



**ravensdown**  
Annual Report 2017

**HOME. GROWN.**

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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 2017.**

**This year the Annual Report is in a new format which includes the Financial Statements and governance and statutory information for Ravensdown. Separate to the Annual Report, Ravensdown has published a Stakeholder Review which is available on its website [www.ravensdown.co.nz](http://www.ravensdown.co.nz).**

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## Finance at a Glance

### Financial Commentary

Our 2016/17 financial year was another successful year for Ravensdown as we continued to lead prices down, ensuring competitive pricing was available to shareholders throughout the year. We do this to ensure our shareholders are better off as early as possible on key input costs for their business, whilst achieving an increased rebate and maintaining a sustainable financial position for the short, medium and long term.

For the year ended 31 May 2017, profit from continuing operations before rebate and tax was \$51 million (2016: \$62 million). After rebates totalling \$49 million, discontinued operations, and taxes, \$0.7 million will be retained.

Total rebate on all qualifying fertiliser purchases increased by 10% to \$45 per tonne, including an early interim rebate of \$20 per tonne in cash paid a week after our year-end. This is the second year we have paid an interim rebate. For the past two years our strong financial position allowed us to give cash back earlier than we had previously done, as we understood that our shareholders could use the cash in their own businesses.

While our ability to lower fertiliser prices has reduced our revenue, we have seen a 2% increase in our volumes.

Ravensdown's financial strength continued to grow, with equity increasing to \$406 million. The year-end equity ratio remains strong at 80% before rebates and 73% after allowing for rebates.

Our investment back into the business continues with \$46 million of net cashflow invested into the capital programme. The investment covers a range of projects, with the most significant project from a cashflow perspective being the new replacement store we are constructing in New Plymouth. The investment also includes a number of software projects, developing systems for internal and customer use.

Our year-end debt increased as a result of several items including an increase in our receivables balance by \$14 million. Adverse weather meant that some of our April sales moved into May. This resulted in a delay of cash collection by a month, increasing our receivable balance at the end of May 2017 and bank debt. We also increased our capital expenditure to fund the new replacement store being constructed.

Our ongoing focus on working capital requirements allowed us to reduce our total debt facility with our debt syndicate during the year by a further \$40 million. Lower debt, and interest rates, during the year allowed us to reduce our interest cost by over \$1 million.

Total rebate on all qualifying fertiliser purchases increased

10%

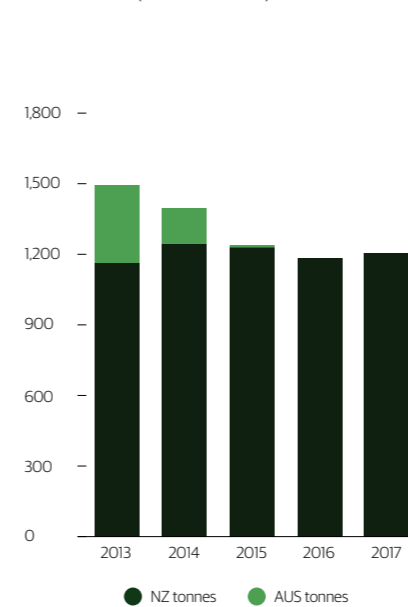
Product sales volume increased

2%

Net capital investment

46<sup>m</sup>

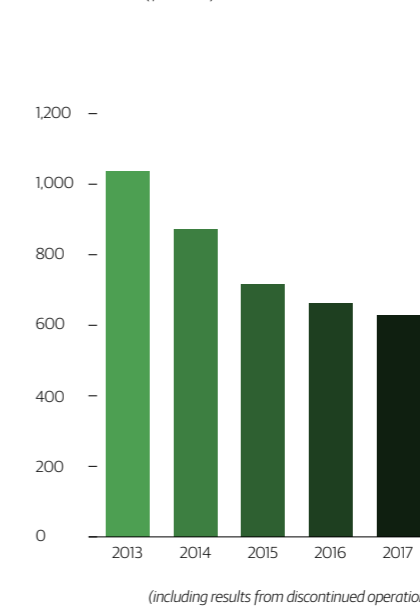
Fertiliser sales (thousand tonnes)



#### Fertiliser sales volumes

- New Zealand fertiliser volumes have increased by 2%.

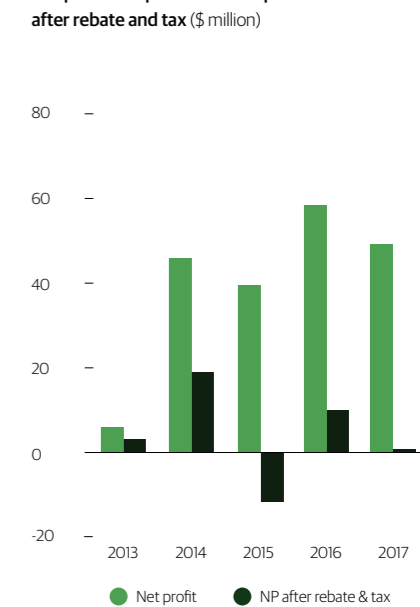
Sales revenue (\$ million)



#### Sales revenue

- The reduction in revenue during the year reflects price reductions being made during the year, passing on the benefit earlier.
- 2013 and 2014 includes revenue from businesses that have been exited.

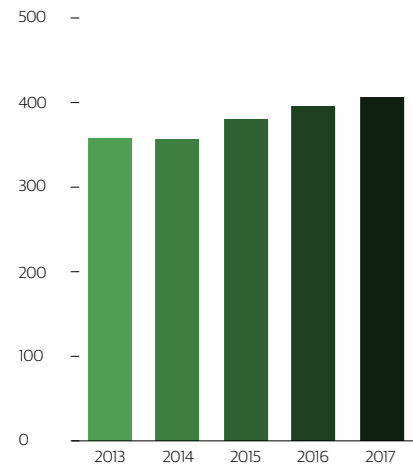
Net profit compared with net profit after rebate and tax (\$ million)



#### Net profit

- Our financial strength enabled us to reduce our profit by providing price reductions during the year.
- Strong equity position allowed us to return most of the surplus to shareholders as rebates whilst still remaining profitable.

**Total equity (\$ million)**

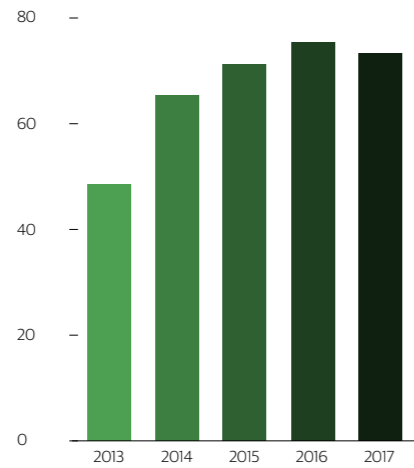


**Total equity**

- Continuing to grow at a sustainable rate and adding shareholder value.

**Equity ratio (%)**

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

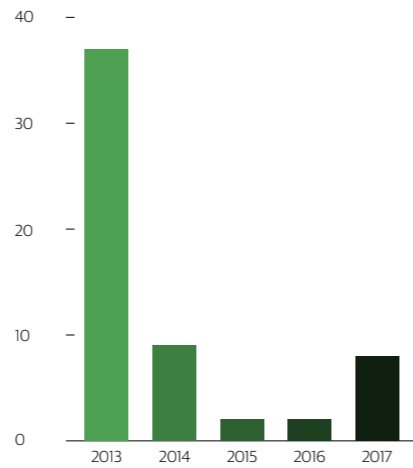


**Equity ratio**

- This year we have maintained the financial strength we have rebuilt over recent years.

**Debt ratio (%)**

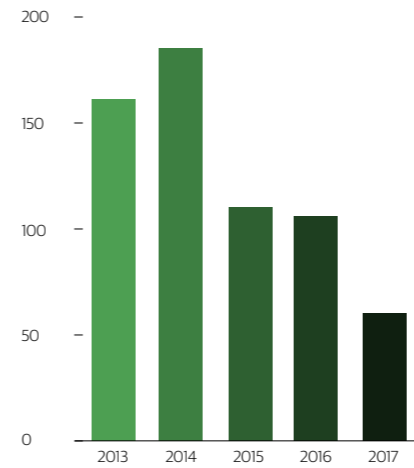
Bank debt divided by total tangible assets - illustrates how much bank debt is used to fund assets



**Debt ratio**

- 2013 included debt for businesses that were exited.
- Debt ratio remains strong. The increase in 2016/17 is partly caused by a change in the sales pattern near our year end and an increase in our capital investment.

**Operating cash flow (\$ million)**

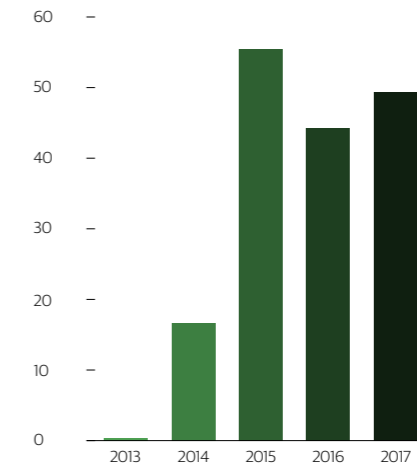


**Operating cash flow**

- During 2013 and 2014 our focus was on operating cashflow as we restructured our business. Since then our operating cashflow remains at sustainable levels.

**Value of rebate to shareholders (\$ million)**

Total dollar of distribution to shareholders comprising rebates

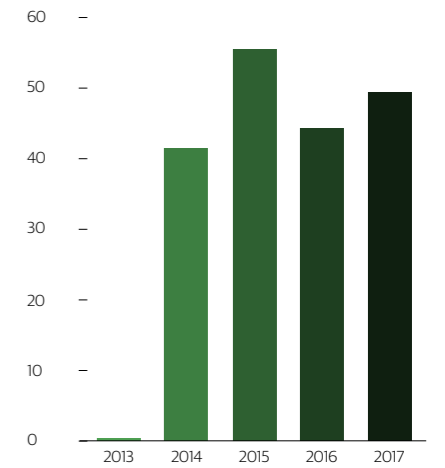


**Value of rebate to shareholder**

- Rebate increased by 10% on the back of another strong trading year.

**Value of distribution to shareholders (\$ million)**

Total dollar value of distribution to shareholders comprising rebates and bonus issues



**Value of distribution to shareholder**

- In recent years we have made all distributions as rebates, and in the past two years, returned cash back earlier with an interim rebate.

## Directors' Declaration

### The Board of Directors of Ravensdown Limited is pleased to present to shareholders the financial statements for Ravensdown Limited and its subsidiaries (together Ravensdown) and Ravensdown's interest in associates and joint ventures for the year ended 31 May 2017.

In the opinion of the Directors the financial statements and notes, on pages 7 to 34:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of Ravensdown as at 31 May 2017 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 2017 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

3 August 2017



**A S Wright**  
Deputy Chair

## Financial Statements and Notes to the Financial Statements

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**Consolidated Income Statement**

For the year ended 31 May

In thousands of New Zealand dollars	Note	2017	2016
<b>Continuing operations</b>			
Revenue	A1	626,630	660,445
Cost of sales		(509,546)	(532,520)
Gross profit		117,084	127,925
Sales and marketing expenses		(26,040)	(25,742)
Administrative expenses		(34,523)	(32,745)
Other operating expenses		(3,773)	(3,961)
Results from operating activities		52,748	65,477
Finance income		533	37
Finance expenses		(4,628)	(5,750)
Net finance costs	A2	(4,095)	(5,713)
Share of profit of equity accounted investees (after tax)	D2	2,302	2,325
<b>Profit before rebate and income tax</b>		<b>50,955</b>	<b>62,089</b>
Rebates	C1	(49,334)	(44,255)
		1,621	17,834
Income tax benefit/(expense)	A4	539	(4,354)
<b>Profit for the year from continuing operations</b>		<b>2,160</b>	<b>13,480</b>
<b>Discontinued operations</b>			
Loss after tax for the year	D5	(1,447)	(3,348)
<b>Profit for the year attributable to equity holders</b>		<b>713</b>	<b>10,132</b>

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

**Consolidated Statement of Comprehensive Income**

For the year ended 31 May

In thousands of New Zealand dollars	Note	2017	2016
<b>Profit for the year</b>		<b>713</b>	<b>10,132</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Revaluation of non current assets		10,745	3,408
Related tax	A4	129	83
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation differences for foreign operations	A4	(225)	32
Net change in fair value of cash flow hedges	A4	4,346	(17,715)
Related tax	A4	(1,555)	4,946
<b>Other comprehensive income/(loss) for the year</b>		<b>13,440</b>	<b>(9,246)</b>
<b>Total comprehensive income for the year</b>		<b>14,153</b>	<b>886</b>
<b>Attributable to:</b>			
Continuing operations		15,654	4,200
Discontinued operations	D5	(1,501)	(3,314)
		<b>14,153</b>	<b>886</b>

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	2017	2016
<b>Assets</b>			
Cash and cash equivalents	C4	2,707	18,683
Trade and other receivables	C2	76,534	62,580
Inventories	B4	114,497	119,664
Derivative financial assets	C2	1,791	833
Current tax assets		4,618	4,816
Assets held for sale	D5	16,335	5,541
<b>Total current assets</b>		<b>216,482</b>	<b>212,117</b>
Property, plant and equipment	B1	294,408	273,193
Mining deposits	B3	16,134	15,343
Intangible assets	B2	11,733	9,030
Investments in equity accounted investees	D2	14,954	15,685
<b>Total non-current assets</b>		<b>337,229</b>	<b>313,251</b>
<b>Total assets</b>		<b>553,711</b>	<b>525,368</b>
<b>Liabilities</b>			
Trade and other payables	C2	30,185	36,160
Employee entitlements	A3	9,989	10,445
Loans and borrowings	C5	41,951	10,191
Provision for rebate	C1	49,422	43,874
Derivative financial liabilities	C2	823	3,921
Share capital of discontinued operations	D6	-	10,153
<b>Total current liabilities</b>		<b>132,370</b>	<b>114,744</b>
Derivative financial liabilities	C2	809	1,125
Deferred tax liabilities	A4	14,551	14,012
<b>Total non-current liabilities</b>		<b>15,360</b>	<b>15,137</b>
<b>Total liabilities</b>		<b>147,730</b>	<b>129,881</b>
<b>Net assets</b>		<b>405,981</b>	<b>395,487</b>
<b>Equity</b>			
Co-operative shares	C6	296,373	296,396
Reserves		64,740	52,375
Retained earnings		44,868	36,609
<b>Attributable to equity holders</b>		<b>405,981</b>	<b>385,380</b>
Redeemable preference shares	C7	-	10,107
<b>Total equity</b>		<b>405,981</b>	<b>395,487</b>

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	2017	2016
<b>Cash flows from operating activities</b>			
Cash receipts from customers		613,668	682,140
Dividends received		2,504	1,162
Payments to suppliers and employees		(556,012)	(575,345)
Income tax refunded/(paid)		99	(2,240)
<b>Net cash flows from operating activities</b>	C4	<b>60,259</b>	<b>105,717</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of shares in associates		119	-
Proceeds from sale of property, plant and equipment		2,055	970
Net movements in loans provided to equity accounted investees		(67)	(489)
Acquisition of property, plant and equipment		(42,907)	(32,674)
Acquisition of other non-current assets		(5,398)	(1,310)
Acquisition of shares in associates		(115)	(43)
<b>Net cash flows (used in) investing activities</b>		<b>(46,313)</b>	<b>(33,546)</b>
<b>Cash flows from financing activities</b>			
Interest received		568	150
Proceeds from issue of share capital		38	65
Interest paid		(4,891)	(6,044)
Repayment of share capital		(16,774)	(17,286)
Repayment of redeemable preference shares		(3,636)	-
Payment of rebates		(37,227)	(35,014)
Net movements in loans and borrowings		32,000	-
<b>Net cash flows (used in) financing activities</b>		<b>(29,922)</b>	<b>(58,129)</b>
Net (decrease)/increase in cash and cash equivalents		(15,976)	14,042
Cash and cash equivalents at 1 June		18,683	4,617
Effect of exchange rate fluctuations on cash flows		-	24
<b>Cash and cash equivalents at 31 May</b>		<b>2,707</b>	<b>18,683</b>

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

## Statement of Changes in Equity

For the year ended 31 May

In thousands of New Zealand dollars	Note	Attributable to equity holders					Total	Redeemable preference shares	Total equity
		Co-operative shares	Translation reserve	Hedging reserve	Revaluation reserve	Retained earnings			
<b>Balance at 1 June 2015</b>		<b>282,479</b>	<b>313</b>	<b>8,229</b>	<b>53,315</b>	<b>26,241</b>	<b>370,577</b>	<b>9,282</b>	<b>379,859</b>
Profit for the year		-	-	-	-	10,132	10,132	-	10,132
Foreign currency translation differences for foreign operations		-	32	-	-	-	32	-	32
Revaluation of property, plant and equipment, net of tax		-	-	-	3,491	-	3,491	-	3,491
Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment		-	-	-	(236)	236	-	-	-
Net change in fair value of cash flow hedges		-	-	(12,769)	-	-	(12,769)	-	(12,769)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>32</b>	<b>(12,769)</b>	<b>3,255</b>	<b>10,368</b>	<b>886</b>	<b>-</b>	<b>886</b>
Total contributions by and distributions to equity holders	C6	13,917	-	-	-	-	13,917	-	13,917
Reclassification of equity	C7	-	-	-	-	-	-	825	825
<b>Balance at 31 May 2016</b>		<b>296,396</b>	<b>345</b>	<b>(4,540)</b>	<b>56,570</b>	<b>36,609</b>	<b>385,380</b>	<b>10,107</b>	<b>395,487</b>
<b>Balance at 1 June 2016</b>		<b>296,396</b>	<b>345</b>	<b>(4,540)</b>	<b>56,570</b>	<b>36,609</b>	<b>385,380</b>	<b>10,107</b>	<b>395,487</b>
Profit for the year		-	-	-	-	713	713	-	713
Foreign currency translation differences for foreign operations		-	(225)	-	-	-	(225)	-	(225)
Revaluation of property, plant and equipment, net of tax		-	-	-	10,874	-	10,874	-	10,874
Revaluation reserve transferred to retained earnings on disposal of property, plant and equipment		-	-	-	(1,075)	1,075	-	-	-
Net change in fair value of cash flow hedges		-	-	2,791	-	-	2,791	-	2,791
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>(225)</b>	<b>2,791</b>	<b>9,799</b>	<b>1,788</b>	<b>14,153</b>	<b>-</b>	<b>14,153</b>
Total contributions by and distributions to equity holders	C6	(23)	-	-	-	-	(23)	-	(23)
Redemption of redeemable preference shares	C7	-	-	-	-	6,471	6,471	(10,107)	(3,636)
<b>Balance at 31 May 2017</b>		<b>296,373</b>	<b>120</b>	<b>(1,749)</b>	<b>66,369</b>	<b>44,868</b>	<b>405,981</b>	<b>-</b>	<b>405,981</b>

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

### Explanation of Reserves

#### Foreign Currency Translation Reserve

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

#### Hedging Reserve

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

#### Revaluation reserve

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



## Notes to the Financial Statements

### About this Report

#### In this section

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

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

#### Reporting Entity

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

These consolidated financial statements are for Ravensdown Limited and its subsidiaries (together referred to as "Ravensdown") and Ravensdown's interests in associates and joint ventures as at and for the year ended 31 May 2017.

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

#### Basis of Preparation

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

The financial statements are presented in New Zealand dollars rounded to the nearest thousand. The financial statements were authorised for issue by the directors on 3 August 2017.

#### 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
Financial Instruments	Note C2

#### Measurement System

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

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

#### Accounting Policies

The accounting policies set out in these financial statements have been applied consistently in all periods presented in these financial statements. There have been no changes in accounting policies during the financial year. Other accounting policies that are relevant to understanding the financial statements are provided within the notes to the financial statements.

#### Basis of Consolidation

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

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

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

#### Standards and Interpretations Not Yet Adopted

Ravensdown has applied all new and revised accounting standards and interpretations that are effective in the year. This did not result in a material impact on the financial statements.

There are a number of other new and amended accounting standards and interpretations not yet effective that will be adopted by Ravensdown when they become mandatory. Those relevant to Ravensdown include NZ IFRS 9 Financial Instruments, NZ IFRS 15 Revenue, and NZ IFRS 16 Leases. The financial statement impact of the adoptions of these standards has not yet been assessed.

	Effective for the financial year ending
NZ IFRS 9 Financial Instruments	31 May 2019
NZ IFRS 15 Revenue from Contracts with Customers	31 May 2019
NZ IFRS 16 Leases	31 May 2020

## 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:

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

### A1. Revenue Arising from the Sale of Goods

#### Measurement and Recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

### A2. Finance Income and Expenses

	2017	2016
Net change in fair value of foreign currency options through profit or loss	77	-
Other interest income	568	151
Finance income	645	151
Interest expense on financial liabilities measured at amortised cost	(4,298)	(5,463)
Fair value of cash flow hedges transferred from equity	(593)	(581)
Implied interest on discontinued share capital	-	(74)
Finance expense	(4,891)	(6,118)
<b>Net finance costs<sup>1</sup></b>	<b>(4,246)</b>	<b>(5,967)</b>

#### Measurement and Recognition

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

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

<sup>1</sup> Included within net finance costs is \$151,000 of costs attributable to discontinued operations incurred in the year ended 31 May 2017 (2016: \$254,000). The results of the discontinued operations are shown as a net figure in the Consolidated Income Statement.

### A3. Personnel Expenses

	2017	2016
Wages and salaries	55,117	56,757
Superannuation - defined contribution	3,126	3,072
Increase in liability for long-service leave	24	133
<b>Total personnel expenses</b>	<b>58,267</b>	<b>59,962</b>
<b>Transactions with key management personnel</b>		
Sales of goods and services	4,820	4,623
Purchases of goods and services	(41)	(95)
Closing receivables	455	186
Key management personnel compensation comprised:		
Employee benefits	3,713	3,787
Directors fees	890	868
Superannuation contributions	219	209

#### Measurement and Recognition - Employee Benefits

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

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

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

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

### A4. Taxation

Income Tax Expense Recognised in the Income Statement	2017	2016
<b>Current tax expense</b>		
Current period tax charge	186	4,425
Adjustment for prior periods	(432)	19
	<b>(246)</b>	<b>4,444</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1,040)	90
Adjustment for prior periods	493	(474)
	(547)	(384)
<b>Total income tax (benefit)/expense</b>	<b>(793)</b>	<b>4,060</b>
<b>Reconciliation of tax expense</b>		
Profit for the year - continuing operations	2,160	13,480
Loss for the year - discontinued operations	(1,447)	(3,348)
Total income tax (benefit)/expense - continuing operations	(539)	4,354
Total income tax (benefit) - discontinued operations	(254)	(294)
<b>(Loss)/profit before tax</b>	<b>(80)</b>	<b>14,192</b>
Income tax using the Company's domestic tax rate of 28%	(22)	3,974
(Non-taxable)/non-deductible items	(187)	1,192
Tax effect of post tax equity accounted earnings	(645)	(651)
Under/(over) provided in prior periods	61	(455)
<b>Total income tax (benefit)/expense</b>	<b>(793)</b>	<b>4,060</b>

#### 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.

Ravensdown paid \$2.7 million income tax for the year (2016: \$2.2 million).

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

Income Tax Recognised Directly in Other Comprehensive Income	2017			2016		
	Before tax	Tax (expense)/benefit	Net of tax	Before tax	Tax (expense)/benefit	Net of tax
Foreign currency translation differences for foreign operations	(225)	(352)	(577)	32	-	32
Net change in revaluation reserve	10,745	129	10,874	3,408	83	3,491
<b>Total movements attributable to revaluation reserves</b>	<b>10,520</b>	<b>(223)</b>	<b>10,297</b>	<b>3,440</b>	<b>83</b>	<b>3,523</b>
Net change in fair value of cash flow hedges	4,346	(1,203)	3,143	(17,715)	4,946	(12,769)
<b>Total movements attributable to derivatives</b>	<b>4,346</b>	<b>(1,203)</b>	<b>3,143</b>	<b>(17,715)</b>	<b>4,946</b>	<b>(12,769)</b>
<b>Total</b>	<b>14,866</b>	<b>(1,426)</b>	<b>13,440</b>	<b>(14,275)</b>	<b>5,029</b>	<b>(9,246)</b>

Deferred Tax	2017	2016	Deferred Tax
Balance at beginning of year	14,012	19,424	<i>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:</i>
<i>Temporary differences in profit or loss:</i>			
Property, plant and equipment	1,682	(707)	
Payables	(39)	(117)	■ from the initial recognition of goodwill;
Other items	(2,190)	440	
	(547)	(384)	■ 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
<i>Temporary differences in other comprehensive income:</i>			
Revaluation reserve movements	(129)	(83)	■ differences relating to investments in subsidiaries and equity accounted investees to the extent that they probably will not reverse in the foreseeable future.
Derivatives	1,203	(4,946)	
	1,074	(5,029)	<i>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.</i>
Effect of movements in exchange rates	12	1	
Balance at end of year	14,551	14,012	<i>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.</i>
<i>Consisting of:</i>			
Property, plant and equipment	16,915	15,362	<b>Imputation credits</b>
Derivatives	23	-	
Other items	1,052	2,691	<i>As at balance date imputation credits available for use in subsequent periods totalled \$46.5 million (2016: \$46.1 million).</i>
Deferred tax liability	17,990	18,053	
Derivatives	-	(1,180)	
Trade and other payables	(1,984)	(1,946)	
Other items	(1,455)	(915)	
Deferred tax asset	(3,439)	(4,041)	
<b>Net deferred tax liability</b>	<b>14,551</b>	<b>14,012</b>	

## B. Key Operating Assets

### In this section

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

- Property, plant and equipment;
- Intangible assets;
- Mining deposits; and
- Inventories

### B1. Property, Plant and Equipment

	Land and improvements	Buildings and improvements	Plant, machinery and vehicles	Capital works in progress	Total
<b>Cost or valuation</b>					
Balance at 1 June 2015	44,938	79,450	288,811	18,463	431,662
Additions	321	1,905	1,327	29,061	32,614
Transfer from capital works in progress	429	13,602	14,145	(28,176)	-
Revaluations	2,827	(2,425)	-	-	402
Disposals	(705)	(472)	(13,347)	-	(14,524)
<b>Balance at 31 May 2016</b>	<b>47,810</b>	<b>92,060</b>	<b>290,936</b>	<b>19,348</b>	<b>450,154</b>
Balance at 1 June 2016	47,810	92,060	290,936	19,348	450,154
Additions	918	755	4,858	36,712	43,243
Transfer from capital works in progress	-	-	7,262	(7,262)	-
Revaluations	7,169	(192)	-	-	6,977
Disposals	(825)	(805)	(21,295)	-	(22,925)
Reclassification to assets held for sale	(5,735)	(3,000)	(8,054)	(103)	(16,892)
Reclassification to mining deposits	(442)	-	-	-	(442)
<b>Balance at 31 May 2017</b>	<b>48,895</b>	<b>88,818</b>	<b>273,707</b>	<b>48,695</b>	<b>460,115</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 June 2015	(267)	180	173,044	-	172,957
Depreciation for the year	283	2,970	13,280	-	16,533
Revaluations	(16)	(2,704)	-	-	(2,720)
Disposals	-	(17)	(9,792)	-	(9,809)
<b>Balance at 31 May 2016</b>	<b>-</b>	<b>429</b>	<b>176,532</b>	<b>-</b>	<b>176,961</b>
Balance at 1 June 2016	-	429	176,532	-	176,961
Depreciation for the year	-	2,972	14,737	-	17,709
Revaluations	-	(2,877)	-	-	(2,877)
Disposals	-	(16)	(20,442)	-	(20,458)
Reclassification to assets held for sale	-	-	(5,628)	-	(5,628)
<b>Balance at 31 May 2017</b>	<b>-</b>	<b>508</b>	<b>165,199</b>	<b>-</b>	<b>165,707</b>
<b>Carrying amounts</b>					
At 1 June 2015	45,205	79,270	115,767	18,463	258,705
<b>At 31 May 2016</b>	<b>47,810</b>	<b>91,631</b>	<b>114,404</b>	<b>19,348</b>	<b>273,193</b>
<b>At 31 May 2017</b>	<b>48,895</b>	<b>88,310</b>	<b>108,508</b>	<b>48,695</b>	<b>294,408</b>

**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.

**Key judgements and estimates useful lives**

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

Land	Indefinite	
Land Improvements	25 years	Diminishing value
Buildings and fitout	30 years	Straight line
Fixed plant and equipment	15 years	Straight line
Mobile plant and motor vehicles	5 years	Diminishing value
Fixed wing aircraft	33 years	Straight line
Rotary helicopters	13 years	Straight line

Aircraft are subject to ongoing maintenance programmes which include the use of rotatable 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 2017 by Mr H Doherty SNZPI, ANZIV, AREINZ of Harcourts Team Wellington. Australian land and buildings were independently valued as at 31 May 2017 by Mark 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:

	2017	2016
Land	16,720	19,082
Buildings	49,146	55,063

**B2. Intangible Assets**

	Patents and Registrations	Resource Consents	Goodwill	Software	Total
Balance at 1 June 2015	2,459	3,455	722	4,621	11,257
Additions	20	-	-	684	704
Amortisation for the year	(24)	(317)	-	(1,978)	(2,319)
Impairment	(612)	-	-	-	(612)
<b>Net book value at 31 May 2016</b>	<b>1,843</b>	<b>3,138</b>	<b>722</b>	<b>3,327</b>	<b>9,030</b>
Additions	6	-	-	4,775	4,781
Amortisation for the year	(53)	(316)	-	(1,696)	(2,065)
Impairment	(13)	-	-	-	(13)
<b>Net book value at 31 May 2017</b>	<b>1,783</b>	<b>2,822</b>	<b>722</b>	<b>6,406</b>	<b>11,733</b>
Cost	3,381	5,714	775	16,526	26,396
Less accumulated amortisation and impairment	(1,598)	(2,892)	(53)	(10,120)	(14,663)
<b>Net book value at 31 May 2017</b>	<b>1,783</b>	<b>2,822</b>	<b>722</b>	<b>6,406</b>	<b>11,733</b>

**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 4 years and 31 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 assets primarily comprise software costs for Ravensdown's operating and information technology systems based around farm management systems.

**Amortisation and estimated useful lives**

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

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

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



**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.

**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 \$3.9 million (2016: \$4.0 million). Net development costs capitalised to Work In Progress for the remote-sensing of soil fertility on hill country was \$4.2 million, which is net of \$3.1 million funding from the Primary Growth Partnership grant (2016: \$3.2 million net, \$2.4 million grant).

**B3. Mining Deposits**

	2017	2016
Balance at 1 June	15,343	14,158
Balance at 31 May	16,134	15,343

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

**Measurement and Recognition**

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

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

**B4. Inventories**

	2017	2016
Finished goods	95,556	101,915
Raw materials	18,941	17,749
<b>Total inventories</b>	<b>114,497</b>	<b>119,664</b>

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

At 31 May 2017 an impairment to inventory of \$60,000 was recognised in the Consolidated Income Statement (2016: \$55,000).

**Measurement and Recognition**

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

**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:

- Ravensdown's approach to capital and financial risk management;
- Net debt;
- Cash and receivables; and
- 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 2017 were issued at \$45 per qualifying tonne on all qualifying tonnes of fertiliser purchased by transacting shareholders (2016: \$41/t).

**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 an expense in the Consolidated Income Statement.

**Provision for Rebates**

	2017	2016
Rebate	49,422	43,874

**Measurement and Recognition**

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

**Capital Management**

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

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

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

**C2. Financial Risk Management**

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

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

**Interest Rate Risk**

Ravensdown is exposed to interest rate risk on the cash flows arising from borrowings held at floating rates. Ravensdown uses Interest Rate Swaps to achieve an appropriate mix of fixed and floating rate exposure as set out in policy guidelines established by the Board. At 31 May 2017 the nominal amount of Interest Rate derivatives held is \$10 million (2016: \$20 million).

**Cash flow sensitivity**

At 31 May 2017 it is estimated that a general increase of one percentage point in interest rates would decrease Ravensdown's profit before income tax by approximately \$1.0 million (2016: \$1.4 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 2017 it is estimated that a general increase of one percentage point in interest rates would increase Ravensdown's equity (pre tax) by approximately \$0.2 million (2016: \$0.3 million). A decrease of one percentage point would decrease Ravensdown's equity (pre tax) by the same amount.

**Foreign Currency Risk**

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

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

**Measurement and Recognition - Derivative Financial Instruments**

Derivative financial instruments comprise of forward exchange contracts, options and interest rate swaps. Derivatives are initially recognised at fair value and are subsequently remeasured to their 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 2017 the notional amount of USD foreign exchange contracts held were \$110.8 million (2016: \$139.5 million).

	2017			2016	
	USD	EURO	AUD	USD	AUD
Trade payables	(1,240)	(125)	(275)	(8,101)	-
Net balance sheet - foreign operations	-	-	4,927	-	1,405
Net balance sheet exposure before hedging activity	(1,240)	(125)	4,652	(8,101)	1,405
Forward exchange contracts relating to exposures	1,240	-	-	8,101	-
Net unhedged exposure	-	(125)	4,652	-	1,405
NZD equivalent	-	(198)	4,872	-	1,507
Sensitivity to 10% strengthening of NZD (pre tax):					
Increase/(decrease) on equity	(13,404)	-	(469)	(18,918)	(137)
Increase/(decrease) on profit	159	18	26	1,097	-
Sensitivity to 10% weakening of NZD (pre tax):					
Increase/(decrease) on equity	16,390	-	516	23,145	151
Increase/(decrease) on profit	(175)	(20)	(29)	(1,206)	-

**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 AA-.

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**

	2017	2016
Not past due	72,647	56,070
Past due 1 - 30 days	1,293	2,634
Past due more than 30 days	3,770	5,610
Less: Provision for impairment in receivables	(2,869)	(3,407)
<b>Total trade receivables</b>	<b>74,841</b>	<b>60,907</b>
Prepayments	1,693	1,673
<b>Total trade and other receivables</b>	<b>76,534</b>	<b>62,580</b>

**Measurement and Recognition**

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

**Impairment of Trade Receivables**

A provision for the impairment of receivables is established following management's assessment that the collectability of certain trade receivables is unlikely. The amount of the provision is the difference between the asset's carrying amount and the present value of estimate future cash flows, discounted using the effective interest method.



**Liquidity Risk**

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

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

2017	Carrying value	Contractual cash flows	0-12 months	1-3 years
<b>Non-derivative financial liabilities<sup>1</sup></b>				
Trade and other payables	30,185	30,185	30,185	-
Loans and borrowings	41,951	42,032	42,032	-
	<b>72,136</b>	<b>72,217</b>	<b>72,217</b>	<b>-</b>
<b>Cash flow hedge derivatives</b>				
Net foreign exchange contracts	1,341	728	728	-
Interest rate swaps	(809)	(906)	(403)	(503)
Commodity swaps	(373)	(373)	(373)	-
Total net derivative assets/(liabilities)	<b>159</b>	<b>(551)</b>	<b>(48)</b>	<b>(503)</b>
Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss	<b>159</b>	<b>(551)</b>	<b>(122)</b>	<b>(429)</b>
2016	Carrying value	Contractual cash flows	0-12 months	1-3 years
<b>Non-derivative financial liabilities<sup>1</sup></b>				
Trade and other payables	36,160	36,160	36,160	-
Loans and borrowings	10,191	10,234	10,234	-
	<b>46,351</b>	<b>46,394</b>	<b>46,394</b>	<b>-</b>
<b>Cash flow hedge derivatives</b>				
Net foreign exchange contracts	(2,852)	(3,856)	(3,856)	-
Interest rate swaps	(1,331)	(1,370)	(565)	(805)
Commodity swaps	(30)	(30)	(30)	-
Total net derivative (liabilities)	<b>(4,213)</b>	<b>(5,256)</b>	<b>(4,451)</b>	<b>(805)</b>
Periods in which the cash flows associated with cash flow hedges expected to impact profit or loss	<b>(4,213)</b>	<b>(5,256)</b>	<b>(4,357)</b>	<b>(899)</b>

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

**C3. Fair Value of Financial Assets and Liabilities**

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

	2017	2016
<b>Assets</b>		
Loans and receivables	77,548	79,590
Derivatives designated at fair value	1,791	833
<b>Total Assets</b>	<b>79,339</b>	<b>80,423</b>
<b>Liabilities</b>		
Derivatives designated at fair value	1,632	5,046
Other liabilities at amortised cost	131,547	100,670
<b>Total Liabilities</b>	<b>133,179</b>	<b>105,716</b>

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 2017 and 2016. At 31 May 2017 the fair value of Ravensdown's derivative financial instruments was a \$159,000 asset (2016: \$4.2 million liability).

**C4. Cash and Cash Equivalents**

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

**Reconciliation of Operating Cash Flows**

	2017	2016
Profit for the year	713	10,132
<i>Adjustments for:</i>		
<b>Items classified as investing or financing activities</b>		
Rebates to shareholders	49,334	44,255
Interest income	(568)	(151)
Interest expense	4,891	6,044
<b>Items not involving cash flows</b>		
Depreciation, amortisation and loss on disposals	20,508	20,711
(Increase) in deferred tax	(547)	(384)
Impairment of non current assets	864	4,207
Implied interest on discontinued share capital	-	74
Financial instruments	(46)	-
Decrease/(increase) in equity accounted investees	200	(1,164)
Income tax expense	(146)	2,204
<b>Changes in working capital</b>		
Decrease/(increase) in inventories	5,187	(1,425)
(Increase)/decrease in trade and other receivables	(13,398)	19,816
(Decrease)/increase in trade and other payables	(6,733)	1,398
<b>Net cash from operating activities</b>	<b>60,259</b>	<b>105,717</b>

**C5. Loans and Borrowings**

	2017	2016
<b>Current liabilities</b>		
Loans and borrowings	41,951	10,191

**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 2017 the facility available was \$210 million (2016: \$250 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 2018, May 2019 and May 2020. The interest rate is currently 2.62% (2016: 2.79%).

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

**C6. Co-operative Shares**

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

In thousands of shares	2017	2016
On issue at 1 June	296,903	283,051
Shares allotted during the year	6,127	20,863
Less: shares surrendered during the year	(6,638)	(7,011)
<b>On issue at 31 May</b>	<b>296,392</b>	<b>296,903</b>

**Partly paid ordinary co-operative shares**

Partly paid up	95	322
Unpaid	19	503
<b>Total partly paid and unpaid</b>	<b>114</b>	<b>825</b>

**Value of ordinary co-operative share capital**

In thousands of New Zealand dollars	2017	2016
Balance at 1 June	296,396	282,479
Co-operative shares issued	6,598	20,912
Less: co-operative shares surrendered	(6,621)	(6,995)
<b>Balance at 31 May</b>	<b>296,373</b>	<b>296,396</b>

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

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

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

**Measurement and Recognition**

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

**C7. Redeemable Preference Shares**

In thousands of New Zealand dollars	2017	2016
Balance at 1 June	10,107	9,282
Less: shares surrendered during the year	(3,636)	-
Less: discount on redemption	(6,471)	-
Redeemable preference share capital of discontinued operations - reclassified from liabilities	-	825
<b>Balance at 31 May</b>	<b>-</b>	<b>10,107</b>

All of the redeemable preference shares in Ravensdown Fertiliser Australia Pty Limited ("RFA") were cancelled on 22 July 2016 and redeemable preference shareholders were paid AUD \$0.447 per cancelled share by direct credit to their bank accounts on 27 July 2016, or by cheques shortly thereafter.

**Measurement and Recognition**

*Preference shares ranked in priority to any other class of share but were limited to the surplus assets or profits of RFA, whether in a winding up or otherwise.*

*The holders of redeemable preference shares were not entitled to receive dividends but were entitled to receive rebates. Redeemable preference shares did not carry the right to vote. Preference shares ranked ahead of ordinary shares but participated only to the extent of the face value of the shares. The shares were fully paid, and were only redeemable at Ravensdown's option, not the holders. Redeemable preference shares were classified as non-controlling interests in equity.*

## 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:

- Subsidiaries;
- Investments in Joint Ventures; and
- Investments in Associate Entities.

### D1. Significant Subsidiaries

	Principal Activity	Country of Incorporation	Interest (%) 2017	Interest (%) 2016
Ravensdown Aerowork Limited	Aerial spreading	New Zealand	100%	100%
C-Dax Limited	Agricultural machinery manufacturer	New Zealand	100%	100%
Spreading Waikato Limited	Ground spreading	New Zealand	100%	100%
Ravensdown Australian Holdings Limited	Investment holding company	New Zealand	100%	100%
Ravensdown Fertiliser Australia Pty Limited	Fertiliser sales - discontinued	Australia	100%	100%
Ravensdown Australia Properties Pty Limited	Property investment - discontinued	Australia	100%	100%
Ravensdown Growing Media Limited	Fertiliser sales - discontinued	New Zealand	100%	100%
Aerial Sowing Limited	Aerial spreading - discontinued	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

	2017	2016
Interests in joint ventures	11,354	12,128
Interests in associates <sup>1</sup>	3,600	3,557
	<b>14,954</b>	<b>15,685</b>

<sup>1</sup> Ravensdown's share of profits after tax arising from its interests in associates was \$421,000 (2016: \$420,000). 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:

	2017	2016
Balance at 1 June	12,128	9,860
Share of profit after tax	1,881	1,905
Joint venture capital (sold)/acquired in the year	(609)	899
Dividends received from joint ventures	(2,113)	(1,025)
Movements in loans to joint ventures	67	489
<b>Balance at 31 May</b>	<b>11,354</b>	<b>12,128</b>

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

	Total assets	Total liabilities	Revenues	Profit
2016	25,385	5,374	55,359	5,451
2017	26,197	9,594	74,548	5,123

### D3. Joint Ventures (Equity Accounted)

	Principal Activity	Country of Incorporation	Interest (%) 2017	Interest (%) 2016
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%
Ravensdown Windy Point Quarry Limited - sold 22 December 2016	Roading material quarry	New Zealand	0.0%	50.0%

### D4. Associates (Equity Accounted)

	Principal Activity	Country of Incorporation	Interest (%) 2017	Interest (%) 2016
Cropmark Seeds Limited	Forage plant breeding and marketing	New Zealand	25.6%	25.1%
Southstar Fertilizers Limited	Fertiliser manufacture and development	New Zealand	20.0%	20.0%

**D5. Discontinued Operations**

Ravensdown Australia Properties Pty Limited ("RAP") is a 100% subsidiary that was set up as a holding company for property owned in Australia. On 31 May 2017 the remaining store owned by RFA was transferred to RAP to assist with the planned orderly wind down of the RFA Queensland based business. Both fertiliser sheds and associated equipment are currently classified as held for sale. These operations are discontinued as part of the overall plan to exit this market.

In May 2013, the decision was made to exit operations in Western Australia and sell the Ravensdown Western Australian business. As part of this exit the co-operative shares held by Western Australia members were reclassified from share capital to current and non current liabilities. The final tranche of the share capital was repaid during the year ended 31 May 2017.

**Assets classified as held for sale**

As at 31 May 2017, property, plant and equipment for discontinued operations classified as held for sale totalled \$5.1 million (2016: \$5.5 million).

Property, plant and equipment of \$11.3 million was classified as held for sale at 31 May 2017 (2016: nil).

**Measurement and Recognition**

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

**Loss for the year from discontinued operations**

During the year total net losses after tax arising from discontinued operations were \$1.4 million (2016: \$3.3 million). The total net comprehensive loss arising from discontinued operations was \$1.5 million (2016: \$3.3 million loss).

**Net Cash Flows from Discontinued Operations**

	2017	2016
Operating activities	(1,082)	531
Investing activities	32	-
Financing activities	(13,959)	(10,453)
<b>Net cash flows</b>	<b>(15,009)</b>	<b>(9,922)</b>

**D6. Share Capital of Discontinued Operations****Current liabilities****Co-operative share capital of discontinued operations**

	2017	2016
Balance at 1 June	10,153	10,372
Less: shares surrendered during the year	(10,153)	(10,293)
Plus: shares reclassified from non current liabilities	-	10,074
<b>Balance at 31 May</b>	<b>-</b>	<b>10,153</b>

At May 2013 the co-operative share capital of discontinued operations was reclassified as a liability following the Board's decision to exit operations and sell the Ravensdown Western Australian business.

As required by section 8.2(b) of the company constitution the co-operative shares are obliged to be surrendered to shareholders over the next five years, dependant on when they last transacted with the Company. Following a meeting of the Company's Board in May 2014 a decision was made to redeem all of the Western Australian members shares and for payment to be made in three equal instalments on 9 July 2014, July 2015 and July 2016. During the year ended 31 May 2017 \$10.2 million was paid.

**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**

	2017	2016
<b>Transactions with equity-accounted investees</b>		
Dividends received	2,522	1,172
Sales of goods and services	252	147
Purchases of goods and services	(48,351)	(38,930)
Net trade receivables/(payables)	307	367
Closing advances	2,068	2,002

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

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

**E2. Operating Leases****Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
Less than one year	3,126	3,089
Between one and five years	7,814	7,666
More than five years	7,414	8,670
<b>Total lease commitments</b>	<b>18,354</b>	<b>19,425</b>

**Measurement and Recognition**

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

Ravensdown leases motor vehicles and store premises. During the year ended 31 May 2017 \$4.1 million was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2016: \$4.1 million).

**E3. Auditor's Remuneration**

	2017	2016
Auditor's remuneration to KPMG comprises:		
Audit of financial statements	130	175
Other non-audit services	31	-
<b>Total auditor's remuneration</b>	<b>161</b>	<b>175</b>

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

**E4. Capital Commitments**

At 31 May 2017 Ravensdown had capital commitments of \$38.6 million (2016: \$49.8 million). Capital commitments relate to investment in New Zealand assets and infrastructure. Capital commitments are recognised after a formal capital review and approval process.



**E5. Contingent Liabilities**

Ravensdown had no material contingent liabilities at balance date (2016: nil).

**E6. Subsequent Events**

There have been no events subsequent to balance date which would have a material effect on Ravensdown's financial statements to 31 May 2017.

**Resolution of Directors**

RESOLVED that, in the opinion of the undersigned directors of Ravensdown Limited (Company), the Company has throughout the financial year ended 31 May 2017 and since the date of registration of the Company under the Co-operative Companies Act 1996 (Act), been a co-operative company within the meaning of the Act on the following grounds:

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

Dated this 31st day of July 2017

John Francis Clifford Henderson

Kate MacNeil Alexander

Jason Colin Dale

Scott Gordon Gower

Antony Charles Howey

Peter Glen Inger

Peter William Moynihan

Anthony Page Reilly

Bruce William Massy Wills

Allan Stuart Wright

**Independent Auditor's Report****To the shareholders of Ravensdown Limited****Report on the consolidated financial statements****Opinion**

In our opinion, the accompanying consolidated financial statements of Ravensdown Limited (the company) and its subsidiaries (the Group) on pages 7 to 34:

- i. present fairly in all material respects the Group's financial position as at 31 May 2017 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 2017;
- 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 also provided other services to the group in relation to advisory services in respect of Integrated Reporting. 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.

**Other Information**

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report and Stakeholder Review. Other information may include the Chairman's report, Chief Executive's report, disclosures relating to 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 Stakeholder Review is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Stakeholder Review 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 appear misstated. If so, we are required to report such matters to the Directors.

In respect of other information contained in the Annual Report, we have nothing to report.

**Use of this Independent Auditor's Report**

This 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 report, or any of the opinions we have formed.

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

The Directors, on behalf of the group, 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: [https://www.xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page5.aspx](https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx)

This description forms part of our Independent Auditor's Report.



Paul Herrod  
For and on behalf of  
KPMG  
Christchurch

3 August 2017

## 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 legal compliance, including 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 Zavest.

**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 four standing committees, described below. Special project committees are formed when required.

**Audit & Risk Committee**

The committee comprises five directors, including the two independent 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 four 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.

**Hugh Williams Scholarship Committee**

This committee comprises two directors. The Hugh Williams Ravensdown Memorial Scholarship is offered annually to the children of shareholders and aims to encourage undergraduate study in an agricultural or horticultural degree. Founded jointly in 2000 by Ravensdown and the Williams family, the scholarship commemorates the late Hugh Williams, a Director of Ravensdown from 1987 to 2000. Applicants are short-listed from an initial essay and application, and then reviewed by the committee.



**Directors' Independence and Performance**

During the past financial year, the Board was comprised of 10 directors; 8 shareholder elected directors and 2 independent directors. One-quarter of the shareholder elected directors retire each year at the Annual Meeting, and are eligible to stand for re-election. Elections for the vacant director positions are held prior to the Annual Meeting.

The Board currently has two independent directors who are appointed by the Board to bring additional experience and skills. Up to three independent directors may be appointed by the Board. The Chief Executive Officer is not a member of the Board.

During the year the directors were evaluated by Propero, a company with expertise in board dynamics and performance.

**Risk Identification and Management**

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

**External Auditor Independence**

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

**Directors' Meetings**

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

**Board**

2016-2017	Total attended	Eligible to attend
John Henderson (Chair)	10	10
Stuart Wright (Deputy Chair)	10	10
Kate Alexander	10	10
Jason Dale	8	10
Scott Gower	10	10
Tony Howey	10	10
Glen Inger	9	10
Peter Moynihan	10	10
Tony Reilly	10	10
Bruce Wills	9	10

**Audit and Risk Committee**

2016-2017	Total attendance	Eligible to attend
Jason Dale (Chair)	5	5
Scott Gower	5	5
John Henderson	4	5
Tony Howey*	1	1
Glen Inger	5	5
Stuart Wright	4	4

\*Replaced Stuart Wright December 2016

**Board Appointments and Remuneration Committee**

2016-2017	Total attended	Eligible to attend
Tony Reilly (Chair)	2	2
John Henderson	2	2
Tony Howey	2	2
Peter Moynihan	2	2

**Share Surrenders Committee**

	Total Attended	Eligible to Attend
Kate Alexander (Chair)	9	9
Scott Gower*	5	5
Peter Moynihan*	5	5
Tony Howey**	3	4
Bruce Wills**	4	4

\* Scott Gower and Peter Moynihan retired December 2016

\*\* Tony Howey and Bruce Wills appointed December 2016

**Statutory Information****Directors**

The Directors of Ravensdown Limited as at 31 May 2017 were as follows:

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

No person resigned from office as a director during the year ended 31 May 2017.

**Director Remuneration and Benefits**

Remuneration and other benefits received by each director or former director of Ravensdown Limited during the year ended 31 May 2017 were as follows:

Director	Total remuneration and value of other benefits received
John Henderson (Chair)	\$178,500
Stuart Wright (Deputy Chair)	\$93,500
Jason Dale (Chair, Audit & Risk Committee)	\$86,000
Kate Alexander	\$76,000
Scott Gower	\$76,000
Tony Howey	\$76,000
Glen Inger	\$76,000
Peter Moynihan	\$76,000
Tony Reilly	\$76,000
Bruce Wills	\$76,000

**Entries Recorded in the Interests Register**

The following are particulars of general disclosures of interests by Ravensdown Directors holding office as at 31 May 2017, pursuant to s 140(2) of the Companies Act 1993.

<b>John Henderson</b>	Partner	Evans Henderson Woodbridge
	Director/Shareholder	Hinau Station Limited Vanderwood Trustees & Agency Limited EHW Solicitors Nominee Company Limited Premier Dairies Limited Waimaria Farms Limited Clearsky Agriculture Limited

<b>John Henderson</b> continued	Shareholder	Tikapu Station Limited Rewa Rewa Farm Limited Ngatahaka Holdings Limited Hiwinui Station Limited Dochroyle Limited Ferriby Land Company Limited
	Director	Athlumney Farms Limited Tutu Totara Dairy Limited New Zealand Phosphate Company 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 Merchiston Trust A D Glasgow Family Trust
	Executor	Estate James Gregor Waswo
<b>Stuart Wright</b>	Director/Shareholder	Annat Farms Limited Otarama Investments Limited
	Chairman	Potatoes New Zealand
<b>Jason Dale</b>	Chairperson	TNX Limited
	Chief Financial Officer	E Road Limited
<b>Kate Alexander</b>	Director	Riversedge Limited
	Trustee	The Riverbank Trust Rural Support Trust – Northland
	Member	Executive Committee, Whangarei A&P Society
	Council Member – Ministerial Appointment	Open Polytechnic of New Zealand Council
	Independent Chair	Delta Produce Co-operative Limited
	Shareholder	Willow-Mere Farms Limited
<b>Scott Gower</b>	Owner	High Glades Station
	Trustee	Riverhills Trust SGG Family Trust

<b>Tony Howey</b>	Director/Shareholder	Alpine Fresh Limited Southern Packers Limited Seedlands Limited Seedlands Property Limited Grainstor Limited Viberi New Zealand Limited Farmers Mill Limited
	Director	Horticulture New Zealand Limited Horticulture NZ Incorporated
	Chair	NZ Gap
<b>Glen Inger</b>	Director	Albany Direct Limited Blue Moon Limited Hastings Direct Limited Henderson Direct Limited Karoola Limited (Fiji) Manukau Direct Limited Palmerston North Direct Limited Porirua Direct Limited Pukekohe Direct Limited Sleepy Hollow Farm Limited Subway Investments Limited Te Rapa Direct Limited Whangarei Direct Limited
	Director/Shareholder	Harbour Edge Avocados Limited Journey's End Limited Kokako Properties Limited Kowhai Falls Limited Mercer Assets Limited Mercer Mushrooms Limited Pukeko Creek Limited Stonebridge Investments Limited Tall Kauri Limited TCS Leases Limited TCS Resources Limited The Clearance Shed Limited The Promised Land 2005 Limited Topuni Holdings Limited Tui Travel Limited

<b>Glen Inger</b> continued	Shareholder	The Commercial Mushroom Growers Federation (NZ) Limited	
	Trustee	The Taporu Trust The Stinger Trust	
	<b>Peter Moynihan</b>	Director/Shareholder	Aerodrome Farm Limited Rathmore Farm Limited Hacienda Lochiel Limited
<b>Tony Reilly</b>	Indirect Shareholder	Manuka S.A.	
	Trustee	Rathmore Trust	
	Employee	Westpac Bank	
<b>Tony Reilly</b>	Director/Shareholder	A.P. & K.M. Reilly Limited Dos Rios Limited	
	Director	Landcorp Farming Limited Network Tasman Limited	
	<b>Bruce Wills</b>	Director/Shareholder	Trelinnoe Limited
		Director	Tranzfutura International Limited QEII National Trust
<b>Bruce Wills</b>	Independent Director	Horticulture NZ Incorporated	
	Chair	NZ Poplar & Willow Research Trust Apiculture NZ Deer PGP	
	Trustee	NSC Resilience to Nature's Hazards National Science Challenge (NSC) Our Land & Water Motu (Economic and Public Policy Research)	

#### 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 in Ravensdown other than through the normal quota shareholding process.

#### Indemnities and 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 \$19,000 were made to various charities during the year.

#### Employee Remuneration

Employee remuneration includes salary, short term and long term performance incentives and employer's contribution to superannuation and health schemes earned in their capacity as employees during the year ended 31 May 2017. Company vehicles are provided to some employees and are included in the remuneration figures. The table includes employees of Ravensdown Limited and its subsidiaries.

Remuneration	Number of employees
\$100,000 - \$109,999	44
\$110,000 - \$119,999	33
\$120,000 - \$129,999	27
\$130,000 - \$139,999	16
\$140,000 - \$149,999	15
\$150,000 - \$159,999	11
\$160,000 - \$169,999	7
\$170,000 - \$179,999	5
\$180,000 - \$189,999	8
\$190,000 - \$199,999	4
\$200,000 - \$209,999	7
\$220,000 - \$229,999	1
\$310,000 - \$319,999	1
\$330,000 - \$339,999	1
\$340,000 - \$349,999	1
\$370,000 - \$379,999	1
\$380,000 - \$389,999	1
\$410,000 - \$419,999	1
\$440,000 - \$449,999	1
\$480,000 - \$489,999	1
\$1,140,000 - \$1,149,999	1

#### Subsidiaries

Persons holding office as Directors of Ravensdown Limited's wholly owned subsidiaries as at 31 May 2017 were as follows:


Subsidiary	Directors
Ravensdown Aerowork Limited	Greg Campbell Mike Whitty
C-Dax Limited	Mike Whitty Richard Christie Greig Shearer Robert Murray
Spreading Waikato Limited	Mike Manning
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
Greengro Resources Limited*	Greg Campbell Mike Manning
Aerial Sowing Limited	Mike Whitty Mike Manning
Ravensdown Growing Media Limited	Greg Campbell Richard Christie
Soil Fertility Services Limited	Greg Campbell Mike Manning

\*Greengro Resources Limited was amalgamated into Ravensdown Limited on 31 May 2017.

Except for Allister Burton, all of the current Directors are employees of Ravensdown Limited, Ravensdown Aerowork Limited or C-Dax Limited. This is the only general disclosures of interest by each Director of Ravensdown Limited's subsidiaries as at 31 May 2017, pursuant to s 140(2) of the Companies Act 1993.

Alf Cristaudo ceased to hold office as a director of Ravensdown Fertiliser Australia Pty Limited on 27 July 2016, and received remuneration and other benefits of \$3,000 during the financial year. Paul Schembri ceased to hold office as a director of Ravensdown Fertiliser Australia Pty Limited on 23 August 2016, and received remuneration and other benefits of \$3,000 during the financial year. Jeremy Schultz ceased to hold office as a director of Ravensdown Australia Properties Pty Limited on 2 December 2016, and received remuneration and other benefits of \$8,000 during the financial year.

Allister Burton became a director of Ravensdown Fertiliser Australia Pty Limited on 27 July 2016 and Ravensdown Australia Properties Pty Limited on 2 December 2016 and has received remuneration and other benefits of \$9,000 during the financial year.



Past  
Present  
and

**FUTURE.**

[Ravensdown.co.nz](http://Ravensdown.co.nz)