,720)	(4,064)
Net book value at 31 May 2019	**2,283**	**2,190**	**722**	**14,084**	**19,279**
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**
Cost	3,971	6,095	775	35,364	46,205
Less accumulated amortisation and impairment	(1,968)	(3,841)	(53)	(20,760)	(26,622)
Net book value at 31 May 2020	**2,003**	**2,254**	**722**	**14,604**	**19,583**

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 28 years.

Goodwill

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

Software

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

Amortisation and estimated useful lives

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

Patents and registrations	3-20 years
Resource consents	14-35 years
Software	2-8 years

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

Research and Development

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

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

Total research and development expense recognised in the Consolidated Income Statement is $5.0 million (2019: $5.2 million). Net development costs capitalised to Work In Progress for the remote-sensing of soil fertility on hill country was $6.1 million, which is net of $5.0 million funding from the Primary Growth Partnership grant (2019: $5.4 million net, $4.6 million grant).

B. KEY OPERATING ASSETS CONT.

B3. Mining Deposits

	2020	2019
Balance at 1 June	15,659	15,863
Balance at 31 May	**14,500**	**15,659**

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

At 31 May 2020, $916,000 of lime resources relating to two lime quarries were impaired and was recognised in the Consolidated Income Statement (2019: $Nil).

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 based on the estimated life of the quarry and the potential rehabilitation cost, discounted to the present value of the future cost.

B4. Inventories

	2020	2019
Finished goods	107,279	131,140
Raw materials	28,293	28,096
Total inventories	**135,572**	**159,236**

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 2020, $385,000 impairment to finished goods was recognised in the Consolidated Income Statement (2019: $Nil).

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.

B5. Right of Use Assets

	Right of Use Land and Buildings	Right of Use Plant, machinery and vehicles	Total
Net book value at 31 May 2019	–	–	–
Adoption of NZ IFRS 16	9,508	2,450	11,958
Additions	122	1,215	1,337
Disposals	–	(29)	(29)
Depreciation for the year	(1,822)	(1,618)	(3,440)
Net book value at 31 May 2020	**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. 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 2020 were issued at $25 per qualifying tonne on all qualifying tonnes of fertiliser purchased by transacting shareholders (2019: $30 per qualifying tonne).

Provision for Rebates

	2020	2019
Rebate	28,057	34,642

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.

C. RISK MANAGEMENT AND FUNDING CONT.

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 2020 there were no Interest Rate derivatives held (2019: $10 million).

Cash flow sensitivity

At 31 May 2020 it is estimated that a general increase of one percentage point in interest rates would decrease Ravensdown's profit before income tax by approximately $0.7 million (2019: $1.3 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 2020 it is estimated that a general increase of one percentage point in interest rates would not increase Ravensdown's equity (pre tax) (2019: $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 2020, the notional amount of USD foreign exchange contracts held were $150.1 million (2019: $100.1 million).

	2020			2019		
	USD	EURO	AUD	USD	EURO	AUD
Trade payables	(24,795)	(779)	(282)	(10,455)	(281)	(484)
Net balance sheet - foreign operations	–	–	11,144	–	–	9,253
Other balance sheet items	735	–	78	–	–	–
Net balance sheet exposure before hedging activity	(24,060)	(779)	10,940	(10,455)	(281)	8,769
Forward exchange contracts relating to exposures	24,060	–	–	10,455	–	–
Foreign denominated borrowings	–	–	(9,000)	–	–	(9,500)
Net unhedged exposure	–	(779)	1,940	–	(281)	(731)
NZD equivalent	–	(1,394)	2,085	–	(481)	(777)
Sensitivity to 10% strengthening of NZD (pre tax):						
Increase/(decrease) on equity	(17,593)	–	(209)	(13,809)	–	24
Increase/(decrease) on profit	3,526	127	20	1,455	44	47
Sensitivity to 10% weakening of NZD (pre tax):						
Increase/(decrease) on equity	21,502	–	256	16,877	–	(29)
Increase/(decrease) on profit	(4,309)	(155)	(24)	(1,778)	(53)	(57)

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

	2020	2019
Not past due	84,420	86,161
Past due 1 - 30 days	1,017	684
Past due more than 30 days	809	1,640
Less: Provision for impairment in receivables	(405)	(1,179)
Total trade receivables	**85,841**	**87,306**
Insurance receivable	4,250	3,735
Prepayments	4,613	3,688
Total trade and other receivables	**94,704**	**94,729**

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.

C. RISK MANAGEMENT AND FUNDING CONT.

Liquidity Risk

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

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

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)**

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

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

	2020
Balance at 31 May 2019	–
Adoption of NZ IFRS 16 Leases	13,466
Net additions	1,337
Interest of lease liabilities	876
Repayments	(4,323)
Balance at 31 May 2020	**11,356**
Current	2,847
Non-current[1]	8,509

1 Non-current leases' maturity is reached between the range of 2-20 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 $188,000 and expenses relating to leases of low value assets of $7,000 for 2019. 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:

	2020	2019
Assets		
Loans and receivables	105,741	92,874
Derivatives designated at fair value	4,382	6,268
Total assets	**110,123**	**99,142**
Liabilities		
Derivatives designated at fair value	4,254	109
Other liabilities at amortised cost	130,391	171,148
Total liabilities	**134,645**	**171,257**

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 2019. At 31 May 2020, the fair value of Ravensdown's derivative financial instruments was a $128,000 asset (2019: $6.2 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

	2020	2019
(Loss)/profit for the year	(2,102)	11,552
Adjustments for:		
Items classified as investing or financing activities		
Rebates to shareholders	28,091	34,832
Interest income	(1,485)	(1,701)
Interest expense	3,778	4,958
Insurance proceeds	(5,470)	(4,100)
Repayment of interest on lease liabilities	876	-
Items not involving cash flows		
Depreciation, amortisation and loss on disposals	32,291	27,986
Bonus share issue	29,789	-
Decrease/(increase) in deferred tax	89	(560)
Impairment of non current assets	2,858	797
Financial instruments	-	330
(Increase) in equity accounted investees	(302)	(736)
Income tax expense	6,795	4,213
Changes in working capital		
Decrease/(increase) in inventories	23,664	(24,337)
Decrease/(increase) in trade and other receivables	26	(16,059)
Increase/(decrease) in trade and other payables	23,781	(6,156)
Net cash from operating activities	**142,679**	**31,019**

C6. Loans and Borrowings

	2020	2019
Current liabilities		
Loans and borrowings	9,672	70,380

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 2020, the facility available was $230 million (2019: $210 million). The excess headroom in the facility is available to ensure sufficient capital during peak periods arising due to seasonality of operations. The facility is made up of four tranches with expiration dates of May 2021, May 2022 and May 2023. The interest rate is currently 1.13% (2019: 2.74%).

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	2020	2019
On issue at 1 June	309,831	302,214
Shares allotted on bonus issue	26,992	-
Shares allotted during the year	8,673	16,901
Less: shares surrendered during the year	(8,510)	(9,284)
On issue at 31 May	**336,986**	**309,831**

Partly paid ordinary co-operative shares

Partly paid up	9	9
Unpaid	2	1
Total partly paid and unpaid	**11**	**10**

Value of ordinary co-operative share capital

In thousands of New Zealand dollars	2020	2019
Balance at 1 June	309,830	302,211
Co-operative shares issued	8,672	16,903
Co-operative shares allotted on bonus issue	26,992	-
Less: co-operative shares surrendered	(8,510)	(9,284)
Balance at 31 May	**336,984**	**309,830**

Bonus Share Issue

In 2020, a bonus share issue of 8 shares per qualifying tonne purchased during the previous 3 years was issued. RWT of $2.8 million was paid on the bonus issue and is recorded in the income statement within bonus shares issued of $29.8 million.

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. Significant Subsidiaries

	Principal Activity	Country of Incorporation	Interest (%) 2020	Interest (%) 2019
Ravensdown Aerowork Limited	Aerial spreading	New Zealand	100%	100%
C-Dax Limited	Agricultural machinery manufacturer	New Zealand	100%	100%
Ravensdown Australian Holdings Limited	Investment holding company	New Zealand	100%	100%
Ravensdown Fertiliser Australia Pty Limited	Fertiliser sales - discontinued	Australia	100%	100%
Ravensdown Australia Properties Pty Limited	Property investment - discontinued	Australia	100%	100%
Aerial Sowing Limited	Dormant	New Zealand	100%	100%

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

	2020	2019
Interests in joint ventures	15,108	15,467
Interests in associates[1]	4,504	4,330
	19,612	**19,797**

1 Ravensdown's share of profits after tax arising from its interests in associates was $406,000 (2019: $511,000). All other movements in the carrying value of associates were not considered significant.

Measurement and Recognition

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

Selected information on equity accounted investees

Joint ventures

Movements in carrying value of joint ventures:

	2020	**2019**
Balance at 1 June	15,467	13,755
Share of profit after tax	690	1,944
Joint venture capital brought in the year	–	50
Dividends received from joint ventures	(671)	(1,337)
Movements in loans to joint ventures	(128)	1,055
Impairment of loans to joint ventures[2]	(250)	–
Balance at 31 May	**15,108**	**15,467**

2 Ravensdown impaired $250,000 of loans to equity accounted investees, and is recognised in the Consolidated Income Statement (2019: $Nil).

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

	Total assets[3]	**Total liabilities[3]**	**Revenues**	**Profit**
2019	43,297	18,395	151,103	9,524
2020	57,199	32,574	94,508	690

3 The 2020 assets and liabilities for the joint ventures include the recognition of right of use assets and lease liabilities following the adoption of IFRS 16.

D3. Joint Ventures (Equity Accounted)

	Principal Activity	**Country of Incorporation**	**Interest (%) 2020**	**Interest (%) 2019**
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 (%) 2020**	**Interest (%) 2019**
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. The associated equipment was classified as held for sale and impaired to zero in 2020 being the lower of the carrying amount and fair value less costs of disposal. The impairment for the year was $190,000 and was recorded in discontinued operations (2019: $Nil). 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 2020, property, plant and equipment classified as investment property totalled $2.3 million (2019: $3.3 million). The revaluation for the year was a decrease of $1.0 million (2019: $0.5 million decrease) and was recognised in the loss for the year after a valuation on the building was carried out 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.

Loss for the year from discontinued operations

During the year total net losses after tax arising from discontinued operations were $2.0 million (2019: $1.6 million loss). The total net comprehensive loss arising from discontinued operations was $1.9 million (2019: $1.8 million loss).

Net Cash Flows from Discontinued Operations

	2020	2019
Operating activities	596	(317)
Investing activities	320	563
Financing activities	(1,037)	(279)
Net cash flows	**(121)**	**(33)**

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

	2020	2019
Transactions with equity-accounted investees		
Dividends received	994	1,733
Sales of goods and services	379	300
Purchases of goods and services	(57,360)	(54,609)
Net trade receivables	308	214
Closing advances	2,916	3,244

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 directors are disclosed in note A3.

E2. Auditor's Remuneration

	2020	2019
Auditor's remuneration to KPMG comprises:		
Audit of financial statements	160	135
Other non-audit services	–	–
Total auditor's remuneration	**160**	**135**

E3. Capital Commitments

At 31 May 2020, Ravensdown had capital commitments of $19.1 million (2019: $14.0 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 (2019: $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 2020.

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 2020 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 15th day of June 2020

John Francis Clifford Henderson	**David Alexander Biland**	**Jason Colin Dale**
Scott Gordon Gower	**Nicola Alice Orbell Hyslop**	**Peter William Moynihan**
Jacqueline Sara Rowarth	**Bruce William Massy Wills**	**Allan Stuart Wright**

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 31:

i. present fairly in all material respects the Group's financial position as at 31 May 2020 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 2020;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,700,000 determined with reference to a benchmark of Group profit before tax, rebates, and bonus share issues. 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 $136m at 31 May 2020, of which $114m relates to bulk fertiliser stored 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. Due to the level of estimation required in calculating the volume of bulk fertiliser on hand, and the magnitude of the balance at 31 May 2020, we consider the measurement of bulk inventory to be a key audit matter.	Our audit procedures included, amongst others: — Attending annual inventory counts at material manufacturing and 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. — 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.
Valuation of land and buildings – note B1	
The Group has land and buildings subject to revaluation of $180m at 31 May 2020. 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.	Our audit procedures included, amongst others: — Assessing the competence, objectivity, and integrity of the independent valuer engaged by the Group, including an assessment of their professional qualifications, experience, and obtaining representation from them regarding their independence and scope of work.

The key audit matter	How the matter was addressed in our audit
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 valuer exercises professional judgment in determining the fair value adopted in the financial statements for an asset. This judgment relates to their assessment of fair value estimates under the depreciated replacement cost, income capitalisation, and discounted cash flow 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.	— Making specific enquiries of the independent valuer in respect of the impact of COVID-19 on the valuation of land and buildings undertaken at 31 May 2020. — Engaging our in-house valuation specialists to assess the appropriateness of methodology applied, including challenging the key inputs and assumptions underlying the valuation directly with the independent valuer. We specifically challenged applicable discount rates, market capitalisation rates, market rentals, discount rates, and depreciation rates applied. — Checking that the revalued amounts determined by the independent valuer, and related deferred tax effect, are reflected in the underlying accounting records. — 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.

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

31 July 2020

CORPORATE GOVERNANCE

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

Code of Business Conduct and Ethics

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

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

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

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

Responsibility of the Board of Directors

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

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

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

Board committees

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

Audit & Risk Committee

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

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

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

Board Appointments & Remuneration Committee

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

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

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

Share Surrenders Committee

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

Composition of Board

During the past financial year, the Board had 9 directors. Having served 12 years in office, Tony Howey retired at the Annual Meeting in September 2019 and Nicola Hyslop was elected in his place for Area 2. Jacqueline Rowarth was elected to replace Kate Alexander as Director of Area 8, effective from the Annual Meeting. Also having served 12 years in office, Glen Inger retired as an Appointed Director and was replaced by David Biland, effective from the Annual Meeting.

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 appointed by the Board and are eligible for re-appointment at the conclusion of each Annual Meeting and cannot remain in office for more than 12 years.

While the Board currently has two Board 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)	9	9
Stuart Wright (Deputy Chair)	8	9
Kate Alexander	2	3
David Biland	6	6
Jason Dale	6	9
Scott Gower	9	9
Tony Howey	2	3
Nicola Hyslop	6	6
Glen Inger	2	3
Peter Moynihan	9	9
Jacqueline Rowarth	6	6
Bruce Wills	9	9

Tony Howey, Glen Inger, and Kate Alexander's tenure ended on 16 September 2019.

Audit & Risk Committee

Director	Total attended	Eligible to attend
Jason Dale (Chair)	5	5
David Biland	3	3
John Henderson	5	5
Tony Howey	2	2
Glen Inger	0	2
Peter Moynihan	3	3
Bruce Wills	5	5

Share Surrenders Committee

Director	Total attended	Eligible to attend
Kate Alexander (Chair until retirement on 15 September 2019)	3	3
Tony Howey (retired from 15 September 2019)	3	3
Nicola Hyslop (appointed from 25 November 2019)	4	5
Scott Gower (Chair from 16 September to 3 May 2020)	8	9
Jacqueline Rowarth (appointed from 25 November 2019)	4	5
Bruce Wills (Appointed temporarily for 14 October 2019 meeting and then formally appointed from 4 May, and Chair of committee from that time)	2	3
John Henderson (Appointed temporarily for 14 October 2019 meeting)	1	1

Remuneration Committee

Director	Total attended	Eligible to attend
Pete Moynihan (Chair)	2	2
Kate Alexander (retired 15 September 2019)	1	1
John Henderson	2	2
Scott Gower	1	1
Bruce Wills (appointed from November 2019)	0	0
Stuart Wright	1	1

STATUTORY INFORMATION

Directors

The Directors of Ravensdown Limited as at 31 May 2020 were as follows:

- John Henderson (Chair)
- Stuart Wright (Deputy Chair)
- Jason Dale
- Scott Gower
- Peter Moynihan
- Bruce Wills
- Nicola Hyslop
- Jacqueline Rowarth
- David Biland

Directors and remuneration

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

Director	Total remuneration and value of other benefits received
John Henderson (Chair)	$213,344
Stuart Wright (Deputy Chair)	$102,344
Jason Dale (Audit Chair)	$93,750
Scott Gower	$80,000
Peter Moynihan	$80,000
Bruce Wills	$80,000
Nicola Hyslop	$56,861
Jacqueline Rowarth	$56,861
David Biland	$56,861
Tony Howey *	$22,946
Glen Inger *	$22,946
Kate Alexander *	$22,946

** Tony Howey, Glen Inger, and Kate Alexander's tenure ended on 16 September 2019.*

During 2020 remuneration received by some Directors of Ravensdown Limited includes a one-off payment related to underpayments in prior financial years.

Entries recorded in the Interests Register

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

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

STATUTORY INFORMATION CONT.

Director	Position	Entity Name
Jason Dale	Director/Chair	Crest Licensing Systems Limited
	Chief Financial Officer – NZ & Pacific Islands	NZ Steel
	General Manager – Pacific Islands	NZ Steel
	Director	Manukau International Limited Penihana Nominees Limited New Zealand Steel Holdings Limited New Zealand Steel Limited BlueScope Steel Finance NZ Limited BlueScope Steel Trading NZ Limited New Zealand Steel Development Limited Pacific Steel (NZ) Limited Steltech Structural Limited Toward Industries Limited Waikato North Head Mining Limited SteelServ Limited BlueScope Acier Nouvelle Caledonie SA BlueScope Lysaght (Vanuatu) Limited BlueScope Pacific Steel (Fiji) Pty Limited BlueScope Lysaght (Fiji) Limited
	Chair	Westphalia Properties Limited
Scott Gower	Owner	High Glades Station
	Trustee	Riverhills Trust SGG Family Trust
	Director	Beef & Lamb New Zealand New Zealand Meat Board Meat and Wool Trust Limited

Director	Position	Entity Name
Peter Moynihan	Director/ Shareholder	Aerodrome Farm Limited Rathmore Farm Limited Hacienda Lochiel Limited
	Director	Last Tango Limited The Power Company Limited Powernet Limited
	Indirect Shareholder	Manukau S.A.
	Trustee	Rathmore Trust
	Employee	Westpac Bank
Bruce Wills	Director/ Shareholder	Trelinnoe Limited
	Director	Tranzfutura International Limited QE II National Trust
	Independent Director	Horticulture New Zealand Incorporated
	Chair	NZ Poplar & Willow Research Trust Apiculture NZ Deer PGP Motu (Economic and Public Policy Research)
	Trustee	NSC Resilience to Nature's Challenges National Science Challenge (Our Land & Water) Cape to City
David Biland Commenced Sep 2019	Director/ Shareholder	Hughland Limited
	Trustee	The Davinzi Trust
	Client of Hughland Limited	Simcro Limited SVS Veterinary Supplies Limited EIDNZ Limited
Jacqueline Rowarth Commenced Sep 2019	Director	DairyNZ Limited
	Shareholder	Scott Holdings (Tirau) Limited
	Indirect Shareholder (via Scott Holdings (Tirau) Ltd	Fonterra Co-operative Group Silver Fern Farms Co–operative Limited Livestock Improvement Corporation
	Trustee	New Zealand Grassland Trust

Director	Position	Entity Name
Nicola Hyslop Commenced Sep 2019	Director/ Shareholder	Levels Estate Company Limited
	Director	Beef + Lamb New Zealand Limited
		New Zealand Meat Board
		Meat and Wool Trust Limited
		Pastoral Genomics Limited
		Aoraki Development and Promotions Limited
	Director (Vice Chair) / Shareholder	Opuha Water Limited
	Independent Chair	Hunter Dairies Limited
		Nind Family Advisory Board
		Webster Group Advisory Board
	Indirect Shareholder via Level Estate Company Ltd	Farmland Co-operative Society Limited
		Silver Fern Farms Co-operative Limited

Related party transactions

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

Share dealings of Directors

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

Directors indemnity or insurance

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

Loans to Directors

There were no loans by Ravensdown to Directors.

Use of company information

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

Donations

Donations of approximately $9,000 were made to various charities during the year (2019: $7,000).

Employees' remuneration

Remuneration	No. of Employees
$100,000 – $109,999	63
$110,000 – $119,999	43
$120,000 – $129,999	34
$130,000 – $139,999	31
$140,000 – $149,999	27
$150,000 – $159,999	13
$160,000 – $169,999	14
$170,000 – $179,999	8
$180,000 – $189,999	8
$190,000 – $199,999	6
$200,000 – $209,999	6
$210,000 – $219,999	1
$220,000 – $229,999	9
$230,000 – $239,999	4
$250,000 – $259,999	1
$260,000 – $269,999	3
$280,000 – $289,999	1
$290,000 – $299,999	1
$360,000 – $369,999	1
$370,000 – $379,999	1
$440,000 – $449,999	1
$460,000 – $469,999	1
$490,000 – $499,999	1
$570,000 – $579,999	2
$1,850,000 – $1,859,999	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.

During 2020 employee remuneration includes a one-off payment related to the company's position on correcting its Holiday Act (2003) obligation. This represents a payment backdated 6 years as per the Statute of Limitations.

Subsidiaries

Persons holding office as directors of Ravensdown Limited's wholly owned subsidiaries as at 31 May 2020 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
Ravensdown Fertiliser Australia Pty Limited	Greg Campbell
	Sean Connolly
	Allister Burton
Ravensdown Australia Properties Pty Limited	Greg Campbell
	Sean Connolly
	Allister Burton
Aerial Sowing Limited	Mike Whitty
	Mike Manning
Soil Fertility Services Limited	Greg Campbell
	Mike Manning

Except for Allister Burton, all of the current Directors are employees of Ravensdown Limited or C-Dax Limited. This is the only general disclosures of interest by each Director of Ravensdown Limited's subsidiaries as at 31 May 2020, pursuant to s 140(2) of the Companies Act 1993.

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

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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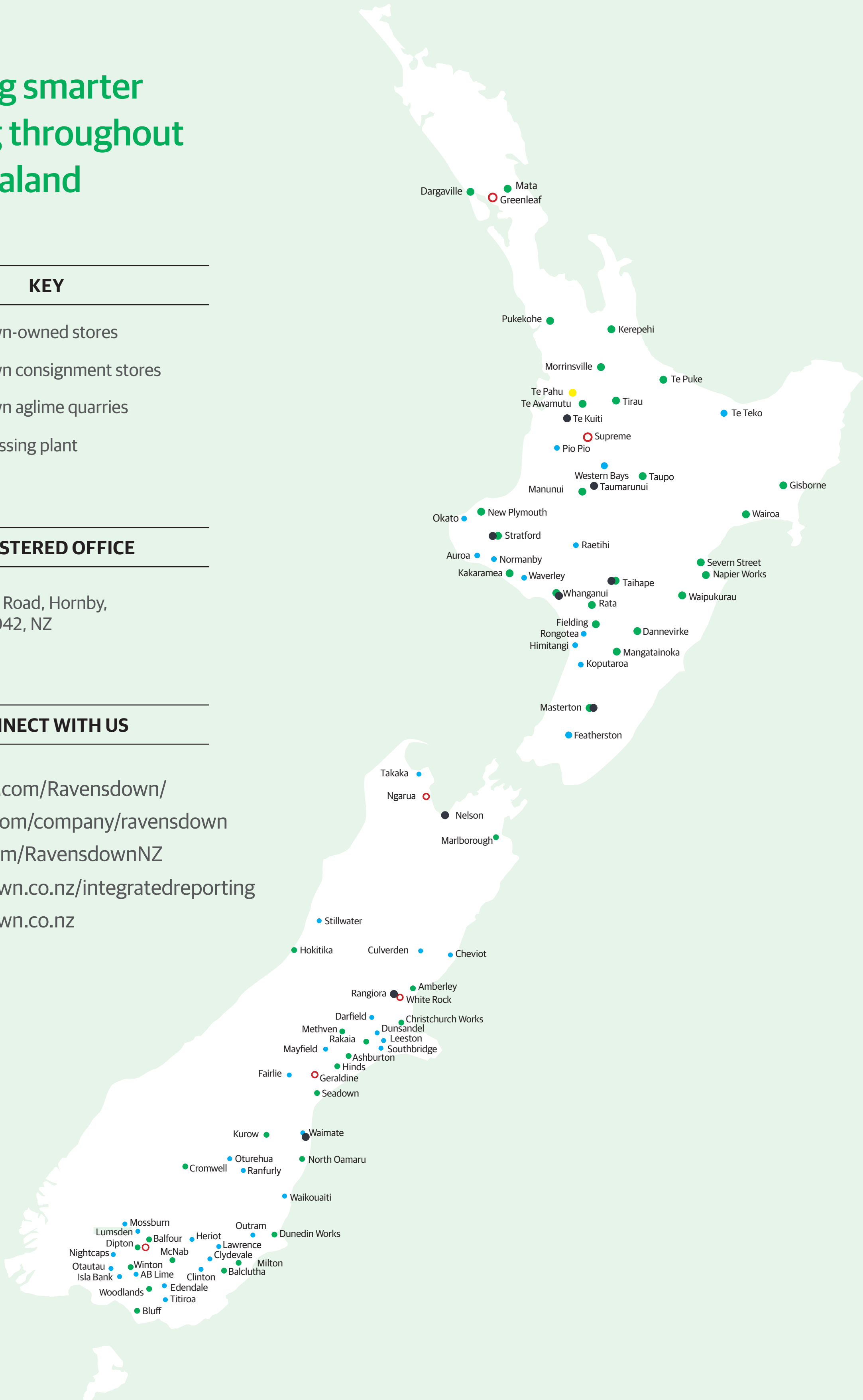

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