KPMG

Illustrative Disclosures

New Zealand PBE Accounting Standards

Tier 1 and 2 (including RDR concessions)

March 2020

This guide has been produced by KPMG New Zealand's Accounting Advisory Services division to serve as a "best practice" set of financial statements for a Public Benefit Entity ('PBE') in New Zealand. It uses a fictitious company, New Zealand Forest and Timber Environmental Research Inc., to illustrate how financial statements should be prepared and presented in accordance with the New Zealand PBE Accounting Standards (Not-For-Profit) as applicable to Tier 1 and Tier 2 PBE under the XRB A1 Accounting Standards Framework (XRB A1) issued by the External Reporting Board ('XRB').

We hope you will find this publication useful in putting into perspective the disclosure and presentation requirements of Tier 1 and Tier 2 PBE reporting entity and as a reference source in preparing your own financial statements.

Please note this set of illustrative financial statements also highlights the disclosure concessions and requirements of the Tier 2 PBE Accounting Standards – applying the Reduced Disclosure Regime ('PBE Tier 2 – RDR'). Refer to the "About this guide" section on how to identify the PBE Tier 2 - RDR disclosure concessions.

Although these illustrative financial statements have been designed to show the most likely disclosure requirements, these may need to be tailored to your organisation. If you have any queries on PBE Accounting Standards or other financial reporting issues, KPMG will be happy to provide any assistance that you require. Please do not hesitate to contact us or any of our specialist staff.

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Disclaimer

About this Guide

Illustrative Financial Statements – PBE Standards Tier 1 and Tier 2

Introduction

This is a set of illustrative financial statements prepared in accordance with PBE Accounting Standards as applicable to Tier 1 and Tier 2 Public Benefit Entities (PBE's) under the XRB A1 Accounting Standards Framework (XRB A1) issued by the XRB. The criteria and assessment to determine if you are a PBE can be found within this standard.

These illustrative financial statements have been updated by KPMG New Zealand Accounting Advisory Services division for New Zealand PBE Accounting Standards. The view expressed herein are those of the KPMG New Zealand Accounting Advisory Services division.

The publication is based on the PBE Accounting Standards on issue as at 31 March 2020. PBE Accounting Standards and their interpretation change over time. Accordingly, these illustrative financial statements should not be used as a substitute for referring to the standards themselves. This guide does not cover disclosure requirements in new standards issued and not effective as listed in Note 6E.

It should be noted that these are illustrative financial statements designed to portray a wide range of disclosures which may not be relevant to all entities. They are designed to be used as a reference tool and users should tailor these in preparation of their entity's own financial statements to reflect their specific facts and circumstances.

Background to New Zealand Forest and Timber Environmental Research Inc.

New Zealand Forest and Timber Environmental Research Inc. is a fictitious entity. Any resemblance to any entity or person is purely coincidental. These financial statements are intended for illustrative purposes only.

The entity was originally set up as an Incorporated Society with a grant from Mr Brown (including forestry lands, forests at different stages of maturity and monetary funds) to research how the forestry and timber industry in New Zealand could ensure the production of high-quality timber for the construction industry, but without damaging the environment both ecologically and aesthetically.

A separate entity, New Zealand Timber and Paper Limited, was set up as a trading arm to market the products (such as timber for construction and paper products) resulting from the harvesting of the forests and to fund continuing research. Although the research is controlled by the Incorporated Society and the parent entity, investigative research has moved offshore, primarily to Europe and North America. Therefore, local companies in specific countries have been acquired with the aim of utilising annual profits of the Entity to fund research in that particular Entity.

Research and trading is now carried out in Denmark, Germany, Russia, United Kingdom, Netherlands, Switzerland, Spain, United States and Canada. In recent years, research projects have been expanded to encompass the impacts of climate change and dairy farming. The Incorporated Society heading the Group is a Registered Charity under the Charities Act 2005, it must comply with NZ GAAP as per XRB A1.

In order to demonstrate as many accounting standards as possible this is a diverse group with the subsidiary entities being trading entities that also carry out research for the parent entity. While this may be a stretch of the imagination, the New Zealand economy is home to some entities that are Registered Charities, yet are mixed groups with significant subsidiaries that are profit–oriented companies.

New Zealand Forest and Timber Environmental Research Inc. (the parent entity) is a charity by virtue of fact it has a charitable purpose as per section 5(1) of the Charities Act 2005. It's application to Charities Services states that the Incorporated Society exists for the advancement of education and research into forestry practises, the development of timber for construction and emerging environmental issues such as climate change and the impact of dairy farming on waterways. It provides grants for such research to Doctoral students, and also issues concessionary loans to subsidiaries to carry out specifically commissioned research. The subsidiaries also carry out research funded by profits from the subsidiaries, for example Papier GmbH based in Germany funds research into more efficient paper making practises.

Tier 1 and Tier 2 PBEs

These illustrative financials have been constructed to illustrate disclosure requirements for both Tier 1 PBE's in accordance with PBE Standards, and Tier 2 PBE's in accordance with PBE Standards with Reduced Disclosure Requirements ("PBE RDR").

Disclosures that are concessions for a Tier 2 entity and not required to be made are highlighted in grey. Tier 2 entities are exempt from making these disclosures.

Tier 2 entities applying PBE RDR should ensure that their financial statements are fairly presented, referring to PBE IPSAS 1 *Presentation of Financial Statements* paragraph RDR 27.1:

Financial statements shall present fairly the financial position, financial performance and cash flows of a Tier 2 entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in the PBE Standards. The application of PBE Standards Reduced Disclosure Regime (PBE Standards RDR), with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

A Tier 2 entity shall disclose in the notes that it has elected to report in accordance with Tier 2 PBE Standards shall also disclose the criteria that establish the entity as eligible to report in accordance with Tier 2 PBE Standards. [PBE IPSAS 1 RDR 28.1]

Notations on the left-hand margin reference to the applicable paragraph in the standard that relate to the specific disclosure.

We have not included a Statement of Service Performance as this is not yet mandatory for Tier 1 and Tier 2 reporting entities. Further iterations of this set of illustrative financial statements will be updated for all additions and amendments to the suite of PBE Standards.

What's new in 2020?

The XRB issued a number of PBE standards which become effective for financial periods beginning on or after 1 January 2019.

- PBE IPSAS 34 *Separate Financial Statement*s, published in January 2017, contains accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.
- PBE IPSAS 35 *Consolidated Financial Statements*, published in January 2017, introduces a new approach to determining which entities should be consolidated, and provides a single model to be applied in the control analysis for all potentially controlled entities.
- PBE IPAS 36 *Investments in Associates and Joint Ventures*, published in January 2017, prescribes the accounting for investments in associates and joint ventures, and contains the requirements for the application of the equity method to investments in associates and joint ventures.
- PBE IPSAS 37 Joint Arrangements, published in January 2017, establishes the financial reporting principles of entities that have an interest in arrangements that are jointly controlled (joint arrangements). This standard defines joint control and requires an entity which is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.
- PBE IPSAS 38 *Disclosure of Interests in Other Entities*, published in January 2017, includes disclosure requirements for an entity that has an interest in a controlled entity, a joint arrangement, an associate or an unconsolidated structured entity and for the users of the financial statements to evaluate the effect of those interests in the financial position, financial performance and cash flows.
- PBE IPSAS 39 Employee Benefits, published in May 2017, prescribes the accounting and disclosures for employee benefits. It requires entities to recognise (1) a liability when an employee has provided service for employee benefits to be paid in the future, and (2) an expense when the entity consumes economic benefits or service potential arising from service provided by the employee in exchange for employee benefits.
- PBE IFRS 9 *Financial Instruments* is also early adopted by the Group. We note that the Treasury required all Crown Entities to early adopt PBE IFRS 9 for all periods beginning on or after 1 January 2018. We have elected

to have New Zealand Forest and Timber Environmental Research Inc early adopt PBE IFRS 9 in the interests of providing illustrative disclosures, although our entity is not a Crown Entity. Additionally, the Group has adopted consequential amendments to PBE IPSAS 30 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

In November 2018, the XRB issued *2018 Omnibus Amendments to PBE Standards* which was effective for annual financial statements covering periods beginning on or after 1 January 2019, however, amendments to *PBE IPSAS 2 Cash Flow Statements* is effective for the periods beginning on or after 1 January 2021. These amendments were not applied in the 31 March 2020 illustrative financial statements.

There are a number of other new standards and amendments that will become effective in future periods. Our Reporting Update – Public Benefit Entities: New Standards provides a comprehensive list of all of the new standards. Note 6E is updated to include disclosure of the new standards issued but not yet effective that are relevant to the Group.

Permission to use XRB's accounting standards

References and abbreviations

References are included in the left-hand margin of this guide to identify any relevant paragraphs of the standards.

PBE IPSAS 1.51	Paragraph 51 of PBE IPSAS 1
‖	New standards and changes since the 2019 edition of this guide

The following abbreviations are used often in this guide.

PBE	Public Benefit Entity
IPSAS	International Public Sector Accounting Standard
RDR	New Zealand Reduced Disclosure Regime
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
XRB	External Reporting Board
Notes	Notes to the financial statements
PBE IPSAS 30	PBE IPSAS 30 as amended by PBE IFRS 9 (applicable from 1 January 2022).
PBE IPSAS 30S	PBE IPSAS 30 before amendments by PBE IFRS 9 (applicable from 1 January 2022).

Independent Auditor's Report

To the readers of the financial report of New Zealand Forest and Timber Environmental Research Inc.

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of New Zealand Forest and Timber Environmental Research Inc. (the "Incorporated society") on pages 11 to 15:

i. Present fairly in all material respects the Incorporated society's financial position as at 31 March 2020 and its financial performance and cash flows for the year ended on that date; and

ii. Comply with Public Benefit Entity Accounting Standards (Not-For-Profit).

We have audited the accompanying financial statements which comprise:

- The consolidated statement of financial position as at 31 March 2020;
- the consolidated statements of comprehensive revenue and expense, changes in equity, and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $ [xxxx] determined with reference to a benchmark of Incorporated society [Insert Benchmark]. We chose the benchmark because, in our view, this is a key measure of the Incorporated society's performance.

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Impairment testing of goodwill	
Refer to Note 19 to the consolidated financial statements. The Incorporated society has recognised goodwill in the amount of $3,832 thousand (2019: $3,407 thousand). The majority of goodwill has been allocated to Standard paper cash-generating unit (CGU) and the Timber Products CGU. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less costs to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).	Our audit procedures in this area included, among others: - involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate; - evaluating the appropriateness of the assumptions applied to key inputs such as sales volumes and prices, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry; - performing our own sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for standard paper CGU; and - evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

The key audit matter	How the matter was addressed in our audit
Acquisition of Papyrus	

Refer to Note 29 to the consolidated financial statements.
 	
On 30 June 2019, the Incorporated society acquired 65% of the outstanding shares in Papyrus (in addition to the 25% previously held) for consideration of $2,631 thousand.
 	
The accounting for this transaction is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed.
 	
Due to the size and complexity of the acquisition, we considered this to be a key audit matter.
	Our audit procedures in this area included, among others:
	
	- involving our own valuation specialists to support us in challenging the valuations produced by the Incorporated society and the methodology used to identify the assets and liabilities acquired; in particular:
	  o the methodologies adopted and key assumptions used in valuing the tangible fixed assets by comparing them with market information and quoted prices for similar assets;
	  o the key assumptions used to determine the fair value of the customer relationship intangible asset, which included recalculating historical customer retention rates and growth trends, and reconciling underlying data to customer contracts and relationship databases; and
	  o the key assumptions used to determine the fair value of the patented technology, which included benchmarking of the royalty rate used to royalty databases for licensing of similar patented technologies.
	- challenging the fair value of the contingent consideration, which included assessing future forecast business performance by agreeing amounts to approved forecasts and underlying contracts, and comparing forecasts with historical performance and results since the acquisition date; and
	- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Valuation of standing timber	
Refer to Note 12 to the consolidated financial statements. The Incorporated society's biological assets include standing timber, which is measured at fair value less costs to sell. Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Due to the nature of the asset, the valuation technique includes a discounted cash flow model that uses a number of inputs from internal sources due to a lack of relevant and reliable observable inputs. Consequently, we have determined the valuation of standing timber to be a key audit matter.	Our audit procedures in this area included, among others: - evaluating the Incorporated society's inputs used in calculating the estimated cash flows by comparing them with historical performance and the Incorporated society's plans, as well as our understanding of the industry and the economic environment that the Incorporated society operates in; - evaluating the historical accuracy of the Incorporated society's assessment of the fair value of standing timber by comparing previous forecasts for yields per hectare, timber prices and harvesting/transportation costs with actual outcomes and industry forecasts; - involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates used, which included comparing the discount rate with sector averages for the relevant markets in which the Incorporated society operates; - evaluating the Incorporated society's estimated costs of replicating younger standing timber by comparing them

The key audit matter	How the matter was addressed in our audit
	with market information and quoted prices for similar assets; and - evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.
Valuation of disposal group held for sale	
Refer to Note 17 to the consolidated financial statements. In June 201, the Incorporated society committed to a plan to sell part of a manufacturing facility included within the Standard Papers segment. This part of the manufacturing facility has been classified as a disposal group and written down to its fair value less costs to sell, based on a weighted estimate of the discounted future cash flow forecasts and costs associated with replicating the manufacturing facility. Due to the high level of judgement involved in estimating the fair value of the disposal group, and the significant carrying amounts of the assets and liabilities associated with the disposal group, we considered this to be a key audit matter.	Our audit procedures in this area included, among others: - challenging the Incorporated society's judgement on the classification of the disposal group as held-for-sale through understanding the status of the sales process and reviewing correspondence from purchasers and prospective purchasers; - challenging the Incorporated society's assumptions used as the basis for allocating the assets and liabilities in the manufacturing facility between continuing and discontinued operations and reconciling them to the underlying accounting records; - assessing the inputs in the discounted cash flow calculation by comparing inputs with internally and externally derived data such as the Incorporated society's budgets and forecasts, and information for similar facilities operating within the industry; - evaluating the Incorporated society's estimated costs of replicating the manufacturing facility by comparing them with market information and quoted prices for similar assets; - involving our own valuation specialist to assist in evaluating the appropriateness of the discount rate applied; and - evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other information

Management, on behalf of the Incorporated society, are responsible for the other information included in the entity's financial report. Other information may include the [Insert names of the other information, e.g. Chairman's report, Chief Executive's report], disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

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

Responsibilities of Management for the consolidated financial statements

Management, on behalf of the Incorporated society, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Accounting Standards (Not-For-Profit));
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page7.aspx

This description forms part of our Auditor's Report.

The engagement partner on the audit resulting in this independent auditor's report is [Partner Name]

For and on behalf of

KPMG

KPMG
Auckland

31 May 2020

Consolidated statement of financial position

As at 31 March 2020

	In thousands of NZD	Note	2020 Actual	2019 Restated*
PBE IPSAS 1.21(a)				
	Assets			
PBE IPSAS 1.88(i)	Cash and cash equivalents	16	**505**	1,850
PBE IPSAS 1.88(h)	Trade and other exchange receivables	14	**31,115**	22,765
PBE IPSAS 1.89	Prepayments		**503**	1,407
PBE IPSAS 1.88(g)	Non-exchange receivables	15	**3,000**	1,500
PBE IPSAS 1.88(d)	Other investments, including derivatives	22	**662**	1,032
PBE IPSAS 1.88(f)	Inventories	13	**11,615**	12,119
PBE IPSAS 1.89	Biological assets	12	**32**	31
PBE IPSAS 1.88.1(a)	Assets held for sale	17	**14,400**	-
PBE IPSAS 1.70	**Current assets**		**61,832**	40,704
PBE IPSAS 1.88(a)	Property, plant and equipment	18	**26,586**	31,049
PBE IPSAS 1.88(c)	Intangible assets and goodwill	19	**6,226**	4,661
PBE IPSAS 1.89	Biological assets	12	**4,698**	4,025
PBE IPSAS 1.88(b)	Investment property	20	**1,420**	300
PBE IPSAS 13.62				
PBE IPSAS 1.88(e)	Equity-accounted investees	21	**2,489**	1,948
PBE IPSAS 1.88(d)	Other investment, including derivatives	22	**3,616**	3,525
PBE IPSAS 1.88(d,g)	Non-exchange receivables	15	**827**	-
PBE IPSAS 1.70	**Non-current assets**		**45,862**	45,508
	Total assets		**107,694**	86,212
PBE IPSAS 1.94(f)	**Equity**			
PBE IPSAS 1.95(a)	Contributed capital		**18,137**	18,137
PBE IPSAS 1.95(c)	Reserves		**1,550**	786
PBE IPSAS 1.95(b)	Accumulated comprehensive revenue and expense		**19,047**	13,823
PBE IPSAS 1.88 (o)	**Equitable attributable to owners of the controlling entity**		**38,734**	32,746
PBE IPSAS 1.88(n)				
PBE IPSAS 1.95(d)	**Non-controlling interests**		**3,825**	3,109
	Total equity	34	**42,559**	35,855
	Liabilities			
PBE IPSAS 1.88(m)	Bank overdraft	16	**334**	282
PBE IPSAS 1.88(m)	Loans and borrowings	23	**11,988**	5,546
PBE IPSAS 1.88(k)	Trade and other payables	24	**22,400**	20,823
PBE IPSAS 1.89	Deferred income/revenue	26	**177**	168
PBE IPSAS 1.88(l)	Provisions	27	**660**	1,540
PBE IPSAS 1.88(m)	Non-exchange liabilities	25	**500**	500
PBE IPSAS 1.88.1(b)	Liabilities held for sale	17	**4,410**	-
PBE IPSAS 1.70	**Current liabilities**		**40,469**	28,859
PBE IPSAS 1.88(m)	Loans and borrowings	23	**20,942**	19,031
PBE IPSAS 1.88(k)	Trade and other payables	24	**290**	5
PBE IPSAS 1.89	Deferred income /revenue	26	**1,424**	1,462
PBE IPSAS 1.88(m)	Non-exchange liabilities	25	**1000**	1,000
PBE IPSAS 1.88(l)	Provisions	27	**1,010**	-
PBE IPSAS 1.70	**Non-current liabilities**		**24,666**	21,498
	Total liabilities		**65,135**	50,357
	Total equity and liabilities		**107,694**	86,212

*See notes 6D(iv), 20 and 38

The accompanying notes are an integral part of these financial statements.

Consolidated statement of comprehensive revenue and expense

For the year ended 31 March 2020

	In thousands of NZD	Note	2020 Actual	2019 Restated*
PBE IPSAS 1.21(b) PBE IPSAS 1.22.1(a)				
PBE IPSAS 1.109, 113	**Continuing operations**			
PBE IPSAS 1.99.1(a)	Revenue from exchange transactions	*8*	**94,630**	92,624
	Cost of sales	*9(D)*	**(55,548)**	(56,186)
PBE IPSAS 1.113	Gross surplus		**39,082**	36,438
PBE IPSAS 23.106 (a)	Revenue from non-exchange transactions	*8*	**8,428**	4,005
PBE IPSAS 1.98.3	Other income	*9(A)*	**783**	194
	Grant Expenditure	*9(B)*	**(7,000)**	(3,000)
PBE IPSAS 1.109, 113	Selling and distribution expenses	*9(D)*	**(17,912)**	(16,277)
PBE IPSAS 1.109, 113	Administrative expenses	*9(D)*	**(16,359)**	(13,850)
PBE IPSAS 1.109, 113	Research and development expenses	*9(D)*	**(1,109)**	(697)
PBE IPSAS 1.99.1(ba)	Impairment loss on receivables	*28C(ii)*	**(150)**	(30)
PBE IPSAS 1.109, 113	Other expenses	*9(C)*	**(780)**	-
PBE IPSAS 1.98.3	**Operating surplus/(deficit)**		**4,983**	6,783
PBE IPSAS 1.98.3	Finance income		**1,130**	447
PBE IPSAS 1.99.1(b)	Finance costs		**(1,712)**	(1,613)
PBE IPSAS 1.98.3	**Net finance cost**	*10*	**(582)**	(1,166)
PBE IPSAS 1.99.1(c)	Share of surplus/(deficit) of equity-accounted investees	*21*	**1,141**	587
PBE IPSAS 1.98.3	**Surplus/(deficit) for the year from continuing operations**		**5,542**	6,204
	Discontinued operation			
PBE IPSAS 1.99.1(e)	Surplus/(deficit) for the year from discontinuing operations	*7*	**379**	(422)
PBE IPSAS 1.98.1(a) PBE IPSAS 1.99.1(f)	**Surplus/(deficit) for the year**		**5,921**	5,782
PBE IPSAS 1.103.1	**Other comprehensive revenue and expense**			
PBE IPSAS 1.103.1	Revaluation of property, plant and equipment	*18(F)*	**200**	-
PBE IPSAS 30.24(a)(vii)	Equity investments at FVOCRE – net change in fair value		**141**	-
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	*21*	**13**	(3)
PBE IPSAS 1.103.47	Foreign operations – foreign currency translation differences		**680**	471
PBE IPSAS 30.24	Net investment hedge – net loss	*28C(iv)*	**(3)**	(8)
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	*21*	**(172)**	(166)
PBE IPSAS 30.15	Reclassification of foreign currency differences on loss of significant influence	*29(D)*	**(20)**	-
PBE IPSAS 30.27(c)	Cash flow hedges – effective portion of changes in fair value	*28C(iv)*	**(62)**	95
PBE IPSAS 30.27(c)	Cash flow hedges – reclassified to surplus or deficit	*28C(iv)*	**(30)**	(11)
PBE IPSAS 1.103.1	Cost of hedging reserve – changes in fair value	*28C(iv)*	**34**	10
PBE IPSAS 1.103.4	Cost of hedging reserve – reclassified to surplus and deficit	*28C(iv)*	**8**	2
PBE IPSAS 30.24	Available-for-sale financial assets – net change in fair value		**-**	118
PBE IPSAS 30.24(a)(viii)	Debt investments at FVOCRE – net change in fair value		**55**	-
PBE IPSAS 30.24(a)(viii)	Debt investments at FVOCRE – reclassified to surplus or deficit		**(64)**	-
PBE IPSAS 1.98.1(b)	**Other comprehensive revenue and expense for the year**		**780**	508
PBE IPSAS 1.98.1(c)	**Total comprehensive revenue and expense for the year**		**6,701**	6,290
PBE IPSAS 1.98.2(a)	**Surplus attributable to:**			
PBE IPSAS 1.98.2(a)(ii)	Owners of the Entity		**5,397**	5,415
PBE IPSAS 1.98.2(a)(i)	Non-controlling interest		**524**	367
			5,921	5,782
PBE IPSAS 1.98.2(b)	**Total comprehensive revenue and expense attributable to:**			
PBE IPSAS 1.98.2(b)(ii)	Owners of the Entity		**6,150**	5,901
PBE IPSAS 1.98.2(b)(i)	Non-controlling interest		**551**	389
			6,701	6,290

*See notes 6D(iv), 20 and 38

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2019

PBE IPSAS 1.21(c), PBE IPSAS 1.119(c)		Attributable to the owners of the controlling entity									
In thousands of NZD	**Note**	**Contributed capital**	**Translation reserve**	**Cost of hedging reserve**	**Hedging reserve**	**Fair value reserve**	**Revaluation reserve**	**Accumulated comprehensive revenue and expense**	**Total**	**Non-controlling Interest**	**Total equity**
Balance at 1 April 2018		**18,137**	**(119)**		**434**	**17**	**-**	**8,376**	**26,845**	**2,720**	**29,565**
IPSAS 3.33(f-g), RDR 33.1 IPSAS 1.118(b), 124 Adjustment on initial application of PBE IFRS 9	*6D*	-	-	(35)	-	-	-	35	**-**	-	**-**
IPSAS 1.118(b), 124 Impact of correction of errors	*38*	-	-	-	-	-	-	50	**50**	-	**50**
Restated balance at 1 April 2018		**18,137**	**(119)**	**(35)**	**434**	**17**	**-**	**8,411**	**26,845**	**2,720**	**29,565**
Total comprehensive revenue and expense											
Surplus for the year		-	-	-	-	-	-	5,415	**5,415**	367	**5,782**
Other comprehensive revenue and expense		-	275	12	84	118	**-**	3	**488**	22	**508**
Total comprehensive revenue and expense		**-**	**275**	**12**	**84**	**118**	**-**	**5,412**	**5,901**	**389**	**6,290**
Transactions with owners of the Entity											
Contributions		-	-	-	-	-	-	**-**	**-**	-	**-**
Distributions		-	-	-	-	-	-	**-**	**-**	-	**-**
Total contributions and distributions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in ownership interests											
Acquisition of MI without a change in control		-	-	-	-	-	-	**-**	**-**	**-**	**-**
Acquisition of subsidiary with MI		-	-	-	-	-	-	**-**	**-**	**-**	**-**
Total changes in ownership interests		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total transactions with owners of the Entity		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Restated balance at 31 March 2019		**18,137**	**156**	**(23)**	**518**	**135**	**-**	**13,823**	**32,746**	**3,109**	**35,855**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2020

			Attributable to the owners of the controlling entity									
PBE IPSAS 1.21(c), PBE IPSAS 1.119(c)	*In thousands of NZD*	**Note**	**Contributed capital**	**Translation reserve**	**Cost of hedging reserve**	**Hedging reserve**	**Fair value reserve**	**Revaluation reserve**	**Accumulated comprehensive revenue and expense**	**Totals**	**Non-controlling Interest**	**Total equity**
	Balance at 31 March 2019		**18,137**	**156**	**(23)**	**518**	**135**	**-**	**13,835**	**32,758**	**3,109**	**35,867**
IPSAS 3.33(f-g), RDR 33.1 IPSAS 1.118(b), 124	Adjustment on initial application of PBE IFRS 9	*6D*	-	-	-	-	4	-	(93)	**(89)**	(24)	(113)
	Adjusted balance at 31 March 2019		**18,137**	**156**	**(23)**	**518**	**139**	**-**	**13,730**	**32,657**	**3,085**	**35,742**
	Total comprehensive revenue and expense											
	Surplus for the year		-	-		-	-	-	5,397	**5,397**	524	**5,921**
	Other comprehensive revenue and expense		-	458	42	(92)	132	200	13	**753**	27	**780**
	Total comprehensive revenue and expense		**-**	**458**	**42**	**(92)**	**132**	**200**	**5,410**	**6,150**	**551**	**6,701**
	Transactions with owners of the Entity											
	Contributions		-	-	-	-	-	-	-	**-**	-	**-**
PBE IPSAS 1 RDR 117.1	Distributions		-	-	-	-	-	-	-	**-**	-	**-**
	Business Combinations		-	-	-	-	-	-	-	**-**	-	**-**
	Total contributions and distributions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Hedging gains and losses and costs of hedging transferred to the cost of inventory	*28C(iv)*	**-**	**-**	**6**	**6**	**-**	**-**	**-**	**12**	**-**	**12**
	Changes in ownership interests											
	Acquisition of NCI without a change in control	*30*	-	8	-	-	-	-	(93)	**(85)**	(115)	**(200)**
	Acquisition of subsidiary with NCI	*29(D)*	-	-	-	-	-	-	-	**-**	304	**304**
	Total changes in ownership interests		**-**	**8**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
	Total transactions with owners of the Entity		**-**	**8**	**-**	**-**	**-**	**-**	**(93)**	**(85)**	**189**	**104**
	Balance at 31 March 2020		**18,137**	**622**	**25**	**432**	**271**	**200**	**19,047**	**38,734**	**3,825**	**42,559**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2020

	In thousands of NZD	Note	2020 Actual	2019
PBE IPSAS 1.21(d), 126				
PBE IPSAS 2.18, 31				
PBE IPSAS 2.18	**Cash flows from operating activities**			
PBE IPSAS 2.27(a)	Cash receipts from customers		96,562	93,829
PBE IPSAS 2.27(a)	Cash receipts from bequests		-	-
PBE IPSAS 2.27(a)	Cash receipts from grants		5,238	3,000
PBE IPSAS 2.27(a)	Cash receipts from fundraising		1,500	-
PBE IPSAS 2.27(a)	Cash paid to suppliers and grant recipients		(93,767)	(91,436)
	Cash generated from operating activities		2,795	2,393
PBE IPSAS 2.40	Dividend received		-	-
PBE IPSAS 2.40	Interest paid		(1,499)	(1,366)
	Net cash from operating activities	35	1,296	1,027
PBE IPSAS 2.18, 31	Cash flows from investing activities			
PBE IPSAS 2.40	Interest received		6	19
PBE IPSAS 2.40	Dividends received		26	32
PBE IPSAS 2.25(b)	Proceed from sale of property, plant and equipment		1,177	397
PBE IPSAS 2.25(d)	Proceeds for sale of investments		1,476	605
PBE IPSAS 2.49	Disposal of discontinued operation, net of cash disposed of		6,875	-
PBE IPSAS 2.49	Acquisition of subsidiary, net of cash acquired		(1,799)	-
PBE IPSAS 2.49	Acquisition of equity-accounted investees		-	-
PBE IPSAS 2.25(a)	Acquisition of property, plant and equipment	18A	(15,657)	(2,408)
PBE IPSAS 2.25(a)	Acquisition of investment property	20A	(300)	(40)
PBE IPSAS 2.18	Purchase of non-current biological assets	12	(305)	(814)
PBE IPSAS 2.25(c)	Acquisition of other investments		(359)	(363)
PBE IPSAS 2.40	Dividends from equity-accounted investees		21	-
PBE IPSAS 2.25(a)	Development expenditure	19A, 19D	(1,235)	(503)
PBE IPSAS 2.25(e)	Concessionary loan to external third party		(1,000)	-
	Net cash used in investing activities		(11,074)	(3,075)
PBE IPSAS 2.18, 31	**Cash flows from financing activities**			
PBE IPSAS 2.26(a)	Proceeds from loans and borrowings		14,591	4,439
PBE IPSAS 2.18	Proceeds from settlement of derivatives		5	11
PBE IPSAS 2.18	Transactions costs related to loans and borrowings		(311)	-
PBE IPSAS 2.50(a)	Acquisition of non-controlling interests		(200)	-
PBE IPSAS 2.26(b)	Repayment of borrowings		(5,065)	(2,445)
PBE IPSAS 2.26(c)	Payment of finance lease liabilities	22	(454)	(590)
	Net cash from financing activities		8,566	1,415
	Net decrease in cash and cash equivalents		(1,385)	(633)
	Cash and cash equivalents at 1 April*		1,568	2,226
PBE IPSAS 2.39	Effect of movements in exchange rates on cash held		(12)	(25)
	Cash and cash equivalents at 31 March*		171	1,568

PBE IPSAS 2.56 * Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

The accompanying notes are an integral part of these financial statements.

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Notes to the Consolidated Financial Statements

1. Reporting entity

PBE IPSAS 1.63(a)-(b)
PBE IPSAS 1.150(a)-(b)

New Zealand Forest and Timber Environmental Research Inc. (The 'Entity') is domiciled in New Zealand with the Entity's registered office is at 5 Stanley Crescent, Wellington, New Zealand.

These consolidated financial statements comprise the Entity and its subsidiaries (together referred to as the 'Group').

New Zealand Forest and Timber Environmental Research Inc. is an incorporated society and is a charity registered with Charity Services (Charity Registration 985634). New Zealand Incorporated was a charity set up with contributed equity by Mr Brown to research how the forestry and timber industry in New Zealand could ensure the production of high-quality timber for the construction industry but without damaging the environment both ecologically and aesthetically. Environmental issues such as climate change and the impact of dairy farming on waterways are included in the research agenda. New Zealand Forest and Timber Environmental Research Inc., the charity and the Group are controlled by the Group's Board of Directors. The subsidiary entities of the Group are primarily involved in manufacturing paper and paper-related products, cultivating trees and selling wood. The subsidiaries also carry out research, however, all research projects are controlled by the parent entity.

2. Basis of Preparation

PBE IPSAS 1.28,
PBE IPSAS 127(a)
PBE IPSAS 1.28.2(a)-(c)

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the *PBE Accounting Standards* as appropriate for Tier 1 not-for profit public benefit entities. As a registered charity, New Zealand Forest and Timber Environmental Research Inc. is required to prepare financial statements in accordance with NZ GAAP as specified in standard XRB A1. The Group is a Tier 1 reporting entity as it has total expenditure greater than $30 million in the two preceding reporting periods.

PBE IPSAS 1 RDR 28.3

[Entities that report in accordance with the Tier 2 PBE Accounting Standards shall disclosure the criteria that establish them as eligible to report in accordance with Tier 2 PBE Accounting standards]

3. Functional and presentation currency

PBE IPSAS 1.63(d)-(e)
PBE IPSAS 1.65

These consolidated financial statements are presented in NZD, which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Basis of measurement

PBE IPSAS 1.127(a), 132(a)

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement bases
Derivative financial instruments	Fair value
Non-derivative financial instruments at fair value through surplus or deficit	Fair value
Available-for-sale financial assets	Fair value
Contingent consideration assumed in a business combination	Fair value
Biological assets	Fair value
Investment property	Fair value
Liabilities for cash-settled shared-based payment agreements	Fair value

5. Use of judgements and estimates

PBE IPSAS 1.137

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

A. Judgements

PBE IPSAS 1.140
PBE IPSAS 1.144-145

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 8 – commission revenue: whether the Group acts as an agent in the transaction rather than as a principal;
- Note 6(A)(v) – classification of the joint arrangement;
- Notes 23(C) and 32 – leases: whether an arrangement contains a lease;
- Note 6(A)(ii) – consolidation: and
- Notes 32(A) – lease classification.

PBE IPSAS 1.144(a

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ending 31 March 2020 is included in the following notes:

- Note 19(C) - impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 27 recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note 29(C) – acquisition of subsidiary: fair value measured on a provisional basis.

i. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of PBE Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible, or for non-cash-generating assets, depreciated replacement cost.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12(B) – biological assets;
- Note 17 – disposal group held for sale;
- Note 18 – non cash generating assets;
- Note 20(B) – investment property;
- Note 28(B) – financial instruments; and
- Note 29(C) (i) – acquisition of subsidiary.

6. Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Note that Tier 2 entities shall disclose an explanation if it is impracticable to determine the amounts required to be disclosed for adjustments the current and prior periods on initial application of a PBE Standard. [PBE IPSAS 3 RDR 33.1]

A. Basis of consolidation

i. Business combination

PBE IFRS 3.4,32,34,53

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition method involves recognising at acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest, separate from goodwill. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 6(C)). Any gain on a bargain purchase is recognised in surplus or deficit immediately. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities (see Note 28).

PBE IFRS 3.B52

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in surplus or deficit.

PBE IFRS 3.40,58

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in surplus or deficit.

ii. Subsidiaries

PBE IPSAS 35.19, 39

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests

PBE IFRS 3.19

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.[1]

PBE IPSAS 35.48, 51

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

iv. Loss of control

PBE IPSAS 35.52, 54-55

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in surplus or deficit. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

PBE IPSAS 37.7, PBE IPSAS 36.8

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

PBE IPSAS 36.41-42

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the surplus or deficit and other comprehensive revenue and expense of equity-accounted investees, until the date on which significant influence or joint control ceases.

[1] An entity has a choice on a combination-by-combination basis to measure any non-controlling interests in the acquiree at either the proportionate share of the acquiree's identifiable net assets or fair value. The Group has elected the former approach.

vi. Transactions eliminated on consolidation

PBE IPSAS 35.40(c), PBE IPSAS 36.31

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

PBE IPSAS 34 RDR 20.1

A controlling entity, venturer with an interest in a jointly controlled entity or an investor in an associate that prepares financial statements applying Tier 2 PBE Standards shall disclose a description of the methods used to account for the investments in controlled entities, jointly controlled entities and associates.

PBE IPSAS 36 RDR 23.1

A Tier 2 entity is not required to comply with paragraph 23(d), which requires that the ultimate or any intermediate controlling entity of the venturer produces consolidated financial statements available for public use that comply with PBE Standards. In order to qualify for the exemption not to present consolidated financial statements, an entity must still comply with all the other conditions in paragraph 23.

B. Taxes

The Group is a registered charitable organisation and is therefore exempt form income tax under section CW 41 of the Income Tax Act 2007.

C. Impairment of Non-Financial Assets

PBE IPSAS 17.67
PBE IPSAS 21.16, 72A
PBE IPSAS 26.114

The classification of assets as non-cash generating assets is a highly judgmental matter. The Group defines cash-generating assets as those assets that are held with the primary objective of generating a commercial return. Therefore, non-cash generating assets would be those assets from which the Group does not intend (as its primary objective) to realise a commercial return. The Group's Head Office Complex and the fixtures and fittings contained therein are deemed to be non-cash generating assets as they are held for research and administrative purposes. The subsidiaries also hold some non-cash generating assets for research purposes.

PBE IPSAS 21.25

(i) Impairment of non-cash-generating assets

PBE IPSAS 21.52

The Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use.

PBE IPSAS 21.40-43

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount.

In determining fair value less costs to sell, the Group engages an independent valuer to assess market value based on the best available information. The valuation is determined based on [*include details of the valuers approach to determining market value, i.e. what valuation techniques employed have been employed*, e.g. *comparison to recent market transactions for land and buildings comparable in size and location*]

PBE IPSAS 21.26

For each asset, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment deficits may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable service amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable service amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable service amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in surplus or deficit.

PBE IPSAS 21.52, 59

(ii) Impairment of cash-generating assets

PBE IPSAS 26.22

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

PBE IPSAS 26.77

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of combination.

PBE IPSAS 26.35

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

PBE IPSAS 26.91.1

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in surplus or deficit. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

PBE IPSAS 26.111.1

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

D. New accounting standards early adopted

The Group has early adopted PBE IFRS 9 *Financial Instruments* for the year ended 31 March 2020. This new standard is effective for periods beginning on or after 1 January 2022, however the Group has elected to early adopt this standard in these financial statements.

PBE IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. PBE IFRS 9 contains application guidance on the recognition and measurement of concessionary loans, including how to account for the difference between the fair value of the loan and the transaction price. This standard replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement.*

PBE IPSAS 1.47, 99.1(ba)

As a result of the adoption of PBE IFRS 9, the Group has adopted consequential amendments to PBE IPSAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of surplus and deficit and other comprehensive revenue and expenses. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to $30 thousand, recognised under PBE IPSAS 29, from 'other expenses' to 'impairment loss on trade receivables' in the consolidated statement of comprehensive revenue and expense for the year ended 31 March 2019. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under PBE IPSAS 29, and not presented separately in the consolidated statement of comprehensive revenue and expense due to materiality considerations.

Additionally, the Group has adopted consequential amendments to PBE IPSAS 30 *Financial Instruments: Disclosures* that are applied to disclosures about 2019 but have not been generally applied to comparative information.

PBE IPSAS 3.33
PBE IPSAS 3 RDR 33.1[1]

The following table summarises the impact, net of tax, of transition to PBE IFRS 9 on the opening balance of reserves, accumulated comprehensive revenue and expense and non-controlling interests (for a description of the transition method, see (iv)).

In thousands of NZD	***Note***	**Impact of adopting PBE IFRS 9 on opening balance**
Cost of hedging reserve		
Cumulative change in forward points	*(iii)*	(23)
Restated at 31 March 2019		(23)
Fair value reserve		
Recognition of expected credit losses under PBE IFRS 9 for debt financial assets at FVOCRE	*(ii)*	4
Impact at 1 April 2019		4
Accumulated comprehensive revenue and expense		
Cost of hedging adjustment, net of tax (restated – see above)	*(iii)*	23
Recognition of expected credit losses under PBE IFRS 9	*(ii)*	(116)
Impact at 1 April 2019		(93)
Non-controlling interests		
Recognition of expected credit losses under PBE IFRS 9	*(ii)*	(24)
Impact at 1 April 2019		(24)

i. Classification and measurement of financial assets and financial liabilities

PBE IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive revenue and expense (FVOCRE) and fair value through surplus or deficit (FVTSD). The classification of financial assets under PBE IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. PBE IFRS 9 eliminates the previous PBE IPSAS 29 categories of held to maturity, loans and receivables and available for sale. Under PBE IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

PBE IFRS 9 largely retains the existing requirements in PBE IPSAS 29 for the classification and measurement of financial liabilities.

The adoption of PBE IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see (iii).

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under PBE IFRS 9, see Note 28.

[1] A Tier 2 entity shall disclose an explanation if it is impracticable to determine the amounts in each affected financial statement line item and present the amount of adjustment relating to periods before the application of the standard.

PBE IPSAS 30.9, 49I-49J

The following table and the accompanying notes below explain the original measurement categories under PBE IPSAS 29 and the new measurement categories under PBE IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2019.

The effect of adopting PBE IFRS 9 on the carrying amounts of financial assets at 1 April 2019 relates solely to the new impairment requirements.

In thousands of NZD	***Note***	**Original classification Under PBE IPSAS 29**	**New classification Under PBE IFRS 9**	**Original carrying amount under PBE IPSAS 29**	**New carrying amount under PBE IFRS 9**
Financial assets					
Interest rate swaps used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	131	131
Forward exchange contracts used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	352	352
Other forward exchange contracts		Held-for-trading	Mandatorily at FVTSD	89	89
Sovereign debt securities		Held-for-trading	Mandatorily at FVTSD	591	591
Corporate debt securities	(a)	Available-for-sale	FVOCRE – debt instrument	373	373
Equity securities	(b)	Available-for-sale	FVOCRE – equity instrument	511	511
Equity securities	(c)	Designated as at FVTSD	Mandatorily at FVTSD	254	254
Receivables – exchange transactions	(d)	Loans and receivables	Amortised cost	22,765	22,639
Receivables – non exchange transactions	(d)	Loans and receivables	Amortised cost	1,500	1,500
Cash and cash equivalents		Loans and receivables	Amortised cost	1,850	1,849
Corporate debt securities	(e)	Held to maturity	Amortised cost	2,256	2,243
Total Financial assets				30,672	30,532
Financial liabilities					
Interest rate swaps used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	(5)	(5)
Forward exchange contracts used for hedging		Fair value – hedging instrument	Fair value – hedging instrument	(7)	(7)
Bank overdrafts		Other financial liabilities	Other financial liabilities	(282)	(282)
Secured bank loans		Other financial liabilities	Other financial liabilities	(17,293)	(17,293)
Loan from associate		Other financial liabilities	Other financial liabilities	(1,000)	(1,000)
Finance lease liabilities		Other financial liabilities	Other financial liabilities	(2,182)	(2,182)
Trade payables		Other financial liabilities	Other financial liabilities	(20,816)	(20,816)
Total financial Liabilities				(41,585)	(41,585)

PBE IPSAS 30.49I, 49J

a. The corporate debt securities categorised as available-for-sale under PBE IPSAS 29 are held by the Group's treasury unit in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. The corporate debt securities mature in one to two years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCRE under PBE IFRS 9. On transition to PBE IFRS 9, an allowance for impairment of $4 thousand was recognised as a decrease in opening accumulated comprehensive revenue and expense and an increase in fair value reserves at 1 April 2019.

b. These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by PBE IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCRE. Unlike PBE IPSAS 29, the accumulated fair value reserve related to these investments will never be reclassified to surplus or deficit.

c. Under PBE IPSAS 29, these equity securities were designated as at FVTSD because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTSD under PBE IFRS 9.

d. Trade and other receivables that were classified as loans and receivables under PBE IPSAS 29 are now classified at amortised cost. An increase of $126 thousand in the allowance for impairment over these receivables was recognised in opening accumulated comprehensive revenue and expense at 1 April 2019 on transition to PBE IFRS 9.

e. Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An increase of $13 thousand in the allowance for impairment was recognised in accumulated comprehensive revenue and expense at 1 April 2019 on transition to PBE IFRS 9.

PBE IPSAS 30.49K-49O

PBE IFRS 9.7.2.15

The following table reconciles the carrying amounts of financial assets under PBE IPSAS 29 to the carrying amounts under PBE IFRS 9 on transition to PBE IFRS 9 on 1 April 2019.

In thousands of NZD	***PBE IPSAS 29 carrying amount at 31 March 2019***	**Reclassification**	**Remeasurement**	***PBE IFRS 9 carrying amount at 1 April 2019***
Financial assets				
Amortised cost				
Cash and cash equivalents:				
Brought forward: *Loans and receivables*	1,850			
Remeasurement			(1)	
Carried forward: *Amortised cost*				*1,849*
Trade and other receivables:				
Brought forward: *Loans and receivables*	*24,265*			
Remeasurement			(126)	
Carried forward: *Amortised cost*				*24,139*
Corporate and debt securities:				
Brought forward: *Held-to-maturity*	*2,256*			
Remeasurement			(13)	
Carried forward: *Amortised cost*				*2,243*
Total amortised cost	*28,371*		(140)	*28,231*

In thousands of NZD	***PBE IPSAS 29 carrying amount at 31 March 2019***	**Reclassification**	**Remeasurement**	***PBE IFRS 9 carrying amount at 1 April 2019***
Financial Assets				
FVOCRE				
Debt and equity investments:				
Brought forward: Available-for-sale	*884*			
Reclassified to: FVOCRE - debt		(373)		
Reclassified to: FVOCRE – equity		(511)		
FVOCRE – debt				
Investment securities:				
Brought forward: Available-for-sale:		373	-	
Carried forward: FVOCRE – debt				*373*
FVOCRE - equity				
Investment securities:				
Brought forward: available-for-sale:		511	-	
Carried forward: FVOCRE - equity				*511*
Total FVOCRE	*884*	-	-	*884*

ii. Impairment of financial assets

PBE IFRS 9 replaces the 'incurred loss' model in PBE IPSAS 29 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCRE, but not to investments in equity instruments.

Under PBE IFRS 9, credit losses are recognised earlier than under PBE IPSAS 29 – see Note 28 Accounting Policies(v).

For assets in the scope of the PBE IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of PBE IFRS 9's impairment requirements at 1 April 2019 results in an additional allowance for impairment as follows.

PBE IPSAS 30.49P

In thousands of NZD	
Loss allowance at 31 March 2019 under PBE IPSAS 29	74
Additional impairment recognised at 1 April 2019 on:	
Trade and other receivables as at 31 March 2019	126
Debt securities at amortised cost	13
Debt securities at FVOCRE	4
Cash and cash equivalents	1
Loss allowance at 1 April 2019 under PBE IFRS 9	218

Additional information about how the Group measures the allowance for impairment is described in Note 28(C)(ii).

iii. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in PBE IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings, receivables, sales and inventory purchases. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships.

The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under PBE IPSAS 29, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in surplus or deficit. However, under PBE IFRS 9 the forward points are separately accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under PBE IPSAS 29, for all cash flow hedges the amounts accumulated in the cash flow hedge reserve were reclassified to surplus or deficit as a reclassification adjustment in the same period as the hedged expected cash flows affected surplus or deficit. However, under PBE IFRS 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The same approach also applies under PBE IFRS 9 to the amounts accumulated in the cost of hedging reserve.

PBE IPSAS 3.33(f)-(g)
PBE IPSAS 30.49Q

For an explanation of how the Group applies hedge accounting under PBE IFRS 9, see Note 28 Accounting Policies(vi).

Retrospective application of the costs of hedging approach has had the following effects (net of tax) on the amounts presented for 2019 (for a description of the transition method, see (iv) below).

Consolidated statement of financial position – 31 March 2019

In thousands of NZD	PBE IPSAS 29 as previously reported	Adjustments	Restated at 31 March 2019
Equity			
Reserves	821	(35)	786
Accumulated comprehensive revenue and expense	13,788	35	13,823
Others	21,246	-	21,246
Total equity	35,855	-	35,855

At 31 March 2019, the Group held no inventory whose purchase had been subject to hedge accounting.

Consolidated statement of surplus or deficit and other comprehensive revenue and expense – For the year ended 31 March 2019

Surplus or deficit			
Revenue	92,631	(7)	92,624
Finance costs	(1,608)	(5)	(1,613)
Others	(84,807)	-	(84,807)
Surplus or deficit for the period	6,216	(12)	6,204
Other comprehensive revenue and expense			
Items that are or may be reclassified subsequently to surplus or deficit			
Cost of hedging reserve - changes in fair value	-	10	10
Cost of hedging reserve - reclassified to surplus or deficit	-	2	2
Others	496	-	496
Other comprehensive revenue and expense	496	12	496
Total comprehensive revenue and expense	6,290	-	6,290

PBE IPSAS 3.33(f)-(g)

The application of the costs of hedging approach and of the change in policy to include cash flow hedging gains or losses in the cost of inventory had the following effects on the amounts presented for the year ended 31 March 2020.

Consolidated statement of financial position – 31 March 2020

In thousands of NZD	**Adjustments**
Assets	
Inventories	12
Current assets	12
Total assets	12
Equity	
Reserves	(35)
Accumulated comprehensive revenue and expense	23
Total equity	(12)

Consolidated statement of surplus or deficit and other comprehensive revenue and expense – For the year ended 31 March 2020

In thousands of NZD	**Adjustments**
Surplus or deficit	
Revenue	(6)
Finance costs	(36)
Surplus or deficit for the period	(42)
Other comprehensive revenue and expense	
Items that are or may be reclassified subsequently to surplus or deficit	
Cost of hedging reserve – changes in fair value	*34*
Cost of hedging reserve – reclassified to surplus or deficit	*8*
Other comprehensive revenue and expense, net of tax	*42*
Total comprehensive revenue and expense	-

PBE IPSAS 3.33

iv. Transition

Changes in accounting policies resulting from the adoption of PBE IFRS 9 have been applied retrospectively, except as described below.

PBE IFRS 9.7.2.15

— The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have been restated only for retrospective application of the cost of hedging approach for forward points (see below). Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of PBE IFRS 9 are recognised in accumulated comprehensive revenue and expense and reserves as at 1 April 2019. Accordingly, the information presented for 2019 does not generally reflect the requirements of PBE IFRS 9, but rather those of PBE IPSAS 29.

— The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

PBE IFRS 9.7.2.3

- The determination of the business model within which a financial asset is held.

PBE IFRS 9.7.2.8-9

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTSD.
- The designation of certain investments in equity instruments not held for trading as at FVOCRE.

PBE IFRS 9.7.2.19

— If an investment in a debt security had low credit risk at the date of initial application of PBE IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

PBE IFRS 9.7.2.22

— Changes to hedge accounting policies have been applied prospectively except for the cost of hedging approach for forward points, which has been applied retrospectively to hedging relationships that existed on or were designated after 1 April 2019.

PBE IFRS 9.7.2.25(b)

— All hedging relationships designated under PBE IPSAS 29 at 31 March 2019 met the criteria for hedge accounting under PBE IFRS 9 at 1 April 2019 and are therefore regarded as continuing hedging relationships.

E. Accounting standards issued not yet effective[1]

PBE IPSAS 3.35 (a)-(b), 36

A number of new standards are effective for annual periods beginning after 1 April 2020 with earlier application is permitted. The Group has not yet early adopted these new or amended standards in preparing the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(a) PBE IPSAS 40 *PBE Combination*

PBE IPSAS 40 improvises the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public benefit entity combination and its effects.

This standard supersedes PBE IFRS 3 *Business Combinations* which remains applicable until PBE IPSAS 40 is applied or becomes effective, whichever is earlier. A public benefit entity shall apply this standard for annual financial statements covering periods beginning on or after 1 January 2021.

(b) PBE IPSAS 41 *Financial Instruments*

PBE IPSAS 41 establishes requirements for the recognition and measurement of financial instruments by Tier 1 and Tier 2 public benefit entities. When applied, PBE IPSAS 41 supersedes most of PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IPSAS 41 also supersedes PBE IFRS 9 *Financial Instruments,* had an entity previously applied PBE IFRS 9.

This standard is effective for reporting periods beginning on or after 1 January 2022.

PBE IFRS 9 is an interim standard, which introduced a number of changes to the recognition and measurement of financial instruments, including new classification and measurement requirements for financial assets, new hedging requirements and a new impairment model for financial assets. New Zealand Accounting Standards Board (NZASB) decided to develop PBE IPSAS 41 and withdraw PBE IFRS 9 to align the requirements in PBE standards with most recent IPSAS, equivalent NZ IFRS and allow entities to adopt an updated hedge account requirement which are closely aligned with entity's risk management practices. PBE IPSAS 41 is substantially converged with PBE IFRS 9 except for specific modifications made by NZASB. In case of disclosure requirements, NZASB has added to PBE IPSAS 30 *Financial Instruments: Disclosures* the disclosure concessions for Tier 2 entities which is aligned to the equivalent requirements in NZ IFRS.

(c) PBE FRS 48 *Service Performance Reporting*

This standard establishes requirements for Tier 1 and Tier 2 public benefit entities to select and present service performance information that is useful for accountability and decision-making purposes in general purpose financial report. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.

This standard is effective for annual periods beginning on or after 1 January 2021. As a Tier 1 not-for-profit entity, the Group will be required to present service performance information for the first time in its financial statements for the year ending 31 March 2022.

[1] The Group has listed here only those standards that are relevant to the Group. For a listing of all PBE Standards and Interpretations that have been issued but are not yet effective, please refer to our quarterly *Public benefit entities: New standards* publications, available on the KPMG NZ website.

7. Discontinued operations

In May 2019, the Group sold its entire packing division. Management committed to a plan to sell this division early in 2019, following a strategic decision to place greater focus on the Group's key competencies – i.e. the manufacturing of paper used in the printing industry, forestry and the manufacture of timber products.

The Packaging division was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of surplus or deficit and OCI has been restated to show the discontinued operation separately from continuing operations.

A. Results of discontinued operation

	In thousands of NZD	***Note***	**2020**	**2019**
PBE IFRS 5.33(b)(i)	Revenue		7,543	23,193
PBE IFRS 5.33(b)(i)	Expenses		(7,680)	(23,615)
PBE IFRS 5.33(b)(i)	**Results from operating activities**		(137)	(422)
PBE IFRS 5.33(b)(iii)	Gain on sale of discontinued operation		516	-
	Surplus (deficit) from discontinued operations, net of tax		379	(422)

PBE IFRS 5.33(d) The profit from the discontinued operation of $379 thousand (2019: loss of $422 thousand) is attributable entirely to the owners of the Entity. Of the profit from continuing operations of $12,484 thousand (2019: $6,526 thousand), an amount of $11,960 thousand is attributable to the owners of the Entity (2019: $5,849 thousand).

B. Cash flows from (used in) discontinued operation

	In thousands of NZD	***Note***	**2020**	**2019**
PBE IFRS 5.33(c)				
PBE IPSAS 2.22(n)	Net cash used in operating activities		(225)	(910)
PBE IFRS 5.33(c)	Net cash from investing activities	7(C)	7,100	-
	Net cash flows for the year		6,875	(910)

PBE IPSAS 2.50(d)
PBE IFRS 5.38

C. Effect of disposal on the financial position of the Group

	In thousands of NZD	***Note***	**2020**
	Property, plant and equipment		(3,961)
	Inventories		(134)
	Trade and other receivables		(3,955)
PBE IPSAS 2.50(c)	Cash and cash equivalents		(110)
	Trade and other payables		2,031
	Net assets and liabilities		(6,129)
PBE IPSAS 2.50(a)-(b)	Consideration received, satisfied in cash		7,210
	Cash and cash equivalents disposed of		(110)
	Net cash inflows	7(B)	7,100

Accounting Policy

PBE IFRS 5.32 A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

PBE IFRS 5.34 When an operation is classified as a discontinued operation, the comparative statement of surplus or deficit and other comprehensive revenue and expense is re-presented as if the operation had been discontinued from the start of the comparative year.

8. Revenue

			Continuing operations		Discontinued operation (see Note 7)		Total	
	In thousands of NZD	***Note***	**2020**	**2019***	**2020**	**2019**	**2020**	**2019***
	Revenue from exchange transactions:							
PBE IPSAS 9.39(b)(ii)	Sales of goods		**90,749**	89,319	**7,543**	23,193	**98,292**	112,512
PBE IPSAS 9.39(b)(i)	Rendering of services		**3,120**	2,786	**-**	-	**3,120**	2,786
PBE IPSAS 9.39(b)(i)	Commissions		**451**	307	**-**	-	**451**	307
PBE IPSAS 16.86(f)(i)	Investment property rentals		**310**	212	**-**	-	**310**	212
	Total Revenue from exchange transactions:		**94,630**	92,624	**7,543**	23,193	**102,173**	115,817
	Revenue from non-exchange transactions:							
PBE IPSAS 23.106(a)(ii) *PBE IPSAS 23.107(d)*	*Donations and goods-in-kind*							
	Funds		**12**	5	**-**	-	**12**	5
	Property, plant and equipment		**170**	-	**-**	-	**170**	-
	Biological assets		**5**	-	**-**	-	**5**	-
PBE IPSAS 23.107(d)	Bequests - funds received		**1,500**	1,000	**-**	-	**1,000**	1,000
PBE IPSAS 23.106(a)(ii)	Grants		**5,238**	3,000	**-**	-	**5,238**	3,000
PBE IPSAS 23.106(a)(ii)	Fundraising		**1,500**	-	**-**	-	**2,000**	-
PBE IPSAS 23. A54	Concessionary loans		**3**	-	**-**	-	**3**	-
	Total Revenue from non-exchange transactions:		**8,428**	4,005	**-**	-	**8,428**	4,005
			103,058	96,629	**7,543**	23,193	**110,601**	119,822

* As restated, see note 6D(iv)

PBE IPSAS 23.108 Details of unrecognised Services-in-Kind
(Services-in-kind are disclosed in a narrative section at the foot of the Revenue note. Entities are encouraged to disclose the major classes of services in kind received, including those not recognised.)

Accounting Policies

Revenue from exchange transactions

(i) Sale of goods

PBE IPSAS 9.28 *PBE IPSAS 9.39(a)* Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

PBE IPSAS 9.29-30 The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of timber and paper products, the transfer usually occurs when the product is delivered to the customer's warehouse; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return. For sales of livestock, transfer occurs on receipt by the customer.

Loyalty programme

PBE IPSAS 9.18 Revenue is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme or when it is no longer probably that the points under the programme will be redeemed.

(ii) Rendering of services

PBE IPSAS 9.19, PBE IPSAS 9 IG3-17 The Group is involved in managing forest resources, as well as performing related services. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The Group recognises revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

(iii) Commissions

PBE IPSAS 9.12 If the Group acts in the capacity of an agent rather than as the principle in a transaction, then the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income from investment properties

PBE IPSAS 13.63 Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and included in revenue. The aggregate cost of lease incentives provided is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

(v) Interest income

PBE IPSAS 9.33, 34 Interest income is earned for the use of cash and cash equivalents or any amounts due to the Group.

Interest income is recognised in the statement of comprehensive revenue and expense as it is earned. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest revenue each period.

Revenue from non-exchange transactions

(vi) Non-exchange revenue

PBE IPSAS 23.7 Non-exchange transactions are those where the Group receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange.

PBE IPSAS 23.12 Inflows of resources from non-exchange transactions, other than services in-kind, that meet the definition of an asset are recognised as an asset only when:

— It is probable that the Group will receive an inflow of economic benefits or service potential; and
— The fair value of can be measured reliably.

PBE IPSAS 23.17 Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect to the same inflow.

Liabilities are recognised in relation to inflows of resources from non-exchange transactions when there is a resulting present obligation as a result of the non-exchange transactions, where both:

— It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
— The amount of the obligation can be estimated reliably.

The following are the specific recognition criteria in relation to the Group's non-exchange transactions.

(vii) Grants

PBE IPSAS 23.14-15 The recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset.

PBE IPSAS 23.17-18 Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not used in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

PBE IPSAS 23.19 Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

The Group receives grant funding from the Ministry of Environment. The grants are provided [describe nature and conditions of grant e.g. to cover operational expenses in monitoring the environment impact of forestry operations]. Depending on the stipulations of each grant the Group may or may not have to return unspent funds. If there are conditions attached, revenue in relation to that particular grant is not recognised until the conditions have been fulfilled. For grants with restrictions, the revenue is recognised when it is received by the Group.

(viii) Gifts, donations and bequests

PBE IPSAS 23.12 Gifts, donations and bequests are voluntary transfers of assets including cash or other monetary assets, goods in-kind and services in-kind that the Group receives which are free from stipulations.

PBE IPSAS 23.93-97

Gifts, donations and bequests are recognised as revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably. For gifts and donations this usually upon receipt of the gift or donation. However for bequests, a period of time may elapse between the death of the testator and the entity receiving any assets – in which case the entity makes an assessment of whether the deceased person's estate is sufficient to meet all claims on it an satisfy all bequests. If the will is disputed, this is taken into account in determining the probability of assets flowing to the entity. Gifts, donations and bequests are recognised as revenue at their fair value at the date of recognition.

(ix) Donated Services

PBE IPSAS 23.98

The Group sometimes receives the donated services of agricultural research students. The Group has elected not to recognise these services as they are difficult to measure reliably and are immaterial in the context of the activities of the Group.

9. Income and expenses

	In thousands of NZD	*Note*	**2020**	**2019**
	A. Other income			
PBE IPSAS 27.38	Change in fair value of biological assets	*12 (A)*	**587**	28
PBE IPSAS 16.87(d)	Increase in fair value of investment property	*20 (A)*	**20**	60
PBE IPSAS 1.107(c)	Gain on sale of property, plant and equipment		**26**	16
PBE IPSAS 13.44(c)	Rental income from property sub-leases	*32 (A)(ii)*	**150**	90
			783	194
	B. Grant Expenditure			
	Grants for research		**7,000**	3,000
	C. Other expenses*			
PBE IFRS 5.41(c)	Impairment loss on re-measurement of disposal group	*17 (A)*	**35**	-
	Settlement of pre-existing relationship with acquiree	*29 (A)*	**326**	-
	Onerous contract charge on property sub-leases	*27*	**160**	-
	Earthquake-related expenses		**259**	-
			780	-

*An impairment loss on trade receivables of $30 thousand in the year ended 2019 was reclassified from other expenses to a separate line item (see Note 6D).

	D. Expenditure by nature		**2020**	**2019**
	Changes in inventories of finished goods and work in progress		**(1,641)**	(343)
	Raw materials		**56,673**	57,061
PBE IPSAS 1.115	Employee benefits	*11*	**20,709**	22,268
PBE IPSAS 1.115	Depreciation and amortisation	*18 (A), 19 (A)*	**5,786**	5,917
PBE IPSAS 17.88(e)(v) *PBE IPSAS 1.107(a)*	Impairment of property, plant and equipment and goodwill	*18(B) 19 (C)*	**(377)**	1,408
	Consultancy		**2,866**	882
	Advertising		**2,550**	1,150
	Maintenance		**3,673**	954
PBE IPSAS 13.44(C)	Lease and contingent rent	*32 (A)(ii)*	**475**	477
PBE IPSAS 1.116.1(a)	Auditor's remuneration			
	Audit of Financial Statements		**70**	60
	Other Services *		**144**	166
	Total cost of sales, selling and distribution, administrative and research and development expenses		**90,928**	90,000
PBE IPSAS 1.116.1(b) *PBE IPSAS 1.116.2*	* Other audit related services being review of financial information other than financial reports, regulatory audits and advisory services.			

Accounting Policy

Grant expenditure is recognised once the grant is approved and committed to by both parties. The grant committee considers all applications and selects those that it considers to meet expenditure guidelines for further consideration by the Board. Once the Board approves the grants and the approval is communicated to the recipient, who returns a written acceptance, the expenditure is recognised. All grants must be applied for on an annual basis – there are no multi-year grants.

10. Net finance costs

	In thousands of NZD	*Note*	2020	2019*
	Interest income under the effective interest method on:			
PBE IPSAS 30S.24 (b)	- Corporate debt securities – available-for-sale		**-**	27
PBE IPSAS 30.24 (b)	- Corporate debt securities – FVOCRE		**8**	-
PBE IPSAS 30S.24 (b)	- Corporate debt securities – held-to-maturity – unimpaired		**-**	117
PBE IPSAS 30S.24 (b)	- Corporate debt securities – held-to-maturity - impaired		**-**	6
PBE IPSAS 30.24 (b)	- Corporate debt securities – at amortised cost		**155**	-
PBE IPSAS 30S.24 (b)	- Cash and cash equivalents		**2**	1
PBE IPSAS 30.37(a)(v)	- Imputed interest on concessionary loan		**43**	-
PBE IPSAS 30.24 (b)	**Total interest income arising from financial assets not measured at fair value through surplus or deficit**		**208**	151
PBE IFRS 3.B64(p)(ii)	Re-measurement to fair value of pre-existing interest in acquiree	*29 (D)*	**250**	-
	Available-for-sale financial assets:			
	Dividend income:			
PBE IPSAS 9.39(b)(v)	- Equity securities – available for sale		**-**	32
PBE IPSAS 30.14A(d)	- Equity securities – FVOCRE	*22*	**26**	-
PBE IPSAS 30.24 (a)(ii)	Corporate debt securities - FVOCRE			
	- Gain on derecognition reclassified from OCRE		**64**	-
PBE IPSAS 30.24 (a)(i) *PBE IPSAS 30.24.1*	Financial assets at FVTSD – net change in fair value:			
	- Mandatorily measured at FVTSD - held for trading		**74**	-
	- Mandatorily measured at FVTSD - other		**508**	-
	- Designated on initial recognition		**-**	264
	Finance income		**1,130**	447
PBE IPSAS 1.99.1(ba)	**Finance cost – impairment loss on debt securities (net of reversals)**	*28 (C)(ii)*	**(59)**	-
PBE IPSAS 30.24(b)	Financial liabilities measured at amortised cost – interest expense		**(1,197)**	(1,299)
PBE IPSAS 4.61(a)	Net foreign exchange loss		**(174)**	(243)
PBE IPSAS 19.97(e)	Unwind of discount on site restoration provision	*27*	**(60)**	(50)
PBE IPSAS 30.24(a)(i)	Change in fair value of contingent consideration	*28 (B)(ii)*	**(20)**	-
PBE IPSAS 30.28B(b)	Cash flow hedges – reclassified from OCRE including costs of hedging reserve		**30**	11
PBE IPSAS 30.28 (b)	Cash flow hedges – ineffective portion of changes in fair value		**(15)**	(13)
PBE IPSAS 30.28 (c)	Net investment hedge – ineffective portion of changes in fair value		**(1)**	-
	Financial assets at FVTSD – net change in fair value:			
PBE IPSAS 30.24(a)(i)	- Mandatorily measured at FVTSD - held for trading		**-**	(19)
PBE IPSAS 30.37(a)(ii)	Concessionary loans issued – fair value adjustment (initial recognition)	*15*	**(216)**	-
	Finance costs		**(1,712)**	(1,613)
	Net finance costs recognised in surplus or deficit		**(582)**	(1,166)

* As restated, see note 6D(iv)

Accounting Policies

Finance income and Finance Costs

The Group's finance income and finance cost include:

- interest income;
- interest expense;
- dividend income;
- dividends on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of available-for-sale financial assets;

- the net gain or loss on financial assets at fair value through surplus or deficit;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the gain on the measurement to fair value of any pre-existing interest in an acquire in a business combination;
- the fair value loss on contingent consideration classified as a financial liability;
- impairment deficits recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in surplus or deficit; and
- the reclassification of the net gains previously recognised in other comprehensive revenue and expense

PBE IPSAS 9.34(a) Interest income or expense is recognised using the effective interest method. Dividend income is recognised in surplus or deficit on the date on which the Group's right to receive payment is established.

Foreign currency transactions

(i) Foreign currency transactions

PBE IPSAS 4.24, 27 Transactions in foreign currencies are translated into the respective functional currencies of the Group entities at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in surplus or deficit.

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive revenue and expenses:

PBE IPSAS 29.106(a), 113(a)
AG 116

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive revenue and expense);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see (iii)); and
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into dollars at the exchange rates at the dates of the transactions.

PBE IPSAS 4.44

Foreign currency differences are recognised in other comprehensive revenue and expense and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

PBE IPSAS 35.49
PBE IPSAS 4.46,57,58

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to surplus or deficit as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to surplus or deficit.

(iii) Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Entity's functional currency (NZD).

PBE IPSAS 29.113 To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive revenue and expense and accumulated in the translation reserve. Any remaining differences are recognised in surplus or deficit. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to surplus or deficit as part of the gain or loss on disposal.

11. Employee benefit expense

	In thousands of NZD	*Note*	**2020**	**2019**
	Wages and Salaries		**19,983**	21,356
PBE IPSAS 39.161	Expenses related to long-service leave		**376**	462
	Termination benefits	*27(B)*	**350**	450
			20,709	22,268

Accounting Policies

(i) Short-term employee benefits

PBE IPSAS 39.9

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long-term employee benefits

PBE IPSAS 39.159

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in surplus or deficit in the period in which they arise.

(iii) Termination benefits

PBE IPSAS 39.168-171

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly with 12 months of the reporting date, then they are discounted.

12. Biological assets

A. Reconciliation of carrying amount

	In thousands of NZD	*Note*	**Standing timber**	**Livestock**	**Total**
	Balance at 1 April 2018		3,240	196	3,436
PBE IPSAS 27.48(b)	Purchases		743	92	835
PBE IPSAS 27.48(i)	Sales of livestock		-	(63)	(63)
PBE IPSAS 27.48(f)	Harvested timber transferred to inventories		(293)	-	(293)
PBE IPSAS 27.46					
PBE IPSAS 27.48(a)	Change in fair value less costs to sell:				
PBE IPSAS 27.49	- Due to price changes	9(A)	(17)	22	5
PBE IPSAS 27.49	- Due to physical changes	9(A)	15	8	23
PBE IPSAS 27.48(h)	Effect of movements in exchange rates		68	45	113
	Balance at 31 March 2019		3,756	300	4,056
	Non-current		3,756	269	4,025
	Current		-	31	31
	Balance at 1 April 2019		3,756	300	4,056
PBE IPSAS 27.48(b)	Purchases		**294**	**6**	**300**
PBE IPSAS 27.48(i)	Sales of livestock		**-**	**(127)**	**(127)**
PBE IPSAS 27.48(i)	Donated livestock		**-**	**5**	**5**
PBE IPSAS 27.48(f)	Harvested timber transferred to inventories		**(135)**	**-**	**(135)**
PBE IPSAS 27.46					
PBE IPSAS 27.48 (a)	Change in fair value less costs to sell:				
PBE IPSAS 27.49	- Due to price changes	9(A)	**92**	**59**	**151**
PBE IPSAS 27.49	- Due to physical changes	9(A)	**315**	**121**	**436**
PBE IPSAS 27.48(h)	Effect of movements in exchange rates		**30**	**14**	**44**
	Balance at 31 March 2020		**4,352**	**378**	**4,730**
	Non-current		**4,352**	**346**	**4,698**
	Current		**-**	**32**	**32**
			4,352	**378**	**4,730**

PBE IPSAS 27 RDR 48.1 – 48.2

A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 48 for prior periods.

A Tier 2 entity is not required to disclose separately the gain or loss arising from changes in fair value less costs to sell for biological assets and consumable biological assets as specified in paragraph 48(a).

PBE IPSAS 27.39, PBE IPSAS 27.44(b)(i)

At 31 March 2020, standing timber comprised approximately 3,310 hectares of pine tree plantations (2019: 3,230 hectares), which ranges from newly established plantations that were 30 years old. $282 thousand (2019: $513 thousand) of the standing timber was less than one year old and considered to be immature assets.

PBE IPSAS 27.39, PBE IPSAS 27.44(b)(i)-(ii)

At 31 March 2020, livestock comprised 1,875 cattle and 3,781 sheep (2019: 1,260 cattle and 3,314 sheep). During 2020, the Group sold 289 cattle and 286 sheep (2019: 150 cattle and 175 sheep).[1]

PBE IPSAS 27 RDR 39.1

A Tier 2 entity is not required to distinguish between consumable and bearer biological assets as required by paragraph 39.

PBE IPSAS 27.47(a)

There is no title restriction over any biological assets and no biological assets are pledged as security over liabilities.

PBE IPSAS 27.47(b)

There is no restriction on the entity's use of capacity to sell any of biological assets.

PBE IPSAS 27.47(c)

There are no commitments for the development or acquisition of biological assets.

B. Measurement of fair values

i. Valuation techniques and significant assumptions

PBE IPSAS 27.44
PBE IPSAS 27.45

The following table shows the valuation techniques used in measuring fair values.

Type *[PBE IPSAS 27.39, 44(a)]*	**Valuation technique**	**Significant assumptions**
Standing timber Standing timber older than 25 years (the age at which it becomes marketable) Consumable biological asset held for sale	*Discounted cash flows:* The valuation model considers the present value of the net cash flows expected to be generated by the plantation. The cash flow operations include specific estimates for [x] years. The expected net cash flows are discounted using a risk-adjusted discount rate.	— Estimated future timber market prices per tonne (2019: $12.8-17.9, weighted average $16.25; 2018: $11.6-16.3, weighted average $15.15). — Estimated yields per hectare (2019: 6-10, weighted average 8; 2018: 5-10, weighted average 7.5). — Estimated harvest and transportation costs (2019: 6.4-8.3%, weighted average 7.5%; 2018: 6.3-7.8%, weighted average 6.7%). — Risk-adjusted discount rate (2019: 7.9-9.0%, weighted average 8.6%; 2018: 7.1-8.3%, weighted average 7.8%).
Younger standing timber Consumable biological asset held for sale	*Cost approach and discounted cash flows:* The Group considers both approaches, and reconciles and weighs the estimates under each approach based on its assessment of the judgement that market participants would apply. The cost approach considers the costs of creating a comparable plantation, taking into account the costs of infrastructure, cultivation and preparation, buying and planting young trees with an estimate of the surplus that would apply to this activity. Discounted cash flows consider the present value of the net cash flows expected to be generated by the plantation at maturity, the expected	— Estimated costs of infrastructure per hectare (2019: $0.8-1.1, weighted average $0.95; 2018: $0.8-1.2, weighted average $0.97). — Estimated costs of cultivation and preparation per hectare (2019: $0.2-0.4, weighted average $0.3; 2018 $0.3-0.4, weighted average $0.35). — Estimated costs of buying and planting young trees (2019: $1.0-1.3, weighted average $1.25; 2018 $1.1-1.3, weighted average $1.2). — Estimated future timber market prices per tonne (2019: $13.8-19.8, weighted average $17.05; 2018 $13.7-19.5, weighted average $16.6).

[1] Tier 2 entities are not required to describe:
a) the nature of its activities involving each group of biological assets;
b) the non-financial measures or estimates of the physical quantities of each group of the entity's biological assets at the end of the period and output of agricultural produce during the period; and
c) to distinguish between consumable and bearer biological assets.

	additional biological transformation and the risks associated with the asset. The expected net cash flows are discounted using risk-adjusted discount rates.	— Estimated yields per hectare (2019: 6-11, weighted average 8.6; 2018: 7-11, weighted average 8.9). — Risk-adjusted discount rate (2019: 8.9-9.9%, weighted average 9.4%; 2018: 9.4-9.9, weighted average 9.6%).
Livestock Livestock comprises cattle and sheep, characterised as commercial or breeders. Consumable biological asset held for sale	*Market comparison technique:* The fair values are based on the market price of livestock of similar age, weight and market values.	Not applicable.

BE IPSAS 27.47(d)

B. Risk management strategy related to agricultural activities

The Group is exposed to the following risks relating to its pine tree plantations

i. Regulatory and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii. Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volumes of pine. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

iii. Climate and other risks

The Group's pine plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

Accounting Policy

PBE IPSAS 27.16 – 18

Biological assets are measured at fair value less costs to sell, with any change therein recognised in surplus or deficit. To the extent that biological assets were received through non-exchange transactions (for no cost or for a nominal cost), the cost of the biological asset is its fair value at the date of acquisition.

13. Inventories

	In thousands of NZD	***Note***	**2020**	**2019**
PBE IPSAS 12.47(b)	Raw materials and consumables		**4,860**	5,753
PBE IPSAS 12.47(b)	Work in progress		**2,555**	1,661
PBE IPSAS 12.47(b)	Finished goods		**4,200**	4,705
	Inventories		**11,615**	12,119
PBE IPSAS 12.47(h)	Carrying amount of inventories subject to retention of title clauses		**1,650**	2,090

PBE IPSAS 12.47(d) In 2020, inventories of $56,673 thousand (2019: $57,061 thousand) were recognised as an expense during the reporting period and included in "cost of sales".

PBE IPSAS 12.47(e)-(g) No inventories have been written down during the reporting period (2019: nil) and no previous write-downs have been reversed (2019: nil)

Accounting Policy

PBE IPSAS 12.9 Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

PBE IPSAS 12.15-18, 12.47(a) In the case of manufactured inventories (primarily timber for construction and paper products) and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

After initial recognition, inventory is measured at the lower of cost and net realisable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

PBE IPSAS 12.29 The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of the harvest.

14. Receivables – exchange transactions

See accounting policy in Note 8 Revenue and Note 28 Financial Instruments (i)-(ii).

	In thousands of NZD	***Note***	**2020**	**2019**
PBE IPSAS 1.94(b)	Trade receivables due from related parties	34(C)	**1,236**	642
PBE IPSAS 1.94(b)	Loans to directors	36(C)(ii)	**78**	32
PBE IPSAS 1.94(b)	Other trade receivables	27A	**29,801**	22,091
			31,115	22,765
	Non-current		**-**	-
	Current		**31,115**	22,765
			31,115	22,765

A. Transfer of trade receivables

PBE IPSAS 30.18, 17(a)-(b) The Group transferred trade receivables to a bank for cash proceeds. The trade receivables have not been derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards, primarily credit risks. The amount received on transfer has been recognised as a secured bank loan (see Note 23(A))

The following table shows the carrying amount of trade receivables at the year-end that have been transferred but have not been recognised

In thousands of NZD	**2020**	**2019**
Trade receivables due from related parties	**7,600**	1,000

B. Credit and market risks, and impairment deficits

Information about the Group's exposure to credit and market risks, and impairment deficits for trade and other receivables, excluding construction contracts in progress, is included in Note 28(C).

15. Receivables – non exchange transactions

See accounting policy in Note 8 Revenue and Note 28 Financial Instruments (vi)-(viii).

	In thousands of NZD	*Note*	2020	2019
PBE IPSAS 1.94(b)	Bequests		**3,000**	1,500
	Concession Loans	15C	**827**	-
			3,827	1,500
	Non-current		**827**	-
	Current		**3,000**	1,500
			3,827	1,500

A. Monetary receivables – non exchange transactions

The Group has received notification of a bequest and is waiting for probate to be completed. We have no reason to believe the bequest will not be received within the next three months.

B. Credit and market risks, and impairment deficits

Information about the Group's exposure to credit and market risks, and impairment deficits for trade and other receivables.

C. Concessionary loan

PBE IPSAS 1.94(b)
PBE IPSAS 30.37(c)

During the 2019 reporting period the Group issued a loan to an external third party at terms and interest rates that were below market for what would have been provided for a similar loan for a similar counter party on a market basis.

The purpose of the loan was to assist the external third party in researching the environmental impacts of forestry.

The loan was issued with the following terms:

- Loan principal: $1,000,000
- Contractual interest rate: 0%
- Maturity: 5 years
- Repayment schedule: Principal payable at maturity

PBE IPSAS 30.37(d)

To determine the day one fair value of the concessionary loan issue a market effective interest rate of 5% was applied to discount the contractual cash flow (principal only) back to present value. The rate applied is the same that would be used in the market for a loan of identical terms and counter party risks.

	In thousands of NZD	*Note*	2020	2019
PBE IPSAS 30.37(a)	**Opening balance**		**-**	-
PBE IPSAS 30.37(a)(i)	Nominal value of new loan issued		**1,000**	-
PBE IPSAS 30.37(a)(ii)	Fair value adjustment		**(216)**	-
PBE IPSAS 30.37(a)(iii)	Repayments during period		**-**	-
PBE IPSAS 30.37(a)(v)	Imputed interest (market effective rate)		**43**	-
PBE IPSAS 30.37(a)(iv)	Impairment		**-**	-
	Closing balance		**827**	-
	Non-current		**827**	-
	Current		**-**	-
			827	-

16. Cash and cash equivalents

	In thousands of NZD	2020	2019
	Bank balances	**51**	988
	Call deposits	**454**	862
	Cash and cash equivalents in the statement of financial position	**505**	1,850
	Bank overdrafts used for cash management purposes	**(334)**	(282)
PBE IPSAS 2.56	**Cash and cash equivalents in the statement of cash flows**	**171**	1,568

The Group has pledged part of its call deposits (see 23(A))

Accounting Policy

PBE IPSAS 2.8
PBE IPSAS 2.57

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

17. Disposal group held for sale

PBE IFRS 5.41(a),(b)

In June 2020, management commits to a plan to sell part of a manufacturing facility within the Standard Papers division. Accordingly, part of that facility is presented as a disposal group held for sale. Efforts to sell the disposal group have started and a sale is expected by April 2020.

A. Impairment deficits relating to the disposal group

PBE IFRS 5.41(c)

Impairment deficits of $35 thousand for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in 'other expenses' (see Note 9 (C)). The Impairment deficits have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

PBE IFRS 5.38

B. Assets and liabilities of disposal group held for sale

At 31 March 2020, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.[1]

In thousands of NZD	**2020**
Property, plant and equipment	**8,129**
Inventories	**2,775**
Trade and other receivables	**3,496**
Assets held for sale	**14,400**
Trade and other payables	**4,410**
Liabilities held for sale	**4,410**

(1) PBE IFRS 5 RDR 35.1

[Disclosure Guidance only] A Tier 2 entity is not required to disclose the nature and amount of the adjustments in the current period required by paragraph 35.

C. Cumulative income or expenses included in OCI

PBE IFRS 5.38

There are no cumulative income or expenses included in OCI relating to the disposal group.

D. Classification

PBE IFRS 5.42

During the reporting period there has been no change in the classification of the disposal group held for sale.

Accounting Policy

PBE IFRS 5.6

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

PBE IFRS 5.15-15(a)
PBE IFRS 5.18 – 23, 25

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss in disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment deficits on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on re-measurement are recognised in surplus or deficit.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

18. Property, plant and equipment

PBE IPSAS 1.94(a)	*In thousands of NZD*	*Note*	Land and buildings	Plant and equipment	Fixtures and fittings	Under constr-uction	Total
	A. Reconciliation of carrying amount						
	Costs						
PBE IPSAS 17.88(e)	Balance at 1 April 2018 [1]		7,328	29,509	5,289	-	42,126
PBE IPSAS 17.88(e)(i)	Additions		193	1,540	675	-	2,408
PBE IPSAS 17.88(e)(ix)	Disposals		-	(1,081)	-	-	(1,081)
PBE IPSAS 17.88(e)(viii)	Effect of movements in exchange rates		-	316	171	-	487
PBE IPSAS 17.88(d)	**Balance at 31 March 2019**		7,521	30,284	6,135	-	43,940
PBE IPSAS 17.88(d)	Balance at 1 April 2019		**7,521**	**30, 284**	**6,135**	**-**	**43,940**
PBE IPSAS 17.88(e)(iii)	Acquisitions through business combinations	29(C)	**185**	**1,580**	**190**	**-**	**1,955**
PBE IPSAS 17.88(e)(i)	Additions (exchange)		**1,750**	**9,374**	**657**	**4,100**	**15,881**
PBE IPSAS 17.88(e)(i)	Additions (non-exchange)		**-**	**170**	**-**	**-**	**170**
PBE IPSAS 17.88(e)(ix)	Reclassification of investment property – depreciation offset		**(300)**	**-**	**-**	**-**	**(300)**
PBE IPSAS 17.88(e)(iv)	Revaluation of building reclassified to investment property		**200**	**-**	**-**	**-**	**200**
PBE IPSAS 17.88(e)(ix)	Reclassification to investment property	20(A)	**(800)**	**-**	**-**	**-**	**(800)**
PBE IPSAS 17.88(e)(ii)	Reclassification to assets held for sale	17(B)	**-**	**(9,222)**	**-**	**-**	**(9,222)**
PBE IPSAS 17.88(e)(ix)	Disposals		**-**	**(11,972)**	**(2,100)**	**-**	**(14,072)**
PBE IPSAS 17.88(e)(viii)	Effect of movements in exchange rates		**-**	**91**	**50**	**-**	**141**
PBE IPSAS 17.88(d)	**Balance at 31 March 2020**		**8,556**	**20,305**	**4,932**	**4,100**	**37,893**
	Accumulated depreciation and impairment losses						
PBE IPSAS 17.88(d)	Balance at 1 April 2018 [1]		693	5,557	939	-	7,189
PBE IPSAS 17.88(e)(vii)	Depreciation	9(D)	123	4,240	759	-	5,122
PBE IPSAS 17.88(e)(v)	Impairment loss	9(D), 19(C)	-	1,123	-	-	1,123
PBE IPSAS 17.88(e)(ix)	Disposals		-	(700)	-	-	(700)
PBE IPSAS 17.88(e)(viii)	Effect of movements in exchange rates		-	98	59	-	157
PBE IPSAS 17.88(d)	**Balance at 31 March 2019**		816	10,318	1,757	-	12,891
PBE IPSAS 17.88(d)	Balance at 1 April 2019		**816**	**10,318**	**1,757**	**-**	**12,891**
PBE IPSAS 17.88(e)(vii)	Depreciation	9(D)	**120**	**4,140**	**741**	**-**	**5,001**
PBE IPSAS 17.88(e)(vi)	Reversal of impairment deficits	9(D)	**-**	**(393)**	**-**	**-**	**(393)**
PBE IPSAS 17.88(e)(ix)	Reclassification to investment property – depreciation offset		**(300)**	**-**	**-**	**-**	**(300)**
PBE IPSAS 17.88(e)(ii)	Reclassification to assets held for sale	17(B)	**-**	**(1,058)**	**-**	**-**	**(1,058)**
PBE IPSAS 17.88(e)(ix)	Disposals		**-**	**(3,808)**	**(1,127)**	**-**	**(4,935)**
PBE IPSAS 17.88(e)(viii)	Effect of movements in exchange rates		**-**	**63**	**38**	**-**	**101**
PBE IPSAS 17.88(d)	**Balance at 31 March 2020**		**636**	**9,262**	**1,409**	**-**	**11,307**
	Carrying amounts						
PBE IPSAS 17.88(d)	At 1 April 2018		6,635	23,952	4,350	-	34,937
PBE IPSAS 17.88(d)	**At 31 March 2019**		6,705	19,966	4,378	-	31,049
PBE IPSAS 17.88(d)	**At 31 March 2020**		**7,920**	**11,043**	**3,523**	**4,100**	**26,586**
[1] PBE IPSAS 17 RDR 88.1	*A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 88(e) for prior periods.*						

PBE IPSAS 26.115(a)-(b)

B. Impairment loss and subsequent reversal

During 2019, due to regulatory restrictions imposed on the manufacture of a new product in the Standard Papers entities, the Group tested the related product line for impairment and recognised an impairment loss of $1,123 thousand with respect to plant and equipment. In 2019, $393 thousand of the loss was reversed.

PBE IPSAS 13.40(a),(f)

C. Leased plant and equipment

The Group leases production equipment under a number of finance leases. One of the leases is an arrangement that is not in the legal form of a lease, but is accounted for as a lease based on its terms and conditions The leased equipment secures lease obligations. At 31 March 2020, the net carrying amount of leased equipment was $1,646 thousand (2019: $1,972 thousand). See Note 32.

During 2020, the Group acquired equipment with a carrying amount of $200 thousand (2019: $180) under a finance lease. Some leases provide the group with the option to buy equipment at a beneficial price. See Note 23(C) (i)).

PBE IPSAS 17.89(a)

D. Security

At 31 March 2020, properties with a carrying amount of $7,000 thousand (2019: $4,700 thousand) were subject to a registered debenture that forms security for bank loans. (See Note 23(A)).

PBE IPSAS 17.89(b)

E. Property, plant and equipment under construction

During 2019, the Group acquired a piece of land for $3,100 thousand, with the intention of constructing a new factory on the site.

PBE IPSAS 5.40(a)-(b)
PBE IPSAS 5.40(c)

The Group has started construction and costs incurred up to 31 March 2020 totalled $1,000 thousand (2019: nil). Included in this amount are capitalised borrowing costs related to the acquisition of the land and the construction of the factory of $194 thousand, calculated using a capitalisation rate of 5.2%.

F. Transfer to investment property

During 2019, a building was transferred to investment property (see Note 20(A)), because it was no longer used by the Group and it was decided that the building would be leased to a third party.

PBE IPSAS 1.140

Immediately before transfer, the Group re-measured the property to fair value and recognised a gain of $200 thousand in OCI. The valuation techniques used in measuring the fair value of the building at the date of transfer were the same as those applied to investment property at the reporting date (see Note 20(B) (ii)).

PBE IPSAS 3.44

G. Change in estimates

PBE IPSAS 17.91

During 2019, the Group conducted an operational efficiency review at one of its plants, which resulted in changes in the expected usage of certain dyeing equipment. The dyeing equipment, which management had previously intended to sell after 5 years of use, is now expected to remain in production for 12 years from the date of purchase. As a result, the expected useful life of the equipment increased and its estimated residual value decreased. The effect of these changes on actual and expected depreciation expense, included in 'cost of sales', was as follows.

In thousands of NZD	**2020**	2021	2022	2023	2024	Later
(Decrease) increase in depreciation expense	**(256)**	(113)	150	150	130	170

PBE IPSAS 17.92

H. Revaluation of Property, Plant and Equipment

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At date of the revaluation, the asset is treated the following way:

The Gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

Accounting Policy

(i) Recognition and measurement

PBE IPSAS 17.26, 42, 88(a)

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

PBE IPSAS 17.61

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

PBE IPSAS 17.57, 86

Any gain or loss on disposal of an item of property, plant and equipment is recognised in surplus or deficit.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

(iii) Depreciation

PBE IPSAS 17.69, 74, 76, 88(b)

Depreciation is calculated to write off the cost of items of property, plant and equipment less their residual values using the straight-line method over their useful lives, and is recognised in surplus or deficit. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

PBE IPSAS 17.88(c)

The estimated useful lives of property, plant and equipment are as follows:

— buildings	40 years
— plant and equipment	3 – 12 years
— fixtures and fittings	5 – 10 years
— *[Any other significant classes of assets]*	

PBE IPSAS 16.73

The assets' residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in surplus or deficit to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive revenue and expenses and presented in the revaluation reserve. Any loss is recognised in surplus or deficit.

19. Intangible assets and goodwill

	In thousands of NZD	Note	Good-will[1]	Patents and trademarks	Develop-ment costs	Customer relation-ships	Total
	A. Reconciliation of carrying amount						
	Costs						
PBE IPSAS 31.117(c)	Balance at 1 April 2018[2]		3,545	1,264	4,111	-	8,920
PBE IPSAS 31.117(e)(i)	Acquisitions – internally developed		-		515	-	515
PBE IPSAS 31.117(e)(vii)	Effect of movements in exchange rates		-	(171)	(75)	-	(246)
PBE IPSAS 31.117(c)	**Balance at 31 March 2019**		3,545	1,093	4,551	-	9,189
PBE IPSAS 31.117(c)	Balance at 1 April 2019		**3,545**	**1,093**	**4,551**	**-**	**9,189**
PBE IPSAS 31.117(e)(i)	Acquisitions through business combinations	29(C)(D)	**541**	**170**	**-**	**80**	**791**
PBE IPSAS 31.117(e)(i)	Acquisitions – internally developed		**-**	**-**	**1,272**	**-**	**1,272**
PBE IPSAS 31.117(e)(vii)	Effect of movements in exchange rates		**-**	**186**	**195**	**-**	**381**
PBE IPSAS 31.117(c)	**Balance at 31 March 2020**		**4,086**	**1,449**	**6,018**	**80**	**11,633**
	Accumulated amortisation and impairment losses					-	
PBE IPSAS 31.117(c)	Balance at 1 April 2018[2]		138	552	2,801	-	3,491
PBE IPSAS 31 117.(e)(vi)	Amortisation	9(D)	-	118	677	-	795
PBE IPSAS 31 117.(e)(iv)	Impairment loss	9(D)	-	-	285	-	285
PBE IPSAS 31 117.(e)(vii)	Effect of movements in exchange rates		-	(31)	(12)	-	(43)
PBE IPSAS 31.117(c)	**Balance at 31 March 2019**		138	639	3,751	-	4,528
PBE IPSAS 31.117(c)	Balance at 1 April 2019		**138**	**639**	**3,751**	**-**	**4,528**
PBE IPSAS 31 117.(e)(vi)	Amortisation	9(D)	**-**	**129**	**646**	**10**	**785**
PBE IPSAS 31 117.(e)(iv)	Impairment loss	9(D)	**116**	**-**	**-**	**-**	**116**
PBE IPSAS 31 117.(e)(v)	Reversal of impairment loss	9(D)	**-**	**-**	**(100)**	**-**	**(100)**
PBE IPSAS 31 117.(e)(vii)	Effect of movements in exchange rates		**-**	**61**	**17**	**-**	**78**
PBE IPSAS 31.117(c)	**Balance at 31 March 2020**		**254**	**829**	**4,314**	**10**	**5,407**
	Carrying amounts						
PBE IPSAS 31.117(c)	At 1 April 2018		3,407	712	1,310	-	5,429
PBE IPSAS 31.117(c)	**At 31 March 2019**		3,407	454	800	-	4,661
PBE IPSAS 31.117(c)	**At 31 March 2020**		**3,832**	**620**	**1,704**	**70**	**6,226**

[2] *PBE IPSAS 31 RDR 117.1* *A Tier 2 entity is not required to disclose the reconciliation specified in paragraph 117(e) for prior periods.*

B. Amortisation

PBE IPSAS 31.117(d) The amortisation of patents, trademarks and development costs is allocated to the cost of inventory and is included in 'cost of sales' as inventory is sold; the amortisation of customer relationships is included in 'cost of sales'.

C. Impairment test

PBE IPSAS 21.77(b)
PBE IPSAS 26.120(a)-(b) The impairment loss and its subsequent reversal was recognised in relation to the manufacture of a new product in the Standard Papers division and the goodwill in the Timber Products CGU as follows.

In thousands of NZD	*Note*	2020	2019
Standard papers			
Plant and equipment and development costs	(i)	**(493)**	1,408
Timber products			
PBE IFRS 3.B67(d)(v) Goodwill	(ii)	**116**	-
(Reversal of) impairment loss	9(D)	**(377)**	1,408

PBE IPSAS 21.73(a)-(b)
PBE IPSAS 26.115(a)-(b)(1) The impairment loss and subsequent reversal was included in "cost of sales".

Reference PBE IFRS 3 B67(d).

i. Impairment loss and subsequent reversal in relation to a new product

PBE IPSAS 26.120(a) PBE IPSAS 26.120(d)(i)

During 2019, a regulatory inspection revealed that a new product in the Standard Papers segment did not meet certain environmental standards, necessitating substantial changes to the manufacturing process. Before the inspection, the product was expected to be available for sale in 2020; however, as a result of the regulatory restrictions, production and the expected launch date were deferred.

PBE IPSAS 26.120(e)

Accordingly, management estimated the recoverable amount of the CGU (the product line) in 2019. The recoverable amount was estimated based on its value in use, assuming that the production line would go live in August 2020.

In 2020, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

PBE IPSAS 26.120(g)

The estimate of value in use was determined using a pre-tax discount rate of 10.5% (2020: 9.8%) and a terminal value growth rate of 3% from 2024 (2019: 3% from 2023).

In thousands of NZD	***Note***	**2020**	**2019**
Plant and equipment		**(393)**	1,123
Development cost		**(100)**	285
(Reversal of) impairment loss		**(493)**	1,408

PBE IPSAS 26.120(e)

In 2019, following certain changes to the recovery plan, the Group reassessed its estimates and reversed part of the initially recognised impairment.

In thousands of NZD	**2020**	**2019**
Recoverable amount	1,576	1,083

ii. Impairment testing for CGU's containing goodwill

PBE IPSAS 26.123(a), (a1), (b), (d)

European Paper manufacturing and distribution

The recoverable amount of this CGU was based on the fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 5(B)).

PBE IPSAS 26.123(d)(i)

The key assumption used in the estimation of the amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

PBE IPSAS 26.123(e)(ii)

In percent	**2020**	**2019**
PBE IPSAS 26.123(c)(v) Discount rate	**8.7**	8.5
PBE IPSAS 26.123(d)(iv) Terminal value growth rate	**1.0**	0.9
PBE IPSAS 26.123(d)(i) Budgeted EBITDA growth rate (average of next five years)	**5.2**	4.8

PBE IPSAS 26.123(d)(ii)

The discount rate was post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a possible debt leveraging of 40% at a market interest rate of 7%.

PBE IPSAS 26.123(d)(ii)-(iii)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated taking into account past experience, adjusted as follows.

PBE IPSAS 26.123(d)(ii)

- Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in the line with forecast inflation over the next five years.
- Significant one-off environmental costs have been factored into the budgeted EBITDA, reflecting various potential regulatory developments in a number of South Pacific countries in which the CGU operates. Other environmental costs are assumed to grow with inflation in other years
- Estimated cash flows related to a restructuring that is expected to be carried out in 2019 were reflected in the budgeted EBITDA.

PBE IPSAS 26.123(e)(i)

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $300 thousand (2019: $250 thousand). Management has identified that a reasonable possible change in the two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percent	**2020**	**2019**
Discount rate	**1.6**	1.3
Budgeted EBITDA growth rate	**(4.4)**	(3.6)

PBE IPSAS 26.123(e)(iii)
PBE IPSAS 26.123(e)(iii)

PBE IPSAS 1.140

Timber products

PBE IPSAS 26.123(b)-(c)

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be higher than its recoverable amount of $960 thousand and an impairment loss of $116 thousand during 2020 (2019: nil) was recognised. The impairment loss was fully allocated to goodwill and included in 'cost of sales.

The key assumptions used in the estimation of value in use were as follows.

PBE IPSAS 26.123(c)(i)

In percent	**2020**	**2019**
Discount rate	**9.6**	10.0
Terminal value growth rate	**1.8**	2.0
Budgeted EBITDA growth rate	**8.0**	9.0

PBE IPSAS 26.123(c)(v)
PBE IPSAS 26.123(c)(iv)
PBE IPSAS 26.123(c)(i)

PBE IPSAS 26.123(c)(ii)

The discount rate was a pre-tax measure based on the rate of 10-government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU.

PBE IPSAS 26.123(c)(ii)-(iii)

Five years of cash flows were included in the discontinued cash flow model. A long-term growth rate into perpetuity had been determined as the lower of the nominal gross domestic product (GDP) rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

Following the impairment loss recognised in the Group's Timber Product CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

D. Development costs

PBE IPSAS 5.40(a)-(b)
PBE IPSAS 5.40 (c)

Included in development costs is an amount of $37 thousand (2019: $12 thousand) that represents borrowing costs capitalised during the year using a capitalisation rate of 5.1% (2019: 5.4%)

PBE IPSAS 31.123

E. Revaluation

If an intangible asset is revalued, any accumulated amortisation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Accounting Policy

(i) Recognition and measurement

Goodwill

PBE IPSAS 31.106, 107

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulates impairment losses.

Research and development

PBE IPSAS 31.52,53

Expenditure on research activities is recognised in surplus or deficit as incurred.

PBE IPSAS 31.55, 61,63, 66, 70

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in surplus or deficit as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets

PBE IPSAS 31.31

Other intangible assets, including customer relationships, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

PBE IPSAS 31.26, 71

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

(iii) Amortisation

PBE IPSAS 31.96, 117(a)-(b)

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over their estimated useful lives, and is generally recognised in surplus or deficit. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

- Patents and trademarks: 3-20 years
- Development costs: 2-5 years
- Customer relationships: 4-5 years

PBE IPSAS 31.103

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

20. Investment property

A. Reconciliation of carrying amount

	In thousands of NZD	*Note*	2020	2019 Restated*
PBE IPSAS 16.87	Balance at 1 April 2019		300	200
*PBE IPSAS 16.87(a)**	Acquisitions		300	40
*PBE IPSAS 16.87(f)**	Reclassification from property, plant and equipment	18(A),(F)	800	-
PBE IPSAS 16.87(d)	Change in fair value	9(A)	20	60
	Balance at 31 March 2020		1,420	300

* See Note 38.

PBE IPSAS 13.69(c)
PBE IPSAS 16.86(b)-(c)

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 10 years, with annual rents indexed to consumer prices. Subsequent renewals are renegotiated with the lessee and historically the average renewal period is four years. No contingent rents are charged. Further information about these leases is included in Note 31(B).

Changes in fair values are recognised as gains in surplus or deficit and included in "other income". All gains are unrealised.

PBE IPSAS 16 RDR 87.1

** RDR exemption – prior period reconciliation not required*

PBE IPSAS 16 RDR 87.2

A Tier 2 entity is not required to disclose separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset in accordance with paragraph 87(a).

PBE IPSAS 16 RDR 90.1

A Tier 2 entity is not required to disclose separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset in accordance with paragraph 90(d) (i).

B. Measurement of fair values

i. Fair value

PBE IPSAS 16.86(e)

The fair value of property was determined by external, independent property valuers, having appropriate recognised professionals qualifications and recent experience in the location and category of the property being valued. The independent valuer provide the fair value of the Group's investment property portfolio every six months.

The fair value measurement for all of the investment properties has been based on the inputs to the valuation technique used (see Note 5B)).

PBE IPSAS 16 RDR 86.1

A Tier 2 entity is not required to include a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors in accordance with paragraph 86(d).

ii. Valuation technique and significant unobservable inputs

PBE IPSAS 16.86(d)

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

PBE IPSAS 16.86(d)

Valuation technique	Significant observations
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	— Expected market rental growth (2019: 2-3%, weighted average 2.6%; 2018: 2-3%, weighted average 2.5%). — Void periods (2019 and 2018: average 6 months after the end of each lease). — Occupancy rate (2019: 90-95%, weighted average 92.5%; 2018: 91-95%, weighted average 92.8%) — Rent-free periods (2019 and 2018: 1-year period on new leases). — Risk-adjusted discount rates (2019: 5-6.3%, weighted average 5.8%; 2018: 5.7-6.8%, weighted average 6.1%).

Accounting Policy

PBE IPSAS 16.10
PBE IPSAS 16.86(a)

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

PBE IPSAS 16.42, 44. 86(a)

Subsequent to initial recognition investment property is measured at fair value, with changes in fair value recognised in surplus or deficit in the statement of comprehensive revenue and expense.

PBE IPSAS 16.77

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

PBE IPSAS 16.66

Transfers are made to or from investment property only when there is a change in use.

Judgements

PBE IPSAS 16.18
PBE IPSAS 16.18.1

Judgement is applied to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently.

Judgement is also applied to determine whether the acquisition of investment property is the acquisition of an asset, or a group of assets, or a business combination within the scope of PBE IFRS 3.

21. Equity-accounted investees

See accounting policies in Notes 6(A)(v)

In thousands of NZD	**2020**	**2019**
Interest in joint venture	**2,217**	1,048
Interest in associates	**272**	900
Balance at 31 March	**2,489**	1,948

A. Joint venture

PBE IPSAS 38.35(a), 36(a)(i),(ii),(iii), 36(b)(iii)

Paletel AG (Paletel) is a joint venture in which the Group has joint control and a 40% ownership interest. It is one of the Group's strategic suppliers and is principally engaged in the production of paper pulp in Himmerland, Denmark. Paletel is not publically listed.

PBE IPSAS 38.12(c), 35(b), 39(a)

Paletel is structured as a separate vehicle and the Group has a residual interest in the net assets of Paletel. Accordingly, the Group has classified its interest in Paletel as a joint venture. In accordance with the agreement under which Paletel is established, the Group and the other investor in the joint venture have agreed to make additional contributions in proportion to their interests to make up any deficits, if required, up to a maximum amount of $6,000 thousand. This commitment has not been recognised in these consolidated financial statements.

PBE IPSAS 38.36(b), AG12-AG14

The following table summarises the financial information of Paletel as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table reconciles the summarised financial information to the carrying amount of the Group's interest in Paletel.

	In thousands of NZD	2020	2019
PBE IPSAS 38.36(a)(iv)	**Percentage ownership interest**	**40%**	40%
PBE IPSAS 38.AG12-AG13	Non-current assets	**5,953**	3,259
	Current assets (including cash and cash equivalents - 2020: $200 thousand, 2019: $150 thousand)	**1,089**	821
	Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions - 2020: $1,211 thousand, 2019: $986 thousand)	**(1,716)**	(1,320)
	Current liabilities (including current financial liabilities excluding trade and other payables and provisions - 2020: $422 thousand, 2019: $930 thousand)	**(543)**	(1,130)
	Net assets (100%)	**4,783**	1,630
	Group's share of net assets (40%)	**1,913**	652
	Elimination of unrealised surplus on downstream sales	**(96)**	(4)
	Goodwill	**400**	400
	Carrying amount of interest in joint venture	**2,217**	1,048
	Revenue	**25,796**	21,405
	Depreciation and amortisation	**(445)**	(350)
	Interest expense	**(396)**	(218)
	Income tax expense	**(1,275)**	(290)
	Surplus and total comprehensive revenue and expense (100%)	**2,768**	(690)
	Surplus and total comprehensive revenue and expense (40%)	**1,107**	276
	Elimination of unrealised surplus on downstream sales	**(92)**	(4)
	Group's share of total comprehensive revenue and expense	**1,015**	272
	Dividends received by the Group	**21**	-

PBE IPSAS 38.39 There were no contingent liabilities or assets relating to the Group's interest in the Paletel joint venture (2019: nil).

B. Associates

PBE IPSAS 38.35(a), 36(a)(i),(ii),(iii), 36(b)(iii) On 30 June 2019, the Group's equity interest in material associate, Papyrus, increased from 25 to 90% and Papyrus became a subsidiary from that date (see Note 29). Papyrus is one of the Group's strategic suppliers and principally engages in the production of paper pulp in Kentucky, US. Papyrus is not publically listed.

PBE IPSAS 38.36(b), AG12-AG14 The following table summarises the financial information of Papyrus as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Papyrus. The information for 2019 presented in the table includes the results of Papyrus for the period from 1 April 2018 to 31 March 2019. The information for 2020 includes the results of Papyrus only for the period from 1 April 2019 to 30 June 2019, because Papyrus became a subsidiary on 30 June 2019.

In thousands of NZD	2020	2019
Percentage ownership interest	**25%**	25%
Non-current assets	**-**	1,280
Current assets	**-**	1,975
Non-current liabilities	**-**	(1,087)
Current liabilities	**-**	(324)
Net assets (100%)	**-**	1,844
Group's share of net assets (25%)	**-**	461
Elimination of unrealised surplus on downstream sales	**-**	(8)
Carrying amount of interest in associate	**-**	453
Revenue	**7,863**	19,814
Surplus from continuing operations (100%)	**271**	857
Other comprehensive revenue and expense (100%)	**(408)**	(552)
Total comprehensive revenue and expense (100%)	**(137)**	305
Total comprehensive revenue and expense (25%)	**(34)**	(76
Elimination of unrealised surplus on downstream sales	**1**	(1)
Group's share of total comprehensive revenue and expense	**(33)**	75

PBE IPSAS 38.39 There were no contingent liabilities or assets relating to the Group's interest in the Papyrus associate (2019: nil). There were no capital commitments relating to the Group's interest in the Papyrus associate (2019: nil).

22. Other investments, including derivatives

The effect of initially applying PBE IFRS 9 in the Group's financial instruments is described in Note 6D. Due to the transition method chosen in applying PBE IFRS 9, comparative information has not been restated to reflect the new requirements.

	In thousands of NZD	**2020**	**2019**
	Non-current investments		
PBE IPSAS 30.11(b)	Corporate debt securities – held-to-maturity	-	2,256
PBE IPSAS 30.11(f)	Corporate debt securities – at amortised cost	2,421	-
PBE IPSAS 30.11(d)	Corporate debt securities – available for sale	-	373
PBE IPSAS 30.11(h)	Corporate debt securities – at FVOCRE	118	-
PBE IPSAS 30.11(d)	Equity securities – available-for-sale	-	511
PBE IPSAS 30.11(h)	Equity securities – at FVOCRE	710	-
PBE IPSAS 30.11(a) *PBE IPSAS 30 RDR11.1*	Equity securities – mandatorily at FVTSD	251	-
PBE IPSAS 30.11(a) *PBE IPSAS 30 RDR11.1*	Equity securities – designated at FVTSD	-	254
PBE IPSAS 30.26B(a)	Interest rate swaps used for hedging	116	131
		3,616	3,525
	Current investments		
PBE IPSAS 30.11(a) *PBE IPSAS 30 RDR11.1*	Sovereign debt securities – Mandatorily at FVTSD	243	591
PBE IPSAS 30.26B(a)	Forward exchange contracts used for hedging	297	352
	Other forward exchange contracts	122	89
		662	1,032

PBE IPSAS 30.10 Corporate debt securities classified as at amortised cost (2019: held-to-maturity) have interest rates of 6.3 to 7.8% (2019: 7.5 to 8.3%) and mature in two to five years. Corporate debt securities at FVOCRE (2019: available-for-sale) have stated interest rates of 5.2 to 7.0% (2019: 6.5 to 8.0%) and mature in two to three years.

Sovereign debt securities at FVTSD have stated interest rates of 3.5 to 4.0% (2019: 3.2 to 3.8%) and are held for trading.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 28(C).

Equity securities designated as at FVOCRE

PBE IPSAS 30.14A At 1 April 2019, the Group designated the investments shown below as equity securities at FVOCRE because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2019, these investments were classified as available-for sale – see Note 5.

In thousands of NZD	**Fair value at 31 March 2020**	**Dividend income recognised during 2020**
Investment in MSE Limited	243	10
Investment in DEF Limited	467	16
	710	26

PBE IPSAS 30.14A(e) No strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

See accounting policy on financial instruments on Note 28

23. Loans and borrowings

See accounting policies in Note 28 Financial Instruments (ii-iii), and Note 32 Leases

	In thousands of NZD	*Note*	2020	2019
	Non-current liabilities			
PBE IPSAS 1.70	Secured bank loans		**19,329**	17,293
	Finance lease liabilities		**1,613**	1,738
			20,942	19,031
	Current liabilities			
	Current portion of secured bank loans		**11,673**	4,102
	Loan from associate		**-**	1000
	Current portion of finance lease liabilities	22(C)	**315**	444
			11,988	5,546

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 28(C).

PBE IPSAS 30.10

A. Terms and repayment schedule

The terms and conditions of outstanding loans are as follows.

	In thousands of NZD	Currency	Nominal interest rate	Year of maturity	2020 Face value	2020 Carrying amount	2019 Face value	2019 Carrying amount
PBE IPSAS 30.11(f), 17(d)	Secured bank loan (See Note 14(A))	NZD	3.60-3.90%	2018-19	**7,600**	**7,598**	1,000	985
	Secured bank loan	CHF	3.90 %	2021	**1,240**	**1,240**	1,257	1,257
	Secured bank loan	USD	4.70%	2020-22	**1,447**	**1,447**	1,521	1,521
	Secured bank loan	NZD	4,50%	2020-22	**3,460**	**3,460**	3,460	3,460
	Secured bank loan	GBP	LIBOR+ 1%	2018-19	**886**	**886**	4,855	4,855
	Secured bank loan	NZD	3.80%	2019	**510**	**503**	-	-
	Secured bank loan	NZD	5.50%	2018	**-**	**-**	117	117
	Secured bank loan	NZD	5.52%	2021	**1,023**	**1,023**	1,023	1,023
	Secured bank loan	NZD	4.80%	2022	**5,113**	**5,113**	5,113	5,113
	Secured bank loan	NZD	LIBOR	2019	**3,064**	**3,064**	3,064	3,064
	Secured bank loan	NZD	3.00%	2020	**5,000**	**4,678**	-	-
	Secured bank loan	NZD	4.40%	2023	**2,051**	**1,990**	-	-
	Finance lease liabilities	NZD	6.5-7.0%	2019-31	**2,663**	**1,928**	3,186	2,182
	Loan from associate	NZD	4.80%	2019	**-**	**-**	1,000	1,000
	Total interest-bearing liabilities				**34,057**	**32,930**	25,596	24,577

PBE IPSAS 30.10
PBE IPSAS 30.18
PBE IPSAS 17.89(a)

The secured bank loans are secured over land and buildings and trade receivables with a carrying amount of $7,000 thousand (2019: $4,700 thousand) (see Note 18(D)) and $7,600 thousand (2019: $1,000 thousand) (see Note 14(A)) respectively. Additionally, call deposits with a carrying amount of $400 thousand (2019: $600 thousand) (see Note 16) are pledged against certain secured bank loans.

B. Breach of loan covenant[1]

PBE IPSAS 30.22
PBE IPSAS 30 RDR 22.1
PBE IPSAS 30.23

The Group has a secured bank loan with a carrying amount of $3,460 thousand at 31 March 2020 (2019: $3,460 thousand). This loan is repayable in tranches over the next five years. However, the loan contains a covenant stating that at the end of each quarter, the Group's debt (defined in the covenant as the Group's loans and borrowings and trade and other payables) cannot exceed 2.5 times the Group's quarterly revenue from continuing operations, otherwise the loan will be repayable on demand.

The Group exceeded its maximum leverage threshold in the third quarter of 2019 and the threshold was still exceeded as of 31 March 2020. However, management obtained a waiver from the bank on January 2019, which extended until March 2021. Accordingly, the loan was not payable on demand at 31 March 2020 (See Note 31).

[1] A Tier 2 PBE will need to make the same disclosures if the breach had not been remedied by the end of the reporting period. [PBE IPSAS 30. RDR22.1]

C. Finance lease liabilities

Finance lease liabilities are payable as follows.

	In thousands of NZD	Future minimum lease payments 2020	Future minimum lease payments 2019	Interest 2020	Interest 2019	Present value of minimum lease payments 2020	Present value of minimum lease payments 2019
PBE IPSAS 13.40(c)	Less than one year	**535**	706	**220**	262	**315**	444
PBE IPSAS 13.40(c)	Between one year and five years	**1,128**	1,124	**343**	385	**785**	739
PBE IPSAS 13.40(c)	More than five years	**1,000**	1,356	**172**	357	**828**	999
		2,663	3,186	**735**	1,004	**1,928**	2,182

PBE IPSAS 13 RDR 40.1 *A Tier 2 entity is not required to disclose the present value of future minimum lease payments at the reporting date in accordance with paragraph 40(c).*

PBE IPSAS 13.40(d)
PBE IPSAS 13.40(f)(i)-(ii)

Certain leases provide for additional payments that are contingent on changes in future indices. Contingent rents included in surplus or deficit amounted to $17,000 (2019: $15,000).

D. Lease of equipment not in the legal form of a lease

PBE IPSAS 13.40(f)
PBE IPSAS 1.137

During 2019, the Group entered into an arrangement whereby a supplier built equipment that the supplier will use to produce a specific chemical used in manufacturing a new product in the American Paper manufacturing and distribution division for a minimum period of 16 years. The Group pays a fixed annual fee over the term of the arrangement, plus a variable charge based on the quantity of chemical delivered.

Due to the unusual nature of the product and the manufacturing process, the supplier is unlikely to be able to sell the chemical using different equipment. Accordingly, although the arrangement is not in the legal form of a lease, the Group concluded that the arrangement contains a lease of the equipment. The lease was classified as a finance lease. At inception of the arrangement, payments were split into lease payments and payments related to the other elements based on their relative fair values. The imputed finance costs on the liability were determined based on the Group's incremental borrowing rate (6.5%).

24. Trade and other payables

See accounting policies in Notes 28 (i and iii)

	In thousands of NZD	Note	2020	2019
PBE IPSAS 30.11(f)	Trade payable due to related parties	36(C)(iii)	**137**	351
	Other trade payables		**21,943**	19,978
	Accrued expenses		**312**	487
	Trade payables		**22,392**	20,816
	Forward exchange rate contracts used for hedging	28(C)	**8**	7
	Interest rate swaps used for hedging	28(C)	**20**	5
	Contingent consideration	29(A)(i)	**270**	-
	Other payables		**298**	12
			22,690	20,828
	Non-current		**290**	5
	Current		**22,400**	20,823
			22,690	20,828

Information about the Group's exposure to currency and liquidity risks is included in Note 28(C).

25. Non-exchange liabilities

See accounting policies in Notes 28 Financial Instruments (i and iii)

	In thousands of NZD	2020	2019
PBE IPSAS 30.11(f)	Non-exchange liability	**1,500**	1,500
		1,500	1,500
	Non-current	**1,000**	1,000
	Current	**500**	500
		1,500	1,500

Information about the Group's exposure to currency and liquidity risks is included in Note 28(C).

The non-exchange liabilities are funds that were received in 2019 that are subject to conditions of use, which if not met, require the funds to be returned to the donor of the funds. The $1,500 thousand received in 2019 is to be invested in research into the environmental effects of diary framing. The Group has not yet identified a suitable researcher to lead the project, however, a short-list has been compiled and the project is expected to commence in 2020.

26. Deferred income/revenue

See accounting policies in Notes 8 Revenue (i) and (vii)

	In thousands of NZD	***Note***	**2020**	**2019**
PBE IPSAS 23.106(c)	Government grants	26 (A)	**1,424**	1,462
PBE IPSAS 11.51(b)	Customer advances		**110**	117
PBE IPSAS 11.53(b)	Billing in advance of work completed		**17**	13
	Customer loyalty claims	26(B)	**50**	38
			1,601	1,630
	Non-current		**1,424**	1,462
	Current		**177**	168
			1,601	1,630

PBE IPSAS 23.106(c)

A. Government grants

The Group has been awarded two government grants. One of the grants, received in 2019, amounted to $1,462 thousand and was conditional on the acquisition of factory premises in a specified region. The factory was purchased in early 2020 and has been in operation since March 2020. The grant was recognised as a deferred income, and released to the Statement of Comprehensive Revenue and Expense when the purchase was finalised.

The second grant, received in 2020, was unconditional, amounted to $200 thousand and related to research into the impact of climate change on pinus radiata. It was included in 'revenue' when it became receivable (see Note (8)).

B. Customer loyalty claims

The deferred revenue related to loyalty credits granted of $50 thousand (2019: $38 thousand) has been estimated with reference to the fair value of paper products for which they could be redeemed. This is because the fair value of the loyalty credits is not directly observable. The fair value of the right to buy paper products at a discount for which the loyalty credits can be redeemed takes into account the amount of the discount available to customers that have not earned the loyalty credits and the expected forfeiture rate.

27. Provisions

	In thousands of NZD	Note	Warranties	Re-structuring	Site restoration	Onerous contracts	Legal	Total
PBE IPSAS 19.97(a)	Balance at 1 April 2019		200	600	740	-	-	1,540
	Assumed in a business combination	29	-	-	150	-	20	170
PBE IPSAS 19.97(b)	Provisions made during the year		280	400	660	160	-	1,500
PBE IPSAS 19.97(c)	Provisions used during the year		(200)	(500)	(800)	-	-	(1,500)
PBE IPSAS 19.97(d)	Provisions reversed during the year		-	(100)	-	-	-	(100)
PBE IPSAS 19.97(e)	Unwind of discount	10	-	-	60	-	-	60
PBE IPSAS 19.97(a)	**Balance at 31 March 2020**		280	400	810	160	20	1,670
	Non-current		100	-	810	100	-	1,010
	Current		180	400	-	60	20	660
			280	400	810	160	20	1,670

PBE IPSAS 19.98(a)

A. Warranties

PBE IPSAS 19.98(b)

The provision for warranties relates mainly to paper sold during 2019 and 2020. The provision has been estimated based on historical warranty data associated with similar products and services. The Group expects to settle the majority of the liability over the next year. An expected reimbursement of warranty expense incurred of $25,000 has been included in "other trade receivables' (see Note 14) following a supplier accepting responsibility for the defective products.

PBE IPSAS 19.98(c)

PBE IPSAS 1.107(b)

B. Restructuring

PBE IPSAS 1.140
PBE IPSAS 19.98(a)-(b)

During 2019, the Group committed to a plan to restructure a product line in the American Paper manufacturing and distribution division due to a decrease in demand as a result of deteriorated economic circumstances. Following the announcement of the plan, the Group recognised a provision of $600 thousand for expected restructuring costs, including contract termination costs, consulting fees and employee termination benefits (see Note 11). Estimated costs were based on the terms of the relevant contracts. The restructuring was completed in 2019, and $500 thousand of the provision was used during the year. The unused provision of $100 thousand was reversed and has been included in "cost of sales".

During 2020, a provision of $400 thousand was made to cover the costs associated with restructuring part of a manufacturing facility within the Standard Papers division that will be retained when the remainder of the facility is sold (see Note 17). Estimated restructuring costs mainly include employee termination benefits (see Note 11) and are based on a detailed plan agreed between management and employee representatives. The restructuring and the sale are expected to be completed by June 2020.

C. Site restoration

PBE IPSAS 19.98(a)

i. Germany

A provision of $740 thousand was made during 2019 and an unwind of the discount of $60 was recognised in 2019 in respect of the Group's obligation to rectify environmental damage in Germany. The required work was completed during 2020 at a cost of $800 thousand.

PBE IPSAS 1.140, 144

ii. Romania

PBE IPSAS 19.98(a)-(b)

In accordance with Romanian law, the Group's subsidiary in Romania is required to restore contaminated land to its original condition before the end of 2020. During 2020, the Group provides $660 thousand for the purpose.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred. In particular, the Group has assumed that the site will be restored using technology and materials that are currently available. The Group has been provided with a range of reasonably possible outcomes of the total cost, which range from $500 thousand to $700 thousand reflecting different assumptions about pricing of the individual components of the cost. The provision has been calculated using a discount rate of 5.9%, which is the risk-free rate in Romania. The rehabilitation is expected to occur in the next two to three years.

PBE IAS 34.26

The provision has increased compared with the amount of $500 thousand reported in the Entity's interim financial statements as at 30 September 2019 due to change in estimated costs. At the time of preparing the interim financial statements, the extent of restoration work required was uncertain, because the inspection report by the Romanian authorities had not yet been finalised. The estimates were subsequently revised based on their final report.

iii. Acquisition of Papyrus

A part of the acquisition of Papyrus, the Group recognised environmental provisions of $150 thousand, measured on a provisional basis (see Note 29(C)).

PBE IPSAS 19.98(a)-(b)

D. Onerous contracts

In 2019, the Group enters into a non-cancellable lease for office space. Due to changes in their activities, the Group stopped using the premises on 31 December 2019, resulting in surplus lease space (see Note 32(A)). The lease will expire in 2020. The facilities have been sub-let for the remaining lease term, but changes in market conditions have meant that the rental income is lower than the rental expense. The obligation for the discounted future payments, net of expected rental income, has been provided for.

E. Legal

PBE IPSAS 19.98(a)-(b)
PBE IPSAS 19.100

As a result of the acquisition of Papyrus, the Group assumed a contingent liability of $20 thousand, measured on a provisional basis (see Note 29(C)).

PBE IPSAS 19.98(a)

F. Levies

The Group operates in a number of countries in which it is subject to government levies. It assesses the timing of when to accrue environmental taxes Imposed by legislation at the end of the tax year (31 March) on entities that manufacture pulp products. The Group recognised a liability to pay environmental taxes on 31 March, when the obligating event as stated in the legislation occurs. It paid that liability in full at a later date.

Therefore, at 31 March 2020, no liability for environmental taxes has been recognised. An expense of $102 thousand has been recognised in surplus or deficit for the year ended 31 March 2020.

PBE IPSAS 19 RDR 98.1

A Tier 2 entity is not required to disclose the major assumptions concerning future events in accordance with paragraph 98(b).

PBE IPSAS 19.22, 53, 56, AG A6

Accounting Policy

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of comprehensive revenue and expense net of any reimbursement.

PBE IPSAS 19.47

Warranties – A provision for warranties is recognised when the underlying products or series are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

PBE IPSAS 19.83

Restructuring – A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publically. Further operating losses are not provided for.

PBE IPSAS 19.29

Site restoration – In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related expense, is recognised when the land is contaminated.

PBE IPSAS 19.76, 79

Onerous Contracts – A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

PBE IPSAS 19.100

(ii) Contingent liabilities

The Group does not recognise contingent liabilities, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

PBE IPSAS 19.105

(iii) Contingent assets

The Group does not recognise contingent assets, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

28. Financial instruments

Fair values and risk management

PBE IPSAS 30.11

A. Accounting classifications and fair values [a,b]

PBE IPSAS 30.29-30
PBE IPSAS 30.35-36

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of fair value.

PBE IPSAS 30
RDR 11.1

		Carrying amount							Fair value			
31 March 2020 *In thousands of NZD*	***Note***	**Fair value – hedging instruments**	**Mandatorily at FVTSD - others**	**FVOCRE – debt instruments**	**FVOCRE – equity instruments**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value												
Interest rate swaps used for hedging	22	116	-	-	-	-	-	116	-	116		116
Forward exchange contracts used for hedging	22	297	-	-	-	-	-	297	-	297	-	297
Other forward exchange contracts	22	-	122	-	-	-	-	122	-	122	-	122
Sovereign debt securities	22	-	243	-	-	-	-	243	43	200	-	243
Corporate debt securities	22	-	-	118	-	-	-	118	48	70	-	118
Equity securities	22	-	251	-	710	-	-	961	961	-	-	961
		413	**616**	**118**	**710**	**-**	**-**	**1,857**				
Financial assets not measured at fair value												
Trade and other receivables	14,15	-	-	-	-	34,942	-	34,942	-	-	-	-
Cash and cash equivalents	16	-	-	-	-	505	-	505	-	-	-	-
Corporate debt securities	22	-	-	-	-	2,421	-	2,421	2,421	-	-	2,421
		-	**-**	**-**	**-**	**37,868**	**-**	**37,868**				
Financial liabilities measured at fair value												
Interest rate swaps used for hedging	24	(20)	-	-	-	-	-	(20)	-	(20)	-	(20)
Forward exchange contracts used for hedging	24	(8)	-	-	-	-	-	(8)	-	(8)	-	(8)
Contingent consideration	24	-	(270)	-	-	-	-	(270)	-	-	(270)	(270)
		(28)	**(270)**	**-**	**-**	**-**	**-**	**(298)**				
Financial liabilities not measured at fair value [c]												
Bank overdrafts	16	-	-	-	-	-	(334)	(334)	-	-	-	-
Secured bank loans	23	-	-	-	-	-	(31,002)	(31,002)	-	(31,002)	-	(31,002)
Finance lease liabilities	23	-	-	-	-	-	(1,928)	(1,928)	-	(1,928)	-	(1,928)
Trade payables*	24	-	-	-	-	-	(22,080)	(22,080)				
		-	**-**	**-**	**-**	**-**	**(55,344)**	**(55,344)**				

***** Accrued expenses that are not financial liabilities ($312 thousand) are not included

PBE IPSAS 30.11

[a.] In this table, the Group has disclosed the fair value of each class of financial assets and financial liabilities in a way that permits the information to be compared with the carrying amounts. In addition, it has reconciled the assets and liabilities to the different categories of financial instruments as defined in PBE IFRS 9. This presentation method is optional and different presentation methods may be desirable, depending on circumstances.

PBE IPSAS 30.9 AG1-AG3
PBE IPSAS 30.35

[b.] The Group has grouped its financial instruments into classes. Although PBE IPSAS 30 does not define classes, as a minimum instruments measured at amortised costs should be distinguished from instruments measured at fair value.

PBE IPSAS 30 RDR 11.1-2

[c.] The Group has not disclosed the fair values for financial instruments such as ST term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value. *A Tier 2 entity is not required to disclose financial assets and financial liabilities by category as required by paragraph 11.*

Fair values and risk management (continued)

A. Accounting classifications and fair values (continued)

31 March 2019 *In thousands of NZD*	*Note*	Carrying amount: Held-for-trading	Designated at fair value	Fair value – hedging instruments	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Fair value: Level 1	Level 2	Level 3	Total
Financial assets measured at fair value													
Interest rate swaps used for hedging	22	-	-	131	-	-	-	-	131	-	131	-	131
Forward exchange contracts used for hedging	22	-	-	352	-	-	-	-	352	-	352	-	352
Other forward exchange contracts	22	89	-	-	-	-	-	-	89	-	89	-	89
Sovereign debt securities	22	591	-	-	-	-	-	-	591	591	-	-	591
Corporate debt securities	22	-	-	-	-	-	373	-	373	373	-	-	373
Equity securities	22	-	254	-	-	-	511	-	765	540	-	225	765
		680	**254**	**483**	**-**	**-**	**884**	**-**	**2,301**				
Financial assets not measured at fair value													
Trade and other receivables	14,15	-	-	-	-	24,265	-	-	24,265	-	-	-	-
Cash and cash equivalents	16	-	-	-	-	1,850	-	-	1,850	-	-	-	-
Corporate debt securities	22	-	-	-	2,256	-	-	-	2,256	2,259	-	-	2,259
		-	**-**	**-**	**2,256**	**26,115**	**-**	**-**	**28,371**				
Financial liabilities measured at fair value													
Forward exchange contracts used for hedging	24	-	-	(7)	-	-	-	-	(7)	-	(7)	-	(7)
Interest rate swaps used for hedging	24	-	-	(5)	-	-	-	-	(5)	-	(5)	-	(5)
		-	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**				
Financial liabilities not measured at fair value													
Bank overdrafts	16	-	-	-	-	-	-	(282)	(282)	-	-	-	-
Secured bank loans	23	-	-	-	-	-	-	(21,395)	(21,395)	-	(22,387)	-	(22,387)
Loan from associate	23	-	-	-	-	-	-	(1,000)	(1,000)	-	(997)	-	(997)
Finance lease liabilities	23	-	-	-	-	-	-	(2,182)	(2,182)	-	(2,163)	-	(2,163)
Trade payables*	24	-	-	-	-	-	-	(20,329)	(20,329)				
		-	**-**	**-**	**-**	**-**	**-**	**(45,188)**	**(45,188)**				

***** Accrued expenses that are not financial liabilities ($487 thousand) are not included

Fair values and risk management (continued)

B. Measurement of fair values

i. Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

PBE IPSAS 30.31-33

Financial instruments measured at fair value

PBE IFRS 3.B67(b)(iii)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent Consideration	*Discounted cash flows:* The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate.	— Expected cash flows (31 Marc 2020: $318 thousand $388 thousand). — Risk-adjusted discount rate (2019: 5.5%; 2018: 5.0%).	The estimated fair value would increase (decrease) if: — the expected cash flows were higher (lower); or — The risk-adjusted discount rate were lower (higher).
Equity securities	*Market comparison technique:* The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.	— Adjusted market multiple (2019: 4–7).	The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).
Corporate debt securities	*Market comparison/ discounted cash flow:* The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.	Not applicable.	Not applicable.
Forward exchange contracts	*Forward pricing:* The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves	Not applicable.	Not applicable.

Fair values and risk management (continued)

	in the respective currencies.		
Interest rate swaps	*Swap models:* The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique
Other financial liabilities*	*Discounted cash flows:* The valuation model considers the present value of expected payment discounted using a risk-adjusted discount rate.

*Other financial liabilities include secured and unsecured bank loans, unsecured bond issues, convertible notes – liability component, loans from associates and finance lease liabilities

PBE IPSAS 30 RDR 31.1

A Tier 2 entity shall disclose, for all financial assets and financial liabilities that are measured at fair value, the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

PBE IPSAS 30.33(b)

ii. Transfer between Levels 1 and 2

At 31 March 2020, FVOCRE corporate debt securities with a carrying amount of $40 thousand were transferred from level 1 to level 2 because quoted prices in the market for such debt securities were no longer regularly available. To determine the fair value of such debt securities, management used a valuation technique in which all significant inputs were based on observable market data. There were no transfers from Level 2 to Level 1 in 2020 and no transfers in either direction in 2019.

Fair values and risk management (continued)

iii. Level 3 fair values

Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	In thousands of NZD	***Note***	Equity securities*	**Contingent Consideration**
	Balance at 1 April 2018		-	-
PBE IPSAS 30.33(c)(ii)	**Gain included in OCRE**			
	- Net change in fair value (unrealised)		13	-
PBE IPSAS 30.33(c)(iii)	Purchases		212	-
	Balance at 31 March 2019		225	-
	Balance at 1 April 2019		**225**	
PBE IPSAS 30.33(c)(iii)	Assumed in a business combination	29(A)	**-**	**(250)**
PBE IPSAS 30.33(c)(i)	**Loss included in 'finance costs'**			
	- Net change in fair value (unrealised)	10	**-**	**(20)**
PBE IPSAS 30.33(c)(ii)	**Gain included on OCRE**			
	- Net change in fair value (unrealised)		**18**	**-**
PBE IPSAS 30.33(c)(iv)	Transfers out of Level 3		**(243)**	**-**
	Balance at 31 March 2020			**(270)**

* Before 1 April 2019, these equity securities were classified as available-for-sale in accordance with PBE IPSAS 29. From 1 April 2019, these securities are classified at FVOCRE in accordance with PBE IFRS 9 (see Note 6D).

Transfer out of Level 3

PBE IPSAS 30.33(c)(iv)

The Group holds an investment in equity shares for MSE limited, which is classified as available-for-sale, with a fair value of $243 thousand at 31 March 2020 (31 March 2019: $225 thousand). The fair value of the investment was previously categorised as Level 3 at 31 March 2019 (for information on the valuation technique, see (i) above). This was because the share were not listed on an exchange and there were no recent observable arm's length transactions in the shares.

During 2020, MSE Limited listed its equity shares on an exchange and they are currently actively traded in that market. Because the equity shares now have a published price quotation in an active market, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 31 March 2020.

PBE IPSAS 30.47

Sensitivity analysis

For the fair values on contingent consideration and equity securities – available-for-sale, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

Contingent consideration *Effects in thousands of NZD*	**Surplus or deficit** **Increase**	 **Decrease**
31 March 2020		
Expected cash flows (10% movement)	**(23)**	**23**
Risk-adjusted discount rate (1% movement)	**6**	**(6)**

Equity securities – available-for-sale *Effects in thousands of NZD*	**Other comprehensive revenue and expense – net of tax** **Increase**	 **Decrease**
31 March 2019		
Adjusted market multiple (5% movement)	**81**	**(81)**

C. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk (see (C)(ii)).
- Liquidity risk (see (C)(iii)).
- Market risk (see (C)(iv)).

PBE IPSAS 30.38-39, 40(b)

i. Risk management framework

The Entity's board of directors has overall responsibility for the establishment and oversight of the Group's Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedure, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

PBE IPSAS 30.38-39, 40

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from the customers and investments in debt securities.

PBE IPSAS 30.42K(a)

The carrying amount of financial assets represents the maximum credit exposure.

PBE IPSAS 1.99.1(ba)
PBE IPSAS 30
RDR 24.1

Impairment losses on financial assets recognised in surplus or deficit were as follows.

In thousands of NZD	**2020**	**2019**
Impairment loss on trade receivables	161*	33
Impairment loss on debt securities at amortised cost	62	-
Impairment loss (reversal) on debt securities at FVOCRE	(3)	-
	220	33

* Of which, $11 thousand (2019: $3 thousand) related to a discontinued operation (see Notes 7).

Trade and other receivables

PBE IPSAS 30.40(a)-(b)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Risk Management Committee.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

More than 85% of the Group's customers have been transacting with the Group for over four years, and none of these customers' balances have been written off or are credit-impaired at the reporting date In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

PBE IPSAS 30.40(c)

The Group is closely monitoring the economic environment in the South Pacific and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In 2020, certain purchase limits have been reduced, particularly for customers operating in [*Countries A, B, C, D and E*], because the Group's experience is that the recent economic volatility has had a greater impact for customers in those countries than for customers in other countries.

PBE IPSAS 30.42K(b)

The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable for which no loss allowance is recognised because of collateral.

The quantitative information below on trade receivables includes amounts classified as held-for-sale (see Note 17).

PBE IPSAS 30.41(a), 41(c)

At 31 March 2020, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows.

In thousands of NZD	**Carrying amount 2020**	**2019**
[Countries A,B,C,D AND E]	**1,053**	1,583
Other South Pacific countries	**21,191**	12,122
UK	**2,534**	2,685
US	**9,915**	7,687
Other regions	**249**	188
	34,942	24,265

PBE IPSAS 30.41(a), 41(c)

At 31 March 2020, the maximum exposure to credit risk for trade and other receivables by type of counterparty was as follows.

In thousands of NZD	**Carrying amount 2020**	**2019**
Wholesale customers	**26,479**	16,209
Retail customers	**8,090**	7,145
End-user customers	**298**	820
Other	**75**	91
	34,942	24,265

PBE IPSAS 30.41(a), 41(c)

At 31 March 2020, the Group's most significant customer, an Australian wholesaler, accounted for $8,034 thousand of the trade and other receivables carrying amount (2019:$4,986 thousand).

PBE IPSAS 30.41(a), 42M

A summary of the Group's exposure to credit risk for trade receivables is as follows.

In thousands of NZD	**2020 Not credit-impaired**	**2020 Credit-impaired**	**2019**
External credit ratings at least Baa3 from [Rating Agency X] Or BBB- from [Rating Agency Y]	**4,192**	**-**	15,338
Other customers		**-**	7,633
- Four or more years' trading history with the Group*	**21,185**	**-**	
- Less than four years' trading history with the Group*	**8,735**	**-**	1,290
- Higher risk	**839**	**227**	58
Total gross carrying amount	**34,951**	**227**	24,319
Loss allowance	**(163)**	**(73)**	(54)
	34,788	**154**	24,265

*Excluding 'higher risk'.

Comparative information under PBE IPSAS 29

PBE IPSAS 30S.41(a), 43(c), 44(a)

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 March 2019 is as follows.

In thousands of New Zealand Dollars	**2019**
Neither past due nor impaired	
External credit ratings at least Baa3 from [Rating Agency X] or BBB- from [Rating Agency Y]	5,139
Other customers:	
- Four or more Year's trading history with the group*	11,633
- Less than four year's trading history with the group*	2,290
- Higher risk	58
	19,120
Past due but not impaired	
Past due 1-30 days	4,812
Past due 31-90 days	112
Past due 91-120 days	26
Total not impaired trade receivables	24,070

* Excluding 'higher risk'

PBE IPSAS 30.44(b)

Impaired trade receivables at 31 March 2019 had a gross carrying amount of $249 thousand. At 31 March 2019, there was an impairment loss of $7 thousand related to a customer that was declared bankrupt during the year. The remainder of the impairment loss at 31 March 2019 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for corporate customers as at 1 April and 31 March 2020

PBE IPSAS 30.42B(a), 42F(c), 42G(a)-(b)

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies [Rating Agencies X and Y].

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on GDP forecast and industry outlook and include the following: 1.3 for New Zealand, 0.9 for Canada, 1.1 for Australia and 1.8 for Germany.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for corporate customers as at 31 March 2020.

PBE IPSAS 30.42M, AG8I

31 March 2020 In thousands of NZD	**Equivalent to external credit rating [AGENCY y]**	**Weighted-average loss rate**	**Gross carrying amount**	**Impairment loss allowance**	**Credit-impaired**
Grade 1-6: Low risk	BBB- to AAA	0.23%	9,163	(21)	No
Grade 7-9: Fair risk	BB- to BB+	0.36%	15,673	(56)	No
Grade 10: Substandard	B- to CCC-	1.96%	1,633	(32)	No
Grade 11: Doubtful	C to CC	22.95%	122	(28)	Yes
Grade 12: Loss	D	28.36%	67	(19)	Yes
			26,658	(156)	

Expected credit loss assessment for individual customers as at 1 January and 31 March 2020

PBE IPSAS 30.42B(a), 42F(c), 42G(a)-(b)

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 31 March 2020.

PBE IPSAS 30.42M, 42N, AG8I

31 March 2020 In thousands of NZD	**Weighted-average loss rate**	**Gross carrying amount**	**loss allowance**	**Credit-impaired**
Current (not past due)	0.14%	6,497	(9)	No
1-30 days past due	0.73%	1,638	(12)	No
31-60 days past due	8.90%	236	(21)	No
61-90 days past due	10.81%	111	(12)	No
More than 90 days past due	68.42%	38	(26)	Yes
		8,520	(80)	

Loss rates are based on actual credit loss experience over the past seven years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast unemployment rates and are as follows: 1.3 for New Zealand, 0.95 for Canada and 1.2 for Australia.

Movements in the allowance for impairment in respect of trade receivables

PBE IPSAS 30.42H, 49P

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2019 represent the allowance account for impairment losses under PBE IPSAS 29.

	2020	**2019**	
In thousands of NZD		**Individual impairments**	**Collective impairments**
Balance at 1 April under PBE IPSAS 29	54	6	20
Adjustment on initial application of PBE IFRS 9	126		
Balance at 1 April under PBE IFRS 9	180		
Amounts written off	(80)	(5)	-
Amounts derecognised due to discontinued operation	(25)		
Net remeasurement of loss allowance	161	9	24
Balance at 31 March	236	10	44

PBE IPSAS 30.42L

Trade receivables with a contractual amount of $70 thousand written off during 2020 are still subject to enforcement activity.

PBE IPSAS 30.42I

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2020:

— the growth of the business in [*Countries X and Y*] resulted in increases in trade receivables of $4,984 thousand and $4,556 thousand respectively and increases in impairment allowances in 2020 of $30 thousand and $44 thousand respectively;

— increases in credit-impaired balances in [*Country Z*] of $143 thousand resulted in increases in impairment allowances in 2020 of $78 thousand; and

— a decrease in trade receivables of $3,970 thousand attributed to the Packaging segment, which was sold in May 2019 (see Note 7), resulted in a decrease in the loss allowance in 2019 of $25 thousand.

Debt securities

PBE IPSAS 30.40(a)-(b), 42B(a), 42F(a), 42G(a)-(b)

The Group limits its exposure to credit risk by investing only in liquid debt securities and only with counterparties that have a credit rating of at least A2 from [Rating Agency X] and A from [Rating Agency Y].

The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields and, where available, credit default swap (CDS) prices together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by [Rating Agency X] for each credit rating and are recalibrated based on current bond yields and CDS prices. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The exposure to credit risk for debt securities at amortised cost, FVOCRE and FVTSD (2019: held-to-maturity, available-for-sale and held-for-trading) at the reporting date by geographic region was as follows.

PBE IPSAS 30.41(a), 41(c)

	Carrying amount	
In thousands of NZD	**2020**	**2019**
[Country X]	**1,610**	2,351
[Countries A,B,C,D and E]	**69**	115
Other South Pacific countries	**368**	273
UK	**436**	430
US	**299**	51
	2,782	3,220

PBE IPSAS 30.41(a), 42M

The following table presents an analysis of the credit quality of debt securities at amortised cost, FVOCRE and FVTSD (2019: held-to-maturity, available-for-sale and held-for-trading). It indicates whether assets measured at amortised cost or FVOCRE were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Credit rating	2020					2019		
	FVTSD	FVO-CRE	At amortised cost					
In thousands of NZD		12-month ECL	12-month ECL	Lifetime ECL–not credit-impaired	Lifetime ECL–credit-impaired	Held-for-training	Available-for-sale	Held-to-maturity
BBB- to AAA	243	122	1,764	-	-	591	373	1,569
BB- to BB+	-	-	-	207	-	-	-	334
B- to B+	-	-	-	113	-	-	-	233
C to CCC+	-	-	-	247	-	-	-	73
D	-	-	-	-	185	-	-	67
Gross carrying Amounts (2019: amortised cost before impairment)		122	1,764	567	185			2,276
Loss allowance		(1)	(15)	(25)	(55)			(20)
Amortised cost		121	1,749	542	130			2,256
Carrying amount	243	118	1,749	542	130	591	373	2,256

The Group did not have any debt securities that were past due but not impaired at 31 March 2019.

PBE IPSAS 30.42I, An impairment allowance of $55 thousand (2019: $20 thousand) in respect of debt securities at amortised cost (2019: held-to-maturity) with a credit rating of D was recognised because of significant financial difficulties being experienced by the issuers. The Group has no collateral in respect of these investments.

PBE IPSAS 30.42H, 49P The movement in the allowance for impairment for debt securities at amortised cost (2019: held-to-maturity) during the year was as follows. Comparative amounts for 2019 represent the allowance account for impairment losses under PBE IPSAS 39.

	2020				2019
In thousands of NZD	12-month ECL	Lifetime ECl-not credit-impaired	Lifetime ECL-credit-impaired	Total	Impaired
Balance at 1 April under PBE IPSAS 29				20	20
Adjustment on initial application of PBE IFRS 9				13	
Balance at 1 April under NZ IPSAS 29	10	3	20	33	
Net remeasurement of loss allowance	5	46	27	78	-
Transfer to lifetime ECL – not credit-impaired	(1)	1	-	-	-
Transfer to lifetime ECL – credit-impaired	-	(8)	8	-	-
Financial assets repaid	(2)	(17)	-	(19)	-
New financial assets acquired	3	-	-	3	-
Balance at 31 March	15	25	55	95	20

The following contributed to the increase in the loss allowance during 2020.

— An issuer of a debt security with a gross carrying amount of $109 thousand entered administration. The Group classified the debt security as credit-impaired and increased the loss allowance by $25 thousand.

— A recession in [*Country Y*] in the fourth quarter of 2020 resulted in credit rating downgrades and transfers to lifetime ECL measurement, with consequent increases in loss allowances of $33 thousand.

PBE IPSAS 30.20A, 42I, 49P The movement in the allowance for impairment in respect of debt securities at FVORE during the year was as follows.

In thousands of NZD	2020 12-month ECL
Balance at 1 April under PBE IPSAS 29	-
Adjustment on application of PBE IFRS 9	4
Balance at 1 April under PBE IPSAS 29	4
Net remeasurement of loss allowance	(1)
Financial assets derecognised	(3)
New financial assets acquired	1
Balance at 31 March	1

The investments held at 31 March 2019 were previously classified as available-for-sale and no impairment loss had been recognised at that date or during 2019.

Cash and cash equivalents

PBE IPSAS 30.40(a)-(b) 41(a), 42B(a), 42F(a), 42G(a)-(b), 42M

The Group held cash and cash equivalents of $505 thousand at 31 March 2020 (2019: $1,850 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

PBE IPSAS 30.42H, 49P

On initial application of PBE IFRS 9, the Group recognised an impairment allowance as at 1 April 2019 in the amount of $1 thousand. The amount of the allowance did not change during 2020.

Derivatives

PBE IPSAS 30.40(a)-(b), 41(a)

The derivatives are entered into with the bank and financial institution counterparties, which are rated AA- to AA+, based on [*Rating Agency Y*] ratings.

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' liabilities. At 31 March 2020, the Group has issued a guarantee to certain banks in respect of credit facilities granted to two subsidiaries.

iii. Liquidity risk

PBE IPSAS 30.38, 40

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Groups' approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable deficits or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investment.

PBE IPSAS 30.41(a), 46(c), AG11

The Group aims to maintain the level of its cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The ratio of investments to outflows was 1.65 at 31 March 2020 (2019: 1.58). The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. At 31 March 2020, the expected cash flows from trade and other receivables maturing within two months were $12,331 thousand (2019: $8,940 thousand). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

PBE IPSAS 2.61(a)
PBE IPSAS 30 AG18

In addition, the Group maintains the following lines of credit.

- $10 million overdraft facility that is unsecured. Interest would be payable at the rate of Libor plus 150 basis points (2019: Libor plus 160 basis points)
- $15 million facility that is unsecured and can be drawn down to meet short-term financing needs. The facility has a 30-day maturity that renews automatically at the option of the Group. Interest would be payable at a rate of Libor plus 100 basis points (2019: Libor plus 110 basis points).

Exposure to liquidity risk

PBE IPSAS 30.46(a)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
31 March 2020 *In thousands of NZD*	**Carrying amount**	**Total**	**2 months or less**	**2-12 months or less**	**1-2 years**	**2-5 years**	**More than 5 years**
PBE IPSAS 30.46(a), AG13 – AG16							
Non-derivative financial liabilities							
Contingent consideration	270	(330)	-	-	-	(330)	-
Bank overdrafts	334	(334)	(334)	-	-	-	-
Secured bank loans	31,002	(31,394)	(1,993)	(8,215)	(5,237)	(15,949)	-
Finance lease liabilities	1,928	(2,663)	(178)	(357)	(450)	(678)	(1,000)
Trade payables	22,080	(22,080)	(22,080)	-	-	-	-
	55,614	**(56,801)**	**(19,575)**	**(8,572)**	**(5,687)**	**(16,957)**	**(1000)**
PBE IPSAS 30.46(b), AG13-AG16							
Derivative financial liabilities							
Interest rate swaps used for hedging	20	(21)	(1)	(6)	(6)	(8)	-
Forward exchange contracts used for hedging:							
- Outflow	8	(152)	(91)	(61)	-	-	-
- Inflow		142	85	57	-	-	-
	28	**(31)**	**(7)**	**(10)**	**(6)**	**(8)**	**-**
PBE IPSAS 30.46(a), AG13 – AG16							
Non-derivative financial liabilities							
Bank overdrafts	282	(282)	(282)	-	-	-	-
Secured bank loans	21,395	(21,410)	(2,806)	(5,886)	(846)	(10,380)	(1,492)
Finance lease liabilities	2,182	(3,186)	(177)	(354)	(458)	(666)	(1,531)
Loan from associate	1,000	(1,000)	-	(1,000)	-	-	-
Trade payables	20,329	(20,329)	(20,329)	-	-	-	-
	45,188	(46,207)	(17,064)	(7,240)	(1,304)	(11,046)	(3,023)
PBE IPSAS 30.46(b), AG13-AG16							
Derivative financial liabilities							
Interest rate swaps used for hedging	5	(5)	-	(2)	(1)	(2)	-
Forward exchange contracts used for hedging:							
- Outflow	7	(41)	(25)	(16)	-	-	-
- Inflow		32	19	13	-	-	-
	12	(14)	(6)	(5)	(1)	(2)	-

PBE IPSAS 30.36(b)-(c), AG16

The inflows/ (outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net-cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

PBE IPSAS 30 AG11

As disclosed in Note 23 and 31, the Group has a secured bank loan that contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. In addition, convertible notes will become repayable on demand if the Group's net debt to adjusted equity ratio exceeds 1.95. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to the management to ensure compliance with the agreement.

The interest payments on variable interest rate loans and bond issues in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on contingent consideration (see Note 29(A)) and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

iv. Market risk

PBE IPSAS 30.40 Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to manage surplus or deficit.

Currency risk

IPSAS 30.25C, 26A(a) The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Group entities. The functional currencies of Group companies are primarily NZ dollars (NZD) and Swiss francs (CHF). The currencies in which these transactions are primarily denominated are NZ dollars, US dollars, sterling and Swiss francs.

PBE IPSAS 30.25A, 26C The Group's risk management policy is to hedge 75 to 85% of its estimated foreign currency exposure in respect of forecast sales and purchases over the following 12 months at any point in time. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.

PBE IPSAS 30.26B The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

PBE IPSAS 30.26B(b) The Group determines the existence of an economic relationship between the hedging instruments and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

PBE IPSAS 30.27D In these hedge relationships, the main sources of ineffectiveness are:

— the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and

— changes in the timing of the hedged transactions.

Exposure to currency risk

PBE IPSAS 30.41(a) The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	31 March 2020				**31 March 2019**			
In thousands of	**NZD**	**USD**	**GBP**	**CHF**	**NZD**	**USD**	**GBP**	**CHF**
Trade receivables	**1,977**	**8,365**	**2,367**	**-**	3,099	6,250	1,780	-
Secured bank loans	**-**	**(1,447)**	**(886)**	**(1,240)**	-	(1,521)	(4,855)	(1,257)
Trade payables	**(876)**	**(7,956)**	**(4,347)**	**-**	(5,411)	(10,245)	(2,680)	-
Net statement of financial position exposure	**1,101**	**(1,038)**	**(2,866)**	**(1,240)**	(2,312)	(5,516)	(5,755)	(1,257)
Next six months' forecast sales	**9,000**	**23,000**	**12,000**	**-**	18,700	17,000	24,000	-
Next six months' forecast purchases	**(10,000)**	**(20,000)**	**(8,000)**	**-**	(9,800)	(10,000)	(17,000)	-
Net forecast transaction exposure	**(1,000)**	**3,000**	**4,000**	**-**	8,900	7,000	7,000	-
Forward exchange contracts	**-**	**(950)**	**(946)**	**-**	-	(1,042)	(870)	-
Net exposure	**101**	**1,012**	**188**	**(1,240)**	6,588	442	375	(1,257)

PBE IPSAS 30.38 The following significant exchange rates have been applied.

	Average Rate		Year-end spot rate	
NZD	**2020**	**2019**	**2020**	**2019**
USD 1	0.758	0.765	0.750	0.758
GBP 1	1.193	1.214	1.172	1.230
CHF 1	0.818	0.825	0.810	0.828

PBE IPSAS 30.47 *Sensitivity analysis*

A reasonably possible strengthening (weakening) of the NZ dollar, US dollar, sterling or Swiss franc against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and have affected equity and surplus or deficit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Surplus or deficit		Equity, net of tax	
In thousands of NZD	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 March 2020				
NZD (9% movement)	**(33)**	**33**	**25**	**(25)**
USD (10% movement)	**25**	**(25)**	**(7)**	**7**
GBP (8% movement)	**17**	**(17)**	**(5)**	**5**
CHF (3% movement)	**2**	**(2)**	**(30)**	**30**
31 March 2019				
NZD (10% movement)	(37)	37	28	(28)
USD (12% movement)	85	(85)	(8)	8
GBP (10% movement)	92	(92)	(92)	7
CHF (5% movement)	6	(6)	(6)	50

Interest rate risk

PBE IPSAS 30.25C, 26B-26C The Group adopts a policy of ensuring that between 80 and 90% 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.

PBE IPSAS 30.26B(b) 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.

In these hedge relationships, the main sources of ineffectiveness are:

PBE IPSAS 30.27D

— the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

— differences in repricing dates between the swaps and the borrowings.

Exposure to interest rate risk

PBE IPSAS 30.41(a) The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

In thousands of NZD	**2020**	**2019**
Fixed-rate instrument		
Financial assets	**2,554**	2,629
Financial liabilities	**(15,793)**	(10,522)
	(13,239)	(7,893)
Effect of interest rate swaps	**(8,000)**	(7,500)
	(21,239)	(15,393)
Variable-rate instruments		
Financial liabilities	**(10,086)**	(14,055)
Effect of interest rate swaps	**8,000**	7,500
	(2,086)	(6,555)

PBE IPSAS 30.47

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through surplus or deficit, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date wold not affect surplus or deficit.

A change of 100 basis points in interest rates would have increased or decreased equity by $65 thousand after tax (2019: $66 thousand). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and surplus or deficit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Surplus or deficit		Equity, net of tax	
Effect in thousands of NZD	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 March 2020				
Variable-rate instruments	**(66)**	**66**	**-**	**-**
Interest rate swaps	**61**	**(61)**	**310**	**(302)**
Cash flow sensitivity (net)	**(5)**	**5**	**310**	**(302)**
31 March 2019				
Variable-rate instruments	(142)	142	-	-
Interest rate swaps	61	(61)	280	(275)
Cash flow sensitivity (net)	(81)	81	280	(275)

Other market price risk

The Group is exposed to equity price risk, which arises from investments measured at fair value through surplus or deficit. The management of the Group monitors the proportion of equity securities in this investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Risk Management Committee.

PBE IPSAS 30 AG5(a)(iii)

The primary goal of the Group's investment strategy is to maximise investment returns, both to partially meet the Group's underfunded defined benefit obligations and to improve its returns in general. Management is assisted by external advisers in this regard. Certain investments are designated as at fair value through surplus or deficit because their performance is actively monitored and they are managed on a fair value basis.

PBE IPSAS 30.47

Sensitivity analysis – Equity price risk

All of the Group's listed equity investments are listed on either the London Stock Exchange or the New York Stock Exchange. For such investments classified as FVOCRE, a 2% increase in the FTSE 100 plus a 3% increase in the Dow Jones Industrial Average at the reporting date would have increased equity by $28 thousand after tax (2019: an increase of $18 thousand after tax); an equal change in the opposite direction would have decreased equity by $28 thousand after tax (2019: a decrease of $18 thousand of tax). For such investments classified as at FVTSD, the impact of a 2% increase in the FTSE 100 plus 3% increase in the Dow Jones Industrial average at the reporting date on surplus or deficit and equity would have been an increase of $16 thousand after tax (2019: $18 thousand after tax). An equal change in the opposite direction would have decreased surplus or deficit and equity by $16 thousand after tax (2019: $18 thousand after tax).

Cash flow hedges

PBE IPSAS 30.27B

At March 2020, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity		
	1-6 months	**6-12 months**	**More than 1 year**
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of NZD)	253	63	-
Average EUR:USD forward contract rate	0.91	0.87	0.83
Average EUR:GBP forward contract rate	1.27	1.23	1.20
Average EUR:CHF forward contract rate	0.92	0.91	0.90
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of NZD)	-	41	78
Average fixed interest rate	2.2%	2.4%	2.8%

PBE IPSAS 30.27(a) At 31 March 2019, the Group held the following instruments to hedge exposures to changes in foreign currency rates.

	Maturity		
	1-6 months	**6-12 months**	**More than 1 year**
Foreign currency risk			
Forward exchange contracts			
Net exposure (in thousands of NZD)	293	73	-
Average EUR:USD forward contract rate	0.93	0.89	0.85
Average EUR:GBP forward contract rate	1.35	1.32	1.28
Average EUR:CHF forward contract rate	0.95	0.93	0.91

PBE IPSAS 30.28B(b) The amounts at the reporting date relating to items designated as hedged items were as follows.

	31 March 2020			
In thousands of NZD	**Change in value for calculating hedge ineffectiveness**	**Cash flow hedge reserve**	**Costs of hedging hedge reserve**	**Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied**
Foreign currency risk				
Sales, receivables and borrowings	**(23)**	166	15	-
Inventory purchases	**(15)**	101	10	-
Interest rate risk				
Variable-rate instruments	**(24)**	165	-	-
	31 March 2019			
Foreign currency risk				
Sales, receivables and borrowings	35	209	(23)	-
Inventory purchases	23	119	-	-
Interest rate risk				
Variable-rate instruments	37	190	-	-

PBE IPSAS 30.25B, 25D, 28A, 28B(b), 28C(b)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2020				During the period - 2020								
		Carrying amount											
In thousands of NZD	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCRE	Hedge ineffectiveness recognised in surplus or deficit	Line item in surplus or deficit that includes hedge ineffectiveness	Costs of hedging recognised in OCRE	Amount from hedging reserve transferred to cost of inventory	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from costs of hedging reserve to surplus or deficit	Amount reclassified from costs of hedging reserve to surplus or deficit	Line item in surplus or deficit affected by the reclassification
Foreign currency risk													
Forward exchange contracts –sales, receivables and borrowings	1,138	178	(5)	Other investments including derivatives (assets), trade and other payables (liabilities)	(23)	(9)	Finance costs – other	20			(11)	6	Revenue
											(6)	2	Finance costs – other
Forward exchange contracts – inventory purchases	758	119	(3)		(15)	-		14	6	6	-	-	
Interest rate risk													
Interest rate swaps	8,000	116	(20)	Other investments including derivatives (assets), trade and other payables (liabilities	(24)	(6)	Finance costs – other	-	-	-	(13)	-	Finance costs – other

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019				During the period - 2019							
		Carrying amount										
In thousands of NZD	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCRE	Hedge ineffectiveness recognised in surplus or deficit	Line item in surplus or deficit that includes hedge ineffectiveness	Costs of hedging recognised in OCI	Amount from costs of hedging reserve transferred to cost of inventory	Amount reclassified from costs of hedging reserve to surplus or deficit	Amount reclassified from costs of hedging reserve to surplus or deficit	Line item in surplus or deficit affected by the reclassification
Foreign currency risk												
Forward exchange contracts –sales, receivables and borrowings	1,147	211	(4)	Other investments including derivatives (assets), trade and other payables (liabilities)	35	(8)	Finance costs – other	6	-	(3)	7	Revenue
										(2)	(5)	Finance costs – other
Forward exchange contracts – inventory purchases	765	141	(3)		23	-		4	-	(1)		- Cost of sales
Interest rate risk												
Interest rate swaps	7,500	131	(5)	Other investments including derivatives (assets), trade and other payables (liabilities	37	(5)	Finance costs – other	-	-	(5)	-	Finance costs – other

PBE IPSAS 30.28E, 28F

The following table provides a reconciliation by risk category of components of equity and analysis of OCRE items, resulting from cash flow hedge accounting.

	2020	
In thousands of NZD	**Hedging reserve**	**Cost of hedging reserve**
Balance at 1 April 2019	518	(23)
Cash flow hedges		
Changes in fair values		
Foreign currency risk – inventory purchase	(15)	14
Foreign currency risk – other items	(23)	20
Interest rate risk	(24)	-
Amount reclassified to surplus or deficit:		
Foreign currency risk – other items	(17)	8
Interest rate risk	(13)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	6	6
Balance at 31 March 2020	432	25

	2019	
In thousands of NZD	**Hedging reserve**	**Cost of hedging reserve**
Balance at 1 April 2018	434	(35)
Cash flow hedges		
Effective portion of changes in fair value:		
Foreign currency risk – inventory purchase	23	4
Foreign currency risk – other items	35	6
Interest rate risk	37	-
Amount reclassified to surplus or deficit:		
Foreign currency risk	(1)	-
Foreign currency risk – other items	(5)	2
Interest rate risk	(5)	-
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	-	-
Balance at 31 March 2019	518	(23)

Net Investment hedges

PBE IPSAS 30.26A

A foreign currency exposure arises from the Group's net investment in its Swiss subsidiary that has a Swiss franc functional currency. The risk arises from the fluctuation in spot exchange rates between the Swiss franc and the New Zealand Dollars, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedge is the risk of a weakening Swiss franc against the New Zealand Dollars that will result in a reduction in the carrying amount of the Group's net investment in the Swiss subsidiary.

PBE IPSAS 30.26B(a)

Part of the Group's net investment in its Swiss subsidiary is hedged by a Swiss franc denominated secured bank loan (carrying amount: $1,240 thousand (2019: $1,257 thousand)), which mitigates the foreign currency risk arising from the subsidiary's net assets. The loan is designated as a hedging instrument for the changes in the value of the net investment that is attributable to changes in the EUR/CHF spot rate.

PBE IPSAS 30.26B(b)

To assess hedge effectiveness, the Group determines the economic relationship between the hedging instrument and the hedged item by comparing changes in the carrying amount of the debt that is attributable to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method). The Group's policy is to hedge the net investment only to the extent of the debt principal.

PBE IPSAS 30.28A, 28C(b)(i)-(iii)

The amounts related to items designated as hedging instruments were as follows.

	2020				During the period - 2020					
In thousands of NZD	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Line item in the statement of financial position where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness for 2020	Change in value of hedging instrument recognised in OCRE	Hedge ineffectiveness recognised in surplus or deficit	Line item in surplus or deficit that including hedge ineffe-ctiveness	Amount reclassified from hedging reserve to surplus or deficit	Line item affected in surplus or deficit because of the reclassification
Foreign exchange-denominated debt (CHF)	1,240	-	1,240	Loans and borrowings	(4)	(3)	(1)	Finance costs - other	-	N/A

PBE IPSAS 30.28B(b)

The amounts related to items designated as hedged items were as follows.

	2020	During the period - 2020	
In thousands of NZD	Change in value used for calculating hedged ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
CHF net investment	**3**	**125**	**-**

The amounts related to items designated as hedging instruments were as follows.

	2019				During the period - 2019					
In thousands of NZD	Nominal amount	Carrying amount Assets	Carrying amount Liabilities	Line item in the statement of financial position where the hedging instrument is included	Change in value used for calculating hedge ineffectiveness for 2019	Change in value of hedging instrument recognised in OCRE	Hedge ineffectiveness recognised in surplus or deficit	Line item in surplus or deficit that including hedge ineffe-ctiveness	Amount reclassified from hedging reserve to surplus or deficit	Line item affected in surplus or deficit because of the reclassification
Foreign exchange-denominated debt (CHF)	1,257	-	1,257	Loans and borrowings	(8)	(8)	-	Finance costs - other	-	N/A

The amounts related to items designated as hedged items were as follows.

	2019	During the period - 2019	
In thousands of NZD	Change in value used for calculating hedged ineffectiveness	Foreign currency translation reserve	Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied
CHF net investment	8	105	**-**

PBE IPSAS 28.47

D. Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

In thousands of NZD	***Note***	**Gross and net amounts of financial instruments in the statement of financial position**	**Related financial instruments that are not offset**	**Net amount**
31 March 2020				
Financial assets				
Other investments, including derivatives				
- Interest rate swaps used for hedging	*22*	**116**	**(5)**	**111**
- Forward exchange contracts used for hedging	*22*	**297**	**(16)**	**281**
- Other forward exchange contracts	*22*	**122**	**(7)**	**115**
		535	**(28)**	**507**
Financial liabilities				
Trade and other payables				
- Interest rate swaps used for hedging	*24*	**(20)**	**20**	**-**
- Forward exchange contracts used for hedging	*24*	**(8)**	**(8)**	**-**
		(28)	**12**	**-**
31 March 2019				
Financial assets				
Other investments, including derivatives				
- Interest rate swaps used for hedging	*22*	131	(2)	129
- Forward exchange contracts used for hedging	*22*	352	(8)	344
- Other forward exchange contracts	*22*	89	(2)	87
		572	(12)	560
Financial liabilities				
Trade and other payables				
- Interest rate swaps used for hedging	*24*	(5)	5	-
- Forward exchange contracts used for hedging	*24*	(7)	7	-
		(12)	12	-

PBE IPSAS 30.AG5

Accounting Policies

(i) Recognition and initial measurement

PBE IFRS 9.3.1.1 Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

PBE IFRS 9.5.1.1 A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTSD, transaction costs that are directly attributable to its acquisition or issue. A trade receivable is initially measured at the transaction price.

(ii) Classification and subsequent measurement

PBE IFRS 9.4.1.1 ***Financial assets – Policy applicable from 1 April 2019***

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCRE – debt investment; FVOCRE – equity investment; or FVTSD.

PBE IFRS 9.4.4.1, 5.6.1 Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

PBE IFRS 9.4.1.2 A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTSD:

— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

PBE IFRS 9.4.1.2A

A debt investment is measured at FVOCRE if it meets both of the following conditions and is not designated as at FVTSD:

— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

PBE IFRS 9.4.1.4, 5.7.5 On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in CRE. This election is made on an investment-by-investment basis.

PBE IFRS 9.4.1.5 All financial assets not classified as measured at amortised cost or FVOCRE as described above are measured at FVTSD. This includes all derivative financial assets (see Note 28(A)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCRE as at FVTSD if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 April 2019

PBE IFRS 9.B4.1.2 The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

PBE IFRS 9.B4.1.2B-2C, B4.1.4A, B4.1.5

— the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

— how the performance of the portfolio is evaluated and reported to the Group's management;

— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

PBE IFRS 9.B4.1.6

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTSD.

PBE IFRS 9.4.1.3, B4.1.7A-7B, B4.1.9A-9E

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 April 2019

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

— contingent events that would change the amount or timing of cash flows;

— terms that may adjust the contractual coupon rate, including variable-rate features;

— prepayment and extension features; and

— terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

PBE IFRS 9.B4.1.11(b), B4.1.12

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 April 2019

PBE IFRS 9.5.7.1	**Financial assets at FVTSD**	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in surplus or deficit. However, see Note 22(v) for derivatives designated as hedging instruments.
PBE IFRS 9.5.7.2	**Financial assets at amortised cost**	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.
PBE IFRS 9.5.7.10-11	**Debt investments at FVOCRE**	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Other net gains and losses are recognised in OCRE. On derecognition, gains and losses accumulated in OCRE are reclassified to surplus or deficit.
PBE IFRS 9.5.7.5-6, B5.7.1	**Equity investments at FVOCRE**	These assets are subsequently measured at fair value. Dividends are recognised as income in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCRE and are never reclassified to surplus or deficit.

Financial assets – Policy applicable before 1 April 2019

PBE IPSAS 30S.25 The Group classified non-derivative financial assets into the following categories: financial assets at fair value through surplus or deficit, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Non-derivative financial assets and financial liabilities - recognition and de-recognition

PBE IPSAS 29.16, 29.AG68-71 The Group initially recognises loans and receivables on the date that they are originated.

PBE IPSAS 29.19, 27 The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfer the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

PBE IPSAS 28.47 Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settlement them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

PBE IPSAS 30S.AG5(e), PBE IPSAS 29.45, 48, 64(a)

Financial assets at fair value through surplus or deficit	A financial asset is classified as at fair value through surplus or deficit if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in surplus or deficit as incurred. Financial assets at fair value through surplus or deficit are measured at fair value and changes therein, including any interest or dividend income, and recognised in surplus or deficit.
Held-to-maturity financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method.
Loans and receivables (includes concessionary loans)	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised costs using the effective interest method. Concessionary loans are loans issued to third parties at rates and or terms below market. The difference between fair value and transaction price at initial recognition is recognised as a finance cost in surplus or deficit.
Available-for-sale financial assets	These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency difference on debt instruments (see Note (10) (i)), are recognised in other comprehensive revenue and expense and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to surplus or deficit.

PBE IPSAS 29.45, 48(b)

PBE IPSAS 29.48(a) PBE IPSAS 29.AG84-90

PBE IPSAS 30S.AG5(b), PBE IPSAS 29.45, 48

Financial liabilities – Classification, subsequent measurement and gains and losses

PBE IPSAS 29.49 PBE IFRS 9.5.7.1 Financial liabilities are classified as measured at amortised cost or FVTSD. A financial liability is classified as at FVTSD if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTSD are measured at fair value and net gains and losses, including any interest expense, are recognised in surplus or deficit. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in surplus or deficit. Any gain or loss on derecognition is also recognised in surplus of deficit.

See Note 22(v) for financial liabilities designated as hedging instruments.

(iii) Derecognition

PBE IFRS 9.3.2.3-6 *Financial assets*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

PBE IFRS 9.3.2.6(b) The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

PBE IFRS 9.3.3.1-2 The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

PBE IFRS 9.3.3.3 On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in surplus or deficit.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment of non derivative financial assets

Impairment of non derivative financial assets – Policy applicable from 1 April 2019

PBE IFRS 9.2, 5.5.1 The Group recognises loss allowances for ECLs on:

— financial assets measured at amortised cost; and
— debt investments measured at FVOCRE.

PBE IFRS 9..5.5.3, 5.5.5, 5.5.11, 5.5.15-16 The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

— debt securities that are determined to have low credit risk at the reporting date; and
— other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

PBE IPSAS 30.42F(b) The Group considers a financial asset to be in default when:

— the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
— the financial asset is more than 90 days past due.

PBE IPSAS 30.42F(a)(i) The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per [Rating Agency X] or BBB- or higher per [Rating Agency Y].

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

PBE IFRS 9.5.5.19

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

PBE IFRS 9.5.5.17

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

IPSAS 30.42F(d), 42G(a)(iii)

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCRE are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;
— a breach of contract such as a default or being more than 90 days past due;
— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
— it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

PBE IFRS 9.5.5.1-2

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCRE, the loss allowance is charged to surplus or deficit and is recognised in OCRE.

Write-off

IPSAS 30.42F(e)

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Impairment of non derivative financial assets – Policy applicable before 1 April 2019

Financial assets not classified as at fair value through surplus or deficit, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

PBE IPSAS 29.67-68, PBE IPSAS 30S.AG5(f)

Objective evidence that the financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

PBE IPSAS 30S.AG5(d), PBE IPSAS 29.72-74	**Financial assets measured at amortised cost**	The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical infor4mation on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying mount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through surplus or deficit.
PBE IPSAS 29.76-79	**Available-for-sale financial assets**	Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to surplus or deficit. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in surplus or deficit. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through surplus or deficit. Impairment losses recognised in surplus or deficit for an investment in an equity instrument classified as available for sale are not reversed through surplus or deficit.
PBE IPSAS 7.37-40	**Equity-accounted investees**	An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in surplus or deficit, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting – Policy applicable from 1 April 2019

PBE IFRS 9.4.3.3 The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

PBE IFRS 9.5.1.1, 5.2.1(c) Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in surplus or deficit.

PBE IFRS 9.6.4.1(a)-(c) At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

PBE IFRS 9.6.5.11, 6.5.16 When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCRE and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCRE is limited to

the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in surplus or deficit.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to surplus or deficit in the same period or periods during which the hedged expected future cash flows affect surplus or deficit.

PBE IFRS 9.6.5.6-7, 6.5.12

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to surplus or deficit in the same period or periods as the hedged expected future cash flows affect surplus or deficit.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to surplus or deficit.

Net investment hedges

PBE IFRS 9.6.5.13-14

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCRE and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in surplus or deficit. The amount recognised in OCRE is reclassified to surplus or deficit as a reclassification adjustment on disposal of the foreign operation.

Derivative financial instruments and hedge accounting – Policy applicable before 1 April 2019

PBE IFRS 9.7.2.26

The policy applied in the comparative information presented for 2019 is similar to that applied for 2020. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to surplus or deficit in the same period or periods during which the hedged expected future cash flows affected surplus or deficit. Furthermore, for cash flow hedges that were terminated before 2019, forward points were recognised immediately in surplus or deficit.

29. Acquisition of subsidiary

See accounting policies in Notes 6(A) (i) – (iii).

PBE IFRS 3.B64(a)-(c)

On 30 June 2019, the Group acquired 65% of the shares and voting interest in Papyrus. As a result, the Group's equity interest in Papyrus increased from 25 to 90%, obtaining control of Papyrus (see Note 21(B)).

PBE IFRS 3.B64(d)

Taking control of Papyrus will enable the Group to modernise its production process through access to Papyrus's patented technology. The acquisition is also expected to provide the Group with an increased share of the standard paper market through access to Papyrus's customer base. The Group also expects to reduce costs through economies of scale.

PBE IFRS 3.B64(q)

For the nine months ended 31 March 2019, Papyrus contributed revenue of $20,409 thousand and profit of $425 thousand to the Group's results. If the acquisition had occurred on 1 April 2019, management estimates that consolidated revenue would have been $107,091 thousand, and consolidated profit for the year would have been $8,128 thousand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2019.

PBE IFRS 3.B64(f)

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class on consideration transferred.

In thousands of NZD	***Note***	
PBE IFRS 3.B64(f)(i) *PBE IPSAS 2.50(a)* Cash		**2,707**
PBE IFRS 3.B64(f)(iii) Contingent consideration	27(C)(iii), 29(A(i)	**250**
Settlement of pre-existing relationship	9(C)	**(326)**
Total consideration transferred		**2,631**

i. Contingent consideration

PBE IFRS 3.B64(g), B67(b)

The Group has agreed to pay the selling shareholders in three years' time additional consideration of $600 thousand if the acquiree's cumulative EBITDA over the next three years exceeds $10,000 thousand. The Group has included $250 thousand as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 31 March 2020, the contingent consideration had increased to $270 thousand (see Note 24)).

ii. Settlement of pre-existing relationship

PBE IFRS 3.B64(l)

The Group and Papyrus were parties to a long-term supply contract under which Papyrus supplied the Group with timber products at a fixed price. Under the contract, the Group could terminate the agreement early by paying Papyrus $326 thousand. This pre-existing relationship was effectively terminated when the group acquired Papyrus.

The Group has attributed $326 thousand of the consideration transferred to the extinguishment of the supply contract, and has included the amount in 'other expenses' (see Note 9(C)). This amount is the lower of the termination amount and the value of the off-market element of the contract. The fair value of the contract at the date of acquisition was $600 thousand, of which $400 thousand related to the unfavourable aspect of the contract to the Group relative to market prices.

B. Acquisition-related costs

PBE IFRS 3.B64(l), B64(m)

The Group incurred acquisition-related costs of $50 thousand on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

C. Identifiable assets acquired and liabilities assumed

PBE IFRS 3.B64(i)
PBE IPSAS 2.50(c)

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

In thousands of NZD	***Note***	
PBE IFRS 3.B64(f)(ii) Property, plant and equipment	18 (A)	1,955
PBE IFRS 3.B64(f)(ii) Intangible assets	19 (D)	250
PBE IFRS 3.B64(f)(ii) Inventories		825
PBE IFRS 3.B64(h)(i) Trade receivables		848
PBE IPSAS 2.50(c) Cash and cash equivalents		375
PBE IFRS 3.B64(f)(iii) Loans and borrowings		(500)
PBE IFRS 3.B64(f)(iii) Deferred tax liabilities		(79)
PBE IFRS 3.B64(f)(iii) Contingent liabilities	27	(20)
PBE IFRS 3.B64(f)(iii) Site restoration provision	27(C)(iii)	(150)
PBE IFRS 3.B64(f)(iii) Trade and other payables		(460)
Total identifiable net assets acquired		3,044

PBE IFRS 3.61

i. Measurement of values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation technique**
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earning method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets.
Inventories	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

PBE IFRS 3.B64(h)(ii)-(iii)

The trade receivables comprise gross contractual amounts due of $900 thousand, of which $52 thousand was expected to be uncollectible at the date of acquisition.

Fair value measured on a provisional basis

PBE IFRS 3.B67(a), PBE IPSAS 1.140

The following amounts have been measured on a provisional basis.

- The fair value of Papyrus's intangible assets (patented technology and customer relationships) has been measured provisionally, pending completion of an independent valuation.
- Papyrus's contingent liability relates to a claim for contractual penalties made by one of Papyrus's customers. Although the Group acknowledges responsibility, it disputes the amount claimed by the customer of $100 thousand. The claim is expected to go to arbitration in April 2019. The recognised fair value of $20 thousand is based on the Group's interpretation of the underlying contract, taking into account the range of possible outcomes of the arbitration process, and is supported by independent legal advice.

PBE IFRS 3.B64(j), B67(c)
PBE IPSAS 19.100

- Papyrus's operations are subject to specific environmental regulations. The Group has conducted a preliminary assessment of site restoration provisions arising from these regulations and has

recognised a provisional amount. The Group will continue to review these matters during the measurement period.

If the new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

D. Goodwill

Goodwill arising from the acquisition has been recognised as follows.

	In thousands of NZD	***Note***	
	Consideration transferred	29(A)	**2,631**
PBE IFRS 3.B64(0)(i), B64(p)(ii)	Non-controlling interest, based on their proportionate interest in the recognised amounts of the asset and liabilities of Papyrus		**304**
PBE IFRS 3.B64(p)(i)	Fair value of pre-existing interest in Papyrus		**650**
	Fair value of identifiable net assets	29(C)	**(3,044)**
	Goodwill	19(A)	**541**

PBE IFRS 3.B64(p)(ii) The re-measurement to fair value of the Group's existing 25% interest in Papyrus resulted in a gain $250 thousand ($650 thousand less the $420 thousand carrying amount of the equity-accounted investee at the date of acquisition plus $20 thousand of the translation reserve reclassified to surplus or deficit). This amount has been included in 'finance income' (see Note 10).

PBE IFRS 3.B64(e), B64(k) The goodwill is attributable mainly to the skills and technical talent of Papyrus's work force and the synergies expected to be achieved from integrating the Entity into the Group's existing standard Papers business.

30. Acquisition of Non-controlling Interest

See accounting policies in Notes 6(A)(ii-iii).

PBE IPSAS 38.17(b)(iii), 25 In September 2019, the Group acquired an additional 15% interest in Swissolote for $200 thousand in cash, increasing its ownership from 60% to 75%. The carrying amount of Swissolote's net assets in the Group's financial statements on the date of the acquisition was $767 thousand.

In thousands of NZD	**2019**
Carrying amount of non-controlling interest acquired ($757 x 15%)	**115**
Consideration paid to non-controlling interest	**(200)**
A decrease in the equity attributable to owners of the group	**(85)**

The decrease in equity attributable to the owners of the Group comprised:

- a decrease in accumulated comprehensive revenue and expense of $93 thousand; and
- an increase in the translation reserve of $8 thousand.

31. Loan covenant waiver

PBE IPSAS 30.23 As explained in Note 23 (B), the Group exceeded its maximum leverage threshold (loan covenant ratio, calculated as debt to quarterly revenue for continuing operations) associated with a bank loan in the third quarter of 2020. The Group obtained a waiver of the breach of covenant in January 2020. Subsequent to 31 March 2020, the bank revised the loan covenant ratio from 2.5 to 3.5 times. On the basis of the new covenant and its forecasts, management believes that the risk of the new covenant being breached is low and that the Group will continue as a going concern for the foreseeable future.

32. Operating leases

PBE IPSAS 13.44(c)

A. Leases as lessee

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain operating leases, the Group is restricted from entering into any sub-lease arrangements.

PBE IPSAS 1.137

PBE IPSAS 13.20A The warehouse and factory leases were entered into many years ago as combined leases of land and buildings. The Group determined that the land and building elements of the warehouse and factory leases are operating leases. The rent paid to the landlord is adjusted to market rentals at regular intervals, and the Group does not have an interest in the residual value of the land and buildings. As a result, it was determined that substantially all of the risks and rewards of the land and buildings are with the landlord.

PBE IPSAS 13.44(b)

One of the leased properties has been sub-let by the Group. The lease and sub-lease expire in 2020. Sub-lease payments of $50 thousand are expected to be received during 2020. The Group has recognised a provision of $160 thousand in respect of this lease (see Note 27(D)).

PBE IPSAS 13.44(a)

i. Future minimum lease payments

At 31 March, the future minimum lease payments under non-cancellable leases were receivable as follows.

In thousands of NZD	**2020**	**2019**
Less than one year	**417**	435
Between one and five years	**419**	486
More than five years	**1,764**	1,805
	2,600	2,726

PBE IPSAS 13.44(c)

ii. Amounts recognised in surplus or deficit

In thousands of NZD	***Note***	**2020**	**2019**
Lease expense	*9(D)*	**435**	447
Contingent rent expense	*9(D)*	**40**	30
Sub-lease income	*9(A)*	**(150)**	(90)

PBE IPSAS 13 RDR 44.1 *A Tier 2 entity is not required to disclose separate amounts for minimum lease payments, contingent rents and sublease payments in accordance with paragraph 44(c).*

PBE IPSAS 13.69

B. Leases as lessor

PBE IPSAS 13.69(c) The group leases out its investment properties (see Note 20).

PBE IPSAS 13.69(a)

i. Future minimum lease payments

At 31 March, the future minimum lease payments are under non-cancellable leases are receivable as follows.

In thousands of NZD	**2020**	**2019**
Less than one year	**332**	290
Between one and five years	**1,470**	1,360
More than five years	**445**	320
	2,247	1,970

PBE IPSAS 13 RDR 69.1 *A Tier 2 entity is not required to disclose future minimum lease payments under non-cancellable operating leases in the aggregate in accordance with paragraph 69(a).*

PBE IPSAS 16.86(f)(i)-(iii)

ii. Amounts recognised in surplus or deficit

During 2019, investment property rentals of $310 thousand (2019: $212 thousand) were included in 'revenue' (see Note 8). Maintenance expense, included in 'cost of sales' (See Note 9) was as follows:

In thousands of NZD	**2020**	**2019**
Income-generating property	**45**	30
Vacant property	**20**	15
	65	45

Accounting Policy

[Include a description of the Group's leasing arrangements and the judgements applied in classifying these as finance or operating leases. E.g. The Group owns land leased out to tenants underground leases and developed properties leased out to commercial tenants. Both ground leases and developed property leases are classified as operating leases, on the basis that the leases do not transfer substantially all of the risks and rewards incidental to ownership to the lessee, with the primary risk and reward considered to be capital gain or loss on the property.]

PBE IPSAS 13 Appendix(C) 6, 10, 12-15

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably that an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

PBE IPSAS 13.13,28,36

(ii) Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are account for in accordance with the accounting policy applicable to that asset.

PBE IPSAS 13.42,A3

(iii) Lease payments

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

Some leases provide for periodic fixed rent increases. Where the rent increase is based on fixed dollar amount or percentage increase, the contractual increase is reflected in the determination of the lease income and recognised on a straight-line basis over the lease term. Where the contractual increase is based on movements in the consumer price index this is accounted for as contingent rent and recognised as income in the period the increase occurs.

PBE IPSAS 13.50

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as expense on a straight-line basis over the lease term. Incentives granted to lessees in negotiating a new or renewed lease are recognised as a reduction of rental income straight-line over the lease term.

PBE IPSAS 13.34

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

33. Commitments

PBE IPSAS 17.89(c)

During 2020, the Group entered into a contract to purchase property, plant and equipment and patents and trademarks in 2020 for $1,465 thousand (2019: nil) and $455 thousand (2019: nil) respectively.

The Group is committed to incur other capital expenditure of $150 thousand (2019: $45 thousand). The Group's joint venture is committed to incur capital expenditure of $23 thousand (2019: $11 thousand), of which the Group's share is $9 thousand (2019: $4 thousand). These commitments are expected to be settled in 2020.

The Group has entered into contracts for the management and maintenance of certain commercial properties that are leased to third parties. These contracts will give rise to annual expense of $15 thousand for the next five years.

PBE IPSAS 16.86(h)

The Group is currently considering applications for research grants for the 2020 and 2019 years but has not yet entered into commitments of grants

34. Equity and Reserves

A. Contributed Equity

PBE IPSAS 1.95(a)

The Group has contributed equity due to a grant from Mr Brown including forestry lands, forests at different stages of maturity and monetary funds, to research how the forestry and timber industry in New Zealand could ensure the production of high quality timber for the construction industry but without damaging the environment both ecologically and aesthetically. Mr Brown required the Group to operate as a Not-for-Profit entity, sharing research to benefit agriculture and farming on a global scale.

PBE IPSAS 1.98(b)

B. Reserves

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instrument used in cash flow hedges pending subsequent recognition in surplus or deficit as the hedged cash flows or items affect surplus or deficit.

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCRE and accounted for similarly to gains or losses in the hedging reserve.

Fair value reserve

The fair value reserve comprises:

— the cumulative net change in the fair value of equity securities designated at FVOCRE (2019: available-for-sale financial assets); and

— the cumulative net change in fair value of debt securities at FVOCRE (2019: available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment immediately before its reclassification as investment property.

C. Capital management

PBE IPSAS 1.148A and 148B

The Group's capital is its Equity, which comprises contributed capital, accumulated comprehensive revenue and expense and the various reserves listed above. Equity is represented by net assets.

The Group manages its Equity prudently as part of the process of effectively managing its revenues, expenditure, assets, liabilities and all related financial affairs. In order to ensure that the Group achieves all its research, production, environmental and charitable objectives and purpose, the Group has a Board of Directors that actively controls and monitors progress of plans and activities against financial and social key performance indicators.

The Group is not currently subject to any externally imposed capital requirements.

D. OCRE accumulated in reserves

PBE IPSAS 1.119(b-c)	*In thousands of NZD*	Translation reserve	Cost of hedging reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Accumulated comprehensive revenue and expense	Total	Non-controlling Interest	Total equity
	2020									
PBE IPSAS 7.92(e)	Revaluation of property, plant and equipment	-	-	-	-	200	-	200	-	200
PBE IPSAS 30.24(a)(vii)	Equity investments at FVOCRE – net change in fair value	-	-	-	141	-	-	141	-	141
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	-	-	-	-	-	13	13	-	13
PBE IPSAS 4.61(b)	Foreign operations – foreign currency translation differences	653	-	-	-	-	-	653	27	680
PBE IPSAS 4.61(b)	Net investment hedge – net loss	(3)	-	-	-	-	-	(3)	-	(3)
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	(172)	-	-	-	-	-	(172)	-	(172)
PBE IPSAS 4.61(b)	Reclassification of foreign currency differences on loss of significant influence	(20)	-	-	-	-	-	(20)	-	(20)
PBE IPSAS 30.27(c)	Cash flow hedges – effective portion of changes in fair value	-	-	(62)	-	-	-	(62)	-	(62)
PBE IPSAS 30.27(c)	Cash flow hedges – reclassified to surplus or deficit	-	-	(30)	-	-	-	(30)	-	(30)
PBE IPSAS 1.103.1	Cost of hedging reserve – changes in fair value	-	34	-	-	-	-	34	-	34
PBE IPSAS 1.103.4	Cost of hedging reserve – reclassified to surplus and deficit	-	8	-	-	-	-	8	-	8
PBE IPSAS 30.24(a)(viii)	Debt investments at FVOCRE - net change in fair value	-	-	-	55	-	-	55	-	55
PBE IPSAS 30.24(a)(viii)	Debt investments at FVOCRE – reclassified to surplus and deficit	-	-	-	(64)	-	-	(64)	-	(64)
	Total	**458**	**42**	**(92)**	**132**	**200**	**13**	**753**	**27**	**780**

PBE IPSAS 1.119(b-c)	*In thousands of NZD*	Translation reserve	Cost of hedging reserve	Hedging reserve	Fair value reserve	Revaluation reserve	Accumulated comprehensive revenue and expense	Total	Non-controlling Interest	Total equity
	2019*									
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	-	-	-	-	-	(3)	(3)	-	(3)
PBE IPSAS 4.61(b)	Foreign operations – foreign currency translation differences	449	-	-	-	-	-	449	22	471
PBE IPSAS 4.61(b)	Net investment hedge – net loss	(8)	-	-	-	-	-	(8)	-	(8)
PBE IPSAS 1.103.1(b)	Equity-accounted investees – share of OCRE	(166)	-	-	-	-	-	(166)	-	(166)
PBE IPSAS 30.27(c)	Cash flow hedges – effective portion of changes in fair value	-	-	95	-	-	-	95	-	95
PBE IPSAS 30.27(c)	Cash flow hedges – reclassified to surplus or deficit	-	-	(11)	-	-	-	(11)	-	(11)
PBE IPSAS 1.103.1	Cost of hedging reserve – changes in fair value	-	10	-	-	-	-	10	-	10
PBE IPSAS 1.103.4	Cost of hedging reserve – reclassified to surplus and deficit	-	2	-	-	-	-	2	-	2
PBE IPSAS 30.24	Available-for-sale financial assets – net change in fair value	-	-	-	118	-	-	118	-	118
	Total	**275**	**12**	**84**	**118**	**-**	**(3)**	**486**	**22**	**508**

* As restated, see note 6D

35. Reconciliation of Surplus with net cash from operating activities

	In thousands of NZD	Note	2020 Actual	2019
PBE IPSAS 1.21(d),126				
PBE IPSAS 2.18, 29, 31				
PBE IPSAS 2.18	**Cash flows from operating activities**			
	Surplus for the year		**5,863**	5,794
PBE IPSAS 2.27(b)	Adjustments for:			-
	- Depreciation	18A	**5,001**	5,122
	- Amortisation	18A	**785**	795
	- (Reversal of) impairment losses on property, plant and equipment	18A	**(393)**	1,123
	- Impairment losses on intangible assets and goodwill		**16**	285
	- Impairment loss on re measurement of disposal group		**35**	-
	- Change in fair value of biological assets		**(587)**	(28)
	- Increase in fair value of investment property		**(20)**	(60)
	- Impairment loss on trade receivables		**150**	30
	Impact of concessionary loan		**173**	
	Impairment P,P & E			
	Net finance costs		**546**	1,166
	Share of profit of equity-accounted investees, net of tax		**(1,141)**	(587)
	- Gain on sale of property, plant and equipment		**(26)**	(16)
	- Gain on sale of discontinued operation, net of tax		**(846)**	-
			9,556	13,624
	Changes in:			
	Inventories		**516**	(532)
	Trade and other receivables		**(8,350)**	(5,614)
	Non exchange receivables		**(1,500)**	500
	Prepayments		**870**	(305)
	Trade and other payables		**1,862**	(7,430)
	Provisions and employee benefits		**(130)**	660
	Deferred income/revenue		**(29)**	1,490
	Cash generated from operating activities		**2,795**	2,393
PBE IPSAS 2.40-41	Interest paid		**(1,499)**	(1,366)
PBE IPSAS 2.18	**Net cash from operating activities**		**1,296**	1,027

36. Related parties

A. Parent and ultimate controlling party

PBE IPSAS 1.150(c), (d)
PBE IPSAS 20.25

New Zealand Forest and Timber Environmental Research Inc. was set up as an Incorporated Society with a grant from Mr Brown including forestry lands, forests at different stages of maturity and monetary funds, to research how the forestry and timber industry in New Zealand could ensure the production of high quality timber for the construction industry but without damaging the environment both ecologically and aesthetically. A separate entity, New Zealand Timber and Paper Limited, was set up as a trading arm to market the products (such as timber for construction and paper products) resulting from the harvesting of the forests and to fund continuing research. The research is controlled by the Incorporated Society and parent entity, but as investigative research has moved offshore, primarily to Europe and North America, local companies in specific countries have been acquired with the aim of utilising the annual profits of the Entity to fund research in that particular country. Research and trading is now carried out in Denmark, Germany, Romania, United Kingdom, Netherlands, Switzerland, Spain, United States and Canada. In recent years research projects have been expanded to encompass the impacts of climate change and dairy farming. There is no entity that owns New Zealand Incorporated, the charity and the Group are controlled by the Group's Board of Directors.

B. List of subsidiaries

PBE IPSAS 38.17(a), 19(a)(b)
PBE IPSAS 20.26

Subsidiary Name	Principal place of business	Ownership interest in 2020	Ownership interest in 2019
NZ Timber and Paper Ltd	New Zealand	100%	100%
Mermaid A/S	Denmark	100%	100%
Papier GmbH	Germany	100%	100%
Paper Limited	Romania	100%	100%
Paper Pabus Co	UK	100%	100%
Hemy Payo Products NV	Netherlands	100%	100%
Oy Kossy AG	Switzerland	90%	90%
Papyrus Pty Limited	US	90%	25%
Swissolote AG	Switzerland	75%	60%
Maple-leaf Inc	Canada	45%	45%
Silver Fir SA	Spain	48%	48%
Sloan Bio-Research Co	UK	-	-
MayCo	US	-	-

Maple-leaf Inc and Silver Fir SA

Although the Group owns less than half of Maple-leaf Inc and Silver Fir SA and has less than half of their voting power, management has determined that the Group controls these two entities. The Group controls Maple-leaf Inc by virtue of an agreement with its other shareholders, the Group has control over Silver Fir SA , on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively.

Sloan Bio-Research Co and MayCo

The Group does not hold any ownership interests in two structured entities, Sloan Bio-Research Co and MayCo. However, based on the terms of agreements under which these entities were established, the Group receives substantially all of the returns related to their operations and net assets (these entities perform research activities exclusively for the Group) and has the current ability to direct these entities' activities that most significantly affect these returns. Because the owners' interests in these entities are presented as liabilities of the Group, there are no NCI for these entities.

C. Transactions with key management personnel

i. Key management personnel compensation

PBE IPSAS 20.34.1(a)

The Group classifies its key management personnel into the following categories:

- Directors (of the governing body)
- Executive Officers
- Operating Officers

Directors of the governing body receive an annual fee of $15 thousand and expenses up of $1 thousand for each meeting attended during the year. Executive officers and operating officers are employees of the Group and are on standard employment contracts.

The table below depicts the aggregate remuneration of key management personnel and the number of individuals determined on a full-time equivalent basis, receiving remuneration with the category.

	2020		2019	
In thousands of NZD	**Remuneration**	**Number**	**Remuneration**	**Number**
Directors	**200**	**10**	140	7
Executive Officers	**397**	**5**	286	4
Operating Officers	**531**	**10**	349	8
	1,128	**25**	775	19

Compensation of the Group's key management personnel includes salaries and non-cash benefits.

As a result of the termination of the employment of one of the Group's executives in France, the executive received an enhanced retirement entitlement. Accordingly, the Group has recognised an expense of $25 thousand during the year (2019: nil).

PBE IPSAS 20.34.1(b)(i)

Management consulting fees totalling $956 thousand (2019: $217 thousand) were paid to a Director at market rates for the provision of consulting advice regarding the integration of acquisitions made during the year.

PBE IPSAS 20.34.1(b)(ii)

Eleven (2019: 5) close family members of key management personnel are employed across the Group on normal employment contracts. The total aggregate remuneration paid to close family members of key management personnel is $218 thousand (2019: 90 thousand)

PBE IPSAS 20.34.1 (c)

ii. Loans to key management personnel

During 2020, unsecured loans advanced to directors were $85 thousand (2019: $32 thousand). No interest is payable by directors, and the loans are repayable in cash in full 12 months after the issue date. At 31 March 2020, the balance outstanding was $78 thousand (2019: $32 thousand) and is included in 'trade and other receivables' (see Note 14). All loans were paid in full when due.

	Directors				
In thousands of NZD	**Mr Brown**	**Mrs Black**	**Mr Grey**	**Ms Green**	**Total**
Opening Balance 1 April 2018	-	-	-	-	-
Loans Advanced	9	7	10	6	32
Loans Repaid	-	-	-	-	-
Closing Balance 31 March 2019	9	7	10	6	32
Opening balance 1 April 2019	**9**	**7**	**10**	**6**	**32**
Loans Advanced	**24**	**27**	**16**	**18**	**85**
Loans Repaid	**(6)**	**(5)**	**(10)**	**(18)**	**(39)**
Closing Balance 31 March 2020	**27**	**29**	**16**	**6**	**78**

PBE IPSAS 20.34.1.

iii. Key management personnel transactions

Directors of the Entity control 12% of the voting shares of the Entity. A relative of a director of a subsidiary has a 10% share in the Group's joint venture (see Note 21 (A)).

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on an arm's length basis.

PBE IPSAS 20.34.1, 32

The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows.

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
In thousands of NZD	**2020**	**2019**	**2020**	**2019**
Legal fees*	**12**	13	**-**	-
Repairs and maintenance**	**410**	520	**137**	351
Inventory purchases – paper***	**66**	-	**-**	-

* The Group used the legal services of one of its directors in relation to advice over the sale of certain non-current assets of the Entity. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

** In 2019, the Group entered into a two-year contract with On-track Limited, an entity controlled by another director, to buy repairs and maintenance services on production equipment. The total contract value is $986 thousand. The contract terms are based on a quarterly basis for the duration of the contract.

*** The Group bought various paper supplies from Alumfab Limited, an entity that is controlled by another director. Amounts were billed based on normal market rates for such suppliers and were due and payable under normal payment terms.

From time to time directors of the Group, or their related entities, may buy goods from the Group. These purchases are on the same terms and conditions as those entered into by the other Group employees or customers.

D. Other related party transactions

PBE IPSAS 20.27.1
PBE IPSAS 20.28
PBE IPSAS 20.32

	Transaction values for the year ended 31 March		Balance outstanding as at 31 March	
In thousands of NZD	**2020**	**2019**	**2020**	**2019**
Sale of goods and services				
Parent of the Group	**350**	320	**253**	283
Joint venture	**745**	250	**651**	126
Associates	**400**	150	**332**	233
Purchased goods				
Joint venture	**1,053**	875	**-**	-
Others				
Joint venture				
- Dividend received (see Note 21(A))	**21**	-	**-**	-
Associates				
- Loan and related interest (see Note 23)	**5**	6	**-**	1,000

PBE IPSAS 20.27.1
PBE IPSAS 20.32

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within two months of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. During 2019 there were no transactions or outstanding balances with the parent of the group. No guarantees have been given or received.

To support the activities of the joint venture, the Group and the other investors in the joint venture have agreed to make additional contributions in proportion to their interests to make up any deficits, if required (Note 21(A)).

Accounting Policy

PBE IPSAS 20.25, 27.1

The Group regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Group, or vice versa. Members of key management are regarded as related parties and comprise the [e.g. directors and senior management] of the Group.

37. Subsequent events

PBE IPSAS 14.12-13, 30

A. Restructuring

PBE IPSAS 19.87

At the end of April 2020, the Group announced its intention to implement a cost-reduction programme and take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it intends to reduce the Group's workforce by 400 positions worldwide by the end of 2020 by means of non-replacement whenever possible. The Group expects the restructuring associated with the reduction in positions to cost between $600 thousand and $850 thousand in 2020 and 2019.

B. Others

PBE IPSAS 14.12-13, 30, 31

Subsequent to 31 March 2020, one of the Group's major trade customers went into liquidation following a natural disaster in April 2019 that damaged its operating plant. Of the $100 thousand owed by the customer, the Group expects to recover less than $10 thousand. No allowance for impairment has been made in these consolidated financial statements

On 10 April 2020, one of the premises of Oy Kossy AG, having a carrying value of $220 thousand, was seriously damaged by fire. Surveyors are in the process of accessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance Entity. The Group is unable to estimate the incremental costs relating to refurbishment and temporary shift of production to other locations (in excess of the reimbursement expected).

As reported in the interim financial statements, on 22 September 2019 the Group announced its intention to acquire all of the shares of ABC Entity for $6,500 thousand. On 4 April 2020, the Group's shareholders approved the transaction and the Group is now awaiting approval from regulatory authorities before proceeding with the acquisition. Management anticipates that this approval will be received by July 2020.

Subsequent to 31 March 2020, the loan covenant ratio related to bank loan was revised (see Note 31).

38. Prior period error (restatement)

			Assets	Equity
	In thousands of NZD	**Note**	**Investment properties**	**Accumulated comprehensive revenue and expense**
PBE IPSAS 3.47	**Balances as at 31 March 2018**		**150**	**8,326**
PBE IPSAS 3.54 (b)	Adjustments – Prior period error:			
	Revaluation of investment properties*		50	50
	Restated balances as at 1 April 2018		**200**	**8,376**

PBE IPSAS 3.54 (a)

* Revaluation of investment properties in current year identified that the reported carrying amount in the prior year ended 31 March 2018 was incorrectly recorded. The financial statements of 31 March 2019 have been restated to correct this error. The effect of the restatement on the financial statements at the beginning of the comparative is summarised above. There is no effect in the financial statements for the year ended 31 March 2020.

Accounting Policy

All material prior-period errors are corrected retrospectively in the first set of financial statements authorised for issue after their discovery, by restating comparative prior-period amounts or, if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity.