agri-nutrients
Ballance

RESULTS

ANNUAL REPORT 2013

AT BALLANCE WE BELIEVE IN GETTING RESULTS

Ballance agri-nutrients

ANNUAL REPORT 2013

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PROFITS

First, we have to deliver financially. Profitability means sustainability. We want to be here for the long haul for our shareholders and customers who rely on us and share in our results through our rebate.

CUSTOMERS

Our customers get up in the morning with goals they want to achieve, whether it's higher milk production, cattle at optimum weights, or a crop in peak condition for market. We share those goals, and we're there alongside our customers providing the advice and science-backed products to help them get the best from their land and leave their farm in great shape for future generations.

KNOWLEDGE

We're also moving science out of the lab and onto the land. Our research and development programme is achieving the results we expected and it won't be long before we're providing new-generation tools to help farmers grow profitably and sustainably. We're excited by the results we're seeing.

COMMUNITY

We're right behind people achieving results in the community, with our sponsorship programme and scholarships backing farming role models, future leaders in agro-sciences and the women making a difference in dairy.

SUSTAINABILITY

Using innovation, science and technology, we will continue to help our shareholders and customers farm more productively and sustainably, securing New Zealand's future through our nation's competitive advantage – pastoral-based farming.

We're all about getting results in the business, on the land, in the lab and in the community.

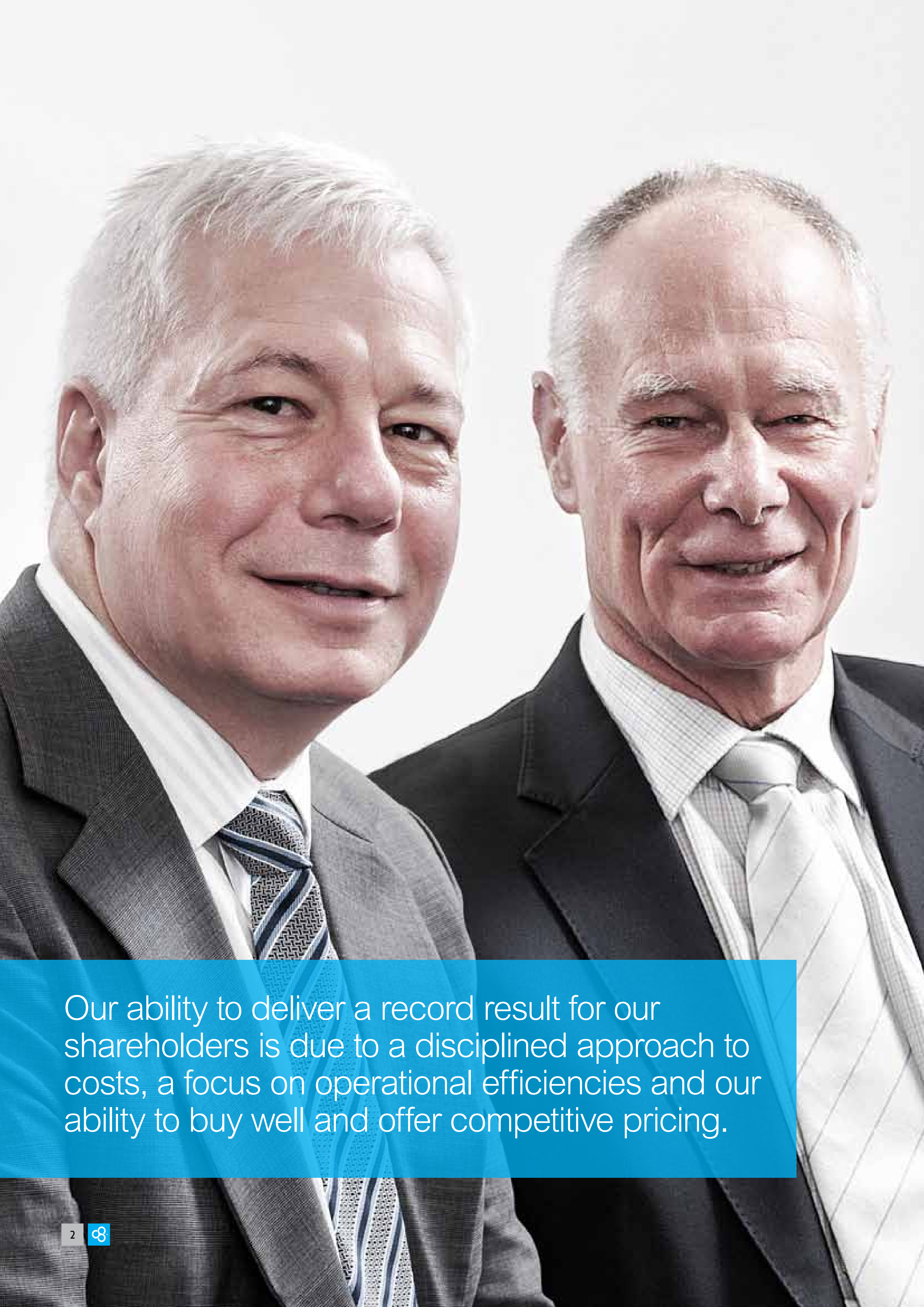
Here's how we delivered this year.

		2013	2012
Trading			
Group sales volume	tonnes	1,331,000	1,441,000
Group total revenue	$000	877,796	915,213
Group trading result	$000	92,623	77,257
Rebates pre-tax	$000	61,659	43,878
Co-operative dividend proposed	$000	3,581	3,450
Capital			
Number of shareholders		18,317	18,239
Nominal share value		$7.50	$7.50
Total Co-operative equity	$000	403,357	362,938
Assets			
Total assets	$000	567,603	584,666
Capital and investment expenditure – net	$000	21,903	72,750
Important Ratios			
Group equity		71.2%	64.2%
Current ratio		3.2	2.8

Trading result
$92.6
million

Rebate and dividend
$65.00
per tonne

Fertiliser sales
1.33
million tonnes



Our ability to deliver a record result for our shareholders is due to a disciplined approach to costs, a focus on operational efficiencies and our ability to buy well and offer competitive pricing.

RESULTS FOR OUR SHAREHOLDERS

Chairman and Chief Executive's Report

BY ANY MEASURE, THE 2012/13 FINANCIAL YEAR HAS BEEN A TOUGH ONE FOR FARMERS.

In a challenging year for our shareholders, with drought hitting the rural sector hard, Ballance has delivered a record result and a record combined rebate and dividend of $65 per tonne by taking a disciplined approach to costs across the supply chain.

Climate is always part of farming, but this year stood out with drought simultaneously occurring across both islands. The dry summer was a sharp contrast to the first half of the financial year, where conditions were good, demand for nutrients was buoyant and farmer confidence was positive.

This healthy start to the financial year was a factor in our ability to deliver another good performance, but operational efficiencies and attention to costs helped us to deliver a record result.

The rebate of $60.83 per tonne and a fully imputed dividend of 10 cents per share mean our 18,300 shareholders will receive a $65 million distribution. This compares very favourably to our prior year rebate and dividend of $44.29. Returns to shareholders vary according to purchases, but based on an annual purchase of 100 tonnes, the rebate and dividend represents a $6,500 return to a fully paid-up shareholder.

Our group trading result of $92.6 million compares with the $77.3 million of the prior financial year, one in which we suffered a financial and production impact from the Kapuni fire. Group sales revenue was $878 million, compared to $915 million in the prior year. While feed demand lifted as a result of the drought, the revenues generated did not offset the reduction in fertiliser sales, which fell below budget in the final quarter because of the dry conditions. In total, sales volumes, at 1.33 million tonnes, were 7.6 percent behind the prior year.

As a co-operative, we are first and foremost here for our farmers. With on-farm incomes hit hard by the drought, we made it a priority to get our annual rebate and dividend into shareholders' accounts nearly six weeks earlier than usual. Payment was brought forward to reward shareholders and assist them with cash flows at the start of the season.

Our healthy balance sheet and steady financial performance is reflected in the board's recommendation of a 60 cent increase in the value of our shares to $8.10. This represents a $1,800 gain for a farmer holding 3,000 shares to cover 100 tonnes of fertiliser purchases. This is our second increase since 2011, when the shares were revalued by 50 cents and shows a pleasing and positive trend in the co-operative's ability to generate value for our shareholders.

The strength of our balance sheet is reflected in the fact that our net debt has reduced by $90 million to a very conservative $6 million, giving us an equity ratio of 71.2 percent.

STEADY PRICING

Several factors helped us come through the year in good financial shape. In procurement, we continued to manage purchasing well, achieving the stability in raw material pricing that enabled us to lead domestic fertiliser prices down while achieving reasonable margins.

We also kept overall costs under control, supported by operating efficiencies. These include savings achieved with procurement contracts in the supply function, especially in shipping, telecommunications and freight. These are in addition to the competitive contracts achieved for raw material purchases for fertiliser production.

Our Kapuni urea plant also had a full year of production, with June to November tonnages alone exceeding production for the entire prior year, when the site was shut down for 14 weeks to repair fire damage. During that time we lost 72,000 tonnes of urea production.

Having Kapuni back on-stream for a full year meant lower import volumes and this was another contributor to the results. Kapuni produces around 260,000 tonnes of urea annually – just under half of New Zealand's total market, saving approximately $100 million in foreign exchange each year.

We have now settled our full insurance claim arising from the fire. While the majority of the claim was settled in the prior financial year, this year's accounts include a $3.9 million credit as the final receipt from our insurance claim.

Kapuni's contribution to both Ballance and New Zealand agriculture was celebrated in December with the plant achieving 30 years of operation, 20 of them under our ownership. The site's future is secure, with all consents in place until June 2035. These include seven new resource consents for water abstraction, treatment, and irrigation to land, as well as stormwater discharge to the Kapuni stream, and discharges to air. All consents necessary for the plant to operate were granted following considerable communication with the community in a way that enabled agreements to be reached without the need for a formal hearing process.

INTEGRATING OUR INVESTMENTS

In February 2013 we moved to full ownership of animal nutrition company Seales Winslow Limited and farm technology company Farmworks Systems Limited. We have held a 51 percent shareholding in both companies since 2011.

The strength of our balance sheet is reflected in the fact that our net debt has reduced by $90 million to a very conservative $6 million, even with the acquisitions. This gives us an equity ratio of 71.2 percent, and compares favourably to an equity ratio of 64.2 percent the prior year.

Moving to full ownership is in line with our complete nutrient management strategy and our commitment to help boost farm productivity while minimising environmental impacts.

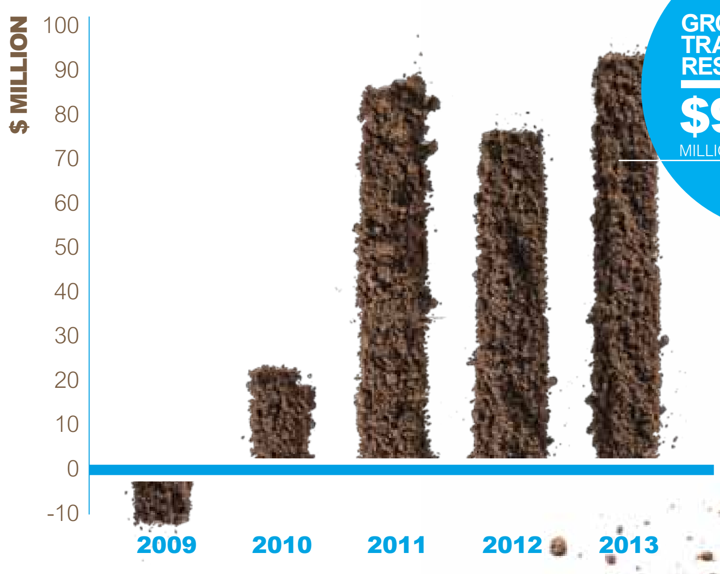
Our SealesWinslow investment in 2011 saw us make the move from being an agri-nutrients business to one offering a complete farm nutrient management approach. At the same time, we invested in Farmworks Systems, with its Ag-Hub farm information system, in anticipation of rising demand for good technology solutions to help farmers manage nutrients and production more profitably and sustainably.

Bringing both companies into full ownership means we can support them to grow and realise their full potential, contributing more to our own growth and revenue.

Under our ownership, SealesWinslow has begun to expand its national footprint and its ability to meet customer needs. This includes the multi-million dollar feedmill development in Wanganui, which opened in August 2013 in time for the new dairy season. The development will allow SealesWinslow to better serve its rapidly expanding customer base of dairy, sheep and beef farmers.

The business is also gearing up to meet demand from farmers for sound science to guide animal nutrition decisions. It has expanded its science extension team and developed computer-based econometric models which help farmers assess how to improve their bottom line through animal nutrition.

SealesWinslow has also upgraded its business structures to deliver better on-farm service, while its retail strategy is designed to make better use of rural supply merchants to ensure easier access to the company's products. The company is also leveraging its place within Ballance to distribute product.



GROUP TRADING RESULT 2013

$92.6

MILLION

GROUP SALES VOLUME 2013

1.331

MILLION TONNES

2012: **1.441**

2011: **1.396**

2010: **1.173**

2009: **1.115**

CO-OPERATIVE EQUITY 2013

$403.4

MILLION

TOTAL ASSETS EMPLOYED 2013

$567.6

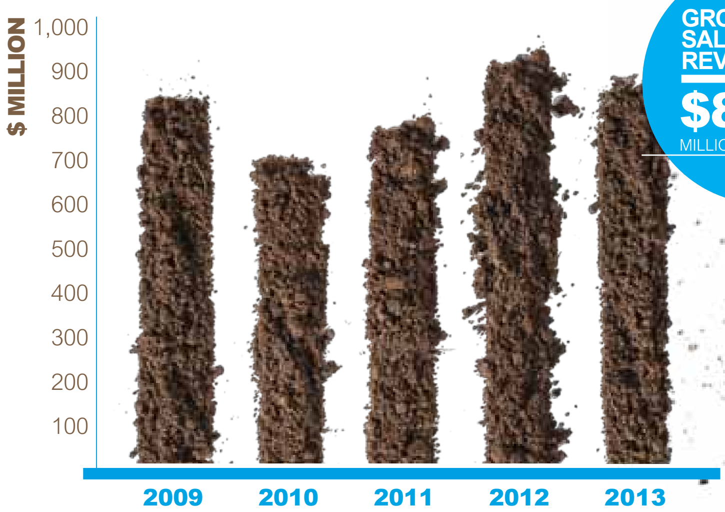
MILLION

2012: **$584.7**

2011: **$527.4**

2010: **$459.2**

2009: **$559.1**



GROUP SALES REVENUE 2013

$877.8

MILLION

Ballance Chairmen present, past and future: David Graham, Peter Jensen and David Peacocke

DAVID GRAHAM

The annual meeting in September sees David Graham retire as chairman after 10 years of service in this role and 15 as a director of the co-operative.

Ballance has thrived under David Graham's chairmanship. He enabled the co-operative to become 100 percent New Zealand owned through the purchase of Yara's 20 percent shareholding and went on to lay strong foundations for growth with the acquisitions of Summit Quinphos, SealesWinslow and Farmworks Systems.

With his typically understated "Kiwi farmer" approach, he has forged extremely strong relationships with our key international suppliers and has earned a reputation as a strong leader in New Zealand agriculture. Those relationships have seen Ballance become even more cost competitive, buying wisely and pricing sharply to support our shareholders and customers.

David led Ballance through the challenges of the recession, seeing it rebound to financial strength in just one season to deliver consistently good results and rebates. That performance has seen shareholder numbers grow by some 5 percent in a market where farm consolidation is seeing more land in fewer hands. Under his leadership, a revised board and wards structure has ensured our growing shareholder base remains well served by the co-operative and its directors.

David has seen Ballance grow to become one of New Zealand's top 40 businesses without losing its close connection to farmers, their goals and their needs. He has built relationships at all levels, from the farm gate through to global markets, bringing the same integrity, professionalism and knowledge to everyone alike.

We sincerely thank David for his many years of service, his unwavering commitment to the co-operative and for the integrity and intelligence he brought to our governance. It is a fine example for me to follow as his successor. On behalf of our shareholders, directors, management and staff, I wish him a long, productive and enjoyable retirement.

David Peacocke
Chairman Designate

Farmworks Systems and Ag-Hub now form part of our new AgInformation platform, created to reflect the growing role of technology, both in the business and on farm.

By focusing on understanding our customer base and their technology requirements we can drive forward with the development of technology-based solutions which support complete farm nutrient management, as well as our interaction with customers.

Our AgInformation team is also working towards a one-source portal for customer information, with real time automated upload of data, including fertiliser, pasture production, animal performance (dairy and drystock), effluent and water management under consents.

ADVOCATING FOR FARMERS

Nutrient losses associated with farming remain a significant environmental issue for New Zealand, particularly in terms of water quality. The new National Policy Statement for Freshwater Management requires regional councils to set limits and targets for all waterways within their regions. This must be carried out in a way that involves communities to define the values of the water in question.

We are now seeing the policy translate into more stringent regulation around managing nutrient losses from farms in regions such as Waikato, Manawatu-Wanganui and Otago. We expect to see more.

We are working hard to support farmers within this tightening regulatory framework by advocating for "output-based" policy and rule regimes. This advocacy is through the co-operative itself and through the fertiliser industry body. We believe an output, or a farm system losses policy regime, permits flexibility and enables farmers to respond within a "farming within limits" framework. We are leading the way to support farmers with the best products, services and advice possible for farm management decision-making.

OUTLOOK

We are going into the new financial year with a strong balance sheet and a business which is focused on being efficient, cost effective and ready to support our shareholders and customers with the best advice and products at competitive rates.

Like our farmer owners, we have come to accept that volatility is a fact of life and that world events, be they financial or political, can lead to shifts in demand and pricing for food producers and the businesses that supply and support them.

Generally, though, there is reason to be optimistic. The Ministry for Primary Industry's annual Situation and Outlook for Primary Industries report says the medium term outlook is positive. There are good opportunities in Asian markets, the global recession is easing gradually and the Ministry is expecting primary sector revenues to increase by just over 2 percent to $24.1 billion in the year to June 2014.

Despite the drought and its flow-on effects, recovering farming confidence in New Zealand confirms we have a very resilient sector, determined to make a good recovery. This is likely to flow into good demand for fertiliser and feed.

Although volatility is here to stay, all the signs point to international fertiliser prices holding at lower levels in the medium term. There is new production capacity coming on stream, ruling out likely supply shortfalls.

We are in very sound financial shape and expect to perform well in the coming financial year as we support our shareholders and customers to achieve their production and profit targets.

Despite the drought and its flow-on effects, recovering farming confidence in New Zealand confirms we have a very resilient sector, determined to make a good recovery. This is likely to flow into good demand for fertiliser and feed.

Continuous improvement, investing in our operations and supply chain and a real commitment to working safely and efficiently helps us deliver consistent results, year on year.

RESULTS IN OPERATIONS

GETTING THE BEST FINANCIAL RESULTS DEPENDS ON RUNNING OUR OPERATIONS EFFICIENTLY, SAFELY AND WELL.

We proactively manage our costs, encourage a culture of continuous improvement, follow good environmental practices and maintain our focus on health and safety.

The year saw our co-operative make good operational progress, creating efficiencies and generating additional earning streams from our fertiliser manufacturing processes.

Hydrofluosilicic acid (HFA) is a good example. Commonly referred to as fluoride, HFA is a co-product of the superphosphate manufacturing process. We have successfully secured five supply contracts throughout Australia and New Zealand, for the use of HFA in fluoridated water supplies.

In recognition of the growing market for HFA and some long-term supply agreements, two new supply tanks were commissioned at the Mount Maunganui site, providing dedicated storage for export and local grade product and improving efficiencies in processing and handling.

We also continue to go from strength to strength with our GoClear exhaust additive that reduces emissions from diesel engines, including tractors. Total production exceeded 3 million litres during the financial year.

GoClear is produced at our urea plant at Kapuni and demand for the product continues to accelerate. Distribution partnerships and bulk installations for trucking fleets around the country have made it more accessible. Further expansion of the network is underway.

INVESTING IN OUR OPERATIONS

We continue to invest in upgrades through our supply chain to streamline our service for customers and expand our distribution network.

Refurbishment of our Rotorua Service Centre was completed this year, with a refurbished elevator and a new reciprocating screen mill to improve product quality and availability.

The groundwork has been completed for our new service centre at Huntly, to be developed in the coming year, and we are on track to complete our Oamaru Service Centre expansion before the end of 2013.

Investments in our core supply chain at Mount Maunganui will support growth in products, with a new purpose-built storage facility also designed to cope with additional demand. At the same time, we have increased our ability to provide bagged product, acknowledging an increase in farmers and contractors using their own equipment for spreading.

ALIGNED TO OUR CUSTOMERS

We know our farmers are looking for good, science-based advice, but we also know time is valuable and they want a straightforward source of information and products, backed by specialist support when required.

We have been working to realign our field team to customer needs so we have the right people with the right skills to provide farmers with the full range of expert farm nutrient products and advice. Every farm is different, so our aim is a flexible national field team, ready to give the appropriate service levels our customers require, whether they are large-scale operators with aggressive annual growth goals, or family-run operations building up to production targets.

As part of these changes we have reviewed the brands that sit within the Ballance group, and we have integrated the Altum people and products under the Ballance Agri-Nutrients brand.

Ballance customers will now have access to a more comprehensive range of fertiliser and animal nutrition products. This move also sees back office synergies and savings resulting from the integration.

Work is also underway to develop a stronger and bigger team of specialists to complement our traditional field team. This advanced level of support is in demand, given the changing environmental legislation and regional plans. Having these specialist teams, well-grounded in science, ensures we will be well positioned to provide that expert support.

Implementation of the new structure commenced in July 2013.

This year has seen us introduce smarter systems and technology out in the field. This includes enhancements to our LandLogic information system, which allows field consultants to convert fertiliser recommendations into customer orders. More than 6000 orders have been processed through this new channel, with about half being processed without customer services input, freeing up the team's time to focus on other customer queries and requirements.

Online ordering is also proving increasingly popular with both customers and our rural merchant supply partners, with nearly one third of all merchant orders created through the online portal. We expect volumes to increase as more of our partners adopt this technology.

SUPER AIR

The team at our aerial fertiliser spreading company, Super Air, was deeply shocked by the loss of pilot Sam Kershaw in a plane crash in December. A fully qualified pilot, Sam was hours away from completing his agricultural training. We remember him as a conscientious and careful operator and his death was a tragic loss to his family and to us. Our condolences and support were extended to his family and fiancée after the accident. The Civil Aviation Authority has completed their investigation of the accident and we are awaiting the CAA report.

This could take a year to become available.

Weather conditions significantly affected productivity, with high spring winds hampering operations and the summer drought causing fertiliser demand to fall off as farmers tightened budgets and de-stocked. Demand accelerated with the end of the drought in April, enabling Super Air to achieve a good finish to the year.

The traditional Super Air brand has been given an overhaul with a fresh, modern look, in line with the Ballance brand while still retaining the name. New-look planes and hoppers can be seen out in the field as the livery update is rolled out.

Every five years we are required to undertake a Civil Aviation Authority re-entry audit to retain our operating license, and this has been achieved with only a small handful of improvements identified around pilot training processes.

PEOPLE

We strive for a high-performance culture where we set high standards and ambitious targets, work to get results and ensure our people know how well we are performing.

An effective performance management system is crucial to achieving this culture and this year we adopted the Optimise performance management process. This measures the performance of individual employees, their part in advancing our business strategy, and how well they demonstrate our company values of courage, credibility and capability.

Farmers measure our advice in terms of the results they see on farm. By expanding our team of specialist advisors and better aligning our field team to customer needs, we're helping farmers increase productivity and profitability. That's just the sort of results they need.

Optimise enables managers to guide and support our people in a way which increases their commitment and motivation, leading to improved performance at a personal and organisational level.

The year saw some changes in our senior leadership team, with new leaders recruited from within a strong talent pool in the business.

As part of these changes our chief financial officer David O'Reilly retired from the business after 24 years' of service, and we thank him for his immense contribution to the growth and success of the co-operative.

We take pride in creating career opportunities at all levels and this year, 39 percent of vacancies were filled internally, an excellent result for us. Employee turnover also compares favourably with New Zealand statistics, sitting at an average of 12 percent for the year.

OUR CONTINUOUS IMPROVEMENT PROGRAMME

We have made further progress with our continuous improvement programme over the last 12 months.

In manufacturing we are always looking to improve product quality and competitiveness while minimising environmental risks. We have successfully introduced new rock blends to keep costs down and quality up while minimising heavy metals such as cadmium.

Actively sourcing and processing new rocks and blends, while challenging, is in line with our commitment to provide the lowest cost, sustainable supply of farm nutrients. As we learn how to manage these blends we are already seeing gains in product quality.

ENVIRONMENTAL COMPLIANCE

Our petrochemical and superphosphate manufacturing plants operate within integrated Environmental Management Systems (EMS). Our EMS is certified to the international ISO14001 standard, and its scope has been expanded to now include five of our service centre operations. The intention is to continue to expand the EMS to include all of our operational facilities over time.

All environmental incidents and complaints are recorded, investigated and responded to in a way that enables controls to be applied that reduce, or prevent, the chance of recurrence. This year we improved our environmental performance, reducing non-compliance by 40 percent compared to the previous year. At 14 resource consent breaches across our operations this is still too high. We treat all of our resource consent requirements seriously and as with health and safety, our aim is to improve our performance in line with our policy of environmental responsibility.

As part of our EMS we pay careful attention to the use of natural resources in our operations and our emissions or discharges to air, land and water arising from these processes. Constituents such as sulphur dioxide, fluoride, phosphorus, nitrogen, ammonia and dust are all strictly controlled before being discharged to air, land and water. We also carefully account for our carbon dioxide equivalent (CO_2-e) emissions associated with all of our activities, in part to meet our New Zealand Emissions Trading Scheme obligations under the Climate Change Response Act within the "energy sector" (at Kapuni) and in the agricultural sector (on behalf of our farmers), but also as a resource use indicator to help us identify opportunities for improvement, especially in terms of energy use relative to production.

HEALTH AND SAFETY

In health and safety we aim for zero harm.

Injury statistics have not improved this year, with 10 employee lost time injuries compared to 8 the following year. Four contractor lost time injuries were recorded this year (same as last year).

We treat each incident seriously and see it as an opportunity to learn so we can take steps to avoid a recurrence. We stress the need for risk awareness and the need for our team members to look after themselves and their workmates.

In an effort to continually improve our health and safety performance we have completed an upgrade of our internal incident and hazard register. We have also been reviewing this register to ensure the right controls are put in place to mitigate the identified risks, with particular emphasis on generic hazards.

Our human factors approach to health and safety has continued this year, and behavioural safety and root cause investigation has been the main focus for our group training.

We have every confidence that our continued efforts will have a positive influence on safety at Ballance.

RESULTS FROM LAB TO LAND

WE'RE TAKING RESULTS FROM THE LAB TO THE LAND AS OUR SEVEN-YEAR $32 MILLION RESEARCH AND DEVELOPMENT PROGRAMME GAINS MOMENTUM.

Our programme aims to improve both nitrogen and phosphorus use efficiency, while reducing losses of these key nutrients. We want to deliver economic benefits to Ballance shareholders and customers through "more-bang-for-your-buck" from every kilogram of fertiliser applied, and deliver the environmental benefits desired by our co-investor, the Ministry for Primary Industries. The Ministry, through the Primary Growth Partnership, has committed a total of $9.75 million of funding to the programme.

June 2013 marked the end of year two of the programme and we have work underway worth $8.6 million covering 25 projects.

Progress is tracking well, with decision support tools the first outcomes from the programme. The first, "MitAgator™", is designed to identify areas of the farm that are at high risk of losing phosphorus, nitrogen, sediment and microbial contaminants, specifically *E. coli*.

It's estimated that around 80 percent of nutrient losses occur from 20 percent of the land area on a farm. It is far more cost effective to target mitigation and management to the critical source areas that need this attention, rather than work across the whole farm.

That's why our research and development has focused on developing a precision model that works in conjunction with OVERSEER® and uses other data on soil and topography to give an objective result. MitAgator™ takes data from OVERSEER® files and links it with a geo-referenced farm map, a soil map and a digital elevation model.

Once the base risk maps are developed, mitigation and management strategies can be modelled and can be targeted to an individual paddock, or even part of it. The model filters strategies by cost and effectiveness, and the technology allows for mitigation options to be applied to the map, such as fencing off a wetland.

The tool has great potential to help farmers work within the nutrient restricted catchments that exist now and those that will come into play as future nutrient restrictions are imposed.

MitAgator™ is currently undergoing user testing and back-validation by our research partners, AgResearch. We expect the technology to be more widely available in the near future.

Our second decision support tool from our research and development programme will significantly improve nitrogen use efficiency.

We know that some areas of the farm produce a greater response to nitrogen than others. Our N-Guru™ tool is designed to allow our farm consultants to identify these areas for our customers.

Soil tests are a straightforward, reliable way of determining the nutrient reserves - and therefore the nutrient requirements - of different blocks of land across a farm. They can help our consultants recommend with certainty what nutrients are needed, but until now, we have had less certainty about the level of pasture response.

It's estimated that around **80%** of nutrient losses occur from **20% of the land area on a farm.**

Our research and development programme is partly funded by the Government's Primary Growth Partnership, which is an endorsement of the capability of the Ballance agro-science team to deliver real results for New Zealand farmers, and the nation's economy.

With N-Guru™ we can now predict the pasture response accurately and impartially and tailor our advice accordingly. So we can now say if fertiliser is applied here, at this rate, this is the expected pasture response and associated increase in production.

During spring 2013 we will be establishing validation farms and, if the tool proves effective, we will be offering it to customers in time for autumn 2014 soil testing.

A component of our research is also focused on combatting grass grub, a significant pest of pastoral species which can dramatically reduce production and cost millions of dollars in lost production. Demand is high for methods to control the pest. Field trials of a new formulation of our bio control agent bioshield™ grass grub are currently underway.

Another priority of our programme, which is also a key focus of the Primary Growth Partnership, is the development and implementation of best practice science extension to educate the rural sector.

The aim of this is to more effectively communicate the science underpinning our products, advice and technology to customers to increase adoption of new products and farming practices.

We are undertaking a comprehensive redesign of how we equip our field team with the science knowledge and skills they require to ensure rapid adoption of new products and technology that will help our customers manage their farm nutrients most efficiently and sustainably.

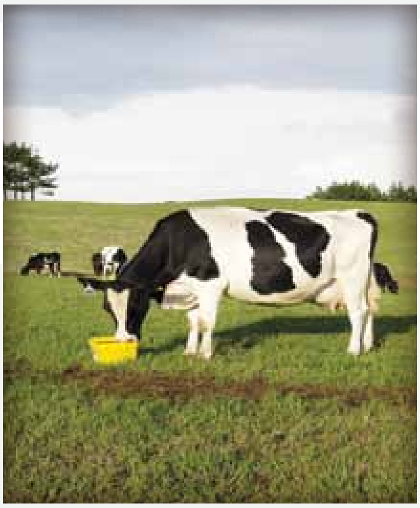
Ballance and our agro-science team are very encouraged by the research programme to date, and we are confident that customers will start to see the results of these efforts in the next 18 months. Research needs to be robust and that takes time. But it's time well spent because Ballance is committed to credible science and proven results, so farmers can have absolute confidence in the products and advice we provide.

Taking the time means we will remain at the forefront of developing proven tools and technology that will provide tangible benefits for New Zealand farmers over the next few years.

We have science on our side as we work to help farmers get the best results with the least environmental impact.

RESULTS INSIDE THE FARM GATE

AS A CO-OPERATIVE OWNED BY FARMERS, WE SEE OUR MISSION AS SUPPORTING THEM TO FARM MORE PRODUCTIVELY, PROFITABLY AND SUSTAINABLY.



For our farmers to get the results they want inside the farm gate, we need to be at the front door with great advice, proven products and an attitude that is based on "what more can we do to help?"

As environmental pressures pile up on farmers, it's especially important we help them get the best results from their nutrients with the lowest environmental impact.

Our new decision support tools such as MitAgator™ and N-Guru™ will help farmers fast-track their success; however, getting the best results starts with a plan.

With nutrient management plans (NMP) a vital tool for farmers, Ballance uses our NMP Generator to put customised information into the hands of farmers.

The system delivers core information that takes into account factors such as farmers' goals, management practices and soil types to provide more comprehensive and customised advice. The level of detail with this customised advice is the key to effective and productive planning.

Farmers are provided with a paper or electronic document and a two-page shed planner for easy reference.

We are also helping farmers reduce nitrogen losses while boosting production – and have the results to prove it.

Since we introduced SustaiN Green to Ballance customers in spring 2011, we have seen an increase in usage of this product in place of n-rich urea as word about its benefits spreads.

Our SustaiN Green product is designed to tackle the significant nitrogen losses from ammonia volatilisation when urea is used in some conditions. Urea granules are coated with AGROTAIN® nitrogen stabiliser, a urease inhibitor that reduces ammonia volatilisation, making more nitrogen available for plant uptake.

Independent trial work conducted by AgResearch confirmed that the product is proven to reduce ammonia volatilisation by 50 percent relative to urea.

As well as delivering environmental benefits, SustaiN Green delivers economic benefits through both pasture and crops. Farmers are also making good use of the online tools available to calculate the benefits of the product for dairy farmers, sheep and beef finishers, and for growers of kale, swedes, summer turnips and maize, which are all available from www.nsurance.co.nz

As popularity of this product continues to grow, we see SustaiN cementing its place as the standard in nitrogen fertiliser.

Science is also providing evidence our customers can get the results they expect from supplementation using dehydrated molasses blocks as a dry cow winter management tool.

While performance of our Crystalyx range has been comprehensively confirmed overseas, local testing has validated for farmers that the same results can be achieved here in New Zealand.

RESULTS IN THE COMMUNITY

WE'RE RIGHT BEHIND THE PEOPLE WHO ARE ACHIEVING RESULTS IN AGRICULTURE, NEW ZEALAND'S MOST IMPORTANT EXPORT INDUSTRY.

Farmers are practical people, and they are quick to adopt different farming practices when they can see the results for themselves. That's why Ballance has been helping build a team of farming role models around the country since 1995 with the Ballance Farm Environment Awards. We've supported the awards for 18 years and have been their principal sponsor for the past decade.

The awards have gone from strength to strength as a showcase for environmental excellence, attracting increasing numbers of entries as the value of sustainable farming becomes more recognised and celebrated.

What's important about the awards is that they do more than acknowledge success. They are creating a growing pool of farmers who demonstrate great environmental leadership and are happy to share their advice and experience. Just as importantly, they are also advocating for farmers so regulators understand the rural perspective.

This year we became a sponsorship partner for the Dairy Women's Network.

The new partnership will significantly boost the network's ability to provide more opportunities for dairy farming women to improve their skills and leadership in the business of dairying.

With women key decision makers in the rural sector, our partnership is a natural fit as we can bring our expertise to the table and help them manage the changes required as new regulations impact how New Zealanders can farm.

The Dairy Women's Network is an inspirational organisation which exists to expand the potential of women in the business of dairying by providing leadership, inspiration, learning and connection. We are proud to support them.

Ballance is also backing a rural leadership programme to foster governance and business capabilities for women in the sector. We sponsored Ekatahuna sheep and beef farmer, Lisa Sims to take one of 14 places in the Agri-Women's Development Trust Escalator programme. This programme is designed to harness the vast source of untapped potential in New Zealand rural women to address challenges facing rural business, communities and people.

Running a farm business is becoming more complex and there is a need to develop a range of skills across the entire sector to ensure we have the strategic depth to build the success of agriculture.

Ballance made further investments in New Zealand's science talent pool, awarding four scholarships to students keen to make a difference to farming's future. Tom Woutersen of Cambridge, Thomas Macdonald of Hamilton, Lutte Thys of Invercargill, and Daniel Risi of Cambridge received Ballance scholarships for their studies this year.

The scholarships provide $4000 a year for up to three years and are open to immediate family members of Ballance shareholders or company employees. They are for students wanting to study at tertiary level in either the general primary industry field or in process engineering.

Tom Woutersen used part of his Ballance scholarship to help fund his Bachelor of Science in Agricultural Science. He is using the remainder to help fund his Postgraduate Diploma in Agribusiness at Waikato University.

Lutte Thys is working towards a Bachelor of Science with a double major in Agricultural and Animal Science; while Thomas Macdonald is studying for a Bachelor of Business Analysis, majoring in Agribusiness at Waikato University.

Daniel Risi of Cambridge is undertaking a Bachelor of Engineering (Honours) in Natural Resources at Canterbury University. This is his honours year and already his engineering studies have been put to practical use during summer internships. To date he's helped design a new 60 bail rotary cowshed and effluent pond and gained experience in irrigation canal design.

In addition to these sponsorships Ballance supports a range of local initiatives within the communities in which we operate. This has included a financial contribution to Taranaki Regional Council's region-wide streamside fencing and planting programme. The scheme has been recognised as one of New Zealand's most significant voluntary unsubsidised environmental enhancement projects.

This year we donated 70 used laptops to the Katikati Rotary Club for their "Computers for the Pacific Islands" project. The project started in 2007 and delivers computers to primary and high schools throughout the Pacific Islands.

PROGRESSIVE ARABLE FARMERS TAKE OUT TOP AWARD

An intensive arable operation that utilises technology to maximise production in a sustainable manner has taken out the top prize of the 2013 Ballance Farm Environment Awards.

Ballance Farm Environment Awards judges described the national winners Craige and Roz Mackenzie as top producers who offer "high levels of innovation and leadership in the arable industry".

They were chosen from the nine regional supreme winners of the 2013 Ballance Farm Environment Awards.

Greenvale grows mainly specialist crops, with this season's rotation including radish, chicory, wheat, ryegrass, fescue, barley and faba beans.

Along with 200 ha Greenvale, the Mackenzies hold a 50 percent equity share in a neighbouring 220 ha dairy unit. With their daughter, Jemma, they also co-own a company that utilises precision agriculture technology to provide agronomic support and solutions to farmers.

New Zealand Farm Environment Trust chair Alistair Polson said Craige and Roz will be worthy ambassadors for New Zealand agriculture.

"They have demonstrated excellent commitment to their own farming operation and to New Zealand farming in general. Their exceptional communication skills will be a great asset when it comes to promoting the New Zealand story in the international marketplace."

Craige and Roz Mackenzie of Greenvale Pastures Limited

BOARD OF DIRECTORS

ELECTED DIRECTORS REPRESENT ONE OF THREE WARDS – A, B, OR C, WHICH ARE DETERMINED BY LOCAL AUTHORITY DISTRICT BOUNDARIES AS OUTLINED IN THE MAP OPPOSITE. EACH WARD WILL HAVE TWO ELECTED DIRECTORS BY SEPTEMBER 2013 AS THE CHANGES TO THE CONSTITUTION APPROVED BY SHAREHOLDERS IN 2011 ARE IMPLEMENTED. FROM LEFT TO RIGHT: OLIVER SAXTON, DEAN NIKORA, JOHN HARVEY, DAVID PEACOCKE, KIM ELLIS, DAVID GRAHAM, DAVID PILKINGTON, MURRAY TAGGART, GRAY BALDWIN, ANDREW MORRISON

OLIVER SAXTON

WARD A DIRECTOR
First elected 2001

Oliver Saxton farms Lakelands in North Waikato, and also has dairy farming interests in the South Island.

As well as practical farming knowledge, Mr Saxton brings significant commercial experience to the Ballance board, and was recently appointed director of Tuatahi Farming.

He has a Bachelor of Commerce (Agriculture) from Lincoln College and has worked in the banking sector, and in the field of commercial property management and development. He is also a fully accredited member of the Institute of Directors in New Zealand.

Mr Saxton was the Supreme Award winner of the Waikato Farm Environment Award in 1997 and completed the Kellogg's Primary Industry Rural Leadership Programme in 2001.

DEAN NIKORA

WARD B DIRECTOR
First elected 2004

Dean Nikora owns and operates in partnership Césped Lands – a dairy operation in Central Hawke's Bay covering 1100 ha and milking over 1600 dairy cows.

He has extensive governance, representation, consultancy and owner-operator experience in New Zealand's primary industries, with a particular focus on the pastoral sector, corporate farming and co-operative governance.

Mr Nikora has worked in many roles nationwide and most recently, alongside an elite group of 24 of New Zealand's primary industry leaders, attended a Stanford University boot camp to determine how the agri-business sector will play its role in meeting growth targets nominated in the New Zealand Government's Business Growth Agenda.

A former representative of the Fonterra Shareholders' Council and a former director of the Hawke's Bay Primary Health Organisation, he is currently chairman of the Agricultural and Marketing Research and Development Trust and a director of AsureQuality. He is also a trustee of Taipahi A1 Maori land administered by the Maori Trustee.

JOHN HARVEY

APPOINTED DIRECTOR
First appointed 2012

Mr Harvey is a professional director with a background in accounting and professional services. He has more than 35 years' professional experience, including 23 years as a partner of PricewaterhouseCoopers, where he also held a number of leadership and governance roles.

Mr Harvey has extensive experience in financial reporting, governance, information systems and processes, business evaluation, acquisition and merger and takeover reviews.

He holds a Bachelor of Commerce degree from the University of Canterbury. A member of the New Zealand Institute of Chartered Accountants and the Institute of Directors in New Zealand, he is currently a director of DNZ Property Fund, Heartland Bank, Kathmandu Holdings, Port Otago and New Zealand Opera.

DAVID PEACOCKE

WARD A DIRECTOR
First elected 2005

David Peacocke is based in Raglan and has interests in several large farming operations, both in the Waikato and the South Island. His business interests are diverse and encompass the beef, sheep, dairy, forestry, poultry and property sectors.

Mr Peacocke is a director of a number of companies in the rural sector, including Taupiri Holdings and Melrose Limited.

He has a Bachelor of Commerce (Agriculture) from Lincoln College and in 2004 was the Supreme Award winner of the Ballance Farm Environment Awards for the Waikato region.

KIM ELLIS

APPOINTED DIRECTOR
First appointed 2012

Mr Ellis was chief executive of Waste Management New Zealand for 13 years, culminating in the company's sale in 2006. His earlier chief executive appointments, dating back to 1978, covered a number of market sectors including health, manufacturing, logistics, property, agriculture and fashion.

Well practised at driving competitive positioning and outcomes within duopoly markets, Mr Ellis also has a substantial amount of experience relating to mergers and acquisitions.

A professional director, Mr Ellis currently has roles with Enviro Waste Services, Freightways, Port of Tauranga, FSF Management Company, New Zealand Social Infrastructure Fund, The Tasman Tanning, and Macaulay Metals.

He holds a Bachelor of Engineering (Chemical) with first class honours from Canterbury University, and a Bachelor of Commerce and Administration (Economics) with first class honours from Victoria University.

DAVID GRAHAM

CHAIRMAN AND WARD B DIRECTOR
First elected 1998

David Graham has been chairman of the Ballance board of directors since 2003. A chartered accountant by trade, he retired from his Putaruru-based practice in March 2009.

He and his wife reside on their 564 ha dairy farm at Waotu, near Putaruru, and also have an interest in farms in Tokoroa and Riversdale. Mr Graham is a director of the New Zealand Fertiliser Manufacturers Research Association.

A past member of the New Zealand Institute of Chartered Accountants, Mr Graham holds a Bachelor of Commerce degree from Auckland University.

DAVID PILKINGTON

APPOINTED DIRECTOR
First appointed 2004

David Pilkington is chairman of Hellers and deputy chairman of Rangatira Limited. He is a director of a number of other companies, including Zespri International, Restaurant Brands, Douglas Pharmaceuticals, Contract Resources, Ruapehu Alpine Lifts and Port of Tauranga. He is a Trustee of New Zealand Community Trust and an appointed member of the Wellington City Council Audit and Risk Management Committee.

Mr Pilkington has significant experience in the dairy industry, having held a number of senior positions at Fonterra, including group manager of New Zealand Milk. His other roles included chief executive of the North American group of companies, and president of New Zealand Milk Products Japan.

Mr Pilkington has a Bachelor of Science and a Bachelor of Engineering (Chemical), plus a Diploma in Dairy Science and Technology.

MURRAY TAGGART

WARD C DIRECTOR
First elected 2009

Murray Taggart farms a 457 ha irrigated, mixed sheep and cropping property near Oxford, North Canterbury. Mr Taggart brings considerable experience to the board, and is currently serving as a director of Alliance Group. He is a past director of CRT Society and Southern Farms NZ, past chairman of the National Meat and Wool Council and Federated Farmers, and past member of the National Board of Federated Farmers.

He was previously employed in the banking sector, holding roles in credit and corporate banking.

In 1996 Mr Taggart was the recipient of a Nuffield Farming Scholarship, and in 2006 he won the Tasman Region FMG Rural Excellence Award. He holds a Bachelor of Agricultural Science.

GRAY BALDWIN

WARD B DIRECTOR
First elected 2009

Gray Baldwin operates two dairy farms near Putaruru, milking a total of 1200 cows. In 2009 Mr Baldwin, along with his wife and sharemilkers, was the Supreme Award winner of the Ballance Farm Environment Awards for the Waikato region.

With a career background in rural banking and fertiliser, Mr Baldwin was employed by Ballance Agri-Nutrients from 2000 to 2007 in various senior management roles.

Mr Baldwin holds a Masters in Agricultural Science (Animal Science), a Diploma in Business Administration (Marketing), and a Certificate in Sustainable Nutrient Management, all from Massey University.

He is the general manager of dairy operations for Carter Holt Harvey Properties, overseeing 15 dairy farms in Tokoroa. His other directorships include Livestock Improvement Corporation, registered charity Trinity Lands, and Regen, a Wellington-based effluent technology company.

ANDREW MORRISON

WARD C DIRECTOR
First elected 2011

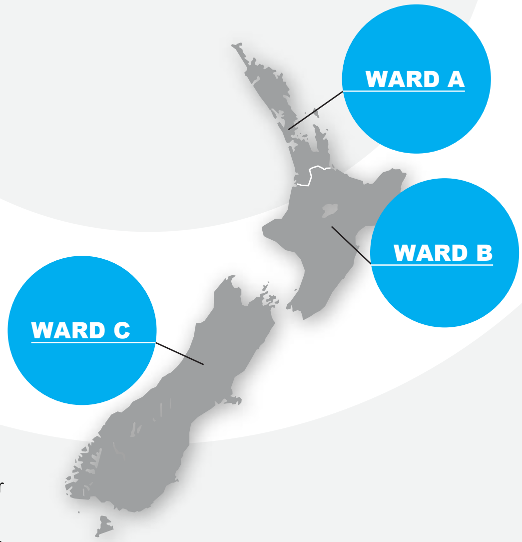
Andrew Morrison is based on his 250 ha sheep farm the Waikaka Valley in Gore, and also farms a 615 ha sheep, beef and deer operation in South Otago.

He is currently the Federated Farmers Southland provincial junior vice president and Federated Farmers Southland Meat and Fibre chairman. He is also a director of Ovis Management, a non-profit organisation promoting control of sheep measles.

Other memberships include the Lincoln University Farms Committee, established to advise on management of Lincoln University properties for education and industry training purposes. He is also a member of the Environment Southland Water and Land 2020 Steering Group, set up to provide recommendations to council on initiatives to manage water quality through the requirements of the National Policy Statement on Fresh Water Management.

With more than two decades of farming experience, Mr Morrison also brings a wider perspective of the farming sector to the board through his various involvements with Federated Farmers.

He holds a Bachelor of Commerce (Agriculture).



SENIOR LEADERSHIP

WARWICK DE VERE
GENERAL MANAGER
CORPORATE SERVICES

JACK HERDER
GENERAL MANAGER SUPPLY

GREG DELANEY
GENERAL MANAGER
FERTILISER OPERATIONS
AND DISTRIBUTION

GRAEME SMITH
GENERAL MANAGER
ANIMAL NUTRITION

LIZ MULLER
GENERAL MANAGER
AGRO-SCIENCE
AND MARKETING

LARRY BILODEAU
CHIEF EXECUTIVE

ANDREW REID
GENERAL MANAGER SALES

GRAEME MARTIN
GENERAL MANAGER
AGINFORMATION

JOHN MAXWELL
GENERAL MANAGER
PETROCHEMICALS
AND SUPER AIR

RICHARD HOPKINS
CHIEF FINANCIAL OFFICER

(Commenced role
1 August 2013)

DAVID O'REILLY
CHIEF FINANCIAL OFFICER

(Retired 31 July 2013)

CORPORATE STRUCTURE

ABOUT BALLANCE AGRI-NUTRIENTS

AS A CO-OPERATIVE, WE LISTEN TO OUR SHAREHOLDERS, TAKE NOTE OF THE CHANGING WORLD OF FARMING AND TAKE THE LEAD IN PROVIDING THE ADVICE AND THE SCIENCE-BACKED PRODUCTS THAT SUPPORT A SUSTAINABLE FUTURE FOR NEW ZEALAND'S PASTORAL AND HORTICULTURAL INDUSTRIES.

This commitment has seen Ballance make a number of strategic investments in other businesses within the agriculture sector to expand our offering of complete farm nutrient management advice and products.

These business acquisitions align closely with our co-operative's overall aim of helping our customers to farm more profitably and sustainably.

Ballance agri-nutrients

SOIL PLANT ANIMAL EFFLUENT SERVICES

- Ballance Agri-Nutrients is New Zealand's leading fertiliser manufacturer.
- Ballance's team of consultants and specialists work with their customers on a day-to-day basis to help them make the right decisions about their farm nutrients, with an emphasis on boosting farm profits and lowering their environmental footprint.
- The co-operative is responsible for providing about half of the nation's fertiliser requirements, and is 100 percent owned by more than 18,300 New Zealand farmers.
- Ballance has three plants that manufacture phosphate fertiliser products at Mount Maunganui, Whangarei and Invercargill.
- The company also owns the country's only ammonia-urea manufacturing plant, which is located at Kapuni, in Taranaki.
- In addition to operating 39 service centres nationwide, Ballance has partnered with independent consignment stores and rural merchants to offer products and services through more than 300 stores nationwide.

100% OWNERSHIP — Super Air

- Super Air is an aerial topdressing company that began in the rural depression of the 1980s, and has since evolved into one of New Zealand's leading agricultural aviation companies.
- In addition to aerial fertiliser application, Super Air has developed a world-class reputation for aircraft engineering and innovation.
- Super Air is wholly owned by Ballance and has over 50 staff and 18 aircraft servicing the North Island.

SERVICES

100% OWNERSHIP — AG-HUB ON-LINE FARM MANAGEMENT®

- Ballance owns farm technology company Farmworks Systems, and sells the company's online farm information and management tools, known as Ag-Hub, to its farmer customers.
- Ag-Hub is an online system that enables farmers to capture, store and analyse information across farm management systems, by linking data to GPS maps of farm properties.
- The ownership reflects the growing importance that technology is playing in New Zealand agriculture, and is another step towards the co-operative's goal of helping its customers farm more productively, more sustainably and more profitably.

MANAGEMENT EFFLUENT

100% OWNERSHIP — sealeswinslow PERFORMANCE NUTRITION

- Ballance owns animal feed company SealesWinslow, positioning the co-operative well to provide shareholders and customers with a complete animal nutrient needs solution.
- Operating nationally, SealesWinslow produces a range of customised animal feed supplements.
- SealesWinslow is a recognised leader in the production of high-performance compound feeds and feed additives, and as such is a natural fit with a farmer-owned co-operative that aims to deliver higher farm productivity through the provision of superior products and advice.

ANIMAL

FINANCIAL STATEMENTS 2013 CONTENTS

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INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Revenue					
Sale of products		866,138	902,506	820,628	852,763
Services provided		11,658	12,707	106	119
Total revenue		877,796	915,213	820,734	852,882
Cost of sales		(612,740)	(697,671)	(615,787)	(645,008)
Gross profit		265,056	217,542	204,947	207,874
Other operating income	3	8,379	36,648	53,225	52,053
Sales, marketing and distribution expenses		(112,394)	(115,585)	(100,633)	(106,944)
Administrative expenses		(50,626)	(44,088)	(37,156)	(30,568)
Other operating expenses	4	(8,229)	(6,366)	(8,208)	(6,366)
		(162,870)	(129,391)	(92,772)	(91,825)
Gross trading result		102,186	88,151	112,175	116,049
Financing costs					
Financing income	5	6,890	515	8,440	1,803
Financing expenses	9	(10,491)	(11,325)	(11,163)	(13,020)
Net financing costs		(3,601)	(10,810)	(2,723)	(11,217)
Impairment write down	7	(5,962)	(84)	(7,587)	(3,164)
Trading result		92,623	77,257	101,865	101,668
Rebates to shareholders	6	(61,659)	(43,878)	(61,659)	(43,878)
Profit before tax and equity accounted income		30,964	33,379	40,206	57,790
Share of profit (loss) from equity accounted investments	15(b)	11	(1)	-	-
Profit before tax		30,975	33,378	40,206	57,790
Income tax (expense) benefit	11	(9,587)	(9,614)	2,001	(3,483)
Profit for the year		21,388	23,764	42,207	54,307
Attributable to:					
Parent entity shareholders		22,202	24,448	42,207	54,307
Non-controlling interest		(814)	(684)	-	-
		21,388	23,764	42,207	54,307

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Effective portion of changes in the fair value of cash flow hedges		(17,285)	25,012	(17,285)	25,012
Amount removed from equity, in relation to cash flow hedges, and included in initial cost of inventory on hand during the period		12,410	(9,545)	12,410	(9,545)
Income tax on items recognised directly in other comprehensive income	11	1,365	(4,331)	1,365	(4,331)
Other comprehensive income, net of income tax		(3,510)	11,136	(3,510)	11,136
Profit after tax for the year		21,388	23,764	42,207	54,307
Total comprehensive income for the year		17,878	34,900	38,697	65,443
Attributable to:					
Parent entity shareholders		18,692	35,584	38,697	65,443
Non-controlling interest		(814)	(684)	-	-
Total comprehensive income for the year		17,878	34,900	38,697	65,443

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

GROUP		Fully paid ordinary shares $000	Share allotment reserve $000	Deferred consideration $000	Hedging reserve $000	Retained earnings $000	Attributable to equity holders of the parent $000	Non-controlling interest $000	Total equity $000
	Note	27(a)	27(b)	27(b)	27(b)				
Balance at 1 June 2011		105,723	18,565	-	(6,875)	211,129	328,542	2,608	331,150
Profit for the year		-	-	-	-	24,448	24,448	(684)	23,764
Net change in the fair value of cash flow hedges		-	-	-	15,467	-	15,467	-	15,467
Income tax relating to components of other comprehensive income		-	-	-	(4,331)	-	(4,331)	-	(4,331)
Other comprehensive income for the year, net of tax		-	-	-	11,136	-	11,136	-	11,136
Shares issued		224	-	-	-	-	224	-	224
Shares provided / issued in lieu of rebate		19,343	(1,875)		-	-	17,468	-	17,468
Shares repurchased		(4,928)	-	-	-	-	(4,928)	-	(4,928)
Non-controlling interest in business acquisition	15(c)	-	-	-	-	-	-	10,541	10,541
Dividends paid	6	-	-	-	-	(3,232)	(3,232)	-	(3,232)
Deferred consideration on business acquisition		-	-	(10,720)	-	-	(10,720)	-	(10,720)
Total transactions with owners		14,639	(1,875)	(10,720)	-	(3,232)	(1,188)	10,541	9,353
Balance at 31 May 2012		120,362	16,690	(10,720)	4,261	232,345	362,938	12,465	375,403
Balance at 1 June 2012		120,362	16,690	(10,720)	4,261	232,345	362,938	12,465	375,403
Profit for the year		-	-	-	-	22,202	22,202	(814)	21,388
Net change in the fair value of cash flow hedges		-	-	-	(4,875)	-	(4,875)	-	(4,875)
Income tax relating to components of other comprehensive income		-	-	-	1,365	-	1,365	-	1,365
Other comprehensive income for the year, net of tax		-	-	-	(3,510)	-	(3,510)	-	(3,510)
Shares issued		172	-	-	-	-	172	-	172
Shares provided / issued in lieu of rebate		16,708	4,610	-	-	-	21,318	-	21,318
Shares repurchased		(6,616)	-	-	-	-	(6,616)	-	(6,616)
Dividends paid	6	-	-	-	-	(3,445)	(3,445)	-	(3,445)
Acquisition of non-controlling interest without a change in control	15(c)	-	-	10,720	-	(422)	10,298	(10,685)	(387)
Total transactions with owners		10,264	4,610	10,720	-	(3,867)	21,727	(10,685)	11,042
Balance at 31 May 2013		130,626	21,300	-	751	250,680	403,357	966	404,323

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

PARENT	Note	Fully paid ordinary shares $000	Share allotment reserve $000	Deferred consideration $000	Hedging reserve $000	Retained earnings $000	Total equity $000
	Note	27(a)	27(b)	27(b)	27(b)		
Balance at 1 June 2011		105,723	18,567	-	(6,875)	115,668	233,083
Profit for the year		-	-	-	-	54,307	54,307
Net change in the fair value of cash flow hedges		-	-	-	15,467	-	15,467
Income tax relating to components of other comprehensive income		-	-		(4,331)	-	(4,331)
Other comprehensive income for the year, net of tax		-	-	-	11,136	-	11,136
Shares issued		224	-	-	-	-	224
Shares provided / issued in lieu of rebate		19,343	(1,874)	-	-	-	17,469
Shares repurchased		(4,928)	-	-	-	-	(4,928)
Deferred consideration on business acquisition	15(c)	-	-	(10,720)	-	-	(10,720)
Dividends paid	6	-	-	-	-	(3,232)	(3,232)
Total transactions with owners		14,639	(1,874)	(10,720)	-	(3,232)	(1,187)
Balance at 31 May 2012		120,362	16,693	(10,720)	4,261	166,743	297,339
Balance at 1 June 2012		120,362	16,693	(10,720)	4,261	166,743	297,339
Profit for the year		-	-	-	-	42,207	42,207
Net change in the fair value of cash flow hedges		-	-	-	(4,875)	-	(4,875)
Income tax relating to components of other comprehensive income		-	-	-	1,365	-	1,365
Other comprehensive income for the year, net of tax		-	-	-	(3,510)	-	(3,510)
Shares issued		172	-	-	-	-	172
Shares provided / issued in lieu of rebate		16,708	4,610	-	-	-	21,318
Shares repurchased		(6,616)	-	-	-	-	(6,616)
Acquisition of non-controlling interest without a change in control	15(c)	-	-	10,720	-	(2,223)	8,497
Dividends paid	6	-	-		-	(3,445)	(3,445)
Total transactions with owners		10,264	4,610	10,720	-	(5,668)	19,926
Balance at 31 May 2013		130,626	21,303	-	751	203,282	355,962

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

BALANCE SHEET

AS AT 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Shareholders' equity					
Paid-in capital		130,626	120,362	130,626	120,362
Retained earnings and other reserves		272,731	242,576	225,336	176,977
Total equity attributable to parent entity shareholders		403,357	362,938	355,962	297,339
Non-controlling interest		966	12,465	-	-
Total equity		404,323	375,403	355,962	297,339
Current liabilities					
Bank revolving cash advance facility	20	-	24,007	-	24,067
Trade and other payables	19	51,681	50,754	47,979	32,445
Derivative liabilities		2,505	5,626	2,505	5,626
Inter-company funding	26	-	-	15,612	17,102
Rebate payable	6	40,200	26,870	40,200	26,870
Provisions	21	1,500	-	1,500	-
Income tax payable		2,765	-	2,551	-
Total current liabilities		98,651	107,257	110,347	106,110
Non-current liabilities					
Loans and borrowings	20	50,000	72,419	50,000	71,000
Provisions	21	7,503	14,832	7,060	14,399
Deferred tax liabilities	16	7,126	14,755	7,762	11,263
Total non-current liabilities		64,629	102,006	64,822	96,662
Total equity and liabilities		567,603	584,666	531,131	500,111
Current assets					
Cash and cash equivalents		43,951	-	43,467	-
Trade and other receivables	12	108,828	122,656	99,339	92,872
Inter-company funding	26	-	-	14,822	13,801
Inventories	13	154,500	160,932	148,069	155,589
Derivative assets		3,537	11,743	3,537	11,743
Assets held for sale	14	2,010	1,585	971	1,585
Income tax receivable		-	6,977	-	6,928
Total current assets		312,826	303,893	310,205	282,518
Non-current assets					
Investments in subsidiaries	15(a)	-	-	48,084	43,353
Investments in equity accounted investees	15(b)	157	141	35	35
Debt securities		558	556	651	651
Loans to subsidiaries	26	-	-	19,192	16,000
Property, plant and equipment	17	241,842	259,859	144,162	145,434
Intangible assets	18	12,220	20,217	8,802	12,120
Total non-current assets		254,777	280,773	220,926	217,593
Total assets		567,603	584,666	531,131	500,111

For and on behalf of Board of Directors:

31 July 2013
DS GRAHAM
Director

31 July 2013
DE PEACOCKE
Director

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Cash flows from operating activities					
Cash receipts from customers		873,482	895,163	814,808	837,904
Cash paid to suppliers and employees		(734,621)	(820,304)	(722,089)	(772,815)
Interest received		622	504	2,172	1,791
Dividends received		21	20	21	20
Insurance proceeds		22,774	14,160	-	-
Government grants		2,505	1,688	2,505	1,688
Rebate to shareholders		(43,719)	(45,918)	(43,719)	(45,918)
Less shares issued in lieu of rebate		16,708	19,343	16,708	19,343
		(27,011)	(26,575)	(27,011)	(26,575)
Interest paid		(8,264)	(8,818)	(8,952)	(10,503)
Income tax refunded (paid)		(6,109)	(17,093)	(6,277)	(19,598)
Net cash flow from operating activities	25	123,399	38,745	55,177	11,912
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		1,821	1,645	1,322	1,231
Proceeds from the settlement of derivatives		-	11	-	11
Acquisition of property, plant and equipment and intangibles		(23,724)	(63,302)	(13,115)	(17,243)
Purchase of investments		-	(11,093)	-	(11,093)
Net cash flow from investing activities		(21,903)	(72,739)	(11,793)	(27,094)
Cash flows from financing activities					
Proceeds from issue of co-operative shares		172	224	172	224
Acquisition of non-controlling interest		(1,155)	-	(1,155)	-
Bank borrowings		-	5,000	-	5,000
Repurchase of surrendered shares		(6,676)	(4,988)	(6,676)	(4,988)
Repayment of borrowings		(22,419)	(16,045)	(21,000)	-
Dividends paid		(3,445)	(3,232)	(3,445)	(3,232)
Net advances (to) from subsidiaries		-	-	56,254	(17,756)
Net cash flow from financing activities		(33,523)	(19,041)	24,150	(20,752)
Net movement in cash and cash equivalents		67,973	(53,035)	67,534	(35,934)
Cash and cash equivalents at 1 June		(24,007)	29,017	(24,067)	11,867
Effect of exchange rate fluctuations on cash held		(15)	11	-	-
Cash and cash equivalents at 31 May		43,951	(24,007)	43,467	(24,067)

The accompanying Notes form part of and should be read in conjunction with these Financial Statements

Ballance Agri-Nutrients Limited (the "Company") is a profit-oriented farmer-owned co-operative company domiciled in New Zealand. The Company is registered under the Companies Act 1993 and the Co-operative Companies Act 1996 and is an issuer in terms of the Financial Reporting Act 1993.

Financial statements for the Company and consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group's principal activities are the manufacture, marketing and distribution of fertiliser, compound animal feed supplements and related products in New Zealand.

1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by Group entities.

a) Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate to profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"). The Company also complies with the Companies Act 1993, the Co-operative Companies Act 1996 and the Financial Reporting Act 1993.

The consolidated financial statements are presented in New Zealand dollars (NZD) ($), which is the Company's functional currency. All financial information presented in NZD has been rounded to the nearest thousand.

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

The financial statements were approved by the Board of Directors on 31 July 2013.

b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 17 - The life of the Kapuni urea plant
- Note 7 - Impairment
- Note 1(f) - Capital and reserves (treatment of puttable instruments)
- Notes 2 and 28 - Financial instruments
- Note 16 - Deferred tax
- Note 18 - Intangible assets (goodwill)

c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition method from the date that control commences until the date that control ceases. Investments in subsidiaries are carried in the Company's financial statements at their cost of acquisition and are periodically assessed for any impairment of the carrying value. Prior to 1 June 2010 the financial statements of subsidiaries were included in the consolidated financial statements using the purchase method.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation
Intragroup balances and any unrealised income or expenses arising from intragroup transactions are eliminated in preparing the Group consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the value of the investee.

(iv) Non-controlling interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within equity.

d) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to NZD at the exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in profit or loss.

e) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments are recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of 3 months or less. Bank overdrafts and bank revolving cash advance facilities that are repayable on demand or drawn and repaid on a short-term basis form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in accounting policy q.

Held to maturity investments
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Instruments at fair value through profit or loss
An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other
Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Investments in equity securities of subsidiaries, associates and joint ventures
Investments in equity securities of subsidiaries, associates and joint ventures are measured at cost less impairment in the financial statements of the Company.

Investments in debt securities
Investments in debt securities (e.g. government bonds) are classified as held-to-maturity investments.

Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses and are classified as loans and receivables.

Loans and borrowings
Loans and borrowings are classified as other amortised cost.

Trade and other payables
Trade and other payables are classified as other amortised cost.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading or speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

f) Share capital

Share capital

Ordinary shares are issued as fully paid shares. The Company's shares are puttable instruments that meet the criteria required under the amendment to NZ IAS 32 Financial Instruments and are classified as equity.

It is not the Company's normal policy to issue shares with unpaid capital which is subject to specified calls in the future.

Bonus shares

Bonus shares issued for no consideration are not recognised as transactions in the financial statements.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a deduction from paid-in capital.

Surrendered shares

On surrender the consideration payable to the ex-shareholder for those shares is transferred from equity to liabilities.

Treasury stock

Shares repurchased by the Company, which have not been cancelled, are held as treasury stock within equity as a deduction from paid-in capital.

g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use including borrowing costs on qualifying assets, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the consolidated Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Subsequent costs

The cost of replacing part of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Freehold improvements	2 - 20 years
- Buildings	12 - 50 years
- Plant and equipment	2 - 20 years
- Aircraft included in plant and equipment	3 - 10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Last year the depreciation rates for the Kapuni urea plant were adjusted to reflect the increased useful life of the plant based on the latest gas supply contract. The contract expires on 30 September 2020 (2011: 30 September 2015). The effect of this change was a decrease in depreciation expense in the 2012 year of $2.1m.

(v) Property, plant and equipment held for sale
Property, plant and equipment assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting polices. Thereafter the assets are measured at the lower of their carrying value amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale are recognised in profit or loss.

For an asset to be classified as held for sale it must be immediately available for sale in its present condition and its sale must be highly probable. Once classified as held for sale the assets are no longer depreciated.

h) Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(i) Goodwill
Goodwill arises on the acquisition of subsidiaries, associates, joint ventures and operations. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

(ii) Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

(iii) Software
Software is stated at cost, less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over 2 to 7 years. The amortisation rates are reviewed annually.

(iv) Information technology systems and licences
Information technology systems are stated at cost, less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over 3 to 7 years. The amortisation rates are reviewed annually.

(v) Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. All other expenditure is expensed as incurred.

(vi) Emissions allowances
The Group has an allocation of New Zealand Emissions Trading Scheme (NZ ETS) units due to the Kapuni urea plant qualifying as an Emissions Intensive Trade Exposed (EITE) entity.

This entitles urea manufacturing entities to receive an allocation of emission units, calculated by reference to production levels, which is intended to offset the majority of the cost increases associated with the NZ ETS.

The Group has recognised these units at fair value upon initial recognition. Units held will not be revalued but may be subject to an impairment if a review of the active market indicates a lower value.

The allocation is recognised as deferred income and recognised in profit or loss on a systematic basis over the period to which the grant relates.

i) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

j) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

(i) Impairment of debt instruments and receivables

The recoverable amount of the Group's investments in held-to-maturity debt instruments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration of less than 12 months are not discounted.

Impairment losses are determined by an evaluation of the exposures on an instrument-by-instrument basis. All individual instruments that are considered significant are subject to this approach.

Debt instruments that are not individually significant and debt instruments for which, based on the individual assessment, it was determined that no objective evidence of impairment existed, are collectively assessed for impairment in groups with similar risk characteristics.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

(iii) Defined contribution plan

Group contributions to the employee defined contribution superannuation scheme are expensed as incurred. Scheme investments are held in funds administered by trustees and are managed by investment managers independent of the Group. Scheme funds are not accessible by the Company and are not included in the consolidated financial statements.

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

m) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(ii) Services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

(iii) Insurance claim recoveries

Insurance claim recoveries are recognised in other operating income when received or when receipt is highly probable.

n) Dividends received

Dividend income is recognised in other operating income on the date that the Group's right to receive payment is established.

o) Government grants

Government grants are recognised in the balance sheet as a liability when the grant is received.

When the grant relates to an expense item it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset the fair value is credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

p) Lease payments

(i) Operating lease payments

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

(ii) Finance lease payments

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

q) Finance income and expenses

Finance income comprises interest income on funds invested, foreign currency gains, gains on hedging instruments that are recognised in profit or loss and reductions in fair value of deferred and contingent consideration. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings to the extent that they have not been capitalised to qualifying assets, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

r) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or in equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are realised.

s) Rebates to shareholders

Rebateable sales are eligible for sales volume and value rebates as declared by the Directors from the trading result. When the rebate is accrued it is either allocated to the share allotment reserve for those shareholders who are required to increase their share quota (Note 27(a)) or accrued as a current liability (rebate payable) and will be paid out in cash.

For financial reporting purposes rebates are treated as a deduction in profit or loss. The cash rebate payment is shown as a cash outflow from operating activities in the statement of cash flows.

t) New standards and interpretations

A number of new or revised standards are not yet effective for the year ended 31 May 2013, and have not been applied in preparing these financial statements. Those relevant to the Group are:

NZ IFRS 9 – Financial Instruments: Classification and Measurement. Effective for periods beginning on or after 1 January 2015. This standard simplifies how an entity should classify and measure financial instruments. This will result in revised disclosure, but does not affect recognition or measurement of any balances within the financial statements.

NZ IFRS 10 – Consolidated Financial Statements. Effective for periods beginning on or after 1 January 2013. This standard gives a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. Control is reassessed as facts and circumstances change.

NZ IFRS 12 – Disclosure of Interests in Other Entities. Effective for periods beginning on or after 1 January 2013. This standard contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements and associates. The aim is to provide information to enable users to evaluate the nature of risks associated with an entity's interests in another entity, and the effects of those interests on the entity's financial performance, position and cash flows.

NZ IFRS 13 – Fair Value Measurement. Effective for periods beginning on or after 1 January 2013. This revised standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.

NZ IAS 19 – Employee Benefits. Effective for periods beginning on or after 1 January 2013. This amended standard revises the definition of short-term and other long-term benefits resulting in the provision for annual leave being classified as other long-term benefits if the leave is not expected to be taken in two years.

NZ IAS 28 (2011) – Investments in Associates and Joint Ventures. Effective for periods beginning on or after 1 January 2013. This standard supersedes NZ IAS 28 (2008). The amendments are that IFRS 5 applies to an investment in an associate or a joint venture that meets the criteria to be classified as held for sale. It also amends that on cessation of significant influence or joint control, the entity does not remeasure the retained interest.

Management has performed an assessment of these standards and do not believe there will be a material impact arising from their adoption.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no material impact on the Group.

2 DETERMINATION OF FAIR VALUE

A number of the Group's accounting policies and disclosures require the determination of fair value, for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Investments in debt securities (held-to-maturity investments)

The fair value of held-to-maturity investments is determined by reference to their quoted bid price, where available, at the reporting date. Where a quoted bid price is not available, the fair value is determined by reference to appropriate valuation techniques.

b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Receivables of short duration (less than 1 year) are not discounted.

c) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of foreign exchange options is based on market interest rates, foreign exchange rates and market volatility to calculate a market premium value for the given option.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

d) Non-derivative financial

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

e) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably.

The fair value of items of property, plant and equipment is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

f) Intangible assets

The fair value of information technology systems acquired in a business combination is based on discounted cash flows derived from the use and sale of the assets.

g) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

h) Contingent consideration

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term in nature, it is discounted to present value.

3 OTHER OPERATING INCOME

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Net gain on disposal of property, plant and equipment		297	181	379	51
Dividend from subsidiary		-	-	50,000	50,000
Other dividend income		21	20	21	20
Government grants including NZ ETS credits		3,650	2,733	2,505	1,588
Insurance claim	29	3,934	33,000	-	-
Other		477	714	320	394
		8,379	36,648	53,225	52,053

Government grants relating to technology development and emissions trading credits have been received during the year. There are no unfulfilled conditions or contingencies attaching to these grants.

Insurance claim relates to the material damage and business interruption claim lodged for a fire at the ammonia urea plant in August 2011 (Note 29).

4 OTHER OPERATING EXPENSES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Research and development expense		8,166	6,366	8,164	6,366
Other		63	-	44	-
		8,229	6,366	8,208	6,366

5 FINANCING INCOME

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Interest from subsidiaries		-	-	1,645	1,375
Interest from bank		622	504	527	417
Income from close out of cash flow hedges		-	11	-	11
Reduction in fair value of deferred and contingent consideration		6,268	-	6,268	-
	15(c)(ii)	6,890	515	8,440	1,803

6 REBATES AND DIVIDENDS

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Rebate provided for current year		61,500	43,560	61,500	43,560
Rebate for prior year under (over) provided recognised in the current year		159	318	159	318
		61,659	43,878	61,659	43,878
Dividend paid in the current year		3,445	3,232	3,445	3,232
Total distributions to Co-operative shareholders		65,104	47,110	65,104	47,110

Dividends paid in the current year at 10 cents per share (2012: 10 cents) with full tax imputation

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Balance Sheet:					
Rebate provided for current year		61,500	43,560	61,500	43,560
Less rebate allocated to share allotment		21,300	16,690	21,300	16,690
		40,200	26,870	40,200	26,870

7 IMPAIRMENT WRITE UP (DOWN)

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Impairment of investment in Farmworks Systems Limited (i)		-	-	(3,125)	-
Impairment of investment in Seales Winslow Limited (ii)		-	-	(4,462)	-
Write down of Seales Winslow Limited land (iii)	17	(1,431)	-	-	-
Impairment of Seales Winslow Limited goodwill (iv)	18	(3,031)	-	-	-
Write down of intellectual property relating to Farmworks Systems Limited (v)	18	(1,500)	-	-	-
Impairment of Farmworks Systems Limited goodwill		-	(84)	-	-
Impairment of investment in Super Air Limited (vi)		-	-	-	(1,000)
Impairment of investment in Ballance SPTwo Limited (vii)		-	-	-	(2,164)
		(5,962)	(84)	(7,587)	(3,164)

(i) The write down of investment in subsidiary at the Parent level relates to the Company's investment in Farmworks Systems Limited, writing the investment down to $2.7m carrying value. This write down has no impact in the Group result.

(ii) The write down of investment in subsidiary at the Parent level relates to the Company's investment in Seales Winslow Limited, writing the investment down to $16.5m carrying value. This write down has no impact in the Group result.

(iii) The write down of land owned by Seales Winslow Limited is based on independent valuation for surplus land available for sale.

(iv) The impairment of goodwill associated with Seales Winslow Limited is based on discounted cashflow calculations indicating impairment.

(v) The write down of the investment in intellectual property in Farmworks Systems Limited is based on discounted cashflow calculations indicating impairment.

(vi) The write down of investment in subsidiary at the Parent level relates to the Company's investment in Super Air Limited, writing the investment down to $2.2m carrying value. This write down has no impact in the Group result.

(vii) The write down of investment in subsidiary at the Parent level relates to the Company's investment in Ballance SPTwo Limited, writing the investment down to $0.8m carrying value. This write down had no impact in the Group result.

The write down of investment in associate at the Parent level related to the Company's investment in EnCoate Holdings Limited (EnCoate), writing the investment to $nil carrying value. As part of a restructuring process the Company now holds a 50% share in EnCoate. While the investment is held at nil, EnCoate still retains some intellectual property ownership. This write down had no impact in the Group result.

8 PERSONNEL EXPENSES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Wages and salaries		63,930	63,644	41,167	40,766
Contributions to defined contribution superannuation plans		3,277	3,003	2,233	1,939
Increase (decrease) in liability for long-service leave	21	100	231	90	130
		67,307	66,878	43,490	42,835

9 FINANCING EXPENSES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Interest paid to subsidiaries		-	-	969	2,014
Interest paid to banks		8,264	8,819	7,983	8,489
Unwind of discount rate on deferred and contingent consideration	21	1,338	1,539	1,338	1,539
Net change in fair value of derivatives designated at fair value through profit or loss		505	471	505	471
Net foreign exchange loss		16	145	-	156
Other financial expenses		368	351	368	351
		10,491	11,325	11,163	13,020

10 AUDITORS' REMUNERATION

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Audit services					
Audit of financial statements		166	149	130	130
Other services					
Accounting advice		12	21	12	21
Taxation services		51	71	51	71
		229	241	193	222

11 INCOME TAX EXPENSE

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
a) **Recognised in the income statement**					
Current tax (benefit) expense					
Current year		15,700	4,664	277	3,547
Adjustments for prior years		151	(544)	(142)	(466)
		15,851	4,120	135	3,081
Deferred tax (benefit) expense					
Origination and reversal of temporary differences		(6,264)	5,494	(2,136)	402
	16(b)	(6,264)	5,494	(2,136)	402
Total income tax (benefit) expense in income statement		9,587	9,614	(2,001)	3,483

b) Reconciliation between tax expense and pre-tax net profit (loss)	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Profit (loss) before tax		30,975	33,378	40,206	57,790
Income tax using the domestic company tax rate - 28% (2012: 28%)		8,673	9,346	11,258	16,181
Increase (decrease) in income tax expense due to:					
Non-deductible expenses		2,117	537	2,555	1,374
Tax exempt revenues		(1,761)	-	(15,761)	(14,000)
Other		407	359	89	294
		9,436	10,242	(1,859)	3,849
Buildings classified as non-deductible		-	(84)	-	100
Under (over) provided in prior years		151	(544)	(142)	(466)
Income tax expense (benefit) in income statement		9,587	9,614	(2,001)	3,483
Income tax recognised directly in other comprehensive income					
Derivatives		(1,365)	4,331	(1,365)	4,331
		(1,365)	4,331	(1,365)	4,331

Imputation credits	PARENT 2013 $000	PARENT 2012 $000
The imputation credits are available to shareholders of the parent company:		
through the parent company	101,200	96,691
through subsidiaries	3,774	3,611
	104,974	100,302

12 TRADE AND OTHER RECEIVABLES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current					
Trade receivables		99,401	97,387	92,879	89,434
Receivables from subsidiaries	26	-	-	1,034	883
Insurance claim receivable	29	-	18,840	-	-
Prepayments		9,427	6,429	5,426	2,555
		108,828	122,656	99,339	92,872

13 INVENTORIES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Manufactured and finished products		95,585	85,194	95,987	86,624
Raw materials		45,750	40,762	41,878	36,983
		141,335	125,956	137,865	123,607
Goods in transit		-	22,753	-	22,753
Packaging		4,161	3,685	4,161	3,685
Spares and stores		9,004	8,538	6,043	5,544
		154,500	160,932	148,069	155,589

14 ASSETS HELD FOR SALE

Certain land and buildings have been determined surplus to requirements and therefore are presented as a disposal group held for sale following approval of the Directors to sell the facilities. Assets in the disposal group either have conditional contracts or are currently under sale negotiation.

An impairment loss has been recognised on the surplus Seales Winslow Limited land (Note 17).

At 31 May 2013 the disposal group comprised the following assets:

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Property, plant and equipment	17	2,010	1,585	971	1,585

15 INVESTMENTS

a) The Company has the following investments:

	Principal activity	Note	2013 Balance date	2013 Interest	2012 Balance date	2012 Interest
Subsidiaries						
Ballance Agri-Nutrients (Kapuni) Limited	Urea manufacture		31 May	100%	31 May	100%
Ballance SPTwo Limited	Research		31 May	100%	31 May	100%
Super Air Limited	Agricultural aviation		31 May	100%	31 May	100%
Ballance Agri-Nutrients Insurance Limited	Insurance		31 May	100%	31 May	100%
Farmworks Systems Limited	Farm technology	15(c)(i)	31 May	100%	31 May	51%
Seales Winslow Limited	Animal feed and nutrition	15(c)(ii)	31 May	100%	31 May	51%
Equity accounted investees						
NZ Phosphate Company Limited	Research		30 June	50%	30 June	50%
EnCoate Holdings Limited	Research and development		30 June	50%	30 June	50%

b) Equity accounted investees

Summary financial information for equity accounted investees and proportionately consolidated entities, not adjusted for the percentage ownership held by the Group:

		Total assets $000	Total liabilities $000	Revenues $000	Profit (loss) $000
Equity accounted investees	2013	267	37	80	23
	2012	284	77	69	(3)

c) Investments in subsidiaries

(i) On 1 April 2011 the Company acquired 51% ownership of Farmworks Systems Limited.

In December 2012, the Group acquired the remaining 49% interest in Farmworks Systems Limited for $0.155m. The carrying amount of Farmworks Systems Limited net assets in the Group's financial statements on the date of the acquisition was $0.801m. The Group recognised a decrease in non-controlling interests of $0.393m, and an increase in reserves of $0.238m. (When combined with the Seales Winslow Limited decrease of $0.656m in reserves as per Note 15(c)ii below, a net amount of $0.419m is recognised as a reduction in reserves for the Group).

The following summarises the effect of changes in the Company's ownership interest in Farmworks Systems Limited.

	GROUP $000
Company's ownership interest at 1 June 2012	607
Share of comprehensive (loss)	(199)
Consideration	155
Retained earnings	238
	801

(ii) On 1 June 2011 the Company acquired 51% of the business and assets now comprising Seales Winslow Limited.

In February 2013, the Group acquired the remaining 49% interest in Seales Winslow Limited for $9.600m. The carrying amount of Seales Winslow Limited net assets in the Group's financial statements on the date of the acquisition was $20.538m. The Group recognised a decrease in non-controlling interests of $10.064m, and a decrease in reserves of $0.656m. Note in the Parent financial statements a decrease in reserves of $2.223m was recognised.

The following summarises the effect of changes in the Company's ownership interest in Seales Winslow Limited.	GROUP $000
Company's ownership interest at 1 June 2012	10,890
Share of comprehensive (loss)	(416)
Consideration	10,720
Retained earnings	(656)
	20,538

Contingent consideration

The Group had agreed to pay the vendors of Seales Winslow Limited an additional payment of between $nil and $1.900m contingent on the outcome of a formula that would pay a proportion of the change in equity value from the date of acquisition to valuation of the equity in 2014. The assessed contingent consideration payment had been discounted to net present value. Due to the early settlement of the agreement the contingent consideration of $1.655m was not payable and the accrued amount was credited to profit or loss within financing income (Note 5).

Deferred consideration

The Group had agreed to take up the minority interest in Seales Winslow Limited in 2014. The consideration payable was to be based on an earnings formula plus and minus adjustments and included a floor price minimum. The estimated amount payable was based off forecast earnings incorporating a realistic assessment of the company's growth prospects and was discounted to net present value. Due to the early settlement of the agreement the consideration paid was based on the floor price and the over-accrual of the deferred consideration of $4.613m was credited to profit or loss within financing income (Note 5).

Total amount credited to profit or loss within financial income for reduction in fair value of deferred and contingent consideration is $6.268m.

16 DEFERRED TAX ASSETS AND (LIABILITIES)

a) Recognised deferred tax assets and (liabilities)

Deferred tax assets and (liabilities) are attributable to the following:

GROUP	Assets 2013 $000	2012 $000	Liabilities 2013 $000	2012 $000	Net 2013 $000	2012 $000
Property, plant and equipment	-	-	(10,382)	(15,068)	(10,382)	(15,068)
Intangibles	-	3	(1,725)	(1,853)	(1,725)	(1,850)
Inventories	2,015	2,552	(595)	(1,189)	1,420	1,363
Employee benefits	2,529	2,319	-	-	2,529	2,319
Derivatives at fair value	-	-	(292)	(1,711)	(292)	(1,711)
Other items	168	192	-	-	168	192
Tax value of loss carry-forwards recognised	1,156	-	-	-	1,156	-
Tax assets (liabilities)	5,868	5,066	(12,994)	(19,821)	(7,126)	(14,755)
Set off of tax	(5,868)	(5,066)	5,868	5,066	-	-
Net tax assets (liabilities)	-	-	(7,126)	(14,755)	(7,126)	(14,755)

PARENT	Assets 2013 $000	2012 $000	Liabilities 2013 $000	2012 $000	Net 2013 $000	2012 $000
Property, plant and equipment	-	-	(7,207)	(8,315)	(7,207)	(8,315)
Intangibles	-	-	(1,463)	(1,759)	(1,463)	(1,759)
Inventories	-	-	(595)	(1,189)	(595)	(1,189)
Employee benefits	1,669	1,567	-	-	1,669	1,567
Derivatives at fair value	-	-	(292)	(1,711)	(292)	(1,711)
Other items	126	144	-	-	126	144
Tax assets (liabilities)	1,795	1,711	(9,557)	(12,974)	(7,762)	(11,263)
Set off of tax	(1,795)	(1,711)	1,795	1,711	-	-
Net tax assets (liabilities)	-	-	(7,762)	(11,263)	(7,762)	(11,263)

b) Movement in temporary differences during the year

GROUP 2012	Note	Opening balance $000	Recognised in business combination $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(8,697)	(1,679)	(4,692)	-	(15,068)
Intangibles		(1,811)	-	(39)	-	(1,850)
Inventories		1,446	-	(83)	-	1,363
Employee benefits		2,097	-	222	-	2,319
Derivatives at fair value		4,272	-	(1,652)	(4,331)	(1,711)
Other items		(558)	-	750	-	192
	11	(3,251)	(1,679)	(5,494)	(4,331)	(14,755)

GROUP 2013	Note	Opening balance $000	Recognised in business combination $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		**(15,068)**	**-**	**4,686**	**-**	**(10,382)**
Intangibles		**(1,850)**	**-**	**125**	**-**	**(1,725)**
Inventories		**1,363**	**-**	**57**	**-**	**1,420**
Employee benefits		**2,319**	**-**	**210**	**-**	**2,529**
Derivatives at fair value		**(1,711)**	**-**	**54**	**1,365**	**(292)**
Other items		**192**	**-**	**(24)**	**-**	**168**
Tax value of loss carry-forwards recognised		**-**	**-**	**1,156**	**-**	**1,156**
	11	**(14,755)**	**-**	**6,264**	**1,365**	**(7,126)**

PARENT 2012	Note	Opening balance $000	Recognised in business combination $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		(9,311)	-	996	-	(8,315)
Intangibles		(1,802)	-	43	-	(1,759)
Inventories		(513)	-	(676)	-	(1,189)
Employee benefits		1,432	-	135	-	1,567
Derivatives at fair value		4,272	-	(1,652)	(4,331)	(1,711)
Other items		(608)	-	752	-	144
	11	(6,530)	-	(402)	(4,331)	(11,263)

PARENT 2013	Note	Opening balance $000	Recognised in business combination $000	Recognised in income $000	Recognised in other comprehensive income $000	Closing balance $000
Property, plant and equipment		**(8,315)**	**-**	**1,108**	**-**	**(7,207)**
Intangibles		**(1,759)**	**-**	**296**	**-**	**(1,463)**
Inventories		**(1,189)**	**-**	**594**	**-**	**(595)**
Employee benefits		**1,567**	**-**	**103**	**-**	**1,670**
Derivatives at fair value		**(1,711)**	**-**	**53**	**1,365**	**(293)**
Other items		**144**	**-**	**(18)**	**-**	**126**
	11	**(11,263)**	**-**	**2,136**	**1,365**	**(7,762)**

17 PROPERTY, PLANT AND EQUIPMENT

GROUP 2012	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Cost		46,584	89,330	272,230	14,660	422,804
Accumulated depreciation		(2,012)	(30,305)	(130,628)	-	(162,945)
Carrying value		44,572	59,025	141,602	14,660	259,859
2013						
Cost		**46,807**	**92,613**	**287,110**	**15,270**	**441,800**
Accumulated depreciation		**(3,767)**	**(34,939)**	**(161,252)**	**-**	**(199,958)**
Carrying value		**43,040**	**57,674**	**125,858**	**15,270**	**241,842**

PARENT 2012	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Cost		41,374	80,574	104,387	9,113	235,448
Accumulated depreciation		(2,012)	(30,099)	(57,903)	-	(90,014)
Carrying value		39,362	50,475	46,484	9,113	145,434
2013						
Cost		**42,524**	**81,373**	**113,187**	**7,651**	**244,735**
Accumulated depreciation		**(2,334)**	**(32,457)**	**(65,782)**	**-**	**(100,573)**
Carrying value		**40,190**	**48,916**	**47,405**	**7,651**	**144,162**

Reconciliation of property, plant and equipment carrying value

GROUP 2012	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Opening balance		40,566	56,965	86,119	7,687	191,337
Acquisitions (transfers)		393	917	49,991	6,973	58,274
Acquisitions from business combinations	15(c)(ii)	5,025	6,889	24,336	-	36,250
Depreciation expense		(306)	(4,319)	(18,328)	-	(22,953)
Reclassification to assets held for sale		(400)	(1,043)	(142)	-	(1,585)
Disposals		(706)	(384)	(374)	-	(1,464)
Closing balance		44,572	59,025	141,602	14,660	259,859
2013						
Opening balance		**44,572**	**59,025**	**141,602**	**14,660**	**259,859**
Acquisitions (transfers)		**1,409**	**3,408**	**16,654**	**610**	**22,081**
Depreciation expense		**(324)**	**(4,676)**	**(31,718)**	**-**	**(36,718)**
Impairment		**(1,431)**	**-**	**-**	**-**	**(1,431)**
Reclassification to assets held for sale	14	**(786)**	**357**	**4**	**-**	**(425)**
Disposals		**(400)**	**(440)**	**(684)**	**-**	**(1,524)**
Closing balance		**43,040**	**57,674**	**125,858**	**15,270**	**241,842**

PARENT 2012	Note	Land and improvements $000	Buildings $000	Plant, equipment and aircraft $000	Under construction $000	Total $000
Opening balance		40,381	55,408	46,653	5,343	147,785
Acquisitions (transfers)		393	570	8,348	3,770	13,081
Depreciation expense		(306)	(4,076)	(8,284)	-	(12,666)
Reclassification to assets held for sale		(400)	(1,043)	(142)	-	(1,585)
Disposals		(706)	(384)	(91)	-	(1,181)
Closing balance		39,362	50,475	46,484	9,113	145,434
2013						
Opening balance		**39,362**	**50,475**	**46,484**	**9,113**	**145,434**
Acquisitions (transfers)		**1,298**	**2,596**	**9,628**	**(1,462)**	**12,060**
Depreciation expense		**(323)**	**(4,072)**	**(8,607)**	**-**	**(13,002)**
Reclassification to assets held for sale	14	**253**	**357**	**4**	**-**	**614**
Disposals		**(400)**	**(440)**	**(104)**	**-**	**(944)**
Closing balance		**40,190**	**48,916**	**47,405**	**7,651**	**144,162**

The carrying value of the Kapuni urea plant is regularly reviewed in relation to the availability of economic gas supply. On the bases of certainty on gas prices and supply secured in 2012 the Directors had extended the economic life of the Kapuni urea plant and buildings. Contracted gas supply to 2020 (2012: 2020) held by the Company provides increased confidence and certainty in the future economic performance of the plant.

18 INTANGIBLE ASSETS

Intangible assets comprise emissions trading scheme credits, goodwill on acquisitions, software costs for the Group's operating and agronomic systems and information technology systems based around farm management systems.

GROUP 2012	Note	Emissions trading scheme $000	Goodwill $000	Software $000	Technology systems and licences $000	Total $000
Cost		812	3,033	27,449	5,003	36,297
Accumulated amortisation		-	-	(15,131)	(949)	(16,080)
Carrying value		812	3,033	12,318	4,054	20,217
2013						
Cost		**1,079**	**3,033**	**28,536**	**5,294**	**37,942**
Accumulated amortisation		**-**	**-**	**(19,602)**	**(1,587)**	**(21,189)**
Accumulated impairment		**-**	**(3,033)**	**-**	**(1,500)**	**(4,533)**
Carrying value		**1,079**	**-**	**8,934**	**2,207**	**12,220**

Amortisation is charged to the following line item in the income statement:	2013 $000	2012 $000
Administration expenses	5,112	5,060

Impairment testing for cash-generating units (CGU) containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating subsidiaries which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregated carrying amounts of goodwill allocated to each CGU are as follows:

	Note	2013 $000	2012 $000
Seales Winslow Limited	15(c)(ii)	-	3,033

The recoverable amounts of each CGU are assessed on the values in use. In assessing the values in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the following key assumptions:

- Cash flows were projected on actual operating results and a 3 to 5 year forecast.
- A pre-tax discount rate range of 12.7% to 13.6% was applied in determining the recoverable amount of the units.
- A terminal growth rate range of 1% to 3% was applied.

The Group has impaired the goodwill to $nil in the 2013 year, as the recoverable amount of the CGU was less than the carrying amount of the CGU.

PARENT		Emissions trading scheme $000	Goodwill $000	Software $000	Technology systems and licences $000	Total $000
2012						
Cost		-	-	26,256	-	26,256
Accumulated amortisation		-	-	(14,136)	-	(14,136)
Carrying value		-	-	12,120	-	12,120
2013						
Cost		**-**	**-**	**27,315**	**-**	**27,315**
Accumulated amortisation		**-**	**-**	**(18,513)**	**-**	**(18,513)**
Carrying value		**-**	**-**	**8,802**	**-**	**8,802**

Amortisation is charged to the following line item in the income statement:	**2013 $000**	2012 $000
Administration expenses	**4,377**	4,260

Reconciliation of intangible asset carrying value

GROUP	Note	Emissions trading scheme $000	Goodwill $000	Software $000	Technology systems and licences $000	Total $000
2012						
Opening balance		3,527	1,035	12,493	4,297	21,352
Acquired separately		-	-	4,236	406	4,642
Grant - net allocation of emissions trading scheme credits		(379)	-	-	-	(379)
Acquisitions from business combinations	15(c)(ii)	-	3,033	-	-	3,033
Impairment (losses) recognised in the income statement		-	(1,035)	-	-	(1,035)
NZ ETS units transferred to settle obligations		(2,336)	-	-	-	(2,336)
Amortisation		-	-	(4,411)	(649)	(5,060)
Carrying value		812	3,033	12,318	4,054	20,217
2013						
Opening balance		**812**	**3,033**	**12,318**	**4,054**	**20,217**
Acquired separately		**-**	**-**	**1,090**	**291**	**1,381**
Grant - net allocation of emissions trading scheme credits		**267**	**-**	**-**	**-**	**267**
Impairment (losses) reversals recognised in the income statement		**-**	**(3,033)**	**-**	**(1,500)**	**(4,533)**
Amortisation		**-**	**-**	**(4,474)**	**(638)**	**(5,112)**
Carrying value		**1,079**	**-**	**8,934**	**2,207**	**12,220**

Reconciliation of intangible asset carrying value

PARENT		Emissions trading scheme $000	Goodwill $000	Software $000	Technology systems and licences $000	Total $000
2012						
Opening balance		-	-	12,317	-	12,317
Acquired separately		-	-	4,063	-	4,063
Amortisation		-	-	(4,260)	-	(4,260)
Carrying value		-	-	12,120	-	12,120
2013						
Opening balance		-	-	**12,120**	-	**12,120**
Acquired separately		-	-	**1,059**	-	**1,059**
Amortisation		-	-	**(4,377)**	-	**(4,377)**
Carrying value		-	-	**8,802**	-	**8,802**

19 TRADE AND OTHER PAYABLES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current					
Trade payables due to subsidiaries	26	-	-	12,301	-
Trade payables and accrued expenses		39,680	39,912	26,754	25,322
Share repurchase instalments		2,982	2,102	2,982	2,102
Employee benefits	22	5,700	5,607	3,240	3,270
Emissions trading scheme - deferred income		113	628	-	-
Emissions trading scheme - liability		16	340	-	-
Non-trade payables and accrued expenses		3,190	2,165	2,702	1,751
		51,681	50,754	47,979	32,445

The emissions trading scheme deferred income refers to the amount of New Zealand Units (NZU) held but not yet earned. NZUs have been allocated in advance based on an estimated annual urea production to compensate for the cost of carbon associated with urea manufacture. The NZUs allocated are only earned as urea is produced and the income progressively released.

20 LOANS AND BORROWINGS

	Year of maturity	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current liabilities					
Bank Revolving Cash Advance Facility - Parent		-	24,007	-	24,067
Non-current liabilities					
Bank Revolving Cash Advance Facility - Parent	2015 / 2016	50,000	71,000	50,000	71,000
Bank Revolving Cash Advance Facility - subsidiary		-	1,400	-	-
Other		-	19	-	-
		50,000	72,419	50,000	71,000
Total		50,000	96,426	50,000	95,067

The Company has a Bank Revolving Cash Advance Facility. At 31 May 2013 the facility available was $315m, of which $50m was drawn in the Group ($50m Parent), (2012: facility $315m, actual drawn $96.4m Group, $95.1m Parent). The interest rate is currently 3.39% (2012: 3.25%). Deposits and the Bank Revolving Cash Advance Facility have different interest rates and the loan agreement provides for right of set off against deposits. The current portion of the facility is considered cash and cash equivalents.

The Bank Revolving Cash Advance Facility is unsecured. Various covenants such as minimum interest coverage, shareholder funds covenant, equity cover covenant and stock and debtor ratios apply to all bank lending facilities, including the Bank Revolving Cash Advance Facility. These are measured six monthly. The Group complied with these covenants.

21 PROVISIONS

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Employee benefits - long-service leave provision					
Opening balance		1,220	989	787	657
Movement in provision	8	100	231	90	130
Closing balance	22	1,320	1,220	877	787
Contingent consideration					
Opening balance		1,525	970	1,525	970
Recognised on acquisition of Seales Winslow Limited		-	1,353	-	1,353
Derecognition of Farmworks System Limited - reversal of provision		-	(970)	-	(970)
Derecognition of Seales Winslow Limited - reversal of provision	15(c)(ii)	(1,654)	-	(1,654)	-
Unwind of discount	9	129	172	129	172
Closing balance		-	1,525	-	1,525
Deferred consideration					
Opening balance		12,087	-	12,087	-
Recognised on acquisition of Seales Winslow Limited		-	10,720	-	10,720
Cash payment		(1,000)	-	(1,000)	
Reduction in value of deferred consideration	15(c)(ii)	(4,613)	-	(4,613)	-
Unwind of discount	9	1,209	1,367	1,209	1,367
Closing balance		7,683	12,087	7,683	12,087
Total provisions		9,003	14,832	8,560	14,399
Deferred consideration is reported in the balance sheet as:					
- current liabilities		1,500	-	1,500	-
- non-current liabilities		6,183	-	6,183	-
		7,683	-	7,683	-
Total provisions are reported in the balance sheet as:					
- current liabilities		1,500	-	1,500	-
- non-current liabilities		7,503	-	7,060	-
		9,003	-	8,560	-

22 EMPLOYEE BENEFITS

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Current					
Salaries and wages accrued		184	151	-	5
Liability for annual leave		5,516	5,456	3,240	3,265
	19	5,700	5,607	3,240	3,270
Non-current					
Liability for long-service leave	21	1,320	1,220	877	787

23 OPERATING LEASES

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Leases as lessee				
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	3,163	2,953	2,646	2,498
Between one and five years	11,464	5,029	11,044	4,620
After five years	8,613	5,147	8,520	5,053
	23,240	13,129	22,210	12,171
Operating lease expense recognised	5,352	6,202	4,565	5,587

The Group leases a number of distribution and storage facilities and motor vehicles under operating leases. These leases are reviewed periodically to reflect market rentals.

24 CAPITAL AND OTHER COMMITMENTS

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Capital expenditure commitments				
Contracted for	6,298	2,982	645	1,310
Not yet contracted for	7,724	3,797	7,724	3,048

25 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Profit (loss) for the year		21,388	23,764	42,207	54,307
Add non-cash and non-operating items:					
Depreciation		36,718	22,954	13,001	12,667
Amortisation		5,112	5,060	4,377	4,260
Emissions trading scheme - net cost of carbon		(839)	225	-	-
Impairment write down (up)		5,962	84	7,587	3,164
Derivative fair value		1,910	(3,008)	(4,371)	(3,006)
Acquisition of non-controlling interest	15(c)(ii)	(6,268)	-	-	-
Gain (loss) on sale of property, plant and equipment		(297)	(181)	(379)	(51)
Employee benefits		100	231	90	130
Rebate transferred to Share Allotment Reserve		21,318	17,468	21,318	17,468
Equity accounted earnings of associates		(11)	1	-	-
Tax loss offset and inter-company dividend recorded against inter-company funding		-	-	(65,621)	(53,696)
Decrease in deferred tax		(6,263)	5,493	(2,136)	401
Add (deduct) movements in working capital:					
Movement in trade and other receivables		14,050	(39,602)	(6,246)	(15,019)
Movement in inventories		6,446	39,548	7,533	42,107
Movement in trade and other payables		1,001	(20,156)	15,008	(37,835)
Movement in rebate payable		13,330	(165)	13,330	(165)
Movement in tax receivable		9,742	(12,971)	9,479	(12,820)
Net cash from operating activities		123,399	38,745	55,177	11,912

26 RELATED PARTIES

Identity of related parties

The Company has a related party relationship with each of its subsidiary and associate companies outlined in Note 15(a).

Directors conduct business with the Parent Company and its subsidiaries in the normal course of their business as customers and on commercial terms and conditions. Sales to Directors and rebates paid to Directors are less than 1% of the total operating revenue and rebates for the year respectively.

		PARENT 2013 $000	PARENT 2012 $000
Transactions with related parties			
Purchases of inventory from subsidiaries		152,166	72,702
Dividends received by the Company from subsidiaries		50,000	50,000
Interest paid by the Company to subsidiaries		969	2,014
Interest received by the Company from subsidiaries		1,645	1,375
Directors' transactions	- sales	1,578	3,486
	- rebate	131	281
	- dividend	12	22
Balances with related parties (excluding trade receivables and payables)			
Amounts owing to the Company by subsidiaries		14,822	13,801
Amounts owed by the Company to subsidiaries		15,612	17,102
		790	3,301
Term loans owing to the Company by subsidiaries		19,192	16,000

Trade receivables and trade payables balances at reporting date between the Parent and its subsidiaries are disclosed in Notes 12 and 19 respectively.

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Intercompany loans are repayable on demand and attract interest at between 2.5% and 4.0% per annum.

Intercompany term loans attract interest at between 3.0% and 4.0% per annum.

The Company has a related party relationship with its key management personnel and Directors. Key management personnel comprise the executive teams within the Parent and Group companies.

	GROUP 2013 $000	GROUP 2012 $000	PARENT 2013 $000	PARENT 2012 $000
Key management personnel and Directors' compensation				
Short-term employee benefits, excluding Directors	3,692	3,659	3,107	3,081
Directors' fees	638	617	601	567
Total	4,330	4,276	3,708	3,648

27 CAPITAL AND RESERVES

a) Share capital

(i) Reconciliation of movement in Co-operative shares	PARENT AND GROUP 2013 $000	PARENT AND GROUP 2012 $000
Opening balance	34,500	32,421
Co-operative shares issued	23	31
Co-operative shares issued in lieu of rebate	2,228	2,763
Co-operative shares repurchased	(939)	(715)
Closing balance	35,812	34,500

(ii) Ordinary shares

All issued shares are fully paid and have no par value. Each share has a nominal value of $7.50 (2012: $7.50). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(iii) Share redemption features

Parent Company shares are nominal value shares issued under the Co-operative Companies Act 1996. The share qualification quota is 30 shares per tonne of annual fertiliser purchases. Shares may be redeemed by the Parent Company at either a shareholder's request or at the Parent Company's instigation as provided for in the Co-operative Companies Act 1996, the Companies Act 1993 or the Parent Company Constitution. This is normally when a shareholder ceases to have the capacity to transact business with the Group.

Share repurchase terms under the Company's constitution are for payment by three equal instalments over a two-year period or shareholders may elect an accelerated payment option at a discounted surrender price per share.

(iv) Repurchase of shares

During the year 938,611 shares (2012: 714,617) were repurchased at an average price of $7.05 per share (2012: $6.90). From these repurchases 938,611 shares were cancelled (2012: 714,617).

(v) Treasury stock

	PARENT 2013 $000	PARENT 2012 $000
Number of shares repurchased, not reissued and held as treasury stock at reporting date.	-	-

(vi) Capital management

The Group's capital includes share capital, reserves, retained earnings and minority interests.

The Board's policy is to maintain a strong capital base that will foster confidence in the Group's strength for shareholders and also for business partners both within New Zealand and internationally and permit the Group to take advantage of future development opportunities. The Board considers a strong capital base a buffer to protect the Group from volatility and changes in capital and operating market conditions.

Shareholding is based on the requirement to acquire the share quota (quota is the estimated annual tonnage usage of fertiliser) and is determined by the Board taking into account such criteria as the Board sees fit. The quota level is currently 30 shares per tonne.

The Board monitors forecast capital inflows and outflows and the level of shareholding relative to shareholders' quota to ensure that the Company retains a strong capital base.

The Parent Company repurchases shares and at its discretion may hold these as treasury stock for reissue to shareholders. The Group does not have a defined share buy-back plan.

As a co-operative the shares are not listed so the Company reviews the share nominal value each year and the Board recommends to shareholders any change in nominal value.

There were no changes in the Group's approach to capital management during the year.

As a condition of unsecured bank funding the Group is required to maintain shareholders' funds and defined ratio of equity to total tangible assets above minimum levels. The Group has complied with these externally imposed requirements.

b) Other reserves

The shares allotment reserve is an estimate of the portion of accrued rebate for the current year that will be applied to the issuance of shares in the Company where shareholders hold less than their quota shareholding requirement.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

The deferred consideration reserve was an estimate of the amount payable for the non-controlling interest in Seales Winslow Limited in 2014 (Note 15(c)(ii)). This is now nil as the non-controlling interest was acquired in the current financial year.

28 FINANCIAL INSTRUMENTS

Exposure to foreign currency, interest rate, credit and liquidity risks arises in the normal course of the Group's business.

The Group manages commodity price risks through negotiated supply contracts and forward physical contracts. However, these contracts are for expected product usage requirements only and are not accounted for as financial instruments.

Foreign currency risk

The Group is also exposed to foreign currency risk on purchases that are denominated in a currency other than the Company's functional currency, New Zealand dollars ($), which is also the presentation currency of the Group. The currency in which transactions are primarily denominated is United States dollars (USD). The Group hedges up to 100% of all trade payables and bank balances denominated in a foreign currency. At any point in time the Group also hedges between 20% and 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following 12 months. The Group uses forward exchange contracts and foreign exchange options to hedge its foreign currency risk. All of the forward exchange contracts and options have maturities of less than one year at the reporting date. Fair value is determined as described in Note 2(c).

Interest rate risk

The Group has a policy of ensuring that a proportion of its exposure to changes in interest rates on borrowings is fixed. Interest rate swaps and options have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. Fair value is determined as described in Note 2(c).

Credit risk

In the normal course of its business the Group incurs credit risk from trade debtors and major banks as counterparties to financial instruments. Credit policies including individual policy limits on exposure are used to manage the credit risk.

Accounts receivable reflect an exposure to the agricultural industry through a limited number of merchants and direct customers, the majority of business being conducted with nationally significant companies. Fair value is determined as described in Note 2(b).

The Group does not require collateral or security to support financial instruments due to the quality of the customers and high credit ratings of the financial institutions dealt with. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the balance sheet.

Liquidity risk

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

Quantitative disclosures

a) Foreign currency risk

The Group's exposure to foreign currency risk can be summarised as follows:

Foreign currency risk	GROUP 2013 $000 USD	GROUP 2012 $000 USD	PARENT 2013 $000 USD	PARENT 2012 $000 USD
Bank accounts	128	51	128	51
Trade payables	(308)	(196)	(308)	(196)
Net balance sheet exposure before hedging	(180)	(145)	(180)	(145)
Forward exchange contracts and options - notional amounts	149,900	175,000	149,900	175,000
Hedged forecast purchases	149,720	174,855	149,720	174,855

(i) Sensitivity analysis

At 31 May 2013 it is estimated that a 10% movement either way in the value of the NZD against the USD would have increased (decreased) equity and profit or loss in both the Parent and Group by the amounts shown below.

		Equity 2013 $000	Profit or loss 2013 $000	Equity 2012 $000	Profit or loss 2012 $000
Forward exchange contracts	+10%	(16,950)	-	(20,928)	-
	-10%	20,753	-	25,614	-
Currency options	+10%	-	-	-	(374)
	-10%	-	-	-	760

b) Interest rate risk

(i) Interest rate risk - repricing analysis

GROUP 2013	Effective interest rate	Total $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000
Variable rate instruments and related derivatives						
Cash and cash equivalents	2.50%	43,951	43,951	-	-	-
Bank loans	3.39%	(50,000)	(50,000)	-	-	-
Net variable rate instruments		(6,049)	(6,049)	-	-	-
Effect of interest rate swaps	5.06%	-	40,000	-	(40,000)	-
Repricing profile 2013		(6,049)	33,951	-	(40,000)	-

GROUP 2012	Effective interest rate	Total $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000
Variable rate instruments and related derivatives						
Cash and cash equivalents	3.73%	(24,007)	(24,007)	-	-	-
Other	5.00%	(19)	(19)	-	-	-
Bank loans	3.96%	(72,400)	(72,400)	-	-	-
Net variable rate instruments		(96,426)	(96,426)	-	-	-
Effect of interest rate swaps	5.77%	-	75,000	(5,000)	(10,000)	(60,000)
Repricing profile 2012		(96,426)	(21,426)	(5,000)	(10,000)	(60,000)

Parent interest rate risk is the same as the Group.

(ii) Sensitivity analysis

Fair value sensitivity analysis

At 31 May 2013 it is estimated that a change of 100 basis points in interest rates would increase (decrease) equity by the amounts shown below.

		Equity 2013 $000	Equity 2012 $000
Interest rate swaps	100 bp increase	**874**	1,945
	100 bp decrease	**(906)**	(2,034)

Cash flow sensitivity analysis

At 31 May 2013 it is estimated that a change of 100 basis points in interest rates could increase (decrease) profit or loss over the next 12 months by the amounts shown below, based on the borrowings at 31 May 2013.

		Profit or loss 2013 $000	Profit or loss 2012 $000
Variable rate instruments	100 bp increase	**(500)**	(780)
Interest rate swaps	100 bp increase	**433**	725
		(67)	(55)
Variable rate instruments	100 bp decrease	**500**	780
Interest rate swaps	100 bp decrease	**(433)**	(725)
		67	55

c) **Credit risk**

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

The Group has not renegotiated the terms of any financial assets which would result in a carrying amount no longer being past due or avoid a possible past due status.

The status of trade receivables at the reporting date is as follows:

Trade receivables - Group	**Gross receivable 2013 $000**	**Impairment 2013 $000**	Gross receivable 2012 $000	Impairment 2012 $000
Not past due	**94,462**	**-**	91,916	-
past due 0 - 30 days	**3,663**	**-**	4,104	-
past due 31 - 120 days	**1,054**	**-**	914	-
past due > 120 days	**222**	**-**	453	-
Total	**99,401**	**-**	97,387	-

Trade receivables - Parent	Gross receivable 2013 $000	Impairment 2013 $000	Gross receivable 2012 $000	Impairment 2012 $000
Not past due	90,034	-	86,371	-
past due 0 - 30 days	3,134	-	3,146	-
past due 31 - 120 days	632	-	406	-
past due > 120 days	113	-	394	-
Total	93,913	-	90,317	-

d) **Liquidity risk**

The following table sets out the maturity profile for all financial liabilities and derivatives.

GROUP - 2013	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Unsecured bank loans	50,000	53,396	838	833	41,448	10,277	-
Trade and other payables	51,681	51,681	51,681	-	-	-	-
Net rebates payable	40,200	40,200	40,200	-	-	-	-
Total non-derivative liabilities	141,881	145,277	92,719	833	41,448	10,277	-
Gross settled foreign exchange derivatives used for hedging:							
Cash inflow		185,267	132,122	53,145	-	-	-
Cash outflow		(183,726)	(131,723)	(52,003)	-	-	-
	3,126	1,541	399	1,142	-	-	-
Net settled cash flow hedge derivatives	(2,094)	(2,226)	(354)	(726)	(808)	(338)	-

GROUP - 2012	Carrying value $000	Contractual cash flows $000	< 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	> 5 years $000
Bank overdraft	24,007	24,007	24,007	-	-	-	-
Unsecured bank loans	72,400	76,747	1,396	1,389	57,427	16,535	-
Other	19	19	19	-	-	-	-
Trade and other payables	50,754	50,754	50,754	-	-	-	-
Net rebates payable	26,870	26,870	26,870	-	-	-	-
Total non-derivative liabilities	174,050	178,397	103,046	1,389	57,427	16,535	-
Gross settled foreign exchange derivatives used for hedging:							
Cash inflow		226,550	168,256	58,294	-	-	-
Cash outflow		(216,420)	(161,489)	(54,931)	-	-	-
	11,552	10,130	6,767	3,363	-	-	-
Gross settled other foreign exchange derivatives:							
Cash inflow		5,299	5,299	-	-	-	-
Cash outflow		(5,178)	(5,178)	-	-	-	-
	191	121	121	-	-	-	-
Net settled cash flow hedge derivatives	(5,626)	(6,311)	(631)	(1,702)	(1,922)	(2,056)	-

e) Classification and fair values

GROUP - 2013	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	558	-	-	-	558	558
Total non-current assets	558	-	-	-	558	558
Derivatives	-	-	3,537	-	3,537	3,537
Trade and other receivables	-	99,401	-	-	99,401	99,401
Cash and cash equivalents	-	43,951	-	-	43,951	43,951
Total current assets	-	143,352	3,537	-	146,889	146,889
Total assets	558	143,352	3,537	-	147,447	147,447
Liabilities						
Loans and borrowings	-	-	-	50,000	50,000	50,000
Total non-current liabilities	-	-	-	50,000	50,000	50,000
Derivatives	-	-	2,505	-	2,505	2,505
Trade and other payables	-	-	-	51,682	51,682	51,682
Net rebates payable	-	-	-	40,200	40,200	40,200
Total current liabilities	-	-	2,505	91,882	94,387	94,387
Total liabilities	-	-	2,505	141,882	144,387	144,387

GROUP - 2012	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	556	-	-	-	556	556
Total non-current assets	556	-	-	-	556	556
Derivatives	-	-	11,743	-	11,743	11,743
Trade and other receivables	-	116,227	-	-	116,227	116,227
Total current assets	-	116,227	11,743	-	127,970	127,970
Total assets	556	116,227	11,743	-	128,526	128,526
Liabilities						
Loans and borrowings	-	-	-	72,419	72,419	72,419
Total non-current liabilities	-	-	-	72,419	72,419	72,419
Bank revolving cash advance facility, loans and borrowings	-	-	-	24,007	24,007	24,007
Derivatives	-	-	5,626	-	5,626	5,626
Trade and other payables	-	-	-	50,753	50,753	50,753
Net rebates payable	-	-	-	26,870	26,870	26,870
Total current liabilities	-	-	5,626	101,630	107,256	107,256
Total liabilities	-	-	5,626	174,049	179,675	179,675

The methods used in determining the fair values of financial instruments are discussed in Note 2.

PARENT - 2013	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	651	-	-	-	651	651
Term loan with subsidiary	-	19,192	-	-	19,192	19,192
Total non-current assets	651	19,192	-	-	19,843	19,843
Derivatives	-	-	3,537	-	3,537	3,537
Trade and other receivables	-	93,913	-	-	93,913	93,913
Inter-company funding	-	14,823	-	-	14,823	14,823
Cash and cash equivalents	-	43,467	-	-	43,467	43,467
Total current assets	-	152,203	3,537	-	155,740	155,740
Total assets	651	171,395	3,537	-	175,583	175,583
Liabilities						
Loans and borrowings	-	-	-	50,000	50,000	50,000
Total non-current liabilities	-	-	-	50,000	50,000	50,000
Derivatives	-	-	2,505	-	2,505	2,505
Trade and other payables	-	-	-	47,979	47,979	47,979
Inter-company funding	-	-	-	15,612	15,612	15,612
Net rebates payable	-	-	-	40,200	40,200	40,200
Total current liabilities	-	-	2,505	103,791	106,296	106,296
Total liabilities	-	-	2,505	153,791	156,296	156,296

PARENT - 2012	Held to maturity $000	Loans and receivables $000	Designated at fair value $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets						
Debt securities	651	-	-	-	651	651
Term loan with subsidiary	-	16,000	-	-	16,000	16,000
Total non-current assets	651	16,000	-	-	16,651	16,651
Derivatives	-	-	11,743	-	11,743	11,743
Trade and other receivables	-	90,317	-	-	90,317	90,317
Inter-company funding		13,801	-	-	13,801	13,801
Total current assets	-	104,118	11,743	-	115,861	115,861
Total assets	651	120,118	11,743	-	132,512	132,512
Liabilities						
Loans and borrowings	-	-	-	71,000	71,000	71,000
Total non-current liabilities	-	-	-	71,000	71,000	71,000
Loans and borrowings	-	-	-	24,067	24,067	24,067
Derivatives	-	-	5,626	-	5,626	5,626
Trade and other payables	-	-	-	32,445	32,445	32,445
Inter-company funding	-	-	-	17,102	17,102	17,102
Net rebates payable	-	-	-	26,870	26,870	26,870
Total current liabilities	-	-	5,626	100,484	106,110	106,110
Total liabilities	-	-	5,626	171,484	177,110	177,110

The methods used in determining the fair values of financial instruments are discussed in Note 2.

f) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

PARENT AND GROUP - 2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	3,537	-	3,537
Derivative financial liabilities	-	(2,505)	-	(2,505)
	-	1,032	-	1,032

PARENT AND GROUP - 2012	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Derivative financial assets	-	11,743	-	11,743
Derivative financial liabilities	-	(5,626)	-	(5,626)
	-	6,117	-	6,117

29 INSURANCE CLAIM

In 2012 a fire at the Kapuni ammonia urea plant resulted in the Company and Group sustaining property damage and increased operating costs. These comprised the cost of repairs to the plant, business interruption and the additional costs of importing urea while the plant was closed for repairs from 15 August 2011 to its restart on 20 November 2011. No permanent impairment of the plant has occurred as a consequence of the fire.

The Group has in place significant material damage and business interruption insurance to cover losses incurred. In 2012 claims totalling $43.3m subject to maximum aggregate deductibles of $5.0m had been lodged with the insurance underwriters for this event. The claim value was still being assessed by insurers at 31 May 2012.

The Group had recognised income of $33.0m received or receivable in the 2012 financial statements and reported as other income (Note 3). During the 2012 year progress payments of $14.2m had been received from the insurers.

During the year the final claim was assessed at $36.9m. The Group has recognised further income of $3.9m in the financial statements and reported as other operating income (Note 3). All claim monies have been received from the insurers.

30 CONTINGENCIES

a) The Directors are not aware of any material contingent liabilities at balance date.

31 SUBSEQUENT EVENTS

a) A final dividend of 10 cents per share (2012: 10 cents per share), ($3.6m) (2012: $3.5m) has been approved subsequent to the reporting date. The dividend will be fully imputed. The final dividend was not approved until after year end, therefore it has not been accrued in the current year financial statements.

KPMG

To the shareholders of Ballance Agri-Nutrients Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Ballance Agri-Nutrients Limited (''the company'') and the group, comprising the company and its subsidiaries, on pages 23 to 56. The financial statements comprise the balance sheet as at 31 May 2013, the income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 23 to 56:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 May 2013 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Ballance Agri-Nutrients Limited as far as appears from our examination of those records.

KPMG

31 July 2013
Tauranga

DIRECTORS' INTERESTS

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

GENERAL DISCLOSURES

Particulars of other company appointments (excluding some family and farming companies) are:

DIRECTOR	POSITION	COMPANY
GW Baldwin	Director	Livestock Improvement Corporation Limited
		Regen Limited
		Trinity Lands Limited
KR Ellis (appointed September 2012)	Chairman	Macaulay Metals Limited
		New Zealand Social Infrastructure Fund Limited
	Director	Enviro Waste Services Limited
		Freightways Limited
		FSF Management Company Limited
		Moa Group Limited
		Port of Tauranga Limited
		The Tasman Tanning Limited
DS Graham	Director	New Zealand Phosphate Company Limited
		Seales Winslow Limited (Resigned 2013)
EJ Harvey	Director	APN News & Media Limited (Resigned 2013)
		DNZ Property Fund Limited
		Heartland Bank Limited
		Kathmandu Holdings Limited
		New Zealand Opera Limited
		Port Otago Limited
AD Morrison	Director	Ovis Management Limited
DR Nikora	Director	AsureQuality Limited
	Panel Member	Ministry of Business, Innovation & Employment – Biological Assessment Panel
	Trustee	Agricultural and Marketing Research and Development Trust
		Taipahi A1 Maori Land Trust
DE Peacocke	Director	Melrose Limited
		Taupiri Holdings Limited
		Tuatahi Farming Limited (Resigned 2013)
DA Pilkington	Director	Contract Resources Limited (Resigned 2013)
		Douglas Pharmaceuticals Limited (and subsidiaries)
		Excelsa Associates Limited
		Restaurant Brands Limited (and subsidiaries)
		Ruapehu Alpine Lifts Limited
		Zespri International Limited (and subsidiaries)
	Deputy Chair	Rangatira Limited (and subsidiaries)
	Chairman	Heller Limited
	Chairman Elect	Port of Tauranga Limited
	Trustee	New Zealand Community Trust
	Member	Wellington City Council Audit and Risk Management subcommittee
OC Saxton	Chairman	Sakura Pastoral Limited Partnership
	Director	Mead Pastoral Limited Partnership
		Tuatahi Farming Limited
		Wairio Farm Limited Partnership
MJ Taggart	Director	Alliance Group Limited
		CRT Society Limited (and subsidiaries) (Resigned 2012)
		Southern Farms NZ Limited (and subsidiaries) (Resigned 2013)

Specific disclosures

Interests were declared during the year as appropriate pursuant to section 140(1) of the Companies Act 1993 for the following commercial relationships.

All Company Directors and those of relevant subsidiary companies disclosed their appropriate interests in connection with securities for banking and loan facilities to Group companies.

Company information

No requests have been received from Directors under section 145 of the Companies Act 1993 to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Share dealings

Directors hold, purchase and resell shares consistent with the share quota system related to fertiliser purchases adopted by the Co-operative. There have been no share transactions requiring disclosure to the Board under section 148(2) of the Companies Act 1993 other than when shares are held under the quota system, beneficially in either a Director's own name, or by an associated person and are in the ordinary course of business of the Company.

SUBSIDIARY COMPANY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors and particulars of entries in the interests registers made during the year ended 31 May 2013.

Subsidiary company directors' disclosures

Particulars of other company appointments (excluding some family and farming companies) are:

DIRECTOR	POSITION	COMPANY
CRJ Hyland (Resigned 2013)	Shareholder	Ballance Agri-Nutrients Limited
	Director	Hamden NZ Limited
	Director	Rosscore Limited
	Trustee	Te Parae Trust
CA Carr (Resigned 2013)	Director	Agri Finance Limited
	Director	Agri Livestock Limited
	Director	Agri Management Limited
	Director	Agrifarm Machinery Limited
	Director	Apitech NZ Limited
	Director	Ashburton Grain Consolidators Limited
	Director	Canterbury Seed Company Limited
	Director	Carr Agricultural Group Limited
	Director	Carr Group Investments Limited
	Director	Craig Carr Holdings Limited
	Director	Landpower Machinery Limited
	Director	New Zealand Agricultural Machinery Group Limited
	Director	Seales Winslow Limited
	Director	Stradbrook Dairy Limited
	Director	Winslow Limited
	Director	Winslow Contracting Limited
	Director	Winslow Dairy Center Limited
	Director	Zealanda Farms Limited
CB McFadzean (Resigned 2012)	Director	Farmworks Limited
NA Richardson (Resigned 2013)	Chairman	Smart-Trade Limited
	Chairman	The New Zealand Home Loan Company Limited
	Director	Central Capital Investments (1) Limited
	Shareholder	Optical Holdings Limited (and subsidiaries) – in liquidation
	Director	HPYN Limited
	Director	Imarda/Prolificx Group of Companies
	Director	Leesville New Zealand Limited
	Director	New Zealand Home Loans (Auckland 2006) Ltd
	Director	NRA Limited
	Director	Quantec Limited
	Director	Richardson Trustee Limited
	Trustee	Leesville Trust
	Trustee	Neil Richardson Family Trust
	Shareholder	Abano Healthcare
	Shareholder	New Breed Properties
	Shareholder	Victoria Street Properties Partnership
	Adjunct Professor	University of Waikato
PCR Verboeket (Resigned 2012)	Director	Farmworks Limited
	Principal	Peter Verboeket Law

No employee of Ballance Agri-Nutrients Limited appointed as a Director of a subsidiary receives any remuneration or benefits as a Director. The remuneration and other benefits of such employees are included in the relevant bandings for remuneration under employee remuneration. Employees of Ballance Agri-Nutrients Limited are indicated by an (E) after their name. Except where shown in the Directors' Remuneration table, no other Director of any subsidiary company within the Group receives Directors' fees or other benefits as a Director.

The following persons respectively held office as Directors of subsidiary companies at the end of the year, or in the case of those persons with an (R) after their name ceased to hold office during the year.

Ballance Agri-Nutrients Insurance Limited

LD Bilodeau (E) ,DF O'Reilly (E), DS Graham

Ballance Agri-Nutrients (Kapuni) Limited

LD Bilodeau (E), RK Hopkins (E), GW Baldwin (R), DS Graham (R), DP Hurst (R), DR Nikora (R), DE Peacocke (R), DA Pilkington (R), OC Saxton (R), MJ Taggart (R).

Ballance SP Two Limited

LD Bilodeau (E), DS Graham (R), RK Hopkins (E)

Bay of Plenty Fertiliser Company Limited

LD Bilodeau (E), RK Hopkins (E), DS Graham (R), DP Hurst (R)

BOP Fertiliser Limited

LD Bilodeau (E), RK Hopkins (E), DS Graham (R), DP Hurst (R)

Ballance Limited

LD Bilodeau (E), RK Hopkins (E), DF O'Reilly (E,R)

Farmworks Systems Limited

LD Bilodeau (E), CB McFadzean (R), RK Hopkins (E), EA Muller (E,R), DF O'Reilly (E,R), PCR Verboeket (R)

Seales Winslow Limited

LD Bilodeau (E), CA Carr (R), DS Graham (R), RK Hopkins (E), CRJ Hyland (R), NA Richardson (R)

Southfert Limited

LD Bilodeau (E), RK Hopkins (E), DS Graham (R), DP Hurst (R)

Summit Quinphos Limited

LD Bilodeau (E), RK Hopkins (E), DF O'Reilly (E,R)

Super Air Limited

LD Bilodeau (E), RK Hopkins (E), DP Hurst (R), OC Saxton (R)

Altum Nutrition Limited

LD Bilodeau (E), RK Hopkins (E)

DIRECTORS' REMUNERATION

Fees paid to Directors were:	**Parent**	**Group**
GW Baldwin	53,584	53,584
KR Ellis (Appointed September 2012)	36,668	36,668
DS Graham	112,375	112,375
EJ Harvey	53,584	53,584
DP Hurst (Resigned September 2012)	16,917	16,917
AD Morrison	53,584	53,584
DR Nikora	53,584	53,584
DE Peacocke	53,584	53,584
DA Pilkington	59,584	59,584
OC Saxton	53,584	53,584
MJ Taggart	53,584	53,584
Total paid to Company Directors	600,632	600,632
NA Richardson		37,646
Total paid to Group Directors	600,632	638,278

Insurance

The Company has arranged a Directors' and Officers' liability insurance policy to insure the Directors and employees of the Company and its subsidiaries in respect of those matters permitted to be insured against by section 162 of the Companies Act 1993 and the constitution of the Company.

Co-operative status

As required by section 10 of the Co-operative Companies Act 1996, the following resolution was passed by the Board on 31 July 2013. All Directors present voted in favour of the resolution:

That in the opinion of the Board of Directors, Ballance Agri-Nutrients Limited has through the year ended 31 May 2013 and since registration of the Company under the Co-operative Companies Act 1996 ("the Act"), been a Co-operative Company within the meaning of that Act.

The grounds for holding this opinion are that:

a) The principal activity of the Company is, and is stated in its constitution to be, "a co-operative activity" (as defined in the Act), that is supplying shareholders of the Company with fertiliser and related products and other goods and services;

b) Not less than 60% of the voting rights attaching to shares in the Company are held by "transacting shareholders" (as defined in the Act).

EMPLOYEE REMUNERATION

In accordance with section 211(1)(g) of the Companies Act 1993 the remuneration and other benefits in excess of $100,000 paid to current and former employees is reported below.

Total remuneration includes salary plus any benefits (e.g. subsidised medical insurance and superannuation contributions) including related tax, received in the capacity as an employee and excludes any contractual termination settlements. Company vehicles are provided for business purposes to some employees and are not included in the remuneration calculation.

REMUNERATION $NZ	# OF EMPLOYEES - GROUP	REMUNERATION $NZ	# OF EMPLOYEES - GROUP
100,000 - 110,000	25	200,001 - 210,000	3
110,001 - 120,000	47	220,001 - 230,000	4
120,001 - 130,000	35	230,001 - 240,000	1
130,001 - 140,000	14	250,001 - 260,000	2
140,001 - 150,000	18	270,001 - 280,000	1
150,001 - 160,000	10	290,001 - 300,000	1
160,001 - 170,000	4	350,001 - 360,000	1
170,001 - 180,000	6	360,001 - 370,000	1
180,001 - 190,000	9	390,001 - 400,000	1
190,001 - 200,000	2	1,010,001 – 1,020,000	1

TREND STATEMENT

FOR THE YEAR ENDED 31 MAY 2013. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES.

		2009	2010	2011	2012	2013
Group sales volumes	**tonnes**	1,115,000	1,173,000	1,396,000	1,441,000	**1,331,000**
Turnover	**$000**	828,038	692,879	760,148	915,213	**877,796**
	$/tonne	$743	$591	$545	$635	**$660**
Profits						
Trading result	**$000**	(5,972)	20,776	85,949	77,257	**92,623**
	$/tonne	($5)	$18	$62	$54	**$70**
Group profit retained	**$000**	(5,805)	5,542	24,721	20,532	**17,943**
- after distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies						
Cashflow						
From operations (prior to rebate payment)	**$000**	(89,207)	155,757	83,880	38,745	**123,399**
Capital and investment expenditure (net)	**$000**	47,201	10,233	20,972	72,750	**21,903**
Distributions to shareholders						
Rebates paid or proposed	**$000**	-	12,305	45,743	43,878	**61,659**
Dividends paid or proposed	**$000**	-	1,624	3,242	3,450	**3,581**
Dividend per share	**cps**	-	5.0	10.0	10.0	**10.0**
Rebate per tonne	**$/tonne**	-	$15.00	$46.00	$40.00	**$60.83**
Dividend - gross per quota tonne	**$/tonne**	-	$2.14	$4.29	$4.29	**$4.17**
Combined distribution - gross equivalent*	**$/tonne**	-	$17.14	$50.29	$44.29	**$65.00**
* Rebate and gross dividend equivalent for a fully paid shareholder						
Analysis of shareholders' equity						
Number of shareholders		18,394	18,182	17,981	18,239	**18,317**
Shares on issue	**$000**	33,482	32,484	32,421	34,500	**35,812**
Nominal share value	**$**	$7.00	$7.00	$7.00	$7.50	**$7.50**
Share quota per tonne		30	30	30	30	**30**
Investment per quota tonne	**$**	210.00	210.00	210.00	225.00	**225.00**
Co-op shareholders' equity	**$000**	279,102	298,794	328,542	362,938	**403,357**
Group shareholders' equity	**$000**	280,135	299,889	331,150	375,403	**404,323**
Group equity ratio		50.1%	65.3%	62.8%	64.2%	**71.2%**
Net asset backing per share	**$**	$8.34	$9.20	$10.13	$10.52	**$11.26**
Assets						
Total assets	**$000**	559,123	459,234	527,424	584,666	**567,603**
Working capital	**$000**	52,938	146,647	190,446	196,636	**214,175**
Ratio of current assets to current liabilities		1.2	2.5	2.5	2.8	**3.2**
Stock turn		3.8	2.7	3.0	3.8	**3.9**

INTRODUCTION

Ballance Agri-Nutrients Limited is a significant company in the New Zealand agricultural industry, supplying about half of the national solid fertiliser demand as well as other farm nutrient products, advice and services.

The Company is a farmer owned co-operative with approximately 18,300 shareholders who are also customers. The Board and management follow best practice corporate governance principles and processes suited to the requirements of a co-operative company and its shareholders.

The Board is committed to acting with integrity and expects high standards of behaviour and accountability from all of its Directors and employees. As part of this commitment, the Board has adopted this Corporate Governance Code relating to the function and conduct of the Board.

The Board's primary objective is the creation of shareholder value through execution of appropriate strategies and ensuring effective use of Company resources in providing customer satisfaction and helping New Zealand farmers to farm more profitably and sustainably. The Company will be a good employer and a responsible corporate citizen.

ROLE OF THE BOARD

The Board is responsible to shareholders for directing the management of their Co-operative through participation in the development of strategies, objectives and key policies.

Day-to-day running of the Company is delegated to the Chief Executive, and this is monitored by the Board to ensure business is carried out within the agreed framework.

The Board and its Code of Conduct is governed by the Company's Constitution and Board Charter which outline the Board's functions and operating procedures. Separate charters are established for most major sub-committees.

RISK MANAGEMENT

The Board is committed to the principle that it should regularly verify that the Company has appropriate processes in place to identify and manage potential and relevant risks.

A formal risk management process operates with the Board routinely monitoring those risks identified as potentially having a material impact on the Company.

BOARD MEMBERSHIP

The composition of the Ballance Board is reflective of the co-operative status of the Company.

The constitution transition arrangement for September 2012 set the size of the Board at seven Elected Directors from three wards, plus a maximum of three additional Directors appointed by the Board.

Two Elected Directors retire by rotation each three years and if more than one nomination is received for a vacancy an election is conducted with results confirmed at the shareholder Annual Meeting. Eligible retiring Directors can seek re-election.

Elected Directors must be shareholders of the Company through the quota shareholding of their farming enterprises with this interest declared and insider protocols applied at all times.

There are no Executive Directors. For the Directors' election in September 2013 the number of Directors able to represent Ward B is amended by the transition rules in the constitution to two Directors. The number of elected Directors will then be six, two elected from each ward. In addition there can be up to three Appointed Directors.

APPOINTED DIRECTORS

The Ballance constitution provides for the Board to appoint a maximum of three additional Directors but does not distinguish between independent and non-independent Directors.

Appointed Directors are selected based on a determined skill-set that will complement the existing Board. Currently each of the appointed positions is filled. Appointment is for an agreed term and is reconfirmed annually.

The Company considers the Appointed Directors do not have a direct or indirect interest or relationship that could reasonably influence, in a material way, the Directors' decisions in relation to the Company.

BOARD MEETINGS

The Chief Executive and the Chairman prepare a meeting agenda. Any member of the Board may request the addition of an item to the agenda. The Board met on ten occasions in the financial year ended 31 May 2013. The length of meetings is usually one day, extending to two days for meetings with special business, including, the annual strategic plan development and the annual shareholder meeting. Teleconference meetings are conducted in addition as required.

Direct engagement with shareholders is an important attribute of co-operative companies and at least two meetings incorporate shareholder functions.

Directors also represent the Company at numerous shareholder information meetings, major sponsored events including the Ballance Farm Environment Awards regional and national final events, at regional and national field days, at important industry and supporting industry events, and in making submissions to Government and other regulatory authorities.

BOARD REVIEW

Under a defined process regular reviews are conducted of the performance of individual Directors and the Board as a whole. This includes a confidential performance appraisal of each Director during each three-year term by all Board members with the Chairman responsible for discussing results with the Directors being assessed.

BOARD COMMITTEES

Three Board committees assist with governance and help guide effective decision making. They have terms of reference, reviewed annually, and report to the Board.

AUDIT COMMITTEE

The Audit Committee comprises four Directors and cannot be chaired by the Board Chairman. The current Chairman is Appointed Director David Pilkington. The Committee met seven times during the year including once by telephone conference.

It is Group policy to ensure that audit independence is maintained so that external financial reporting is reliable and credible. The policy covers non-audit services provided by the external auditors and their fees and billings.

The Audit Committee is responsible for:

- ensuring the quality and integrity of Group accountancy practices, policies and controls
- advising on the appointment of the external auditor
- reviewing audits of the Group's financial statements by external auditors
- overseeing the Group's internal audit and risk management programmes to ensure all key risks to the organisation are identified, assessed and mitigated
- reviewing any non-audit work carried out by the Company's auditors and assesses auditor independence.

At least once a year, the Chairman and Directors on this Committee meet with the external auditors privately without the presence of Company executives.

If required, the Committee has the power to seek any information to from employees to do its work and to obtain independent legal or other professional advice. In circumstances where a Director was to obtain separate advice from that obtained on behalf of the Group that advice would normally be provided to all Directors.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three Directors chaired by the Board Chairman.

The Remuneration Committee is responsible for:

- reviewing the Chief Executive's performance annually and determines his remuneration
- approving the remuneration of the Chief Executive's direct reports and any annual incentive payment targets
- setting the overall salary review level for the Company
- ensuring succession plans are in place for the Chief Executive and the position's direct reports.

Any proposal for significant change in Company-wide remuneration policies and programmes is dealt with by the full Board. The Committee met four times during the year and conducted teleconferences as required.

SHAREHOLDER COMMITTEE

The Shareholder Committee is responsible for reviewing fees paid to Directors. If any change is proposed, it makes appropriate recommendation to shareholders at the Annual Meeting.

The Committee has three members, elected by shareholders from each of the three electoral wards. It met once during the year and obtains independent advice on matters relevant to Director remuneration.

SHAREHOLDER COMMUNICATION

As a co-operative, Ballance places considerable importance on communicating with our shareholders.

Regular publications covering Company activities, Co-operative affairs and scientific advice are distributed and made available on our website.

An annual review with highlights of the financial performance is distributed to shareholders, and the full annual report is posted on the Company website, with hard copies available on request. Shareholders may raise matters for discussion at Annual Meetings and have the ultimate control in corporate governance by voting Directors on or off the Board.

CONTINUOUS DISCLOSURE

Ballance is not a listed company and is not governed by the NZX continuous disclosure rules.

HEALTH AND SAFETY

Ballance is committed to protecting all people – including employees, contractors, visitors, customers and the general community – from injury or illness as a result of our operations.

We take health and safety seriously and demonstrate this through our Zero Harm policy. We believe that no business activity should take priority over health and safety and that all incidents are preventable. While Directors and management have ultimate accountability, every employee of the Company has a responsibility for health and safety and we reinforce this in our induction programmes and employee briefings.

We maintain and continually improve our health and safety management system, accurately reporting and recording all incidents and accidents, and ensuring actions are taken to prevent similar incidents or accidents occurring.

The Board routinely monitors performance and developments in the area of health and safety. Management reports monthly to the Board on safety performance, key performance measures benchmarked to international best practice, trends and any continuous improvement initiatives introduced.

ENVIRONMENT

Ballance strives to ensure that our leadership, products, services, advice and operational responsibilities meet the highest environmental standards.

To achieve this, the Company has developed and implements environmental policies supported by a comprehensive environmental management system. It identifies environmental issues, and ensures they are well and consistently managed and support the continual improvement of operations to minimise use of resources and reduce waste.

The Company's research and development objectives are in alignment with its environmental objectives, with a programme of work underway aimed at increasing the productive capacity of the primary sector while reducing environmental impacts.

Environmental advocacy is a core function of the Company with Ballance working to advocate strongly on behalf of farmers in relation to government regulations on use of natural resources, with particular emphasis on science and nutrient management.

The fertiliser recommendations given by employees for the use of products sold by the Company are subject to a random audit. The audits ensure recommendations and nutrient advice is of the highest standard and that employees receive appropriate training and support. Audit outcomes are reported to the Board.

Management provides a monthly report to the Board on resource consent compliance and key environmental performance measures. The Board is routinely updated on environmental legislation, regulation and regional plans as these affect the Company's operations and the use of its products by shareholders and customers.

COMPANY DIRECTORY

BALLANCE AGRI-NUTRIENTS LIMITED

BOARD OF DIRECTORS

David Graham - Chairman
Kim Ellis - Appointed Director
John Harvey - Appointed Director
David Pilkington - Appointed Director
David Peacocke - Ward A Director
Oliver Saxton - Ward A Director
Gray Baldwin - Ward B Director
Dean Nikora - Ward B Director
Andrew Morrison - Ward C Director
Murray Taggart - Ward C Director

REGISTERED OFFICE

Hewletts Road, Mount Maunganui

SOLICITORS

Russell McVeagh
PO Box 8, Auckland

Sharp Tudhope
Private Bag, Tauranga

BANKERS

ANZ National Bank Limited

Hong Kong and Shanghai Banking Corporation Limited

Westpac Banking Corporation

AUDITORS

KPMG
PO Box 110, Tauranga

LEADERSHIP TEAM

Larry Bilodeau - Chief Executive
Greg Delaney - GM Fertiliser Operations and Distribution
Warwick de Vere - GM Corporate Services
Jack Herder - GM Supply
Richard Hopkins - Chief Financial Officer
Graeme Martin - GM AgInformation
John Maxwell - GM Petrochemicals and Super Air
Liz Muller - GM Agro-Science and Marketing
Andrew Reid - GM Sales
Graeme Smith - GM Animal Nutrition

BALLANCE AGRI-NUTRIENTS LIMITED HEAD OFFICE

Private Bag 12503, Tauranga
Phone 07 572 7900
Fax 07 575 6233
Email reception@ballance.co.nz
Freephone customer line 0800 222 090
Freephone shareholding division 0800 267 266
Website www.ballance.co.nz

BALLANCE AGRI-NUTRIENTS LIMITED – NORTH

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BALLANCE AGRI-NUTRIENTS LIMITED – SOUTH

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BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

PO Box 439, Hawera
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FARMWORKS SYSTEMS LIMITED

49 Manchester Street, Feilding
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Email info@farmworkssystems.co.nz
Website www.farmworkssystems.co.nz

SEALES WINSLOW LIMITED

Corner McRae and Anderson Streets, Morrinsville
Phone 07 889 6566
Fax 07 889 4025
Email sales@sealeswinslow.co.nz
Website www.sealeswinslow.co.nz

SUPER AIR LIMITED

Rukuhia, RD2, Hamilton
Phone 07 843 6066
Fax 07 848 9051
Email reception@superair.co.nz
Website www.superair.co.nz