

2022 ANNUAL REPORT

Investing for your future



ballance.co.nz



Together, creating the best soil and food on earth.



Pauline and Adrian Ball of Dennley Farms in Waikato were named 2019 National Ambassadors for Sustainable Farming and Growing

05

Governance & leadership

The directors of our Board and members of our Executive Leadership Team.



07

Chairman's report

Shaping the future.



09

CEO's report

Adapting and evolving for the future of our co-operative.



25

Innovating for a strong co-operative

How we are investing and innovating to help Kiwi farmers and growers produce world-leading, quality food.



11

Report card

Key measures of our performance for the 2022 financial year, including our return to shareholders.

15

Our business

A map of our global suppliers as well as our operations, network and partners here in New Zealand.

35

Focus on growth

Putting our national scale and capabilities behind decisions we make to grow our regions and sectors.

43

People at our core

The strength of the Ballance co-operative is demonstrated each day through our great people – our most powerful asset.

49

Sustainability

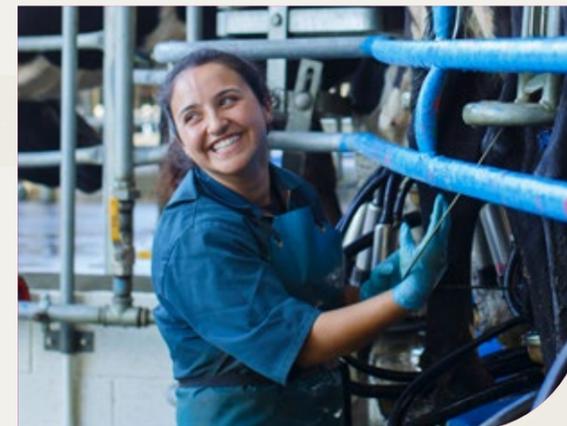
Where we have focused to make a meaningful difference.



17

Surety of supply

Ensuring a reliable supply of quality nutrients.



61

Balancing the numbers

Consolidated Income Statement	63
Consolidated Statement of Comprehensive Income	64
Consolidated Statement of Changes in Equity	65
Consolidated Balance Sheet	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	68
Independent Auditor's Report	84
Director's Interests	87
Trend Statement	90
Corporate Governance	91
Directory	93

Governance & leadership



DUNCAN COULL
CHAIRMAN, DIRECTOR NORTH ISLAND



DACEY BALLE
DIRECTOR NORTH ISLAND



SIMON ROBERTSON
APPOINTED DIRECTOR



MARK WYNNE
CHIEF EXECUTIVE OFFICER



DANI DARKE
DIRECTOR NORTH ISLAND



SARAH VON DADELSZEN
DIRECTOR NORTH ISLAND



MATT SKILTON
CHIEF FINANCIAL OFFICER



SHEENA HENDERSON
GM CUSTOMER EXPERIENCE
& MARKETING



ALBERT BRANTLEY
APPOINTED DIRECTOR



ANDREW MORRISON
DIRECTOR SOUTH ISLAND



SHANE DUFAUR
GM OPERATIONS & SUPPLY CHAIN



JASON MINKHORST
GM SALES



MICHELE KERNAHAN
APPOINTED DIRECTOR



CAMERON HENDERSON
DIRECTOR SOUTH ISLAND



JACQUELINE RICH
GM PEOPLE & CAPABILITY



DAVID HEALY
CHIEF DIGITAL OFFICER



WILL GRAYLING
ASSOCIATE DIRECTOR

Chairman's report



Shaping the future

Profit before rebate and tax

\$112_m

Group sales

1.583_m

tonnes

The Board has elected to retain \$56m as part of the Group's strategy for investing in a low emissions carbon-neutral future for locally manufactured nutrients.

Shareholder rebate of

\$30

per tonne

A total of

\$37_m

returned to farmers and growers

If there is one thing certain about the world we live in at present, it is the uncertain and unpredictable environment we live and operate in. Our approach to this, how we adapt and navigate our business, will determine our level of success.

Despite these challenges I firmly believe the New Zealand primary sector is in good shape with a very positive outlook. As the world continues to grow, so does the need for food, and food produced with a sustainable footprint will attract a premium. We are well positioned as sustainable producers, but this is not an end point. We must continue to strive to do more - it's what our customers and communities expect, and I know, as a fellow farmer and grower, it's what we all want to do.

I want to acknowledge the people within Ballance, who are critical to our success. Their ability to navigate through challenges both at home, with COVID-19 interruptions, and abroad, with logistics and supply interruption as the impact of the Ukraine invasion is felt. This has required all of team Ballance to work together with absolute focus on delivering for our shareholders, supplying nutrients and advice when needed, with efficiency front of mind to limit exposure to escalating raw material costs.

The headline numbers with this year's financial results don't paint a true picture of the efforts the business has made to buffer the volatility and rising costs of raw materials around the world. Absorbing that volatility to provide stability and products fit for use for our farmers and growers was a focus for the business. Your investment in manufacturing assets in New Zealand and, in particular our Kapuni manufacturing plant, were rewarded in providing some respectability to our overall financial performance.

As a country we have signed up to do what's right and play our part in reducing our emissions profile to tackle climate change. This is impacting us all in the way we think about our business moving forward. We need to address how we do more with less, maintaining productivity with a lighter footprint.

In Kapuni we have a large emissions profile, which we have a responsibility to reduce over time. We have a substantive programme of work underway to understand how we best approach this. As a Board, we are committed in principle to this journey, with some key decisions to be made around feasibility, capital and benefits back to you as shareholders.

What we do know is that, if feasible, it will require investment at scale and as such, the board has taken a view that our focus needs to be on building balance sheet resilience to support this investment through increased retentions. Those retentions will be a feature of our approach to how profits are allocated for the foreseeable future.

Respect for shareholder capital is always at the forefront of mind as we make decisions around the business today and into the future. As increased resilience is built into the balance sheet, so will the value of the investment you hold in your co-operative.

On behalf of the Board and all Ballance, I want to thank you our shareholders for your continued loyalty - this is not something we take lightly. As a Board, we are firmly focused on ensuring decisions made today have a positive impact for you and for future generations of our co-operative.

I wish you all well for the year ahead.

Duncan Coull
CHAIRMAN

Adapting and evolving for the future of our co-operative

Farmers and growers came together over 60 years ago to form our co-operative with the primary purpose of providing an affordable and reliable source of nutrients. The local manufacture and supply of fertiliser is fundamental to New Zealand's food and fibre sector and New Zealand's economy. International product shortages have highlighted the critical importance for farmers and growers to have an affordable and reliable supply of nutrients through local manufacture.

Faced with further uncertainty and challenges, surety of supply is more important than ever, and this was at the forefront of our mind as we navigated the 2022 financial year. I want to thank each member of our team, our shareholders and customers for their hard work and commitment, which resulted in a strong year for our co-operative.

Kapuni

Our long-standing and trusted relationships with global suppliers helped us mitigate most supply challenges, in particular our long-term gas supply contract at our Kapuni site. This enabled the supply and manufacture of competitively priced urea, about 30% of our volume.

Going forward, our assets in Kapuni represent our greatest opportunity to decarbonise our operations. This is part of our strategy to invest in a low emissions, carbon-neutral future for locally manufactured nutrients. This will be a significant investment on behalf of our shareholders but will ensure we can continue to provide a reliable and sustainable supply of quality nutrients for Kiwi farmers and growers.

Adapting the way we work

Volatility in the global trade of nutrients impacted pricing worldwide. We used forward buying, and revised international supply lead-times to reduce the potential for product shortages – however prices for raw material, product and freight keep rising far higher than predicated.

Our strategy has enabled us to smooth some of this volatility but we cannot avoid the trends of the world market.

We looked at other opportunities to generate revenue, such as stepping up production of GoClear® (AdBlue certified diesel exhaust fluid) to meet demands caused by a global shortage of urea and subsequently, AdBlue. Similarly, we made savings by substituting imported sulphuric acid with increased domestic sulphuric acid production from our Mount Operations.

Personnel and product shortages presented challenges for statutory turnarounds at our Kapuni and Mount Operations sites, as well as an opportunity to show our depth of skill, talent, experience, and high levels of resilience. We achieved both multi-million dollar turnarounds with minimal impact on production.

Evolving to stay ahead

Looking forward, we continue to support our customers with science-backed innovation and guidance, as they respond to change and remain sustainable and productive. Our SuperPlus® product, which we launched this year, has performance and financial benefits for our customers, as well as environmental benefits, using less energy to manufacture and producing less on-farm emissions.

This year, we proudly launched the first project in our Future Ready Farms programme of work, which is co-funded by the Ministry for Primary Industries (MPI) and aims to help farmers and growers meet national environmental targets.

Super Air has expanded nationally, and our geospatial team has ensured that its SpreadSmart® technology continues to drive productivity through precision application, providing bankable benefits to our customers.

This year we invested \$95m into our large capital programme currently underway, which will help us grow with

the market and support customers into the future, across multiple sectors. The building of our Whangārei hub will help expand our footprint and improve our service to the region's growing agriculture, horticulture and arable markets, and our turnaround in Kapuni this year ensures this major asset is in optimal condition for the next operating cycle.

As we reflect on the year, we can be proud of the way we have evolved and adapted to achieve surety of supply for our shareholders.

Our strategy to focus on locally manufactured product drove a strong performance in 2022. We increased the volume through our manufacturing sites by 113,000 tonnes and were proud to pass on \$54m of price benefits to our customers to lessen the impact of increased international commodity prices.

Together, we have produced another strong year for our co-operative, and I'd like to thank you for the part you played in 2022.



Mark Wynne
CHIEF EXECUTIVE OFFICER

CEO's report



Report card

Group sales
1.583
MILLION TONNES

Revenue
before rebate
\$1.195
BILLION

Profit
before rebate & tax
\$112
MILLION

Our co-operative

We are investing in a low emissions future so we can continue to provide a reliable and sustainable supply of quality nutrients for current and future generations of Kiwi farmers and growers. The Ballance Board has therefore elected to retain \$56m to facilitate this. Alongside this, we are pleased to announce a shareholder rebate of \$30 per tonne, a total of

\$37 m

returned to farmers and growers

Shareholder
Rebate
\$30
PER TONNE



Financial highlights

\$54m

in price benefits passed on to farmers and growers to ease the impact of rising commodity prices internationally

\$95m

in capital invested to ensure infrastructure is future ready

\$14m

in bankable benefits to farmers through the spreading of 512,000 hectares using SpreadSmart® technology, optimising growth opportunities in hill country

920,000T

of product manufactured locally in New Zealand by our great people and distributed by our service centres, silos and spread partners around New Zealand



SuperPlus® sold at

130%

compared to budget since launch

1ST

project in our Future Ready Farms programme of work to hit the market - Soil Health Check

Sales of SurePhos® have grown

77%

annually since it was launched in 2019

SealesWinslow grew

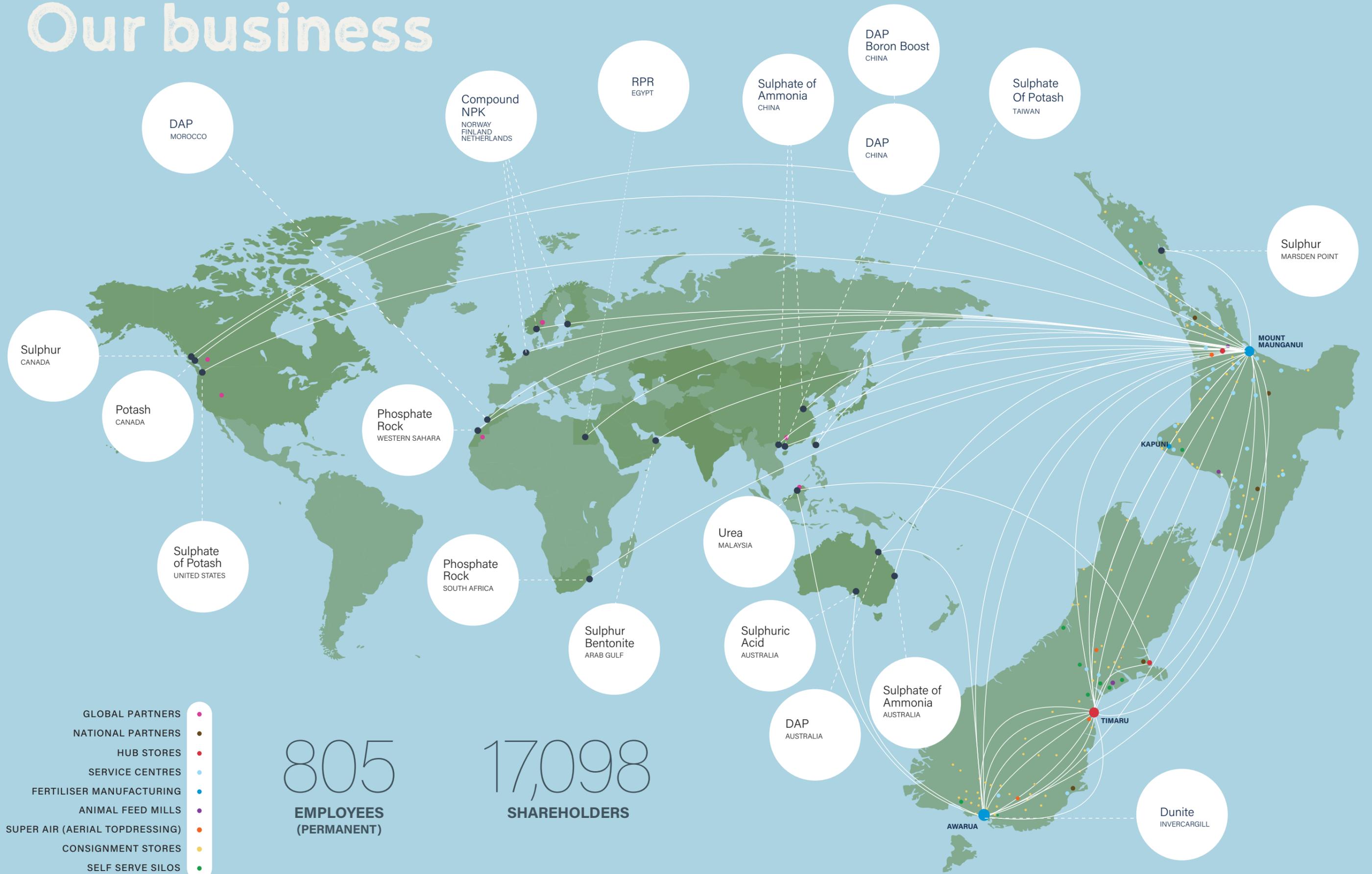
26%

as farmers optimised productivity gains



Members of the Ballance People & Capability team

Our business



- GLOBAL PARTNERS
- NATIONAL PARTNERS
- HUB STORES
- SERVICE CENTRES
- FERTILISER MANUFACTURING
- ANIMAL FEED MILLS
- SUPER AIR (AERIAL TOPDRESSING)
- CONSIGNMENT STORES
- SELF SERVE SILOS

805
EMPLOYEES
(PERMANENT)

17,098
SHAREHOLDERS



Surety of supply

Mark Cohen from the Maru Street Service Centre

The value of a co-operative

Our focus has been ensuring a reliable supply of quality nutrients.

Alongside change in the regulatory space, this last twelve months has seen significant supply disruption globally. From ongoing impacts of COVID-19 and the northern hemisphere energy crisis, to the invasion of Ukraine and the effects of climate change, the impacts have been significant.

The value of a co-operative lies in helping each other to ensure we're all successful.

For Ballance shareholders, a key benefit is the assurance of supply – receiving a reliable supply of quality nutrients to continue operating and contributing to the prosperity of our primary industry, and ultimately New Zealand as a whole. To ensure we maintain supply excellence for our customers, even when challenges

present themselves, we need to evolve the way we do things, the same way that our shareholders are asked to keep up with an ever-changing regulatory landscape.

We refined our strategy, to produce and sell greater volumes of products through our manufacturing sites in an effort to minimise disruption caused by an unstable global market – with the key purpose of ensuring we can keep New Zealand going. As well as making commercial sense, this strategy gives customers the benefit of new, innovative, locally manufactured fertiliser products as well as supporting employment security and development opportunities for our people.



Our manufacturing strategy is about working together towards a successful and sustainable future for farming and growing in New Zealand.

The benefits of local manufacture

 **Creating value for shareholders**

Produce and sell greater volumes through our sites

 **Surety of supply**

Minimise disruption from an unstable global market

 **Customer benefits**

New, sustainable, innovative, locally manufactured fertiliser products

 **Care for our people**

Support employment security and development opportunities for our people

Navigating global challenges to ensure surety of supply for New Zealand

Alongside the impact of COVID-19 on supply chains and international freight, we saw an energy crisis evolve in Europe.

The result is that nations have become aware of the importance of fertiliser in ensuring food for their people. Food security has become the highest priority across the globe with many governments introducing protectionist trade policies to ensure they can feed their populations. China's introduction of export controls for key nutrients such as nitrogen and phosphate in October 2021, saw a significant restructuring of these markets, not to mention material increases in prices because of supply and demand imbalances.

Sanctions were a key feature of FY22, with existing ones on Belarus being strengthened, followed by a raft of new ones imposed on Russia following the Ukraine invasion.

We are immensely proud of our people who have gone the extra mile for our shareholders. Our supply network is robust because of the commitment and care of our people.

Our long-standing procurement partnerships demonstrated their value in FY22. In particular, our gas contract at Kapuni enabled us to retain value for reinvestment in the future of this asset. Across our broader nutrient business, we leveraged value to do what we could to ease the pricing impact, recognising that almost all nutrient pricing reached decade high pricing. We used proactive placements of orders well in advance of normal lead times, and leveraged the strategic relationships we have cultivated, in some cases, over many decades with our supply partners. With border closures in place for much of this year, being able to rely on these relationships has been instrumental in meeting these changes.

COVID-19 issues have not only impacted the supply of materials but also presented challenges in securing personnel.

Careful planning and management meant that our manufacturing sites continued to function and keep up with an increased demand for locally manufactured products, as well as significant capital investment at all three of our fertiliser sites.

Pricing

Already high pricing, led by sanctions, China's export controls, and the increasing price of gas, was further exacerbated following the Ukraine invasion, with supply to many European nations restrained. As a result, pricing levels, for many products, were above what we experienced during the 2008 Global Financial Crisis (GFC).

We passed on
\$54m
of price benefits to our customers to ease the impact of rising commodity prices internationally.

Our local manufacturing ensured best value in a rapidly escalating environment. Following droughts in several regions, we reduced the price of Sustain[®] and urea by \$50/T, to help farmers affected by the delays in meat processing caused by the Omicron outbreak. Animal care is one of the pillars of our Ballance with Nature philosophy, because we know farmers care for their animals as well as their land. It was important to us to help avoid feed shortages in the lead up to winter, as farmers were forced to carry stock longer than planned.

As a critical business we have been able to continue to operate and serve our shareholders and we consider this a privilege.



The strategic importance of Kapuni

The value of our Kapuni asset was further highlighted in FY22. Local manufacture meant we were able to ensure uninterrupted supply of quality nitrogenous products to our farmers and growers. And our long term gas contract saw us navigate through the northern hemisphere energy crisis with minimal impact, driving a strong return on investment for the co-operative.

Again we are seeing these strategic partnerships deliver value for our shareholders. We've retained earnings this year as we look to a low emissions future, but we are also being prudent. We have, like our shareholders, seen large increases in raw material costs which means our inventory value is now significantly higher than it was a year ago, which was already higher than the year prior. In addition, because of supply disruptions we have evolved from a "just in time" philosophy in our supply chain to a "just in case" approach.

We know how vital surety of supply is for our customers and shareholders. As a result, our working capital requirements are much greater now than they ever have been in the past. We anticipate the global commodities market will correct at some point as it has in the past (GFC) and will do what we can to make this a smooth landing with as minimal inventory correction as possible. Unfortunately this is led by forces bigger than us. There will be some pain for our co-operative as this re-balancing plays out.

As we look to the future with our Kapuni asset, we believe it remains strategically important for the industry and New Zealand. To ensure its future we need to invest in programmes that lower the level of scope 1 and 2 emissions, but also reduce its carbon footprint. This has played a significant role in the retention of funds for this financial year.

Our biggest investments this year

We continue to reinvest in the assets which help us produce strong results for our co-operative. This includes new capital projects that will enable our operations to be fit for purpose into the future.

Our Northland project, to grow our footprint and improve our service offering to farmers and growers in the region, has made excellent progress. Our new service centre at Marsden Point opened in June last year and began operations in July.

The dispatch plant settled well with minimal teething problems from the start, and we've received great customer feedback. Over 6000 tonnes were dispatched to customers in the first eleven months and five bulk shipments have been received into Marsden Point. We expect business to continue growing this year.

The final piece of our Northland project is the development of a new hub and bagging facility in Whangārei to service the region's growing horticulture market. After two years of planning and design, construction began in November last year, with local Iwi carrying out a pre-dawn ceremony to bless the site. In May, five containers carrying units of the plant were dispatched from the Netherlands, and once installed, we plan to have the site operational by early 2023. The team has demonstrated process improvements along the way to ensure we are in the best shape possible when the new hub opens for business. This is notwithstanding COVID-19 impacts on our construction workforce and international shipping constraints posing schedule risk in delivery of some equipment.

This year, we completed a significant statutory turnaround, our biennial site maintenance programme, at our Kapuni site. This was well managed despite border closures resulting in personnel shortages and the ongoing impact of COVID-19 on personnel and materials supply.

The primary objective of the 2022 Kapuni turnaround was to renew the site's license to operate and reset plant efficiencies and overall equipment effectiveness to optimum conditions for the next operating cycle. This was a significant programme of work with all safety systems checked and an investment of \$22 million. The turnaround included 90,000 man hours carried out by a workforce of 600 people, predominantly local. It also involved the relocation of the new control room and laboratory and the commissioning of an emissions management system. It was delivered successfully thanks to the capability and commitment of our people and our community of partners.



Quality

Consistent quality is a big part of supply excellence and this year all three of our manufacturing sites achieved this. The blend change and increase in nutrient density from 9.0 to 9.5% total phosphate for the development of our new SuperPlus[®] product was a key focus for us this year. To achieve this, contributions spanned all corners of the business, with operations and supply chain excelling in transforming to deliver real market differentiation and value add for shareholders.

Throughout this transition, both our superphosphate plants, Mount Maunganui and Awarua, have continued to manufacture consistently high chemical quality of product as supported by Fertmark accreditation. SuperPlus[®] has demonstrated increased granule strength to support better material handling and spreading, ultimately improving the experience for our customers. With refinements in our manufacturing process, we also reduced the energy needed to make the product.

At a group level, our complaints from customers about quality continue to decrease and currently sit at
0.043
per 1000T

At Kapuni, our laboratory was moved into a new building during the turnaround with all equipment set up, IANZ certified and recalibrated before equipment was required for the plant restart, all while maintaining accreditation.

Further efforts via our business intelligence reporting dashboard, enabling easier and more interactive access to Quality Notifications, will help us reduce this further in the future. Quality is part of our service promise to our customers, and we maintain leadership focus here.

Kapuni turnaround

\$22m	600
Investment	People
90,000	
Man hours	





Keeping New Zealand moving

The domestic heavy transport industry is an integral part of our supply chain, as it is for many others. This year, international shortages of urea saw a global shortage of AdBlue, the diesel exhaust fluid that reduces nitric oxide emissions in modern diesel engines, including trucks used in our network.

Our Kapuni site has been producing our AdBlue-certified GoClear® product since the mid-2000s but stepped-up production to meet demands caused by the shortage, offering a local solution for New Zealand's trucking industry. In November, we supplied one of New Zealand's biggest AdBlue distributors with one million litres of GoClear®, at which time the domestic market was within days of running out of diesel fuel additive.

Since then, our Kapuni site has produced up to 2.4 million litres of GoClear® per month, to keep New Zealand's supply chain sustainable.

We manufactured one million litres of GoClear® and kept New Zealand moving.



Match fit

Ensuring we are match fit means improving what we do to provide our customers with fertiliser when they need it. In light of the global supply disruption, we had to do things differently. We refined our procurement strategy and our sales and operations planning processes, and leveraged our relationships with key partners to ensure we deliver on our promises to our customers.

In our manufacturing sites and service centres, our on-site management system ensures we are committed to continuous improvement. Our inventory management has evolved from a "just in time" to a "just in case" model and enables us to hold more inventory. Our MyStore system ensures we can quickly refill our stores and our people throughout our network to ensure that this great agility enables surety of supply for our customers.



Our Te Kōpuru self serve silo

Further reducing our footprint

Ballance is committed to helping our shareholder customers and New Zealand achieve significant environmental aspirations. We invest heavily in creating products and tools to enable productive farming, sustainably, and in providing advice that ensures right product, right place, right amount, right time.

We are committed to being sustainable from the inside, out.

We know we have work to do in our business to further reduce our operational footprint. Our two big contributors are Kapuni in the local manufacture of urea and our onshore transport emissions.

Looking long-term, we are committed at a governance level to decarbonising our Kapuni ammonia-urea plant, through staged investment in new and emerging technologies over the next 10 to 12 years, a significant investment. We believe there is opportunity to remove up to 90% of our manufacturing emissions. This can be achieved by investing in electrochemical facilities such as electrolyzers, synthetic ammonia plant, and other emerging decarbonisation technologies, all of which can be powered by electricity from renewable energy sources. To be successful the investment requires affordable renewable electricity as well as confidence in a consistent, supportive regulatory environment.

Our focus on transport emissions continues to be about reducing "waste." Ensuring efficient runs, back filling truck runs, utilising our transport management system, Market2X and working on extracting more from our sales and operations planning, which was not easy in current conditions. These tactics go hand in hand with sustainability and productivity.

We have invested in several electric forklifts, to test their viability in the future. Electric vehicles have many benefits, including rapid charging speeds, less emissions, and less maintenance required. Should this trial prove successful, Ballance would look to replace its fleet of 80 diesel forklifts with the electric alternatives as they reach end-of-life.

With respect to the environmental practices around our supply network, we operate a "centralised and decentralised" approach. The site leaders champion and are accountable for all aspects of sustainability on their site – people, planet, profit. However, centrally we have an environmental leader who ensures best practice and integration of environmental practices into the site management plan and into on-site management practice so it's lived and gets the right focus. This includes risk assessments and performance metrics that are tracked to ensure we continually improve, and show our commitment to walking the talk. As such, you may notice site enhancements continue to be made at our sites including the planting of rain gardens to capture surface water and nutrient run-off, to protect the surrounding waterways and ensure those nutrients go to good use.

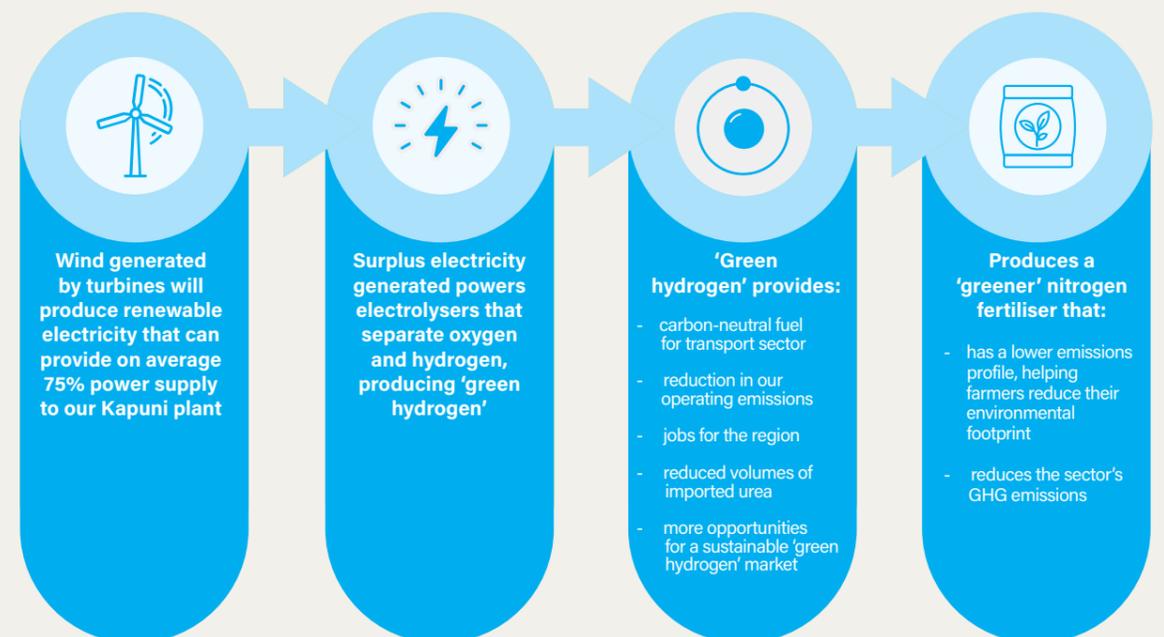


We know we can play a significant role in reducing emissions, which is why decarbonisation of our local manufacturing is part of our long-term strategy.

'Green' hydrogen

We remain committed and positive about our joint venture with Hiringa Energy to produce 'green' hydrogen from renewable energy. The venture applied, under a new fast-tracked consenting process, to build four, 206-metre-tall wind turbines. An expert panel granted the consent, with conditions, giving the project the green light. It was hoped construction would be underway in 2022 to install the turbines, ahead of generation beginning in 2023. The electricity generated is planned to be transferred to Kapuni to produce 'green' hydrogen from water. Initially, all the hydrogen will be used in the production of green urea and will eventually be used to fuel the heavy transport sector. The turbines are a critical component of the project, which aims to accelerate New Zealand's transition to a zero emission, hydrogen-based heavy-transport network. 'Green' hydrogen will make a significant contribution towards our national Net Zero by 2050 emissions targets.

Our 'green' hydrogen project, in partnership with Hiringa Energy



CASE STUDY

Driving supply excellence

On any given day, our Hastings Service Centre team can be seen completing activities and tasks to ensure we deliver supply excellence for our customers. From the early morning operational planning meeting to the mobile plant and equipment checks, material cycle counts and transfers, to cleaning and maintenance. The team is disciplined in their execution and constantly looking for opportunities to improve. Then they do it all again the next day, only better.

This activity is happening across our network from Waipapa to Invercargill, as part of the Ballance Production System (BPS) – a management system that ensures we consistently provide a reliable supply of quality nutrients, keep our people safe and guarantee our equipment is in good working order. Because at Ballance, we believe that well-planned work delivers great outcomes and supply excellence.

BPS is how we win for our customers and defines the work standards we adhere to across our network. It ensures we use the right methods for consistent outcomes and provides a framework to transfer knowledge and experience from individuals to the business.

Jonny Reay, Ballance's National Distribution Manager, has placed BPS at the core of his team's supply excellence strategy: "Business performance and our drive for relentless improvement does not happen by chance. We articulate the

service-led outcomes that our teams and business want to achieve, and our BPS management system ensures our path to success. Well defined processes and a systemic approach to verification of these processes is a fundamental pillar of our BPS journey."

BPS provides standardisation to create consistency in how we do business across our network but allows for our local teams, like our Hastings team, to adjust for their specific regional needs. BPS is kept top of mind, through posters on the walls, in the store and in the yard. The priorities for the day, the week and the quarter are clear and are getting done. It helps the entire team focus on performance, and what actions to take to keep winning. Teams are empowered to continuously improve, to come up with ideas and suggestions to enhance performance. These improvements are shared and adopted across the network, and if you are new to Ballance, BPS helps you quickly learn to deliver the same

great outcomes as your experienced colleagues. Because it's easier to bring your best self to work every day when things are organised for success and your team is recognised for this.

BPS originated from a strong history in manufacturing. In fact, we're standing on the shoulders of giants with the management systems at Kapuni, Awarua and Mount Operations sites lauded for excellence. In partnership with our advisors, Productivity People Limited, we have brought this together across operations and on-shore supply chain and have right-sized our approach to supply excellence for our distribution hubs and service centres.

The team at Hastings have been at the forefront of adopting the BPS way of working for the past year. Daniel Mason, Hastings Service Centre Manager says "It's about making the hard stuff easy and getting the team on the same page. The standard approach and systems mean things happen and will continue to happen regardless of who is on site. Plant reliability has increased and the unexpected, breakdowns and disruptions have decreased. The team have taken ownership of the tools and have really made them fit for purpose, providing a great benefit to how we operate as a team."

Across our network, our team have said that getting quality nutrients to our customers on time has become easier with BPS. This has been due to better communication, clearer priorities, routine tasks being completed on time, and problems being solved. Hugh Eaglesome, Hastings Service Centre Operator sees the benefits.

"I guess for me BPS is a great start to each day, setting goals and visually seeing what was achieved the previous day, making sure we are all on the same waka."

Daniel Mason and Hugh Eaglesome from the Ballance Hastings Service Centre

Innovating for a strong co-operative



Andre Westenberg with Angus Dowson from our Farm Sustainability Services team

When a co-operative is strong and works well, all members succeed. The Ballance co-operative model remains as important today as it was when our shareholders formed us over 60 years ago. Helping Kiwi farmers and growers produce world-leading quality food and fibre is reflected in our purpose: Together, growing the best soil and food on earth.

Sustainability products innovated with New Zealand farmers for New Zealand farmers

Our shareholders are innovators and leaders in sustainable food and fibre production. Along with products we source globally, we invest and innovate in our locally manufactured assets to ensure we offer a range that is right not just for New Zealand soil and conditions, but for New Zealand farming and growing systems.

Ballance continues to be New Zealand's leading innovator of sustainable agri-nutrients. We work with experts locally and internationally, verifying our claims both agronomically and environmentally via independent New Zealand trials.

SurePhos® is a slow-release phosphate fertiliser which gradually releases into the soil, reducing phosphate loss by up to 75%*. Following the successful North Island launch of SurePhos® in 2019, we have recently launched SuperPlus®, the most powerful single superphosphate (SSP) on the market, differentiating our superphosphate offering from our competitors. SuperPlus® provides farmers with a higher percentage of phosphorous for strong, healthy plant growth, while the ability to apply more nutrients at once, saves them money on both units of phosphate and spreading costs. Essentially, customers are getting more nutrients at a lower applied cost than standard superphosphate products. SuperPlus® also has environmental benefits both on-farm and in the production process, meaning farmers can be confident in their decision to apply a stronger formula, less frequently. It has four times lower CO₂ emissions than other phosphate sources such as DAP** but also requires less energy and is less energy intensive to produce. The higher specification of SuperPlus® distinguishes us in the market and initial results have been very positive. In its first three weeks since launch, the product sold at 116% of forecast and 140% of budget across the country.

Benefits of



Strong performance

Contains a higher % of phosphorous for strong, healthy plant growth.



Cost effective

Provides more nutrients at a lower applied cost, saving money.



Lower emissions

Four times lower CO₂ emissions than other phosphate sources such as DAP**.



Less energy used

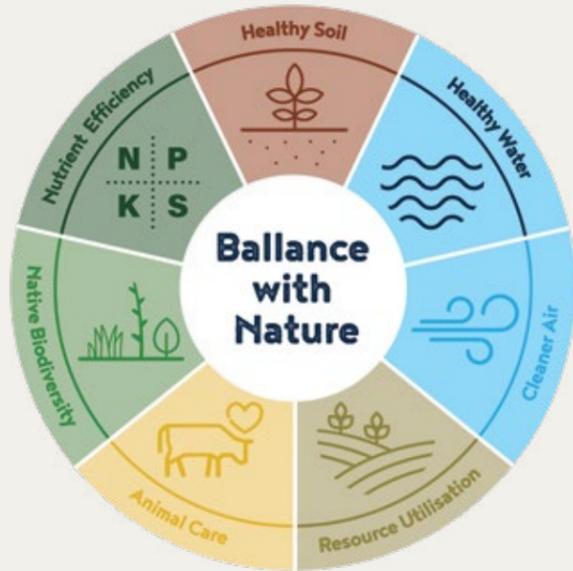
Requires less energy and is less energy intensive to produce.



*Relative to superphosphate products. **DAP emissions include ammonium nitrate production.

Balance with Nature

Balance with Nature is our sustainability promise to help farmers and growers to operate both productively and sustainably, and in doing so care for our unique natural resources for generations to come. This is led from the heart and backed by proven science. We will continue to invest in this promise, so we can support them to lead, and to adjust to such things as new government regulations, changing social licence and consumer demand for a more transparent supply chain. We need to stay ahead of the curve so we can help our shareholders be ready for what tomorrow brings.



Future Ready Farms

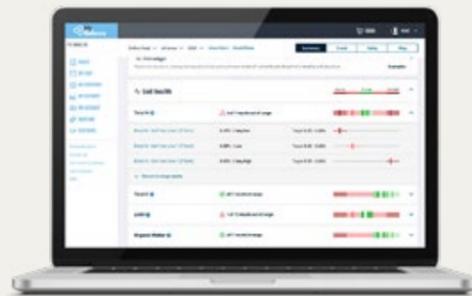
Our Future Ready Farms programme of work, which is co-funded by the Government's Sustainable Food and Fibre Futures fund, has progressed well this year. The 12 projects, each at varying stages of development within the programme, are aimed at helping farmers and growers meet national environmental targets for reducing greenhouse gas emissions, agricultural chemical use, and nutrient loss to waterways. For our customers, working to lower their environmental footprint isn't new, but through this programme of work we hope to make a meaningful and positive difference in New Zealand's collective efforts to move towards a lower emissions economy.



This year, we launched the first of our projects. Soil Health Check is a tool that informs customers about the health of their soil – biological and chemical – and is available to farmers through their Nutrient Specialist, with results appearing in their MyBallance account. Healthy soil creates healthy plants, which creates healthy animals and ensures optimal nutrient performance.



Co-developed with  Manaaki Whenua Landcare Research



Regulatory changes a step at a time

With new government regulations taking effect and more approaching, shareholders across the nation are working hard to implement changes to their farming and growing systems. This year, customers have been seeking advice and examples of "implementation in action", as they sought to carry out this work. Throughout the year our priority shifted from helping break down the complex policies and science, to assisting with implementing these changes. We produced a follow-up edition to last year's successful *Grow* publication, called *Grow: Environmental Regulations 1 Year on Special Edition*. The magazine looks at each of the three policy areas and highlighted how we can provide support. The special edition can be downloaded from our website using the QR code below. Changes in regulations continue to affect our farmers and growers, and we stay committed to helping them navigate these changes by breaking down the science and explaining how it will affect them. Both editions have been well-received by our customers, councils and rural professionals.



Download your free copy of *Grow*



Part of the New Zealand food story

New Zealand is a global leader in sustainable food and fibre production thanks to our ideal climate, our rich natural resources, including our young soils, the unique way we produce food, and the smarts of our farmers and growers.

At Ballance, we are privileged to be a part of the New Zealand food story. Our role is at the start of a long supply chain, which ends with our shareholders' premium product being purchased by global consumers around the world. Producing quality food to feed a growing global population has its challenges, but it also presents opportunities. We believe in the resilience and smarts of Kiwi farmers and growers to embrace these opportunities by continuing to innovate and think differently, ensuring their businesses thrive. (See Case Study on pg 34).

Helping our customers grow

Our sales team has been working to ensure customers get the right level of service and capacity within our team to grow with each sector. After an extensive review of our sales regions, we realigned boundaries, to improve the distribution of our customer portfolios. We also realigned roles within the team, building career capability pathways and career succession opportunities for our people to grow and develop into. Both leadership effectiveness and engagement lifted as a result. We've refocused our team of high performing sales leaders, building on our sales culture to enable the right level of service and product at the right time of year.

Award-winning customer service

Providing reliable, consistent and accessible customer service remains key to our business. Our Customer Services team, like many parts of the business, have had a big year, facing and overcoming many challenges. In November, their success and achievements were celebrated by the industry

at the National Contact Centre awards. The team took out the Customer Service Agent of the Year award, and the Farming Support Services major industry award. This is the fourth time the team has taken home the award in the past six years.



Digital tools to make it easier

With so much change – economic, social and regulatory – Kiwi farmers and growers seek simple technology tools to help them navigate change and spend time and energy on what they love, their farm and their family.

The MyBallance digital platform gives our customers the convenience of running the nutrient dependent aspects of their business from their mobile device, tablet or laptop.

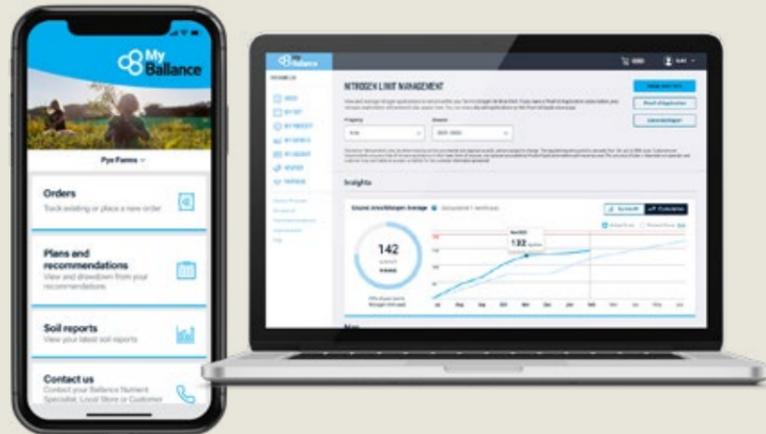
There are now over
13,000
registered MyBallance users
\$21m

of “on the go” orders have been placed through the MyBallance App since it launched

We continue to add more features to make it simpler and easier for our customers to manage their nutrients and track their performance at the touch of a button. Most importantly, we’ve added a Nitrogen Limit Management dashboard, which makes it easier to track nitrogen usage by property and season to ensure they remain within the limits.

New features added to **MyBallance**

- Nitrogen Limit Management** Track nitrogen usage by property and season to stay within limits
- Multi rate request spread** Customers can specify different spread rates within one spread across several paddocks
- TracMap integration** Requests sent directly to TracMap; proof of application data automatically flowed back into MyBallance
- Soil Health Check** Measures chemical & biological soil composition, with results used to optimise nutrient performance
- Bag rounding** For improved efficiency, we help make bag sizing choices when order volumes do not result in full bags

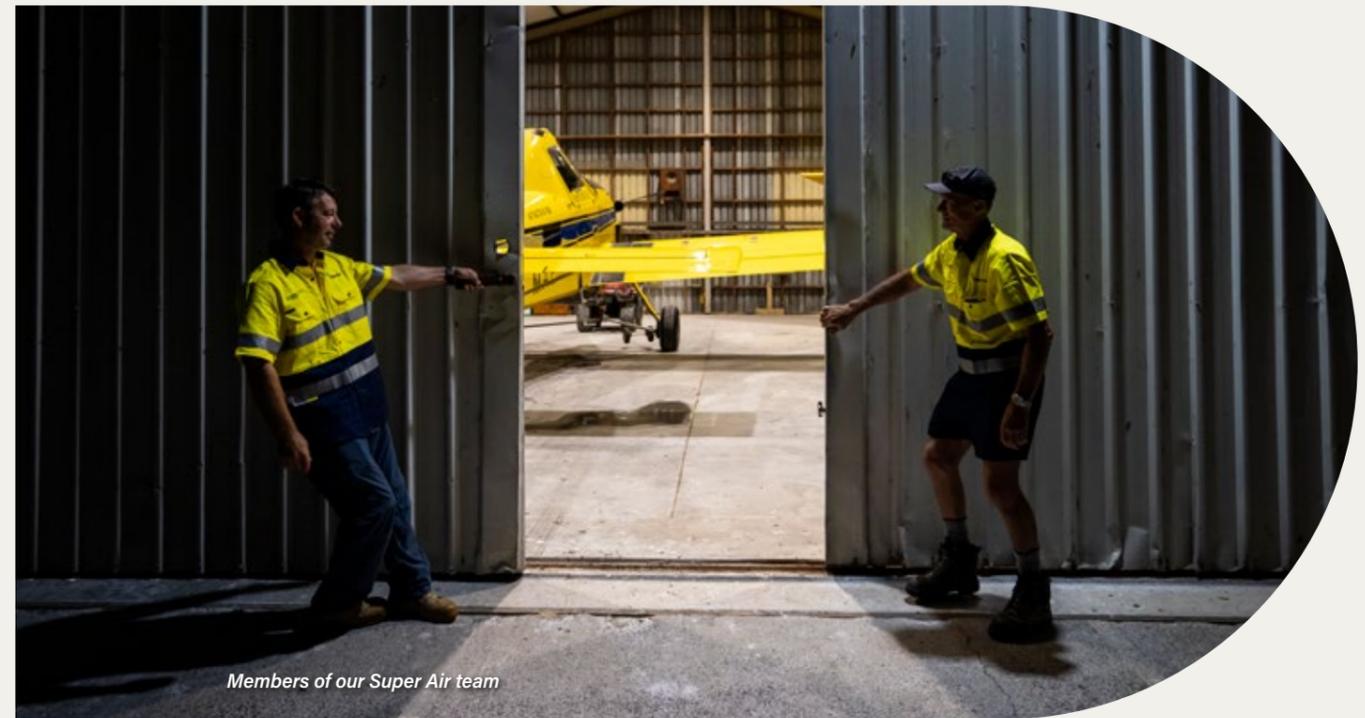


Migration to the cloud

We are currently undertaking a project to migrate our technology to the cloud, which will modernise and enable our strategic visions for our information systems. This project, which will take place over several years, has been split into three phases and will enable further innovations and growth in our IT systems, while protecting our current customer base. Phase one was successfully completed this year and saw our core SAP system successfully moved to the cloud and a stable environment created for the next phase. Phase two will enable us to further evolve MyBallance, making life easier for our customers and partners.

“Ballance Agri-Nutrients’ migration to SAP cloud solutions, achieved in just five months, has enabled the business to focus more time and resource on driving greater value for customers, rather than on keeping its systems running. We’re incredibly proud of our partnership and of how SAP technology is supporting Ballance to achieve its ambition of helping farmers work more productively, profitably, and sustainably.”

Adrian Griffin, Managing Director, SAP New Zealand.



Members of our Super Air team

Bankable benefits of topdressing

Our Super Air business continues to grow, driven by the bankable benefits of variable rate application via our SpreadSmart® technology and a growing number of sheep & beef customers investing to optimise their growth opportunities in hill country.

This year, along with geospatial partner Abley, the Super Air and geospatial teams created an application that calculates the spread pattern of an aerial topdressing contract, with the aim of pricing spread jobs more accurately. Abley developed a model that assesses spatial variables with aircraft configuration to provide accurate pricing for farmers.

In the past 12 months our planes have sown approximately 512,000ha across the country

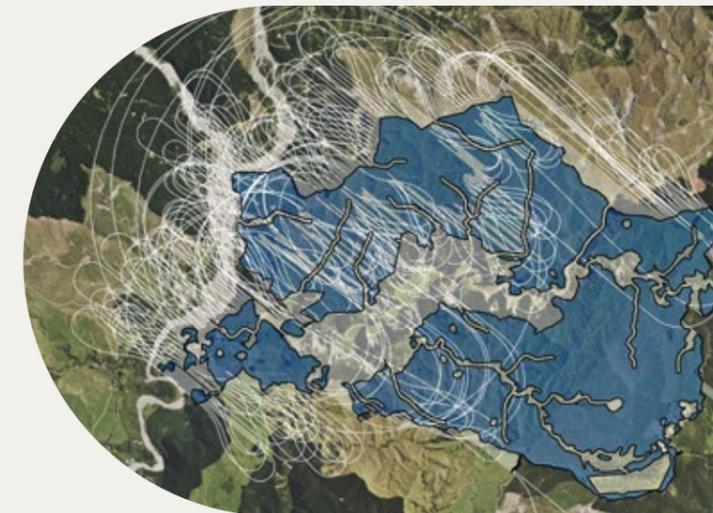
22,500ha of variable rate over the last 12 months with bankable benefit to farmers of

\$11.15m

490,000ha at constant rate with bankable benefits of

\$2.94m

Our geospatial team continues to refine the ways our SpreadSmart® technology, which was developed as part of our Primary Growth Partnership (PGP) with government, identifies fertiliser exclusion zones. By using machine learning techniques, we can identify areas of scrub, bush, tussocks and gullies to be excluded from an application map, meaning fertiliser is applied where it’s most needed, reducing environmental impacts and providing the best return on investment.



The Super Air Pricing Tool, paired with Super Air’s other geospatial innovations, ensures that fertiliser application is efficient, precise, and accurate and it received both national and international recognition this year. It was nominated for the Most Innovative Hi-Tech Agritech Solution award at the 2022 NZ Hi Tech Awards and the Special Achievement in GIS (SAG) award at the Esri User Conference, the world’s largest GIS virtual event, later this year. We consider this an outstanding achievement given the size of the global agri-tech sector and how rapidly it is evolving.

Showcasing best practice

For over 25 years, we've had the privilege of sponsoring the Ballance Farm Environment Awards (BFEA) and we deeply value the opportunities it gives us to support those demonstrating best practice sustainability and innovation across the country. BFEA is a way of sharing stories, celebrating the very best sustainable farming and growing practices, and showcasing the innovative thinking of the entrants and past winners. This year, a new category was added to the competition, to recognise the great work carried out by catchment groups around the country, with good interest being shown from groups nationwide. (See case study on page 34).



Chef Al Brown helped us showcase the sustainable practices and world-class food produced in the Ballance Farm Environment Awards



Our team in Kapuni provide donations and volunteer their time for the upkeep of the Rotokare Scenic Reserve Trust (above), a pest-free sanctuary for native birds, animals and plants.



Ballance Farm Environment Awards®
Promoting Sustainable Farming and Growing

Muster

Last year, we ran a 'muster' campaign, which focused on driving entries from a more diverse group of Kiwi farmers and growers. The muster would achieve a great representation of the vast range of farmers and growers throughout the country who strive for best practice sustainability practices, and also showcase the innovative solutions they are applying. If you'd like to be involved in next year's competition, scan the QR code below to visit the awards website. We partnered with renowned Kiwi chef Al Brown on a series of stories to not only celebrate the visionary Kiwis who demonstrate these sustainable practices but also the world-class food they produce.



Ballance Farm Environment Awards 2022

14

Entrants in the new Landcare Trust catchment group category

"Through BFEA, we are able to share inspirational stories of visionary Kiwis, so why not enter and help us share yours."



A river near Aria in the King Country



2021 National Ambassadors for Sustainable Farming and Growing, Evan and Linda Potter, of sheep, beef and dairy farm, Waipapa

Sustainable sourcing

We have implemented a Supplier Code of Conduct across our key fertiliser and raw material suppliers. This ensures we are living our values with all our key partners and remain a modern, ethical business that our shareholders can be proud of. The code establishes clear expectations of our suppliers, regarding their ethical, social and environmental business responsibilities. Annual declarations of adherence to the code are now part of our standard Supplier Relationship Management process, and now that borders have re-opened, will be supported by "on the ground" verification of the philosophies contained in the code.



The Pūniu River winds through the Waikato



Chef Ben Bayly on TVNZ's A New Zealand Food Story



Talitha Wanden and Quinton Tunono of Pūniu River Care

CASE STUDY



Enabling New Zealand's food story

New Zealand is a global leader in sustainable food production and at Ballance we are proud to play a role in this. We are at the start of a long supply chain that ends up on food tables around the world, and as a provider of nutrients to innovative Kiwi farmers and growers, we are privileged to be a contributor to New Zealand's food story. This keeps our co-operative relevant, leading in on-farm sustainability and enabling New Zealand's prosperity through a thriving primary industry.

More than two decades ago, Ballance became the naming rights sponsor of the New Zealand Farm Environment Trust-run Ballance Farm Environment Awards (BFEA). The awards are a nationally recognised and leading programme that showcases how it is possible to farm and grow productively, sustainably and profitably. It provides a pan sector platform to recognise and celebrate great practice with entrants and award winners from all sectors and regions around New Zealand.

This year, BFEA became the broadcast sponsor of TVNZ's A New Zealand Food

Story and alongside that a contemporary refresh of the logo. The show follows Kiwi chef Ben Bayly around the country meeting food producers in search of produce to use in his Auckland restaurant Ahi. Three of the eight episodes feature previous BFEA winners, taking the sustainability and food message into tens of thousands of New Zealand homes. The show can be viewed on TVNZ OnDemand.

Every year more farmers and growers enter the awards, to share and celebrate how they have adapted to changes affecting the sector. This year, a new

catchment group category was added to the awards, to recognise the work of rural communities to improve water quality. As sponsors, we welcomed the opportunity to attract entrants who are taking steps to protect our waterways – because what goes on the land should stay on the land.

The inaugural Catchment Group award was held as part of the 2021 Waikato Ballance Farm Environment Awards, where Pūniu River Care was announced as winners. Quinton and Talitha from Pūniu River Care say the highlight of the experience for them was learning and being inspired by the other entrants.

"We were pumped to have been named BFEA Waikato Catchment Group of the Year 2021," said Quinton. This award is a recognition of the hard work and dedication from our staff who "throw down" day in day out, to get the mahi done, to play an active role as kaitiaki on the land and within our local waterways. #loveyourmah!

"Receiving this award also gave the chance for Pūniu River Care to acknowledge the trust and support we have received from the many people and partners we've had from the start. They've supported us to do what we're so passionate about – building meaningful relationships with the same common goal of creating a sustainable future for generations to come."

"As Pūniu River Care continues along this journey, this award has also elevated the need to form relationships and work together with catchment groups and other restoration projects to achieve the desired outcome and lead the way of environmental enhancements for other catchments in Aotearoa, and effectively the world."

We look forward to continuing our support for BFEA and seeing what the awards have in store in the future, as we continue to help our shareholders be ready for tomorrow.

PROUD PARTNER

A

New Zealand

FOOD STORY





Focus on growth

Woodhaven Gardens, owned by the Clarke Family, was named Regional Supreme Winners at the 2020 Horizon's Ballance Farm Environment Awards



John Moore from Edgecumbe with Ballance Horticulture Specialist, Sam Moore

Co-operatives are based on the values of openness, honesty, social responsibility, and care for others. We put our national scale and capabilities behind decisions we make regionally, to help our customers run their businesses, drive growth in our sectors, and support our communities.

Regional focus, regional strength

We support our customers professionally at a local level, with our Science Extension and Farm Sustainability Services teams, and our Nutrient Specialists that provide services and resources across our network. Our Regional Business Accountability (RBA) teams are also designed for just this: to identify opportunities and deliver for our customers regionally. It echoes the purpose of the co-operative – to support each other to be successful. Our regional plans are backed by our national scale, delivering effective and innovative solutions to meet their needs.

We rely on the communities that we operate within, as much as they do on us. Throughout our operations we work with many contractors to make up our workforce, especially across our manufacturing sites during events such as a turnaround.

Growth in South Island

Our Central South Island team had a very strong year finishing at 112% of its target. Growth in the arable sector has been a key focus for the team, and our self-serve silos have had a strong impact across the region. Cross collaboration between the core sales teams, sector Nutrient Specialists, and distribution teams have contributed to this successful year.



Our BallanceEx series shows our commitment and investment into science and innovation, and the thought-leadership we champion with farmers and growers. It brings together experts, scientists and other big thinkers, to share their expertise and help us be ready for what tomorrow brings. This year we ran a podcast series called Future Farming Conversations, which explored the challenges and opportunities our customers are currently facing including the future of animal care, maintaining New Zealand's leadership position in sustainable food production, greenhouse gases and land use diversification. Visit the Ballance website or scan the QR code to the right to have a listen.



Supporting sector growth

Supporting sector growth was a key reason we re-aligned our sales resources via our Programme Grow strategy. This saw a reshuffle of our resource nationally to ensure we are set up to continue to give great advice and enable shareholder growth plans.

We continue to lead in dairy. This sector has had a strong year of global demand and the first year of N Cap regulations.

Balancing the productive needs of the farm with new regulatory requirements, from winter feeding to nitrogen applications, has been high on our dairy shareholder priorities. From our Nutrient Specialists to our Science Extension and Farm Sustainability Services teams, we have fielded and provided much support. The MyBallance Nitrogen Limit Management tool is receiving good use as well.

This year our Horticulture & Arable group launched the Advantage range, with very strong results. The science-based Advantage Kiwi and Avogain products are standardised mixes designed to meet the specific nutritional requirements of horticultural crops at key times of the year. From a production perspective, it reduced the number of special mixes needed, which are a particular challenge for our operations and distribution teams. We have seen a huge uptake of the Advantage range, with almost three times as much volume purchased by growers this year as in the previous two years. The number of requests for special mixes has dramatically decreased, improving efficiencies for our team.

The arable market in New Zealand is another growth sector for Ballance. We expect to see land use changes continue as nutrient limitations for land grazed by animals come into effect.

Farmers who had previously paid for brought in feed are likely to start growing animal feed/forage crops on their farm. We also expect to see farmers diversifying their land use as they look to reduce animal numbers and to start planting cash crops to replace lost income. With the biggest impact in the South Island and more specifically in the wider Canterbury area, our Nutrient Specialists in the region undertake additional development to ensure they all have the knowledge required to provide the advice expected by our arable farmers. They are supported in this area by our specialist Arable Nutrient Specialists and Science Extension team.

Animal welfare is a key part of Ballance with Nature and SealesWinslow continues to provide customers with quality feed based nutrients to enhance the wellbeing and performance of pasture fed animals.



New Zealand Feed Manufacturers Association (NZFMA) figures show that we are now producing 36% of all compound feed in the country, up from 24% last year.

These strong numbers come off the back of our toll manufacture agreement with NRM, the feed arm of Farmlands. These results are also testament to the long-term partnerships we have local growers and international suppliers, which allow us to get quality raw materials at a good price. SealesWinslow have undergone a restructure of its sales team, welcoming several new members to the team this year.



Strength in our partnerships

We value the long-term relationships we have with our partners, which allow us to connect locally to people and present opportunities to share stories, experiences and knowledge with like-minded people who have similar aspirations for New Zealand's primary sector. Our connections with these partners are at a values-based level. This ensures we keep our role for farmers and growers front of mind.



Māori agribusiness

Māori agribusiness is a fast-growing sector in New Zealand, and we are privileged to be a part of it as it evolves. We continue to grow our awareness and understanding of the Māori agribusiness sector, and its aspirations and priorities, which is an integral part of New Zealand agriculture. We produced a booklet on soil health in Te Reo as we recognise the connection of soil health with Mātauranga Māori.



Ballance Farm Environment Awards®

Promoting Sustainable Farming and Growing

We are proud of our long-standing partnership New Zealand Farm Environment Trust. The Ballance Farm Environment Awards (BFEA) continues to be New Zealand's leading pan sector sustainability programme and has grown to include more categories and entrants.

The catchment group category, which was added to the award this year, recognises and celebrates the efforts of rural communities working together to improve water quality in their area. The winners of the inaugural Catchment Group award, Pūniu River Care, were announced at the Waikato Ballance Farm Environment Awards this year, and say the experience was a great way for them to keep learning. (See case study on pg 34).

Dairy Women's Network

Since 2013, we have had the privilege of standing alongside the Dairy Women's Network (DWN), as they carry out their important and inspirational work connecting women in the New Zealand dairy industry and providing opportunities for them to lead, develop and thrive. These women are powerhouses in their businesses, their families, and their communities. With the Omicron outbreak resulting in their annual conference being cancelled for the second year in a row, we especially valued the opportunity to support events virtually. We partnered with DWN to deliver the Challenge of Change online workshop which explored resilience and discussed tools to help manage stress and pressure.



DAIRY WOMEN'S NETWORK

success through inspiration



Surfing for Farmers is in it's fourth year and has a growing numbers of participants

Communities matter

From our people, business partners and their families, our shareholders and their families, to the neighbourhoods and towns surrounding our sites – we're proud to play a part in Kiwi communities all over the country. Throughout the Ballance network, our people support and are part of their local communities.

We believe we have a role to contribute positively to communities and people, as well as the environment surrounding our operations. To us, it's important that we foster positive relationships within these communities, build close connections, and give back in meaningful ways, which help see those communities flourish and grow. We want our communities to be left with the sense that they're better off for having Ballance be a part of them.

Nāu te rourou, nāku te rourou, ka ora te manuhiri – with your food basket and my food basket, the people will thrive.

This year we embarked on a national community engagement strategy, *Ballance: Growing communities*, which ties our activity together under three core pillars – Whanaungatanga: Supporting our Communities;

Manaakitanga: Care for our people and Kaitiakitanga: Protecting our natural resources. This will help us, both now and in the future, to tell more stories about what drives us and our goals and how we are taking steps to achieve each.

We maintain our focus on addressing mental health in our rural communities through the support of initiatives like Surfing for Farmers, which we have sponsored for the past four years.



Cory Jones from Mount Operations helping Bay Conservation Alliance with pest trap setting activities in the Oteora Forest

Supporting our young people

Supporting youth continues to be a key focus at Ballance and this year we accepted another group of promising graduates into our internship programme. Each year, interns spend time with our experts from different parts of the business, honing their skills in preparation to become part of our sales team.

We are dedicated to helping develop these talented young people who will bring their passion and fresh thinking to our business, and we see this as an important investment in both our business and our young people.

Through our Future Ready Farm programme, we ran a campaign to connect with youth, and the urban community, about the work we are doing around protecting our environment. As part of this, we sponsored a series of nationwide school science fairs, to help foster and celebrate scientific and innovative thinking among New Zealand primary and secondary school students. The events help drive greater interest in and understanding of agriculture in New Zealand, specifically through the launch of a new Sustainable Agricultural Award category, which recognises students who demonstrate a keen understanding of a current or emerging sustainability issue affecting New Zealand's primary industries. To reflect our sustainable and agricultural focus, entries are asked to explore the topics behind our Future Ready Farms programme of work, such as reducing greenhouse gas emissions, reducing agricultural chemical use and nutrient loss to waterways.



Ballance intern Courtney Brodie with Senior Service Centre Officer, Sheree Keogh

CASE STUDY

Driving growth in sheep & beef

The sheep and beef sector continues to see growth opportunities and we are right there beside them, helping to accelerate growth plans and optimise on farm productivity.

In understanding our shareholders' aspirations, we can provide practical tips, suggest the right products and tools, such as SuperPlus®, SurePhos® and Spreadsmart®, and build a simple layered action plan to grow farm performance at a pace and investment level they are comfortable with.

We know that great fertiliser and feed management drives performance sustainably. This year, 11 of our Nutrient Specialists completed our sheep and beef course, ensuring that they, along with our

35 alumni, are specialists in sheep & beef farm systems including physical and financial fundamentals. As a result, they have deeper, more value-adding conversations with our customers.

We continue to share our science-based knowledge with our long-standing partners within the sector and engage in industry events and activities with pride. Our 'What's Possible?' workshops, run in conjunction with Beef + Lamb New Zealand, are a key workstream for us and aim to highlight the opportunities and potential of the sector.

'What's Possible?' is a series of interactive four-hour workshops where farmers hear from a range of experts, identify growth opportunities in their own business, and work with other farmers to develop pathways to improve and grow their business. Our vision here is to lead positive change through encouragement, direction of travel, pathways for change, collaboration, confidence and the support to act. The result of our focus on this sector has been steady growth in FY22.



Joe Carey from Green Meadows Beef in Waiwhakaiho



People at our core



Jo Luscombe, a leading Engineer at our Kapuni site

The strength of the Ballance co-operative is demonstrated each day through our great people – they are our most powerful asset. We know that attracting and retaining good employees and contractors depends on the way we operate as a business and how we value them.



We trust our people and their potential, and we understand our role in creating an environment where they can thrive and be the best they can be. Through this philosophy we believe the whole of the co-operative benefits – the person, the community, Ballance as a business, and the New Zealand primary industry.

Our values continue to drive us, and we've seen many examples this year of our values in action. Together, with our culture of C.O.W.S (care, ownership, well-being and safety), they have helped us navigate another challenging year and we are proud that the hard work of our people helped minimise the impact on our customers.

A culture of care

The safety and well-being of our people is part of our license to operate, and we continue to evolve and invest in how best we do this. Four years ago, we developed our award-winning C.O.W.S programme to ensure we looked out for each other and took ownership for our own health and well-being. Since then, our C.O.W.S culture has helped our team through many personal and professional challenges.

As we reviewed the programme and its key outcomes, we knew we could do

even better, by building on the original foundations. We now want to create a stronger focus on ownership and so C.O.W.S 2.0 was launched at the end of this year.

The new programme focuses on what we know is important – to stay connected and drive further ownership of our culture and performance.

We believe this revised model will result in more sustainable changes in all our people across the business, and they are all invited to attend a two-day workshop as part of the programme roll-out.

Safety evolution

Keeping our people safe remains a top priority for us and we are showing positive trends with our statistics. Key to this is ensuring we are doing everything we can to ensure that our

people come to work and return to their families unharmed. A cultural assessment last year determined that the biggest challenge and opportunity facing our business is changing the way people think about the way they work. An engaged health & safety culture is one where workers demonstrate care for themselves and others because they believe it is the right thing to do, not because they feel they must do so.

We explored both the reality and aspirations around our health & safety approach and established that the core areas where we make the most gains are ownership, consistency, and accountability. Earlier this year, we launched Safety Evolution, a programme to address this and further strengthen organisational culture.

A 'How We Do Work' online hub, was developed where all information can be easily accessed. The second phase saw the launch of our new safety philosophies, which were developed with the Plan, Do, Check, Act continuous improvement principles in mind. A 'How We Do Work' Health Check Tool will be launched in the next phase of to further drive implementation of the system.



Kevin Young, Chief Pilot at Super Air

Critical risk management

Key to safety throughout our network is identifying critical risks, understanding them, and then controlling them. In our Kapuni ammonia plant, pressure safety valves and rupture disks, relieve pressure inside equipment and are designed to protect the mechanical equipment from damage in case of an overpressure situation. 51 discrete potential release points for ammonia were identified as posing a safety risk.

To address this risk, a flare system was installed to safely collect the ammonia able to be discharged from these release points, routing the gasses and liquids to a safe location where the liquids can be disengaged from the gas flow. The ammonia gas is then safely disposed of through flaring. The installation was a complex technical challenge, and a significant financial investment. It was achieved by our great people, supported by experts. The first flaring of gases was undertaken in October 2021 as part of the re-commissioning of the plant following the FY22 turnaround.



Navigating COVID powered by great people

The impact of COVID-19 during this year was felt throughout many businesses, and we are proud of the ways we managed our operations and people, despite the many disruptions and challenges. When shaping our response to how we managed our staff during the Omicron outbreak, we worked with business leaders, industry bodies, and government advisors, and participated in weekly calls with the Ministry for Primary Industries (MPI). Key to this was identifying and



Members of the Ballance Information Systems team

assessing risk and using this to inform our response, in order to control it.

We made the decision not to mandate vaccinations in our business, respecting the rights of people to make their own decisions around their health. However, we had to adapt and change the way we worked, in order to protect both the well-being of our people and the productivity of the business. A number of safety protocols were introduced on a "one size will not fit all" approach, and risk assessments were carried out for any employees unable to provide a vaccine pass. Safety protocols were then put in place for their safety and that of those around them.

We adapted the way we worked to ensure our people stayed connected during this time through regular communication and increasing the use of technology. Video conferencing became a more regular way of connecting with our team and we made sure there was a clear method for them to communicate and ask questions of management.

We distributed Rapid Antigen Tests to our people throughout the network, to ensure they could test themselves when needed, but also provided enough for their families, to give them peace of mind during a worrying period. We engaged Dr Siouxsie Wiles to present an information session especially for our staff, to break down the science behind the new COVID-19 variants, discuss the vaccines and answer any questions they had.

We were privileged to be granted a "critical workers exemption" which allowed us to continue operating, despite having a significant amount of absenteeism due to illness. The turnarounds at our Kapuni and Mount sites were impacted by labour shortages and travel restrictions as well as parts delayed by shipping disruption. We managed this with an agile response,

re-prioritising and finding ways to work around the delays.

Investment in people & professional development

Making sure people reach their potential is an integral part of what drives us. We offer a number of development courses to help grow our people, both personally and professionally.

As well as skills training, we offer our Learning for Life programme, which helps team members with literacy challenges, leadership development, and change readiness. We believe you can lead from any seat.

Supporting people to see a future for themselves helps them, their teams, families, communities and us.

This year we refined our On Shore Supply Chain (OSSC) Training and Progression Plan, which provides a framework for team members to clearly see what training is required for them to develop and progress, while also addressing challenges around staff retention.

Over 500 of our staff participated in 34 internal courses in the past 12 months, which equated to over

8,000 hours

Developing leaders

Courtney Nimmo, Regional Sales Manager for the Lower South Island, says that Ballance helped her realise her potential as a leader. "I didn't know I wanted to be a people leader when I joined Ballance, but it was the experiences and opportunities that I was offered when I joined the business that ignited this passion in me", says Courtney.

Courtney started with Ballance in 2013 as a Nutrient Specialist before moving into a role servicing the region's key and corporate accounts, and then being appointed Regional Sales Manager where she now supports a team of nine Nutrient Specialists.

"I've always been passionate about the agriculture sector and supporting our customers to achieve their goals."

"It was working at Ballance that helped me see that I could have further impact to benefit our sector in a leadership role".

"Ballance encourages the mantra of leading from any seat – you don't need to have direct reports to be a leader. This empowered me to support my team mates through mentorship and coaching. From here I attended the stage one leadership programme that Ballance created, which touched on the key aspects of great leadership and helped build a strong base for the rest of my leadership journey."

"The team at Ballance has also supported my ambitions outside of my current role. They endorsed me to attend the Agri-Women's Development Trust escalator programme in 2021 which continued to build on the key aspects I'd learnt internally. All this has led to me becoming associate director at Beef + Lamb New Zealand, an incredible opportunity that will offer experience and learnings that will serve me well into my future in governance."



Scholarships and interns

To contribute to the future and vibrancy of New Zealand's primary sector, we help capable and energised young people to get their foot in the door. Along with our sales internship programme, each year we offer Ballance tertiary scholarships to promising young students studying towards agribusiness and primary industry careers. We harness their passion and provide investment and resources to assist progress and develop them into roles that will help them realise their potential. This year we provided six more scholarships and will be watching these students' careers progress with interest.

Celebrating our people

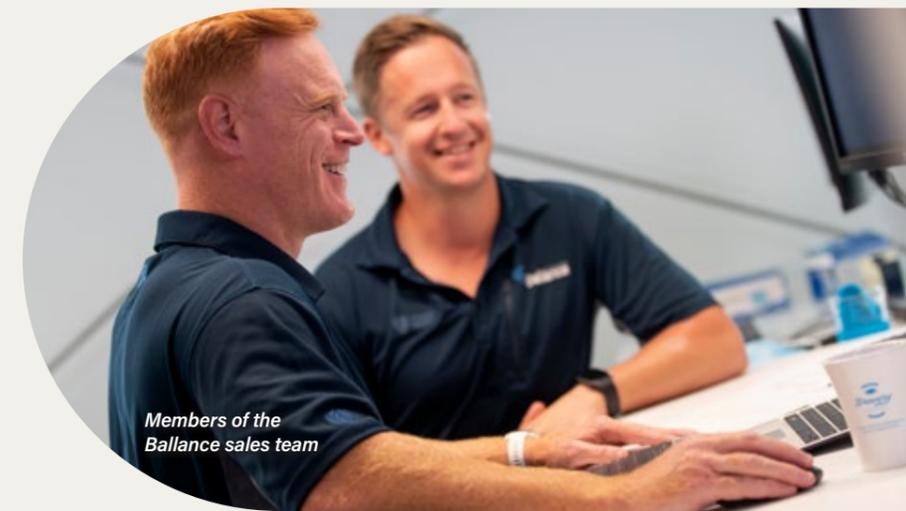
We consider it important to celebrate those people and teams amongst us who are achieving great things and who are going the extra mile for our customers, workmates, or are demonstrating our values in their work. Our Great People Awards are an annual event which we hold to recognise and celebrate members of the Ballance family. What makes this scheme unique is that it is peer nominated so it isn't business leaders who are selecting the

nominees, but our employees. This year we once again had a large number of nominees, and we congratulate this year's winners.

Our Whangārei hub project team and their work were recognised by the industry this year when they were awarded the Most Effective Team of the Year at the New Zealand Procurement Excellence Forum. This award celebrates examples of value driven through collaboration and teamwork during procurement activities and recognises high performing teams who are achieving exceptional benefits from leveraging their collective knowledge and expertise.

Valuing our people

People are our greatest asset, and we know that attracting and retaining good people is key. That's why we reward our team members with employee benefits when we can, because happy, healthy people benefit the whole co-operative. This year, we reviewed and enhanced our benefits, such as healthcare, at no extra cost to the business. We've introduced competency progression schemes to progress our people by building new skills, making our pay rates and development proposition more competitive, in order to attract and retain staff. Everyone at Ballance is paid at or above a living wage.



Members of the Ballance sales team



Becky and Greg from Maryallan Farms with Georgie from the Te Awamutu Foodbank

CASE STUDY

New Zealand farmers feeding New Zealand families

At Ballance, we need our communities as much as they need us – if our communities thrive, our co-operative thrives. A strong community celebrates the strengths it has and gives what it can to support each other.

Kiwi farmers have long been known for being generous and during lockdown in 2020, Wayne Langford and Siobhan O'Malley found a way to harness this generosity and put it where it was most needed. They established Meat the Need, a charity which sees Kiwi farmers donate quality, grass-fed livestock, which is then processed and delivered to local foodbanks, ready to be consumed by Kiwi families.

Wayne says the concept was a no-brainer when the donation of a little, can make so much of a difference. "Farmers are often happy to donate meat, and this helps us deliver nutritious food parcels, packed with proteins like milk and meat, to sustain our communities."

Ballance came on board this year as a sponsor of Meat the Need and are proud to back an initiative that gives back to our communities. Amy Meade, Connections and Communities Leader said "Ballance is a co-operative of farmers who have been firmly entrenched in the community since it was established 60 years ago. We've always been a supporter of Wayne's initiatives as the YOLO farmer, so we jumped at the opportunity to support Meat the Need. We support farmers to run their business and farmers are putting their hands up to support Kiwi communities, so as a cause close to our hearts, it was a no-brainer to get behind it". Wayne says "We really need to look at the role we play in our communities. We all have skill sets and ways we can contribute. Some of us can build houses and some of us can give first aid, and if we all play our part then we all win. Farmers can grow food to feed people and they're always willing to give what they can".

"With a high cost of living and a turbulent couple of years, a lot of Kiwi families are facing hardships and relying on resources such as foodbanks to survive."

"For the good of our community, it is important that these foodbanks are continually stocked with hearty, nutritious food that will fuel our communities and enable them to be the best they can be".

Wayne, also known as the YOLO farmer, is very familiar with the hardships faced by New Zealanders every day so he wanted to help. "The number of Kiwis needing support from foodbanks is concerning, and these aren't necessarily those who are out of work, just regular people who may have a dental bill or can't afford to put a decent meal on the table one week".





Sustainability

The Lea family, Ratanui Partnership, Waikato

Balance sustainability measures:

Where we have focused to make a meaningful difference.

We are a purpose-led organisation with a strong culture of caring for our people and communities. We invest ahead to meet New Zealand's aspirations.

Our outcomes	Our activities/contribution	Rationale	Progress so far
<p>GREEN ENERGY:</p> <p>Leading in sustainable energy with Kaitiakitanga front-of-mind.</p> <p>KAKARIKI PŪNGAOA</p>	<p>Ballance & Hiringa Energy: 'green' hydrogen initiative</p>	<p>Lower emissions nutrient manufacture</p>	<p>We continue to progress our joint venture with Hiringa Energy to produce 'green' nitrogen fertilisers with a low emissions profile. This project will make a significant contribution towards our national Net Zero by 2050 emissions targets. We aim to be the first in the world. At present, we are progressing through the regulatory process.</p>
		<p>Renewable energy</p>	<p>Electricity generated from four wind turbines, erected as part of our 'green' hydrogen project, will supply our Kapuni plant.</p>
		<p>Carbon efficiencies and opportunities for heavy transport</p>	<p>The project will reduce carbon emissions in the transport sector, offsetting up to 12,000 tonnes of emissions and eliminating the equivalent amount of CO₂ as taking 2,600 cars off the road.</p>
	<p>Decarbonising Kapuni</p>	<p>Lower emissions nutrient manufacture</p> <p>Lower emissions farming and growing</p> <p>Lower emissions heavy transport</p>	<p>Through staged and investment in new and emerging technologies over the next 10 – 12 years, we believe there is an opportunity to remove up to 90% of our manufacturing emissions and contribute significantly to reduced on-farm and transport emissions. We are in an exploratory phase. Investment will be significant and will require shareholder approval.</p>

Ballance sustainability measures:

Where we have focused to make a meaningful difference.

We are a purpose-led organisation with a strong culture of caring for our people and communities. We invest ahead to meet New Zealand's aspirations.

Our outcomes	Our activities/contribution	Rationale	Progress so far
<p>GREENER OPERATIONS:</p> <p>Reducing the environmental footprint of our Ballance sites and operations.</p> <p>KAKARIKI MAHI</p>	<p>Reducing our footprint</p>	<p>Meaningful action towards addressing climate change</p>	<p>Focus on reductions in operational Scope 1 and 2 emissions across all Ballance operations. Our Mount Operations site is considered in the top 10% of acid plants globally, based on International Fertilizer Association emissions surveys (0.6 kg SO₂/T of Acid).</p> <p>All sites have site environment and management plans, which include risk assessments and performance metrics around careful use of all resources, people and planet.</p> <p>Monitoring data at all our sites continues ahead of compliance.</p> <p>All sites monitor water discharges against consent limits with service centres operating a range of stormwater protection and treatment systems.</p> <p>Site enhancements continue to be made including the planting of rain gardens to capture surface water and nutrient run-off.</p> <p>Manufacturing using renewable energy and where appropriate contributing energy to the grid.</p>
		<p>Reducing onshore transport emissions</p>	<p>Heavy transport route optimisation through our transport management system Market2X, driving efficiencies.</p> <p>Manufacture of GoClear® to reduce emissions from diesel engines in the motor and marine industries.</p> <p>Hybrids in our fleet and electric forklifts on trial.</p> <p>Ballance and Hiringa Energy's 'green' hydrogen project - Hiringa to contribute hydrogen for heavy transport.</p>
	<p>Sustainable sourcing</p>	<p>Open and transparent supply chain</p>	<p>Our Supplier Code of Conduct establishes clear expectations of all suppliers, regarding their ethical, social, and environmental business responsibilities.</p> <p>Annual declarations of adherence to the code are part of our standard Supplier Relationship Management process and are supported by 'on the ground' verification.</p> <p>In 2021, Tuhana performed an external assessment for the Fertiliser Association of New Zealand, validating our supplier's operations in Western Sahara against United Nations criteria. This was augmented by a Ballance Board and management visit to the area in May 2022.</p>



Ballance sustainability measures:

Where we have focused to make a meaningful difference.

We are a purpose-led organisation with a strong culture of caring for our people and communities. We invest ahead to meet New Zealand's aspirations.

Our outcomes	Our activities/contribution	Rationale	Progress so far
<p>CARE FOR OUR PEOPLE AND COMMUNITIES</p> <p>MANAAKITANGA</p>	<p>Thriving in a rapidly changing world</p>	<p>Health, safety & well-being</p>	<p>Our award-winning Care, Ownership, Well-being & Safety (C.O.W.S) programme continues to enable the business and our people. We launched C.O.W.S 2.0 to create a stronger focus on ownership and well-being as we aim to achieve top 10% benchmark in Australasia.</p> <p>This year we donated over \$85k to local communities as part of our Safety Cross programme.</p> <p>We launched our Safety Evolution programme to encourage people to think about the way they work and encourage ownership, consistency, and accountability and further improve our health and safety performance.</p> <p>We invested in a flare system to dispose of ammonia gases safely to further protect our people in Kapuni, which is a high hazard facility.</p> <p>We continue our support for Surfing for Farmers, which addresses mental well-being in the rural community. Another eight locations were added to the calendar with a growing number of farmers attending.</p> <p>As a result of the COVID-19 pandemic, we identified and assessed new risks. Safety protocols were put in place to protect our people and we adapted the way we worked to ensure we stayed connected. 40,000 Rapid Antigen Tests were distributed to our people.</p> <p>Our engagement score this year remained at 72% and our Leadership Effectiveness score was 82%. Our target is to be in the top quartile for Australasia.</p>
		<p>Unleashing potential</p>	<p>Over 8,000 hours and \$2.5 million spent developing our people to help them reach their potential.</p> <p>Another cohort graduated from our Learning for Life literacy programme to ensure those new to Ballance have the confidence and capability to be the best they can be.</p> <p>We provided six scholarships and six internships to support promising young people studying towards careers in agribusiness and primary industry.</p> <p>Over 500 peer nominations in our 2022 Great People Awards.</p>
		<p>Recognising contribution</p>	<p>We are committed to paying equal pay for work of equal value and conduct annual reviews to commit to working to eliminate differences.</p> <p>We are proud to pay all employees the living wage or greater.</p> <p>We reviewed and enhanced our employee benefits, such as healthcare, with no extra cost to the business.</p>
		<p>Inclusivity & diversity – reflecting a changing New Zealand</p>	<p>Females make up 33% of our senior leadership team, 53% of our sales team and 84% of the graduates on our intern programme.</p> <p>Continued partnership with the Dairy Women' Network, providing opportunities, connections and development for women in the dairy industry.</p> <p>Over 1,000 students took part in a Nature Education and Monitoring Programme as part of our partnership with the Bay Conservation Alliance.</p> <p>23 of our team undertook the Te Ahau Te Reo Māori course to deepen our cultural understanding of Māori AgBusiness and Manaakitanga to better serve our customers in this sector.</p> <p>We developed and launched a booklet on soil health in Te Reo to recognise the connection of soil health with Mātauranga Māori.</p>



Ballance sustainability measures:

Where we have focused to make a meaningful difference.

We are a purpose-led organisation with a strong culture of caring for our people and communities. We invest ahead to meet New Zealand's aspirations.

Our outcomes	Our activities/contribution	Rationale	Progress so far
<p>BALLANCE WITH NATURE:</p> <p>Helping farmers and growers reduce their environmental footprint whilst caring for our unique natural resources.</p> <p>KAITIAKITANGA</p>	 <p>Healthy soil</p>	<p>Healthy soil is key to productive, sustainable growth</p>	<p>Alongside our healthy soil programme, led by our Nutrient Specialists, our recently launched Soil Health Check tool informs customers about the biological and chemical health of their soil. Developed in partnership with Landcare Research, Soil Health Check is the first of our Future Ready Farms projects to be launched.</p>
	 <p>Nutrient efficiency</p>	<p>Optimising nutrient use whilst avoiding nutrient loss</p>	<p>Programmes driving right products, at the right time, in the right place, and the right rate. My Pasture Planner® helps farmers navigate recent policies, including the 190kg/h N cap. The MyBallance mobile app allows customers to help manage their farm's nutrients at their fingertips, 24/7. Super Air fleet with SpreadSmart® technology ensure 'right place' aerial application, protecting sensitive areas.</p> <p>The launch of SuperPlus® (SSP9.5) has achieved a 5% reduction in the volume of nutrients to be transported and spread (compared to competitor single superphosphate products).</p> <p>A Nitrogen Limit Management dashboard has been added to MyBallance, which makes it easier for customers to track nitrogen usage and ensure they stay within limits.</p> <p>Both special edition Grow Magazine Environmental Regulations publications provide help, guidance and information to help farmers navigate recent policies including the 190kg/h Nitrogen cap.</p>
	 <p>Native biodiversity</p>	<p>Help preserve and restore native flora and fauna</p>	<p>Biodiversity is an integral part of Farm Environment Plans developed by our Farm Sustainability Services team, to enable farmers to understand risks and opportunities on their land.</p> <p>This team is leading a trial to determine the response of native trees and shrubs to fertiliser to encourage farmers to plant natives when appropriate.</p> <p>Another 50 Ballance staff participated in pest control activities as part of our partnership with Bay Conservation Alliance.</p>
	 <p>Resource utilisation</p>	<p>Mindful use of our natural resources</p>	<p>Support of on-farm practices from nutrient cycling and waste reduction, to reduce emissions and loss. Developing an optimal plan using tools such as MitAgator risk maps and farm environment plans.</p>

Ballance sustainability measures:

Where we have focused to make a meaningful difference.

We are a purpose-led organisation with a strong culture of caring for our people and communities. We invest ahead to meet New Zealand's aspirations.

Our outcomes	Our activities/contribution	Rationale	Progress so far
	 <p>Cleaner air</p>	<p>Understanding and reducing emissions</p>	<p>We launched SuperPlus®, the most powerful single superphosphate (SSP) in the New Zealand market. SuperPlus® has environmental benefits both on-farm and in the production process, with four times lower CO₂ emissions than other phosphate sources such as DAP* and requiring less energy to produce.</p> <p>SustainN® reduces nitrogen loss from volatilisation by up to 50%.</p> <p>To address a global shortage of AdBlue, a diesel exhaust fluid that reduces nitric oxide emissions in modern diesel engines, we produced one million litres of our AdBlue-certified GoClear® product.</p> <p><small>*DAP emissions include ammonium nitrate production.</small></p>
	 <p>Healthy water</p>	<p>Protecting our precious waterways</p>	<p>SurePhos® reduces phosphate loss to waterways by up to 75%**.</p> <p>Sales of SurePhos® have grown 77% annually since it was launched in 2019.</p> <p>Our Grow Magazine Environmental Regulations 1 year on: Special Edition provides an update and information about ways the sector is responding to Essential Freshwater regulations.</p> <p>Nitrogen Limit Management dashboard in MyBallance enables farming within limits.</p> <p>Our geospatial team have further refined the ways our SpreadSmart® technology automatically identifies exclusion zones for Super Air customers, using machine learning techniques, further protecting our waterways.</p> <p><small>**Relative to superphosphate products.</small></p>
	 <p>Animal care</p>	<p>Optimal animal care</p>	<p>Healthy soil grows healthy plants, which grow healthy animals. Our soil health and nutrient care programmes (Ballance and SealesWinslow) helps ensure optimal animal nutrition.</p>
	<p>Innovating to create sustainable solutions</p>	<p>We use clever science and innovation to lead the way to a sustainable future</p>	<p>12 projects are underway to help farmers reduce emissions and greenhouse gases as part of our Future Ready Farms project, partly funded by Government. Soil Health Check informs customers about the biological and chemical health of their soil.</p> <p>We continue to evolve our MyBallance technology to ensure farmers have 24/7 tools to manage their nutrients, and optimise their farm productivity and sustainability. There are now over 13,000 registered MyBallance users.</p> <p>BallanceEx, our thought-leadership programme, aims to help farmers and growers understand and address environmental issues by sharing the latest science and knowledge from our pre-eminent thinkers and creators.</p>

Balancing the numbers

Consolidated Income Statement	63
Consolidated Statement of Comprehensive Income	64
Consolidated Statement of Changes in Equity	65
Consolidated Balance Sheet	66
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	68
Independent Auditor's Report	84
Director's Interests	87
Trend Statement	90
Corporate Governance	91
Directory	93

*Daniela Morales on the
Spain family farm in Invercargill*

Consolidated Income Statement

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	GROUP 2022 \$000	GROUP 2021 \$000
Revenue before rebate	2	1,195,308	897,040
Rebates to shareholders	7	(36,522)	(60,228)
Revenue after rebate		1,158,786	836,812
Cost of sales		(926,453)	(683,572)
Gross profit		232,333	153,240
Other operating income	2	20,768	13,032
Sales, marketing and distribution expenses		(89,994)	(87,586)
Administrative expenses		(71,718)	(67,755)
Other operating expenses	3	(6,993)	(3,285)
Net financing costs	6	(8,799)	(4,728)
Share of (loss) / profit from equity accounted investments		(12)	1
Profit before tax		75,585	2,919
Income tax (expense)/benefit	8	(19,738)	4,868
Profit for the year		55,847	7,787
Non GAAP supplementary note:			
Profit before tax		75,585	2,919
<i>Add back:</i>			
Rebates to shareholders	7	36,522	60,228
Adjusted profit before rebate and tax		112,107	63,147

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2022 \$000	2021 \$000
Profit for the year		55,847	7,787
Other comprehensive income to be reclassified to profit and loss in subsequent periods:			
Effective portion of changes in the fair value of cash flow hedges		30,300	(38,088)
Amount removed from equity, in relation to cash flow hedges, and included in initial cost of inventory on hand during the period		(9,923)	27,053
Income tax on items recognised directly in other comprehensive income	8	(5,706)	3,090
Other comprehensive income, net of income tax		14,671	(7,945)
Total comprehensive income for the year		70,518	(158)

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	FULLY PAID ORDINARY SHARES \$000	SHARE ALLOTMENT RESERVE \$000	HEDGING RESERVE \$000	RETAINED EARNINGS \$000	TOTAL EQUITY \$000
Balance at 1 June 2020		199,933	16,000	3,582	250,440	469,955
Profit for the year		-	-	-	7,787	7,787
Net change in the fair value of cash flow hedges		-	-	(11,035)	-	(11,035)
Income tax relating to components of other comprehensive income		-	-	3,090	-	3,090
Other comprehensive income for the year, net of tax		-	-	(7,945)	-	(7,945)
Shares issued	23(a)(ii)	206	-	-	-	206
Shares provided / issued in lieu of rebate		16,032	917	-	-	16,949
Shares repurchased	23(a)(iv)	(10,937)	-	-	-	(10,937)
Total transactions with owners		5,301	917	-	-	6,218
Balance at 31 May 2021		205,234	16,917	(4,363)	258,227	476,015
Balance at 1 June 2021		205,234	16,917	(4,363)	258,227	476,015
Profit for the year		-	-	-	55,847	55,847
Net change in the fair value of cash flow hedges		-	-	20,377	-	20,377
Income tax relating to components of other comprehensive income		-	-	(5,706)	-	(5,706)
Other comprehensive income for the year, net of tax		-	-	14,671	-	14,671
Shares issued	23(a)(ii)	149	-	-	-	149
Shares provided / issued in lieu of rebate		16,807	(7,697)	-	-	9,110
Shares repurchased	23(a)(iv)	(9,061)	-	-	-	(9,061)
Total transactions with owners		7,895	(7,697)	-	-	198
Balance at 31 May 2022		213,129	9,220	10,308	314,074	546,731

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

Consolidated Balance Sheet

AS AT 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2022 \$000	2021 \$000
Shareholders' equity			
Paid-in capital		213,129	205,234
Retained earnings and other reserves		333,602	270,781
Total equity		546,731	476,015
Current liabilities			
Bank revolving cash advance facility	19	226,000	74,009
Trade and other payables	18	167,274	109,800
Derivative liabilities	24e	330	8,349
Rebate payable	7	27,300	43,393
Provisions	20	964	2,554
Lease liabilities	15	9,507	9,245
Income tax payable		11,472	-
Total current liabilities		442,847	247,350
Non-current liabilities			
Provisions	20	7,129	8,104
Lease liabilities	15	27,741	30,136
Deferred tax liabilities	9	490	-
Total non-current liabilities		35,360	38,240
Total liabilities		478,207	285,590
Total equity and liabilities		1,024,938	761,605
Current assets			
Cash and cash equivalents		7,471	21,668
Trade and other receivables	10	161,913	96,029
Prepayments	17	14,197	13,381
Inventories	11	317,741	168,710
Derivative assets	24e	17,463	461
Intangible assets	16	13,320	9,135
Assets held for sale	12	7,381	8,777
Income tax receivable		-	1,799
Total current assets		539,486	319,960
Non-current assets			
Investments in equity accounted investees		114	126
Loan to equity accounted investees		-	288
Deferred tax assets	9	-	10,135
Property, plant and equipment	14	391,659	343,966
Lease assets	15	35,819	38,424
Intangible assets	16	51,952	48,706
Prepayments	17	5,908	-
Total non-current assets		485,452	441,645
Total assets		1,024,938	761,605

For and on behalf of Board of Directors:



DJB Coull
Chairman of Directors
27 July 2022



SD Robertson
Director
27 July 2022

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

	NOTE	2022 \$000	2021 \$000
Cash flows from operating activities			
Cash receipts from customers		1,131,097	887,645
Cash paid to suppliers and employees		(1,136,938)	(786,302)
Interest received		521	171
Dividends received		2	20
Insurance proceeds			3,704
Government grants		1,094	1,196
Rebate paid net of shares issued in lieu of rebate		(43,505)	(38,066)
Interest paid		(6,183)	(3,055)
Income tax (paid) / received		(1,547)	(6,974)
Net cash flow from operating activities	21	(55,459)	58,338
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		788	2,223
Proceeds from the sale of assets available for sale		2,975	-
Proceeds from the settlement of derivatives		-	7
Acquisition of property, plant and equipment and intangibles		(95,354)	(79,737)
Net cash flow from investing activities		(91,591)	(77,507)
Cash flows from financing activities			
Proceeds from issue of co-operative shares		149	206
Repurchase of surrendered shares		(9,167)	(10,323)
Net drawdown of borrowings		151,991	44,509
Payment of lease liabilities		(10,120)	(9,580)
Net cash flow from financing activities		132,853	24,812
Net movement in cash and cash equivalents			
Cash and cash equivalents at 1 June		21,668	16,024
Cash and cash equivalents at 31 May		7,471	21,668

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

REPORTING ENTITY

Ballance Agri-Nutrients Limited (the "Company") is a 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.

The Company is a Financial Markets Conduct Act 2013 reporting entity in terms of the Financial Reporting Act 2013.

Consolidated financial statements for the Group are presented. The consolidated financial statements of the Group as at and for the year ended 31 May 2022 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 supply of nutrient related products in New Zealand.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, which is the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate to profit-oriented entities. They also comply with International Financial Reporting Statements.

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 unless otherwise stated.

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 27 July 2022.

b) Use of estimates and judgements

The preparation of the financial statements requires the use of judgements, estimates and applying assumptions that affect the amounts reported in the financial statements. These have been based on historical experience and other factors believed to be reasonable. Actual results may differ from these estimates. 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.

Information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes are as follows:

- Notes 14, 16 & 17 - The useful life of property, plant and equipment, intangible assets such as software and prepayments
- Note 15 - Leases - relating to lease terms and whether the Group is reasonably certain to exercise options to extend
- Note 20 - Provisions - Quantification and estimation of site restoration costs
- Note 24 - Financial instrument - valuation of certain financial instruments.

c) General Note:

A financial instrument is 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 and rewards of the asset.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; or fair value through profit and loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Financial assets held at amortised cost include trade receivables, cash and cash equivalents.

Financial liabilities measured at amortised cost includes trade and other payables, rebate payable, bank overdrafts, interest bearing loans and lease liabilities.

Subsequent to initial recognition, bank overdraft and trade and other payables are measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities are derecognised if the Group's contractual obligations are discharged, cancelled, or expire.

Profit before rebate and tax is an important profit measure of the Group that Directors use to monitor financial performance. The profit before rebate and tax is also one of the factors Directors consider when determining the amount of the discretionary rebate payable to shareholder customers.

d) New standards and interpretations

In April 2021, IFRIC issued an agenda decision clarifying its interpretation on how current accounting standards apply to configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") cloud computing arrangements. The IFRIC decision has clarified that because SaaS arrangements are service contracts that provide the Group with the right to access the cloud provider's application software over the contract period, costs to configure or customise this software should be recognised as operating expenses when the services are received except for costs relating to the development of customised software code where the customer maintains control of the code and its future benefits.

The Group has considered this guidance in determining its software accounting policy for software as a service which has been applied for the first time this year. Refer to note 16 for the accounting policy.

2. REVENUE AND OTHER OPERATING INCOME

	2022 \$000	2021 \$000
Sale of goods	1,173,201	880,074
Services provided	22,107	16,966
Total revenue from contracts with customers	1,195,308	897,040
Other operating income		
Net gain on disposal of property, plant and equipment	-	254
Other dividend income	2	20
NZ Emission Trading Scheme credits	16,284	10,675
Government grants	1,908	891
R&D tax credit	203	129
Gain on sale of NZ Emission Trading Scheme credits	1,715	-
Other	656	1,063
	20,768	13,032

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

2. REVENUE AND OTHER OPERATING INCOME (CONTINUED)

Policy

The Group generates revenue primarily from the sale of fertiliser to its customers. Fertiliser sales of the Group are primarily made through merchants, where revenue is recognised at the point of delivery of goods to the customer. Consideration includes both fixed and variable consideration, refer to note 7 regarding variable consideration. Standard credit terms are month following invoice with the rebate variable component determined at financial year end.

Services provided

The majority of service revenue relates to Super Air top dressing and associated volume. Revenue is recognised as the service is performed.

Government grants are recognised over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

3. OTHER OPERATING EXPENSES

	2022 \$000	2021 \$000
Net loss on disposal of property, plant and equipment	601	-
Research and development expense	6,175	3,252
Donations	37	37
Other	180	(4)
	<u>6,993</u>	<u>3,285</u>

4. PERSONNEL EXPENSES

	Note	2022 \$000	2021 \$000
Wages, salaries and bonuses		85,869	82,866
Contributions to defined contribution superannuation plans		5,023	4,612
(Decrease) / increase in liability for long-service leave	20	(25)	145
		<u>90,867</u>	<u>87,623</u>

5. AUDITORS' REMUNERATION

	2022 \$000	2021 \$000
Audit services		
Audit of financial statements	228	199
Other audit related fees - share register fee	3	3
Other services		
Taxation services - compliance	37	37
Taxation services - advisory	5	9
	<u>273</u>	<u>248</u>

6. FINANCING INCOME AND EXPENSE

	Note	2022 \$000	2021 \$000
Financing income			
Interest from bank		521	171
Financing expense			
Interest paid to banks		4,602	1,537
Unwind of discount rate on deferred and contingent consideration	20	26	23
Interest on lease liabilities	15	1,555	1,495
Net change in fair value of derivatives designated at fair value through profit or loss		297	-
Other financial expenses		2,840	1,844
		<u>9,320</u>	<u>4,899</u>
Financing costs (net)		<u>8,799</u>	<u>4,899</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

6. FINANCING INCOME AND EXPENSE (CONTINUED)

Policy

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, interest on lease liabilities, 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.

7. REBATE

	2022 \$000	2021 \$000
Rebate provided for current year	36,520	60,310
Rebate for the prior year under / (over) provided and recognised in the current year	2	(82)
	<u>36,522</u>	<u>60,228</u>
Balance Sheet:		
Rebate provided for the current year	36,520	60,310
Less rebate allocated to the share allotment reserve	(9,220)	(16,917)
	<u>27,300</u>	<u>43,393</u>

Policy

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 shareholding to meet their share quota (note 23a) 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.

8. INCOME TAX EXPENSE / (BENEFIT)

	2022 \$000	2021 \$000
Reconciliation of income tax expense / (benefit)		
Profit before tax	75,585	2,919
Income tax using the domestic company tax rate - 28%	21,164	817
Increase / (decrease) in income tax expense due to:		
Non-deductible expenses	817	210
Tax exempt revenues	(2,236)	(3,137)
Adjustments for prior years	(332)	(3)
Temporary differences recognised	325	(2,755)
Income tax expense / (benefit) in income statement	<u>19,738</u>	<u>(4,868)</u>
Comprising:		
Current tax	14,819	(410)
Deferred tax	4,919	(4,458)
	<u>19,738</u>	<u>(4,868)</u>
Income tax recognised directly in other comprehensive income		
Cash flow hedges	5,706	(3,090)
	<u>2022 \$000</u>	<u>2021 \$000</u>
Imputation credits		
The imputation credits are available to shareholders of the parent company:		
through the parent company	130,916	129,537
through subsidiaries	1,743	1,743
	<u>132,659</u>	<u>131,280</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

8. INCOME TAX EXPENSE / (BENEFIT) (CONTINUED)

Policy

Income tax expense / (benefit) comprises current and deferred tax. The Group calculates income tax expense / (benefit) using tax rates enacted or substantively enacted at balance date.

Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

9. DEFERRED TAX ASSET / (LIABILITY)

	PPE AND INTANGIBLES \$000	PROVISIONS AND ACCRUALS \$000	HEDGE RESERVE \$000	OTHER \$000	TOTAL \$000
Balance at 1 June 2020	(4,203)	5,556	(1,394)	2,628	2,587
Recognised in profit or loss	4,246	278	-	(66)	4,458
Recognised in other comprehensive income	-	-	3,090	-	3,090
Balance at 31 May 2021	43	5,834	1,696	2,562	10,135
Recognised in profit or loss	(4,978)	294	-	(235)	(4,919)
Recognised in other comprehensive income	-	-	(5,706)	-	(5,706)
Balance at 31 May 2022	(4,935)	6,128	(4,010)	2,327	(490)

As at the 31 May 2022 there were unused tax losses of \$0.698m (2021: \$0.698m) not recognised as a deferred tax asset. These arose prior to the 100% owned acquisition of Seales Winslow Ltd.

Policy

Deferred tax is:

- Recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.
- Not recognised for the initial recognition of goodwill.
- Measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

10. TRADE AND OTHER RECEIVABLES

	2022 \$000	2021 \$000
Current		
Trade and other receivables	161,913	96,029
Trade and other receivables status		
Not past due	160,483	93,050
past due 0 - 30 days	979	2,531
past due 31 - 120 days	320	354
past due > 120 days	131	94
Total	161,913	96,029

Policy

Trade and other receivables are stated at their cost less impairment losses and are classified at amortised cost in note 24e.

In the normal course of business the Group gives seasonal deferred payment terms to customers. As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component as at contract inception, the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service is less than one year.

Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with trade receivables. Included in trade receivables are debtors which are past due at balance date and for which no allowance for impairment has been made (2021: nil). The Group monitors the credit quality of its receivables and does not anticipate non-performance.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

11. INVENTORIES

	2022 \$000	2021 \$000
Manufactured and finished products	251,022	120,768
Raw materials	26,937	12,832
	277,959	133,600
Goods in transit	29,583	26,423
Packaging	3,999	3,977
Consumables and spares	6,200	4,710
	317,741	168,710

Policy

Inventories are measured at the lower of cost and net realisable value (NRV). NRV is the estimated selling price, less estimated costs of completion and selling costs.

The cost of inventory is based on weighted average and includes expenditure incurred in bringing them to their existing location.

12. ASSETS HELD FOR SALE

The Emissions Trading Scheme units held for sale are counted at the lower of cost or net realisable value. The market value at 31 May 2022 was \$23.1m (2021: \$13.3m).

At 31 May the following assets were classified as held for sale:

	2022 \$000	2021 \$000
Emissions Trading Scheme units	7,381	8,777

13. INVESTMENTS

The Company has the following material investments:

a) Subsidiaries

	PRINCIPAL ACTIVITY	2022 BALANCE DATE	INTEREST	2021 BALANCE DATE	INTEREST
Ballance Agri-Nutrients (Kapuni) Limited	Urea manufacture	31 May	100%	31 May	100%
Super Air Limited	Agricultural aviation	31 May	100%	31 May	100%
Seales Winslow Limited	Animal nutrition	31 May	100%	31 May	100%

Policy

Subsidiaries are entities controlled directly or indirectly by the parent. The parent holds and controls 100% of the voting rights in all entities reported as subsidiaries.

The financial statements of subsidiaries are reported in the consolidated financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation. All subsidiaries are incorporated in New Zealand.

b) Equity accounted investee

	PRINCIPAL ACTIVITY	2022 BALANCE DATE	INTEREST	2021 BALANCE DATE	INTEREST
NZ Phosphate Company Limited	Research	30 June	50%	30 June	50%

Policy

Associates are entities in which the parent has significant influence, but not control or joint control, over the operating and financial policies. Investments in associates are reported in the financial statements using the equity method. All associates are incorporated in New Zealand.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

14. PROPERTY, PLANT AND EQUIPMENT (PPE)

	LAND AND IMPROVEMENTS	BUILDINGS	PLANT, EQUIPMENT AND AIRCRAFT	UNDER CONSTRUCTION	TOTAL
	\$000	\$000	\$000	\$000	\$000
Carrying value 1 June 2020	53,368	66,401	148,132	42,723	310,624
Cost	60,547	133,960	413,154	42,723	650,384
Accumulated depreciation	(7,179)	(67,559)	(265,022)	-	(339,760)
Acquisitions / (transfers)	1,115	3,244	39,826	25,670	69,855
Depreciation expense	(558)	(5,182)	(29,836)	-	(35,576)
Disposals - cost	(192)	(1,456)	(5,032)	-	(6,680)
Disposals - accumulated depreciation	1	1,053	4,689	-	5,743
Carrying value 31 May 2021	53,734	64,060	157,779	68,393	343,966
Cost	61,471	135,747	447,947	68,393	713,558
Accumulated depreciation	(7,737)	(71,687)	(290,168)	-	(369,592)
Acquisitions / (transfers)	804	9,500	87,410	(7,488)	90,226
Depreciation expense	(681)	(5,084)	(35,352)	-	(41,117)
Disposals - cost	(293)	(543)	(37,168)	-	(38,004)
Disposals - accumulated depreciation	13	514	36,061	-	36,588
Carrying value 31 May 2022	53,577	68,447	208,730	60,905	391,659
Cost	61,982	144,704	498,190	60,905	765,781
Accumulated depreciation	(8,405)	(76,257)	(289,460)	-	(374,122)

Policy

Items of PPE are measured at cost less accumulated depreciation and impairment losses. Capitalisation of costs stops when the asset is ready for use. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised. The costs of day-to-day servicing of PPE are recognised in profit or loss as incurred. Where parts of an item of PPE have different useful lives, they are accounted for as separate items of PPE. Depreciation commences when an asset becomes available for use.

Depreciation of PPE, other than land, is calculated on a straight line basis and expensed over the useful life of the asset.

Estimated useful lives are as follows:

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

Kapuni ammonia urea plant is depreciated in line with economic life which is currently February 2030.

The economic life has been based on a number of factors including judgements on gas availability, international urea price forecasts and the capital expenditure required on the current plant.

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

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.

Capital expenditure commitments

The estimated capital expenditure for PPE contracted for at balance date but not provided is \$34.9m for the Group (2021: \$15.3m).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

15. LEASES

Leases as lessee

	PROPERTY \$000	VEHICLES \$000	OTHER \$000	TOTAL \$000
Right-of-use asset (ROU)				
Carrying value 1 June 2020	34,416	3,483	562	38,461
Cost	42,054	4,961	870	47,885
Accumulated depreciation	(7,638)	(1,478)	(308)	(9,424)
Additions	7,827	1,791	295	9,913
Completed leases - cost	(252)	(603)	(537)	(1,392)
Completed leases - accumulated depreciation	252	603	535	1,390
Depreciation expense	(7,777)	(1,755)	(416)	(9,948)
Carrying value 1 June 2021	34,466	3,519	439	38,424
Cost	49,629	6,149	629	56,407
Accumulated depreciation	(15,163)	(2,630)	(190)	(17,983)
Additions	6,237	1,521	228	7,986
Completed leases - cost	(40)	(793)	-	(833)
Completed leases - accumulated depreciation	40	793	-	833
Depreciation expense	(8,639)	(1,766)	(186)	(10,591)
Carrying value 31 May 2022	32,064	3,274	481	35,819
Cost	55,826	6,877	857	63,560
Accumulated depreciation	(23,762)	(3,603)	(376)	(27,741)

	MINIMUM LEASE PAYMENT \$000	INTEREST \$000	PRESENT VALUE \$000
Lease liability 2021			
Within one year	10,559	1,314	9,245
Two to three years	9,127	967	8,160
Four to five years	13,960	1,634	12,326
Greater than five years	10,604	954	9,650
	44,250	4,869	39,381

Leases reported in the Balance Sheet as:

- current liabilities	9,245
- non-current liabilities	30,136
	39,381

	MINIMUM LEASE PAYMENT \$000	INTEREST \$000	PRESENT VALUE \$000
Lease liability 2022			
Within one year	10,879	1,372	9,507
Two to three years	8,414	1,042	7,372
Four to five years	12,474	1,973	10,501
Greater than five years	11,157	1,289	9,868
	42,924	5,676	37,248

Leases reported in the Balance Sheet as:

- current liabilities	9,507
- non-current liabilities	27,741
	37,248

Lease interest expense included in profit and loss

Interest	6	2022	2021
		1,555	1,495

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

15. LEASES (CONTINUED)

Policy

Lease liabilities are measured at the present value of future lease payments, discounted at the rate implicit in the lease or at the Group's incremental borrowing rate which ranges between 2% and 10%. Right-of-use assets are initially accounted for at cost, comprising the initial amount of the lease liability. Right-of-use assets are subsequently depreciated using the straight-line method over the term of the lease. When considering the lease term, the Group applies judgement in determining whether it is reasonably certain that an extension or termination option will be exercised.

The Group applies the following practical expedients when applying NZ IFRS 16 standard to leases.

- The use of a single discount rate to a portfolio of leases with similar characteristics.
- Not recognising right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Not recognising right-of-use assets and liabilities if the leased asset is a low value asset of up to \$5,000 or less than twelve months.

16. INTANGIBLE ASSETS

	NOTE	GOODWILL \$000	EMISSIONS TRADING SCHEME \$000	SOFTWARE \$000	TOTAL \$000
Carrying value 1 June 2020		737	18,753	32,896	52,386
Cost		737	18,753	83,588	103,078
Accumulated amortisation		-	-	(50,692)	(50,692)
Acquisitions		-	-	4,246	4,246
Movement in development costs		-	-	5,532	5,532
Grant - net allocation of emissions trading scheme credits		-	12,754	-	12,754
Amortisation		-	-	(8,300)	(8,300)
Transfer held for sale units		-	(8,777)	-	(8,777)
Carrying value 31 May 2021		737	22,730	34,374	57,841
Cost		737	22,730	93,367	116,834
Accumulated amortisation		-	-	(58,993)	(58,993)
Acquisitions		-	-	6,866	6,866
Movement in development costs		-	-	4,566	4,566
Grant - net allocation of emissions trading scheme credits		-	12,954	-	12,954
Amortisation		-	-	(9,692)	(9,692)
Transfer to prepayments	17	-	-	(6,838)	(6,838)
Disposals - cost		-	-	(20,079)	(20,079)
Disposals - accumulated amortisation		-	-	19,654	19,654
Carrying value 31 May 2022		737	35,684	28,851	65,272
Cost		737	35,684	77,881	114,302
Accumulated amortisation		-	-	(49,030)	(49,030)
Intangible assets are reported in the Balance Sheet as:					
31 May 2021					
Current assets		-	9,135	-	9,135
Non-current assets		737	13,595	34,374	48,706
		737	22,730	34,374	57,841
31 May 2022					
Current assets		-	13,320	-	13,320
Non-current assets		737	22,364	28,851	51,952
		737	35,684	28,851	65,272

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

16. INTANGIBLE ASSETS (CONTINUED)

Policy

Intangible assets are initially measured at cost, and subsequently stated at cost less any accumulated amortisation and impairment losses. This excludes Emissions Trading Scheme credits which are initially measured at fair value. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised. All other expenditure is expensed as incurred. Purchased software, technology systems and licences have been assessed as having a finite life greater than 12 months, and are amortised from the date the asset is ready for use on a straight line basis over its estimated useful life.

Estimated useful lives are as follows:

Software. 2 - 10 years

Software-as-a-Service ('SaaS') cloud computing arrangements are expensed as incurred as they do not create separate intangible assets controlled by the Group, except for those instances where the Group obtains control of any custom software code and has the ability to restrict others' access to those benefits.

Amortisation is recognised within administration expense.

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

Software

During the year ended 31 May 2022, the Group migrated its on-premise ERP system to a private cloud provider. Judgement has been applied to the existing intangible software assets to determine which software code the Group retains control of under the guidance in NZ IAS 38 - Intangible Assets and the components which are transferred to the cloud provider under the specifics of the cloud-based contract. For software code that has transferred under this new arrangement, the carrying value has been reclassified as a prepayment due to the fact that the Group has provided non-cash consideration in the fulfilment of the service contract (i.e. The transfer of the intangible asset is deemed to be a prepayment made for future services, under the guidance in NZ IFRS 15 Revenue from Contracts with Customers for non-cash consideration). The value transferred is classified between current assets and non-current assets and expensed over the associated term of the service contract, which in this specific case is 5 years.

New Zealand Emissions Trading Scheme

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 and subsequent to recognition they are measured at cost less any impairment.

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. Units expected to be utilised within twelve months of balance date are presented within current assets.

Goodwill

Goodwill is associated with Super Air Limited purchasing the assets of an aerial topdressing business.

17. PREPAYMENTS

	NOTE	2022 \$000	2021 \$000
Pre-paid software			
Transferred from intangibles	16	6,838	-
Software purchased in current year		725	-
Software expensed in current year		(147)	-
Carrying value 31 May 2022		7,416	-
Other prepayments		12,689	13,381
Total prepayments		20,105	13,381
Prepayments are reported in the Balance Sheet as:			
Current asset		14,197	13,381
Non-current asset		5,908	-
		20,105	13,381

Pre-paid non-cash consideration for configuration and customisation costs relating to the fulfilment of service contract with cloud provider expensed over the related contract life as noted in the software policy per note 16, as a result of the IFRIC Agenda decision \$6.838m was transferred from intangible assets to 'pre-paid software'.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

18. TRADE AND OTHER PAYABLES

	2022 \$000	2021 \$000
Current		
Trade payables and accrued expenses	126,628	76,859
Share repurchase instalments	6,353	6,458
Employee benefits	10,639	8,948
Emissions trading scheme - deferred income	11,689	6,570
Emissions trading scheme - liability	5,219	4,096
Non-trade payables and accrued expenses	6,746	6,869
	167,274	109,800

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 recognised.

19. LOANS AND BORROWINGS

At 31 May 2022 the committed and uncommitted Bank Revolving Cash Advance Facilities available were \$500m, of which \$226m was drawn in the Group (2021: facility \$320m, actual drawn \$74m). The excess headroom in the facility is available to ensure sufficient cash flow during peak periods arising due to seasonality of operations.

These facilities range in tenor from 1 to 5 years with the following weighting: 1 year 42%, 2 year 22%, 3 year 24%, 4 year 9% and 5 year 3%. The average interest rate in 2022 was 1.83% (2021: 1.70%). 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 Group has interest rate swaps with a nominal value of \$45m (2021: nil) with an average interest rate of 1.48% (2021: nil), refer note 24(b).

Borrowings are unsecured and subject to various lending covenants. These have all been met for the years ended 31 May 2022 and 31 May 2021.

20. PROVISIONS

	NOTE	2022 \$000	2021 \$000
Employee benefits - long-service leave provision			
Opening balance		1,599	1,454
Movement in provision	4	(25)	145
Closing balance		1,574	1,599
Contingent consideration			
Opening balance		872	740
Movement in provision		(28)	466
Cash payment		(701)	(357)
Unwind of discount	6	26	23
Closing balance		169	872
Holiday Act remediation			
Opening balance		1,808	1,897
Movement in provision		(1,625)	114
Cash payment		(11)	(203)
Closing balance		172	1,808
Site Restoration			
Opening balance		6,379	5,600
Movement in provision		1,081	1,229
Utilised		(1,282)	(450)
Closing balance		6,178	6,379
Total provisions		8,093	10,658

Total provisions are reported in the Balance Sheet as:

- current liabilities	964	2,554
- non-current liabilities	7,129	8,104
	8,093	10,658

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

20. PROVISIONS (CONTINUED)

The Holiday Act remediation provision relates to the correction of annual, bereavement, alternate, parental and sick leave owed to current and former employees from November 2011. The site restoration provision has been updated based on external and internal assessments of the work completed to date on leased sites. Costs are expected to be incurred over the next one to three years. Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred. Where valuation specialists provided a range in their estimates, management applied judgement in arriving at the value recorded.

Judgement was applied to estimate the site restoration provision based on an assessment of all relevant factors, including leasehold obligations, the timing of the restoration and internal and independent estimates of costs.

Policy

A provision is recognised where the likelihood of a resultant liability from a past event is more probable than not, and the amount required to settle the liability can be reliably estimated.

Site restoration provisions are recognised when there is a present legal or constructive obligation to remediate a site.

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2022 \$000	2021 \$000
Profit for the year	55,847	7,787
Add non-cash and non-operating items:		
Depreciation on Assets and Leases	51,708	45,526
Amortisation	9,692	8,300
Emissions trading scheme - net cost of carbon	(6,575)	(10,098)
Loss / (gain) on sale of assets held for sale	(1,715)	-
Derivative fair value movement	308	1,844
Loss / (gain) on sale of property, plant and equipment	601	(254)
Loan forgiveness to associate	288	-
Employee benefits	(25)	145
Rebate transferred to Share Allotment Reserve	9,110	16,949
Equity accounted earnings of associates	12	(1)
Increase / (decrease) in deferred tax	4,919	(4,458)
Add / (deduct) movements in working capital:		
Movement in trade and other receivables	(65,194)	(7,206)
Movement in inventories	(149,018)	(8,093)
Movement in trade and other payables	37,404	10,066
Movement in rebate payable	(16,093)	5,213
Movement in tax receivable	13,272	(7,384)
Net cash from operating activities	(55,459)	58,338

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

22. RELATED PARTIES

Identity of related parties

Related parties of the Group include the subsidiaries and associates disclosed in note 13, and key management personnel which includes directors and the executive team.

The Group may transact on an arms' length basis with companies in which directors have a disclosed interest. Sales and rebates paid to directors and their disclosed interests are less than 2% of the total operating revenue and rebates for the year respectively.

	2022 \$000	2021 \$000
Transactions with external related parties through common directorship, control or significant influence		
Revenue	9,549	7,556
Expenses	9,085	8,470
Rebate	535	502
Balances with external related parties through common directorship, control or significant influence		
Amounts owing to the company	2,884	1,336
Amounts owed by the company	126	57
Key management personnel and directors compensation		
Short term employee benefits, excluding directors (measured on an accrual basis)	4,732	4,554
Directors' fees	785	775
Total	5,517	5,329

23. CAPITAL AND RESERVES

a) Share capital

(i) Reconciliation of movement in co-operative shares

	2022 000's	\$000	2021 000's	\$000
Opening balance	44,704	205,234	44,117	199,933
Co-operative shares issued	18	149	25	206
Co-operative shares issued in lieu of rebate	2,075	16,807	1,979	16,032
Co-operative shares repurchased	(1,173)	(9,061)	(1,417)	(10,937)
Closing balance	45,624	213,129	44,704	205,234

(ii) Co-operative shares

All shares are fully paid and have no par value. Each share has a nominal value of \$8.10 (2021: \$8.10). 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 subject to any restricted holding determined for shares exceeding 100,000 and any other restrictions in the constitution. All shares rank equally with regard to the Company's residual assets.

Policy

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.

(iii) Share redemption features

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 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. The estimated annual cash outflow for repurchased shares is \$9m to \$12m. This estimate is primarily based on the historical level of cash outflow to pay repurchases that have met the repurchase criteria and have been approved by directors for payment. Any surrender is subject to Ballance being able to comply with any legal restrictions on surrender, including being able to meet the solvency test under the Companies Act. 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 1,172,969 shares (2021: 1,416,696) were repurchased at an average price of \$7.73 per share (2021: \$7.72) and subsequently cancelled.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

23. CAPITAL AND RESERVES (CONTINUED)

b) Other reserves

Other reserves comprise:

- A 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.

24. FINANCIAL INSTRUMENTS

Financial risk management policy

The Group has a comprehensive treasury policy, approved by the Board of Directors, to manage financial risks arising from business activity. The policy outlines the objectives and approach that the Group applies to manage:

- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

For each risk type, any position outside the policy limits requires the prior approval of the Board of Directors. Each risk is monitored on a regular basis and reported to the Board.

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.

Derivative and hedge accounting policy

The Group enters into derivative transactions under International Swaps and Derivative Association (ISDA) master netting agreements. The ISDA do not meet the criteria for offsetting in the Balance Sheet. The Group recognises derivatives at fair value on the date the derivative contract is entered into, and subsequently they are re-measured to their fair value at each balance date. All derivatives are classified as level 2 on the fair value hierarchy explained below in Note 24f.

The Group designates certain derivatives as cash flow hedges of highly probable forecast transactions.

At inception each transaction is documented, detailing:

- The economic relationship and the hedge ratio between hedging instruments and hedged items;
- The risk management objectives and strategy for undertaking the hedge transaction; and
- The assessment (initially and on an ongoing basis) of whether the derivatives that are used in the hedging transaction are highly effective in offsetting changes in fair values or cash flows of hedged items.

The underlying risk of the derivative contracts is identical to the hedged risk component (i.e. the interest rate risk and the foreign exchange risk) therefore the Group has established a one-to-one hedge ratio.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting.

Cash flow hedges

The Group has entered into foreign exchange forward contracts (the hedging instruments) to hedge the variability in cash flows arising from foreign currency exchange rate movements.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income.

The following are recognised in profit or loss:

- Any gain or loss relating to the ineffective portion of the hedging instrument; and,
- Fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss either:

- At the same time as the forecast transaction; or,
- Immediately if the transaction is no longer expected to occur.

a) Foreign currency risk

Quantitative disclosures

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

	2022 \$000		2021 \$000	
	MATURITY 1-6 MONTHS	6-12 MONTHS	MATURITY 1-6 MONTHS	6-12 MONTHS
Foreign currency risk				
Forward exchange contracts				
Net exposure (in thousands of New Zealand Dollars)	261,486	14,336	183,229	72,907
Average New Zealand Dollars:USD forward contract rate	0.688	0.696	0.693	0.725
Average New Zealand Dollars:EUR forward contract rate	0.620			0.589

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

24. FINANCIAL INSTRUMENTS (CONTINUED)

	2022 \$000 USD	2021 \$000 USD
Bank accounts	2,668	1,093
Trade payables	(37,854)	(19,460)
Net balance sheet exposure before hedging	(35,186)	(18,367)
Forward exchange contracts relating to exposures	35,186	18,367
Net unhedged exposure	-	-

Sensitivity analysis

At 31 May 2022 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 the Group by the amounts shown below.

		EQUITY 2022 \$000	PROFIT OR LOSS 2022 \$000	EQUITY 2021 \$000	PROFIT OR LOSS 2021 \$000
Forward exchange contracts	+10%	(26,110)	-	(22,326)	-
	-10%	31,912	-	27,287	-

Policy

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Company's functional currency. The currency risk is primarily denominated in United States dollars (USD).

Policy is to hedge up to 100% of trade payables and bank balances denominated in a foreign currency. At any point in time the Group also hedges between nil and 100% of its estimated foreign currency exposure in respect of forecasted purchases over the following 12 months. The Group uses forward exchange contracts to hedge the currency risks. Derivative contract and options have maturities of less than one year at the reporting date. These contracts are generally designated as cash flow hedges.

Determination of fair value

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) plus an estimated credit margin that are available for similar financial instruments.

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.

b) Interest rate risk

At reporting date, the interest rate profile of the Groups' interest bearing financial assets / (liabilities) were:

Interest rate risk - repricing analysis 2022	TOTAL \$000	MATURITY PROFILE			
		0 - 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	7,471	7,471	-	-	-
Bank loans	(226,000)	(213,000)	(13,000)	-	-
Net variable rate instruments	(218,529)	(205,529)	(13,000)	-	-
Effect of nominal value of interest rate swaps	45,000	-	-	-	45,000
Unhedged exposure	(173,529)	(205,529)	(13,000)	-	45,000

Interest rate risk - repricing analysis 2021	TOTAL \$000	MATURITY PROFILE			
		0 - 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	21,668	21,668	-	-	-
Bank loans	(74,009)	(74,009)	-	-	-
Net variable rate instruments	(52,341)	(52,341)	-	-	-
Effect of nominal value of interest rate swaps	-	-	-	-	-
Unhedged exposure	(52,341)	(52,341)	-	-	-

At 31 May 2022 it is estimated that a 1% movement either way in interest rates would decrease/increase respectively the Group's profit before income tax and equity by approximately +/- \$0.4m (2021: \$0.2m). The impact of the interest rate swaps have been included in this calculation.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

24. FINANCIAL INSTRUMENTS (CONTINUED)

Policy

The Group is exposed to interest rate risk through its borrowing activities.

Interest rate exposures are managed primarily by entering into derivative contracts to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Determination of fair value

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.

c) Credit risk

The Group is exposed to credit risk, in the normal course of business, from financial institutions and customers. The main objective is to minimise financial loss as a result of counterparty default.

Our credit policies to manage this exposure include:

- Individual policy limits
- Exposure to the agricultural industry through a limited number of merchants and direct customers
- Dealings with financial institutions with high credit ratings
- Regular reviews to determine any potential expected credit losses that require recognition

d) Liquidity risk

The table below shows the timing of non-discounted cash flows for all financial instrument liabilities (including estimated interest payments) and derivatives.

2022	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000	1 - 2 YEARS \$000	2 - 5 YEARS \$000	> 5 YEARS
Unsecured bank loans	226,000	227,907	227,907	-	-	-
Trade and other payables	155,585	155,585	155,585	-	-	-
Lease liabilities	37,248	42,924	10,879	8,414	12,474	11,157
Net rebates payable	27,300	27,300	27,300	-	-	-
Total non-derivative liabilities	446,133	453,716	421,671	8,414	12,474	11,157
Net settled foreign exchange derivatives used for hedging:	(14,802)	(14,717)	(14,717)	-	-	-
Net settled cash flow hedge derivatives	(2,332)	(2,415)	(890)	(1,251)	(274)	-

2021	CARRYING VALUE \$000	CONTRACTUAL CASH FLOWS \$000	0 - 12 MONTHS \$000	1 - 2 YEARS \$000	2 - 5 YEARS \$000	> 5 YEARS
Unsecured bank loans	74,009	74,154	74,154	-	-	-
Trade and other payables	103,230	103,230	103,230	-	-	-
Lease liabilities	39,381	44,250	10,559	9,127	13,960	10,604
Net rebates payable	43,393	43,393	43,393	-	-	-
Total non-derivative liabilities	260,013	265,027	231,336	9,127	13,960	10,604
Net settled foreign exchange derivatives used for hedging:	7,888	8,043	8,043	-	-	-
Net settled cash flow hedge derivatives	-	-	-	-	-	-

Policy

The Group is exposed to liquidity risk where there is a risk that the Group may encounter difficulty in meeting its day to day obligations due to the timing of cash receipts and payments. Refer note 19 for committed bank facilities available to the Group. The objective is to ensure 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.

e) Classification and fair values

The carrying amounts of all financial assets and liabilities to approximate their fair value due to the short term nature of financial assets and liabilities categorised below.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

24. FINANCIAL INSTRUMENTS (CONTINUED)

2022	NOMINAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
Assets				
Derivatives	266,895	17,463	-	17,463
Trade and other receivables	-	-	161,913	161,913
Cash and cash equivalents	-	-	7,471	7,471
Total assets	266,895	17,463	169,384	186,847
Liabilities				
Derivatives	8,927	330	-	330
Trade and other payables	-	-	155,585	155,585
Net rebates payable	-	-	27,300	27,300
Bank loan	-	-	226,000	226,000
Total liabilities	8,927	330	408,885	409,215
2021				
	NOMINAL AMOUNT \$000	FAIR VALUE HELD FOR TRADING \$000	AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000
Assets				
Derivatives	50,625	461	-	461
Trade and other receivables	-	-	96,029	96,029
Cash and cash equivalents	-	-	21,668	21,668
Total assets	50,625	461	117,697	118,158
Liabilities				
Derivatives	205,511	8,349	-	8,349
Trade and other payables	-	-	103,230	103,230
Net rebates payable	-	-	43,393	43,393
Bank loan	-	-	74,009	74,009
Total liabilities	205,511	8,349	220,632	228,981

f) Fair value hierarchy

Financial instruments measured at fair value are classified according to the following levels:

- 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).

Derivative financial assets and liabilities are level 2 on the fair value hierarchy.

25. CONTINGENCIES

Contingent liabilities

There were no material contingent liabilities at balance date. (2021: nil)

26. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the financial statements.

27. Ukraine and COVID-19

The current war in Ukraine and the continuing impacts of COVID-19 pandemic are among some of the key factors causing global economic uncertainty and volatility, which is impacting on current market conditions. The war has caused shortages of key exports from Russia and Ukraine such as oil, natural gas and wheat. Rising energy, commodity prices and continued supply chain disruption from the effects of the COVID-19 pandemic have been further impacted by this war, increasing inflationary pressure and weakening the global post-pandemic recovery.

The duration and impact of the above war, COVID-19 pandemic and any other heightened geopolitical situations remain unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences, as well as the impact on the financial position and results of the Group for future periods. Management will continue to assess the Group's ability to continue as a going concern and consider all available information about the future. Key financial and non-financial areas identified as requiring on-going assessment and review are the outlook for commodity pricing, debtors and the level of estimated credit losses, supply chain disruptions and the economic outlook of the agriculture and horticulture sectors.



Independent Auditor's Report

To the shareholders of Ballance Agri-Nutrients Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Ballance Agri-Nutrients Limited and its subsidiaries (the 'Group') on pages 63 to 83:

- Present fairly in all material respects the Group's financial position as at 31 May 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- The consolidated balance sheet as at 31 May 2022;
- The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; and
- Notes, including a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$8.7m determined with reference to a benchmark of Group expenses. We chose the benchmark because, in our view, this is a key measure of the Group's performance.



Key audit matters

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

The key audit matter

How the matter was addressed in our audit

Valuation and accuracy of inventory (\$317.7m)

As disclosed in Note 11 of the financial statements, the Group has inventory of \$317.7 million (2021: \$168.7 million).

Key components of inventory include manufactured and finished goods (\$251 million) and raw materials (\$26.9 million).

Inventory is a significant component of the balance sheet and it is held at a number of locations. Given the nature of the Group's products, complex measurements and conversion calculations are required to determine the volume of inventory on hand.

Judgement is also required in determining whether the value of inventory is valued at the lower of cost and net realisable value, particularly given current volatility of raw material prices.

Our audit procedures included the following, amongst others:

- Assessing controls over the valuation and accuracy of inventory;
- Attending physical stock counts at key sites and comparing our own calculation of inventory volumes and conversions to those recorded by management and their independent experts for a sample of stock holdings;
- Agreeing a selection of bulk density factors assessed by an independent laboratory to those used by management in the measuring of the quantity of bulk inventory on hand;
- Comparing inventory volumes on hand at year end with sales volumes for the period to identify potential obsolescence issues;
- Comparing the per unit carrying value for inventory on hand at year end with current sales prices to identify stock that may be overvalued; and
- Examining management's inventory provision assessments, challenging key assumptions including alternative uses for products and considering alternatives.

We did not identify material exceptions from procedures performed, and found the judgements and assumptions used to calculate the quantity and value on hand to be balanced and consistent with our understanding of the nature and intended use of the inventory.



Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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



Use of this independent auditor's report

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



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- The preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.



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

Our objective is:

- To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- To issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

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

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

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

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Keaney.

For and on behalf of

KPMG
Tauranga
27 July 2022

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

GENERAL DISCLOSURES

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

DIRECTOR	POSITION	COMPANY
DV Balle	Director	Balle Bros Group Onions New Zealand Incorporated Potatoes New Zealand Limited
AG Brantley	Chairman	FarmRight Limited H.W. Richardson Group Limited POU Limited
	Director Chair Member	Independent Assessment Board, Local Government of New Zealand Excellence Programme AML Limited (appointed July 2021) Energy Efficiency & Conservation Authority (appointed June 2021)
DJ Coull	Chairman	Naki Construction Limited NZ Phosphate Company Limited Otorohanga District Development Board Westfield Farms Limited
	Director	Westyle Developments Limited Coull Farms Limited Harakeke Dairies Limited
	Board member Panel member Shareholder	RBS 2015 Limited Fertiliser Association of New Zealand OSPRI Director assessment panel Waipa Pastoral Limited
AC Darke	Director	Mt View Limited Ridgeway Farms Limited
	President	Te Kuiti Pony Club (May 2022)
KR Ellis (Retired February 2022)	Director	Freightways Limited (Retired Oct 2021) Port of Tauranga Limited FSF Management Company Limited
	Consultant Advisor Chairman	Envirowaste Services Limited Ultimate Care Group NZ Social Infrastructure Fund Limited Green Cross Health Limited
CJ Henderson (Elected Sept 2021)	Associate Director Director Member	DairyNZ Limited (resigned Dec 2021) Henderson Farms Trust Limited ECan Regional Water Management Committee
	Trustee	He Waka Eke Noa (Primary Sector Climate Action Partnership) North Canterbury Farmers Charitable Trust Waimakariri Landcare Trust
MM Kernahan (Appointed March 2022)	Director Trustee Chief Executive	NZ Automotive Investments Limited (resigned April 2022) Timmich Trustees Limited Ritchies Transport Holdings Limited
AD Morrison	Chairman	Beef + Lamb New Zealand Limited NZ Meat Board
	Director	Glenroy Morrison Limited Ovis Management Limited Pastoral Greenhouse Gas Research Consortium Wool Research Organisation of New Zealand
	Member	Food and Fibre Leaders' Forum Food and Fibres Partnership Group Strong Wool Action Group (resigned Feb 2022)
	Partner	AD Morrison Farms Partnership
SD Robertson	Director	Alliance Group Limited (June 2021) Apati Group Limited (resigned June 2021) Apati Suppliers Limited (resigned June 2021) Independent Timber Merchants Co-Operative Limited Synlait Milk Limited Synlait Milk Finance Limited
MJ Taggart (Retired September 2021)	Chairman	Alliance Group Limited Taumata Plantations Limited
	Trustee Director	Oxford Health Charitable Trust FMG Insurance Limited Oxford Health Charity Limited
	Partner	MJ, RM and GE Taggart T/A Taggart Farms
SJ von Dadelszen	Director	Centralines Limited FMG Insurance Limited
	Member	Tukituki Water Security Limited Maharakeke and Porangahau streams catchment group Hinerangi Station Limited
	Shareholder	Totara Dairy Farm Limited
	Treasurer	Dannevirke Hunt (resigned Aug 2021)

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

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 2022.

Subsidiary company directors' disclosures:

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.

Ag Hub Limited

MD Wynne (E), MW Skilton (E).

Ballance Agri-Nutrients (Kapuni) Limited

MD Wynne (E), MW Skilton (E).

Bay of Plenty Fertiliser Company Limited

MD Wynne (E), MW Skilton (E).

BOP Fertiliser Limited

MD Wynne (E), MW Skilton (E).

Ballance Limited

MD Wynne (E), MW Skilton (E).

Te Ata Hydrogen

MD Wynne (E), MW Skilton (E).

Directors' Remuneration

Fees paid to Directors were:

AG Brantley	\$81,667
AD Morrison	\$75,000
DV Balle	\$75,000
DJ Coull	\$160,000
CJ Henderson	\$50,208
SJ von Dadelszen	\$82,000
AC Darke	\$75,000
SD Robertson	\$86,339
MM Kernahan	\$18,750
MJ Taggart	\$24,792
KR Ellis	\$56,250
Total paid to Company Directors	\$785,006

Directors' Interests

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

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 S162 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 approved by the Board on 27 July 2022. 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 2022 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:

- 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;
- 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	No. of Employees — Group	Remuneration \$NZ	No. of Employees — Group
100,000 - 110,000	56	220,001 - 230,000	4
110,001 - 120,000	41	230,001 - 240,000	5
120,001 - 130,000	30	240,001 - 250,000	4
130,001 - 140,000	35	260,001 - 270,000	2
140,001 - 150,000	25	270,000 - 280,000	1
150,001 - 160,000	29	310,001 - 320,000	2
160,001 - 170,000	22	370,001 - 380,000	1
170,001 - 180,000	20	390,001 - 400,000	1
180,001 - 190,000	17	540,001 - 550,000	1
190,001 - 200,000	4	560,001 - 570,000	1
200,001 - 210,000	7	590,001 - 600,000	1
210,001 - 220,000	5	1,500,001 - 1,600,000	1

AUDITOR

Shareholders at the Annual Meeting will need to approve a resolution that KPMG continue in office with the Directors authorised to fix their remuneration.

For and on behalf of the Directors



DJB Coull
Chairman of Directors
27 July 2022



SD Robertson
Director
27 July 2022

Trend Statement

FOR THE YEAR ENDED AND AS AT 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

		2018	2019	2020	2021	2022
Group Sales Volumes	tonnes	1,639,000	1,647,000	1,551,000	1,553,000	1,583,000
Revenue before rebate	\$000	825,809	910,472	891,274	897,040	1,195,000
	\$/tonne	\$504	\$553	\$575	\$578	\$755
Profits						
Adjusted profit before rebate and tax	\$000	69,463	72,457	68,850	63,147	112,107
	\$/tonne	\$42.38	\$43.99	\$44.39	\$40.66	\$70.82
Group profit retained	\$000	9,189	11,943	8,941	7,787	55,847
After distributions, impairment provision, inventory write down and including minority interest retentions in subsidiary companies						
Cash Flow						
From operations (prior to rebate payment)	\$000	73,668	103,063	140,839	96,404	(11,954)
Capital and investment expenditure (net)	\$000	38,436	83,674	80,224	77,506	91,591
Distributions to Shareholders						
Rebates paid or proposed	\$000	56,819	57,045	54,107	60,228	36,522
Rebate per tonne	\$/tonne	\$45.00	\$45.00	\$45.00	\$50.00	\$30.00
Analysis of Shareholders' Equity						
Number of shareholders		18,957	18,637	17,950	17,441	17,098
Shares on issue	000's	42,653	43,473	44,116	44,704	45,625
Nominal share value	\$	\$8.10	\$8.10	\$8.10	\$8.10	\$8.10
Share quota per tonne		30	30	30	30	30
Investment per quota tonne	\$	243.00	243.00	243.00	243.00	243.00
Co-op shareholders' equity	\$000	437,103	459,544	469,955	476,015	546,731
Group shareholders' equity	\$000	437,103	459,544	469,955	476,015	546,731
Group equity ratio		76.1%	73.7%	67.5%	62.5%	53.3%
Net asset backing per share	\$	\$10.25	\$10.57	\$10.65	\$10.65	\$11.98
Assets						
Total Assets	\$000	574,670	623,629	696,053	761,605	1,024,938
Working Capital current assets less current liabilities	\$000	155,636	138,572	112,287	72,611	96,639
Ratio of Current Assets to Current Liabilities		2.2	1.9	1.6	1.3	1.2
Stock Turn		4.0	4.1	4.1	4.1	3.8

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

INTRODUCTION

The Board of Ballance Agri-Nutrients Limited considers strong corporate governance to be a critical element of the overall performance of the Company, and an enabler to strong performance and outcomes for Ballance's shareholders, customers, employees, and the wider community in which Ballance participates. In line with this perspective, Ballance has policies and processes to establish, develop and maintain appropriate governance throughout the Company.

The Board is committed to acting with integrity and expects high standards of behaviour and accountability from all of its' directors and employees.

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

ROLE OF THE BOARD

The Board is responsible for taking appropriate action to protect and enhance the value of Ballance in the best interests of the Company and its shareholders, which includes guiding the purpose, vision, and Company strategies. The Board achieves this through governance and oversight of the development of strategies, setting key objectives and policies.

Execution of the strategy and day-to-day running of the Company is delegated to the Chief Executive, and this is monitored by the Board to ensure business is conducted within agreed frameworks.

The Board and its conduct are governed by the Company's Constitution and Board Charter which outline the Board's functions and operating procedures.

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. The Board has an approved Risk Management Framework for identifying the material risks to the business and considers the mitigation plans to reduce the impact of the risk. The Audit and Risk Committee considers the mitigation plans on a periodic basis, including independent evidence of effectiveness of key controls. Key risks are identified and prioritised against a matrix of likelihood and consequence and ownership for the management of these are formally assigned to senior managers.

BOARD MEMBERSHIP

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

The constitution provides for six elected directors from two 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 valid 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. All shareholders are able to vote in directors' elections.

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. In 2021 an Associate Director role was established to ensure Ballance played a part in advancing governance capability within the wider primary sector. A short-list of applications was interviewed, and Will Grayling was selected for this development opportunity. The Associate Director participates in all Board meeting discussions but does not have a vote in Board decisions.

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 influence, in a material way, the directors' decisions in relation to the Company.

BOARD MEETINGS

The Chief Executive and the Chairman prepare meeting agendas. Any member of the Board may request the addition of an item to the agenda. The Board met on eleven occasions in the financial year ended 31 May 2022. The length of meetings is usually one day, extending to two days for meetings with special business, including, the annual strategic plan development, the annual shareholder meeting, operating site visits and field trips to meet with farmers and staff. Teleconference and video meetings are conducted in addition as required.

Directors also represent the Company at 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 with the Chairman responsible for discussing results with the directors being assessed.

BOARD COMMITTEES

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

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee comprises at least three directors (currently has five directors) and cannot be chaired by the Board Chairman. The current Chair of the committee is appointed director Simon Robertson. The committee convene meetings as required to ensure coverage of their terms of reference.

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 and Risk 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 Chair 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 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.

Corporate Governance

FOR THE YEAR ENDED 31 MAY 2022. BALLANCE AGRI-NUTRIENTS LIMITED AND SUBSIDIARY COMPANIES

DUE DILIGENCE COMMITTEE

The Due Diligence Committee comprises two directors and three members of the executive team and is currently Chaired by Simon Robertson.

The Due Diligence Committee is responsible for overseeing the content and maintenance of the Ballance Product Disclosure Statement. The purpose of the Due Diligence Committee is to meet statutory obligations in complying with the Financial Markets Conduct Act and associated Regulations that govern the presentation of offer documents to the Disclose Register.

PEOPLE, CULTURE AND GOVERNANCE COMMITTEE

The People, Culture and Governance Committee comprises at least three directors (currently has four) and is currently chaired by elected director Sarah von Dadeltszen.

The People, Culture and Governance Committee is responsible for reviewing and recommending to the full board:

- The Chief Executive's annual performance and remuneration
- The remuneration of the Chief Executive's direct reports and any annual incentive payment targets
- The overall salary review level for the Company
- Ensuring succession plans are in place for the Chief Executive and the position's direct reports
- The fees payable to directors, subject to shareholder approval
- The search and competency criteria for selecting appointed directors
- The completion of board reviews by an independent organisation
- The short-listing of any associate director candidates

Any proposal for significant change in company-wide remuneration policies and programmes is dealt with by the full Board. The People, Culture and Governance Committee convene meetings as required to ensure coverage of their terms of reference.

TE ATA PROJECTS COMMITTEE

The Te Ata Projects Committee was formalised in 2021 with the purpose to focus on projects that would reduce the carbon equivalent footprint of our industrial processes, primarily at our Kapuni ammonia urea plant and also within the wider developments of renewable energy sources within New Zealand.

The Te Ata Projects Committee currently comprises six directors and is chaired by appointed director Albert Brantley.

SHAREHOLDER COMMUNICATION

Ballance places considerable importance on communicating with our shareholders.

Regular communications covering Company activities, co-operative affairs and scientific advice are distributed and made available to our shareholders.

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. Ballance is a continuous issuer under a registered Product Disclosure Statement ("PDS"). The PDS is held on the Disclose Register, available at <https://disclose-register.companiesoffice.govt.nz>. Any material matters that would impact on a decision to subscribe for shares in the Company would be updated in that register.

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 approach. 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, training, objectives and employee briefings.

We maintain and continually improve our health and safety management systems, 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 nutrient management.

The fertiliser recommendations given by employees for the use of products sold by the Company are subject to random audits. 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.

Directory

BALLANCE AGRI-NUTRIENTS LIMITED

Board of Directors

Duncan Coull – Chairman and Director (North Island)
 Dacey Balle – Director (North Island)
 Albert Brantley – Appointed Director
 Dani Darke – Director (North Island)
 Will Grayling – Associate Director
 Cameron Henderson – Director (South Island)
 Michele Kernahan – Appointed Director
 Andrew Morrison – Director (South Island)
 Simon Robertson – Appointed Director
 Sarah von Dadelszen – Director (North Island)

REGISTERED OFFICE

161 Hewletts Road, Mount Maunganui

SOLICITORS

Russell McVeagh
 PO Box 8, Auckland
 Sharp Tudhope
 Private Bag TG12020, Tauranga

BANKERS

ANZ Bank New Zealand Limited
 Bank of China (New Zealand) Limited
 Commonwealth Bank of Australia
 Hong Kong and Shanghai Banking Corporation Limited
 Rabobank New Zealand
 Westpac Banking Corporation

AUDITOR

KPMG
 PO Box 110, Tauranga

LEADERSHIP TEAM

Mark Wynne – Chief Executive Officer
 Shane Dufaur – GM Operations & Supply Chain
 David Healy – Chief Digital Officer
 Sheena Henderson – GM Customer Experience & Marketing
 Jason Minkhorst – GM Sales
 Jacqueline Rich – GM People & Capability
 Matt Skilton – Chief Financial Officer

BALLANCE AGRI-NUTRIENTS LIMITED – HEAD OFFICE

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

BALLANCE AGRI-NUTRIENTS LIMITED – SOUTH

PO Box 849, Invercargill
 Phone 03 211 3220
 Email Invercargill.reception@ballance.co.nz

BALLANCE AGRI-NUTRIENTS (KAPUNI) LIMITED

PO Box 439, Hawera
 Phone 06 272 6449
 Email kapuni.reception@ballance.co.nz

SEALESWINSLOW LIMITED

PO Box 11, Morrinsville, 3340
 Phone 0800 287 325
 Email sales@sealeswinslow.co.nz
 Website www.sealeswinslow.co.nz

SUPER AIR LIMITED

Rukuhia, RD2, Hamilton
 Phone 07 843 6066
 Email reception@superair.co.nz



Frans & Tineke de Jong and Talbert de Jong
 and Emily Meese with their children