ArborGen HOLDINGS

ANNUAL REPORT

2022

There are statements in this Report that are 'forward looking statements.' As these forward-looking statements are predictive in nature, they are subject to a number of risks and uncertainties relating to the Group, many of which are beyond our control.

In particular, ArborGen's operations and results are significantly influenced by the general level of economic activity in the various sectors of the economies in which it competes, particularly in the United States, Brazil, New Zealand and Australia prior to the sale of the ANZ business in November 2021.

Fluctuations in industrial output and the impact that has on global demand for wood fibre and hence harvest and reforestation levels, government environmental and regional development policies, capital availability, relative exchange rates, interest rates, the profitability of our customers, can each have a substantial impact on our operations and financial condition.

ArborGen-specific risks and uncertainties include (in addition to those broad economic factors noted above) the global markets and geographies in which it operates, intellectual property protection, regulatory approvals, the rate of customer adoption of advanced seedling products, the success of its research and development activities, weather conditions, cone and seed inventory, biological matters, and the fact that ArborGen's annual crops and seed orchards are not the subject of insurance cover.

As a result of the foregoing; actual results, conditions and conclusions may differ materially from those expressed or implied by such statements.

All references to currencies in this document are in US dollars (US$) unless otherwise stated.

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On behalf of the Board and management, we are pleased to present to you the Annual Report for the 12 months ended 31 March 2022.

Dave Knott Jr
Chairman

Andrew Baum
Chief Executive Officer

All references to $ is to US$ unless otherwise stated.

Our Business

Our advanced genetics seedlings are a game changer for landowners

ArborGen is the leading global commercial provider of advanced genetics tree seedling products

Our high-value products significantly improve the productivity of a given acre of forestry land and are transforming the forestry industry

The value story is now apparent and customer demand is growing; we service over 2,000 customers each year

We have large opportunities in growth markets

We are building on our established footprint in traditional and emerging high growth markets in the US South and Brazil

The increasing emphasis on the role trees can play in offsetting carbon emissions is creating new opportunities for ArborGen

We have 12 seedling nurseries, 10 seed producing orchards and overall production capacity of approximately 500 million seedlings annually

We are strongly positioned for the future

ArborGen has a clear future strategy, a strong balance sheet and a market leadership position

We are investing in the business and resources to realise our growth potential

We have a competitive advantage driven by decades of investment in research, intellectual property and people capability

Our Strategy: Growing Our Future

STRATEGIC PATHWAYS	Increase sales of advanced genetic seedlings in targeted markets	Investigate the opportunity in the emerging high growth carbon markets	Invest in resources and capability to realise our potential
FY23 FOCUS	Continued conversion of customers to higher value advanced genetic seedlings	Actively engage with carbon registries and major carbon companies to develop protocols for plantation forestry	Strategically expand production capacity in US South
	Build on leadership position in US South, focus on loblolly pine seedlings	Partner with carbon project developers in the US South to facilitate large scale afforestation and reforestation projects	Leverage acquisition of new pine nursery in Brazil
	Evaluate potential opportunities to expand in targeted regions in the US		Lease of third eucalyptus nursery in Brazil
	Build on leadership position in Brazil, focus on eucalyptus and loblolly pine seedlings		

FY22 Snapshot

Commercial Highlights

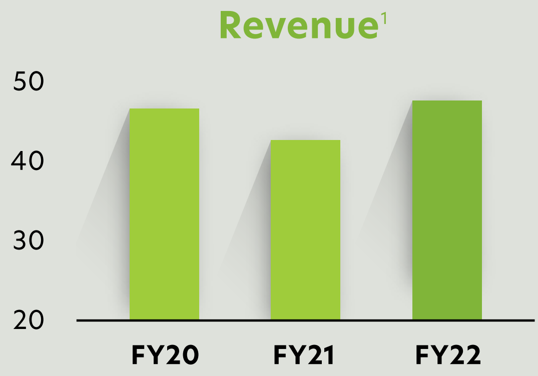
- Completion of strategic review and Board approved strategy to maximise future value and growth
- Sale of Australian and New Zealand (ANZ) business for NZ$22.5m on 30 November 2021
- Record US sales of advanced genetics seedlings, up 32% year-on-year
- Acquisition of a 10 million capacity pine nursery in Brazil for BR$4 million in December 2021
- Projected harvest of MCP seed in late calendar 2022 equivalent to over 200 million seedlings, assisting with seed inventory build
- Freeze event combined with extreme winds impacted MCP seed expected from late calendar 2023 harvest
- Investigation of opportunities in high growth carbon markets

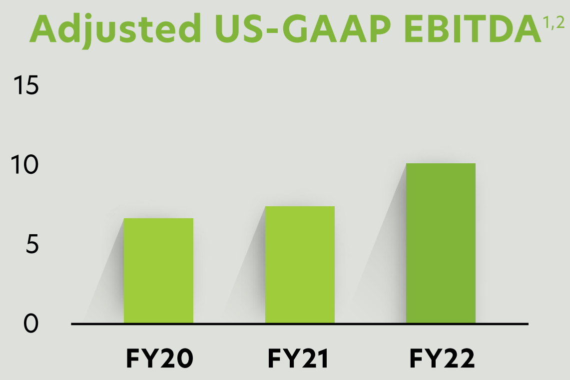
Financial Highlights
(continuing operations)

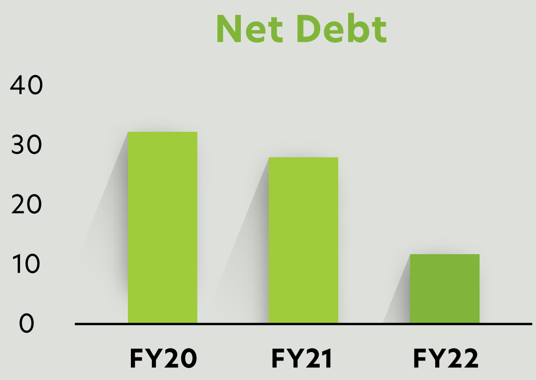
- Pleasing results despite the ongoing impact of the pandemic, with increased availability of, and higher customer demand for, advanced genetics seedlings driving sales and earnings
- 11% increase in revenues to $47.6 million
- 170% uplift in operating earnings to $2.7m
- 36% increase in adjusted US-GAAP EBITDA to $10.1m
- Reduction in net debt to $11.5m, down from $27.4m in prior period

Outlook

- Benefits of long term focus on advanced genetics is becoming clear and adoption by landowners is increasing
- Well poised to benefit from leadership position in tree improvement technology, and as the leading commercial supplier of advanced genetics in the US South and Brazil
- Increase in MCP seed supply from flowers pollinated in FY21 and ongoing maturity of orchards
- Supply chain issues and inflationary pressure expected to continue in FY23
- Brazil earnings expected to increase significantly in FY23, driven by stronger pricing and increased sales volumes for pine and eucalyptus
- Projecting solid sales growth from FY24 onwards, as pandemic effects reduce and with focus on higher growth markets







[1] Continuing operations

[2] Adjusted US-GAAP EBITDA is US-GAAP Earnings Before Interest, Tax, Depreciation and Amortisation. ArborGen uses US-GAAP EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with GAAP. Management believes that US-GAAP EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt:equity structures.
A reconciliation to IFRS earnings is provided in note 30 of the financial statements.

Chairman & CEO Report

Dear Shareholder

ArborGen is the largest commercial global seedling supplier and a leading provider of advanced genetics for the forest industry. Our transformative technology and advanced genetics products are a game changer for forest landowners, delivering bigger and better trees, faster.

As a result of the strategic review undertaken in FY22, we have refocussed our business on our core traditional and emerging high growth markets in the US South and Brazil, as well as on new and emerging high growth carbon markets. These markets are underpinned by very strong long term underlying fundamentals. The increasing emphasis on the role trees can play in offsetting carbon emissions is also creating new opportunities for ArborGen.

We are poised to benefit from our decades of investment in research, intellectual property and people capability. With the foundations now laid, ArborGen's focus will be on the continued conversion of customers to higher value seedlings as our customers increasingly see the commercial potential of our advanced genetics products.

We are excited about ArborGen's future and are well positioned to grow in our core and emerging new markets.

FY22 Financial Performance

12 months ended 31 March

US $m	FY22	FY21	% change
Revenue[1]	47.6	42.8	11
Operating Earnings (before other significant items)[1]	2.7	1.0	170
Net Earnings[1,2]	1.7	1.5	13
Net Cash from Operating Activities	7.5	9.9	(24)
Adjusted US-GAAP EBITDA[1, 3]	10.1	7.4	36
Net Debt	11.5	27.4	58

[1] Continuing operations

[2] Includes Other Significant Items of $(4) million comprising Government grant income of $0.9m, COVID-19 impact on unsold seedlings and associated write off of $1.6m, $1.5m related to the freeze event, and strategic review and other costs of $1.8m (primarily financial, tax and legal advice, and including M&A activity during the period) (FY21: a gain of $1.9 million)

[3] US-GAAP EBITDA excludes NZ public company costs and Other Significant Items

During the twelve-month period, the Group reported:

- Revenue from continuing operations of $47.6 million, up 11% on prior period, comprising sales of $39.9 million in the US (FY21: $36.8 million) and $7.7 million in Brazil (FY21: $6.0 million)
- Delivery of its highest ever US advanced genetics sales year – 32% higher than the prior year
- Gross margin from continuing operations of $17.8 million, up from $15.6 million in FY21
- Operating earnings from continuing operations (before other significant items) of US$2.7 million, up from $1.0 million in the prior year
- Net earnings from continuing operations of $1.7 million, up from $1.5 million recorded in the prior period. During the period, ArborGen recognised $0.9 million of the $4.3 million received in the prior period from the US Small Business Administration (SBA) under the Paycheck Protection Program (PPP) as other income ($3.4 million was recognised in the prior period)
- Adjusted US-GAAP EBITDA[3] from continuing operations of $10.1 million – 36% higher than the prior period
- Net cash from operating activities of $7.5 million, down from $9.9 million in the prior period which included Covid grants
- Net debt (excluding capitalised leases) reduced substantially to $11.5 million, down from $27.4 million in the prior period
- $4.7 million of deferred tax assets recognised including $3.8 million of previously unrecognised tax losses available

Key to this result is the continued execution of the Company's advanced genetics strategy, resulting in record sales of its advanced genetics products in the US, despite COVID-19 and supply chain issues continuing to adversely impact sawmill production and, in turn, seedling demand in the US South.

Improved Funding Arrangements

Following completion of the sale of the ANZ business, ArborGen repaid the $2.9 million of sub-ordinated debt raised in 2019 from certain directors / major shareholders and senior management needed to fund the $14.4 million acquisition of ArborGen's headquarters in Ridgeville, South Carolina. The Company also reduced its Synovus working capital facility by $5.5 million, which combined with the sub-ordinated debt repayment, will result in annual cash interest cost savings of approximatively $0.5 million.

[3] US-GAAP EBITDA excludes NZ public company costs and Other Significant Items

Seedling Sales Performance

ArborGen sold 362 million seedlings globally in the 12 month period to 31 March 2022 – 284 million seedlings in the US (including 258 million loblolly pine seedlings of which 42% were advanced genetics Mass Control Pollinated (MCP®) and varietal seedlings), and 78 million seedlings in Brazil.

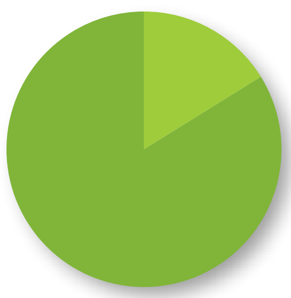
	Seedling Sales FY22 (m units)	Seedling Sales FY21 (m units)
USA	284	294
USA Loblolly advanced genetics%	*42%*	*32%*
Brazil	78	65
Total	362	359

In the US, unit seedling sales decreased by just over 3% to 284 million units in the period, from 294 million seedling units in the prior period as the global pandemic, including the emergence of the Delta and Omicron variants, continued to cause significant disruptions in the industry ranging from transportation issues to labour shortages. Resulting sawmill closures and slow downs impacted log harvests, and in turn, seedling demand in the period.

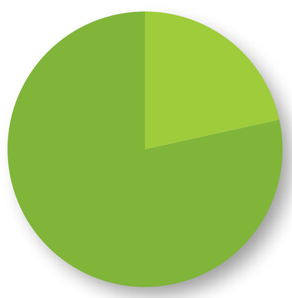
Importantly, however, advanced genetics seedling sales were up from 82 million seedling units in FY21 to 109 million in FY22. In particular, advanced genetics seedling sales to the private landowner segment, where the majority of sales growth will occur, was up almost 60% compared to the prior year, driven by increasing recognition of the value of ArborGen's advanced genetics products. Although larger National Accounts (primarily REITs and TIMOs[4]) accounted for the majority of ArborGen's advanced genetics volume, sales to the private landowner segment now represent around 35% of advanced genetics volume sold.

In Brazil, sales of 78 million seedlings were 20% higher on the prior year. While the pandemic continued to cause significant disruptions in the period, ArborGen was able to lift both eucalyptus and pine seedling sales, leveraging the increasing recognition of the value of our proprietary advanced genetics pine and eucalyptus products.

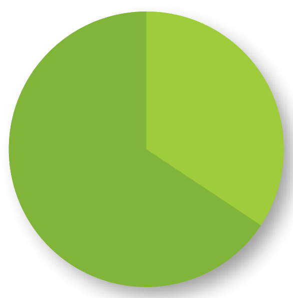
Sales Revenue by Region



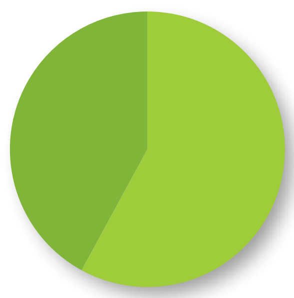
Sales Volume by Region



US Loblolly Pine Revenue



US Loblolly Pine Sales Volume



[4] Real Estate Investment Trusts and Timber Investment Management Organisations

Growth and Strategic Initiatives

Earlier this month, we announced that, as a result of the strategic review conducted over the last year, ArborGen has refocussed its business on its core traditional and emerging high growth markets in the US South and Brazil, as well as on new and emerging high growth carbon markets. In line with this refocused strategy, ArborGen sold its more mature Australia and New Zealand business on 30 November 2021 for NZ$22.25 million, substantially strengthening its balance sheet, and affording it greater opportunities to invest in targeted growth arenas.

Core traditional high growth markets – US South

The long term underlying fundamentals are strong for Southern US forestry markets and the sale of advanced genetic products.

While nearer term, the flow-on effects of the pandemic and geopolitical tensions are likely to impact industry activity, ArborGen's core end market, the US housing market, is supported by strong long term underlying fundamentals, namely:

- An underbuilt US housing stock resulting from years of underbuilding since the global financial crisis;
- An aging US housing stock with the median age of an owner-occupied house now over 40 years; and
- Strong population demographics with a large proportion of young adults moving into the house buying phase.

These strong fundamentals, in turn, support continued growth in demand for wood products, and in this respect, the US South is expected to be the largest beneficiary. In addition, timber access and supply issues have been and will continue to reduce wood product production in Western Canada, which has led many of the major Canadian lumber companies to purchase or build new mills in the US South. Timber supply issues in Central Europe will also lead to reduced wood product production there as well. Based on these factors, Forest Economic Advisors is projecting the strongest increase in lumber production to be in the US South, forecasting 24% growth relative to last year's output to reach 26.0 BBF[5] by 2025[6].

As the leading commercial supplier of proprietary advanced genetics loblolly seedlings in the US South, we believe that ArborGen is well positioned to leverage this growth. ArborGen is poised to benefit from over 20 years of investment in developing best-in-class proprietary MCP products, expanding supply of proprietary genetics and upgrading of customers to higher value MCP seedlings.

With the foundations now laid, ArborGen's focus will be on the continued conversion of customers to higher value seedlings as our customers increasingly see the commercial potential of our advanced genetics products. In terms of investment opportunities, there is increasing demand for the Company's containerised MCP seedlings (our highest value seedlings), and in this respect, the Board has approved the expansion of ArborGen's in-house container capacity across two existing owned sites, effectively lifting in-house production 60% from 10 to 16 million containerised seedlings per annum.

[5] Billion board feet

[6] Forest Economic Advisors 2nd Quarter 2022 Timber Quarterly Forecast

Given the scale of ArborGen's existing operations, we are able to cost effectively leverage infrastructure at our Belville, Georgia and Bullard, Texas nurseries to achieve this growth for less than US$1 million. The expected benefits from the investment are twofold – cost savings from increased production efficiencies, and incremental margins from the additional volume produced. The expected returns are very compelling, with a projected payback of 1-2 years. This expansion is expected to be in place for the FY24 seedling sales year, and we also continue to have an excellent relationship with our contract container growers.

While ArborGen has sufficient bareroot productive capacity to leverage growth post the pandemic lows, we will continue to evaluate further potential opportunities to expand in targeted regions.

"A 58% year-on-year increase in MCP sales to private landowners is validation of our market conversion strategy and the value of our advanced genetics seedlings."

Emerging traditional high growth markets - Brazil

The underlying market fundamentals in Brazil are very strong, with increasing domestic and export demand, new pulp mills and strong charcoal markets resulting from increasing iron metal demand, now collectively driving strong local demand for eucalyptus and softwood.

ArborGen has grown to become one of the largest commercial suppliers of eucalyptus and loblolly pine seedlings in the Brazilian market, replicating its US strategy to convert the market to products with superior genetics in Brazil. ArborGen's continued focus on this emerging market is now beginning to show tangible gains.

Consistent with this, ArborGen recently acquired a 10 million seedling capacity pine nursery located in Canoinhas, Santa Catarina, Brazil for $0.7 million (BR$4 million), to cement its position in the local pine markets. In addition, ArborGen plans to expand its internal eucalyptus production capacity later this year through leasing its third eucalyptus nursery, which is expected to increase internal eucalyptus capacity to nearly 50 million seedlings per year.

Substantial emerging global carbon markets

The increasing emphasis on the role trees can play in offsetting carbon emissions is creating new opportunities for ArborGen, with its advanced genetics and strong channels to forest landowners in the Southern US uniquely positioning it to exploit this opportunity.

There is now a clear and increasing focus on the importance of reducing greenhouse gases globally, and forests have an important role to play as trees capture carbon dioxide, one of the main greenhouse gases, from the atmosphere and store it in trunks, branches, foliage and roots.

ArborGen is a key participant in this space, and is actively engaged with various carbon registries and major carbon companies, participating in protocol development for plantation forestry. Forest based carbon projects will be increasingly important in creating new demand for both pine and hardwood seedlings. Carbon project developers are actively pursuing large scale afforestation and reforestation projects in the Southern US and we are actively engaged with several of these companies to provide both advanced genetics pine seedlings and hardwood seedlings.

Advanced genetics MCP seed supply

ArborGen continues to focus on building advanced genetics MCP seed inventory to minimise reliance on single year cone harvests as a key risk mitigation strategy. Seed inventory can be held in storage for several years, and, while the Company has approximately 1-2 years of MCP seed inventory on hand for the Western regions, there are still constraints in the larger Eastern region.

Younger orchards represent approximately 70% of the Company's overall orchard footprint and, as these continue to mature and become more productive, ArborGen's strategy will be to bag as many flowers as possible to maximise the seed output in the medium term. In addition, ArborGen will be targeting production of certain provenance crosses (i.e. Coastal x Texas, and Coastal x Piedmont) which can be utilised in multiple provenances.

On 1 April 2022, ArborGen announced a freeze event, which combined with very high winds during this year's pollination season, caused damage to pine flowers at ArborGen's Eastern orchards. This will impact cones and seed to be harvested in November 2023 (i.e. available for FY25 sales). The Company has recognised $1.5 million of costs related to this in the FY22 results. Importantly, this isolated event did not impact the cones currently on the trees that will be harvested in November 2022 (available for FY24 and beyond), nor did it cause any long term damage to the orchards themselves, which will be at full productive capacity again, the following pollination season. ArborGen's Western orchards were not impacted.

ArborGen is projecting to harvest advanced genetics MCP seed equivalent to over 200 million seedlings across all of its orchards in the US South in November 2022, well in excess of projected sales for FY24. The projected surplus in advanced genetics MCP seed harvested this year, combined with the ability to utilise some material from neighbouring provenances, will help mitigate the freeze impact on FY25 seedling sales. In addition, ArborGen will continue to focus on growing advanced genetics adoption in the Western regions to achieve higher overall MCP sales in FY24 and FY25.

ArborGen has several years of Open Pollinated (OP) seed in inventory, and will maximise seed harvested in November 2022 from targeted orchards.

Strategic review

Over the last 11 months, the Board undertook a strategic review to consider all options to unlock value for the benefit of all shareholders, from reinvestment to sale. PwC gauged the interest in a potential sale of all of the shares in, or all or some of the assets of, the Company. That process resulted in the sale of the Australian and New Zealand business in November last year. While a number of expressions of interest were considered for the whole business, the Board concluded that value would be maximised for shareholders through reinvestment in the business and progressing the strategy outlined above.

As part of the strategic review process, the Board of ArborGen also considered the possibility of a US listing. They concluded that, at the current point of time, the expected costs of a US listing outweigh the potential benefits.

Outlook

In the US, while the pandemic, geopolitical tensions and certain customer specific issues are expected to affect industry activity in FY23, ArborGen continues to project solid growth in advanced genetics sales from FY24 onwards with both its National Account customers and private landowner customers. Pleasingly, although we are only in the second month of the current year's crop season, we have already effectively sold out of all our MCP containerised seedlings and our hardwood seedlings, and approximately 85% of all available MCP seedlings.

In Brazil, as a result of much stronger projected pricing and demand for ArborGen's eucalyptus and pine seedlings, ArborGen's earnings are projected to be over US$1 million this fiscal year (FY23), materially higher than the breakeven result recorded in Brazil in FY22, with continued strong growth projected going forward.

We are very excited about ArborGen's future. We have refined our focus, sold the New Zealand and Australian business, significantly strengthened ArborGen's balance sheet, and are now well positioned to grow in our core and emerging new markets. In order to ensure we deliver on the Company's growth potential in these areas, the Board is committed to increasing resources as needed. As part of our strategic review, the Board has considered all options to unlock value for the benefit of all shareholders, including exploring the potential sale of all the shares in the Company, but have unanimously concluded that the best value maximisation strategy for shareholders is to stay the course.

The Board would like to thank all of our shareholders for their continued support, which is very much appreciated. We are putting considerable effort into the operational performance and cash generation of this business and are committed to delivering increasing value for our shareholders. In addition, we would like to extend thanks to our employees in recognition of their commitment and contribution to our success.

Dave Knott Jr
Chairman

Andrew Baum
Chief Executive Officer

21 June 2022

Taking Care of What Matters

Our aim is to care for and protect our natural ecosystem and provide positive benefits for our people and communities, while delivering robust financial performance and profitability for our shareholders. We are on a journey to identify ways to measure and monitor our environmental and social impact. We believe this will help us to improve all aspects of our business and deliver positive benefits for all our stakeholders.

Environmental Responsibility

Positive Social Impact

Strong Governance

Environmental Responsibility: To care for and protect our natural ecosystem

Forests have an important role to play in the reduction of greenhouse gas emissions

- Our seedlings are used to plant forests which play an important role in the reduction of greenhouse gases.
- In 2021, our conifer seedlings were planted on approximately 600,000 acres in the US and Brazil.
- ArborGen will sell over 350 million tree seedlings this year which will re-forest 700,000 acres.
- We estimate that approximately 400 million tons of CO_2 has been absorbed from the atmosphere in the last 10 years by the trees provided by ArborGen to our customers.

Trees capture carbon dioxide, one of the main greenhouse gases, from the atmosphere and store it in trunks, branches, foliage and roots. Typically, about half a tree's dry weight is carbon, which can be multiplied roughly by 3.7 to work out how much CO_2 the tree has taken from the atmosphere. Advanced genetics seedlings absorb up to 40% more CO_2 than traditional Open Pollinated seedlings.

In 2021, our conifer seedlings were planted on approximately 600,000 acres in the US and Brazil. The forests that develop from those seedlings will sequester around 64 million tonnes of carbon over their 25 year life. According to the US Environmental Protection Agency (EPA), those tons of carbon consumption will offset the carbon emissions from all the cars in Auckland, Los Angeles, New York City, Chicago, Paris and London for a full year.

ArborGen is a member of the Forest Landowners Association and the Forest Resources Association, and a supporter of the American Forest Foundation for family forest owners. Our customers are members of global, national and regional sustainability and environmental forestry organisations, including the Sustainable Forestry Initiative and the Forest Stewardship Council.

Mitigating the risk of adverse climatic events

Climate risks for ArborGen include hurricanes, drought and flooding. We have a range of initiatives and standard operating procedures in place to minimise and mitigate risks.

Seed production

- OP seed supply – several years' supply on hand
- MCP seed supply – building sufficient inventory of reserve MCP seed to reduce dependence on annual harvests. Approaching 2-year supply on hand target in the Western regions, we expect to reach reserve target in the Eastern regions in four to five years.
- Geographically dispersed orchards
- Diversified age profile for orchard trees

Seedling production

- Nursery procedures to protect young seedlings
- Built in seed germination and nursery production survival factors
- Geographically dispersed nurseries

We are actively assessing opportunities in emerging global carbon markets

For the first time, carbon project developers are actively pursuing large scale afforestation and reforestation projects in the southern US. ArborGen is actively engaged with several of these companies to provide both advanced genetics pine and hardwood seedlings. Once planted, these seedlings will become large, dedicated carbon fixing forests over several hundred square miles. ArborGen expects to provide seedlings and technical advice through multi-year purchase agreements and execute the first of these agreements in FYE23.

Our seedlings are used in the protection and renewal of important or damaged areas

ArborGen hardwood seedlings, such as oaks, ash and tupelos, are often used as part of planting programmes for the protection and renewal of important or damaged areas in projects such as restoring wetlands, reclaiming lands used for surface mining and conserving wildlife habitat. Over the last five years, across 1,000 square miles, 30 million of our seedlings, comprising more than 40 different species of hardwoods, have gone into environmental plantings in the US.

AborGen's culture of sustainability is built into our operational practices

We use a portfolio of US EPA registered chemicals including fertilisers, fungicides, insecticides and herbicides, and follow recommended best practices to minimise the impact on the environment and safety for all concerned. Integrated Pest Management efforts are used to minimise chemical usage including monitoring for insects and targeted site specific treatments.

Our tree seedlings are grown at a very high density, reducing the acreage required for growing the crop.

Land management practices are employed to minimise runoff and the impact on the local environment.

We plant trees on all acreage feasible around our nurseries to drive carbon capture, reduce soil erosion and optimise soil conditions.

Our network of nurseries is strategically located to supply landowners in each major growing region, minimising the transport distance for pick up or delivery of seedlings.

We optimise deliveries through larger loads and pooled orders, to reduce transport emissions and pack seedlings at maximum density to reduce packaging requirements.

We have large walk-in coolers which allow us to store seedlings until sufficient quantity is available for a full load going to the customer.

We have a carefully managed water usage policy and use technology and automation to ensure the most efficient use of water when required for irrigation.


ArborGen
The Reforestation Advantage

Positive Social Impact

Our People

ArborGen aims to make a positive contribution to our workers, our customers and communities. Our people are critical to achieving our mission – we aim to provide an inclusive, safe and healthy workplace for our team of talented employees. We are continuously developing our culture of performance and growth including employee development and driving our inclusion and diversity strategy. We have a culture of equity, fairness, and accountability. Employees are encouraged to speak up and we believe that this in turn improves our company. Our team is customer focused and committed to success. We give back to our community through support of selected causes.

Inclusion and diversity – We have a culture of respect and equality that recognises and celebrates diversity and inclusion in all forms. We strive to recruit, train and maintain a diverse team of individuals. Our workforce spans a wide range of age, cultural profiles and backgrounds. We come from different backgrounds and we believe diversity of thought helps innovation. All employees are required to complete two online training modules to prevent discrimination or harassment. Read more on our formal policy on page 65.

Health and safety – A top priority is to keep our workers safe. Our goal is to operate in a way that supports the wellbeing of our people, physically and emotionally. Managers are accountable for the safety of their teams and continually monitor and address any issues using the RAM (Risk Assessment Matrix) and the SixS programmes. We offer fitness goal challenges and a wellness benefit to our employees for reduced insurance premiums once they complete annual fitness exams. COVID-19 policies and a variety of strict protocols created in FY 2021 have stood us in good stead during FY 2022.

Equitable compensation – We believe in recognising and rewarding the effort of all our people. Ethical labour practices are essential and we pay fair wages and salaries. Pay equity is ensured by conducting remuneration reviews every two years.

Education and training – Continuous development of a performance and growth culture includes training and development at all levels.

Accountability – Our Code of Conduct guides behaviour that creates a comfortable and rewarding workplace. ArborGen has zero tolerance for harassment and discrimination and offers ongoing programmes on different diversity and inclusion topics. The Board has practices in place to ensure diversity and fairness within the organisation.

Dr Patrick Cumbie
Director of Global Product Development

In his current role at ArborGen, Patrick is responsible for leading product development activities for pine in the US and Brazil. This includes breeding and testing for MCP and varietal development, genetic data analysis, genomic projects, sales and product support.

“ArborGen’s demonstration plots become very valuable to our customers. Each year ArborGen installs many acres of field trials on different sites to evaluate hundreds of families across the south eastern United States. All of this is done to help demonstrate the opportunities a landowner has to increase the value and performance of their forest plantation by selecting the right genetics.“

Patrick has been involved in forestry research and development for 20 years. His career has largely focused on planning and implementing accelerated breeding programmes. Prior to joining ArborGen in 2010, Patrick was a research forester. He is an adjunct assistant professor at NC State University and serves on the board of the North American Forest Genetics Society. He received his BS, MS, and PhD in Forestry from North Carolina State University.

Dr Weiming Wang
Director of In Vitro Technology

The ArborGen in vitro system is a result of decades of intensive research efforts and investment. For the past 12 years, Weiming has lead our team of highly experienced, well regarded scientists that have developed and implemented a bio process system that uses advanced plant breeding technologies and clonal propagation to mass produce selected varietal seedlings. They have developed a totally integrated process that moves from new cell line development to cryopreservation, cell banking, process validation and high throughput production of in vitro plants. The focus has been primarily loblolly pine but they have also worked with other forestry species, and also offer highly specialised biotechnology capabilities to external organisations - the team have been contracted to work on the development of in vitro technologies of a number of other species such as hemp, sugarcane, avocado and banana. Weiming believes ArborGen has the broadest portfolio of intellectual property in the industry, as well as the largest and most diverse repositories of germplasm, encompassing more than 20 commercial tree species and hybrids.

Weiming received her Ph.D. in Biology and a Master’s degree while studying in Canada, and has a BS degree from Nanjing Agricultural University in China.

Gabriela Monnerat

Director of Operations, Brazil

Gabriela joined ArborGen in 2010 and has been the Director of ArborGen do Brazil since 2012. During her time at ArborGen, she has been developing a start-up of commercial operations for the production and sale of eucalyptus and pine seedlings, with an emphasis on genetic technology sales. She oversees the management of three nurseries, an orchard and a network of contract producers with seedling capacity of approximately 100 million per annum. She believes Brazil has significant upside growth potential from advanced genetics adoption from lower end genetics and that the increasing recognition of the value of ArborGen's proprietary products will contribute to sales increases in future years.

Her academic background includes a degree in Forest Engineering, postgraduate degrees in Pulp and Paper Technology and Breeding. She also holds a Master's degree in Forest Resources and an MBA. Prior to ArborGen, she worked for 10 years in the research and development area of a multi-national pulp and paper company where she was part of the team responsible for the company's breeding program, as well as for wood quality control in pulp and paper mills.

Jason Watson

Manager, Reforestation Advisors

Originally from Mississippi, Jason joined CellFor in 2008 (bought by ArborGen in 2012) and began his long career with the company as Business Development Manager. He subsequently became a Reforestation Advisor, and is now the Manager of Reforestation Advisors.

Jason's team are foresters specialising in all aspects of reforestation, offering expertise in silvicultural techniques and genetics selection to launch a new forest successfully.

"Reforestation Advisors' wealth of experience and training give them the unique ability to carefully listen to each client's land management goals and aspirations to develop a deep understanding of how best to serve them."

Jason is a highly knowledgeable, experienced forester with a passion for helping people. His B.S in Forestry has recently been followed by a Master's degree.

Our Customers

We are only successful when our customers are. This drives our focus on creating strong and long term relationships with our customers by understanding and responding to their needs. We do not just supply seedlings to them but also the advice and support necessary for a successful reforestation programme.

We provide seedlings to over 2,000 customers each year, many of whom have been buying from us for decades. In each of the areas in which we operate, our customers range from the largest industrial and financial landowner in the market to small private landowners who only plant occasionally. We have multi-year contracts with many of our customers that call for them to buy all, or a large portion of their seedlings from us every year.

Our Communities

We have nurseries, orchards and offices in the USA, Brazil and New Zealand. We are conscious of our role as a responsible corporate citizen and look to have a positive impact on the people around us.

Each nursery is encouraged to participate and contribute to organisations in their community. For example, in the US, ArborGen supports Dorchester Paws, an animal shelter and the Lowcountry Food Bank. We are also supporters of Center for Heirs Property, an organisation that provides economic benefit to underserved landowners through forestry and legal services in South Carolina. In each US state where we conduct business, we support Log-A-Load, a charitable arm of the state forestry associations. We have contributed both money and historic material to the Forest History Society in North Carolina.

Strong Governance

At ArborGen, we are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations, to ensure we add long term value to our staff, contractors, shareholders and other stakeholders.

We report on our corporate governance framework each year in our annual report and key governance documents are available for viewing on our website.

ArborGen's Corporate Governance Report for FY22 can be read on pages 61 to 71.

Our Board

DAVE KNOTT JR: Appointed 19 August 2021 [1]

Chairman
BA University of North Carolina at Chapel Hill

Dave is the Managing Member of Knott Partners who, with associated entities, is ArborGen's largest shareholder. He has served as Co-Chief Investment Manager of Knott Partners since March 2017. Dave is a board member of DRS Holdings LLC, and is on the Advisory Boards of The HiGro Group, LLC and Tenon Clearwood Limited Partnership.

GEORGE ADAMS: Appointed 12 August 2019

Independent Director
FCA (Fellow of the Institute of Chartered Accountants in Ireland), CFInstD (Chartered Fellow of the Institute of Directors)

George, who is based in New Zealand, brings broad industry knowledge to the Board. His previous management positions include Managing Director of Coca-Cola Amatil in New Zealand, Financial Controller of British Telecom Northern Ireland and Group Finance Director of Molino Beverages based in Dublin. He is currently a Director of Hellers Group Holdings, Chairman of Bremworth, Netlogix, Essano and New Zealand Frost Fans. In addition, Mr Adams is the Executive Chairman and co-founder of Apollo Foods and Insightful Mobility. George also chaired the Independent Forestry Safety Review in 2014 and is Chair of the Business Leaders' Health and Safety Forum.

THOMAS AVERY: Appointed 18 July 2018

Independent Director
MBA Harvard Business School; BSc Georgia Institute of Technology

Tom has nearly 40 years of investment banking and venture capital experience. He has served on numerous private company boards throughout his career, advising companies on the successful financing, planning and execution of growth strategies.

As an investment banker, Tom worked primarily with middle market growth companies in executing mergers and acquisitions, initial public offerings, and private placements of equity and debt. He served as a Managing Director at Raymond James & Associates from 2000-2014, which involved the management of the technology investment banking group and the financial sponsors' efforts. Prior to that, Tom's career saw him act as the head of the investment banking group at Interstate/Johnson-Lane, be a general partner at Summit Partners and at Noro-Moseley Partners, and work as a Senior Vice President at The Robinson-Humphrey Company. He currently has directorships at CRA International Inc, KIPP Metro Atlanta and PowerUP Scholarship, a non-profit organisation that gives disadvantaged Atlanta youth new opportunities for personal development.

OZEY HORTON: Appointed 11 July 2018

Independent Director
MBA Harvard Business School; BSE Duke University

Ozey has extensive experience in global operations, strategic planning, merger and acquisition integration and change management.

He has been a Director Emeritus of McKinsey & Co., a business consulting organisation, since 2011 when he retired after nearly 30 years with the firm. At McKinsey, Ozey led various practice areas around the globe, including Pulp, Paper and Packaging, Industrial, Change Management, Global Operations in Energy and Materials, and Basic Materials. His McKinsey client service and practice leadership provided for considerable experience working in Europe, South America, India, and Asia. He is a faculty member for McKinsey's leadership development programme, a Senior Advisor at McKinsey, and also serves as an independent business advisor.

He currently serves on the Boards of Worthington Industries and Louisiana–Pacific Corp, and the Advisory Board of Al Dabbagh Group. He also serves on the Advisory Board of the MUSC Hollings Cancer Center.

(1) Dave Knott Jr was appointed as the alternate director for David Knott Sr on 24 February 2017. David Knott Sr retired on 19 August 2021 and Dave Knott Jr was appointed to the board on that date.

PAUL SMART: Appointed 21 August 2018

Independent Director

BBS, Finance Massey University; Chartered Accountant (CA); Chartered Member Institute of Directors (CMinstD)

Paul brings more than 30 years' experience as a senior financial executive and professional director in local and international markets, including listings on the NZX, ASX and NASDAQ.

As an executive, Paul's key experiences were as CFO of NZ's largest energy company, Meridian Energy and prior to that, founding CFO of Sky Television which during his tenure went on to become a top 10 listed company on the NZX. As a professional director Paul has variously acted as a director, audit and finance chair and board chair for a broad range of companies including listed, venture capital, high-net-worth family, and large private companies. These roles have included businesses in the energy, manufacturing, venture capital, transport and tourism and automation sectors in NZ, USA, Australia, Thailand, India, and Spain. He is currently a non-executive director of MHM Automation, Geo40, Tamata Hauha, Vortex Power Systems, Argus Fire Systems Service and Genus ABS (NZ).

RANJAN TANDON: Appointed 12 September 2017

Director

MBA Harvard Business School; B Tech Indian Institute of Technology

Ranjan is Founder and Managing Member of Libra Advisors LLC (Libra), which holds a 17.2% interest in ArborGen. Libra had assets of $2.5 billion and invested in domestic and emerging market equities prior to conversion to a family office in 2012. He previously served as Sr Management Trainee with DCM in India, CFO of an LBO, InterMarine Incorporated, Houston and as a VP with Merrill Lynch prior to establishing Libra in 1990.

Ranjan is also a Board Member of the NYU Tandon Engineering School and has endowed Faculty Chairs at the Harvard Business School and Yale University. He is a Trustee and Board Member of Yale Greenwich Hospital, and is also a director of a listed Stockholm Company, Vostok Emerging Finance, which invests in early and growth stage fintech companies across emerging markets. He is also a member of the Tenon Clearwood Limited Partnership Advisory Board.

Leadership Team

Andrew Baum, President and CEO	Kathy Parker, VP Finance and Accounting	Patrick Cumbie, Director of Global Product Development
John Pait, VP Sales & Marketing	Jason Watson, Manager, Reforestation Advisors	Weiming Wang, Director of In Vitro Technology
Gabriela Monnerat, Director of Operations Brazil	Sharon Ludher-Chandra, Company Secretary and Performance Improvement Director	Alex Brown, Chief Financial Officer

Financial Statements

FOR THE PERIOD ENDED 31 MARCH 2022

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended March 2022 US$m	Re-presented[1] Year ended March 2021 US$m
Revenue	24	47.6	42.8
Cost of sales	7	(29.8)	(27.2)
Gross profit		**17.8**	**15.6**
Other income		–	0.8
Administration expense		(15.1)	(15.4)
Operating earnings excluding items below		2.7	1.0
Strategic review costs, government grants and other	7	(4.0)	1.9
Operating profit (loss) before financing expense		**(1.3)**	**2.9**
Financing expense		(1.7)	(2.0)
Profit (loss) before taxation		**(3.0)**	**0.9**
Tax benefit	8	4.7	0.6
Net earnings (loss) after taxation from continuing operations		1.7	1.5
Net earnings after taxation from discountinued operations	31	–	1.7
Net earnings (loss)		**1.7**	**3.2**

Earnings (loss) per share information (cents per share)		
From continuing operations		
Basic	0.3	0.3
Diluted	0.3	0.3
From continuing and discontinued operations		
Basic	0.3	0.6
Diluted	0.3	0.6
Weighted average number of shares outstanding (millions of shares)		
Basic	500.8	499.5
Diluted	503.5	502.8

(1) 31 March 2021 has been re-presented to show net profit after taxation from discontinued operations separately.

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

ArborGen Holdings Limited and Subsidiaries

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended March 2022 US$m	Year ended March 2021 US$m
Net earnings (loss)		**1.7**	**3.2**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in currency translation reserve	20	0.9	2.2
Movement in hedge reserve	20	0.6	0.4
Other comprehensive earnings (loss) (net of tax)		**1.5**	**2.6**
Total comprehensive earnings (loss)		**3.2**	**5.8**

ArborGen Holdings Limited and Subsidiaries

Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended March 2022 US$m	Year ended March 2021 US$m
Total comprehensive earnings (loss)		**3.2**	**5.8**
Movement in ArborGen Holdings shareholders' equity:			
Movement in issued capital	19	0.3	0.2
Movement in share based payment reserve	20	(0.3)	0.3
Total movement in shareholder equity		**3.2**	**6.3**
Opening Group equity		148.2	141.9
Closing Group Equity		**151.4**	**148.2**

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

ArborGen Holdings Limited and Subsidiaries

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Year ended March 2022 US$m	Year ended March 2021 US$m
Cash was provided from operating activities			
Receipts from customers		56.5	52.5
Government grants received		–	4.6
Cash provided from operating activities		56.5	57.1
Payments to suppliers, employees and other		(49.0)	(47.2)
Cash (used in) operating activities		(49.0)	(47.2)
Net cash from (used in) operating activities		**7.5**	**9.9**
Proceeds on sale of discontinued operations	31	15.2	–
Investment in fixed assets	13	(1.5)	(1.0)
Investment in intellectual property	15	(3.1)	(3.7)
Net cash from (used in) investing activities		**10.6**	**(4.7)**
Debt drawdowns		3.2	8.5
Repayment of lease liabilities		(0.9)	(1.3)
Debt repayment		(10.1)	(12.4)
Interest paid		(1.7)	(2.0)
Net cash from (used in) financing activities		**(9.5)**	**(7.2)**
Net movement in cash		**8.6**	**(2.0)**
Opening cash, liquid deposits and restricted cash		6.2	7.9
Effect of exchange rate changes on net cash		0.4	0.3
Closing Cash, Liquid Deposits and Restricted Cash		**15.2**	**6.2**
Net earnings after taxation		1.7	3.2
Adjustment for:			
Financing expense		1.7	2.0
Depreciation and amortisations	7	10.1	10.2
Taxation		(4.7)	(0.6)
Foreign exchange		(0.3)	0.4
Deferred grant income		–	0.9
Gain on sale of discontinued operations		(2.2)	–
Non cash inventory movement		(3.1)	–
Change in fair value of biological assets		–	0.1
Other non cash items		0.1	0.7
Cash flow from operations before net working capital movement		3.3	16.9
Trade and other receivables		1.4	(1.7)
Inventory		7.2	(5.3)
Trade and other payables		(4.4)	–
Net working capital movement		4.2	(7.0)
Net cash from operating activities		**7.5**	**9.9**

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

ArborGen Holdings Limited and Subsidiaries

Consolidated Balance Sheet

AS AT 31 MARCH 2022

	Notes	March 2022 US$m	March 2021 US$m
Current assets			
Cash and liquid deposits	9	15.2	6.2
Trade and other receivables	10	10.8	12.2
Inventory	11	27.3	34.5
Total current assets		**53.3**	**52.9**
Non current assets			
Fixed assets	13	32.9	43.3
Derivative financial instruments	15 & 27	0.3	–
Right-of-use assets	14	4.7	5.8
Intellectual property	15 & 16	97.1	101.3
Deferred taxation asset	12	3.8	–
Total non current assets		**138.8**	**150.4**
Total assets		**192.1**	**203.3**
Current liabilities			
Trade, other payables and provisions	17	(8.7)	(13.1)
Current lease obligation	22	(0.8)	(0.8)
Current debt	18	(1.0)	(1.0)
Current taxation liability		–	(0.1)
Deferred grant income	7	–	(0.9)
Total current liabilities		**(10.5)**	**(15.9)**
Term liabilities			
Term debt	18	(25.7)	(32.6)
Derivative financial instruments	5 & 27	–	(0.3)
Lease obligation	22	(4.2)	(5.1)
Deferred taxation liability	12	(0.3)	(1.2)
Total term liabilities		**(30.2)**	**(39.2)**
Total liabilities		**(40.7)**	**(55.1)**
Net assets		**151.4**	**148.2**
Equity			
Share capital	19	202.8	202.5
Reserves	20	(51.4)	(54.3)
Total group equity		**151.4**	**148.2**

Net Asset Backing	29	US 30 cps	US 30 cps

Dave Knott Jr
Chairman of the Board

Paul Smart
Audit Committee Chairman

30 May 2022

Both of the above signatories certify that these financial statements comply with New Zealand generally accepted accounting standards and present a true and fair view of the financial affairs of the ArborGen Holdings Group.

The accompanying notes form part of, and are to be read in conjunction with, these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MARCH 2022

1 GENERAL INFORMATION

ArborGen Holdings Limited (ArborGen Holdings) is an international forestry business. ArborGen Holdings, a limited liability company incorporated and domiciled in New Zealand, is listed on the New Zealand stock exchange. As at 31 March 2022 ArborGen Holdings had one investment ArborGen Inc (ArborGen Inc) (95% economic interest (with 5% warrants outstanding relating to ArborGen's acquisition of Cellfor), and 100.0% voting interest and ownership of common stock).

On the 30th of September 2019 Rubicon Limited formally changed its name to ArborGen Holdings Limited and also changed its NZX listing ticker to be ARB on that date. Any historical references to ArborGen Holdings refer also to Rubicon Limited.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 30 May 2022.

3 BASIS OF PRESENTATION

The financial statements presented are those of ArborGen Holdings Limited (the Company) and Subsidiaries (the Group).

Basis of preparation

The Company is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The presentation currency used in the preparation of these financial statements is United States dollars (US$), rounded to the nearest hundred thousand dollars.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards. The financial statements are in compliance with International Financial Reporting Standards (IFRS). The Group has designated itself as a profit-oriented entity for the purposes of compliance with NZ IFRS.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and comply with generally accepted accounting practice in New Zealand (NZ-GAAP).

Chief operating decision-makers

The chief operating decision-makers are the Board of Directors who jointly make strategic decisions for ArborGen Holdings.

COVID-19

The global COVID-19 pandemic materially affected ArborGen's continuing operations in the United States and Brazil. While in Brazil the impact was experienced through most of the year, in the US it was not until lifting season when the extent of the impact of COVID-19 became apparent.

Under the various governmental COVID-19 recovery plans ArborGen has received support in the US and for our discontinued operations in New Zealand and Australia. In May 2020 ArborGen Inc received $2.3 million from the US Small Business Administration (SBA) under the CARES Act Paycheck Protection Program (PPP). The PPP is a loan scheme designed to provide a direct incentive for businesses with fewer than 500 employees. Forgiveness for this loan was received in July 2021.

In March 2021 ArborGen Inc received a second SBA loan under the PPP of $2.0 million. The funds have been used to fund payroll costs including benefits and other business related costs due to the uncertainties caused by COVID-19. Similar to the previous loan if all employees are kept on the payroll for eight weeks and at least 60% of the loan is used for payroll related costs plus rent, mortgage interest, or utilities payments over the eight week period the loan will be forgiven. ArborGen has applied for forgiveness for this second round of PPP funding.

Whilst forestry operations have continued throughout the COVID-19 pandemic there have been significant COVID-19 related issues impacting the forestry sector. Sawmill closures and staffing shortages have been ongoing problems in 2020, 2021 and into 2022, impacting on sawmills' ability to operate and staff shifts. The ability of planting crews to transport seedlings and required equipment have hampered efforts to plant forestry blocks which compounded the 2020 immigrant worker issues. These factors have limited sawmill production and therefore cutting and the ability to replant sites. For ArborGen this has resulted in the write off of $1.6 million of seedlings in the current period and $1.5m in the prior year (for continuing operations). To mitigate the impact of COVID-19 related disruptions, ArborGen reduced costs and accessed available government funding programmes, where we qualified.

4 SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

All significant accounting policies are set out on the following pages. There have been no changes made to accounting policies during the year. All mandatory amendments and interpretations have been adopted in the current year. None had a material impact on these financial statements.

Use of Estimates and Judgement

The preparation of financial statements in conformity with NZ IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal areas of judgement in preparing these financial statements are:

ArborGen cash generating unit impairment (note 16)

The carrying value of the Group's non-current assets is assessed in accordance with the impairment policy on page 34. Performing these assessments generally requires management to estimate future cash flows to be generated by the ArborGen cash generating unit ("CGU"), which entails making judgements about the expected future performance and cash flows of the CGU and the appropriate discount rate to apply when valuing future cash flows.

The carrying values of assets acquired are also affected by the estimates and judgements applied to capitalisation of developmental expenditure and the adopted amortisation policy. Following the revision of the useful life, the amortisation period for intellectual property has been reduced from 20 years down to 17 years, see "intellectual property" policy on page 33.

Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. ArborGen is a subsidiary of ArborGen Holdings Limited.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Functional Currency

Foreign operations

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in US$ (the presentation currency).

The assets and liabilities of all of the Group companies that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to the presentation currency at foreign exchange rates ruling at balance date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. All exchange differences arising from the translation of foreign operations are recognised in the foreign currency translation reserve.

Transactions

Transactions in currencies other than the functional currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency at balance date are translated to the functional currency at the foreign exchange rate ruling at that date, with foreign exchange differences arising on translation being recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a currency other than the functional currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value in a currency other than the functional currency are translated using the exchange rate ruling at the date the fair value was determined.

Valuation of Assets

Land, buildings, plant and equipment

Land, buildings, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Land is not depreciated. Depreciation on other fixed assets is calculated using the straight-line method. Expected useful lives are:

Buildings	25 to 40 years
Plant and equipment	3 to 15 years

Inventory

Trading inventory, raw materials and work in progress are valued at the lower of cost or net realisable value. Cost includes direct costs and overheads at normal operating levels and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling costs.

Biological assets (such as seedlings or treestocks) are measured at the end of each reporting period at their fair value less costs to sell. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Intellectual property

Intellectual property is amortised over the useful life of the assets. Intellectual property relates primarily to output from ArborGen Inc's research and development activities and is reviewed at least annually for impairment. In line with our policy we have reviewed the useful life each balance date and adjusted if appropriate. Following this year's review we have adjusted the useful life to 17 years, from the previous 20 years.

In assessing the useful life we took into account the advancements in technology, such as genomics, and the ability of these new technologies to shorten the product development lifecycle. Whilst we still believe there are significant technological difficulties in replicating our advanced genetics products, we believe that these new technologies potentially shortened the product development life cycle. These new technologies will also benefit ArborGen increasing our ability to accelerate new product development. Consequently we believe that a useful life of 17 years is now appropriate.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for expected credit losses.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables as they all display the same risk profile. The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The Company considers an event of default as occurring when information obtained (internally and externally) indicates a debtor is unlikely to pay its creditors including the Company. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information relating to the debtor and general economic conditions of the debtors. As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Assets held for sale and discontinued operations

Assets held for sale are assets whose carrying value will be recovered principally through sale rather than through continuing use. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Impairment

The carrying amounts of the Group's assets are reviewed regularly, including at each reporting date, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, an impairment loss is recognised. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to reduce the carrying amount of other assets in the cash-generating unit on a pro-rata basis.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. With the exception of goodwill, 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 does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Valuation of Liabilities

Trade and other payables

Trade and other payables are stated at amortised cost.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Group's best estimate of the expenditure required to settle the present obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Deferred income tax

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting, nor taxable, profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The measurement of deferred taxation assets and liabilities reflects the tax consequences that would follow from the manner that the Group expects, at balance date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of cash flow hedges. Interest rate swaps hedging interest rate exposure on issued debt are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationship meets all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the Group applies a hedge ratio of 1 : 1.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Items carried at fair value

The items which are carried at fair value include derivative financial instruments. These items are classified into the following levels in the fair value measurement hierarchy:

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); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Income Determination

Revenue recognition

Revenue is measured based on consideration specified in a contract with a customer and is recognised when control over a good or service transfers to a customer. Revenue excludes amounts collected on behalf of third parties and is net of any value added tax, rebates, returns and discounts, and after eliminating sales within the Group.

The Group's revenues are earned from the sale of seedlings or treestocks and logistics services to some customers. Seedling or Treestock revenue is recognised, either when the goods are dispatched or when goods have reached their destination, depending on the terms and agreements with customers and when documentary evidence supports the customer taking ownership and control of the product. Logistics and other services revenue is recognised over the period the service is provided.

Goods sold

Revenue from the sale of goods is recognised in the income statement when control over a good or service transfers to a customer. Products are generally sold with volume discounts and customers have a right to return faulty product. Sales are recorded based on the price negotiated with the customer, net of estimated volume discounts and returns. Historical experience is used to estimate the level of returns likely and volume rebates are calculated on a preset formula.

Government grants

Government grants are not recognised until there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to them. Government grants are recognised in the income statement on a systematic basis over the periods in which the Group recognises as an expense the related costs for which the grants are intended to compensate. Government grants are disclosed further in note 7.

Investment income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Finance expense

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in these cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The ROU assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The estimated useful lives of ROU assets are determined on the same basis as similar owned assets within fixed assets. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The ROU assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a ROU asset is impaired and accounts for any identified impairment loss as described in the 'Impairment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the ROU asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Research and development costs

All research costs are recognised as an expense when incurred. When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset under intellectual property. The asset is amortised from the commencement of commercial production of the product to which it relates, over the period of expected benefit.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Employee Benefits

Share-based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Group has one reportable segment, being forestry genetics. The Group's geographical disclosures are based on both the location of customers and primary location of assets (refer to note 24 segmental information summary).

Goods and Services Tax (GST)

The income statement, statement of comprehensive income and statement of cash flow have been presented exclusive of GST. All items in the balance sheet are stated net of GST, except for receivables and payables, which include GST invoiced.

Comparatives

Changes in prior year disclosure comparatives have been made to align with the current year presentation.

Future NZ IFRS Pronouncements

Standards or interpretations issued but not yet effective and relevant to the Group

The International Accounting Standards Board has issued a number of standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's financial statements, none of these have been early adopted. The Group expects to adopt these standards when they become mandatory. None are expected to materially impact the Group's financial statements although may result in changes in disclosure.

5 FINANCIAL RISKS

This note presents information about the Group's potential exposure to financial risks that the Group has identified; the Group's objectives, policies and processes for managing those risks; the estimation of fair values of financial instruments; and the Group's management of capital. Quantitative disclosures of some of the key financial risks are made below.

5.1 Foreign exchange risk

Both ArborGen Holdings and ArborGen Inc are US functional currency, operating in three geographies – the United States, Brazil and New Zealand. Generally, there are limited cash flows between New Zealand and the US, and the foreign exchange risk is limited to the translation effect on its net earnings and balance sheet from movements in the USD against the NZD. Similarly, the Brazil operations are to a large degree internally self-sufficient from a funding perspective, which limits the effect of relative currency movements to the net earnings and balance sheet translation impacts.

5.2 Credit risk

The Group is at risk of customer default on payment for treestocks at the conclusion of a growing season. This risk is mitigated by dealing with a wide-range of customers in multiple markets and by securing up-front deposits from selected customers for the treestocks it grows each year. The nature of nursery activity is such that its customers tend to require yearly repeat business, and historically customer payment defaults have not been material to the business. However, in the US market (the Group's largest market), as treestock orders are not considered to be unconditional until late in the season each year, there remains the risk that orders cancelled prior to collection may not be able to be sold to other customers during the remaining season. In addition there is the risk of non-payment of further lease obligations by a tenant, over and above an initial bond paid (refer to note 28 contingent liabilities). We will enforce our rights under the lease agreement, and are exploring alternative lease arrangements.

5.3 Liquidity risk

The Group has three banking facilities (in total $36.8 million (2021: $39.9 million)). Three are with two banks in the United States; a $9.3 million reducing loan (2021: $10.0 million) which matures in May 2036, a $17 million revolver which expires in August 2023 (2021: $17 million) and a $10.5 million seven year mortgage (2021: $10.9 million). During the year the Group repaid the $2.88 million of Notes issued to related parties, at balance date there was nothing further owed (2021: $2.88 million). These facilities are used to fund the Group's working capital and capital expenditure needs. If any of these facilities were not to be renewed then the Group may need to obtain similar facilities from other banks, or an equivalent amount of funding may need to be provided through a capital raising event.

Liquidity risk management requires the maintenance of available cash combined with the availability of funding to meet the Company's needs as they develop. Forecasts are prepared of cash requirements to ensure there are financial resources in place to meet its day-to-day operating and investment needs. The Group believes it has sufficient resources to meet its funding needs through to 31 May 2023.

5.4 Interest rate risk

The Group's has facilities that are either fixed or floating depending on their nature and use. Fixed interest rate facilities include the $9.3 million reducing loan facility and the $10.5 million mortgage facility fixed via an interest rate swap. The US revolver facility is a floating rate facility.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The Group adopts a policy of ensuring that between 50% and 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

As at 31 March 2022, the Group had one interest rate swap with a notional amount of $10.5 million (2021: $10.9 million), covering the US head office property mortgage facility. The swap, entered into in August 2019 and expiring in August 2026, receives a floating rate of 2.45% above 30-day LIBOR and pays a fixed interest rate of 3.52%. This swap is designated a cash flow hedge, is fully effective with the counterparty being Synovus the issuing bank.

5.5 Capital risk

ArborGen Holdings capital includes share capital, reserves and retained earnings, and ArborGen Holdings manages capital in such a manner as to maintain stakeholder confidence and safeguard ArborGen Holdings' ability to continue as a going concern, whilst also maximising the return for shareholders and sustaining resources for the future development of the business. In order to maintain or adjust the capital structure ArborGen Holdings may, pay dividends or return capital, or issue new shares or sell assets.

6 REPORTING CURRENCY

The Group reports in United States dollars (US$), consequently all financial numbers are in US$ unless otherwise stated.

7 OPERATING EXPENSES INCLUDE

	Note	Year ended March 2022 US$m	Re-presented Year ended March 2021 US$m
Depreciation and amortisations included in:			
Cost of sales expense		(1.8)	(2.3)
Administration expense: intellectual property	15	(7.3)	(6.2)
Administration expense: general & administration		(0.5)	(1.3)
Total depreciation and amortisations		(9.6)	(9.8)
Cost of inventory expensed in cost of sales		(29.8)	(27.2)
Employee related expenses (excluding restructuring and transaction-related expenses)		(12.5)	(13.4)
Government grant income (1)		0.9	3.4
Seedling write off (2)		(1.6)	(1.5)
Inventory cost adjustment (3)		(1.5)	–
Strategic review and other (4)		(1.8)	–
Strategic review, government grants, inventory adjustment and other		(4.0)	1.9

(1) Under the various governmental COVID-19 recovery plans ArborGen has received support in the US, New Zealand and Australia. In March 2021 ArborGen Inc received a second SBA loan under the CARES Act Paycheck Protection Program (PPP) of $2.0 million. This funding was to ensure ArborGen retained all employees and avoided any layoffs, and similar to the previous loan, if all employees were kept on the payroll for eight weeks and at least 60% of the loan is used for payroll related costs plus rent, mortgage interest, or utilities payments over the eight week period, the loan would be forgiven. At the beginning of the period $0.9 million of this tranche was recognised as a liability. These funds have since been used to fund payroll costs including benefits and other business related costs. Consequently application has been made for forgiveness, and the remaining loan has been released into earnings. Forgiveness for the first round of PPP funding ($2.3 million from May 2020) was received in July 2021 and application for forgiveness for the second round (from March 2021) has been applied for. Refer to note 3 further information.

(2) The Group incurred significant costs directly related to the COVID-19 pandemic, primarily due to cancellation of ordered seedlings in the US, where sawmill closures in both 2020 and 2021 delayed harvesting and in turn flowed on to delay site preparation activities. Compounding these issues was the temporary suspension of non-immigrant worker H2-B visas into the US, which combined with planting crews contracting COVID-19, led to planting labour shortages during the critical planting season in 2020. Sales orders cancelled due to the COVID-19 pandemic left ArborGen with 32 million seedlings that had to be destroyed, resulting in a seedling write off of $1.6 million (2021; $1.5 million).

(3) In mid-March, a cold front moved across the south-eastern United States, with temperatures dropping to the mid 20 degrees Fahrenheit (negative 4 to 6 degrees Celsius) at our Georgia, South Carolina and Florida orchards. The combination of these extremely low temperatures and very high winds resulted in significant damage to bagged MCP flowers. As a result, the volume of MCP seed ArborGen expects to be harvested in November 2023 has reduced by 35%. The $1.5 million inventory adjustment returns the carrying value, of expected inventory, to normal production levels.

(4) The objective of the strategic review was to consider all options to unlock value for the benefit of all shareholders. These options included (but are not limited to) a potential sale of all of the shares in, or all or some of the assets of the Company, or a US listing. The November 1, 2021 announcement that ArborGen had agreed to sell the assets of its Australian and New Zealand (ANZ) operations to ArborGen ANZ Limited Partnership which was completed on 30 November and the ANZ operations are shown as discontinued. The Group has incurred costs in relation to the strategic review including costs specifically related to the sale of the ANZ operations.

Expenses incurred also includes payments made and accrued for:

- Directors fees for Non-executive Directors of ArborGen Holdings for the current period of $215,012 (paid in NZ$307,042 (2021: $232,881 (paid in NZ$341,000))). In addition Non-executive Directors participate in Directors share plans, $47,317 was accrued in relation to these share plans (NZ$64,915) (2021: $148,496 (NZ$224,017)). In September 2021, 829,017 shares vested to Directors under the plans together with cash tax payments of $69,182 (NZ$98,508) (refer to notes 19, 20 and 25).
- The statutory audit of the annual financial statements in the current period; for ArborGen Holdings NZ$105,000 (2021: NZ$104,000) and ArborGen Inc $193,000 (Deloitte) (2021: $190,000).
- Audit related services, including attendance of the ASM provided by Deloitte for ArborGen Holdings in the current period were NZ$10,500 (2021: NZ$10,500).
- Refer to Reporting and Disclosure and Auditors in the Corporate Governance section of the Annual Report for commentary on the Audit Committee process in managing the relationship with the Auditor and confirming their independence.

8 INCOME TAX EXPENSE

	Note	Year ended March 2022 US$m	Re-presented Year ended March 2021 US$m
Earnings (loss) before taxation		(3.0)	1.0
Taxation at 28%		0.8	(0.3)
Adjusted for:			
Change in deferred tax liability	12	0.9	0.6
Net taxation losses not recognised		(0.8)	(0.2)
Recognition of previously unrecognised losses(1)	12	3.8	0.5
Taxation (expense) / benefit		**4.7**	**0.6**

(1) Reflects the recognition and utilisation of previously unrecognised tax losses.

9 CASH, LIQUID DEPOSITS AND RESTRICTED CASH

At 31 March the Group held total cash, liquid deposits and restricted cash of $15.2 million (2021: $6.2 million) refer to note 18.

10 TRADE AND OTHER RECEIVABLES

	March 2022 US$m	March 2021 US$m
Trade debtors	8.3	10.3
Prepayments	2.5	1.8
Other receivables	–	0.1
Trade and other receivables	**10.8**	**12.2**

11 INVENTORY

	March 2022 US$m	March 2021 US$m
Finished goods - seedlings	1.4	1.4
Work in progress - seedlings (1)	2.3	8.2
Finished goods - seed	16.8	16.0
Work in progress - seed (2)	6.8	8.1
Fair value on biological assets (3)	–	0.8
Inventory	**27.3**	**34.5**

(1) Work in progress - seedlings, is principally preparation costs for seedling crops.

(2) Work in progress - seed, is principally harvesting seed to be sown as a future crop.

(3) Fair value adjustment on biological assets reflects the change in fair value less costs to sell of biological assets relating to the ANZ crop sold in November 2021.

Fair value adjustment on biological assets	March 2022 US$m	March 2021 US$m
Opening balance	0.8	0.9
Change in fair value of biological assets recognised in income statement		
Fair value change for crop to be lifted in the coming period	–	0.8
Reversal of prior period fair value change	(0.8)	(0.9)
Change in fair value of biological assets recognised in income statement as part of discontinued operations	**(0.8)**	**(0.1)**
Closing fair value uplift biological asset	**–**	**0.8**

At 31 March 2021 only the Australasian crops were established and fair valued, with those crops primarily lifted from late May through until September of each year. Following the sale of the ANZ operations, at year end, ArborGen has no crops established to which IAS 41 is applicable.

12 TAXATION

Deferred taxation asset	Note	March 2022 US$m	March 2021 US$m
Opening provision for deferred taxation asset		–	–
Movement in period	8	3.8	–
Deferred taxation (asset)		**3.8**	**–**

Deferred taxation liability	Note	March 2022 US$m	March 2021 US$m
Opening provision for deferred taxation liability		(1.2)	(1.8)
Movement in period	8	0.9	0.6
Deferred taxation liability		**(0.3)**	**(1.2)**

In June 2017 when ArborGen Inc. became a consolidated subsidiary of the Company, a deferred tax liability was recognised on the intellectual property asset as a result of the fair value exercise undertaken for the acquired assets and liabilities. The current year balance is $0.3 million (2021: $1.0 million).

NZ IFRS only allows the recognition of taxation assets when utilisation is considered probable, which is subject to the future earnings of the Group and on meeting shareholder continuity and loss carry forward expiry dates. As at March 2021 the Group had taxation losses (gross before valuation adjustments) of $89.1 million, predominately in the United States. As at March 2022 the Company, together with its advisors, have assessed the available tax strategies and forecasts of future taxable income, in determining the need for a partial release of the valuation allowance on its deferred tax assets. The probability of future utilisation has been assessed as being probable, resulting in an adjustment to the valuation allowance and the recognition of a $3.8 million deferred tax asset (tax effected). The Group has unrecognised tax losses in New Zealand of $35.5 million (2021: $35.3 million) and $39.3 million in the US (2021: $53.8 million).

13 FIXED ASSETS

	March 2022 US$m	March 2021 US$m
Cost		
Land	11.6	16.0
Buildings	23.4	25.7
Plant and equipment	3.7	6.5
Total cost	38.7	48.2
Accumulated depreciation		
Buildings	(4.1)	(3.2)
Plant and equipment	(1.7)	(1.7)
Total accumulated depreciation	(5.8)	(4.9)
Net book value		
Land	11.6	16.0
Buildings	19.3	22.5
Plant and equipment	2.0	4.8
Fixed assets net book value	**32.9**	**43.3**
Domicile of fixed assets		
Australasia	–	10.1
United States	32.9	33.2
Fixed assets net book value	**32.9**	**43.3**

Fixed assets net book value	**Land US$m**	**Buildings US$m**	**Plant and equipment US$m**	**Total US$m**
31 March 2021				
Opening net book value	15.3	22.7	5.5	43.5
Exchange differences	0.7	0.4	0.5	1.6
Additions	–	0.6	0.4	1.0
Depreciation charge	–	(1.2)	(1.6)	(2.8)
Fixed assets net book value as at 31 March 2021	**16.0**	**22.5**	**4.8**	**43.3**
31 March 2022				
Opening net book value	16.0	22.5	4.8	43.3
Exchange differences	–	–	0.1	0.1
Additions	–	0.4	1.1	1.5
Sale of assets (1)	(4.4)	(2.5)	(3.3)	(10.2)
Depreciation charge	–	(1.1)	(0.7)	(1.8)
Fixed assets net book value as at 31 March 2022	**11.6**	**19.3**	**2.0**	**32.9**

(1) On 30 November 2021 the Group disposed of its Australian and New Zealand operations.

14 RIGHT-OF-USE ASSETS

Right-of-use assets net book value	Land and Buildings US$m	Plant and Equipment US$m	Total US$m
31 March 2021			
Opening net book value	4.2	1.5	5.7
Exchange differences	0.1	–	0.1
Additions	0.5	0.5	1.0
Depreciation charge	(0.5)	(0.5)	(1.0)
Right-of-use assets net book value as at 31 March 2021	**4.3**	**1.5**	**5.8**
31 March 2022			
Opening net book value	4.3	1.5	5.8
Additions	–	0.7	0.7
Disposal of ANZ operations (1)	(0.8)	–	(0.8)
Depreciation charge	(0.3)	(0.7)	(1.0)
Right-of-use assets net book value as at 31 March 2022	**3.2**	**1.5**	**4.7**

(1) On 30 November 2021 the Group disposed of its Australian and New Zealand operations.

15 INTELLECTUAL PROPERTY

	Note	March 2022 US$m	March 2021 US$m
Opening balance		101.3	103.8
Capitalisation during period		3.1	3.7
Amortisation during period	7	(7.3)	(6.2)
Intellectual property		**97.1**	**101.3**
Total cost		126.5	123.4
Accumulated amortisations		(29.4)	(22.1)
Intellectual property		**97.1**	**101.3**

Note the useful life for intellectual property has been reassessed as 17 years, down from the previous 20 years. Refer to note 4 for more information. This has increased the current amortisation expense by $1.1 million and will result in similar levels of annual amortisation moving forward.

16 ARBORGEN INVESTMENT AND IMPAIRMENT

We regularly review the carrying value of ArborGen as a single cash generating unit to determine whether there has been a subsequent change in circumstances or conditions that requires an impairment to be taken through earnings. Our impairment review is undertaken on a 'Value-in-use' (VIU) basis, which is the estimated value to be derived from our continued ownership and operation of the ArborGen business.

In the prior year (fiscal year ending March 2021), our approach was to utilise a set of cash flow assumptions that had already been sensitised for more conservative outcomes, particularly in the largest and most material market for ArborGen – the US, for impairment testing purposes (the 2021 Case). We have applied the same approach this year with our 2022 Case.

Consistent with the approach taken in the prior year, our impairment analysis utilises a 10-year plus terminal DCF valuation model. We use a 10-year period rather than a shorter time period because ArborGen's advanced genetic products in the US market (the largest and most material market) are in the earlier stages of supply availability and adoption, and hence this period of time is deemed appropriate to adequately capture the scale-up of advanced genetics supply and adoption in the US. The same holds true for ArborGen's Brazil position where projected growth in advanced genetics sales, market share expansion and continued recovery in the forestry sector from its current depressed state, necessitate the use of a 10-year model.

Our DCF impairment model values only the projected cash flows from the existing core markets (i.e. United States and Brazil). Separate demand projections are determined for each geography and end-use market. The total addressable seedling market for each geography is then estimated, as is seedling type, production technology employed, production cost and sales price.

The assumptions that have been utilised to derive the 2022 Case cash flows, are -

- Minimal organic growth in ArborGen's US loblolly market share outside of recent acquisitive growth – i.e. the growth that is assumed is derived primarily from more recent acquisition growth;

- Recovery in the overall US loblolly market consistent with projections from Forest Economic Advisers (FEA) driven primarily by projected growth in saw timber demand in the US South, and recovery from depressed COVID-19 seedling demand levels;

- Minimal 'real' price increases in individual US seedling products despite the projected recovery in US saw timber prices supported by continued projected growth in US South sawmill capacity and saw timber demand, and continued R&D investment;

- Increasing overall Open Pollinated (OP) and Mass Control Pollinated (MCP®) weighted average prices reflecting an increasing proportion of higher value sub-category product sales (e.g. MCP-elite and MCP-2.0) over the next 10 years;

- That in the terminal year ArborGen's total advanced genetics seedlings sales in the US represent 64% (primarily MCP® adoption) of its total US loblolly sales. This adoption rate is significantly lower than ArborGen's current projected US MCP seed supply as younger seed orchards mature and near-term supply constraints are overcome;

- Continued growth in Brazil following the recent expansion of ArborGen's internal production capabilities in Minas Gerais, Mato Grosso do Sul, Sao Paulo and Santa Catarina.

- Continued expansion of ArborGen's eucalyptus offering leveraging licensed International Paper, Vallourec and Gerdau's eucalyptus clones, and ArborGen's own eucalyptus advanced products; and

- ArborGen's advanced genetics sales as a percentage of its total eucalyptus in Brazil approaching 80% in the terminal year.

These cash flows are discounted at a cost of capital that reflects the underlying risk inherent in the cash flow assumptions. The discount rate applied to the DCF analysis was calculated using a derived weighted average cost of capital (WACC), with the cost of equity calculated using the Capital Asset Price Model (CAPM) and the cost of debt based on the risk-free rate plus the option adjusted spread for BBB rated bonds.

Specifically, we used a nominal post-tax WACC of 11%. The cost of equity included in the WACC uses the average beta of guideline public companies from the timberland and ag/biotech sectors (considered similar to ArborGen in terms of sector exposure) of 0.94, and included a "small company" size premium of 5% to reflect ArborGen's relative size, as well as a country risk premium for Brazil. The derived cost of equity for the US was 12.1% and 15.1% for Brazil, and the derived cost of debt (post-tax) was 3.6%. A terminal nominal growth rate of 3% (i.e. 0% real terminal growth) was assumed.

There are warrants outstanding equal to 5% of the issued ArborGen's share capital, which reduces the Group's effective economic exposure in ArborGen to 95%. These warrants arose out of ArborGen's purchase of CellFor in 2012, and represent part-consideration for that acquisition. The warrants are automatically exercised, for no payment, upon an IPO of ArborGen. The warrants may be exercised by a 66.67% (by value) of the warrant holders, at any time prior to 19 June 2032.

The following table shows the assumptions and sensitivities for the critical US loblolly market compared with those used in last year's assessment. As an added sensitivity to test impairment, a change in discount rate is the simplest sensitivity to apply particularly given the DCF model assumes inputs at the conservative end of the spectrum of outcomes. In this instance, the post-tax WACC applied to the DCF model would need to increase to 15% before an impairment would arise, which we do not believe is within a reasonable range given the sector ArborGen operates in, and the relatively conservative inputs that underlie the longer term cash flows for the US loblolly market.

The uptake of advanced genetics seedlings sales in the US loblolly market (i.e. MCP adoption) is a key assumption in the model. This uptake progressively increases throughout the forecast period to the terminal year where it is assumed this uptake reaches 64%, up from the FY2023 Budget assumption of circa 40%. However, keeping all other elements constant and excluding Brazil from the valuation, even if the uptake reached only 42.5% by terminal year, this would not result in an impairment.

US$ millions	**2022 Case**	**2021 Case**
US Loblolly Market - terminal year assumptions		
Loblolly market size - millions	913	900
ArborGen market share %	37.8%	37.8%
ArborGen unit sales - millions	345	340
% advanced genetics MCP	62%	59%
% advanced genetics Varietal	2%	2%
% traditional genetics	36%	39%
Total ArborGen valuation		
US inflation rate	3.0%	3.0%
Terminal Growth Rate (TGR) [1]	3.0%	3.0%
Nominal post-tax discount rate	11.0%	10.6%

Terminal year sensitivities equity value impact (increase / decrease) US$ millions	Equity value change by	
Total market size - 25 million	+/- $1.2	+/- $1.8
Market share by 1%	+/- $1.0	+/- $1.8
Advanced genetics adoption by 1%	+/- $0.9	+/- $2.7
Real MCP price by 5%	+/- $5.6	+/- $11.0

(1) A TGR of 3% in a 3% inflation environment equates to a 0% real TGR assumption.

17 TRADE, OTHER PAYABLES AND PROVISIONS

	March 2022 US$m	**March 2021 US$m**
Trade creditors	(6.6)	(6.8)
Accrued employee benefits [1]	(0.8)	(1.8)
Other payables	(0.7)	(1.0)
Seedling mortality	(0.1)	(0. 1)
Seedling deposits from customers [2]	(0.5)	(3.4)
Trade, other payables and provisions	**(8.7)**	**(13.1)**

(1) Includes accrued expense of $0.1 million (2021: $0.2 million) being the cash component of the 2021 LTI Plan for ArborGen Inc Senior management (refer notes 20 and 25).

(2) The deposits from customers will be recognised as revenue within 12 months as the seedlings are transferred to the customer.

18 TERM AND CURRENT DEBT

Summary of repayment terms	**March 2022 US$m**	**March 2021 US$m**
Due for repayment:		
Less than one year	(1.0)	(1.0)
between one and two years	(8.0)	(3.9)
between two and three years	(1.1)	(11.0)
between three and four years	(1.1)	(1.0)
between four and five years	(1.1)	(1.0)
after five years	(14.4)	(15.7)
Total term and current debt	**(26.7)**	**(33.6)**

Summary of interest rates by repayment period	**March 2022**	**March 2021**
Due for repayment:		
Less than one year	3.89%	3.99%
between one and two years	4.02%	4.22%
between two and three years	4.35%	3.98%
between three and four years	4.35%	4.37%
between four and five years	4.35%	4.37%
after five years	4.13%	4.12%
Current debt - weighted average interest rate	**3.89%**	**3.99%**
Term debt - weighted average interest rate	**4.41%**	**4.48%**

The weighted average interest rates reflect the effective interest rate, inclusive of fee amortisations.

At 31 March 2022 the Group had debt facilities with the following banks: Synovus Financial Corporation (Synovus) and AgSouth Farm Credit (AgSouth) in the United States. The Westpac New Zealand Limited facility in New Zealand and the subordinated promissory notes (issued to Directors, shareholders and senior management in August 2019) were both fully repaid from funds from the ANZ Operations sale.

ArborGen has a non-revolving promissory note issued to AgSouth for $9.3 million bearing interest at 4.95%, with a maturity date of 1 May 2036, which is secured against ArborGen's US real estate properties. Annual principal repayments of $0.6 million are due 1 May each year. ArborGen's revolving facility agreement with Synovus is a $17 million letter of credit (LOC) facility (currently $7 million) with an expiry of 31 August 2023. The facility requires an annual 60-day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) to $10 million. The LOC bears interest at the 30 day LIBOR base rate plus 2.75%, subject to a minimum annual rate of 3.5%, and is collateralised by all the of ArborGen Inc.'s United States assets not otherwise pledged under the AgSouth agreement.

The credit agreements with both Synovus and AgSouth include covenants which require ArborGen to maintain a minimum net worth of $29 million and $25 million respectively.

Rubicon Industries USA LLC (RIUSA) has a $10.5 million mortgage from Synovus, which is secured by headquarters land and buildings. The mortgage is a seven-year term facility expires in August 2026 and is based on a 20-year amortising loan, incurring interest at the 30-day LIBOR base rate plus 2% (currently 2.45%). The Group has entered into a seven-year interest rate swap, with terms that match that of the mortgage, at a fixed rate of 3.52%. The mortgage requires RIUSA to maintain a debt service coverage ratio of not less than 1.25:1 for the trailing 12 months.

At 31 March 2022 the Group held cash and liquid deposits of $15.2 million (2021: $6.2 million) and had debt of $26.7 million and lease liabilities of $5.0 million (2021: $33.6 million of debt and $5.9 million of lease obligations).

19 CAPITAL

Share capital	March 2022 US$m	March 2021 US$m
Share capital at the beginning of the period	202.5	202.3
Issue of shares (3)	–	–
Vesting of shares - share plans (1) (2)	0.3	0.2
Share capital	**202.8**	**202.5**

Number of shares	March 2022	March 2021
Opening shares on issue	499,611,738	499,395,391
Issue of shares (3)	1,875,020	216,347
Number of shares on issue	**501,486,758**	**499,611,738**

Treasury stock	March 2022	March 2021
Opening shares on issue	1,102,683	1,931,700
Vesting of shares (1) (2)	(829,017)	(829,017)
Number of shares on issue	**273,666**	**1,102,683**

(1) In accordance with the shareholders' resolution passed at the ArborGen Holdings Annual Shareholders' meeting held on 17 September 2018, on 18 September 2018 ArborGen Holdings issued 1,666,050 new shares to the Rubicon Non-executive Directors Share Plan (the Trust). The Trust holds the shares on behalf of the three Directors (Tom Avery, Ozey Horton, and Paul Smart, equally) until the vesting terms are met. The shares vest, to each Director, in three equal tranches on the first, second and third anniversaries following the date of issue (18 September 2018), provided that the Director remains a Director of the Company on the relevant anniversary date. The new shares were issued at the NZX 20-day market VWAP for ArborGen Holdings shares of NZ27.01 cents per share, for a total value of NZ$450,000. These shares are accounted for as treasury stock until vesting, and the share based transactions are recorded in the share based payment reserve. On 18 September 2021 the third (and final) tranche of 555,351 shares vested to the three Directors (185,117 each) (refer to note 20 for share based payment information).

(2) In accordance with the shareholders' resolution passed at ArborGen Holdings Annual Shareholders' meeting held on 17 September 2019, on 18 September 2019 ArborGen Holdings issued 820,998 new shares to the 2019 Rubicon Non-executive Director Share Plan (the 2019 Trust). The 2019 Trust will hold the shares on behalf of the newly appointed Director (George Adams) until the vesting terms are met. The shares will vest in three equal tranches on the first, second and third anniversaries following the date of issue (18 September 2019), provided that the Director remains a Director of the Company on the relevant anniversary date. The new shares were issued at the NZX 20-day market VWAP for ArborGen Holding shares of NZ18.27 cents per share, for a total value of NZ$150,000. The share based transactions are recorded in the share based payment reserve and the shares are accounted for as treasury stock until vesting. On 18 September 2021 the second tranche of 273,666 shares vested to George Adams (refer to note 20 for share based payment information).

(3) In July 2021 ArborGen awarded 3,933,535 RSU's (restricted share units) to ArborGen Inc executives, in relation to its FY2021 Long Term Incentive (2021 LTI) Plan. Pursuant to this award, ArborGen Holdings issued 1,620,391 new shares, 1,156,572 of those shares represent the first of three equal tranches awarded under the 2021 LTI Plan and 463,819 shares were issued to one retiring employee (with all three tranches vesting on retirement). Following the sale of the ANZ operations 254,629 shares were issued to one executive, being the remaining two tranches vesting on divestment of the business. The remaining RSUs (2,058,515) will vest over the next two anniversaries of the award, provided that the holder of the RSU remains employed by the ArborGen Group on the applicable vesting date. In accordance with the provisions of an Executive Fixed Trading Plan, on 30 November 2020, ArborGen Holdings issued 216,347 new shares to Andrew Baum (CEO). The new shares were issued for 20% of his base remuneration (net of taxes) for the period 16 August 2020 to 31 December 2020, at the five-day VWAP of NZ$0.13189 for a total value of NZ$28,534.01.

20 RESERVES

Retained earnings	March 2022 US$m	March 2021 US$m
Opening balance	(53.3)	(56.5)
Net earnings (loss)	1.7	3.2
Closing balance	**(51.6)**	**(53.3)**
Cash flow hedge reserve (1)		
Opening balance	(0.3)	(0.7)
Fair value gains / (losses) for the year	0.6	0.4
Closing balance	**0.3**	**(0.3)**
Share based payments reserve		
Opening balance	0.5	0.2
Non-Executive Directors' Share Plan (2)	–	0.1
Non-Executive Directors' Share Plan shares vested (3)	(0.1)	(0.2)
Executive share plan (4)	(0.2)	0.4
Closing balance	**0.2**	**0.5**
Currency translation reserve		
Opening balance	(1.2)	(3.4)
Translation of independent foreign operations	(1.6)	2.2
Transfer to earnings (5)	2.5	–
Closing balance	**(0.3)**	**(1.2)**
Total reserves	**(51.4)**	**(54.3)**

(1) The cash flow hedging reserve records the net movement of cash flow hedging instruments, being interest rate swaps. Refer to notes 4, 5, 18 & 27.

(2) Under the two Rubicon Non-executive Directors' Share Plans in the current period $47,317 was accrued in relation to the cost of the share plan (NZ$64,915) (2021: $148,496 (NZ$224,017).

(3) Under the 2018 Rubicon Non-executive Directors' Share Plan, in the current period, the final tranche of 829,017 shares vested and the relevant portion of share capital (2021: 829,017) (refer to note 19).

(4) Pursuant to the 2021 LTI plan (the Plan) an expense was accrued in 2021 in the share based payment reserve representing the portion that will be settled by the issuance of shares. The fair value of the Plan was $0.6 million; which is to be settled in shares $0.4 million and cash $0.2 million. The total restricted stock units (equivalent of an ordinary shares) under the Plan was 3,933,535. Refer to note 25 for more details.

(5) Following the sale of ArborGen's ANZ operations the currency translation reserve balance relating to these operations was reclassified to the income statement in net earnings after taxation from discontinued operations.

21 CAPITAL EXPENDITURE COMMITMENTS

In November 2018 ArborGen entered into agreements with TexMark Timber Treasury, L.P. (TTT) initially to manage and then from 1 April 2019 lease TTT's nursery and seed orchard facility located in Texas. ArborGen has the right to acquire the leased properties for $2.5 million, payable upon the expiration of the five-year lease period. It is ArborGen's current intention to exercise this option and the present value of this amount is recorded as a liability in term lease obligation (refer to note 22).

22 LEASE OBLIGATIONS

The expected future minimum rental payments required under leases (including capitalised finance leases) that have initial or remaining non-cancellable lease terms in excess of one year at 31 March 2022 are as follows:

	Refer to Note	March 2022 US$m	March 2021 US$m
Lease obligations are reconciled as follows:			
Current lease obligations	27	(0.8)	(0.8)
Term lease obligations	27	(4.2)	(5.1)
Total lease obligations		**(5.0)**	**(5.9)**

Financing expense includes interest payments relating to lease obligations of $0.3 million (2021: $0.3 million).

The lease expense for short-term leases was $0.3 million (2021: $0.3 million) and low value leases $32,000 (2021: $35,000).

In November 2018 ArborGen entered into a management agreements with TTT, which converted to a lease agreement from 31 March 2019. The terminal payment (or deferred settlement) is the $2.5 million purchase price, payable at expiration of the lease (refer to note 21). The sale of ArborGen's ANZ operations reduced the lease liability recognised by $0.7 million in 2022.

23 REMUNERATION

Key management compensation	Refer to Note	Year ended March 2022 US$m	Year ended March 2021 US$m
Salaries and other short-term employee benefits		2.7	2.7
Share based payments (executive settlement share plan) (1)	19 & 25	–	–
		2.7	**2.7**

Key management compensation is prepared on a cash basis and excludes Directors. Directors remuneration is disclosed in notes 7 and 25.

(1) In accordance with the provisions of an Executive Fixed Trading Plan, ArborGen Holdings issued 216,347 new shares to Andrew Baum (CEO). The new shares were issued for 20% of his base remuneration (net of taxes) for the period 16 August 2020 to 31 December 2020, at the five-day VWAP of NZ$0.13189 for a total value of NZ$28,534.01.

24 SEGMENTAL INFORMATION SUMMARY

The Group has one reportable segment and the analysis is as follows:

Forestry genetics	Year ended March 2022 US$m	Re-presented Year ended March 2021 US$m
Operating revenue	47.6	42.8
Financing expense	(1.7)	(2.0)
Tax (expense) / benefit	4.7	0.6
Net earnings (loss) after taxation from continuing operations	2.7	2.8
Total assets	191.8	203.3
Liabilities	(40.4)	(54.9)
Capital expenditure	(4.2)	(4.6)
Depreciation and amortisation	(9.6)	(10.2)
Reconciliation		
Discontinued operations		
Revenue	9.7	9.9
Net earnings after taxation from discontinued operations	–	1.7
Tax (expense) / benefit	(0.3)	–
Capital expenditure	(0.4)	(0.2)
Corporate		
Net earnings (loss) after taxation from continuing operations	(1.0)	(1.3)
Total assets	0.3	–
Liabilities	(0.3)	(0.2)
Total Group		
Total revenue	57.3	52.7
Operating revenue - discontinued	9.7	9.9
Operating revenue - continuing - per income statement (1)	47.6	42.8
Financing expense	(1.7)	(2.0)
Tax (expense) / benefit - Total	4.4	0.6
Tax (expense) / benefit - Continuing	4.7	0.6
Net earnings (loss) after taxation - Total	1.7	3.2
Net earnings (loss) after taxation - Continuing	1.7	1.5
Total assets - per balance sheet	192.1	203.3
Total assets - Continuing	192.1	203.3
Total liabilities	(40.7)	(55.1)
Liabilities - Continuing	(40.7)	(55.1)
Capital expenditure	(4.6)	(4.8)
Capital expenditure - Continuing	(4.2)	(4.6)
Depreciation and amortisation	(9.6)	(10.2)

The Group's geographical analysis is as follows:

Australasia - discontinued operations	Year ended March 2022 US$m	Year ended March 2021 US$m
Operating revenue	9.7	9.9
Non current assets	–	10.2
South America		
Operating revenue	7.7	6.0
Non current assets	0.8	0.1
North America		
Operating revenue	39.9	36.8
Non current assets	138.0	140.1
Total Group		
Operating revenue (1)	57.3	52.7
Non current assets	138.8	150.4

(1) The Group's revenue represents sales of seedlings and treestock of $55.8 million (2021: $51.4 million) and the provision of logistic services $1.5 million (2021: $1.3 million).

25 RELATED PARTY TRANSACTIONS AND BALANCES

	Refer to Note	March 2022 US$m	March 2021 US$m
Income Statement			
Non-executive Directors' Share Plan (1)	7, 19 & 20	(0.1)	(0.2)
Directors remuneration (excluding Non-executive Directors' Share Plan)	7	(0.2)	(0.2)
Executive share plan (4)	19 & 20	–	–
ArborGen senior management LTI plan (2)		0.3	(0.6)
Interest on subordinated notes (3)	5.3	(0.2)	(0.2)
Balance Sheet			
ArborGen senior management LTI plan (2)	17 & 20	(0.3)	(0.6)
Subordinated notes (3)	5.3	–	(2.9)

(1) On 17 September 2018 (at the Annual Shareholders' meeting) shareholders passed a resolution approving the Rubicon Non-executive Directors Share Plan. Under the share plan, 1,666,050 new shares were issued to the Trust on 18 September 2018. The Trust will hold the shares on behalf of the three Directors (Tom Avery, Ozey Horton, and Paul Smart, equally) until the vesting terms are met. The shares will vest, to each Director, in three equal tranches on the first, second and third anniversaries following the date of issue (18 September 2018), provided that the Director remains a Director of the Company on the relevant anniversary date.

On 17 September 2019 (at the Annual Shareholders' meeting) shareholders passed a resolution approving the 2019 Rubicon Non-executive Directors Share Plan. Under the share plan, 820,998 new shares were issued to the 2019 Trust. The 2019 Trust will hold the shares on behalf of the Director (George Adams) until the vesting terms are met. The shares will vest in three equal tranches on the first, second and third anniversaries following the date of issue (18 September 2019), provided that the Director remains a Director of the Company on the relevant anniversary date (refer to notes 7, 19 & 20).

(2) Pursuant to the 2021 LTI plan an expense of $0.6 million has been accrued. The liability will be settled by the issuance of shares and cash (refer to notes 20 & 17).

(3) As part of the acquisition of the US Ridgeville headquarters premises subordinated Notes were issued by ArborGen Inc to related parties (being Directors, shareholders and senior management) for $2.88 million. The Notes were fully repaid in December 2021.

(4) In accordance with the provisions of an Executive Fixed Trading Plan, ArborGen Holdings issued 216,347 new shares to Andrew Baum (CEO). The new shares were issued for 20% of his base remuneration (net of taxes) for the period 16 August 2020 to 31 December 2020, at the five-day VWAP of NZ$0.13189 for a total value of NZ$28,534.01.

26 PRINCIPAL OPERATIONS

ArborGen Holdings Limited (a New Zealand incorporated limited liability company) is the holding company of the ArborGen Group. The principal subsidiaries, as at 31 March 2022, were:

	Country of Domicile	Interest % March 2022	Interest % March 2021	Balance Date	Principal Activity
Principal subsidiaries					
Rubicon Forests Holdings Limited	NZ	100	100	31 March	Holding company
Rubicon Industries USA LLC	USA	100	100	31 March	Holds ArborGen, Inc investment
ArborGen Inc (1)	USA	100	100	31 March	Forestry genetics
ArborGen Inc subsidiaries					
ArborGen Comercie de Produtos Florestal Importacao e Exportacao LTDA	Brazil	100	100	31 March	Forestry genetics
ArborGen Technologia Florestal LTDA	Brazil	100	100	31 March	Holding company
ArborGen New Zealand Holding LLC	USA	100	100	31 March	Holding company
ArborGen New Zealand Unlimited (2)	NZ	100	100	31 March	Non Trading
ArborGen Australia Holdings Pty Ltd	Australia	100	100	31 March	Holding company
ArborGen Australia Pty Ltd (2)	Australia	100	100	31 March	Non trading

1) ArborGen Holdings owns 100% of ArborGen Inc's issued share capital, or 95% by economic interest (given the 5% of outstanding warrants). These warrants arose out of ArborGen Inc's purchase of Cellfor in 2012, and represent part-consideration for that acquisition. The warrants are automatically exercised, for no payment, upon an IPO of ArborGen Inc, or alternatively at any time if 66.67% of the warrant holders so elect. The warrants can also be exercised by ArborGen Inc, upon either a sale of substantially all of the ArborGen Inc business or of a sale of 50.01% or more of ArborGen Inc's share capital.

(2) On 30 November 2021 ArborGen completed the sale of the business operations of both ArborGen New Zealand Unlimited and ArborGen Australia Pty Ltd to ArborGen ANZ Limited Partnership (previously Geyser Limited Partnership). Following the completion of this transaction neither of these entities have any ongoing business operations.

27 FINANCIAL INSTRUMENTS

(a) Market risk

(i) Exposure to currency risk

The functional currency of the Group is the US$ and the risk to the Group's equity and earnings are from assets, liabilities, revenues and costs in currencies denominated in currencies other than US$. The Group's exposure to foreign currency risks on financial instruments is shown in the following:

in US$m	March 2022		March 2021	
	US$	Non US$	US$	Non US$
Cash, liquid deposits and restricted cash	14.5	0.7	4.2	2.0
Trade debtors and other receivables	7.0	1.3	8.5	1.9
Trade creditors and other payables	(7.1)	(1.6)	(8.7)	(4.4)
Current debt	(1.0)	–	(1.0)	–
Non current debt	(25.7)	–	(32.6)	–
Lease obligation	(4.9)	–	(5.2)	(0.7)
Gross balance sheet exposure		0.4		(1.2)

The following exchange rates applied during the year:

	Average rate (1)		Spot rate	
	March 2022	March 2021	March 2022	March 2021
NZ$:US$	0.7070	0.6713	0.6975	0.6989
US$:R$	0.1877	0.1865	0.2116	0.1767
US$:AU$	0.7483	0.7191	0.7144	0.7613

(1) These are merely arithmetical averages not hedged rates.

Foreign exchange contracts

The Group had no foreign exchange contracts outstanding (2021: nil).

Sensitivity Analysis - gross balance sheet exposure

Given the small size of the gross balance sheet exposure shown above, any movement in the NZ$, R$ and AU$ against the US$ is unlikely to be material.

(ii) Exposure to interest rate risk

The Group has $26.7 million of debt at 31 March 2022 (2021: $33.6 million), drawn at a mix of fixed and floating rates.

The weighted average interest rate of borrowings and interest rate hedges are shown in note 18 term and current debt.

As at 31 March 2022, the Group had one interest rate swap totalling $10.5 million (2021: $10.9 million), covering 40% (2021: 32%) of total debt. The swap was entered into in August 2019 and expires in August 2026. The swap receives a floating rate of 2% above 30-day LIBOR and pays a fixed interest rate of 3.52%. At 31 March 2022 the mark-to-market of the swap resulted in an asset of $0.3 million (2021: liability of $0.3 million), which is reflected in the cash flow hedge reserve and derivative financial instrument liability (refer note 20).

(b) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which at 31 March 2022 was $23.5 million of trade and other receivables, and cash and liquid deposits (2021: $16.6 million).

US cash and liquid deposits are only held with banks that are part of the Group's banking consortiums. In the event of default, cash balances may be set off against obligations owing by the Group to its lenders. Moody's credit ratings of the primary counterparties for cash and liquid deposits are all rated as investment grade. The status of trade debtors, is as follows:

		March 2022 US$m	March 2021 US$m
Neither past due or impaired		4.7	4.8
Past due but not impaired –	1 month	2.5	3.3
	2 month	1.3	2.4
Impaired		–	0.2
		8.5	10.7
Less provision for expected credit loss		(0.2)	(0.4)
Net trade debtors		8.3	10.3

ArborGen Inc has a strong history of trade debtor collections and there is no reason to believe that the debtors will not be collected.

(c) Liquidity risk

The following are contractual maturities of financial liabilities and net settled derivatives. The amounts disclosed are the contractual undiscounted cash flows.

Financial liabilities	Carrying value US$m	Total cash flows US$m	0-6 months US$m	6-12 months US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m
31 March 2021							
Non derivative financial liabilities							
Trade and other payables	(8.6)	(8.6)	(8.2)	–	–	(0.4)	–
Debt	(33.6)	(41.7)	(0.8)	(0.2)	(4.1)	(14.2)	(22.4)
Lease obligation	(5.9)	(6.8)	(0.5)	(0.5)	(0.8)	(1.9)	(3.1)
Financial liabilities as at 31 March 2021	(48.1)	(57.1)	(9.5)	(0.7)	(4.9)	(16.5)	(25.5)
31 March 2022							
Non derivative financial liabilities							
Trade and other payables	(7.4)	(7.4)	(7.4)	–	–	–	–
Debt	(26.7)	(32.1)	(0.8)	(0.2)	(8.5)	(3.6)	(19.0)
Lease obligation	(5.0)	(5.9)	(0.4)	(0.7)	(1.0)	(3.1)	(0.7)
Financial liabilities as at 31 March 2022	(39.1)	(45.4)	(8.6)	(0.9)	(9.5)	(6.7)	(19.7)

28 CONTINGENT LIABILITIES

The tenant for part of ArborGen's Ridgeville head office facility (the Property) which is legally owned by ArborGen Holdings' subsidiary Rubicon Industries USA LLC (Rubicon), contracted certain parties to perform some improvement work on parts of the Property leased from Rubicon. These parties filed mechanic's liens against the Property alleging they are owed $496,000 in total that the tenant has failed to pay. The larger lien has been dismissed, leaving only one lien for $62,000 outstanding. Rubicon was not part of any contractual arrangements between the tenant and their contractors, and has been working to achieve a resolution. Rubicon has a surety bond for the remaining lien, as required under its loan agreement.

In November 2020, ArborGen Inc. filed a claim against a former customer for uncollected receivables for seedlings sold in relation to the fiscal year ending March 2020 in the amount of $0.3 million and legal fees. In December 2020, the customer filed a response to ArborGen's complaint with a counterclaim for damages suffered. The parties are awaiting a court date in June 2022.

29 ASSET BACKING - NON-GAAP MEASURE

At 31 March 2022 the net asset backing was 30 cents per share (cps) (NZ$43 cps), (2021: 30 cps, NZ$43 cps); and net tangible asset backing (including right-of-use assets) was 11 cps (NZ$16 cps) (2021: 9 cps, NZ$13 cps), calculated on the basis of shares on issue at 31 March 2022 (excluding treasury stock) 501,213,092 (2021: 498,509,055).

30 EARNINGS - NON-GAAP PERFORMANCE MEASURE

ArborGen Holdings shareholders and users of the financial statements are very interested in ArborGen Inc.'s underlying performance under US-GAAP (as well as under IFRS), as that is the result that ArborGen Inc. would report in a US 'listing' situation. ArborGen Holdings believes 'Adjusted US-GAAP EBITDA' provides useful information, as it is used internally to evaluate performance. It is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by different depreciation policies and debt:equity structures.

In contrast with US-GAAP, IFRS requires the capitalisation of ArborGen's development spend, the amortisation of intellectual property, the accrual of the change in fair value of biological assets on the seedling crop each year prior to its sale, and the capitalisation of operating leases. Because of these differences, US-GAAP results, and in particular 'Adjusted US-GAAP EBITDA' cannot be easily derived from reported IFRS numbers. For these reasons and in order to provide users with relevant and understandable information we provide the reconciliation below.

EBITDA, US-GAAP EBITDA and Adjusted US-GAAP EBITDA are all non-GAAP financial measures and are not recognised under NZ IFRS. As they are not necessarily uniformly defined or utilised, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation or considered as a substitute for measures reported in accordance with GAAP.

The following table provides users useful ArborGen Inc. information for year-on-year comparison and reconciles net earnings to 'Adjusted US-GAAP EBITDA'.

ArborGen (1)	**Refer to Note**	**Year ended March 2022 US$m**	Re-presented **Year ended March 2021 US$m**
Revenue	24	47.6	42.8
Cost of sales	24	(29.8)	(27.2)
Gross profit		17.8	15.6
Net profit (loss) after taxation continuing operations	24	2.7	2.8
less Tax benefit	24	(4.7)	(0.6)
plus Financing expense	24	1.7	2.0
Operating profit (loss) before financing expense		(0.3)	4.2
plus depreciation and amortisations	7	9.6	9.8
EBITDA (NZ IFRS)		9.3	14.0
Add back NZ IFRS adjustments			
Investment in intellectual property	15	(3.1)	(3.7)
Other net IFRS adjustments (including IFRS 16 adjustment)		(0.1)	(1.0)
US-GAAP EBITDA		6.1	9.3
Add back significant items			
Government Grants, Inventory adjustment and other	7	(4.0)	(1.9)
Adjusted US-GAAP EBITDA		**10.1**	**7.4**

(1) Note the above table is for continuing operations only.

31 DISCONTINUED OPERATIONS

Sale of ArborGen Australia and New Zealand's assets

On 1 November 2021, ArborGen announced it had entered into an agreement to sell the assets of its Australian and New Zealand (ANZ) operations to Geyser Limited Partnership (now ArborGen ANZ Limited Partnership (ANZLP)). ANZLP is a consortium of New Zealand investors predominantly comprising charitable trusts and private families, with the consortium led by Mr Hugh Fletcher. ANZLP agreed to acquire the business of ArborGen ANZ, comprising the assets of ArborGen New Zealand Unlimited and ArborGen Australia Pty Limited for a total purchase price of NZ$22.25 million on a debt free and cash free basis and with a locked box mechanism applying from 1 October 2021. The purchase price of NZ$22.25 million will be reduced by a working capital adjustment of NZ$450,000 reflecting the seasonality of the business. The transaction was structured as an asset sale, with ANZLP assuming all ArborGen ANZ's obligations (other than tax) which were incurred before completion in the ordinary course of business.

In terms of the strategic review process, it became evident that there was strategic benefit in separating the ANZ business from that of the US and Brazil. One significant advantage being, if the purchaser was an Australian or New Zealand resident, that would remove the complexities of gaining approvals from both the Overseas Investment Office in New Zealand and the Foreign Investment Review Board, as would be the case for a non ANZ resident entity. The Board saw the removal of this complexity, together with the ability of a resident purchaser to transact quickly, meant a separation of the ANZ operations was logical. The separation and disposal of ANZ is consistent with the Group's long-term policy to focus its activities on the Group's US and Brazilian businesses. The ANZ transaction completed on 30 November 2021 and as such is classified as a disposal group and presented separately in the income statements.

	Year ended March 2022 US$m	Year ended March 2021 US$m
Gross revenue	9.7	9.9
Expenses	(8.2)	(8.1)
Profit before taxation (1)	1.5	1.8
Tax expense on profit before taxation	(0.3)	–
Change in fair value of biological assets	(0.9)	(0.1)
Gain on disposal (2)	2.2	–
Currency translation reserve reclassified	(2.5)	–
Net profit after taxation from discontinued operations	**–**	**1.7**

(1) Profit before taxation from discontinued operations includes:

Depreciation	0.5	0.4

(2) Gain on disposal

	Year ended March 2022 US$m
Cash inflow on sale of subsidiaries	15.2
Cash balances retained	1.4
Cost of sale	(0.3)
	16.3
Recognised values on sale	
Inventory	4.4
Trade and other receivables	1.8
Fixed assets	10.2
Right-of-use assets	0.8
Trade and other payables	(2.4)
Lease obligations	(0.7)
	14.1
Net gain on sale	**2.2**

Statement of cash flows for the period ended	Year ended March 2022 US$m	Year ended March 2021 US$m
Net cash from:		
Operating activities	0.8	1.7
Investing activities	(0.4)	(0.2)
Financing activities	–	–
Net cash from discontinued operations	0.4	1.5

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Independent Auditor's Report

To the Shareholders of ArborGen Holdings Limited

Opinion

We have audited the consolidated financial statements of ArborGen Holdings Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2022, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 27 to 57, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Other than in our capacity as auditor, and the performance of ancillary services in that capacity, we have no relationship with or interests in the entity.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be US$2m.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
ArborGen Cash Generating Unit – impairment assessment As set out in note 15 of the financial statements the Group has US$97.1m of intellectual property recorded on its balance sheet relating to the ArborGen business. The impairment assessment in relation to the ArborGen business, or Cash Generating Unit (CGU), as disclosed in note 16, is considered to be a key audit matter as a result of the significance of the intellectual property asset to the Group, and the level of judgement required when determining the value in use of ArborGen. The value in use of ArborGen is determined by undertaking a discounted cash flow analysis which involves management making a number of assumptions in relation to forecast future cash flows, determining an appropriate weighted average cost of capital (WACC) and terminal value (TV) growth rate. Each of these inputs requires judgement to be applied.	In performing our audit procedures in this area we: • assessed the appropriateness of the methodology applied by management; • examined the robustness of the financial model used by management to calculate ArborGen's value in use; • tested the key assumptions driving the forecast future cash flow. Of particular importance are the average selling prices and gross margin linked to the projected uptake of Mass Controlled Pollinated (MCP) product primarily in the United States market; • performed a look back analysis for current year actual results, including considering the impact of COVID-19, compared to what was forecasted in the prior year impairment model; • undertook sensitivity analysis on key assumptions to assess the impact on the carrying value of ArborGen; • tested the calculation of the WACC and TV growth rate, including obtaining input from our valuation specialists; and • ensured the disclosures in the financial statements properly reflect the judgements and estimates made by management.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group 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 objectives are 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 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 and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Pieter Erasmus
Partner
for Deloitte Limited
Auckland, New Zealand
30 May 2022

Corporate Governance

This section describes how ArborGen's business practices reflect corporate governance best practice.

The Group's corporate governance framework is guided by the principles and recommendations of the NZX Corporate Governance Code. ArborGen Holdings considers it has followed these recommendations in all material respects during the fiscal year ended March 2022 (FY2022), and as at 21 June 2022. In addition, the corporate governance principles followed by the Company do not materially differ from the Corporate Governance Principles and Guidelines issued by the Financial Markets Authority.

Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

The Company's Code of Conduct and Ethics, Board Charter and other documents related to corporate governance, collectively and individually encourage high standards of ethical and responsible behaviour.

The Code of Conduct and Ethics sets out clear expectations for ethical decision-making and personal behaviour by Directors and employees in relation to situations where their or ArborGen's integrity could be compromised. These include conflicts of interest, proper use of company property and information, fair dealings with employees and other stakeholders, compliance with laws and regulations, reporting of unethical decision making and dishonest behaviour, and related matters.

Included in the Code of Conduct and Ethics are mechanisms for dealing with breaches of the Code. Employees are encouraged to report any breaches in line with the processes outlined in the Code of Ethics. The Code of Conduct and Ethics has been communicated to all Directors and employees of the Company, and is also published on our corporate website www.arborgenholdings.com.

ArborGen Holdings' Security Trading Policy sets out restrictions on its personnel buying and selling financial products when in possession of material information. The policy employs "black-out" periods to restrict persons covered by the policy who are likely to have inside information from trading. This group of personnel must also obtain the written consent of the General Counsel prior to any transaction involving ArborGen Holdings' securities. ArborGen Holdings' Securities Trading Policy is published on our corporate website.

Board Composition and Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

There is a balance of independence, skills, knowledge, experience, and perspectives among Directors that allows the Board to work effectively. The Board's primary role and obligation is to protect and enhance the value of the assets of the Company and to act in the best interests of the Company. The Board has statutory responsibility for the activities of the Company, which in practice is partially exercised through delegation to the three Board standing committees (Audit, Remuneration and Nominations).

The Board Charter outlines a number of key roles and responsibilities of the Board, including:

- the review and approval of appropriate corporate strategies and objectives, transactions relating to acquisitions and divestments, capital expenditures above delegated authority limits, financial and capital structure policies, financial statements and reports to shareholders;
- the review of performance against strategic objectives; and
- ensuring that appropriate systems and processes are in place so that the Group is managed in an honest, ethical, responsible and safe manner.

The Board Charter is published on our corporate website.

The roles of and duties associated with the Board and management are separate at ArborGen Holdings. The Chairman is not independent because he is a substantial product holder of the company. The Chairman and the CEO roles are not executed by the same individual.

The Chairman's role is to foster a constructive corporate governance structure, manage the Board effectively and provide leadership to the Board, chair shareholders meetings and to interface with senior management.

The Non-executive Directors' principal role is to provide independent judgement. This includes bringing outside experience and objectivity on all issues which come before the Board, having a detailed knowledge of the Company's business activities and ongoing performance, so they can make informed decisions.

Board Composition

The Company's Constitution requires a minimum of three Directors and provides for a maximum of nine.

As at 31 March 2022, the Directors were:

Dave Knott Jr, Chairman (USA)(1)
George Adams, Independent Director (NZ)
Tom Avery, Independent Director (USA)
Ozey Horton, Independent Director (USA)
Paul Smart, Independent Director (NZ)
Ranjan Tandon (USA)(1)

(1) Substantial product holders.

Of the six Directors, two are ordinarily resident in New Zealand. In addition, the Board has identified four of the Directors as being Independent Directors. In order for a Director to be independent, the Board has determined that he or she must not be an executive of ArborGen and must have no disqualifying relationships.

The Company's Board represents a balance of independence, skills, knowledge, experience and perspectives (refer Board biographies for details), thereby ensuring the effectiveness of the Board in guiding the strategic direction of the Company and overseeing management.

While the nomination process for new Director appointments is the responsibility of the Board as a whole, the Nomination Committee is responsible for identifying, reviewing and recommending candidates to the full Board. The Board may engage consultants to assist in the identification, recruitment and appointment of suitable candidates.

Directors will retire and may stand for re-election by shareholders at least every three years, in accordance with the NZX Listing Rules. A Director appointed since the previous annual meeting holds office only until the next annual meeting but is eligible for re-election at that meeting.

The Board asks for Director nominations each year prior to the Annual Shareholders Meeting, in accordance with the constitution of the Company and the NZX Listing Rules.

Each new Director receives a letter outlining the key terms of their appointment including the Company's expectations for the role of the Director that is required to be countersigned to confirm agreement.

Directors receive comprehensive information on the Company's operations and have access to any additional information they consider necessary for informed decision-making. The Company is committed to ensuring its Directors have the knowledge and information to discharge their responsibilities effectively.

Information on each director is available on the ArborGen website and on pages 24 and 25 of this Annual Report.

Director's interests are disclosed on page 72 of this Annual Report.

Board Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has three permanent committees, being the Audit Committee, the Remuneration Committee and the Nominations Committee. Committees enhance the effectiveness of the Board through closer examination of issues and more efficient decision making. The committees assist the Board in the conduct of its responsibilities and report to the full Board on all material matters and issues requiring Board decisions. All Board Directors receive copies of all committee minutes and papers and can attend the committee meetings.

Each permanent committee has adopted a formal Charter addressing purpose, constitution and membership, authority, reporting procedures and evaluation of the committee. These Charters are published on our corporate website.

Audit Committee

Paul Smart (Chairman)
George Adams
Ozey Horton
Tom Avery

The Audit Committee is comprised solely of Non-executive Directors of the Company and is chaired by an Independent Director. It has been determined by the Board that several members of the Audit Committee have an adequate accounting or financial background as defined in the NZX Listing Rules. All of the members of the Audit Committee are Independent Directors. The Chair of the Board is not the Chair of the Audit Committee. Management may only attend Audit Committee meetings at the invitation of the Committee.

The Audit Committee is well resourced and operates under a formal written Charter. The Audit Committee's terms of reference include the following duties and responsibilities:

- To review the effectiveness of the internal control framework across the ArborGen Group with management and the independent Auditor;
- To review the Group's accounting policies, financial reporting practices, and auditing practices;
- To ensure that the Board is properly and regularly informed and updated on corporate financial matters;
- To review all financial statements of the Group and advise all Directors whether these financial statements comply with the appropriate laws and regulations;
- To monitor and review the Group's compliance with regulatory and statutory requirements and obligations;
- To maintain direct communication with the independent Auditor;
- To make recommendations to the Board as to the appointment and discharge of the independent Auditor and to ensure that the independent Auditor or lead audit partner is changed at least every five years;
- To pre-approve non-audit services; and
- To confirm the independence of the independent Auditor.

Remuneration Committee

Tom Avery (Chairman)
George Adams
Ozey Horton
Dave Knott Jr
Paul Smart
Ranjan Tandon

The Remuneration Committee is responsible for evaluating the performances of the senior executives of the Company, setting the remuneration packages for senior executives, and recommending to the Board the remuneration of the senior executives and Non-executive Directors. The chairman of the Remuneration Committee is an Independent Director as are two thirds of the members. Management may only attend Remuneration Committee meetings at the invitation of the Committee.

Nominations Committee

Dave Knott Jr (Chairman)
George Adams
Tom Avery
Ozey Horton
Paul Smart
Ranjan Tandon

The Nominations Committee is responsible for making recommendations on Director appointments. The majority of the members of the Nominations Committee are Independent Directors.

In addition to the three permanent committees noted above, the Board establishes committees on an "as required" basis to address specific issues that arise. The Board believes this enhances its effectiveness through closer scrutiny of specific issues. For instance, in 2021 the Board established an Independent Committee of non-interested, non-Executive Directors to oversee the Strategic Review process.

Strategic Review Independent Committee

Tom Avery (Chairman)
George Adams
Ozey Horton

In the event of a takeover, the Board's protocols require the immediate formation of a subcommittee (the Takeovers Committee), comprised of non-interested Non-executive Directors, which will have the authority to make binding decisions in respect of the takeover, including:

- retaining independent legal and financial advisers;
- appointing an independent adviser for the purposes of the Takeovers Code;
- negotiating with the bidder;
- ensuring strict process separation and independence from interested Directors; and
- approving any announcements or communications relating to the potential transaction.

Attendance at Board and Committee Meetings

The table below shows Directors' attendance at the Board and committee meetings during the year ended 31 March 2022.

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Strategic Review Committee
Number of meetings held	7	2	0	2	37
Dave Knott	7	2	0	2	n/a
George Adams	7	2	0	2	37
Tom Avery	7	2	0	2	37
Ozey Horton	7	2	0	2	37
Paul Smart	7	2	0	2	7
Ranjan Tandon	6	2	0	2	n/a

In addition to the formal Board and committee meetings held during the year, Directors regularly participate in discussions with management on a variety of matters.

Reporting and Disclosure

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board focuses on providing accurate, adequate and timely information both to its shareholders and to the market generally. This enables all investors to make informed decisions about the Company. All significant announcements made to NZX, and reports issued, are posted on the Company's website.

The Company has procedures in place to ensure that it complies with its continuous disclosure requirements under the NZX Listing Rules. The Continuous Disclosure Policy governs the release to the market of all material information that may affect the value of the Company.

Copies of the key governance documents, including the Continuous Disclosure Policy, Code of Conduct and Ethics, Securities Trading Policy, Board and Committee Charters and Diversity and Inclusion Policy are available on the Company's website.

https://www.arborgenholdings.com/governance-documents

Financial Information

The Board is ultimately responsible for ensuring the quality and integrity of the Company's financial reports. To achieve this, the Company has in place a structure to independently verify and safeguard the integrity of the Group's reporting. The Audit Committee constitutes a key component of this structure.

The Company Secretary is an independent role and is not held by the Chief Financial Officer. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the Chair and the Audit Committee, without reference to the CEO.

For the financial year ended 31 March 2022, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance with the Financial Reporting Act 1993. The Audit Committee has confirmed in writing to the Board that ArborGen's external financial reports present a true and fair view in all material aspects.

ArborGen's full financial statements and half year results are available on ArborGen's website.

Non-financial Information

Non-financial information is provided on a regular basis to shareholders to allow them to measure the progress of the company. ArborGen discusses its strategic objectives and its progress against these in the Chair and CEO's commentary in shareholder reports and other market communications.

ArborGen's aim is to care and protect the natural ecosystem and provide positive benefits for its people and communities, while delivering robust financial performance and profitability for shareholders. The company is on a continuous journey to identify ways to measure and monitor its environmental and social impact. The Board believes this will help to improve all aspects of the business and deliver positive benefits for all stakeholders.

Environmental and Social commentary has been provided in this year's Annual Report.

Diversity

The Group is committed to providing equal employment opportunities and believes it is in compliance with this commitment. The Company ensures its selection processes for recruitment and employee development opportunities are free from bias and are based on merit and the Board has practices in place to ensure diversity and fairness within the organisation. The Company has a flexible working programme that permits work/life balance.

ArborGen has a formal Diversity and Inclusion Policy which is published on our corporate website. The policy sets out how ArborGen will set measurable objectives for achieving and maintaining diversity and inclusion, and how it will assess its progress towards achieving these objectives. We have:

- Created a scorecard which measures employee composition by gender, age and ethnicity, that is prepared quarterly for the Remuneration Committee to review;
- Introduced two new online training modules (Sexual Harassment, Discrimination in the Workplace, and Discrimination Free Workplace) which employees must complete. Completion dates are set and tracked through the program by HR;
- Conducted a remuneration review for all positions based on job descriptions and location. Salary adjustments were proposed where appropriate based on this review; and
- Completed the annual review of the Employee handbook, with no changes required to be made.

The Board is satisfied that the current activities are in line with the Diversity and Inclusion Policy and with its progress towards achieving our objectives. As measurable metrics for furthering diversity and inclusion are established, performance against these agreed metrics will be referenced in subsequent annual reports.

The Remuneration Committee provides oversight of employment practices and HR processes and practices, and the Board is comfortable that these are in line with the intent of the Diversity Policy.

As at 31 March 2022, four of the ArborGen Group's senior executives were female, being the Company Secretary & Performance Optimisation Director (ArborGen), the General Manager of ArborGen Brazil, VP Finance and Accounting (ArborGen Inc), and the Director of In Vitro Technology (ArborGen Inc).

As at 31 March 2022, females represented 27% of Directors, Officers and senior executives of the Company (31 March 2021: 17%).

The following table shows the gender split for ArborGen Holdings only as at 31 March 2022, as compared to the split for the previous period ending 31 March 2021:

	March 2022		March 2021	
	Women	Men	Women	Men
Board of Directors	0	6	0	6
Officers	1	2	1	2

Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

Director Equity Holdings

The Company believes it is appropriate to have Directors' and executives' remuneration aligned with the performance of the Company, and that the ownership of ArborGen Holdings' shares is a good way of achieving this goal. Consistent with this policy, on 17 September 2018 (at the 2018 Annual Shareholders' Meeting) shareholders passed a resolution approving the Non-Executive Directors Share Plan (2018 Share Plan). Under the 2018 Share Plan, 1,666,050 new shares in the Company were issued to a trustee to be held on behalf of the three independent Directors elected to the Board at that Shareholders' meeting (Tom Avery, Ozey Horton, and Paul Smart, equally) until the vesting terms are met. The shares vest, to each Director, in three equal tranches on the first, second and third anniversaries following the date of issue (being 18 September 2018), provided that the Director remains a Director of the Company on the relevant anniversary date (refer to notes 19 and 25 to the financial statements for more detail). The requisite vesting terms for the first, second and third tranches were met on 18 September 2019 and 18 September 2020 and 18 September 2021, respectively, and the corresponding ArborGen Holdings' shares were transferred to each of Tom Avery, Ozey Horton and Paul Smart, equally.

On 17 September 2019 (at the 2019 Annual Shareholders' Meeting) shareholders passed resolutions electing George Adams as an independent Director of ArborGen Holdings and approving the issuance of NZ$150,000 of new shares to George Adams under the 2019 Non-Executive Directors Share Plan (2019 Share Plan). Under the 2019 Share Plan, 820,998 shares were issued to a trustee to be held on behalf of George Adams. These shares will vest to George Adams in three equal tranches on the first, second and third anniversaries following the date of issue (being 18 September 2019), provided George Adams remains a Director of the Company on the relevant anniversary date (refer to notes 19 and 25 to the financial statements for more detail). The requisite vesting terms for the first and second tranches were met on 18 September 2020 and 18 September 2021 respectively, and the corresponding ArborGen Holdings' shares were transferred to George Adams.

At 31 March 2022, Directors of the Company held the following relevant interests (as defined in the Financial Markets Conduct Act 2013) in ArborGen shares:

Name	Position	Number of Shares
DM Knott Jr	Chairman and Non-executive Director	137,663,111
R Tandon	Non-executive Director	86,108,419
TA Avery	Non-executive Director (1)	555,350
OK Horton	Non-executive Director (1)	555,350
PR Smart	Non-executive Director (1)	555,350
THG Adams	Non-executive Director (2)	820,998 (547,332 vested)

(1) Shares issued in relation to the 2018 Share Plan.

(2) Shares issued in relation to the 2019 Share Plan.

The Company's remuneration policies aim to attract and retain talented and motivated Directors and executives who will contribute to enhancing the performance of the Company.

Non-executive Director Remuneration

The Company's remuneration policy for Directors is to remunerate Directors at levels that are fair and reasonable in a competitive market environment taking into account the skills, knowledge and experience required by the Company.

The remuneration earned, prior to any taxation liability, by Non-executive Directors of ArborGen for services in their capacity as Directors during the twelve-month period ended 31 March 2022 was:

Name	Directors Fees NZ$	Shares (5) Vested NZ$	Cash Tax (5) Payment NZ$	Total Remuneration NZ$
DM Knott Jr (Chairman) (1)	1			1
R Tandon	62,500			62,500
TA Avery (3)	62,500	50,000	24,627	137,127
OK Horton (3)	62,500	50,000	24,627	137,127
PR Smart (2) (3)	91,000	50,000	24,627	165,627
THG Adams (4)	62,500	50,000	24,627	137,127
Total	**341,001**	**200,000**	**98,508**	**639,509**

(1) From 1 April 2020 Mr Knott reduced his fee to NZ $1.

(2) Mr Smart received an additional fee of NZ$28,500 as Chairman of the Audit Committee.

(3) Under the terms of the 2018 Rubicon Non-Executive Directors Share Plan on 18 September 2021 the third and final tranche of 555,350 shares vested to the three Directors (185,116 each) together with the cash tax payments.

(4) Under the terms of the 2019 Rubicon Non-Executive Directors Share Plan on 18 September 2021 the second tranche of 273,666 shares vested to George Adams together with the cash tax payments.

(5) Represents the value of shares as accrued and the cash tax as paid in September 2021.

Non-executive Directors are not entitled to receive retirement payments.

Executive Director and Employee Remuneration

The Group's Remuneration Policy aims to attract, retain and incentivise employees in order to drive and enhance Company performance. Performance incentive payments are determined by the Remuneration Committee and are calculated by measuring actual performance outputs against target individual and/or Company objectives.

In accordance with Section 211 of the Companies Act, remuneration and other benefits (including performance benefits and all redundancy payments) which in total exceeded NZ$100,000 per annum received by employees of ArborGen and its subsidiaries (i.e. including ArborGen Inc. and its respective subsidiaries) in the period ended 31 March 2022 is summarised in the following table:

NZ$000			Number of Employees	NZ$000			Number of Employees
100	to	110	12	210	to	220	1
110	to	120	6	220	to	230	2
120	to	130	8	230	to	240	2
130	to	140	9	250	to	260	2
140	to	150	4	260	to	270	1
150	to	160	1	270	to	280	1
160	to	170	2	280	to	290	1
170	to	180	2	310	to	320	1
180	to	190	2	460	to	470	1
190	to	200	2	660	to	670	1
200	to	210	1	690	to	700	1

Payments are inclusive of redundancy and severance payments, and exclude discontinued operations.

2021 and 2022 LTI Plans

In September 2019, the Board established a new share-based incentive scheme named the Rubicon Limited 2019 Omnibus Incentive Scheme (the Omnibus Incentive Scheme) permitting the Board or the Remuneration Committee to grant various equity-based awards (including stock options, stock appreciation rights, restricted stock units and other types of equity and cash awards) to officers, employees and directors of the ArborGen Group. The Omnibus Incentive Scheme aims to align the interests of the Groups' officers, employees and directors with those of the Company's shareholders over the longer term.

In accordance with the terms of the Omnibus Incentive Scheme, in May 2020, the Remuneration Committee approved the FY2021 Long Term Incentive Plan (2021 LTI Plan) allowing certain employees of the Company and its subsidiaries (Participants) to participate in the 2021 LTI Plan via the ArborGen Conditional Restricted Share Unit Agreement with Associated Cash Payments (the RSU Agreement). Entry into a RSU Agreement was conditional on the cancellation of all incentive stock options granted to any participant pursuant to the ArborGen Inc. 2010 Stock Option and Incentive Plan (as amended and restated on 3 August 2016).

In accordance with the 2021 LTI Plan and related RSU Agreements, if certain financial performance targets were met by the ArborGen Group during the fiscal year ended 31 March 2021, restricted share units (RSUs) and conditional cash awards were required to be granted to the Participants at no cost to the Participants. The number of RSUs and cash awards to be granted to each Participant depends on the relevant business unit's achievement of the performance targets, which relate to free cash flow before expansion, revenue and EBITDA.

Provided Participants remain employed by the ArborGen Group on the relevant vesting dates, RSUs will vest in Participants as ordinary shares in the Company (on a one-to-one ratio) and the cash awards will be transferred to Participants as follows:

- one third of the RSUs will vest and one-third of the cash awards will be paid, on the Performance Approval Date (being the date on which the Remuneration Committee determines the extent to which the FY2022 performance targets have been met, and the number of RSUs and cash awards to be granted);
- one third of the RSUs will vest and one-third of the cash awards will be paid on the first anniversary of Performance Approval Date; and
- one third of the RSUs will vest and one-third of the cash awards will be paid on the second anniversary of Performance Approval Date.

Under the terms of the 2021 LTI Plan, only one employee met the target, and accordingly one-third of his respective RSUs and one-third of his cash awards vested in June 2021. In June 2021, 127,315 of shares were issued to this Participant, and in December 2021, following completion of the sale of the New Zealand and Australian businesses, the remaining 254,629 of shares were issued. The Remuneration Committee had discretion whether to grant RSUs and cash awards to the remaining Participants and in July 2021, following confirmation that the first ($2.3 million) loan received under the CARES Act Paycheck Protection Program had been forgiven, approved the award of 80% of the 2021 LTI Plan maximum target award to the remaining Participants, in recognition of the difficult COVID conditions. Accordingly, in July 2021, the Company issued 1,493,076 new shares in relation to its FY2021 Long Term Incentive (2021 LTI) Plan. 1,029,257 of those shares represent the first of three equal tranches awarded under the 2021 LTI Plan. One retiring employee was issued all three tranches (463,819 shares) under the terms of the plan.

In June 2021, the Remuneration Committee approved the FY2022 Long Term Incentive Plan (2022 LTI Plan) allowing certain employees of the Company and its subsidiaries (Participants) to participate in the 2022 LTI Plan. In accordance with the 2022 LTI Plan, if certain financial performance targets are met by the ArborGen Group during the fiscal year ending 31 March 2022, restricted share units (RSUs) and conditional cash awards will be granted to the Participants at no cost to the Participants. The number of RSUs and cash awards to be granted to each Participant will depend on the relevant business unit's achievement of the performance targets, which relate to free cash flow before expansion, revenue and EBITDA. The maximum total value of the overall 2022 LTI Plan is $0.7 million (NZ$1.1 million). (The performance targets for the 2022 LTI Plan have not been met and as such, no RSUs have been awarded).

CEO Remuneration

The base salary of ArborGen's CEO, Andrew Baum, in the period was $392,016 (NZ$567,765) plus other medical and superannuation benefits of $30,600 (NZ$43,871).

Mr. Baum is also a Participant of the 2021 LTI Plan and the 2022 LTI Plans. In July 2021, the Remuneration Committee awarded $209,075 (NZ$338,857) including 1,458,240 RSUs and $41,815 in cash pursuant to the 2021 LTI Plan. The RSUs will vest as ARB Ordinary Shares in three equal tranches on three separate vesting dates, provided that the holder of the RSU remains employed by the ArborGen Group on the applicable vesting date. On 9 July 2021, the first tranche of RSUs awarded to Mr. Baum of 486,080 vested as ARB Ordinary Shares. The maximum value of Mr. Baum's entitlement under the 2022 LTI Plan, subject to satisfaction of the conditions, is $261,300 (NZ$373,286), (of which 80% will be RSUs and 20% will be in cash awards). The performance targets of the 2022 LTI Plan have not been met.

The CEO's remuneration can be summarised as follows:

	Salary	Benefits	Subtotal	Retention Payment	Pay for Performance		Total Remuneration	Total Remuneration NZ$
					$ Paid	% of bonus paid out		
FY22	392,016	30,600	422,616		69,422	80%	492,038	724,500
FY21	392,016	30,600	422,616		(1)		422,616	629,549 (1)
FY20	392,016	30,000	422,016	375,000 (2)			797,016	1,230,343

(1) Under the terms of the LTI Plan, only one employee met the 2021 LTI Plan target. The Remuneration Committee however has discretion whether to grant RSUs and cash awards to the remaining Participants and in July 2021, following confirmation that the first ($2.3 million) loan received under the CARES Act Paycheck Protection Program had been forgiven, approved the award of 80% of the 2021 LTI Plan maximum target award to the remaining Participants, in recognition of the difficult COVID-19 conditions.

(2) Mr Baum received a retention payment totalling $375,000 (NZ$625,000) in each of FY19 and FY20 which related to a Long Term Incentive and Retention Agreement and General Release of Claims executed in June 2017. This incentive and retention arrangement was in connection with the acquisition of the respective holdings of International Paper Company and MeadWestvaco LLC in ArborGen Inc. Pursuant to that agreement, Mr Baum was entitled to $750,000 payable in two equal instalments on 1 July 2018 and 1 July 2019.

Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

ArborGen is committed to proactively managing risk. While this is the responsibility of the entire Board, the Audit Committee assists the Board and provides additional oversight in regards to the risk management framework and monitoring compliance with that framework.

The Audit Committee carries out a robust risk assessment process which includes reviews with management and the independent Auditor of significant risks and exposures of the Group, and assessments of risk mitigation steps taken by management to minimise such risks. The Board receives regular reports of the material, emerging and existing risks from management.

The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices and processes to manage and monitor these risks.

The Board is satisfied that ArborGen has in place a risk management process to effectively identify, manage and monitor ArborGen's principal risks. ArborGen maintains insurance policies that it considers adequate to meet its insurable risks.

Health and Safety

The health and safety of our employees, customers and suppliers is critical and essential for our success. We are committed to delivering a safe workplace, and safety training is integral to our zero-harm goal. We monitor health and safety results, and measure senior management against our zero-harm expectation. We operate safety education programmes and have other continuous programme initiatives in place to keep our people safe at work. At our secure containment facilities, we have procedures designed to ensure compliance with regulatory requirements in each of the jurisdictions in which we operate, including procedures to ensure employee safety at those facilities.

Total Case Incident Rate (TCIR) for all ArborGen facilities in all geographies was 1.23. TCIR is defined as total number of recordable injuries and illness cases per 100 full-time employees that a site has experienced in a given time frame.

Auditors

The Board should ensure the quality and independence of the external audit process.

The Board's relationship with its external auditors is governed by the Audit Committee Charter. For the year ended March 2022, the Company's external Auditor was Deloitte. Deloitte was re-appointed under the Companies Act 1993 at the 2021 Annual Shareholders Meeting. Consistent with best practice the audit partner is rotated at no greater than five yearly intervals.

A formal engagement letter with Deloitte clearly sets out the responsibilities of Deloitte in relation to the external audit of the Group's financial statements and financial systems. As part of the external audit process, Deloitte provide feedback on internal processes and functions. The Board facilitates full and frank communication between the Audit Committee, Deloitte and management. Deloitte attends all Audit Committee meetings and has sessions, at least semi-annually, with the Audit Committee without management in attendance.

The Audit Committee is satisfied that the independence of Deloitte is not compromised by any relationship between Deloitte and ArborGen or any related party or as a result of any non-audit services provided by Deloitte, and has obtained confirmation from Deloitte to this effect.

The Audit Committee, together with the Company's management, monitor the performance of Deloitte to ensure that the services being provided to the Company are of the highest standard, relevant, timely and cost effective. Please refer to page 63 for details on the structure and role of the Audit Committee.

Representatives from Deloitte attend the annual meeting each year where they are available to answer questions from shareholders.

ArborGen has a number of internal controls overseen by the Audit Committee, including controls for treasury, delegated authority, and prevention and identification of fraud. ArborGen does not have a dedicated Internal Auditor role.

Shareholder Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board is committed to promoting good relations with the shareholders through:

- communicating effectively with them;
- giving them ready access to information about the Company, its goals, strategies, governance and performance through its website; and
- facilitating participation at shareholder meetings.

The Company has a formal continuous disclosure policy in place and the Company regularly communicates to the market to ensure compliance with the NZX Rules on continuous disclosure.

The Company's website (www.arborgenholdings.com) includes the following information:

- Annual and Interim Reports;
- disclosures made to the stock exchange;
- press releases; and
- corporate governance documents.

Shareholders are encouraged to attend the Annual Shareholder Meeting and may raise matters for discussion at this event. The ASM is streamed live and is accessible worldwide. All written communications and reports are available on the Company's website, as well as emailed to shareholders who elect to be emailed.

In accordance with the NZX Listing Rules, shareholders have the right to vote on major decisions which may change the nature of the Company. Each shareholder has one vote per share and voting is conducted by polls.

The notice of the Annual Meeting is announced on the NZX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the meeting each year.

All shareholders are given the option to elect to receive electronic communications from the Company.

The Board respects the interests of stakeholders within the context of the Company's ownership type and its fundamental purpose.

ArborGen is strongly committed to meeting its legal and other obligations to stakeholders such as employees, shareholders, and suppliers.

Statutory Information

Interests Register

Directors' certificates to cover entries in the Interests Register made during the twelve-month period ended 31 March 2022 in respect of remuneration, dealing in the Company's securities, insurance and other interests have been separately disclosed as required by the New Zealand Companies Act 1993.

Directors' Interests

The following are particulars of general disclosures of interest given by the Directors of the Company as at the date of this report pursuant to section 140(2) of the Companies Act 1993:

		Relationship
DM Knott Jr	Knott Partners, LP	Managing Member
	DRS Holdings, LLC	Board Member
	The HiGro Group, LLC	Advisory Board
	Knott Family Foundation	Secretary
	Tenon Clearwood Limited Partnership	Advisory Board Member
THG Adams	Apollo Foods Limited	Executive Chairman and shareholder
	Bremworth Limited	Chairman
	Insightful Mobility Limited	Chairman and shareholder
	Mix Global Holdings Limited	Chairman
	Netlogix Group Holdings	Chairman
	New Zealand Frost Fans Limited	Chairman
	Hellers Group Holdings Limited	Director
TA Avery	CRA International Inc	Director and shareholder
	KIPP Metro Atlanta	Director
	PowerUP Scholarship	Director
	Razorhorse Capital	Advisory Board Member
	Southeast Pet Inc	Advisory Board Member
OK Horton	Al Dabbagh Group	Advisory Board Director
	Louisiana-Pacific Corporation	Director and shareholder
	Worthington Industries, Inc	Director and shareholder
	MUSC Hollings Cancer Center	Advisory Board Member
	Liberty Fellowship Foundation	Mentor
PR Smart	MHM Automation Limited	Director and Chair Audit Committee
	Geo40 Limited	Director and Chair Audit Committee
	Tamata Hauha Limited	Director and Chair
	Vortex Power Systems Limited	Director and Chair
	Argus Fire Systems Service Limited	Director
	Genus ABS (NZ) Limited	Director
	Bellbird Trust	Trustee
	Saddleback Trust	Trustee and Beneficiary
	Sunrise Consulting Limited	Director
R Tandon	Libra Advisors LLC	Founder and Managing Member
	Vostok Emerging Finance Ltd	Director
	NYU Tandon Engineering School	Director
	Tenon Clearwood Limited Partnership	Advisory Board Member
	Yale Greenwich Hospital	Trustee and Board Member

During the twelve-month period ended 31 March 2022 Directors advised the following resignations:

		Relationship
THG Adams	Competenz	Chairman
OK Horton	Spoleto Festival, USA	Board Member

Dealings in Company Securities

There has been no trading in ArborGen Holdings' shares by Directors and Senior Officers during the twelve-month period ended 31 March 2022 other than other than vesting of shares under the Non-Executive Directors' Share Plans and the issuance of shares under the Executive Fixed Trading Plan:

- 555,348 shares vested to TA Avery, OK Horton and PR Smart (in equal shares) pursuant to the Non-Executive Directors Share Plan, as detailed in Notes 19 and 25 of this Annual Report;
- 273,666 shares vested to THG Adams pursuant to the 2019 Non-Executive Directors' Share Plan, as detailed in notes 19 and 25 of this Annual Report; and
- 486,080 new shares issued to AM Baum pursuant to the 2021 LTI Plan as detailed in notes 19 and 25 of this Annual Report.

Directors' and Officers' Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has given indemnities to, and has effected insurance for, Directors and executives of ArborGen and its related companies which indemnify and insure Directors and executives against monetary losses as a result of actions or omissions by them in the course of their duties. The Company shall maintain insurance cover for the Directors and executives for a period of seven years following the date the Director or executive has ceased to be a Director or executive of the Company. Excluded from the indemnity are actions of criminal liability or breach of the Director's duty to act in what they believe to be the best interests of the Company.

Donations

During the twelve-month period ended 31 March 2022, the total amount of donations made by ArborGen and its subsidiaries was $2,815 (2021: $5,148).

Credit Rating

ArborGen has not sought a credit rating.

Subsidiary Company Directors

Section 211(2) of the Companies Act 1993 requires the Company to disclose in relation to directors and former directors of its subsidiaries, amongst other things, the total remuneration and value of other benefits received by them, and particulars of interest register entries made by them during the twelve-month period ended 31 March 2022. No employee of an ArborGen Group company appointed as a director of any wholly-owned subsidiary receives any remuneration or other benefits in that role. The remuneration and other benefits of employees are disclosed elsewhere in this Annual Report. No director of any subsidiary receives any remuneration or other benefits as a director. The following persons held office as directors of subsidiary companies as at 31 March 2022, or in the case of those persons with the letter (R) after their name, ceased to hold office during the period:

Rubicon Forests Holdings Limited	DM Knott Jr, PR Smart
Rubicon Industries USA LLC	DM Knott Jr, R Tandon,
ArborGen Inc	AM Baum, DM Knott Jr, R Tandon, TA Avery, OK Horton, PR Smart, THG Adams
ArborGen Comercio de Produtos Florestais Importacao e Exportacao LTDA	G Bassa
ArborGen Technologia Florestal LTDA	G Bassa
ArborGen New Zealand Holdings, LLC	AM Baum
ArborGen New Zealand Unlimited	AM Baum, G Mann
ArborGen Australia Holdings Pty Ltd	AM Baum, G Mann, A Frees
ArborGen Australia Pty Ltd	AM Baum, G Mann, A Frees

Shareholder Information

The Company's shares are listed on the Main Board of NZX Limited. The 20 shareholders of record with the largest holdings of shares at 29 April 2022 were:

	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited - NZCSD	167,114,373	33.33
Citibank Nominees (New Zealand) Limited - NZCSD	132,407,513	26.40
Accident Compensation Corporation - NZCSD	31,383,014	6.26
JBWere (NZ) Nominees Limited	24,873,499	4.96
Sky Hill Limited	18,875,245	3.76
Public Trust - NZCSD	6,274,966	1.25
Fletcher Brothers Limited	5,649,731	1.13
S Moriarty	5,320,000	1.06
BNP Paribas Nominees (NZ) Limited - NZCSD	4,254,515	0.85
The Tai Shan Foundation – F Pearson & S Pearson	4,171,811	0.83
M Taylor	3,680,000	0.73
New Zealand Depository Nominee Limited	3,081,658	0.62
Moriarty Superannuation Fund – S & D Moriarty	2,710,124	0.54
The So Proud a/c – S Godfrey, D Toothill & M Godfrey	2,639,027	0.53
FNZ Custodians Limited	2,555,682	0.51
Custodial Services Limited	2,415,472	0.48
K Chiam	2,241,937	0.45
B Tyler	2,020,000	0.40
G Simms	1,725,000	0.34
P Bradfield	1,722,000	0.34
Total	425,115,567	84.77

Distribution of Shareholders and Holdings as at 29 April 2022

	Number of shareholders		Number of shares	
Size of holding	**Number**	**%**	**Number**	**%**
1-999	1,843	32.57	1,212,065	0.24
1,000–9,999	3,048	53.86	8,085,091	1.61
10,000–49,999	492	8.69	9,932,559	1.98
50,000–99,999	98	1.73	6,606,996	1.32
100,000 and over	178	3.15	475,650,047	94.85
Total [1]	5,659	100.00	501,486,758	100.00

Domicile of Shareholders and Holdings as at 29 April 2022

	Number of shareholders		Number of shares	
	Number	%	Number	%
New Zealand	4,645	82.08	339,397,486	67.68
Australia	622	10.99	135,042,321	26.93
United Kingdom	152	2.69	19,854,789	3.96
United States of America	143	2.53	4,442,011	0.88
Other	97	1.71	2,750,151	0.55
Total (1)	5,659	100.00	501,486,758	100.00

(1) Includes shares issued under the Non-Executive Directors Share Plan.

Substantial Product Holders

According to notices that have been provided under the Financial Markets Conduct Act 2013, as at 31 March 2022 the following were substantial product holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised by the substantial product holder and may not be their current holdings or reflect the current percentage of the voting securities on issue.

Substantial product holder	Number of voting securities held at date of notice	% of voting securities held at date of notice	Date of notice
Dave Knott (a)	115,583,162	28.256	23 August 2016 (2)
Libra Fund LP / Ranjan Tandon	86,108,419	17.648	3 July 2017 (1)
Accident Compensation Corporation	32,221,000	6.604	4 January 2018 (1)
Irvin Kessler	25,000,000	5.124	3 January 2018 (1)
Bank of New Zealand (b)	25,000,000	5.124	8 January 2018 (1)

The following substantial product holder notices have been received (which are included in the substantial product holder notices disclosed above). The number of shares and percentages shown below are as last advised by the substantial product holder and may not be their current holdings or reflect the current percentage of the voting securities on issue.

Substantial product holder	Number of voting securities	% of ArborGen voting securities	Date of notice
(a) Mr Knott has disclosed he holds a relevant interest in ArborGen shares held by:			
Dorset Management Corporation	105,679,657	25.835	23 August 2016 (2)
Knott Partners, L.P. (i)	82,511,226	20.171	13 June 2014 (2)
Various other interests	9,903,505	2.421	23 August 2016 (2)

(i) Dorset Management Corporation has entered into an investment management agreement with Knott Partners, L.P. pursuant to which Dorset Management Corporation has discretion over the acquisition, disposition and voting of the securities held by Knott Partners, L.P. Dave Knott Jr is the sole shareholder, Director and President of Dorset Management Corporation. All of the voting securities held by Knott Partners, L.P. are therefore also included in the number of voting securities held by Dorset Management Corporation.

(b) In their substantial product holder notice the Bank of New Zealand stated "Conditional power to control the disposal of the financial product. The relevant interest only arises from the powers of investment contained in an investment management contract for Bank of New Zealand's portfolio execution service."

The total number of issued voting securities at 31 March 2022 was 501,486,758. All of the references to voting securities in this section are to the Company's ordinary shares.

(1) The total number of shares on issue at date substantial product holder notice was received was 487,908,343.

(2) The total number of shares on issue at date substantial product holder notice was received was 409,051,378.

NZX Waivers

No NZX waivers were granted to the Company by NZX, or otherwise relied upon by the Company, under the NZX Listing Rules during the period from 1 April 2021 to 31 March 2022.

Directory

Registered Office

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Telephone: +64 9 356 9800
Email: info@arborgenholdings.com

Website

www.arborgenholdings.com

Directors

Dave Knott Jr, Chairman (USA) (1)
George Adams, Independent Director (NZ)
Ozey Horton, Independent Director (USA)
Paul Smart, Independent Director (NZ)
Ranjan Tandon (USA) (1)
Tom Avery, Independent Director (USA)

Share Registry

Computershare Investor Services Limited
Private Bag 92119,
Auckland 1142, New Zealand
Ph: +64 9 488 8777
Fax: +64 9 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz

Auditor

Deloitte Limited

Solicitors

Bell Gully

(1) Substantial product holders.