ArborGen
HOLDINGS

ANNUAL REPORT 2023

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

In particular, ArborGen's operations and results are significantly influenced by the general level of economic activity in the various sectors of the economies in which it competes, particularly in the United States and Brazil.

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

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

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

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

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On behalf of the Board and management, I am pleased to present to you the Annual Report for the year ended 31 March 2023.

Dave Knott
Chairman

OUR BUSINESS

OUR ADVANCED GENETICS SEEDLINGS ARE A GAME CHANGER FOR LANDOWNERS

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

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

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

WE HAVE LARGE OPPORTUNITIES IN GROWTH MARKETS

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

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

We have 14 seedling nurseries, 10 seed producing orchards and overall production capacity of approximately 450 million seedlings annually.

2,000+
customers each year

Established footprint in USA & Brazil

WE ARE STRONGLY POSITIONED FOR THE FUTURE

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

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

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

"OUR TRANSFORMATIVE TECHNOLOGY AND ADVANCED GENETICS SEEDLING PRODUCTS ARE A GAME CHANGER FOR OUR FOREST LANDOWNERS, DELIVERING BIGGER AND BETTER TREES, FASTER."

~450

million seedlings per year production capacity

clear future strategy & strong balance sheet

GROWING OUR FUTURE

OUR STRATEGY

ArborGen is the leading provider of advanced genetics seedlings for the forest industry. The business is focussed on high growth markets in the US South and Brazil, as well as new and emerging high growth carbon markets.

FY24 FOCUS AREAS

INCREASE SALES OF ADVANCED GENETICS SEEDLINGS IN TARGETED MARKETS

GROWTH

US SOUTH

Continued conversion of customers to higher value advanced genetics loblolly pine seedlings

Leverage the most advanced and broadly adapted MCP* pipeline in the industry to generate strong returns for forest owners and for ArborGen

Build MCP seed inventory in targeted regions to meet demand and mitigate supply risks

Leverage internal container production following recent expansion

Evaluate potential opportunities to strategically expand production capacity

BRAZIL

Build on leadership position in Brazil, focussing on eucalyptus and loblolly pine seedlings

Leverage portfolio and pipeline of best-in-class products to drive profitability

Integrate recently acquired / leased nurseries

Evaluate potential opportunities to strategically expand production capacity

PARTICIPATE IN EMERGING HIGH GROWTH CARBON MARKETS

EMERGING

Actively engage with carbon registries and major carbon companies to develop protocols for plantation forestry

Partner with carbon project developers in the US South to facilitate large scale afforestation and reforestation projects

*Mass Control Pollinated (MCP) seed is produced from crossing specific elite mother and father parent trees to generate seed with the highest genetic potential. The process involves pollen from ArborGen's highest performing father trees being applied to flowers of ArborGen's best mother trees in a controlled manner.

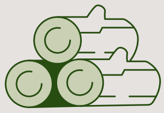
DELIVERING INCREASED VALUE FOR FOREST OWNERS

ARBORGEN'S ADVANCED GENETICS SEEDLINGS DELIVER:

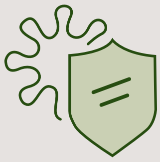
40%+ higher revenue

50%+ greater net present value

60%+ more sawtimber at final harvest



better log straightness and reduced forking



more disease resistance

Earlier thinnings mean more revenue sooner for the forest owner.

Greater volume and better logs (higher percentage of sawtimber vs pulpwood) mean more revenue at thinnings and at final harvest for the forest owner.

OPEN POLLINATED (OP) ★★★	MASS CONTROL POLLINATED (MCP®) ★★★★	VARIETALS ★★★★★
First thinning about 13 – 15 years	First thinning about 11 – 13 years	First thinning about 10 – 12 years
First thinning may yield 40 – 50 tons/acre	First thinning up to 52 – 65 tons/acre with up to 30% solid wood potential	First thinning up to 64 – 80 tons/acre with up to 50% solid wood potential
Final harvest with 20% – 50% of trees in sawtimber	Final harvest with 60% – 80% of trees in sawtimber	Final harvest > 80% of trees in sawtimber
	Total revenue gain > 40%	**Total revenue gain > 50%**

FY23 AT A GLANCE

For the 12 months ended 31 March 2023

COMMERCIAL HIGHLIGHTS

Investments made in increasing internal seedling production capacity in both Brazil and the US, and in growing advanced genetics (MCP) seed supply in the US.

Continued strong performance in Brazil in 2H23 with record sales volume, revenue, gross margin and earnings, benefitting from being the only company providing superior genetics to pine and eucalyptus growers in Brazil, and strong underlying demand conditions.

Highest ever MCP seed production from US orchards with cone harvested producing seed equivalent to approximately 240 million MCP seedlings – over 60% for the Eastern regions where MCP seedling sales have been the highest but seed supply has been limited.

Successful completion of internal container capacity expansion across two existing owned sites, increasing in-house container seedling production by approximately 70% to nearly 20 million containerised seedlings per annum in the US.

Successful integration of a 10 million capacity pine nursery located in Canoinhas, Santa Catarina, and of ArborGen's fourth eucalyptus nursery in Brazil, bringing ArborGen's internal eucalyptus production capacity in Brazil to nearly 50 million seedlings per annum.

FY23 FINANCIAL SNAPSHOT

Continuing operations only [(1)]

Revenue $56.1 million, +18%.

Gross margin $18.2 million, up from $17.8 million in FY22.

Operating profit before financing costs and tax $2.2 million, up from a prior year loss of $1.3 million.

Net earnings after tax $(2.5) million, including a non-cash net deferred tax loss recognition of $2.6 million.

US-GAAP EBITDA $10.3 million, +35%. [(2)]

Net debt $13.0 million with headroom for continued investment in growth initiatives.

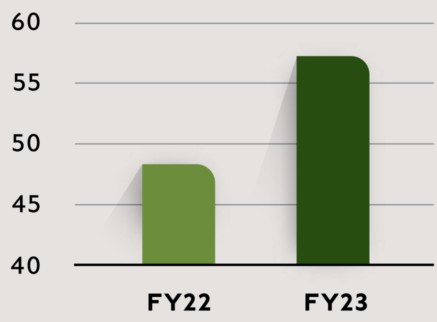
Seedling sales increased to 375 million units, up from 360 million units.

Highest ever MCP seed production in the US, equivalent to ~240 million seedlings, helping build MCP buffer seed inventory.

(1) ArborGen's New Zealand and Australian business was sold in FY22 and excluded from FY22 results which are for continuing operations only.

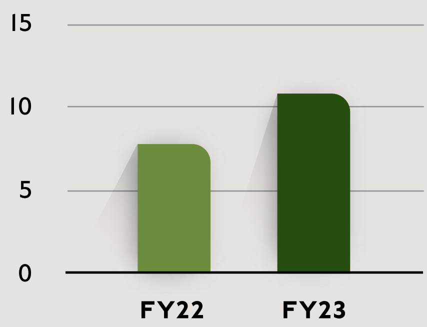
(2) More information on US-GAAP EBITDA and Adjusted US GAAP EBITDA, including a reconciliation, is provided on page 31.

REVENUE

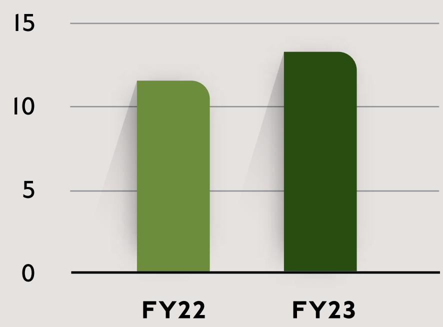


NPAT

US-GAAP EBITDA(1)



NET DEBT



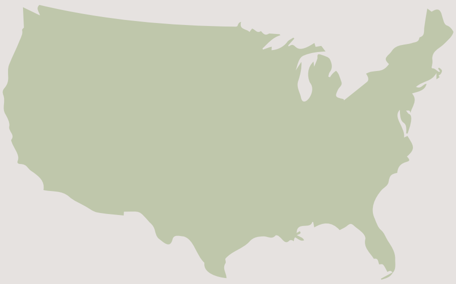
(1) US-GAAP EBITDA excludes NZ public company costs and strategic review costs. Please refer to page 31 for a summary of US-GAAP EBITDA.

12 months ended 31 March

US $millions	FY22	FY23
Revenue	47.6	56.1
Gross profit	17.8	18.2
Operating profit before financing costs and tax	(1.3)	2.2
US-GAAP EBITDA	7.6	10.3
Adjusted US-GAAP EBITDA	10.1	9.2
Net earnings after tax	1.7	(2.5)
Net operating cashflow	7.5	6.5
Net debt	11.5	13.0
Seedling sales (m units)	360	375

SEEDLING SALES

During the year, ArborGen sold 375 million seedlings, with ~40% of those being advanced genetics.



UNITED STATES

In the US, 273 million seedlings were sold, including 250 million loblolly pine seedlings of which 41% were advanced genetics seedlings.

MCP seedling sales to the private landowner segment, where the majority of sales growth will occur, were up 9% compared to prior year. This is being driven by increasing recognition of the value of ArborGen's advanced genetics products, albeit constrained by Eastern MCP seed supply in FY23. Advanced genetics sales to the private landowner segment now represent around 39% of total advanced genetics volume sold.

Total seedling and advanced genetics seedling sales to National Account customers (primarily Real Estate Timber Trusts and Timber Investment Management Organisations) were lower by 7% and 13% respectively, primarily due to customer specific issues, as well as constrained Eastern MCP supply in FY23.

Advanced genetics sales as a proportion of total loblolly seedlings sold to National Account and private landowner customers were 59% and 28% respectively (FY22: 64% and 25%).

The small year-on-year decrease in US seedling sales was due to production losses of approximately 12 million seedlings (both loblolly and non-loblolly), which otherwise would have been sold. Production improvements have been introduced for the FY24 year.

SEEDLING SALES

million units	FY22	FY23
USA – loblolly and non-loblolly MCP	284	273
MCP percentage of loblolly sold	41%	41%
Brazil	76	102
Total	**360**	**375**

BRAZIL

In Brazil, unit seedling sales increased by 35% to 102 million units in the period, comprising 80 million eucalyptus seedlings and 22 million pine seedlings.

ArborGen is the only company in Brazil offering proprietary, advanced genetic pine and eucalyptus products to the market. Customers include integrated companies with their own tree improvement programmes needing genetic alternatives, which represent approximately 40% of ArborGen's sales in Brazil.

Advanced genetics sales comprised approximately 50% of total eucalyptus sales in FY23 and is expected to increase significantly in FY24.

In addition to strong volume growth, ArborGen's Brazil operations also benefitted from solid increases in seedling sales prices, and margin growth – leveraging strong demand conditions, and ArborGen's proprietary genetics and expanded internal pine and eucalyptus production capacity.

CHAIRMAN'S REPORT

DAVE KNOTT

This year we refocused our business to invest in high growth and emerging markets, with positive progress and results being seen.

Dear Shareholder

We are pleased to report a year of positive progress as we refocused our business following the sale of the Australia/ New Zealand business in FY22 and the strategic review which we completed early in this financial year.

The sale of ArborGen's Australian and New Zealand business in late 2021 released NZ$22.25 million of capital. This has allowed us to focus our investment, energy and resources on targeted opportunities in high growth markets in the US South and Brazil, as well as on new and emerging high growth carbon markets.

In the US South, ArborGen continues to build on its position as the leading commercial supplier of advanced genetics loblolly pine seedlings. In Brazil, we are benefitting from being the only company providing superior genetics to pine and eucalyptus growers, and very strong underlying demand conditions.

The carbon market is in an early stage, however, ArborGen has entered into seedling supply agreements in the US, of which one is long term, with two well-funded companies with programmes to afforest (plant new forests) on pastureland or farmland. This is designed to sequester carbon to help address global warming.

ArborGen remains the leading provider of advanced genetics seedlings for the forest industry, with our aim being to transform global forest productivity. That said, we believe our wider contribution to society should be more than just commercial gain. Our Environmental Social and Governance principles set out guidelines on how we can serve our people, our customers and our shareholders, govern our company and protect our natural environment for now and the future. You can read more about how we live these principles on pages 23 to 27.

It has been gratifying to see the benefits of our efforts coming through this year, with improved financial results and a stronger foundation for ArborGen's future.

Our focus continues to be on the conversion of customers to higher value, advanced genetics seedlings delivering significant step-change gains to forest owners. Increasingly, our customers in both Brazil and the US are seeing the commercial potential of our products and demand and sales are growing.

Our investments this year will further expand our internal seedling production capacity, allowing us to increase our sales and market share. Pleasingly, the company has also reported its highest ever MCP seed production from our orchards in the US, with cones harvested producing seed equivalent to approximately 240 million MCP seedlings. Over 60% is for the Eastern regions where MCP seedling sales have been the highest but seed supply has been limited. The surplus seed will help us mitigate the impact of the freeze experienced during last year's MCP pollination season (cones to be harvested in November 2023) on FY25 MCP seedling sales.

Financial performance

The strong FY23 financial performance has been driven by record sales volumes, seedling sales prices and earnings in Brazil, resulting in an 18% increase in group revenues to $56.1 million.

Operating profit before financing costs and tax increased to $2.2 million, up from a loss of $1.3 million in the prior year. Including a non-cash net deferred tax loss recognition of $2.6 million, net earnings after tax was $(2.5) million, a reduction on the prior year's result of $1.7 million which included a $4.7 million tax benefit. US-GAAP EBITDA(1) increased 35% to $10.3 million in FY23.

Net debt increased to $13.0 million at year end following investment into growth initiatives and higher working capital requirements as the company expands, as well as delayed receipts of Employee Retention Credits (ERCs) under the Coronavirus Aid Relief and Economic Security (CARES) Act ($2.4 million received since FY23 year end).

Investments have been made into expanding internal seedling production capacity in both Brazil and the US, and growing advanced genetics (seed supply) in the US, with benefits expected to be seen from FY24 onwards.

Ownership changes

In May 2023, we announced the repurchase of all outstanding warrants equating to approximately 5% of ArborGen Inc's fully diluted common stock for $1.35 million(2) (ArborGen Inc is the US based wholly owned subsidiary of ArborGen Holdings).

The purchase price of $1.35 million represents a significant discount and reflects factors that include:

- the warrants are not traded on any market and are exercisable for shares of ArborGen Inc, rather than shares of ArborGen Holdings
- ArborGen Inc is not obligated to repurchase the warrants
- the purchase price consideration is in cash, giving the holders immediate liquidity
- ArborGen Inc owes intercompany advances to ArborGen Holdings.

Following the repurchase of the warrants, there are no more warrants, options or other rights to purchase ArborGen Inc common stock, and ArborGen Holdings' effective economic interest in ArborGen Inc increased from 95% to 100% with no dilution overhang.

(1) More information on US-GAAP EBITDA and Adjusted US-GAAP EBITDA, including a reconciliation, is provided on pages 30 and 31.

(2) These warrants relate to the acquisition of the assets, germplasm, technology, and intellectual property of the leading loblolly pine varietal company in the US – CellFor Inc (CellFor) in August 2012. As consideration for CellFor's assets, ArborGen Inc (a) paid CDN $1.1 million in cash and (b) issued warrants to purchase shares of ArborGen Inc common stock. Pursuant to the warrant documents, each holder of a warrant is entitled, subject to certain terms and conditions and at any time no later than June 19, 2032, to purchase the number of common shares calculated as specified in the warrant documents, at a purchase price per share of $0.001.

Management transition

In late April 2023, we announced the appointment of Justin Birch as incoming Chief Executive Officer (CEO) following a comprehensive and extensive search process. Justin is an experienced executive with significant exposure to the agriculture sector and a strong background in private equity, operations, finance, and strategy. He brings a wealth of commercial experience and excellent operational, financial and leadership skills to ArborGen.

Justin joined ArborGen in June and is based at our headquarters in Ridgeville, South Carolina, in the US. The Board believes he is a great fit for our company, with the combination of skills and experience to lead the business through its next phase. You can read an interview with Justin on page 21.

We would like to take this opportunity to acknowledge and thank outgoing CEO Andrew Baum for his efforts and contribution to establishing and growing ArborGen's strong market position. Under his leadership, the company has forged a strong foundation and developed a refocused growth strategy with clear and sizeable opportunities.

There is positive momentum in the business and Justin will continue to build on this and grow ArborGen's leadership position in the advanced genetics seedling market.

Outlook

Looking ahead, we are projecting materially improved performance in FY24 (fiscal year ending March 2024) driven by higher seedling sales in the US (including MCP seedlings) and in Brazil (eucalyptus and pine), as well as growth in seedling sales for carbon markets.

In the US, while the overall market is not expected to grow due to macroeconomic headwinds, we are expecting an improvement in gross margin and earnings as a result of increased internal container seedling production, lower MCP seed costs expensed in the cost of seedlings sold, various operational initiatives, combined with higher selling prices.

In Brazil, strong underlying market demand for both eucalyptus and pine seedlings combined with the annualised benefits of ArborGen's newly acquired pine and eucalyptus nursery leases, and higher pricing and margins for both pine and eucalyptus seedlings sold, support substantial increases in profitability and cash flow generation.

Although we are only in the first quarter of ArborGen's new fiscal year, in the US we have sold over 70% of budgeted seedling volumes (including approximately 80% of budgeted MCP volumes). In Brazil, ArborGen has sold all of its budgeted eucalyptus seedlings and 80% of budgeted pine seedlings' sales.

We are excited about ArborGen's future. We would like to thank all of our shareholders for your continued support, which is very much appreciated. We are putting considerable effort into the operational performance and cash generation of this business and are committed to delivering increasing value for our shareholders.

Dave Knott
Chairman

PROGRESS ON GROWTH INITIATIVES

We are leveraging our strong position in the pine and eucalyptus seedling markets to build a sustainable, highly profitable business that is recognised as the pre-eminent seedling supplier in terms of product breadth and quality, pipeline of new genetics and superior service.

BRAZIL

Eucalyptus market

Eucalyptus pulp is an excellent short-fibre hardwood pulp due to its relatively uniform fibre, simple cell structure, low degree of lignification, smoothness, bulk and water absorption characteristics.

Driven by the tremendous productivity of eucalyptus plantations in Brazil and a well-established domestic industry, Brazil is, and will continue to be, the centre of global hardwood pulp production.

This has led to major expansion in the Brazilian pulp industry with several announced expansion projects targeted for the rest of this decade, collectively projected to lift pulp production capacity by approximately 30% in Brazil.

As a direct result of this strong end market growth, demand for eucalyptus seedlings is projected to be approximately 1.2 billion seedlings per annum for the next several years, of which an estimated 500 million will be met by the internal nursery production capacity of large integrated pulp companies. A further 500+ million seedlings are supplied by a network of seedling suppliers, leaving a supply / demand imbalance of around 100-200 million seedlings per annum.

The seedling industry in Brazil is fragmented and unsophisticated and has been shrinking over the last decade due to the weak state of the market, poor management, and weak capitalisation of independent nurseries. While the industry has stabilised more recently, there has been relatively limited expansion in capacity due to capital constraints of owners, and nursery specific limitations (e.g. access to land and water).

Added to this, after many years of increasing eucalyptus productivity, yields per acre have fallen over 10% since 2014 due to expansion of the eucalyptus growing area, increasing issues with disease and insect pests, as well as heat and drought stress. Consequently, the market is actively seeking new clones with higher yields, that are also more resilient against disease and certain pests.

20+ MILLION	~100+ MILLION	6 NURSERIES	~1.2 BILLION
pine seedling capacity	eucalyptus seedling capacity	throughout Brazil	demand for eucalyptus seedlings/year

ArborGen has grown to become one of the largest commercial suppliers of eucalyptus and pine seedlings in the Brazilian market, replicating its US strategy to convert the market to products with superior genetics in Brazil.

We have successfully deployed the same sales and marketing principles we are using in the US to sell our advanced genetics, and project proprietary product sales will increase from ~50% to 75% of total unit seedling sales over the next few years, at superior prices and margins compared to commodity clones.

Specifically, over the last decade, ArborGen has:

- Developed a portfolio and pipeline of best-in-class products through in-licensing and internal product development.
- Established a network of in-house and contract nurseries that allows us to respond to market demand reliably while maintaining capacity flexibility.
- Established operating and logistical systems that allow us to offer reliable, high-quality products to meet demand across several markets and production sites.
- Established ourselves as the preferred partner for both suppliers and customers.

ArborGen's portfolio of products licensed from Gerdau, Sylvamo, Vallourec and Rima as well as a pipeline of our own products is very compelling. We believe that there is significant room for innovation in eucalyptus tree improvement and are focussed on building a fully integrated programme from development of new parents and crosses through to commercialisation of product clones. No other company operates a more extensive set of trials across a broader geography than ArborGen in the industry. We are also "regionalising" our products by determining where they are best adapted and most competitive.

Consistent with our growth aspirations for this market, and desire to produce approximately 50% of our seedling requirements internally, over the last 12-18 months ArborGen has:

- Acquired a 10 million seedling capacity pine nursery located in Canoinhas, Santa Catarina, Brazil, to cement our position in local pine markets[1].
- Expanded internal production capacity through leasing our fourth eucalyptus nursery in late 2022, bringing ArborGen's internal eucalyptus production capacity in Brazil to nearly 50 million seedlings per year (located in Luis Antonio in Sao Paulo, Inimutaba and Martinho Campos in Minas Gerais, and Ribas do Rio Pardo in Mato Grosso do Sul).
- Very recently leased our fifth, 5 million capacity, eucalyptus nursery in Rondonópolis in the state of Mato Grosso, further expanding both our capacity and nursery footprint.

As the only integrated seedling company in Brazil, we are in a great position to build on our strong momentum to create a highly profitable business. Although we are only in our second month of the current fiscal year (FY24), ArborGen Brazil has already sold-out all of its budgeted eucalyptus seedlings and 80% of budgeted pine seedlings' sales.

(1) ArborGen purchased the equipment from the former lessee of this location, and is leasing the land and buildings for 10 years.

ArborGen is driving increased adoption of advanced genetics across the US South as the leading commercial supplier of advanced genetics loblolly seedlings, leveraging years of investment in developing best-in-class proprietary MCP products, and growing our supply of proprietary genetics.

UNITED STATES

In FY23, we reviewed the status of ArborGen's seed orchards and seed production capacity with the primary focus being to ensure that we continue to build seed inventory where required, advance the genetics of our portfolio of products to maintain our strong competitive lead, while also controlling costs and working capital related to seed production.

Building MCP seed inventory

ArborGen has vast seed orchards in the US South spanning 1,200 acres (85% loblolly pine), across five genetic provenances.

To ensure we have adequate seed each year to produce the volume of advanced genetics seedlings required to meet demand and desired sales growth, we are targeting to build at least two years of "buffer" MCP seed inventory for each provenance thereby minimising reliance on single year cone harvests.

With our current orchard footprint, we expect to achieve the current goal of two years of MCP seed inventory in every region by 2028, assuming no significant adverse weather events or biological factors during the intervening years. We have already met this target in Texas and expect to be close to target in Arkansas and Piedmont in the next one to two years. In our largest Coastal market, we expect to achieve the two-year on hand inventory target by 2028, as we benefit from the increasing productivity of our younger orchards which represent approximately 70% of our overall orchard footprint.

Once the two-year seed inventory target is achieved in a provenance, the scale of the MCP effort for that provenance can be tailored to maintain supply.

Pleasingly, ArborGen achieved its highest ever MCP seed production from its orchards in the US, with cones harvested in November 2022 producing seed equivalent to approximately 240 million MCP seedlings. Over 60% of the ~240 million is for the Eastern regions where MCP sales are the highest, but supply has been limited.

Expected MCP seed production from the cone harvest later this calendar year (impacted by the freeze last year) is around 155 million (in MCP seedling equivalents) based on our latest cone inventory counts. The surplus in advanced genetics MCP seed harvested in 2022 will help mitigate the impact of the freeze on FY25 MCP seedling sales in the Eastern region.

We have also completed our 2023 MCP pollination activity and, based on preliminary cone inventory counts, expect to generate seed equivalent to just under 200 million MCP seedlings in next year's cone harvest (as we limit production in regions that have surpassed buffer seed inventory targets).

Orchard diversification – geographic and age class

Risks are generally managed through having multiple orchard locations for each provenance. We are actively addressing provenances that lack adequate geographic distribution as part of our ongoing orchard management plans.

In addition, to mitigate the risk of hurricanes hitting our Eastern orchards, we have begun establishing Coastal and Piedmont orchards in the Western regions. Similarly, we will also use open acres in our Eastern orchards as opportunities to establish Arkansas and Texas orchards. While the risk of a major hurricane passing within 50 miles of an orchard facility is low based on the past 30 years of storm tracking, a single major hurricane could dramatically affect our ability to produce seed for one or more provenances.

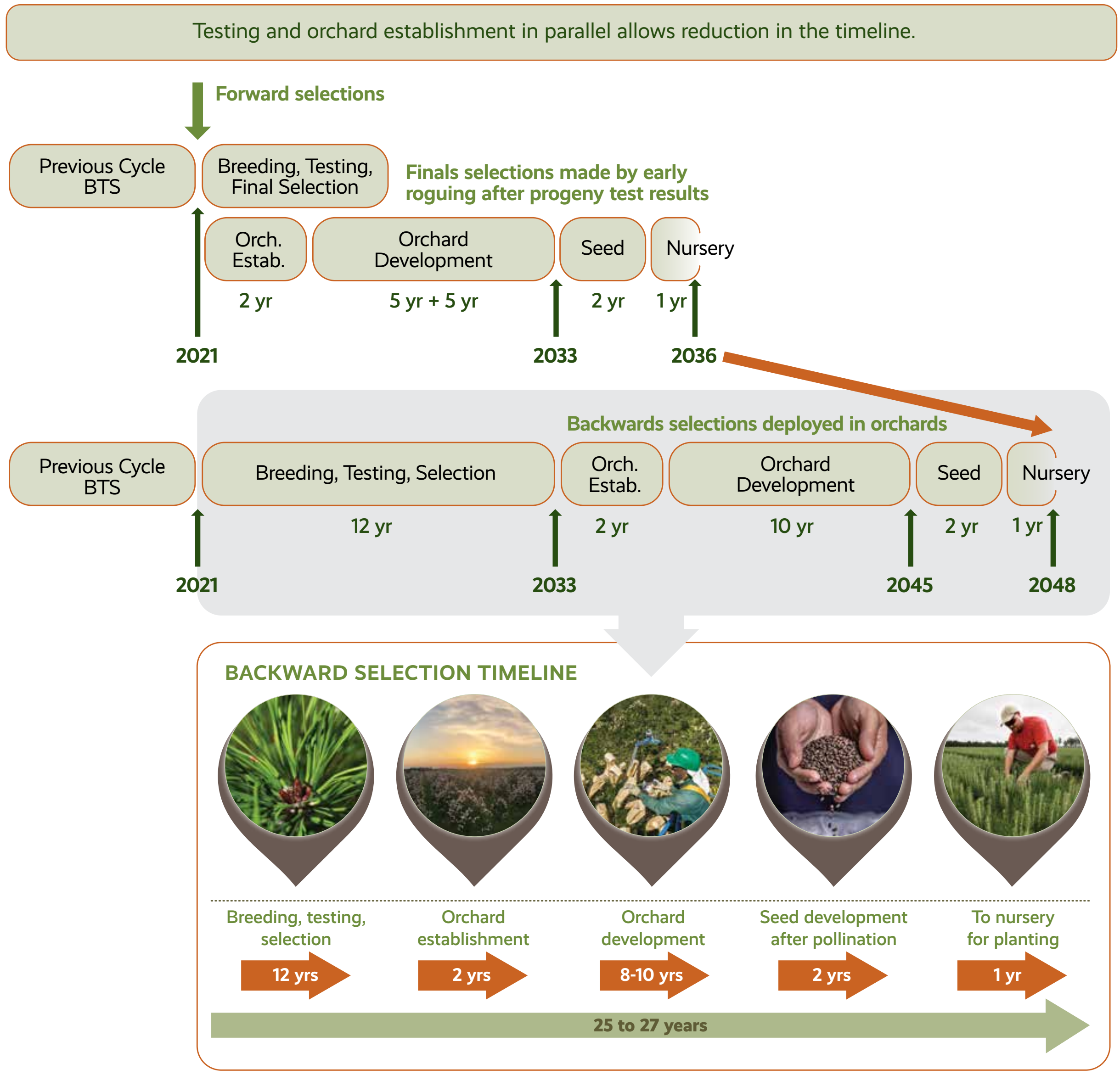
An additional way to mitigate risk from storms is to maintain a distribution of orchard tree ages for each provenance. By recycling older orchards and establishing new orchard blocks more regularly, we can ensure there are younger orchards coming into production which can withstand tropical force winds better than older orchards.

Incorporating new genetics

New genetics are essential to maintaining a competitive advantage and industry-leading orchards. The traditional establishment of orchards using backward selections will be modified so we have the opportunity to incorporate forward selections directly into new orchards.

Backward selections are parents whose seedlings have been tested in the field and performance is confirmed in progeny trials. Forward selections are predicted to be good parents but their seed has not been tested in trials. This has previously carried too much risk of failure but new analytical methods and breeding approaches will allow higher confidence.

The incorporation of genomic analysis and clonal progeny testing through rooted cuttings will give us higher confidence (greater prediction accuracy) for forward selections. This will increase our ability to offer greater volumes of superior proprietary genetics to our customers more quickly.



Expanded container seedling capacity

While ArborGen has sufficient bareroot productive capacity to leverage growth in the regions in which we operate, there are opportunities to expand internal container capacity supplementing existing contract production. In FY23, ArborGen successfully completed the commissioning of a new container facility at its Bullard nursery in Texas, and the expansion of its existing container facility in Belville, Georgia. The benefits from these projects will be seen in the FY24 seedling sales year, comprising cost savings from increased production efficiencies, and incremental margins from the additional volume produced.

EMERGING GLOBAL CARBON MARKETS

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

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

ArborGen is uniquely positioned to exploit this opportunity with its advanced genetics portfolio, ability to model the impact of advanced genetics on carbon sequestration, hardwood production capability, and strong channels to forest landowners in the Southern US.

ArborGen is actively engaged with various carbon registries and major carbon companies, participating in protocol development for plantation forestry. Forest based carbon projects will be increasingly important in creating new demand for both pine and hardwood seedlings.

Carbon project developers are actively pursuing large scale afforestation and reforestation projects in the Southern US and we are actively engaged with several of these companies to provide both advanced genetics pine seedlings and hardwood seedlings. We have executed a long-term seedling supply agreement with one such company and are working to execute others.


ArborGen
The Reforestation Advantage

MEET THE CEO

JUSTIN BIRCH

Justin Birch joined ArborGen in June 2023. He is an experienced executive with significant exposure to the agriculture sector and a strong background in investment banking, finance and strategy. He most recently worked with Prima Wawona, an industry leader in fresh fruit based in the US, in a variety of roles including as Chief Financial Officer. Justin has also worked for a number of private equity groups, specialising in the food and agriculture sectors.

My colleagues would probably describe me as "intense but likes a good laugh". I'm pretty open and direct – I like to get to the heart of a problem and work out a way to solve it. But I'm very conscious that I'm not the expert in everything and hence having a great team is really important. I like to be challenged and then work through the facts to get the best answer.

When I was young, I thought I'd be a farmer. My grandfather was a cattle rancher, and I always loved the work. My first job was doing landscaping as part of the maintenance team for a warehouse. That was tough in the middle of the Indiana summer, but it taught me to look for better, more efficient ways to do my job… so I could get back to the air conditioning inside!

I loved math and economics at school and ended up going to the University of Chicago. That was tough academically but an amazing experience. I studied economics and had Nobel prize winners as lecturers. My degree led me into banking and private equity, where I worked with companies in various parts of their journey. Often this meant becoming an expert in a particular area really quickly, like tax management, legal, finance or production. It also gave me an appreciation for financial metrics and KPIs and how they translate to a business.

Being a CFO was a great pathway into the CEO role with ArborGen. I like to be involved in the big picture and finance is instrumental in understanding and helping a business grow.

Successful execution is all tapping into collective wisdom in the team, following up and doing what you say you're going to do. Momentum is the key to problem solving – small steps begetting something bigger, and a team working together to create something more than they could do on their own. It's important to celebrate the milestones on the way, not just when the mountain has been scaled.

The best advice anyone ever gave me was 'Respond, Don't React'. Use your head, and don't let your emotions get the best of you. Every day I say three things to my kids – I love you, I'm proud of you and Birches do hard things. This means we don't give up.

ESG is not a choice, it's an essential part of business. ArborGen is really well placed to help with the greenhouse gas emissions facing our planet; we're focused on supporting our people and the communities we work in as well as contributing positively; and we have strong management and governance processes in place to manage our business responsibly and sustainably.

After the last few years of Covid related disruption and isolation, I think people are looking to reconnect and seek purpose in their work. It's so important for a business. We want our people to share our purpose and our vision for ArborGen. Creating a culture around this and setting our direction for the future is something I'll be spending a bit of time on over the next year.

The other big trend that is benefitting our business is the use of data and information. We can use proven data to demonstrate to our clients the value that our advanced genetics trees can do for them.

My immediate plans are to get under the skin of the business and learn, learn, learn. Being new to ArborGen is an opportunity for me to provide a fresh perspective on our business through working with the team and exploring all areas of the business. I'm excited about what we can deliver for our customers, our people, and our shareholders.

OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE PRINCIPLES

Our Environmental Social and Governance principles provide meaning beyond just commercial gain, and look to how we serve our people, our customers and our shareholders, govern our company and protect our natural environment for now and the future.

We are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations, to ensure we add long term value to our staff, contractors, shareholders and other stakeholders. We report on our corporate governance framework each year in our annual report and key governance documents are available for viewing on our website. ArborGen's Corporate Governance Report for FY23 can be read on pages 67 to 79.

	ENVIRONMENTAL STEWARDSHIP	POSITIVE SOCIAL IMPACT	STRONG GOVERNANCE
PRINCIPLES	Care for and protect our natural ecosystem	Make a positive contribution to our people, our customers and communities	Conduct business ethically and in the right way to create a strong organisation that creates sustainable value for our people, shareholders and other stakeholders
KEY THEMES	Create a thriving and sustainable future for forests	Promote social equity and diversity, promote fair labour practices and ensure the health and safety of our people and contractors	Transparent reporting and accountability
	Actively assess, monitor and mitigate climate related risks for our business	Maintain a performance and growth culture	Compliance with legal and regulatory requirements
	Minimise our impact on the environment	Foster positive relationships with local communities, and support economic development and job creation	Meaningful stakeholder engagement
			Long term planning and risk management
			Sustainable financial value

ENVIRONMENTAL STEWARDSHIP

CARE FOR AND PROTECT OUR NATURAL ECOSYSTEM

Forests have an important role to play in the reduction of greenhouse gas emissions. Advanced genetic trees absorb up to 40% more CO_2 than traditional Open Pollinated seedlings.

We estimate that approximately 400 million tons of CO_2 has been absorbed from the atmosphere in the last 10 years by the trees provided by ArborGen to our customers. In 2022, our conifer seedlings were planted on approximately 600,000 acres in the US and Brazil. The forests that develop from those seedlings will sequester around 64 million tonnes of carbon over their 25 year life. According to the US Environmental Protection Agency (EPA), those tons of carbon consumption will offset the carbon emissions from all the cars in Auckland, Los Angeles, New York City, Chicago, Paris and London for a full year.

We are actively assessing opportunities in emerging global carbon markets, to provide our advanced genetics seedlings for large scale afforestation and reforestation projects in the Southern US. Once planted, these seedlings will become large, dedicated carbon fixing forests over several hundred square miles. ArborGen expects to provide seedlings and technical advice through multi-year purchase agreements and executed the first of these recently, with the first seedlings (both pine and hardwoods) being supplied in FY24.

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

Our culture of sustainability is built into our operational practices. We follow recommended best practices to minimise chemical usage, runoff and soil erosion. We monitor and manage the use of our natural resources and optimise transport and deliveries to reduce transport emissions. Our seedlings are grown at a very high density, reducing the acreage required.

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

REUSE & RECYCLING

In Brazil, all plastic waste such as tubes, trays and boxes that are no longer suitable for use are returned to suppliers for recycling and replacement. ArborGen provides depreciated products in exchange for new products, and by doing so participates in the reuse of material.

RECYCLABLE PACKAGING

In the US, over the last two years, ArborGen has moved 80% of its bareroot seedlings sold from being delivered in non-recyclable waxed boxes to delivery in bags. ArborGen has also moved away from waxed container boxes to unwaxed boxes for containerised seedlings.

PROMOTING SUSTAINABILITY

At our Brazillian operations, any waste generated through substrates is reused by several small companies. They use this waste as a base in their production of seedlings (natives, gardening, landscaping, etc). This action does not generate any income for ArborGen, however it promotes sustainability and good practice in the local community.

POSITIVE SOCIAL IMPACT

MAKE A POSITIVE CONTRIBUTION TO OUR PEOPLE, OUR CUSTOMERS AND COMMUNITIES

Our people are critical to achieving our mission. We aim to provide an inclusive, safe and healthy workplace for our team of talented employees. We are continuously developing our culture of performance and growth including employee development and driving our inclusion and diversity strategy. Our workforce spans a wide range of age, cultural profiles and backgrounds and we believe diversity of thought helps innovation.

A top priority is to keep our workers safe. Our goal is to operate in a way that supports the wellbeing of our people, physically and emotionally. Managers are accountable for the safety of their teams and continually monitor and address any issues. We offer fitness goal challenges and a wellness benefit to our employees for reduced insurance premiums once they complete annual fitness exams.

We have a culture of equity, fairness, and accountability. Our Code of Conduct guides behaviour that creates a comfortable and rewarding workplace and we provide ongoing training on diversity and inclusion topics. Employees are encouraged to speak up and we believe that this in turn improves our company. The Board has practices in place to ensure diversity and fairness within the organisation.

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

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

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

We are conscious of our role as a responsible corporate citizen and look to have a positive impact on the people around us. Our people are encouraged to participate and contribute to organisations in their community. ArborGen's culture is defined by the questions that we ask ourselves and each other as we work – Is it fair? Is it right? Does it help our customer? Am I holding myself and others accountable? Have I been transparent? Is there a better way to perform my task or meet our customer's needs? Every manager is expected to lead by example in making sure these elements inform all of our decisions and actions.

EMPLOYEE ASSISTANCE PROGRAMME

In the US, an employee assistance programme is available. This is a free and confidential service for employees and their families. Dedicated independent professionals are available 24/7, providing a broad array of services including counselling sessions and life management services such as financial counseling, legal services and parenting resources.

SAFETY & WELFARE IS OUR HIGHEST PRIORITY

The safety and welfare of all employees, contractors and visitors is our highest priority. All employees must complete training in one safe job procedure per quarter, plus participate in online training via webinars. In-person training is conducted at each location at least once a year. Our goal is zero accidents!

CELEBRATING OUR EMPLOYEES

In Brazil, the company provides breakfast and lunch to the workers and a benefit in cash for those that don't miss any day of work during the month. The last Friday of the month is 'Happy Friday' and all birthdays for that month are celebrated.

STRONG GOVERNANCE

We are committed to conducting business in the right way, ethically and in line with our legal and regulatory obligations. ArborGen's Corporate Governance Report for FY23 can be read on pages 67 to 79.

OUR BOARD

DAVE KNOTT: APPOINTED 19 AUGUST 2021(1)

Chairman

BA University of North Carolina at Chapel Hill

Dave is the Managing Member of Knott Partners who, with associated entities, is ArborGen's largest shareholder. He has served as Managing Member of Knott Partners since March 2017. Dave is a board member of Daida LLC, and is on the Advisory Board of The HiGro Group.

The Board has determined that Mr Knott is not an Independent Director as defined under the NZX Listing Rules because he is a substantial product holder of the Company.

GEORGE ADAMS: APPOINTED 12 AUGUST 2019

Independent Director

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

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

The Board has determined that Mr Adams is an Independent Director as defined under the NZX Listing Rules because he is not an executive of ArborGen and does not have any Disqualifying Relationships as defined in the NZX Listing Rules.

THOMAS AVERY: APPOINTED 18 JULY 2018

Independent Director

MBA Harvard Business School; BSc Georgia Institute of Technology

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

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

The Board has determined that Mr Avery is an Independent Director as defined under the NZX Listing Rules because he is not an executive of ArborGen and does not have any Disqualifying Relationships as defined in the NZX Listing Rules.

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

OZEY HORTON: APPOINTED 11 JULY 2018

Independent Director

MBA Harvard Business School; BSE Duke University

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

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

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

The Board has determined that Mr Horton is an Independent Director as defined under the NZX Listing Rules because he is not an executive of ArborGen and does not have any Disqualifying Relationships as defined in the NZX Listing Rules.

PAUL SMART: APPOINTED 21 AUGUST 2018

Independent Director

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

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

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

The Board has determined that Mr Smart is an Independent Director as defined under the NZX Listing Rules because he is not an executive of ArborGen and does not have any Disqualifying Relationships as defined in the NZX Listing Rules.

LEADERSHIP TEAM

Justin Birch President and CEO	**Kathy Parker** VP Finance and Accounting	**Patrick Cumbie** Director of Global Product Development
Gabriela Monnerat Director of Operations Brazil	**Jason Watson** Director, US Sales	**Weiming Wang** Director of In Vitro Technology
Cathy Quinn Director, Communications and Marketing	**Sharon Ludher-Chandra** Company Secretary and Performance Improvement Director	**Alex Brown** Chief Financial Officer

FINANCIAL TERMS AND NON-GAAP RECONCILIATION

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)	This is essentially the ongoing earnings we receive from our businesses, after operating expenses are paid. It excludes GAAP compliant net finance expenses, fair value adjustments, realised foreign exchange gains/losses, asset impairments, gains/losses arising on sale of businesses, non-controlling interests, tax, depreciation and amortisation costs.
IFRS EBTIDA vs US-GAAP EBITDA	In contrast with US-GAAP, IFRS requires the capitalisation of ArborGen's development spend, the amortisation of intellectual property, the accrual of the change in fair value of biological assets on the seedling crop each year prior to its sale, and the capitalisation of operating leases. Because of these differences, US-GAAP results, and in particular 'Adjusted US-GAAP EBITDA' cannot be easily derived from reported IFRS numbers. For these reasons and in order to provide users with relevant and understandable information we provide the reconciliation on the following page.
US-GAAP EBITDA	US-GAAP EBITDA excludes NZ public company and strategic review costs.
Adjusted US-GAAP EBITDA	ArborGen believes 'Adjusted US-GAAP EBITDA' provides useful information, as it is used internally to evaluate performance. It is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by different depreciation policies and debt: equity structures.

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

US-GAAP EBITDA[(1)(2)(3)]

Fiscal year ending March		**2023**	**2022**
ArborGen – US-GAAP			
	Revenue -		
	US	39.3	39.9
	Brazil	16.8	7.7
	Total	56.1	47.6
	Gross Margin *(excluding DDA)*	19.6	16.0
Less	SG&A	(7.4)	(7.5)
Less	R&D	(3.4)	(3.1)
Plus	Other Income	1.5	2.1
EBITDA		**10.3**	**7.6**
Adjustments -			
	ERCs (net of costs)	(1.2)	
	Unsold seedlings written off due to Covid		1.6
	Provision for Feb 2022 Freeze event		1.5
	Gain on ANZ		(1.4)
	HQ lease termination costs		0.3
	Other	0.1	0.5
US-GAAP Adjusted EBITDA		**9.2**	**10.1**

(1) Under US-GAAP, from a statutory reporting perspective, the classification of the expense items, and other significant items in this table may defer from what is presented here.

(2) US-GAAP EBITDA excludes NZ public company costs and strategic review costs.

(3) The Company uses US-GAAP EBITDA when discussing financial performance. This is a non-GAAP financial measure and is not recognised within IFRS. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with GAAP. Management believes that US-GAAP EBITDA provides useful information, as it is used internally to evaluate performance, and it is also a measure that equity analysts focus on for comparative company performance purposes, as the measure removes distortions caused by differences in asset age, depreciation policies and debt: equity structures.

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2023

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended March 2023 US$m	Year ended March 2022 US$m
Revenue	24	56.1	47.6
Cost of sales	7	(37.9)	(29.8)
Gross profit		**18.2**	**17.8**
Intellectual property amortisation	7	(7.6)	(7.3)
Administration expense		(9.0)	(7.8)
Operating earnings excluding items below		1.6	2.7
Strategic review costs, government grants and other	7	0.6	(4.0)
Operating profit (loss) before financing expense		**2.2**	**(1.3)**
Financial income		0.1	–
Financing expense		(1.4)	(1.7)
Profit (loss) before taxation		**0.9**	**(3.0)**
Tax expense	8	(3.4)	4.7
Net earnings (loss) after taxation from continuing operations		(2.5)	1.7
Net earnings after taxation from discountinued operations	29	–	–
Net earnings (loss)		**(2.5)**	**1.7**

Earnings (loss) per share information (cents per share)		
From continuing operations		
Basic	(0.5)	0.3
Diluted	(0.5)	0.3
From continuing and discontinued operations		
Basic	(0.5)	0.3
Diluted	(0.5)	0.3
Weighted average number of shares outstanding (millions of shares)		
Basic	502.4	500.8
Diluted	506.6	503.5

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

ArborGen Holdings Limited and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended March 2023 US$m	Year ended March 2022 US$m
Net earnings (loss)		**(2.5)**	**1.7**
Items that may be reclassified to the Consolidated Income Statement:			
Movement in currency translation reserve	20	(0.3)	0.9
Movement in hedge reserve	20	0.4	0.6
Other comprehensive earnings (loss) (net of tax)		**0.1**	**1.5**
Total comprehensive earnings (loss)		**(2.4)**	**3.2**

ArborGen Holdings Limited and Subsidiaries

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended March 2023 US$m	Year ended March 2022 US$m
Total comprehensive earnings (loss)		**(2.4)**	**3.2**
Movement in ArborGen Holdings shareholders' equity:			
Movement in issued capital	19	0.2	0.3
Movement in share based payment reserve	20	0.1	(0.3)
Total movement in shareholder equity		**(2.1)**	**3.2**
Opening group equity		151.4	148.2
Closing group equity		**149.3**	**151.4**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Year ended March 2023 US$m	Year ended March 2022 US$m
Cash was provided from operating activities			
Receipts from customers		55.1	56.5
Cash provided from operating activities		55.1	56.5
Payments to suppliers, employees and other		(48.3)	(49.0)
Tax paid		(0.3)	–
Cash (used in) operating activities		(48.6)	(49.0)
Net cash from (used in) operating activities		**6.5**	**7.5**
Interest received		0.1	–
Proceeds on sale of discontinued operations	29	–	15.2
Investment in fixed assets	13	(2.2)	(1.5)
Investment in intellectual property	15	(3.4)	(3.1)
Net cash from (used in) investing activities		**(5.5)**	**10.6**
Debt drawdowns		–	3.2
Repayment of lease liabilities		(1.1)	(0.9)
Debt repayment		(1.0)	(10.1)
Interest paid		(1.4)	(1.7)
Net cash from (used in) financing activities		**(3.5)**	**(9.5)**
Net movement in cash		**(2.5)**	**8.6**
Opening cash, liquid deposits and restricted cash		15.2	6.2
Effect of exchange rate changes on net cash		–	0.4
Closing cash, liquid deposits and restricted cash		**12.7**	**15.2**
Net earnings after taxation		(2.5)	1.7
Adjustment for:			
Financial income		(0.1)	–
Financing expense		1.4	1.7
Depreciation and amortisations		10.2	10.1
Taxation		3.4	(4.7)
Foreign exchange		(0.4)	(0.3)
Gain on sale of discontinued operations		–	(2.2)
Non cash inventory movement		–	(3.1)
Other non cash items		(0.1)	0.1
Cash flow from operations before net working capital movement		11.9	3.3
Trade and other receivables		(3.2)	1.4
Inventory		(4.3)	7.2
Trade and other payables		2.1	(4.4)
Net working capital movement		(5.4)	4.2
Net cash from operating activities		**6.5**	**7.5**

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

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	March 2023 US$m	March 2022 US$m
Current assets			
Cash and liquid deposits	9	12.7	15.2
Trade and other receivables	10	14.0	10.8
Inventory	11	31.6	27.3
Total current assets		**58.3**	**53.3**
Non current assets			
Fixed assets	13	33.5	32.9
Derivative financial instruments	5 & 27	0.7	0.3
Right-of-use assets	14	4.9	4.7
Intellectual property	15 & 16	92.9	97.1
Deferred taxation asset	12	9.5	3.8
Total non current assets		**141.5**	**138.8**
Total assets		**199.8**	**192.1**
Current liabilities			
Trade, other payables and provisions	17	(10.8)	(8.7)
Current lease obligation	22	(0.8)	(0.8)
Current debt	18	(8.1)	(1.0)
Current taxation liability		(0.5)	–
Total current liabilities		**(20.2)**	**(10.5)**
Term liabilities			
Term debt	18	(17.6)	(25.7)
Lease obligation	22	(4.1)	(4.2)
Deferred taxation liability	12	(8.6)	(0.3)
Total term liabilities		**(30.3)**	**(30.2)**
Total liabilities		**(50.5)**	**(40.7)**
Net assets		**149.3**	**151.4**
Equity			
Share capital	19	203.0	202.8
Reserves	20	(53.7)	(51.4)
Total group equity		**149.3**	**151.4**

Dave Knott
Chairman of the Board

Paul Smart
Audit Committee Chairman

30 May 2023

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 GENERAL INFORMATION

ArborGen Holdings Limited (ArborGen Holdings) is an international forestry genetics business. ArborGen Holdings, a limited liability company incorporated and domiciled in New Zealand, is listed on the New Zealand stock exchange. As at 31 March 2023 ArborGen Holdings had one investment ArborGen Inc (ArborGen Inc) (95% economic interest (with 5% warrants outstanding relating to ArborGen's acquisition of Cellfor), and 100.0% voting interest and ownership of common stock). Refer to note 30 Subsequent events regarding the repurchase of the outstanding warrants (in May 2023) and ArborGen Holdings' economic interest moving to 100%.

2 APPROVAL OF ACCOUNTS

These consolidated financial statements have been prepared on a consolidated Group basis and were approved for issue by the Board of Directors on 30 May 2023.

3 BASIS OF PRESENTATION

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

Basis of preparation

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

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

Statement of compliance

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

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

Chief operating decision-makers

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

COVID

The global Covid pandemic materially affected ArborGen's continuing operations in the United States and Brazil.

In October 2022 ArborGen Inc completed extensive analysis confirming it is entitled to receive Employee Retention Credits under the Coronavirus Aid Relief and Economic Security (CARES) Act. Under the CARES Act, for payroll taxes paid on wages between March 2020 and September 2021, for wages not forgiven under the CARES Act Paycheck Protection Program (PPP). ArborGen Inc filed amended quarterly payroll tax forms with the Internal Revenue Service. ArborGen has been notified of payment of $1.2 million, which has been recognised through earnings. In prior years, under the various governmental Covid recovery plans ArborGen received support in the US and for its discontinued operations in New Zealand and Australia.

4 SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

At the date of authorisation of these financial statements, the Group has not applied the new and revised NZ IFRS standards and amendments that have been issued but are not yet effective. It is not expected that the adoption of these standards and amendments will have a material impact on the financial statements of the Group.

Use of Estimates and Judgement

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

Deferred taxation (note 12)

The measurement of deferred taxation assets and liabilities reflects the tax consequences that would follow from the manner that the Group expects, at balance date, to recover or settle the carrying amount of its assets and liabilities. The carrying values of tax assets and liabilities are also affected by the estimates and judgements.

ArborGen cash generating unit impairment (note 16)

The carrying value of the Group's non-current assets is assessed in accordance with the impairment policy on page 39. Performing these assessments generally requires management to estimate future cash flows to be generated by the ArborGen cash generating unit ("CGU"), which entails making judgements about the expected future performance and cash flows of the CGU and the appropriate discount rate to apply when valuing future cash flows.

The carrying values of assets acquired are also affected by the estimates and judgements applied to capitalisation of developmental expenditure and the amortisation period for intellectual property of 17 years, see "intellectual property" policy on page 39.

Basis of Consolidation

Subsidiaries

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

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

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

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

Functional Currency

Foreign operations

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

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

Transactions

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

Valuation of Assets

Land, buildings, plant and equipment

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

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

Inventory

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

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

Intellectual property

Intellectual property is amortised over the useful life of the assets. Intellectual property relates primarily to output from ArborGen Inc's research and development activities and is reviewed at least annually for impairment. In line with our policy we have reviewed the useful life each balance date and adjusted if appropriate. The useful life of intellectual property has been assessed as 17 years, prior to the March 2022 financial year this was 20 years. In assessing the useful life we took into account the advancements in technology, such as genomics, and the ability of these new technologies to shorten the product development life cycle. Whilst we still believe there are significant technological difficulties in replicating our advanced genetics products, we believe that these new technologies potentially shortened the product development life cycle. These new technologies will also benefit ArborGen increasing our ability to accelerate new product development. Consequently we believe that a useful life of 17 years is appropriate.

Trade and other receivables

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

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

Cash and cash equivalents

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

Assets held for sale and discontinued operations

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

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

Impairment

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

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

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. With the exception of goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Valuation of Liabilities

Trade and other payables

Trade and other payables are stated at amortised cost.

Provisions

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

Interest-bearing borrowings

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

Deferred income tax

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

Hedge accounting

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

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

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

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

Items carried at fair value

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Income Determination

Revenue recognition

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

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

Goods sold

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

Government grants

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

Investment income

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

Finance expense

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

Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Research and development costs

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

Income tax

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

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

Employee Benefits

Share-based payments

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

Short-term and other long-term employee benefits

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

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

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

Segmental Reporting

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

Goods and Services Tax (GST)

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

Comparatives

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

Future NZ IFRS Pronouncements

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

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

5 FINANCIAL RISKS

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

5.1 Foreign exchange risk

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

5.2 Credit risk

The Group is at risk of customer default on payment for treestocks at the conclusion of a growing season. This risk is mitigated by dealing with a wide-range of customers in multiple markets and by securing up-front deposits from selected customers for the treestocks it grows each year. The nature of nursery activity is such that its customers tend to require yearly repeat business, and historically customer payment defaults have not been material to the business. However, in the US market (the Group's largest market), as treestock orders are not considered to be unconditional until late in the season each year, there remains the risk that orders cancelled prior to collection may not be able to be sold to other customers during the remaining season.

5.3 Liquidity risk

The Group has three banking facilities (in total $35.7 million (2022: $36.8 million)) with two banks in the United States; a $8.7 million reducing loan (2022: $9.3 million) which matures in May 2036, a $17 million revolver which expires in August 2023 (2022: $17 million) and a $10.0 million mortgage expiring in August 2026 (2022: $10.5 million). In the prior year the Group repaid the $2.88 million of Notes issued to related parties, at balance date there was nothing further owed (2022: nil). These facilities are used to fund the Group's working capital and capital expenditure needs. If any of these facilities were not to be renewed then the Group may need to obtain similar facilities from other banks, or an equivalent amount of funding may need to be provided through a capital raising event.

Liquidity risk management requires the maintenance of available cash combined with the availability of funding to meet the Company's needs as they develop. Forecasts are prepared of cash requirements to ensure there are financial resources in place to meet its day-to-day operating and investment needs. The Group believes it has sufficient resources to meet its funding needs through to 31 May 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

ArborGen has a letter of credit debt facility with Synovus Bank for $17 million, which expires on 31 August 2023. Because of the August 2023 expiry, the current balance of the facility of $7.0 million is classified as current debt. In May 2023, ArborGen has a letter of commitment from Synovus and has agreed terms on the renewal of the facility; for a 3-year term, bearing interest at the 30-day SOFR base rate plus 2.75%, a minimum annual rate of 4.75%, an annual 60-day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) of $7 million, and no equity covenants. Refer to note 30.

5.4 Interest rate risk

The Group has facilities that are either fixed or floating depending on their nature and use. Fixed interest rate facilities include the $8.7 million reducing loan facility and the $10.0 million mortgage facility fixed via an interest rate swap. The US revolver facility is a floating rate facility. Both the mortgage and revolver facilities had the interest rate based on London Interbank Offered Rate (LIBOR). LIBOR was widely used as a benchmark interest rate for loans, bonds and derivatives, however, in the wake of the global financial crisis in 2008, concerns arose regarding the credibility and accuracy of LIBOR, as well as the potential for manipulation. To address these concerns, the Alternative Reference Rates Committee, a group of industry experts convened by the Federal Reserve, recommended the adoption of a new benchmark rate called the Secured Overnight Financing Rate (SOFR) in the United States. SOFR is based on transactions in the repurchase agreement (repo) market, which is a large and active market for short-term funding transactions. ArborGen converted both of its LIBOR rate-based loans to SOFR November 2022.

Interest rate swap contracts

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

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

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

As at 31 March 2022, the Group had one interest rate swap with a notional amount of $10.0 million (2022: $10.5 million), covering the US head office property mortgage facility. The swap, entered into in August 2019 and expiring in August 2026, receives a floating rate of 2.45% above 30-day SOFR and pays a fixed interest rate of 3.52%. This swap is designated a cash flow hedge, is fully effective with the counterparty being Synovus the issuing bank.

5.5 Capital risk

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

6 REPORTING CURRENCY

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

7 OPERATING EXPENSES INCLUDE

	Note	Year ended March 2023 US$m	Year ended March 2022 US$m
Depreciation and amortisations included in:			
Cost of sales expense		(2.0)	(1.8)
Administration expense: intellectual property	15	(7.6)	(7.3)
Administration expense: general and administration		(0.6)	(0.5)
Total depreciation and amortisations		(10.2)	(9.6)
Cost of inventory expensed in cost of sales		(37.9)	(29.8)
Employee related expenses (excluding restructuring and transaction-related expenses)		(13.3)	(12.5)
US Cares ERC credit (1)		1.2	–
Government grant income (2)		–	0.9
Seedling write off (3)		–	(1.6)
Inventory cost adjustment (4)		–	(1.5)
Strategic review and other (5)		(0.3)	(1.8)
Termination benefit (6)		(0.3)	–
Strategic review, government grants, inventory adjustment and other		0.6	(4.0)

(1) ArborGen Inc, has undertaken extensive analysis confirming it is entitled it to receive Employee Retention Credits under the Coronavirus Aid Relief and Economic Security (CARES) Act. Under the CARES Act, businesses can apply for a credit of the payroll taxes paid on wages between March 2020 and September 2021 for wages not forgiven under the CARES Act Paycheck Protection Program (PPP). ArborGen Inc has filed amended quarterly payroll tax forms with the Internal Revenue Service (IRS) to notify the IRS of the credit due to the Company of approximately US$2 million (net of consultant's fees). ArborGen has been notified of payment of $1.2 million, which has been recognised through earnings.

(2) ArborGen has received support under the various governmental Covid-19 recovery plans, in March 2021 ArborGen Inc received a second SBA loan under the PPP of $2.0 million. This funding was to ensure ArborGen retained all employees and avoided any layoffs, and as with the previous loan if all employees were kept on the payroll for eight weeks and at least 60% of the loan was used for payroll related costs plus rent, mortgage interest, or utilities payments over the eight week period the loan would be forgiven. At the beginning of April 2021, $0.9 million of this tranche was recognised as a liability. These funds were then used to fund payroll costs including benefits and other business related costs and the remaining loan was released into earnings. All loans have been forgiven.

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

(4) In mid-March 2021, a cold front moved across the south-eastern United States, with temperatures dropping to the mid 20's Fahrenheit (negative 4 to 6 degrees Celsius) at our Georgia, South Carolina and Florida orchards. The combination of these extremely low temperatures and very high winds resulted in significant damage to bagged mass control pollinated (MCP) flowers. As a result, the expected volume of MCP seed harvested was reduced by 35%. The $1.5 million inventory adjustment returns the carrying value of expected inventory to normal production levels.

(5) The strategic review (concluded in June 2022) considered all options to unlock value for the benefit of all shareholders. Various options were considered including sale of all of the company, divestment of some assets of the Company, or a US listing. On November 1, 2021 the Company announcement that ArborGen had agreed to sell the assets of its Australian and New Zealand (ANZ) operations to ArborGen ANZ Limited Partnership, which was completed on 30 November and consequently, the ANZ operations are shown as discontinued. The Group has incurred costs in relation to the strategic review including costs specifically related to the sale of the ANZ operations, including tax, legal and other related expenses.

(6) In December 2022 ArborGen announced that Andrew Baum would be stepping down as CEO upon the appointment of a successor. Upon termination of employment Andrew will be issued shares to the value of one years base salary ($405,736) and cash payment equal to the taxes due. Two thirds of this expense has been accrued, with $0.2 million being recorded as a share based payment (refer to note 20) and $0.1 million as an accrued employee benefit (refer to note 17).

Expenses incurred also includes payments made and accrued for:

- Directors fees for Non-executive Directors of ArborGen Holdings for the current period of $206,778 (paid in NZ$327,375 (2022: $215,012 (paid in NZ$307,042))). In addition Non-executive Directors participated in Directors share plans. In September 2022, the final 273,666 shares vested to one Director under the plan together with cash tax payments of $13,926 (NZ$24,627). The expense accrued in relation to the remaining share plan was $2,385 (NZ$3,846) (2022: $47,317 (NZ$64,915)). (refer to notes 19, 20 and 25).
- The statutory audit of the annual financial statements in the current period; for ArborGen Holdings NZ$137,500 (2022: NZ$105,000) and ArborGen Inc $214,000 (Deloitte) (2022: $193,000).
- Audit related services, including attendance of the ASM provided by Deloitte for ArborGen Holdings in the current period were NZ$15,500 (2022: NZ$10,500).
- Refer to Reporting and Disclosure and Auditors in the Corporate Governance section of the Annual Report for commentary on the Audit Committee process in managing the relationship with the Auditor and confirming their independence.

8 INCOME TAX EXPENSE

	Note	Year ended March 2023 US$m	Year ended March 2022 US$m
Earnings (loss) before taxation		0.9	(3.0)
Taxation at 28%		(0.3)	0.8
Adjusted for:			
Permanent differences		(0.4)	–
Change in deferred tax liability (1)	12	(8.3)	0.9
Net taxation losses not recognised		(0.1)	(0.8)
Recognition of previously unrecognised losses (2)	12	5.7	3.8
Taxation (expense) / benefit		**(3.4)**	**4.7**
Current taxation		(0.8)	–
Deferred taxation		(2.6)	4.7
Taxation (expense) / benefit		**(3.4)**	**4.7**

(1) Deferred taxation relates to the temporary differences on intellectual property.

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

9 CASH, LIQUID DEPOSITS AND RESTRICTED CASH

At 31 March the Group held total cash, liquid deposits and restricted cash of $12.7 million (2022: $15.2 million) refer to note 18.

10 TRADE AND OTHER RECEIVABLES

	March 2023 US$m	March 2022 US$m
Trade debtors	9.6	8.3
Prepayments	2.8	2.5
Other receivables	1.6	–
Trade and other receivables	**14.0**	**10.8**

Details of the expected credit loss provision associated with trade debtors have been considered in note 27.

11 INVENTORY

	March 2023 US$m	March 2022 US$m
Finished goods - seedlings	2.1	1.4
Work in progress - seedlings [(1)]	2.4	2.3
Finished goods - seed	18.7	16.8
Work in progress - seed [(2)]	8.4	6.8
Fair value on biological assets [(3)]	–	–
Inventory	**31.6**	**27.3**

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

(2) Work in progress - seed, is principally costs associated with seed production activities and harvesting seed to be sown as a future crop.

(3) Fair value adjustment on biological assets reflects the change in fair value less costs to sell of biological assets. Historically, at year end this adjustment related to the ANZ operations, following the November 2021 sale, at year end ArborGen no longer has crops established to which IAS 41 is applicable.

Fair value adjustment on biological assets	March 2023 US$m	March 2022 US$m
Opening balance	–	0.8
Change in fair value of biological assets recognised in the income statement		
Fair value change for crop to be lifted in the coming period	–	–
Reversal of prior period fair value change	–	(0.8)
Change in fair value of biological assets recognised in the income statement as part of discontinued operations	**–**	**(0.8)**
Closing fair value uplift biological assets	**–**	**–**

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12 DEFERRED TAXATION

	Refer to note	Balance 1 April 2021 US$m	Movement in period US$m	Balance 31 March 2022 US$m
Deferred taxation asset				
Net operating losses	8	–	3.8	3.8
Deferred taxation asset as at 31 March 2022		**–**	**3.8**	**3.8**
Deferred taxation liability				
Intellectual property	8	(1.2)	0.9	(0.3)
Deferred taxation liability as at 31 March 2022		**(1.2)**	**0.9**	**(0.3)**

	Refer to note	Balance 1 April 2022 US$m	Movement in period US$m	Balance 31 March 2023 US$m
Deferred taxation asset				
Net operating losses	8	3.8	5.9	9.7
Other		–	(0.2)	(0.2)
Deferred taxation asset as at 31 March 2023		**3.8**	**5.7**	**9.5**
Deferred taxation liability				
Intellectual property	8	(0.3)	(8.3)	(8.6)
Deferred taxation liability as at 31 March 2023		**(0.3)**	**(8.3)**	**(8.6)**

Following the completion of the strategic review ArborGen has remeasured it's deferred tax liability for the temporary difference arising on intellectual property. The remeasurement reflects the tax consequences that would follow from the manner that the Group expects to recover the carrying amount of the intellectual property, and is based on an assumption that there may be a sale prior to the end of its useful life. This means there is unrecognised deferred tax liability that may be recognised in the future. This has resulted in the recognition of deferred tax liability of $8.6 million (2022: $0.3 million).

NZ IFRS only allows the recognition of taxation assets when utilisation is considered probable, which is subject to the future earnings of the Group and on meeting loss carry forward restrictions. As at March 2023 the Company, together with its advisors, have further assessed the available tax strategies and forecasts of future taxable income, in determining the need for another partial release of the valuation allowance on its deferred tax assets. The probability of future utilisation has been assessed as being probable, resulting in an adjustment to the valuation allowance and the recognition of a further $5.7 million deferred tax asset (2022: $3.8 million) (tax effected). The Group has unrecognised tax losses in New Zealand of $32.4 million (2022: $35.5 million) and $21.5 million in the US (2022: $39.3 million).

13 FIXED ASSETS

	March 2023 US$m	March 2022 US$m
Cost		
Land	11.6	11.6
Buildings	23.9	23.4
Plant and equipment	5.3	3.7
Total cost	40.8	38.7
Accumulated depreciation		
Buildings	(5.2)	(4.1)
Plant and equipment	(2.1)	(1.7)
Total accumulated depreciation	(7.3)	(5.8)
Net book value		
Land	11.6	11.6
Buildings	18.7	19.3
Plant and equipment	3.2	2.0
Fixed assets net book value	**33.5**	**32.9**
Domicile of fixed assets		
United States	32.2	32.1
Brazil	1.3	0.8
Fixed assets net book value	**33.5**	**32.9**

Fixed assets net book value	**Land US$m**	**Buildings US$m**	**Plant and equipment US$m**	**Total US$m**
31 March 2022				
Opening net book value	16.0	22.5	4.8	43.3
Exchange differences	–	–	0.1	0.1
Additions	–	0.4	1.1	1.5
Sale of assets [(1)]	(4.4)	(2.5)	(3.3)	(10.2)
Depreciation charge	–	(1.1)	(0.7)	(1.8)
Fixed assets net book value as at 31 March 2022	**11.6**	**19.3**	**2.0**	**32.9**
31 March 2023				
Opening net book value	11.6	19.3	2.0	32.9
Exchange differences	–	–	(0.1)	(0.1)
Additions	–	0.4	1.8	2.2
Depreciation charge	–	(1.0)	(0.5)	(1.5)
Fixed assets net book value as at 31 March 2023	**11.6**	**18.7**	**3.2**	**33.5**

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

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14 RIGHT-OF-USE ASSETS

Right-of-use assets net book value	Land and Buildings US$m	Plant and Equipment US$m	Total US$m
31 March 2022			
Opening net book value	4.3	1.5	5.8
Additions	–	0.7	0.7
Disposal of ANZ operations [1]	(0.8)	–	(0.8)
Depreciation charge	(0.3)	(0.7)	(1.0)
Right-of-use assets net book value as at 31 March 2022	**3.2**	**1.5**	**4.7**
31 March 2023			
Opening net book value	3.2	1.5	4.7
Additions	0.5	0.8	1.3
Depreciation charge	(0.4)	(0.7)	(1.1)
Right-of-use assets net book value as at 31 March 2023	**3.3**	**1.6**	**4.9**

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

15 INTELLECTUAL PROPERTY

	Note	March 2023 US$m	March 2022 US$m
Opening balance		97.1	101.3
Capitalisation during period		3.4	3.1
Amortisation during period	7	(7.6)	(7.3)
Intellectual property		**92.9**	**97.1**
Total cost		129.9	126.5
Accumulated amortisations		(37.0)	(29.4)
Intellectual property		**92.9**	**97.1**

Note the useful life for intellectual property was reassessed as 17 years in 2022. Refer to note 4 for more information.

16 ARBORGEN INVESTMENT AND IMPAIRMENT

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

In the prior year (fiscal year ending March 2022), our approach was to utilise a set of cash flow assumptions that had already been sensitised for more conservative outcomes, particularly in the largest and most material market for ArborGen - the US, for impairment testing purposes (the 2022 Case). For the 2023 Case, the 10-year model prepared for the Strategic Review was updated to reflect; Forest Economic Adviser's (FEA) latest demand projections for saw timber in the US South, revised MCP sales, inflationary impact on production costs, and stronger Brazil performance.

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

ArborGen can be impacted by climate risk and has a number of risk mitigation strategies in place, the costs of the mitigation strategies are captured in the model in annual capital expenditure and in the cost of production. Risks are also captured in the cost of equity calculation which impacts valuation.

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

The assumptions that have been utilised to derive the 2023 Case cash flows, are -

- Minimal organic growth in ArborGen's US loblolly market share;
- Medium to longer term growth in the overall and addressable US loblolly market consistent with projections from FEA driven primarily by projected growth in saw timber demand in the US South, and recovery from Covid-19 seedling demand levels;
- Minimal 'real' price increases in individual US seedling products despite the projected recovery in US sawn timber prices supported by continued projected growth in US South sawmill capacity and saw timber demand, and continued R&D investment;
- Increasing overall OP and MCP weighted average prices reflecting an increasing proportion of higher value sub-category product sales (e.g. MCP-elite and MCP-2.0) over the next 10 years;
- That in the terminal year ArborGen's total advanced genetics seedlings sales in the US represent 64% (primarily MCP adoption) of its total US loblolly sales. This adoption rate is significantly lower than ArborGen's current projected US MCP seed supply as younger seed orchards mature and near-term supply constraints are overcome;
- Limited growth in the overall Brazilian eucalyptus forestry markets from current levels;
- Continued growth in Brazil following the recent expansion of ArborGen's internal production capacity in both pine and eucalyptus;
- Continued expansion of ArborGen's eucalyptus offering leveraging licensed International Paper, Vallourec and Gerdau's eucalyptus clones, and ArborGen's own eucalyptus advanced products; and
- ArborGen's advanced genetics sales as a percentage of its total eucalyptus in Brazil approaching 80% in the terminal year.

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

Specifically, we used a nominal post-tax WACC of 13.3% (15.87% pre-tax WACC). The cost of equity included in the WACC uses the average beta of guideline public companies from the timberland and ag/biotech sectors (considered similar to ArborGen in terms of sector exposure) of 0.94, and included a "small company'' size premium of 5% to reflect ArborGen's relative size, as well as a country risk premium for Brazil. The derived cost of equity for the US was 14.4% and 19.6% for Brazil, and the derived cost of debt (post-tax) was 4.3%. A terminal nominal growth rate of 3% (i.e. 0% real terminal growth) was assumed.

At 31 March 2023, there were warrants outstanding equal to 5% of the issued ArborGen's share capital, which reduces the Group's effective economic exposure in ArborGen. Please refer to note 30 Subsequent events, which outlines the repurchase of those warrants, and increase in the Group's economic exposure to 100%.

The following table shows the assumptions and sensitivities for the critical US loblolly market compared with those used in last year's assessment. As an added sensitivity to test impairment, a change in discount rate is the simplest sensitivity to apply particularly given the DCF model assumes inputs at the conservative end of the spectrum of outcomes. In this instance, the post-tax WACC applied to the DCF model would need to increase to 17% before an impairment would arise, which we do not believe is within a reasonable range given the sector ArborGen operates in, and the relatively conservative inputs that underlie the longer term cash flows for the US loblolly market.

The uptake of advanced genetics seedlings sales in the US loblolly market (i.e. MCP adoption) is a key assumption in the model. This uptake progressively increases throughout the forecast period to the terminal year where it is assumed this uptake reaches 64 %, up from the FY2024 Budget assumption of circa 43%. However, keeping all other elements constant even if the uptake stayed at 43% through to the terminal year, this would not result in an impairment.

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US$ millions	2023 Case	2022 Case
US Loblolly Market - terminal year assumptions		
Loblolly market size - millions	908	913
ArborGen market share %	37.8%	37.8%
ArborGen unit sales - millions	344	345
% advanced genetics MCP	62%	62%
% advanced genetics Varietal	2%	2%
% traditional genetics	36%	36%
Total ArborGen valuation		
US inflation rate	3.0%	3.0%
Terminal Growth Rate (TGR) (1)	3.0%	3.0%
Nominal post-tax discount rate	13.3%	11.0%

Terminal year sensitivities equity value impact (increase / decrease) US$ millions	Equity value change by	
Total market size - 25 million	+/- $4.3	+/- $1.2
Market share by 1%	+/- $3.3	+/- $1.0
Advanced genetics adoption by 1%	+/- $1.8	+/- $0.9
Real MCP price by 5%	+/- $8.1	+/- $5.6

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

17 TRADE, OTHER PAYABLES AND PROVISIONS

	March 2023 US$m	March 2022 US$m
Trade creditors	(8.3)	(6.6)
Accrued employee benefits (1)	(1.2)	(0.8)
Other payables	(0.4)	(0.7)
Seedling mortality	(0.1)	(0.1)
Seedling deposits from customers (2)	(0.8)	(0.5)
Trade, other payables and provisions	**(10.8)**	**(8.7)**

(1) Includes accrued expense of $0.1 million (2022: $0.1 million) being the cash component of the 2021 LTI Plan for ArborGen Inc senior management (refer notes 20 and 25). Also includes an accrued expense for two thirds of the cash component of Andrew Baum's severance $0.1 million for the cash tax due on share based payment. Refer to note 7.

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

18 TERM AND CURRENT DEBT

Summary of repayment terms	March 2023 US$m	March 2022 US$m
Due for repayment:		
Less than one year	(8.0)	(1.0)
between one and two years	(1.1)	(8.0)
between two and three years	(1.1)	(1.1)
between three and four years	(1.1)	(1.1)
between four and five years	(1.1)	(1.1)
after five years	(13.3)	(14.4)
Total term and current debt	**(25.7)**	**(26.7)**

Summary of interest rates by repayment period	March 2023	March 2022
Due for repayment:		
Less than one year	5.03%	3.89%
between one and two years	5.28%	4.02%
between two and three years	5.30%	4.35%
between three and four years	4.34%	4.35%
between four and five years	4.34%	4.35%
after five years	4.12%	4.13%
Current debt - weighted average interest rate	**5.03%**	**3.89%**
Term debt - weighted average interest rate	**4.17%**	**4.41%**

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

At 31 March 2023 the Group had debt facilities with the following banks: Synovus Financial Corporation (Synovus) and AgSouth Farm Credit (AgSouth) in the United States.

ArborGen has a non-revolving promissory note issued to AgSouth for $8.7 million bearing interest at 4.95%, with a maturity date of 1 May 2036, which is secured against ArborGen's US real estate properties. Annual principal repayments of $0.6 million are due 1 May each year.

ArborGen's revolving facility agreement with Synovus is a $17 million letter of credit (LOC), currently $7 million with an expiry date of 31 August 2023. The facility requires an annual 60-day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) to $10 million. The LOC bears interest at the 30 day SOFR base rate plus 2.75%, subject to a minimum annual rate of 3.5%, and is collateralised by all of the ArborGen Inc.'s United States assets not otherwise pledged under the AgSouth agreement.

Because of the expiry in August 2023, the LOC is classified as current debt. In May 2023, ArborGen agreed terms with Synovus on the renewal of the facility; for a 3-year term, bearing interest at the 30-day SOFR base rate plus 2.75%, a minimum annual rate of 4.75%, an annual 60-day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) of $7 million, and with no equity covenants. This facility is integral to funding the operations of the business. Documentation will be finalised in late May or early June and management are confident this facility will be renewed once completed. Refer to note 30.

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

Rubicon Industries USA LLC (RIUSA) has a $10.0 million mortgage from Synovus, which is secured by headquarters land and buildings. The mortgage is a seven-year term facility expires in August 2026 and is based on a 20-year amortising loan, incurring interest at the 30-day SOFR base rate plus 2% (currently 4.63%). The Group has entered into a seven-year interest rate swap, with terms that match that of the mortgage, at a fixed rate of 3.52%. The mortgage requires RIUSA to maintain a debt service coverage ratio of not less than 1.25:1 for the trailing 12 months.

At 31 March 2023 the Group held cash and liquid deposits of $12.7 million (2022: $15.2 million) and had debt of $25.7 million and lease liabilities of $4.9 million (2022: $26.7 million of debt and $5.0 million of lease obligations).

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19 CAPITAL

Share capital	March 2023 US$m	March 2022 US$m
Share capital at the beginning of the period	202.8	202.5
Issue of shares (3)	–	–
Vesting of shares - share plans (1) (2) (3)	0.2	0.3
Share capital	**203.0**	**202.8**

Number of shares	March 2023	March 2022
Opening shares on issue	501,486,758	499,611,738
Issue of shares (3)	1,285,324	1,875,020
Number of shares on issue	**502,772,082**	**501,486,758**

Treasury stock	March 2023	March 2022
Opening shares on issue	273,666	1,102,683
Vesting of shares (1) (2)	(273,666)	(829,017)
Number of shares on issue	**–**	**273,666**

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

(2) In accordance with the shareholders' resolution passed at ArborGen Holdings Annual Shareholders' meeting held on 17 September 2019, on 18 September 2019 ArborGen Holdings issued 820,998 new shares to the 2019 Rubicon Non-executive Director Share Plan (the 2019 Trust). The 2019 Trust were held the shares on behalf of George Adams (Director) until the vesting terms were met. The shares vested in three equal tranches on the first, second and third anniversaries following the date of issue (18 September 2019), provided that the Director remains a Director of the Company on the relevant anniversary date. The new shares were issued at the NZX 20-day market VWAP for ArborGen Holding shares of NZ18.27 cents per share, for a total value of NZ$150,000. The share based transactions are recorded in the share based payment reserve and the shares are accounted for as treasury stock until vesting. On 6 October 2022 the third (and final) tranche of 273,666 shares vested to George Adams (refer to note 20 for share based payment information).

(3) In July 2021 ArborGen awarded 3,933,535 RSU's (restricted share units) to ArborGen Inc executives, in relation to its FY2021 Long Term Incentive (2021 LTI) Plan. Pursuant to this award, in July 2022 ArborGen Holdings issued 1,241,232 new shares, 817,282 of those shares are the second of the three equal tranches under the 2021 LTI Plan and 423,950 shares were issued to one retiring employee (with the final two tranches vesting on retirement). The remaining RSUs of 817,282 will vest at the next anniversaries of the award, provided that the holder of the RSU remains employed by the by the ArborGen Group on the vesting date.

20 RESERVES

Retained earnings	**March 2023 US$m**	**March 2022 US$m**
Opening balance	(51.6)	(53.3)
Net earnings (loss)	2.5	1.7
Closing balance	**(54.1)**	**(51.6)**
Cash flow hedge reserve (1)		
Opening balance	0.3	(0.3)
Fair value gains / (losses) for the year	0.4	0.6
Closing balance	**0.7**	**0.3**
Share based payments reserve		
Opening balance	0.2	0.5
Non-executive Directors' share plan (2)	–	–
Non-executive Directors' share plan shares vested (3)	–	(0.1)
Executive share plan (4)	(0.2)	(0.2)
Executive settlement share plan shares (5)	0.3	–
Closing balance	**0.3**	**0.2**
Currency translation reserve		
Opening balance	(0.3)	(1.2)
Translation of independent foreign operations	(0.3)	(1.6)
Transfer to earnings (6)	–	2.5
Closing balance	**(0.6)**	**(0.3)**
Total reserves	**(53.7)**	**(51.4)**

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

(2) Under the two Rubicon Non-executive Directors' Share Plans in the current period $2,385 (NZ$3,846) was accrued in relation to the cost of the share plan (2022: $47,317 (NZ$64,915)).

(3) Under the Rubicon Non-executive Directors' Share Plan's, the final tranche of 273,666 shares vested in the current period, and the relevant portion of share capital (2022: 829,017) (refer to note 19).

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

(5) In December 2022 ArborGen announced that Andrew Baum would be stepping down upon the recruitment of a suocessor CEO. Upon cessation Andrew will be issued shares to the value of one years base salary ($405,736). A share based payment was accrued in relation to the expense. Refer to note 7.

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

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21 CAPITAL EXPENDITURE COMMITMENTS

In November 2018 ArborGen entered into agreements with TexMark Timber Treasury, L.P. (TTT) initially to manage and then from 1 April 2019 lease TTTs nursery and seed orchard facility located in Texas. ArborGen has the right to acquire, and TTT has the right to sell, the leased properties for $2.5 million, payable upon the expiration of the 5-year lease period. The present value of this payment is recorded as a liability in term lease obligation (refer to note 22).

22 LEASE OBLIGATIONS

	Refer to Note	March 2023 US$m	March 2022 US$m
Lease obligations are reconciled as follows:			
Current lease obligations	27	(0.8)	(0.8)
Term lease obligations	27	(4.1)	(4.2)
Total lease obligations		**(4.9)**	**(5.0)**

Financing expense includes interest payments relating to lease obligations of $0.2 million (2022: $0.3 million).

The lease expense for short-term leases was $0.1 million (2022: $0.3 million) and low value leases $65,000 (2022: $32,000).

In November 2018 ArborGen entered into a management agreement with TTT, which converted to a lease agreement from 31 March 2019. The terminal payment (or deferred settlement) is the $2.5 million purchase price, payable at expiration of the lease (refer to note 21).

23 REMUNERATION

Key management compensation	Refer to Note	Year ended March 2023 US$m	Year ended March 2022 US$m
Salaries and other short-term employee benefits		2.4	2.7
Share based payments (1)	20 & 25	0.3	–
Other payments (2)	7	0.3	–
		3.0	**2.7**

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

(1) In December 2022 ArborGen announced that Andrew Baum would be stepping down upon the recruitment of a successor CEO. Upon cessation Andrew will be issued shares to the value of one years base salary ($405,736). Refer to note 7.

(2) Includes cash payments under the LTI plan and additional payments relating to the strategic review.

24 SEGMENTAL INFORMATION SUMMARY

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

Forestry genetics	Year ended March 2023 US$m	Year ended March 2022 US$m
Operating revenue	56.1	47.6
Financing expense	(1.4)	(1.7)
Tax (expense) / benefit	(3.4)	4.7
Net earnings (loss) after taxation from continuing operations	(1.0)	2.7
Total assets	199.7	191.8
Liabilities	(50.4)	(40.4)
Capital expenditure	(5.6)	(4.2)
Depreciation and amortisation	(10.2)	(9.6)
Reconciliation		
Discontinued operations		
Revenue	–	9.7
Net earnings after taxation from discontinued operations	–	–
Tax (expense) / benefit	–	(0.3)
Capital expenditure	–	(0.4)
Corporate		
Net earnings (loss) after taxation from continuing operations	(1.5)	(1.0)
Total assets	0.1	0.3
Liabilities	(0.1)	(0.3)
Total Group		
Total revenue	56.1	57.3
Operating revenue - discontinued	–	9.7
Operating revenue - continuing - per income statement (1)	56.1	47.6
Financing expense	(1.4)	(1.7)
Tax (expense) / benefit - Total	(3.4)	4.4
Tax (expense) / benefit - Continuing	(3.4)	4.7
Net earnings (loss) after taxation - Total	(2.5)	1.7
Net earnings (loss) after taxation - Continuing	(2.5)	1.7
Total assets - per balance sheet	199.8	192.1
Total assets - Continuing	199.8	192.1
Total liabilities	(50.5)	(40.7)
Liabilities - Continuing	(50.5)	(40.7)
Capital expenditure	(5.6)	(4.6)
Capital expenditure - Continuing	(5.6)	(4.2)
Depreciation and amortisation	(10.2)	(9.6)

The Group's geographical analysis is as follows: **Australasia - discontinued operations**	Year ended March 2023 US$m	Year ended March 2022 US$m
Operating revenue	–	9.7
Non current assets	–	–
South America		
Operating revenue	16.8	7.7
Non current assets	1.3	0.8
North America		
Operating revenue	39.3	39.9
Non current assets	140.2	138.0
Total Group		
Operating revenue (1)	56.1	57.3
Non current assets	141.5	138.8

(1) The Group's revenue represents sales of seedlings and treestock of $54.4 million (2022: $55.8 million) and the provision of logistic services $1.7 million (2022: $1.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

25 RELATED PARTY TRANSACTIONS AND BALANCES

	Refer to Note	March 2023 US$m	March 2022 US$m
Income Statement			
Non-executive Directors' Share Plan [1]	7, 19 & 20	–	(0.1)
Directors remuneration (excluding Non-executive Directors' Share Plan)	7	(0.2)	(0.2)
ArborGen senior management LTI plan [2]		–	0.3
CEO severance [3]		(0.3)	–
Interest on subordinated notes [4]	5.3	–	(0.2)
Balance Sheet			
ArborGen senior management LTI plan [2]	17 & 20	(0.2)	(0.3)
CEO severance [3]		0.3	–

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

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

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

(3) In December 2022 ArborGen announced that Andrew Baum would be stepping down upon the recruitment of a successor CEO. Upon cessation Andrew will be issued shares to the value of one years base salary ($405,736). Refer to note 7.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

26 PRINCIPAL OPERATIONS

ArborGen Holdings Limited (a New Zealand incorporated limited liability company) is the holding company of the ArborGen Group. The principal subsidiaries, as at 31 March 2023, were:

	Country of Domicile	Interest % March 2023	Interest % March 2022	Balance Date	Principal Activity
Principal subsidiaries					
Rubicon Forests Holdings Limited	NZ	100	100	31 March	Holding company
Rubicon Industries USA LLC	USA	100	100	31 March	Holds ArborGen, Inc investment
ArborGen Inc (1)	USA	100	100	31 March	Forestry genetics
ArborGen Inc subsidiaries					
ArborGen Comercie de Produtos Florestal Importacao e Exportacao LTDA	Brazil	100	100	31 March	Forestry genetics
ArborGen Technologia Florestal LTDA	Brazil	100	100	31 March	Holding company
ArborGen New Zealand Holding LLC	USA	100	100	31 March	Holding company
ArborGen New Zealand Unlimited (2)	NZ	100	100	31 March	Non Trading
ArborGen Australia Holdings Pty Ltd	Australia	100	100	31 March	Holding company
ArborGen Australia Pty Ltd (2)	Australia	100	100	31 March	Non trading

(1) ArborGen Holdings owns 100% of ArborGen Inc's issued share capital, or 95% by economic interest (given the 5% of outstanding warrants). These warrants arose out of ArborGen Inc's purchase of CellFor in 2012, and represent part-consideration for that acquisition. The warrants are automatically exercised, for no payment, upon an IPO of ArborGen Inc, or alternatively at any time if 66.67% of the warrant holders so elect. The warrants can also be exercised by ArborGen Inc, upon either a sale of substantially all of the ArborGen Inc business or of a sale of 50.01% or more of ArborGen Inc's share capital. Refer to note 30 Subsequent events, for details of the repurchase of outstanding warrants.

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

27 FINANCIAL INSTRUMENTS

(a) Market risk

(i) Exposure to currency risk

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

in US$m	March 2023		March 2022	
	US$	Non US$	US$	Non US$
Cash, liquid deposits and restricted cash	11.2	1.5	14.5	0.7
Trade debtors and other receivables	8.2	3.0	7.0	1.3
Trade creditors and other payables	(9.2)	(1.6)	(7.1)	(1.6)
Current debt	(8.1)	–	(1.0)	–
Non current debt	(17.6)	–	(25.7)	–
Lease obligation	(4.9)	–	(5.0)	–
Gross balance sheet exposure		2.9		0.4

The following exchange rates applied during the year:

	Average rate [1]		Spot rate	
	March 2023	March 2022	March 2023	March 2022
NZ$:US$	0.6247	0.7070	0.6275	0.6975
US$:R$	0.1942	0.1877	0.1935	0.2116

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

Foreign exchange contracts

The Group had no foreign exchange contracts outstanding (2022: nil).

Sensitivity Analysis - gross balance sheet exposure

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

(ii) Exposure to interest rate risk

The Group has $25.7 million of debt at 31 March 2023 (2022: $26.7 million), drawn at a mix of fixed and floating rates.

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

As at 31 March 2023, the Group had one interest rate swap totalling $10.0 million (2022: $10.5 million), covering 39% (2022: 40%) of total debt. The swap was entered into in August 2019 and expires in August 2026. The swap receives a floating rate of 2% above 30-day SOFR and pays a fixed interest rate of 3.52%. At 31 March 2023 the mark-to-market of the swap resulted in an asset of $0.7 million (2022: $0.3 million), which is reflected in the cash flow hedge reserve and derivative financial instrument liability (refer note 20).

(b) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which at 31 March 2023 was $23.9 million of trade and other receivables, and cash and liquid deposits (2022: $23.5 million).

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

		March 2023 US$m	March 2022 US$m
Neither past due or impaired		5.4	4.7
Past due but not impaired –	1 month	2.4	2.5
	2 month	1.8	1.3
Impaired		0.2	–
		9.8	8.5
Less provision for expected credit loss		(0.2)	(0.2)
Net trade debtors		9.6	8.3

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

(c) Liquidity risk

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

Financial liabilities	Carrying value US$m	Total cash flows US$m	0-6 months US$m	6-12 months US$m	1-2 years US$m	2-5 years US$m	Over 5 years US$m
31 March 2022							
Non derivative financial liabilities							
Trade and other payables	(7.4)	(7.4)	(7.4)	–	–	–	–
Debt	(26.7)	(32.1)	(0.8)	(0.2)	(8.5)	(3.6)	(19.0)
Lease obligation	(5.0)	(5.9)	(0.4)	(0.7)	(1.0)	(3.1)	(0.7)
Financial liabilities as at 31 March 2022	(39.1)	(45.4)	(8.6)	(0.9)	(9.5)	(6.7)	(19.7)
31 March 2023							
Non derivative financial liabilities							
Trade and other payables	(9.5)	(9.5)	(9.4)	(0.1)	–	–	–
Debt	(25.7)	(31.3)	(8.1)	(0.2)	(1.2)	(3.6)	(18.2)
Lease obligation	(4.9)	(6.0)	(0.4)	(0.7)	(1.1)	(2.9)	(0.9)
Financial liabilities as at 31 March 2023	(40.1)	(46.8)	(17.9)	(1.0)	(2.3)	(6.5)	(19.1)

28 CONTINGENT LIABILITIES

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

29 DISCONTINUED OPERATIONS

Sale of ArborGen Australia and New Zealand's assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

	Year ended March 2023 US$m	Year ended March 2022 US$m
Gross revenue	–	9.7
Expenses	–	(8.2)
Profit before taxation (1)	–	1.5
Tax expense on profit before taxation	–	(0.3)
Change in fair value of biological assets	–	(0.9)
Gain on disposal (2)	–	2.2
Currency translation reserve reclassified	–	(2.5)
Net profit after taxation from discontinued operations	**–**	**–**

(1) Profit before taxation from discontinued operations includes:

Depreciation	–	0.5

(2) Gain on disposal

	Year ended March 2023 US$m	Year ended March 2022 US$m
Cash inflow on sale of subsidiaries	–	15.2
Cash balances retained	–	1.4
Cost of sale	–	(0.3)
	–	16.3
Recognised values on sale	–	
Inventory	–	4.4
Trade and other receivables	–	1.8
Fixed assets	–	10.2
Right-of-use assets	–	0.8
Trade and other payables	–	(2.4)
Lease obligations	–	(0.7)
	–	14.1
Net gain on sale	**–**	**2.2**

Statement of cash flows for the period ended	Year ended March 2023 US$m	Year ended March 2022 US$m
Net cash from:		
Operating activities	–	0.8
Investing activities	–	(0.4)
Net cash from discontinued operations	–	0.4

30 SUBSEQUENT EVENTS

On 4 May 2023, ArborGen announced that its wholly owned subsidiary, ArborGen Inc, had negotiated the repurchase of all outstanding warrants, which equates to approximately 5% of ArborGen Inc's fully diluted common stock. The purchase price is US$1.35 million (less the warrant holders' transaction costs of approximately US$27,500). Holders of warrants totalling more than 66.67% have approved the terms and conditions of the repurchase as required by the original warrant documents, and all holders of warrants are now obligated to sell them to ArborGen Inc.

These warrants related to ArborGen Inc's acquisition of the assets, germplasm, technology, and intellectual property of the leading loblolly pine varietal company in the US- Cellfor Inc (Cellfor) in August 2012. As consideration for CellFor's assets, ArborGen Inc (a) paid CDN $1.1 million in cash and (b) issued warrants to purchase shares of ArborGen Inc common stock. Pursuant to the warrant documents, each holder of a warrant was entitled, subject to certain terms and conditions and at any time no later than June 19, 2032, to purchase the number of common shares calculated as specified in the warrant documents, at a purchase price per share of US$0.001.

Following the repurchase of the warrants, there will be no more warrants, options or other rights to purchase ArborGen Inc common stock, and ArborGen Holdings' effective economic interest in ArborGen Inc will increase from 95% to 100% with no dilution overhang.

ArborGen has a letter of credit debt facility with Synovus Bank for $17 million, which expires on 31 August 2023. Because of the August 2023 expiry, the current balance of the facility of $7.0 million is classified as current debt. In May 2023, ArborGen agreed terms with Synovus on the renewal of the facility; for a 3-year term, bearing interest at the 30-day SOFR base rate plus 2.75%, a minimum annual rate of 4.75%, an annual 60 day (continuous) pay down maximum borrowing limit (between 1 March and 31 August) of $7 million, and no equity covenants. Refer to note 18.

Deloitte.

Independent Auditor's Report

To the Shareholders of ArborGen Holdings Limited

Opinion

We have audited the consolidated financial statements of ArborGen Holdings Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2023, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 33 to 63, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

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

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

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

Other than in our capacity as auditor, and the performance of ancillary services in that capacity which includes attendance at the Annual Shareholders Meeting, we have no relationship with or interests in the entity.

Audit materiality

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
ArborGen Cash Generating Unit – impairment assessment As set out in note 15 of the financial statements the Group has US$92.9m of intellectual property recorded on its balance sheet relating to the ArborGen business. The impairment assessment in relation to the ArborGen business, or Cash Generating Unit (CGU), as disclosed in note 16, is considered to be a key audit matter as a result of the significance of the intellectual property asset to the Group, and the level of judgement required when determining the value in use of ArborGen. The value in use of ArborGen is determined by undertaking a discounted cash flow analysis which involves management making a number of assumptions in relation to forecast future cash flows, determining an appropriate weighted average cost of capital (WACC) and terminal value (TV) growth rate. Each of these inputs requires judgement to be applied.	In performing our audit procedures in this area we: • assessed the appropriateness of the methodology applied by management; • examined the robustness of the financial model used by management to calculate ArborGen's value in use; • tested the key assumptions driving the forecast future cash flow. Of particular importance are the average selling prices linked to the projected uptake of Mass Controlled Pollinated (MCP) product primarily in the United States market; • performed a look back analysis for current year actual results, including considering the impact of COVID-19, compared to what was forecasted in the prior year impairment model; • considered the appropriateness of management's assessment of the risks and opportunities for ArborGen associated with climate change. We challenged how management considered those risks in the impairment model; • undertook sensitivity analysis on key assumptions to assess the impact on the carrying value of ArborGen; • tested the calculation of the WACC and TV growth rate, including obtaining input from our valuation specialists; and • ensured the disclosures in the financial statements properly reflect the judgements and estimates made by management.

Other information

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

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

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

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

Directors' responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Pieter Erasmus
Partner
for Deloitte Limited
Auckland, New Zealand
30 May 2023

CORPORATE GOVERNANCE

This section describes how ArborGen's business practices reflect corporate governance best practice. It is current as at 31 March 2023.

The Group's corporate governance framework is guided by the principles and recommendations of the NZX Corporate Governance Code (17 June 2022 version). ArborGen Holdings considers it has followed these recommendations in all material respects during the fiscal year ended March 2023 (FY2023). In addition, the corporate governance principles followed by the Company do not materially differ from the Corporate Governance Principles and Guidelines issued by the Financial Markets Authority.

Code of Ethical Behaviour

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

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

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

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

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

Board Composition and Performance

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

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

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

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

The Board Charter is published on our corporate website.

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

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

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

Board Composition

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

As at 31 March 2023, the Directors were:

Dave Knott, Chairman (USA)[1]
George Adams, Independent Director (NZ)
Tom Avery, Independent Director (USA)
Ozey Horton, Independent Director (USA)
Paul Smart, Independent Director (NZ)

(1) Substantial product holder.

Of the five Directors, two are ordinarily resident in New Zealand. In addition, the Board has assessed that four of the Directors are Independent Directors for the purposes of the NZX Listing Rules. In order for a Director to be independent, the Board has determined that he or she must not be an executive of ArborGen and must have no Disqualifying Relationships as defined in the NZX Listing Rules.

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

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

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

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

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

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

Information on each director is available on the ArborGen website and on pages 28 and 29 of this Annual Report.

Director's interests are disclosed on page 80 of this Annual Report.

Board Committees

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

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

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

Audit Committee

Paul Smart (Chairman)
George Adams
Ozey Horton
Tom Avery

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

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

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

Remuneration Committee

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

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

Nominations Committee

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

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

Ad Hoc Committees

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

Takeover Protocols

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

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

Attendance at Board and Committee Meetings

The table below shows Directors' attendance at the Board and committee meetings during the year ended 31 March 2023.

	Board	Audit Committee	Nominations Committee	Remuneration Committee	Strategic Review Committee
Number of meetings held	6	2	0	1	8
Dave Knott	6	1	0	1	n/a
George Adams	6	2	0	1	8
Tom Avery	6	2	0	1	8
Ozey Horton	6	2	0	1	8
Paul Smart	6	2	0	1	n/a
Ranjan Tandon	2	n/a	0	n/a	n/a

(1) Ranjan Tandon resigned from the Board with effect on and from 30 June 2022.

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

Reporting and Disclosure

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

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

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

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

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

Financial Information

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

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

For the financial year ended 31 March 2023, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance with the Financial Reporting Act 2013. The Audit Committee has confirmed in writing to the Board that ArborGen's external financial reports present a true and fair view in all material aspects.

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

Non-financial Information

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

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

Environmental and Social commentary has been provided in this year's Annual Report, refer to page 23.

Diversity

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

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

- created a scorecard which measures employee composition by gender, age and ethnicity, that is prepared annually for the Remuneration Committee to review;
- introduced two new employee training courses covering Diversity, Inclusion, Discrimination and Leadership which employees must complete. Completion dates are set and tracked through the programme by HR;
- conducted a remuneration review for all positions based on job descriptions and location. Salary adjustments were proposed where appropriate based on this review; and
- completed the annual review of the Employee handbook, with no changes required to be made.

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

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

As at 31 March 2023, five of the ArborGen Group's senior executives were female, being the Company Secretary & Performance Optimisation Director (ArborGen), the General Manager of ArborGen Brazil, VP Finance and Accounting (ArborGen Inc), Director of Communications and Marketing and the Director of In Vitro Technology (ArborGen Inc).

As at 31 March 2023, females represented 31% of Directors, Officers and senior executives of the Company (31 March 2022: 27%).

The following table shows the gender split for ArborGen Holdings only as at 31 March 2023, as compared to the split for the previous period ending 31 March 2022:

	March 2023			March 2022		
	Women	Men	Gender Diverse	Women	Men	Gender Diverse
Board of Directors	0	5	0	0	6	0
Officers	1	2	0	1	2	0

Remuneration

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

Director Equity Holdings

The Company believes it is appropriate to have Directors' and executives' remuneration aligned with the performance of the Company, and that the ownership of ArborGen Holdings' shares is a good way of achieving this goal. Consistent with this policy, on 17 September 2019 (at the 2019 Annual Shareholders' Meeting) shareholders passed resolutions electing George Adams as an independent Director of ArborGen Holdings and approving the issuance of NZ$150,000 of new shares to George Adams under the 2019 Non-Executive Directors Share Plan (2019 Share Plan). Under the 2019 Share Plan, 820,998 shares were issued to a trustee to be held on behalf of George Adams. These shares were to vest to George Adams in three equal tranches on the first, second and third anniversaries following the date of issue (being 18 September 2019), provided George Adams remains a Director of the Company on the relevant anniversary date (refer to notes 19 and 25 to the financial statements for more detail). Accordingly the requisite vesting terms for the first, second and third tranches were met and the corresponding ArborGen Holdings' shares were transferred to George Adams.

As at 31 March 2023, Directors of the Company held the following relevant interests (as defined in the Financial Markets Conduct Act 2013) in ArborGen shares:

Name	Position	Number of Shares
DM Knott	Chairman and Non-executive Director	137,663,111
TA Avery	Non-executive Director (1)	555,350
OK Horton	Non-executive Director (1)	555,350
PR Smart	Non-executive Director (1)	555,350
THG Adams	Non-executive Director (2)	820,998

(1) Shares issued under the 2018 Share Plan (see the Company's 2022 Annual Report for further details).

(2) Shares issued under the 2019 Share Plan.

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

Non-executive Director Remuneration

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

The remuneration paid, prior to any taxation liability, by Non-executive Directors of ArborGen for services in their capacity as Directors during the twelve-month period ended 31 March 2023 was:

Name	Directors Fees NZ$	Shares (7) Vested NZ$	Cash Tax (7) Payment NZ$	Total Remuneration NZ$
DM Knott (Chairman) (1)	40,000			40,000
TA Avery (3)(5)	95,500			95,500
OK Horton (3)(5)	95,500			95,500
PR Smart (2)(3)	80,500			80,500
THG Adams (3)(4)(5)(6)	99,250	50,000	24,627	173,877
R Tandon (3)(8)	15,625			15,625
Total	**426,375**	**50,000**	**24,627**	**501,002**

(1) Mr Knott's fee was reduced to NZ$1 from 1 April 2020. Mr Knott's fee as Chair was increased to NZ$80,000 for the period from 1 October 2022 ended 31 March 2023.

(2) Mr Smart received an additional NZ$28,500 per annum as Chair of the Audit Committee for the period from 1 April to 30 September 2022, reducing to NZ$7,500 per annum for the period from 1 October 2022 to 31 March 2023.

(3) Each Non-Executive Director's fees were NZ$62,500 per annum.

(4) Mr Adams received an additional NZ$7,500 per annum as Chair of the Remuneration Committee for the period from 1 October 2022 to 31 March 2023.

(5) On 11 June 2022, all the Directors of the Company voted in favour of a resolution permitting supplementary remuneration to be paid to the members of the independent committee of the Board formed in connection with the Company's Strategic Review process (the Independent Committee). The remuneration payable to members of the Independent Committee was to recognise the significant additional time and effort required from members of the Independent Committee, over and above that normally expected of a Non-Executive Director of the Company. The supplementary payment was NZ$33,000 for each member of the Independent Committee (being Messrs Avery, Horton and Adams), this was accrued in the 2022 financial year.

(6) Under the terms of the 2019 Rubicon Non-Executive Directors Share Plan the third (and final) tranche of 273,666 shares vested to George Adams together with the cash tax payments.

(7) Represents the value of shares as accrued and the cash tax as paid in September 2022.

(8) Mr Tandon retired from the Board on 30 June 2022.

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

Executive Director and Employee Remuneration

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

In accordance with Section 211 of the Companies Act, remuneration and other benefits (including performance benefits and all redundancy payments) which in total exceeded NZ$100,000 per annum received by employees of ArborGen and its subsidiaries (i.e. including ArborGen Inc and its respective subsidiaries) in the period ended 31 March 2023 is summarised in the following table:

NZ$000			Number of Employees
100	to	110	11
110	to	120	14
120	to	130	5
130	to	140	7
140	to	150	5
150	to	160	4
160	to	170	2
180	to	190	2
190	to	200	5
200	to	210	3
220	to	230	2

NZ$000			Number of Employees
230	to	240	1
250	to	260	1
270	to	280	1
280	to	290	2
290	to	300	2
310	to	320	1
330	to	340	1
380	to	390	1
500	to	510	1
840	to	850	1

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

2021 and 2022 LTI Plans

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

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

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

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

- one third of the RSUs will vest and one-third of the cash awards will be paid, on the Performance Approval Date (being the date on which the Remuneration Committee determines the extent to which the FY2021 performance targets have been met, and the number of RSUs and cash awards to be granted);
- one third of the RSUs will vest and one-third of the cash awards will be paid on the first anniversary of Performance Approval Date; and
- one third of the RSUs will vest and one-third of the cash awards will be paid on the second anniversary of Performance Approval Date.

Under the terms of the 2021 LTI Plan, only one employee met the target, and accordingly one-third of his respective RSUs and one-third of his cash awards vested in June 2021. In June 2021, 127,315 of shares were issued to this Participant, and in December 2021, following completion of the sale of the New Zealand and Australian businesses, the remaining 254,629 of shares were issued. The Remuneration Committee had discretion whether to grant RSUs and cash awards to the remaining Participants and in July 2021, following confirmation that the first ($2.3 million) loan received under the CARES Act Paycheck Protection Program had been forgiven, approved the award of 80% of the 2021 LTI Plan maximum target award to the remaining Participants, in recognition of the difficult COVID conditions. Accordingly, the Company issued 1,493,076 new shares in July 2021 and 1,241,232 new shares in July 2022 in relation to its 2021 LTI Plan.

In June 2021, the Remuneration Committee approved the FY2022 Long Term Incentive Plan (2022 LTI Plan) allowing certain employees of the Company and its subsidiaries (Participants) to participate in the 2022 LTI Plan. In accordance with the 2022 LTI Plan, if certain financial performance targets were met by the ArborGen Group during the fiscal year ending 31 March 2022, restricted share units (RSUs) and conditional cash awards were to be granted to the Participants at no cost to the Participants. Under the terms of the 2022 LTI Plan, only one employee met the target, and accordingly one-third of her respective RSUs and one-third of her cash awards vested in June 2022. Accordingly, the Company issued 44,092 new shares in July 2022 in relation to its 2022 LTI Plan.

There was no approved Long Term Incentive Plan in respect of the fiscal year ending 31 March 2023 (FY2023).

CEO Remuneration

Outgoing CEO

The base salary of ArborGen's CEO, Andrew Baum, in the period was $403,449 (NZ$648,828) plus other medical and superannuation benefits of $31,200 (NZ$49,944).

Mr. Baum is also a Participant of the 2021 LTI Plan and the 2022 LTI Plans. In July 2021, the Remuneration Committee awarded $209,075 (NZ$338,857) including 1,458,240 RSUs and $41,815 in cash pursuant to the 2021 LTI Plan. The RSUs will vest as ARB Ordinary Shares in three equal tranches on three separate vesting dates, provided that the holder of the RSU remains employed by the ArborGen Group on the applicable vesting date. On 9 July 2021, the first tranche of 486,080 vested as ARB Ordinary Shares. On 26 July 2022, the second tranche of 486,080 vested as ARB Ordinary Shares. The maximum value of Mr. Baum's entitlement under the 2022 LTI Plan, subject to satisfaction of the conditions, is $261,300 (NZ$373,286), (of which 80% will be RSUs and 20% will be in cash awards). The performance targets of the 2022 LTI Plan have not been met.

On 5 December 2022, ArborGen announced that Mr. Baum would be stepping down from his role as CEO once a successor had been recruited. In connection with the cessation of his employment, Mr. Baum will receive a payment equal to one year of his base salary of US$405,736, which he has elected to receive in the form of ARB Ordinary Shares. ArborGen will issue those shares to him when his CEO employment ends, at an issue price based on the Average Market Price (as defined in the NZX Listing Rules) of ARB Ordinary Shares on NZX at that time. He will also receive a cash payment equivalent to the taxes due as a result of the share issuance.

Mr. Baum's remuneration can be summarised as follows:

	Salary US$	Benefits US$	Subtotal US$	Pay for Performance			Total Remuneration US$	Total Remuneration NZ$
				$ Paid US$	$ Paid US$	% of bonus paid out		
FY23	403,449	31,200	434,649	25,000 (2)	69,422	80%	529,071	846,920
FY22	392,016	30,600	422,616		69,422	80%	492,038	724,500
FY21	392,016	30,600	422,616		(1)		422,616	629,549 (1)

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

(2) Mr Baum received a bonus related to the Strategic Review totalling $25,000 (NZ$40,019).

Incoming CEO

On 25 April 2023, ArborGen announced the appointment of Justin Birch as President and Chief Executive Officer (CEO) of ArborGen Inc following a comprehensive and extensive search process. Pursuant to Mr. Birch's Employment Agreement with ArborGen Inc, he commences his employment on 1 June 2023, and will serve as a member of the board of directors of ArborGen Inc, as the President and Chief Executive Officer of the Company and as the Chief Executive Officer of ArborGen Holdings, reporting directly to the board of ArborGen Inc, and the board of directors of ArborGen Holdings.

Details of Mr. Birch's remuneration arrangements are set below. These arrangements are intended to strongly align his interests with those of shareholders.

- A fixed remuneration component comprising cash salary of US$425,000 (Base Salary)
- Annual short-term incentive of up to 100% of Base Salary –
  - Guaranteed for and paid after ArborGen's fiscal year ended 31 March 2024 comprising:

    (i) US$212,500 paid in cash and

    (ii) US$212,500 in ARB Ordinary Shares
  - For fiscal year ended 31 March 2025 and each fiscal year thereafter – (i) a cash bonus of up to 50% of then-current Base Salary and (ii) a bonus paid in ARB Ordinary Shares of up to 50% of then-current Base Salary, in each case subject to meeting performance criteria determined by the Remuneration Committee.
- An equity grant of restricted ordinary shares (Restricted Shares) equal to 4% of ARB Ordinary Shares subject to shareholder approval, as required, comprising:
  - 50% Time-Based Shares – 50% of such Restricted Shares shall vest as follows: (i) one third shall vest on the first anniversary of the employment commencement date (Starting Date); and (ii) two thirds shall vest on the second anniversary of the Starting Date, in each case subject to completion of continuous service with ArborGen or an affiliate until the applicable vesting date;
  - 50% Performance-Based Shares – 50% of such Restricted Shares shall vest as follows: (i) one half of such Performance-Based Shares shall vest on June 1, 2024, and (ii) the other half of such Performance-Based Shares shall vest on June 1, 2025, in each case subject to satisfaction of applicable performance criteria determined by the compensation committee and to completion of continuous service with ArborGen or an affiliate until the applicable vesting date.

The Remuneration Committee and the Board approved the grant of the Restricted Shares set out above in accordance with the Rubicon Limited 2019 Omnibus Incentive Scheme (the Omnibus Incentive Scheme) established in September 2019, subject to the requirements of the NZX Listing Rules. The Omnibus Incentive Scheme permits the Board or the Remuneration Committee to grant various equity-based awards to officers, employees and directors of the ArborGen Group, with the aim of aligning the interests of the Groups' officers, employees and directors with those of the Company's shareholders over the longer term.

Under the Omnibus Incentive Scheme, the Remuneration Committee can, but is not obligated to, permit the mandatory tax withholdings of equity-based awards to be satisfied by withholding shares to which the recipient would otherwise be entitled. In that event, the Company would use its own cash to satisfy the withholding taxes of the recipient and accordingly reduce the number of shares transferred upon vesting to the recipient.

Risk Management

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

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

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

The executive team and senior management are required to regularly identify the major risks affecting the business and develop structures, practices and processes to manage and monitor these risks. In FY23, ArborGen developed a Risk Register that is regularly updated and discussed with the Board incorporating risk ratings both pre and post risk mitigation controls. Risk assessments are reviewed and re-evaluated, with additional controls added in some cases, following separate discussions with respective team members for each risk area, and the Board.

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

ArborGen considers that the material risks facing the business are:

Description of risk	How ArborGen manages this risk
Reductions or cancellations of seedling orders	• Undertaking a detailed customer-by-customer planning process each year • Imposing a 10% limitation on order reductions in multi-year agreements (MYAs) • Enforcing strict order reduction deadlines in non-MYA seedling sales agreements • Enforcing take or pay obligations for reductions after order reduction deadlines • Pro-actively replacing cancelled volumes with new late season orders from other customers
Freezes during flower pollination season reducing annual seed production volumes	• Building buffer seed inventory in the right genetics for each provenance • Establishing orchard blocks on properties outside of their typical range for the provenance (e.g. Coastal orchards in Texas) • Maintaining redundant orchard capacity • *Refer Climate Related Risks and Disclosures section below*
Hurricane damage, or other large scale natural disaster-related damage, to orchards	• Building appropriate levels of buffer seed inventory for each provenance • Establishing orchard blocks on properties outside of their typical range for the provenance (e.g. Coastal orchards in Texas) • Recycling / renewing orchards per standard orchard management on a schedule to distribute orchard acres across ages • Maintaining redundant orchard capacity • *Refer Climate Related Risks and Disclosures section below*
Inability to bag all selected flowers in orchards during pollination due to an accelerated season	• Building appropriate levels of buffer seed inventory for each provenance • Establishing orchard blocks on properties outside of their typical range for the provenance (e.g. Coastal orchards in Texas) • Maintaining redundant orchard capacity • *Refer Climate Related Risks and Disclosures section below*
Competition driving pricing pressure	• Continue to differentiate from competitors based on advanced genetics offered, superior service and seedling quality • Reviewing costs and footprint to improve margins
Advanced genetics adoption	• Differentiate products and services through comprehensive sales and marketing plans and field tours • Focus on growing MCP sales especially in provenances with excess seed supply • Continued development of new products to differentiate AG from competition
Cost inflation and contractor cost increases in the Brazilian market	• Increase in-house production to control costs, quality and volume • Increase pricing of seedlings sold • Select contract producers where costs can be controlled more effectively

Decrease in total demand due to market conditions in Brazil	• Working with outside consultants on Brazil market projections • Strong market demand conditions projected for the next 5 years for both pine and eucalyptus • Maintaining flexibility to reduce contractor production if demand is lower
Double taxation of Brazil income and lack of tax credits for tax paid in Brazil	• ArborGen is currently engaging with tax advisors on options to minimise tax risks

Climate Related Risks and Disclosures

Climate is inherently linked to the nature of our business. ArborGen recognises the need to proactively manage the risks and opportunities that arise from climate change, just as we manage all other risks and opportunities facing our business.

Climate risks can impact both nursery (seedling) production and orchard (seed) production. In respect of seedling production, weather risks include (i) excessive sudden rains during the first 4-6 weeks post planting resulting in seed washouts and seedling losses, (ii) freeze damage before and during lifting causing root damage, and (iii) hot, dry conditions impacting seed germination especially if planting is delayed to May. ArborGen has a number of risk mitigation strategies including the installation of tiling in nurseries, modification of nursery topographies, improvements to soil glue rates and application processes post seed sowing to minimise washouts, use of Monosem planters, improving soil medium in containers to reduce washouts, planting buffer seedlings as part of the production plan, ensuring seed sowing is completed within optimum planting windows, and avoiding planting in identified areas of nurseries with poor irrigation.

In respect of orchard seed production, ArborGen has vast seed orchards in the US South spanning 1,200 acres (85% of which loblolly pine), across five genetic provenances.

Key climate-related risks to seed production include (i) freezes during pollination season reducing annual seed volumes / harvests and (ii) hurricanes or other large-scale damage to orchards. Key risk mitigation strategies include building buffer seed inventory in the right genetics for each provenance, ensuring orchard diversification for each provenance – both geographic and age class, and maintaining redundant orchard capacity.

We acknowledge the changing regulatory environment. With the Aotearoa New Zealand Climate Standards coming into place, ArborGen will be required to refine its disclosures on climate from next year onwards. The disclosures are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) internationally which provide a framework for climate-related financial disclosures across four core elements: governance, strategy, risk management and metrics and targets. Work is under way at ArborGen to further strengthen our respective risk management and disclosure processes and we will be reporting in accordance with Aotearoa New Zealand Climate Standard 1 (NZ CS1) for our next financial year ending March 2024.

Health and Safety

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

Total Case Incident Rate (TCIR) for all ArborGen facilities in all geographies was 0.13. TCIR is defined as total number of recordable injuries and illness cases per 100 full-time employees that a site has experienced in a given time frame.

Auditors

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

The Board's relationship with its external auditors is governed by the Audit Committee Charter. For the year ended March 2023, the Company's external Auditor was Deloitte. Deloitte was re-appointed under the Companies Act 1993 at the 2022 Annual Shareholders Meeting. Consistent with best practice the audit partner is rotated at no greater than five yearly intervals.

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

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

The Audit Committee, together with the Company's management, monitor the performance of Deloitte to ensure that the services being provided to the Company are of the highest standard, relevant, timely and cost effective. Please refer to page 64 for details on the structure and role of the Audit Committee.

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

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

Shareholder Relations

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

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

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

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

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

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

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

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

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

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

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

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

STATUTORY INFORMATION

Interests Register

Directors' certificates to cover entries in the Interests Register made during the twelve-month period ended 31 March 2023 in respect of remuneration, dealing in the Company's securities, insurance and other interests have been separately disclosed as required by the New Zealand Companies Act 1993.

Directors' Interests

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

		Relationship
DM Knott	Knott Partners, LP	Managing Member
	Daida LLC	Board Member
	The HiGro Group, LLC	Advisory Board
	Knott Family Foundation	President
THG Adams	Apollo Foods Limited	Executive Chairman and shareholder
	Bremworth Limited	Chairman
	Insightful Mobility Limited	Chairman and shareholder
	Mix Global Holdings Limited	Chairman
	Netlogix Group Holdings	Chairman
	New Zealand Frost Fans Limited	Chairman
	Hellers Group Holdings Limited	Director
TA Avery	CRA International Inc	Director and shareholder
	KIPP Metro Atlanta	Director
	PowerUP Scholarship	Director
	Razorhorse Capital	Advisory Board Member
	Southeast Pet Inc	Advisory Board Member
OK Horton	Al Dabbagh Group	Advisory Board Director
	Louisiana-Pacific Corporation	Director and shareholder
	Worthington Industries, Inc	Director and shareholder
	MUSC Hollings Cancer Center	Advisory Board Member
	Liberty Fellowship Foundation	Mentor
PR Smart	MHM Automation Limited	Director and Chair Audit Committee
	Geo40 Limited	Director and Chair Audit Committee
	Vortex Power Systems Limited	Director and Chair
	Argus Fire Systems Service Limited	Director
	Genus ABS (NZ) Limited	Director
	Bellbird Trust	Trustee
	Saddleback Trust	Trustee and Beneficiary
	Sunrise Consulting Limited	Director

During the twelve-month period ended 31 March 2023 Directors advised the following resignations:

		Relationship
THG Adams	Competenz	Chairman
OK Horton	Spoleto Festival, USA	Board Member
PR Smart	Tamata Hauha Limited	Director and Chair

Dealings in Company Securities

There has been no trading in ArborGen Holdings' shares by Directors and Senior Officers during the twelve-month period ended 31 March 2023 other than other than vesting of shares under the Non-Executive Directors' Share Plans and the issuance of shares under the Executive Fixed Trading Plan:

- 273,666 shares vested to THG Adams pursuant to the 2019 Non-Executive Directors' Share Plan, as detailed in notes 19 and 25 of this Annual Report; and
- 486,080 new shares issued to AM Baum pursuant to the 2021 LTI Plan as detailed in notes 19 and 25 of this Annual Report.

Directors' and Officers' Indemnity and Insurance

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

Donations

During the twelve-month period ended 31 March 2023, the total amount of donations made by ArborGen and its subsidiaries was $2,313 (2022: $2,815).

Credit Rating

ArborGen has not sought a credit rating.

Subsidiary Company Directors

Section 211(2) of the Companies Act 1993 requires the Company to disclose in relation to directors and former directors of its subsidiaries, amongst other things, the total remuneration and value of other benefits received by them, and particulars of interest register entries made by them during the twelve-month period ended 31 March 2023. No employee of an ArborGen Group company appointed as a director of any wholly-owned subsidiary receives any remuneration or other benefits in that role. The remuneration and other benefits of employees are disclosed elsewhere in this Annual Report. No director of any subsidiary receives any remuneration or other benefits as a director. The following persons held office as directors of subsidiary companies as at 31 March 2023, or in the case of those persons with the letter (R) after their name, ceased to hold office during the period:

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

Shareholder Information

The Company's shares are listed on the Main Board of NZX Limited. The 20 shareholders of record with the largest holdings of shares at 28 April 2023 were:

	Number of shares	% of shares
HSBC Nominees (New Zealand) Limited – NZCSD	157,313,258	31.29
Citibank Nominees (New Zealand) Limited – NZCSD	130,934,203	26.04
Accident Compensation Corporation – NZCSD	34,165,166	6.80
JBWere (NZ) Nominees Limited	24,873,499	4.95
Sky Hill Limited	20,047,043	3.99
JPMorgan Chase Bank NA NZ Branch – NZCSD	9,630,444	1.92
Public Trust – NZCSD	6,274,966	1.25
The Tai Shan Foundation – F Pearson & S Pearson	5,842,000	1.16
S Moriarty	5,320,000	1.06
H Fletcher & S Fletcher	4,318,182	0.86
M Taylor	3,680,000	0.73
BNP Paribas Nominees (NZ) Limited – NZCSD	3,636,571	0.72
New Zealand Depository Nominee Limited	2,863,071	0.57
Moriarty Superannuation Fund – S & D Moriarty	2,710,124	0.54
The So Proud a/c – S Godfrey, D Toothill & M Godfrey	2,639,027	0.52
K Chiam	2,241,937	0.45
Custodial Services Limited	2,007,144	0.40
B Tyler	2,000,000	0.40
G Simms	1,725,000	0.34
P Bradfield	1,722,000	0.34
Total	423,943,635	84.33

Distribution of Shareholders and Holdings as at 28 April 2023

	Number of shareholders		Number of shares	
Size of holding	**Number**	**%**	**Number**	**%**
1-999	1,827	33.14	1,197,767	0.24
1,000–9,999	2,961	53.71	7,832,383	1.56
10,000–49,999	464	8.42	9,347,692	1.86
50,000–99,999	90	1.63	6,195,589	1.23
100,000 and over	171	3.10	478,198,651	95.11
Total	5,513	100.00	502,772,082	100.00

Domicile of Shareholders and Holdings as at 28 April 2023

	Number of shareholders		Number of shares	
	Number	%	Number	%
New Zealand	4,491	81.46	337,911,905 [1]	67.21
Australia	628	11.39	135,374,506	26.92
United Kingdom	152	2.76	21,016,006	4.18
United States of America	145	2.63	5,711,078	1.14
Other	97	1.76	2,758,587	0.55
Total	5,513	100.00	502,772,082	100.00

(1) Includes shares held by US-based shareholders through New Zealand nominee companies

Substantial Product Holders

According to notices that have been provided under the Financial Markets Conduct Act 2013, as at 31 March 2023 the following were substantial product holders in the Company. In terms of the Act, the number of shares and percentages shown below are as last advised by the substantial product holder and may not be their current holdings or reflect the current percentage of the voting securities on issue.

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

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

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

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

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

The total number of issued voting securities at 31 March 2023 was 502,772,082. All of the references to voting securities in this section are to the Company's ordinary shares.

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

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

NZX Waivers

No NZX waivers were granted to the Company by NZX, or otherwise relied upon by the Company, under the NZX Listing Rules during the period from 1 April 2022 to 31 March 2023.

DIRECTORY

Registered Office

Suite 107, 100 Parnell Road,
Auckland 1052, New Zealand
PO Box 68 249, Victoria Street West,
Auckland 1141, New Zealand
Telephone: +64 9 356 9800
Email: info@arborgenholdings.com

Website

www.arborgenholdings.com

Directors

Dave Knott, Chairman (USA) [(1)]
George Adams, Independent Director (NZ)
Ozey Horton, Independent Director (USA)
Paul Smart, Independent Director (NZ)
Tom Avery, Independent Director (USA)

Share Registry

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

Auditor

Deloitte Limited

Solicitor

Bell Gully

(1) Substantial product holder.